FILING STATEMENT

OF

SAN ANGELO OIL LIMITED

Dated as at October 23, 2017

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover described in this filing statement.

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GLOSSARY

The following terms used in this Filing Statement have the following meanings. This is not an exhaustive list of defined terms used in this Filing Statement and additional terms are defined throughout this Filing Statement.

"**Affiliate**" means a company that is affiliated with another company as described below.

A company is an "Affiliate" of another company if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A company is "controlled" by a Person if:

(a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"**Agent**" means M Partners Inc. who is acting as agent in connection with part of the Cabral Offering.

"**Amalco**" means Cabral Gold B.C. Inc., the company to be formed as a result of the Amalgamation.

"**Amalgamation**" means the amalgamation of Cabral and Subco pursuant to the provisions of the BCBCA as contemplated in the Business Combination Agreement.

"**Arm's Length Transaction**" means a transaction that is not a Related Party Transaction.

"**Associate**" when used to indicate a relationship with a Person, means:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;

(b) any partner of the Person;

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity;

(d) in the case of a Person, who is an individual:

(i) that Person's spouse or child, or
(ii) any relative of the Person or his spouse who has the same residence as that Person;

but

(e) where the TSX-V determines that two Persons shall, or shall not, be deemed to be associates with respect to a member firm, member corporation or holding company of a member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that member firm, member corporation or holding company.

"**BCBCA**" means the *Business Corporations Act* (British Columbia) and all regulations thereunder, as amended from time to time.

"**Business Combination Agreement**" means the amended and restated business combination agreement between Cabral, San Angelo and Subco dated May 10, 2017, as amended August 11, 2017, August 30, 2017 and October 12, 2017, including the schedules attached thereto, and as may be further amended from time to time.

"**Cabral**" means Cabral Gold Ltd., a company existing under the laws of British Columbia.

"**Cabral Board**" means the board of directors of Cabral.

"**Cabral Offering**" has the meaning set out in "*Summary of Filing Statement - General- Terms of the Transaction - Financing*".

"**Cabral Shareholders**" means the registered and/or beneficial holders of Cabral Shares, as the context requires.

"**Cabral Shares**" means the common shares in the capital of Cabral.

"**Closing**" means the closing of the Transaction.

"**Control Person**" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"**Cuiú Cuiú Project**" means the Cuiú Cuiú project that is the principal asset of Cabral and located in the Tapajós Region of northern Brazil.

"**DNPM**" has the meaning set out in "*Information Concerning Cabral Gold Ltd. - Narrative Description of the Business - Mineral Project – Property Description and Location – Mineral Claims*".

"**Effective Date**" means the effective date of the Amalgamation as set forth in the certificate of amalgamation to be issued by the registrar of companies pursuant to the BCBCA.

"**Effective Time**" means 12:01 a.m. (*Vancouver Time*) on the Effective Date.

"**Exchange Ratio**" has the meaning set out in "*Summary of Filing Statement - General- Terms of the Transaction*".

"**Filing Statement**" means this filing statement of San Angelo dated October 23, 2017, together with schedules and appendices hereto and including the summary hereof.

"**Finder's Warrant**" has the meaning set out in "*Summary of Filing Statement - General- Terms of the Transaction - Financing*".

"**Glanville**" has the meaning set out in "*Information Concerning Cabral Gold Ltd. – Valuation*".

"**Informal Valuation**" means the informal valuation dated September 10, 2017 and prepared by Ross Glanville of Ross Glanville & Associates Ltd. and Bruce McKnight of Bruce McKnight Minerals Advisor Services.

"**Insider**" if used in relation to an issuer, means:

(a) a director or senior officer of the issuer;
(b) a director or senior officer of a company that is an insider or subsidiary of the issuer;
(c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or

(d) the issuer itself if it holds any of its own securities.

"**Magellan Brazil**" means Magellan Minerais Prospecção Geológica Ltda., a company existing pursuant to the Laws of Brazil, which is 99.99% owned by Cabral.

"**McKnight**" has the meaning set out in "*Information Concerning Cabral Gold Ltd. – Valuation*".

"**Micon**" means Micon International Limited.

"**NEO**" or "**Named Executive Officer**" means a named executive officer, which includes:

(a) the chief executive officer (the "**CEO**");
(b) the chief financial officer (the "**CFO**");
(c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the relevant period in question; and
(d) each individual whose total compensation was, individually, more than $150,000 and would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company or its subsidiaries, nor acting in a similar capacity, at the end of that period.

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

"**Non-Arm's Length Party**" means in relation to a company, a promoter, officer, director, other Insider or Control Person of that company (including an issuer) and any Associates or Affiliates of any such Persons. In relation to an individual, means any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person.

"**PAH**" has the meaning set out in "*Information Concerning Cabral Gold Ltd. - Narrative Description of the Business - Mineral Project*".

"**Parties**" means each of San Angelo, Cabral and Subco, and "**Party**" means any one of them, as applicable.

"**Person**" means a company or individual.

"**PGM**" has the meaning set out in "*Information Concerning Cabral Gold Ltd. – General Description of the Business and History*".

"**Post-Consolidation San Angelo Shares**" means the San Angelo Shares after giving effect to the San Angelo Consolidation.

"**Property**" means the Cuiú Cuiú Project.

"**Related Party Transaction**" has the meaning ascribed to that term in TSX-V Policy 5.9 – *Protection of Minority Security Holders in Special Transactions*, and includes a related party transaction that is determined by the TSX-V to be a Related Party Transaction. The TSX-V may deem a transaction to be a Related Party Transaction where the transaction involves Non Arm's Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

"**Resulting Issuer**" means San Angelo as it will exist immediately following completion of the Transaction.

"**Resulting Issuer Board**" means the San Angelo Board after giving effect to the Transaction, which includes giving effect to the San Angelo Board Reconstitution.

"**Resulting Issuer Shareholders**" means holders of Resulting Issuer Shares.

"**Resulting Issuer Shares**" means the common shares in the capital of the Resulting Issuer.

"**Resulting Issuer Stock Option Plan**" means the San Angelo Stock Option Plan after giving effect to the Transaction.

"**Resulting Issuer Stock Options**" means options to purchase Resulting Issuer Shares granted under the Resulting Issuer Stock Option Plan.

"**Resulting Issuer Warrants**" means warrants to purchase Resulting Issuer Shares.

"**San Angelo**" means San Angelo Oil Limited, a company existing under the laws of British Columbia.

"**San Angelo Board**" means the board of directors of San Angelo.

"**San Angelo Board Reconstitution**" means the reconstitution of the San Angelo Board as set out in "*Summary of Filing Statement - General- Terms of the Transaction- San Angelo Board Reconstitution*".

"**San Angelo Consolidation**" means the consolidation of San Angelo Shares on the basis of five San Angelo Shares for one Post-Consolidation San Angelo Share, and the corresponding adjustment to the outstanding warrants of San Angelo in accordance with the terms of such warrants.

"**San Angelo Management Reconstitution**" means the reconstitution of the management of San Angelo as set out in "*Summary of Filing Statement - General- Terms of the Transaction- San Angelo Management Reconstitution*".

"**San Angelo Registered Shareholders**" has the meaning set out in "*Summary of Filing Statement - General- Terms of the Transaction – Share Consolidation*".

"**San Angelo Shareholders**" means the registered and/or beneficial holders of San Angelo Shares, as the context requires.

"**San Angelo Shares**" means common shares in the capital of San Angelo.

"**San Angelo Stock Option Plan**" means the 2017 stock option plan of San Angelo that the San Angelo Shareholders approved at the meeting of San Angelo held on July 4, 2017.

"**San Angelo TSX-V Approval**" means the necessary approvals of the TSX-V for the Transaction.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval website at www.sedar.com.

"**Subco**" means 1116669 B.C. Ltd., a company existing under the laws of British Columbia and wholly-owned subsidiary of San Angelo.

"**Subscription Receipt**" has the meaning set out in "*Summary of Filing Statement - General- Terms of the Transaction - Financing*".

"**Target Company**" means Cabral, to be acquired in connection with the Transaction.

"**Technical Report**" means the technical report entitled "Technical Report on the Cuiú Cuiú Project, Pará State, North-Central Brazil", dated October 6, 2017 and prepared by Thomas C. Stubens, P.Eng., B. Terrence Hennessey, P.Geo. and Richard M. Gowans, P.Eng of Micon International Limited.

"**Transaction**" means the amalgamation of Cabral and Subco as contemplated in the Business Combination Agreement, which is intended to constitute a reverse takeover for San Angelo pursuant to the policies of the TSX-V.

"**TSX-V**" means the TSX Venture Exchange.

"**TSX-V Bulletin**" means the bulletin issued by the TSX-V announcing the completion of the Transaction.

"**TSX-V Form 3D2**" means TSX-V Form 3D2- *Information Required in a Filing Statement for a Reverse Takeover or Change of Business*.

"**TSX-V Policy 5.2**" means TSX-V Policy 5.2- *Changes of Business and Reverse Takeovers*.

"**TSX-V Tier 2 Value Escrow**" means the escrow provisions for value securities for Tier 2 issuers, as set out in TSX-V Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions*.

"**Unit**" has the meaning set out in "*Summary of Filing Statement - General- Terms of the Transaction - Financing*".

GENERAL INFORMATION

Introduction

This Filing Statement is being prepared in accordance with TSX-V Policy 5.2 and TSX-V Form 3D2 in connection with the Transaction. No person has been authorized to give any information or make any representation in connection with the matters disclosed herein other than those contained in this Filing Statement and, if given or made, any such information or representation must not be relied upon as having been authorized.

Any information concerning San Angelo and Subco contained in this Filing Statement has been provided by San Angelo. Although Cabral has no knowledge that would indicate that any of such information is untrue or incomplete, Cabral does not assume any responsibility for the accuracy or completeness of such information or the failure by San Angelo to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Cabral.

Any information concerning Cabral contained in this Filing Statement has been provided by Cabral. Although San Angelo has no knowledge that would indicate that any of such information is untrue or incomplete, San Angelo does not assume any responsibility for the accuracy or completeness of such information or the failure by Cabral to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to San Angelo.

All capitalized terms used in this Filing Statement but not otherwise defined herein have the meanings set forth under "Glossary". Information contained in this Filing Statement is given as of October 23, 2017 unless otherwise specifically stated.

Cautionary Statement Regarding Forward-Looking Information

This Filing Statement includes certain statements and information that constitutes "forward-looking statements" and "forward-looking information" under applicable securities laws ("forward-looking statements" and "forward-looking information" are collectively referred to herein as "forward-looking statements", unless otherwise stated). Forward-looking statements appear in a number of places in this Filing Statement and include statements and information regarding the intent, beliefs or current expectations of San Angelo and Cabral and statements relating to the proposed Transaction (as such term is defined herein). Such forward-looking statements involve known and unknown risks and uncertainties that may cause San Angelo, Cabral and the Resulting Issuer's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Filing Statement, words such as "expects", "anticipates", "estimates", "projects", "plans", "goals", "objectives", "outlook", "believe", "could", "intend", "may", "predict", "will", "would" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements may relate to San Angelo's, Cabral's and the Resulting Issuer's future outlook and anticipated events or results and may include statements regarding San Angelo's, Cabral's and the Resulting Issuer's future business strategy, plans and objectives. San Angelo and Cabral have based these forward-looking statements largely on their current expectations and projections about future events. These forward-looking statements were derived using numerous assumptions, and while San Angelo and Cabral consider these assumptions to be reasonable, based on information currently available, such assumptions may prove to be incorrect. Accordingly, readers are cautioned to not put undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future events or results.

Forward-looking statements speak only as of the date such statements are made. Except as required by applicable law, San Angelo and Cabral assume no obligation to update or to publicly announce the results of any change to any forward-looking statement contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. If San Angelo or Cabral updates any one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements. Readers should not place undue importance on forward-looking statements and should not rely upon these statements as of any other date. All forward-looking statements contained in this Filing Statement are expressly qualified in their entirety by this cautionary statement.

Note to U.S. Securityholders

THE SECURITIES ISSUABLE IN CONNECTION WITH THE TRANSACTION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED UPON THE ADEQUACY OR ACCURACY OF THIS FILING STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Post-Consolidation San Angelo Shares to be issued to the Cabral Shareholders in connection with the Transaction have not been and will not be registered under the United States *Securities Act of 1933* (the "**1933 Act**") or the securities laws of any U.S. state and may not be offered or sold, directly or indirectly, in the United States to, or for the account or benefit of, a U.S. person (as defined in Rule 902 of Regulation S promulgated under the 1933 Act ("**Regulation S**"), which definition includes, but is not limited to, an individual resident in the United States and an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or company organized or incorporated under the laws of the United States) unless registered under the 1933 Act and the securities laws of all applicable U.S. states or unless an exemption from such registration requirements is available, and San Angelo has no obligation or present intention of filing a registration statement under the 1933 Act in respect of any of the Post-Consolidation San Angelo Shares.

Exchange Rate Data

On October 20, 2017, the daily rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US$1.00 equals $1.2601, and for conversion of Brazilian reals into Canadian dollars was R$1.00 equals $0.3954. In this Filing Statement, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to "$" are to Canadian dollars. In this Filing Statement, references to "USD", "US$" and "U.S. dollars" are to United States dollars, and references to "R$" are to Brazilian reals.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to San Angelo, Cabral and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement, including the Appendices attached hereto.

General

The purpose of this Filing Statement is to provide information on the Transaction. The Transaction will qualify as a reverse takeover, as defined in the policies of the TSX-V, and will, if completed, result in a change of control of San Angelo.

Information contained in this Filing Statement is given as at October 23, 2017, unless otherwise specifically stated.

Details Respecting San Angelo Oil Limited

San Angelo Oil Limited was incorporated on February 11, 2014 under the BCBCA. San Angelo is currently without active operations. San Angelo's management has considered several potential acquisition opportunities involving mineral properties with a view to completing an acquisition and commencing active business operations. San Angelo is a reporting issuer in British Columbia, Alberta, Manitoba and Ontario, and the San Angelo Shares are listed on the NEX board of the TSX-V under the symbol "SAO.H". San Angelo has one wholly-owned subsidiary, Subco, which was incorporated on April 27, 2017 under the the BCBCA for the sole purpose of effecting the Amalgamation. See "*Information Concerning San Angelo Oil Limited*".

The head office of San Angelo is located at Suite 650, 669 Howe Street, Vancouver, British Columbia, V6C 0B4. The registered and records office of San Angelo is located at Suite 1200, 750 West Pender Street, Vancouver, British Columbia, V6C 2T8.

Details Respecting Cabral Gold Ltd.

Cabral Gold Ltd. was incorporated on February 17, 2016 under the BCBCA. Cabral's principal asset is the Cuiú Cuiú Project, a gold exploration project located in the Tapajos Region within the state of Para in northern Brazil. Cabral is not a reporting issuer and the Cabral Shares are not listed or posted for trading on any stock exchange. See "*Information Concerning Cabral Gold Ltd.*".

The head office and principal address of Cabral is located at Suite 1500, 409 Granville St., Vancouver, British Columbia, V6C 1T2. The registered office of Cabral is located at Suite 1200, 750 West Pender Street, Vancouver, British Columbia, V6C 2T8.

Terms of the Transaction

On May 10, 2017, the Parties entered into the Business Combination Agreement, pursuant to which San Angelo agreed to acquire Cabral. Pursuant to the Business Combination Agreement, the Transaction will be carried out by way of a three-cornered amalgamation, whereby Cabral will amalgamate with Subco to form Amalco. San Angelo proposes to complete the San Angelo Consolidation concurrently with closing, and pursuant to the Amalgamation, Cabral Shareholders will receive 0.18 of one Post-Consolidation San Angelo Share for each one Cabral Share held (the "**Exchange Ratio**"). Amalco will become a wholly-owned subsidiary of San Angelo, and San Angelo proposes to change its name to Cabral Gold Inc. on closing of the Transaction. San Angelo will issue approximately 22,822,548 Post-Consolidation San Angelo Shares to shareholders of Cabral at a deemed issue price of $0.60 per Post-Consolidation San Angelo Share, for a total deemed value of approximately $13.7 million. In addition, outstanding options and warrants of Cabral will be exchanged for similar instruments of San Angelo exercisable for or convertible into Post-Consolidation San Angelo Shares on the basis of the Exchange Ratio. Upon completion of the Transaction, San Angelo will be the Resulting Issuer and carry on the business of Cabral.

The Business Combination Agreement contains representations and warranties of and from each of San Angelo, Subco and Cabral including covenants and various conditions precedent customary for transactions in the nature of the Transaction, and provides for the implementation of the Transaction. A copy of the Business Combination Agreement is available on SEDAR at www.sedar.com.

Pursuant to the Business Combination Agreement, the Transaction will involve the San Angelo Consolidation, the San Angelo Board Reconstitution, and the San Angelo Management Reconstitution.

The respective obligations of the Parties to complete the transactions contemplated by the Business Combination Agreement are subject to a number of customary conditions that must be satisfied or waived in order for the Transaction to become effective including (but not limited to): the absence of a material adverse change in the business, financial condition, prospects, assets or operations of San Angelo or Cabral; the Resulting Issuer having met Tier 2 initial listing requirements of the TSX-V; and the San Angelo TSX-V Approval.

As a result of the Transaction, the current San Angelo Shareholders will own approximately 4.2% of the Resulting Issuer's Shares and former Cabral Shareholders will own approximately 73.3% of the Resulting Issuer's Shares (assuming the minimum Cabral Offering). See "*Information Concerning the Resulting Issuer*".

Share Consolidation

Concurrent with the Transaction, San Angelo will complete the San Angelo Consolidation such that every five issued and outstanding San Angelo Shares will be consolidated into one Post-Consolidation San Angelo Share.

The anticipated principal effects of the San Angelo Consolidation include the following:

1. The 6,492,750 San Angelo Shares issued and outstanding will be reduced to approximately 1,298,550 San Angelo Shares issued and outstanding.

2. The outstanding securities that are exchangeable into or exercisable for San Angelo Shares will adjust in accordance with their terms upon the San Angelo Consolidation becoming effective, and entitle the holders of such securities to receive such number of Post-Consolidation San Angelo Shares as equal to: (A) the number of San Angelo Shares to which such holder was entitled to receive prior to the San Angelo Consolidation, divided by (B) five.

3. The exercise price of the outstanding securities that are exchangeable into or exercisable for San Angelo Shares will adjust in accordance with their terms upon the San Angelo Consolidation becoming effective to be: (A) the exercise price per San Angelo Share prior to the San Angelo Consolidation, multiplied by (B) five.

4. As San Angelo currently has an unlimited number of San Angelo Shares authorized for issuance, the San Angelo Consolidation will not have any effect on the number of San Angelo Shares available for issuance.

5. In the event the San Angelo Consolidation would result in a San Angelo Shareholder holding a fraction of a Post-Consolidation San Angelo Share, each fractional Post-Consolidation San Angelo Share that is less than one-half of one Post-Consolidation San Angelo Share will be cancelled, without any compensation therefore and each fractional Post-Consolidation San Angelo Share that is at least one-half of one Post-Consolidation San Angelo Share will be changed to one whole Post-Consolidation San Angelo Share.

The San Angelo Consolidation was approved by the San Angelo Shareholders at the special meeting of San Angelo held on July 4, 2017. If the San Angelo Board decides to implement the San Angelo Consolidation and the Transaction is completed, the San Angelo Consolidation will become effective immediately prior to the Effective Time.

San Angelo Shareholders whose names appear on the records of San Angelo as the registered holders of San Angelo Shares (the "**San Angelo Registered Shareholders**") will be required to exchange their certificates representing pre-consolidated San Angelo Shares for certificates representing Post-Consolidation San Angelo Shares. Accordingly, once the San Angelo Consolidation is effective, San Angelo will deliver a letter of transmittal to the San Angelo Registered Shareholders containing instructions on how to surrender certificates(s) representing pre-consolidated San Angelo Shares to Computershare. Computershare will then forward to each San Angelo Registered Shareholder who has sent the required documents a certificate representing the number of Post-Consolidation San Angelo Shares to which the San Angelo Shareholder is entitled. Until surrendered, each certificate representing pre-consolidated San Angelo Shares will be deemed for all purposes to represent the number of whole Post-Consolidation San Angelo Shares to which the holder is entitled as a result of the San Angelo Consolidation.

Financing

Pursuant to the Business Combination Agreement, Cabral has agreed that the Resulting Issuer will have no less than $3,800,000 in adjusted net working capital following the Amalgamation. As a result, Cabral will complete a private placement (the "**Cabral Offering**") to raise minimum funds of approximately $4 million, and up to $6 million, in subscription receipts ("**Subscription Receipts**") of Cabral priced at $0.108 per Subscription Receipt. Immediately prior to the closing of the Transaction each Subscription Receipt will be exchanged, without additional consideration for one unit of Cabral which will, in conjunction with the closing of the Transaction, be exchanged for 0.18 of a unit of San Angelo (each whole unit, a "**Unit**") at an effective post San Angelo Consolidation issue price of $0.60 per unit. All prices and exercise prices herein are based on the equivalent price of Post-Consolidation San Angelo Shares using the Exchange Ratio of 0.18 of one Post-Consolidation San Angelo Share for each one Cabral Share held as per the Business Combination Agreement.

Each whole Unit of San Angelo will be comprised of one San Angelo Share, one-half of one class A warrant and one-half of one class B warrant. Each whole class A warrant will entitle the holder to purchase one Post-Consolidation San Angelo Share at a price of $0.75 for a period of one year after the closing of the Transaction. Each whole class B warrant will entitle the holder to purchase one Post-Consolidation San Angelo Share at a price of $0.90 for a period of two years after the closing of the Transaction.

Part of the Cabral Offering is being brokered by the Agent and part of the Cabral Offering is being arranged by Cabral on a non-brokered basis. Cabral has agreed to pay the Agent and finders a cash commission equal to 6% of the gross proceeds of the Cabral Offering and issue a number of special warrants equal to 6% of the number of Subscription Receipts issued in connection with the Cabral Offering. On closing of the Transaction, each special warrant will automatically be exercised into a compensation warrant of Cabral and immediately exercised into 0.18 of a compensation warrant of San Angelo, with each whole compensation warrant (a "**Finder's Warrant**") entitling the holder thereof to acquire one Unit of San Angelo at any time until the second anniversary of the closing of the Transaction at a price of $0.60 per unit. Pursuant to the agreement with the Agents, Cabral has agreed to reimburse the Agents for reasonable fees and expenses related to the Cabral Offering.

The gross proceeds of the Cabral Offering will be placed into escrow on closing. If the Transaction takes place on or before October 31, 2017 (or such later date as is agreed to by Cabral and the subscribers), then the gross proceeds from the Cabral Offering of Subscription Receipts will be released to Cabral concurrently with the closing of the Transaction and each Subscription Receipt will, on the closing of the Transaction, ultimately entitle the holder to 0.18 of a Unit of San Angelo.

If the Transaction is not completed on or before October 31, 2017 (or such later date as is agreed to by Cabral and the subscribers), then the gross proceeds from the Cabral Offering of Subscription Receipts will be returned to the subscribers without interest or deduction, and the Agent and finders will not receive the cash commission. In addition, the certificates representing the Subscription Receipts and special warrants will be null, void and of no further force and effect.

On October 11, 2017, Cabral closed the first tranche of the Cabral Offering, raising gross proceeds of $1,799,963 through the sale of 16,666,328 Subscription Receipts. In connection with this tranche of the Cabral Offering, Cabral issued 988,869 special warrants to finders, and will pay cash commission of $106,798 on closing of the Transaction. On October 19, 2017, a second tranche of the Cabral Offering was completed on a brokered basis by the Agents. Cabral raised gross proceeds of $1,799,901 through the sale of 16,665,752 Subscription Receipts. In connection with this tranche of the Cabral Offering, Cabral issued 999,945 special warrants to the Agents and will pay cash commission of $107,994 on closing of the Transaction.

The net proceeds of the Cabral Offering will be used to fund Cabral's work program on the Cuiú Cuiú Project and for general working capital.

San Angelo Board Reconstitution

Pursuant to the Business Combination Agreement, San Angelo will complete the San Angelo Board Reconstitution, whereby the San Angelo Board will be revised to comprise a total of five directors consisting of the following individuals: (i) Alan Carter; (ii) Dennis Moore; (iii) Donald Njegovan; (iv) Charles Oliver and (v) Derrick Weyrauch; provided the TSX-V does not object to such nominations and such persons are eligible to act as directors pursuant to applicable laws. Upon completion of the Transaction, the revised San Angelo Board will be the Resulting Issuer Board. Messrs. Njegovan, Oliver and Weyrauch will be independent of management of the Resulting Issuer.

San Angelo Management Reconstitution

Pursuant to the Business Combination Agreement, San Angelo will complete the San Angelo Management Reconstitution, whereby the management of San Angelo will be revised to comprise (i) Alan Carter – President and Chief Executive Officer; and (ii) Paul Hansed – Chief Financial Officer and Corporate Secretary; provided the TSX-V does not object to such nominations and such persons are eligible to act as management pursuant to applicable laws. Upon completion of the Transaction, the revised management of San Angelo will be the management of the Resulting Issuer.

Regulatory Approvals

The Transaction requires the San Angelo TSX-V Approval. The San Angelo Shares are currently listed on NEX board of the TSX-V under the symbol "SAO.H". Trading in San Angelo Shares was halted before market opened on April 7, 2017 and remains halted as at the date of this Filing Statement. There can be no assurance that all of the requisite approvals will be granted on a timely basis or on conditions satisfactory to San Angelo or that approvals will be granted at all.

Change of Corporate Name for San Angelo

On completion of the Transaction, it is intended that San Angelo will be the Resulting Issuer and will carry on the business of Cabral. In connection therewith, on Closing, San Angelo will (subject to TSX-V and corporate approval) change its name to "Cabral Gold Inc." or such other similar name as the Parties may agree on and that may approved by the TSX-V and the applicable regulatory authorities.

Required Shareholder Approvals for the Transaction

San Angelo will not be seeking shareholder approval of the Transaction due to the following reasons: (i) the Transaction is not a Related Party Transaction and no other circumstances exist which may compromise the independence of San Angelo or other interested parties with respect to the Transaction; (ii) San Angelo is without active operations; (iii) San Angelo is not subject to a cease trade order and will not be suspended from trading on completion of the Transaction; and (iv) approval of the Amalgamation by San Angelo Shareholders is not required under applicable corporate or securities laws. San Angelo received shareholder approval of the San Angelo Consolidation at the special meeting of San Angelo held on July 4, 2017.

Interests of Insiders, Promoters and Control Persons

No director, officer, Insider, promoter, significant shareholder or Control Person (as such term is defined in the policies of the TSX-V) of San Angelo or their respective Associates and Affiliates (before and after giving effect to the Transaction) has an interest in or will receive any consideration as a result of the Transaction, should the Transaction proceed.

Arm's Length Transaction

The Transaction was negotiated by the Parties dealing at arm's length with each other. The Transaction is an Arm's Length Transaction.

Use of Funds Available on Completion of the Transaction

Upon completion of the Transaction, the Resulting Issuer expects to have the following funds available, and to use those funds as follows:

Principal Uses	Time Period	Allocation Assuming Minimum Cabral Offering[1] (Est.)	Allocation Assuming Maximum Cabral Offering (Est.)
Estimated available funds as at September 30, 2017		245,000	245,000
Net proceeds from Cabral Offering[2]		3,760,000	5,640,000
Other transaction costs[3] [4]	Immediate	(175,000)	(182,000)
Opening working capital		**3,830,000**	**5,703,000**
Work Program on Cuiú Cuiú	12 months	960,000	960,000
General administrative working capital requirements	12 months	700,000	700,000
Property payments on Cuiú Cuiú	12 months	100,000	100,000
Total	**12 months**	**1,760,000**	**1,760,000**
Unallocated working capital		2,070,000	3,943,000
TOTAL		**3,830,000**	**5,703,000**

Notes:

(1) The minimum Cabral Offering is an approximate amount based on the requirement in the Business Combination Agreement for the Resulting Issuer to have $3,800,000 in working capital.

(2) Gross proceeds of $4,000,000 and $6,000,000 net of a 6% commission that may be paid to finders in connection with the Cabral Offering.

(3) Relates to professional fees and TSX-V fees not reflected in net working capital as at September 30, 2017.

(4) Excludes liabilities totalling $180,000 that are expected to be paid through the issuance of San Angelo Shares.

Please see "*Information Concerning the Resulting Issuer- Available Funds and Principal Purposes*" for additional details.

Selected Pro Forma Financial Information

The following table sets out certain pro forma financial information for the Resulting Issuer assuming completion of the Transaction. The following information should be read in conjunction with the unaudited pro forma consolidated financial statements set forth in this Filing Statement. Please see "*Appendix F - Pro Forma Financial Statements*".

Selected Financial Information				
	San Angelo (as at March 31, 2017) (CAD)	Cabral (as at March 31, 2017) (CAD)	Pro Forma Adjustments (as at March 31, 2017) (CAD)	Resulting Issuer Pro Forma Consolidation (as at March 31, 2017) (CAD)
Current Assets	128,635	1,778,482	3,760,000	5,667,117
Total Assets	128,635	3,873,288	3,760,000	7,761,923
Current Liabilities	16,224	1,021,818	320,000	1,358,042
Total Liabilities	16,224	1,082,675	320,000	1,418,899
Shareholders' Equity	112,411	2,790,613	3,440,000	6,343,024
Common Shares Issued and Outstanding	6,492,750	126,791,932	(102,136,917)	31,147,765

Notes:

(1) Assumes that the Cabral Offering comprises 37,037,037 Subscription Receipts at a price of $0.108.

Exchange Listing and Market Price of San Angelo Shares

The San Angelo Shares are listed on the NEX board of the TSX-V under the symbol “SAO.H”. Trading in San Angelo Shares was halted before market opened on April 7, 2017 and remains halted as at the date of this Filing Statement. The closing price of the San Angelo Shares on April 6, 2017, the last day prior to the halt on which trades occurred, was $0.11 per share.

As of the date of this Filing Statement, no public market exists for the Cabral Shares.

Sponsorship

San Angelo has applied for a waiver of sponsorship under the policies of the TSX-V.

Conflicts of Interest

San Angelo is not aware of any conflicts of interest in connection with the Transaction.

The directors of the Resulting Issuer will be required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests that they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the Resulting Issuer Board, any director in a conflict will disclose his interest and abstain from voting on such matter. To the best knowledge of San Angelo and Cabral, other than as disclosed herein, there are no known existing or potential conflicts of interest between the Resulting Issuer and its proposed promoters, directors and officers or other proposed members of management of the Resulting Issuer as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies.

Interests of Experts

To San Angelo’s and Cabral’s knowledge, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement holds any beneficial interest, direct or indirect, in any securities or property of San Angelo and Cabral or the Resulting Issuer or an Associate or Affiliate of the foregoing.

Risk Factors

The Resulting Issuer will be in the business of exploring and developing mineral properties, which is a highly speculative endeavour. Due to the nature of the Resulting Issuer’s business and the present stage of development of the business, the Resulting Issuer will be subject to significant risk. A purchase of any of the securities of the Resulting Issuer involves a high degree of risk and should be carefully considered and undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks. Risk factors include, but are not limited to, the following:

- failure to satisfy conditions to completion of the Transaction;
- failure to obtain necessary approvals or waivers for the Transaction;
- volatility of share prices for publicly traded companies;
- risk of dilution as a result of equity financings;
- risks related to an inability to finance the business of the Resulting Issuer;
- risks associated with required continuous public disclosure of information respecting the business of the Resulting Issuer;
- limited operating history of the Resulting Issuer;
- risks associated with the exploration and development of mineral properties;
- environmental and safety regulations associated with the exploration and development of mineral properties;
- widely fluctuating metal prices;

- political and related legal and economic uncertainty in foreign jurisdictions where the Property is located;
- risk of foreign exchange and currency fluctuations;
- competition from other more well-established or new mineral exploration and development companies;
- the Resulting Issuer's ability to pay dividends in the future and the timing and amount of those dividends;
- potential negative effects of regulatory changes related to the Resulting Issuer's business; and
- dependence on directors, officers and other key personnel.

Please see "*Risk Factors*" for a detailed discussion of such risks.

Conditional Listing Approval

The TSX-V has conditionally accepted the Transaction subject to San Angelo fulfilling all of the requirements of the TSX-V. There can be no assurance that all of the necessary approvals will be obtained.

RISK FACTORS

An investment in the Resulting Issuer Shares should be considered highly speculative due to the nature of the Resulting Issuer's proposed business and the current stage of development. In evaluating the Resulting Issuer and its prospective business, investors should carefully consider, in addition to other information contained in this Filing Statement, the following risk factors. While this Filing Statement has described the risks and uncertainties related to the Transaction and the business of the Resulting Issuer, it is possible that other risks and uncertainties will arise or become material in the future.

If San Angelo is unable to effectively address these and other potential risks and uncertainties following a successful completion of the Transaction, the Resulting Issuer's business, financial condition or results of operations could be materially adversely affected. In this event, the value of the Resulting Issuer Shares could decline after the completion of the Transaction and the Resulting Issuer Shareholders could lose all or part of their investment.

General

The Resulting Issuer will be in the business of exploring and developing mineral properties, which is a highly speculative endeavour. A purchase of any of the securities of the Resulting Issuer involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Resulting Issuer should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should evaluate carefully the following risk factors associated with an investment in the Resulting Issuer's securities prior to purchasing any securities.

Failure to Realize Anticipated Benefits of the Transaction

The Parties propose to enter into the Transaction in order to achieve the benefits described in this Filing Statement. There can be no assurance, however, that the anticipated benefits of the Transaction will materialize. It is possible that the risks and uncertainties described in this Filing Statement will arise and become material to such an extent that some or all of the anticipated benefits of the Transaction never materialize or are nullified. Failure to realize all of the anticipated benefits of the Transaction could adversely impact the trading price of the San Angelo Shares and the Resulting Issuer Shares.

Failure to Satisfy Conditions to Completion of the Transaction

The Business Combination Agreement contains certain conditions that must be satisfied or waived by the party for whose benefit such conditions are imposed in order for the Transaction to complete. Some of these conditions are outside of the control of the Parties, including, but not limited to, receipt of applicable regulatory approvals and approval of the Transaction by the TSX-V. There can be no certainty, nor can the Parties provide any assurance, that all conditions precedent to the completion of the Transaction will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. Failure to complete the Transaction could adversely impact the trading price of the San Angelo Shares.

Failure to Obtain Necessary Approvals for Completion of the Transaction

Completion of the Transaction is subject to, among other things, the receipt of all necessary regulatory and security holder approvals in accordance with the policies of the TSX-V. In addition, the approval of the TSX-V is subject to TSX-V review and approval of all required documentation. San Angelo has applied to the TSX-V for approval of the Transaction. As at the date of this Filing Statement, the TSX-V has not granted final approval and there can be no assurances that the TSX-V will grant such approval or grant such approval on terms and conditions that are satisfactory to the Parties. The failure to obtain any TSX-V approvals may prevent the Parties from completing the Transaction and could adversely impact the trading price of the San Angelo Shares.

San Angelo / Resulting Issuer Risk Factors

San Angelo is without active operations. San Angelo will control the assets and business of Cabral upon completion of the Transaction. The following risk factors therefore relate primarily to San Angelo' status as a public company with securities listed for trading on the TSX-V. Since many of the risk factors listed in this section relate to the business of San Angelo and Cabral on a post-Transaction basis, some of the risk factors listed below will contain references to the Resulting Issuer.

Volatility of Share Price

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Resulting Issuer Shares will trade cannot be predicted. The market price of the Resulting Issuer Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Resulting Issuer makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Resulting Issuer Shares. If the Resulting Issuer is required to access capital markets to carry out its development objectives (as is expected), the state of domestic and international capital markets and other financial systems could affect its respective access to, and cost of, capital. Such capital may not be available on terms acceptable to the Resulting Issuer or at all, and this could have a material adverse impact on its business, financial condition, results of operations or prospects.

Dilution

The Resulting Issuer is authorized to issue an unlimited number of Resulting Issuer Shares or other securities for such consideration and on such terms and conditions as may be established by the Resulting Issuer, without the approval of Resulting Issuer Shareholders. Upon completion of the Transaction, there will be a number of outstanding warrants pursuant to which additional Resulting Issuer Shares may be issued in the future. Exercise of such warrants may result in dilution to existing shareholders. In addition, it is currently anticipated that the Resulting Issuer will be required to conduct additional equity financings to develop the business of the Resulting Issuer as currently planned by the Target Company and envisioned by management of the Resulting Issuer. Any further issuance of Resulting Issuer Shares pursuant to such equity financings may further dilute the interests of existing shareholders.

Impact of Quarterly and Annual Financial Reporting

There can be no assurance that the Resulting Issuer will be profitable on a quarterly or annual basis. The Target Company's business strategies may not be successful. As a reporting company, the Resulting Issuer will be required to report financial results on an annual and quarterly basis. If its business is not profitable, the Resulting Issuer's share price may decline.

Risk Factors Regarding the Target Company

The following risk factors relate to the business of the Target Company. Since San Angelo is currently without active operations, the businesses of the Cabral will be the Resulting Issuer's sole enterprise after completion of the Transaction and the following risk factors will therefore apply to the Resulting Issuer's business.

Financing Risks

The Resulting Issuer has no history of earnings and, due to the nature of its business, there can be no assurance that the Resulting Issuer will be profitable after the Transaction is completed. Even if the results of exploration are encouraging, the Resulting Issuer may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially minable deposit exists on its properties or on any property it may acquire in the future.While the Resulting Issuer may generate additional working capital through equity or debt offerings, there is no assurance that such funds will be sufficient to facilitate the development of the Resulting Issuer's business as envisioned or, in the case of equity financings, whether such funds will be available on terms acceptable to the Resulting Issuer or at all. If available, future equity financing may result in substantial dilution to the Resulting Issuer Shareholders.

Limited Operating History

The Resulting Issuer has no history of earnings. The Resulting Issuer intends to carry on business as a mineral exploration company. There is limited financial, operational and other information available with which to evaluate the prospects of the Resulting Issuer. There are no known commercial quantities of mineral resources or reserves on the Property. There is no guarantee that economic quantities of mineral resources or reserves will be discovered on the Property or on any mineral property which the Resulting Issuer may acquire in the future. As a result, there can be no assurance that the Resulting Issuer's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

Liquidity of Investment

The continued operation of the Resulting Issuer after the completion of the Transaction will be dependent upon its ability to generate operating revenues or to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Resulting Issuer is unable to generate such revenues or obtain such additional financing, the liquidity of a shareholder's investment may be limited and any investment in the Resulting Issuer may be lost.

Exploration and Development Risks

Resource exploration and development is a speculative business, characterised by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Resulting Issuer may be affected by numerous factors which are beyond the control of the Resulting Issuer and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Resulting Issuer not receiving an adequate return of investment capital.

There can be no assurance that the Resulting Issuer's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Resulting Issuer's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish resources and reserves through drilling and to develop mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralised deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Acquisition of Additional Mineral Properties

If the Resulting Issuer loses or abandons its interest in all or part the Cuiú Cuiú Project, there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the TSX-V. Should the Resulting Issuer wish to acquire any additional properties, whether by option or otherwise, there is no guarantee that suitable properties will be available. If TSX-V approval is required for the acquisition of additional properties by the Resulting Issuer, there is also no guarantee that such approval will be obtained.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Resulting Issuer may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Resulting Issuer.

No Currently Known Commercial Mineral Deposits

The Cuiú Cuiú Project on which the proceeds from the Cabral Offering are to be expended, contains no currently known quantities of commercial mineral deposits. The Resulting Issuer's programs will therefore be an exploratory search. Development of the Cuiú Cuiú Project will follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

Highly Competitive Mining Industry

The mining industry is intensely competitive in all its phases. The Resulting Issuer will compete for the acquisition or mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees with many companies possessing greater financial resources and technical facilities than the Resulting Issuer. The competition in the mineral exploration and development business could have an adverse effect on the Resulting Issuer's ability to acquire suitable properties or prospects for mineral exploration in the future.

Environmental Safety Regulations and Risks

As a mineral exploration company, environmental laws and regulations may affect the operations of the Resulting Issuer. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Resulting Issuer for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or non-compliance with environmental laws or regulations. In all major developments, the Resulting Issuer will, in the first instance, seek indemnities. The Resulting Issuer intends to minimize risks by taking steps to ensure compliance with environmental standards. There is a risk that environmental laws and regulations may become more onerous, making the Resulting Issuer's operations more expensive.

Mineral Titles

No assurances can be given that title defects to the Cuiú Cuiú Project does not exist. The Cuiú Cuiú Project and any other property which the Resulting Issuer may acquire as a mineral exploration company may be subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects. In addition, mineral rights held by the Resulting Issuer will be subject to renewal requirements with DNPM, which renewal requests may be denied. If title defects do exist or mineral rights are not renewed by DNPM, it is possible that the Resulting Issuer may lose all or a portion of its right, title and interest in and to the Cuiú Cuiú Project or other properties which the Resulting Issuer holds.

Fluctuating Metal Prices

The Resulting Issuer's revenues, if any, are expected to be in large part derived from the extraction and sale of precious metals. Factors beyond the control of the Resulting Issuer may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Resulting Issuer's exploration projects cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices.

Access to Proprietary Information

The Resulting Issuer generally controls access to and distribution of its technologies, documentation and other proprietary information. Despite efforts by the Resulting Issuer to protect its proprietary rights from unauthorized use or disclosure, parties may attempt to disclose, obtain or use its solutions or technologies. There can be no assurance that the steps the Resulting Issuer has taken or will be taking will prevent misappropriation of such proprietary information, particularly in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in Canada or the United States.

Payment of Dividends

The Target Company has never declared dividends on its securities. Following completion of the Transaction, the Resulting Issuer intends to reinvest all future earnings in order to finance the development and growth of its business. As a result, the Resulting Issuer does not intend to pay dividends on its securities in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Resulting Issuer Board and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends, and any other factors that the Resulting Issuer Board deems relevant.

Effect of General Economic and Political Conditions

The business of the Target Company is subject to the impact of changes in Canadian, Brazilian and international economic conditions, including but not limited to, recessionary or inflationary trends, equity market conditions, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout the world that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the Target Company and their investee companies' business, financial condition, results of operations and cash flows.

Political and related legal and economic uncertainty may exist in countries where the Resulting Issuer may operate. The Resulting Issuer's mineral exploration and mining activities may be adversely affected by political instability and changes to government regulation relating to the mining industry. Other risks of foreign operations include political unrest, labor disputes, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries, foreign taxation, price controls, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriations of earnings, limitations on mineral exports and increased financing costs. These risks may limit or disrupt the Resulting Issuer's projects, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation. The Property is located in Brazil. While the Resulting Issuer believes that Brazil represents a favorable environment for mining companies to operate, there can be no assurance that changes in the laws of Brazil, or changes in the regulatory environment for mining companies or for non-domiciled companies in Brazil, will not be made that would adversely affect the Resulting Issuer or its operations.

Currency Fluctuations

The Property is located in Brazil. As a result, while financings have all been conducted in Canadian dollars, the Resulting Issuer will maintain accounts in both Canadian dollars and Brazilian reals. The value of the Canadian dollar relative to the Brazilian real is subject to fluctuations. Accordingly, the failure to adequately manage foreign exchange risk could adversely affect the Resulting Issuer's business, financial condition and results of operations.

Impact of Permits and Government Regulations

The Resulting Issuer's operations may require permits from various federal, provincial and local governmental authorities and will be governed by laws and regulations governing prospecting, exploration, development, mining, production, export, taxes, labor standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that the Resulting Issuer will be able to obtain all necessary permits and approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on the Property or any other properties it may acquire.

Conflicts of Interest

Certain directors and officers of the Resulting Issuer will also serve as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Resulting Issuer and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest, in accordance with the procedures set forth in the BCBCA and other applicable laws.

Reliance on Key Personnel

The success of the Resulting Issuer after the completion of the Transaction will be largely dependent on the abilities, experience, efforts and industry knowledge of its directors, officers and other key employees. The long-term loss of the services of any of these persons for any reason could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or future prospects. There can be no assurance that the Resulting Issuer can maintain the services of its directors, officers or other qualified personnel required to operate its business, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

Enforceability of Judgments

All of the Target Company's assets are located outside of Canada. It may be difficult or impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of the various Canadian provinces against the Target Company's assets located outside of Canada.

INFORMATION CONCERNING SAN ANGELO OIL LIMITED

Corporate Structure

Name and Incorporation

San Angelo was incorporated under the name "San Angelo Oil Limited" pursuant to the BCBCA on February 11, 2014. The head office of San Angelo is located at Suite 650, 669 Howe Street, Vancouver, British Columbia V6C 0B4. The registered and records office of San Angelo is located at Suite 1200, 750 West Pender Street, Vancouver, British Columbia V6C 2T8. San Angelo has one wholly-owned subsidiary, Subco, which was incorporated on April 27, 2017 under the the BCBCA for the sole purpose of effecting the Amalgamation.

San Angelo is a publicly traded company listed on the NEX board of the TSX-V under the symbol SAO.H. San Angelo is a reporting issuer in each of the Provinces of British Columbia, Alberta, Manitoba and Ontario.

General Development of the Business

History

San Angelo was incorporated on February 11, 2014. San Angelo, through a wholly owned and controlled Texas subsidiary, San Angelo Operating Corp. ("**SAOC**"), was engaged in the acquisition, exploration and development of conventional oil and natural gas properties in the United States. On May 29, 2014, SAOC and LoIn Energy Corporation ("**LoIn**") entered into a Purchase, Sale and Participation Agreement made effective January 1, 2014 (the "**PSPA**"). Pursuant to the PSPA, San Angelo, through SAOC, acquired a 55% working ownership interest in LoIn's existing leasehold and farmout position in an oil and gas property known as the Orb Prospect that encompassed the Wingate Field area of western Runnels County in the State of Texas. The remaining 45% working interest of the Orb Prospect was held by LoIn and its other partners.

On June 30, 2014 and July 22, 2014, San Angelo issued 10% secured subordinated convertible debentures (the "**Debentures**") for gross proceeds of $1,100,000. The Debentures were convertible into units of San Angelo at $0.20 per unit, each unit consisting of one San Angelo Share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase an additional common share at an exercise price of $0.30 per San Angelo Share for a period of five years from the issuance of the Debentures.

On March 10, 2015, San Angelo completed an initial public offering of units. San Angelo issued 5,037,500 units at a price of $0.20 per unit for gross proceeds of $1,007,500. Each unit consisted of one San Angelo Share and one share purchase warrant. Each warrant entitled the holder to acquire one additional San Angelo Share at a price of $0.30 until March 10, 2017. The San Angelo Shares and warrants were listed on the TSX-V at the opening of the market on March 10, 2015 under the symbols "SAO" and "SAO.WT", respectively.

In December of 2015, San Angelo underwent a capital restructuring. With the cooperation of its seed shareholders, San Angelo cancelled and returned to treasury 8,000,000 of 8,500,000 seed shares that were issued at $0.01 per common share prior to San Angelo's initial public offering. In addition, the holders of the Debentures agreed to amend the Debentures to: (i) eliminate the warrants underlying the Debentures; (ii) reduce the conversion price of the Debenture from $0.20 to $0.05 per San Angelo Share; (iii) immediately convert the Debenture into San Angelo Shares; and (iv) waive the 90 day notice period regarding any subdivision, reduction, combination, consolidation or stock dividend.

Effective May 26, 2016, San Angelo completed a ten for one consolidation of the San Angelo Shares. In addition, San Angelo completed a non-brokered private placement of 3,000,000 units at $0.05 per unit for gross proceeds of $150,000. Each unit was comprised of one post-consolidation San Angelo Share and one transferable share purchase warrant of San Angelo. Each warrant entitles the holder to acquire one additional San Angelo Share at a price of $0.05 until May 26, 2021.

In September 2016, San Angelo entered into an agreement to sell all of the issued and outstanding shares of SAOC for nominal consideration to a previous director and officer of San Angelo. The board of directors of San Angelo determined that it was in the best interest of San Angelo to sell SAOC in order to avoid any impediments to the acquisition of future assets by San Angelo. The sale of SAOC completed on October 31, 2016, and in connection with the sale, San Angelo's listing was transferred to the NEX board of the TSX-V.

San Angelo is now without active operations. San Angelo's management has considered several potential acquisition opportunities involving mineral properties with a view to completing an acquisition and commencing active business operations.

The Transaction proposed to be carried out with Cabral will result in the acquisition of the business of Cabral by San Angelo. Cabral owns the rights to the Cuiú Cuiú Project, a gold exploration project located in the Tapajós Region of northern Brazil.

<u>Financing</u>

San Angelo will not be completing a financing in connection with the Transaction. Pursuant to the Business Combination Agreement, Cabral has agreed that the Resulting Issuer will have no less than $3,800,000 in adjusted net working capital following the Amalgamation. As a result, Cabral will be conducting the Cabral Offering to raise minimum funds of approximately $4 million, and up to $6 million, in Subscription Receipts.

The Cabral Offering consists of Subscription Receipts of Cabral priced at $0.108 per Subscription Receipt. Immediately prior to the closing of the Transaction each Subscription Receipt will be exchanged, without additional consideration for one unit of Cabral which will, in conjunction with the closing of the Transaction, be exchanged for 0.18 of a Unit of San Angelo at an effective post San Angelo Consolidation issue price of $0.60. All prices and exercise prices herein are based on the equivalent price of Post-Consolidation San Angelo Shares using the Exchange Ratio of 0.18 of one Post-Consolidation San Angelo Share for each one Cabral Share held as per the Business Combination Agreement.

Each whole Unit of San Angelo will be comprised of one San Angelo Share, one-half of one class A warrant and one-half of one class B warrant. Each whole class A warrant will entitle the holder to purchase one Post-Consolidation San Angelo Share at a price of $0.75 for a period of one year after the closing of the Transaction. Each whole class B warrant will entitle the holder to purchase one Post-Consolidation San Angelo Share at a price of $0.90 for a period of two years after the closing of the Transaction.

Part of the Cabral Offering is being brokered by the Agent and part of the Cabral Offering is being arranged by Cabral on a non-brokered basis. Cabral has agreed to pay the Agent and finders a cash commission equal to 6% of the gross proceeds of the Cabral Offering and issue a number of special warrants equal to 6% of the number of Subscription Receipts issued in connection with the Cabral Offering. On closing of the Transaction, each special warrant will automatically be exercised into a compensation warrant of Cabral and immediately exercised into 0.18 of a Finder's Warrant, with each whole Finder's Warrant entitling the holder thereof to acquire one Unit at any time until the second anniversary of the closing of the Transaction at a price of $0.60 per unit. Pursuant to the agreement with the Agents, Cabral has agreed to reimburse the Agents for reasonable fees and expenses related to the Cabral Offering.

The gross proceeds of the Cabral Offering will be placed into escrow on closing. If the Transaction takes place on or before October 31, 2017 (or such later date as is agreed to by Cabral and the subscribers), then the gross proceeds from the Cabral Offering of Subscription Receipts will be released to Cabral concurrently with the closing of the Transaction and each Subscription Receipt will, on the closing of the Transaction, ultimately entitle the holder to 0.18 of a Unit of San Angelo.

If the Transaction is not completed on or before October 31, 2017 (or such later date as is agreed to by Cabral and the subscribers), then the gross proceeds from the Offering of Subscription Receipts will be returned to the subscribers without interest or deduction, and the Agent and finders will not receive the cash commission. In addition, the certificates representing the Subscription Receipts and special warrants will be null, void and of no further force and effect.

On October 11, 2017, Cabral closed the first tranche of the Cabral Offering, raising gross proceeds of $1,799,963 through the sale of 16,666,328 Subscription Receipts. In connection with this tranche of the Cabral Offering, Cabral issued 988,869 special warrants to finders, and will pay cash commission of $106,798 on closing of the Transaction.

On October 19, 2017, a second tranche of the Cabral Offering was completed on a brokered basis by the Agents. Cabral raised gross proceeds of $1,799,901 through the sale of 16,665,752 Subscription Receipts. In connection with this tranche of the Cabral Offering, Cabral issued 999,945 special warrants to the Agents and will pay cash commission of $107,994 on closing of the Transaction.

The net proceeds of the Cabral Offering will be used to fund Cabral's work program on the Cuiú Cuiú Project and for general working capital.

Selected Consolidated Financial Information and Management's Discussion and Analysis

Selected Financial Information

The following table summarizes certain financial information from San Angelo for the period from incorporation on February 11, 2014 to June 30, 2014, the years ended June 30, 2015 and June 30, 2016, as well as the nine month period ended March 31, 2017, based on San Angelo's consolidated financial statements, attached hereto as Appendix A, Appendix B and Appendix C.

	Period from Incorporation to June 30, 2014 (audited)	Year Ended June 30, 2015 (audited)	Year Ended June 30, 2016 (audited)	Period Ended March 31, 2017 (unaudited)
Total Expenses	$164,569	$1,419,562	$2,554,653	$73,616
Amounts deferred in connection with the Transaction	Nil	$Nil	$Nil	$Nil

Management's Discussion and Analysis

The Management's Discussion and Analysis of San Angelo for the year ended June 30, 2016 and the nine month period ended March 31, 2017 are respectively attached as Appendix G and Appendix H hereto.

Description of the Securities

The authorized capital of San Angelo consists of an unlimited number of San Angelo Shares without par value.

The holders of San Angelo Shares are entitled to receive notice of and to attend all meetings of the shareholders of San Angelo. The holders of common shares are entitled to receive dividends if, as and when declared by the San Angelo Board, subject to the prior rights of the holders of preferred shares. The holders of common shares are also entitled, in the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among the San Angelo Shareholders for the purpose of winding up its affairs, to share equally in such assets of San Angelo as are available for distribution, subject to the prior rights of the holders of preferred shares.

San Angelo' shares carry no pre-emptive rights, conversion or exchange rights, retraction, sinking fund or purchase fund provisions. There are no provisions requiring the holders the shares of San Angelo to contribute additional capital and no restrictions on the issuance of additional securities by San Angelo. There are no restrictions on the repurchase or redemption of shares by San Angelo except as otherwise set out herein and to the extent that any such repurchase or redemption would render San Angelo insolvent pursuant to the BCBCA.

Stock Option Plan

The San Angelo Stock Option Plan is a "rolling" stock option plan reserving a maximum of 10% of the issued San Angelo Shares at the time of the stock option grant. The San Angelo Shareholders approved the San Angelo Stock Option Plan at the meeting of San Angelo Shareholders held on July 4, 2017.

The following is a summary of the principal terms of the San Angelo Stock Option Plan.

(a) The San Angelo Stock Option Plan reserves a rolling maximum of 10% of the aggregate number of San Angelo Shares issued and outstanding from time to time.

(b) Stock options granted under the San Angelo Stock Option Plan will be non-assignable and may be granted for a term not exceeding ten years from the date of grant.

(c) Stock options may be granted under the San Angelo Stock Option Plan only to directors, officers, employees and other service providers subject to the rules and regulations of applicable regulatory authorities and the TSX-V. In the event that any optionee who is a service provider ceases to be a service provider for San Angelo for any reason other than death, the optionee will be entitled to exercise his or her options only within a period of 90 days from the date of such cessation or such other date as may be determined by the board of directors subject to regulatory approval, but in no event may any options be exercised following the expiry date thereof. In the event of the death of an optionee during the term of the optionee's option, such options may only be exercised within a period of one year succeeding the optionee's death or such other date as may be determined by the board of directors subject to regulatory approval, up to the expiry date thereof.

(d) The total number of San Angelo Shares that may be reserved for issuance to any one individual under the San Angelo Stock Option Plan within any one-year period will not exceed 5% of the outstanding issue. The maximum number of stock options that may be granted to any one consultant under the San Angelo Stock Option Plan within any 12-month period must not exceed 2% of the San Angelo Shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of stock options that may be granted to persons performing investor relations services under the San Angelo Stock Option Plan within any 12-month period must not exceed 2% of the San Angelo Shares issued and outstanding at the time of the grant (on a non-diluted basis).

(e) The exercise price of stock options granted under the San Angelo Stock Option Plan may not be lower than the discounted market price of the San Angelo Shares in accordance with the policies of the TSX-V.

(f) Stock options issued under the San Angelo Stock Option Plan vest at the discretion of the board of directors or committee established for the purpose of administering the San Angelo Stock Option Plan, as applicable, subject to certain specified limitations.

(g) The board of directors or any committee established to administer the San Angelo Stock Option Plan, as applicable, may at any time amend or terminate the San Angelo Stock Option Plan, but where amended, such amendment is subject to regulatory approval.

Prior Sales

San Angelo has not sold any securities within the 12 months prior to the date of this Filing Statement.

Stock Exchange Price

San Angelo Shares are currently listed on the NEX board of the TSX-V under the symbol "SAO.H". The following table sets out the market price ranges and trading volumes of the shares for the periods indicated:

Month	High ($)	Low ($)	Volume
May 1, 2017 to October 23, 2017[1]	-	-	-
April 1, 2017 to April 30, 2017[1]	$0.11	$0.105	1,450
January 1, 2017 to March 31, 2017	$0.105	$0.10	97,344
October 1, 2016 to December 31, 2016	$0.10	$0.07	175,800
July 1, 2016 to September 30, 2016	$0.115	$0.065	131,000

Month	High ($)	Low ($)	Volume
April 1, 2016 to June 30, 2016	$0.10	$0.005	2,304,100
January 1, 2016 to March 31, 2016	$0.01	$0.005	975,000
October 1, 2015 to December 31, 2015	$0.015	$0.005	1,914,000
July 1, 2015 to September 30, 2015	$0.11	$0.015	2,365,000

Note:

(1) Trading in San Angelo Shares was halted before the market opened on April 7, 2017.

Executive Compensation

As at June 30, 2016, the end of the most recently completed financial year of San Angelo, San Angelo had two (2) NEOs. The following table is a summary of compensation awarded to, earned by, paid to, or payable to each director and NEO of San Angelo during the two most recently completed financial years ended June 30, 2016 and June 30, 2015, and the period from incorporation on February 11, 2014 to June 30, 2014.

Name and principal position	Year Ended	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long term incentive plans			
Eileen Au(1) Interim CEO, Corporate Secretary and Director	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Danny Lee(2) Former Interim CFO and Director	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Gordon Nielsen(3) Former CEO, former President and former Director	2016	27,000	Nil	Nil	Nil	Nil	Nil	Nil	27,000
Scott Young(4) Former CFO, former Corporate Secretary and former Director	2016	13,000	Nil	Nil	Nil	Nil	Nil	Nil	13,000
Michael Arguijo(5) Former CEO, former President and former Director	2016 2015 2014	30,148 195,795 30,166(6)	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	30,148 195,795 30,166

Name and principal position	Year Ended	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long term incentive plans			
Richard Schroeder(7) Former CFO and former Corporate Secretary	2016	18,217	Nil	Nil	Nil	Nil	Nil	Nil	18,217
	2015	17,500	Nil	Nil	Nil	Nil	Nil	Nil	17,500
	2014	5,000(8)	Nil	Nil	Nil	Nil	Nil	Nil	5,000

Notes:

(1) Eileen Au was appointed Interim CEO, Corporate Secretary and a director of San Angelo on February 10, 2016.

(2) Danny Lee was appointed Interim CFO and a director of San Angelo on February 10, 2016. He resigned as Interim CFO on July 31, 2016 and Delaram Salem was appointed as CFO on August 1, 2016.

(3) Gordon Nielsen acted as CEO, President and a director of San Angelo from September 1, 2015 until February 10, 2016.

(4) Scott Young was appointed Corporate Secretary on September 1, 2015, a director on September 30, 2015 and CFO of San Angelo on December 9, 2015. He resigned on February 10, 2016.

(5) Michael Arguijo acted as CEO and a director of San Angelo from February 11, 2014 to September 1, 2015. He was President of San Angelo from September 12, 2014 to September 1, 2015.

(6) Paid as consulting fees for services commencing in May 2014, prior to establishment of status as employee of San Angelo.

(7) Richard Schroeder was CFO from May 1, 2014 to November 30, 2015, and Corporate Secretary of San Angelo from October 8, 2014 to September 1, 2015.

(8) Represents one month salary paid to Mr. Schroeder in June 2014.

As at March 31, 2017, the end of San Angelo's most recently most recently completed interim period, San Angelo had three NEOs. The following table is a summary of compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly to each NEO by San Angelo during the nine month period ended March 31, 2017.

Table of compensation excluding compensation securities							
Name and position	**Interim Period Ended**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or meeting fees ($)**	**Value of perquisites ($)**	**Value of all other compensation ($)**	**Total compensation ($)**
Eileen Au Interim CEO, Corporate Secretary and Director	March 31, 2017	Nil	Nil	Nil	Nil	Nil	Nil
Delaram Salem(1) CFO and Director	March 31, 2017	Nil	Nil	Nil	Nil	Nil	Nil
Danny Lee(2) Former Interim CFO and Director	March 31, 2017	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Delaram Salem was appointed as CFO on August 1, 2016 and elected as a director of San Angelo on July 4, 2017.

(2) Danny Lee was appointed Interim CFO and a director of San Angelo on February 10, 2016. He resigned as Interim CFO on July 31, 2016.

Outstanding Share-Based Awards and Option-Based Awards

San Angelo has not granted any share-based awards or option-based awards to the NEOs during the most recently completed financial year ended June 30, 2016, or the most recently completed interim period ended March 31, 2017.

There are no outstanding share-based awards or option-based awards granted by San Angelo to the NEOs.

Incentive Plan Awards

San Angelo does not have an incentive plan in place and therefore there was no compensation awarded, earned, paid or payable to any NEOs under any incentive plan during the most recently completed financial year. An "incentive plan" is a plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period.

Termination and Change of Control Benefits

There are no contracts, agreements, plans or arrangements between San Angelo and an NEO that provides for payments to an NEO at, following or in connection with any termination, resignation, retirement, a change in control of San Angelo or a change in an NEO's responsibilities.

Director Compensation

The following table is a summary of compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly to the directors who were not NEOs for San Angelo's most recently completed financial year ended June 30, 2016.

Name and principal position	Year Ended	Salary ($)	Share-based awards ($)	Option -based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long term incentive plans			
Vincent Boon(1) Director	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
David McAdam(2) Former Director	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Donald Sharpe(3) Former Director	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michael Black(4) Former Director	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Barry Loughlin(5) Former Director	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Name and principal position	Year Ended	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long term incentive plans			
John G. Turner(6) Former Director	2016	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:
(1) Vincent Boon was appointed a director of San Angelo on February 11, 2016.
(2) David McAdam was a director of San Angelo from October 20, 2015 to February 10, 2016.
(3) Donald Sharpe was a director of San Angelo from February 11, 2014 to October 20, 2015. He also served as Chairman of San Angelo from September 12, 2014 to October 20, 2015.
(4) Michael Black was a director of San Angelo from May 22, 2014 to October 20, 2015.
(5) Barry Loughlin was a director of San Angelo from June 9, 2014 to September 30, 2015.
(6) John G. Turner was a director of San Angelo from February 11, 2014 to August 20, 2015.

The following table is a summary of compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly to each director who was not an NEO by San Angelo during the nine month period ended March 31, 2017.

Name and principal position	Interim Period Ended	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long term incentive plans			
Vincent Boon(1) Director	March 31, 2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:
(1) Vincent Boon was appointed a director of San Angelo on February 11, 2016.

Outstanding Share-Based Awards and Option-Based Awards

San Angelo has not granted any share-based awards or option-based awards to the directors during the most recently completed financial year ended June 30, 2016 or the most recently completed interim period ended March 31, 2017.

There are no outstanding share-based awards or option-based awards granted by San Angelo to the directors.

Incentive Plan Awards

There was no compensation awarded, earned, paid or payable to the directors under any Incentive Plan during San Angelo's most recently completed financial year.

Management Contracts

San Angelo is not a party to a management contract with anyone other than directors or NEOs of San Angelo.

Non-Arm's Length Party Transactions / Arm's Length Transactions

Non-Arm's Length Party Transactions

Other than as disclosed herein, there have been no transactions or any proposed transactions with related parties within 24 months before the date of this Filing Statement.

Arm's Length Transactions

The proposed Transaction is an Arm's Length Transaction.

Legal Proceedings

There are no claims, actions, proceedings or investigations pending against San Angelo or, to the knowledge of San Angelo, threatened against San Angelo that, individually or in the aggregate, are material to San Angelo or would prevent or materially delay the consummation of the Transaction. Neither San Angelo nor its assets and properties is subject to any outstanding judgment, order, writ, injunction or decree that has had or would be reasonably expected to have a material adverse effect on San Angelo or that would prevent or materially delay consummation of the Transaction.

Auditor, Transfer Agents and Registrars

Auditor

The auditor of San Angelo is MNP LLP of Suite 2200, MNP Tower, 1021 West Hastings Street, Vancouver, British Columbia V6E 0C3.

Transfer Agent and Registrar

San Angelo's transfer agent and registrar is Computershare Investor Services Inc. of 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9

Material Contracts

The following is a summary of each contract, other than contracts entered into in the ordinary course of San Angelo' business, that can reasonably be considered to be material to security holders of San Angelo. The contracts may be inspected without charge at the head office of San Angelo in Vancouver during normal business hours until the closing of the Transaction and for a period of 30 days thereafter:

1. Business Combination Agreement: See "*Summary of Filing Statement - General – Terms of the Transaction*";

2. Agency agreement between Cabral, San Angelo and the Agent dated October 19, 2017 regarding the Cabral Offering. See "*Summary of Filing Statement – General - Terms of the Transaction - Financing*"; and

3. Escrow agreement between Cabral, San Angelo, the Agent and Morton Law LLP dated October 19, 2017 regarding the Cabral Offering. See "*Summary of Filing Statement – General - Terms of the Transaction - Financing*".

Additional Information

If readers have any questions about the information contained in the Filing Statement, please contact San Angelo at Suite 650, 669 Howe Street, Vancouver, British Columbia V6C 0B4, Telephone: 778 725-1488.

Additional information relating to San Angelo is available on SEDAR at www.sedar.com. Financial information related to San Angelo can be found in "*Appendix A - Audited Consolidated Financial Statements of San Angelo Oil*

Limited for the year ended June 30, ended June 30, 2015 and the Period from Incorporation to June 30, 2014", *Appendix B - Audited Consolidated Financial Statements of San Angelo Oil Limited for the years ended June 30, 2016 and 2015*" and "*Appendix C - Unaudited Condensed Financial Statements of San Angelo Oil Limited for the nine month period ended March 31, 2017*".

INFORMATION CONCERNING CABRAL GOLD LTD.

Corporate Structure

Name and Incorporation

Cabral is a private corporation that was incorporated under the BCBCA on February 17, 2016. The head office and principal address of Cabral is at Suite 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2. The registered office of Cabral is at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T8. Cabral has one subsidiary, Magellan Brazil, which is 99.99% owned by Cabral.

General Development of the Business and History

Cabral is a junior resource company and is engaged in the identification, and the exploration and development of mineral properties, with a primary focus on gold properties located in Brazil. Cabral owns the Cuiú Cuiú Project, a gold exploration project located in the Tapajos Region within the state of Para in northern Brazil. Cabral is not a reporting issuer and the Cabral Shares are not listed or posted for trading on any stock exchange.

On April 13, 2016, Cabral entered into an agreement with Magellan Minerals Ltd. ("**Magellan**") and two of Cabral's founding shareholders pursuant to which: (a) debts of $500,000 owing by Magellan to the two founding shareholders of Cabral were settled in exchange for Magellan's 99.99% equity interest in Magellan Brazil in full satisfaction of the debt; and (b) the interest in Magellan Brazil was contributed by Magellan to Cabral which, at the time, was wholly-owned by the two founding shareholders, in exchange for 22,422,413 Cabral Shares. Magellan Brazil is a private company incorporated in the state of Para in Brazil. It holds 100% of the Cuiú Cuiú Project and several secondary properties, including properties held by Poconé Gold Mineração Ltda. ("**PGM**"), a Brazilian company in which Magellan Brazil holds a 35% interest. As part of the debt settlement, Magellan Brazil and Cabral also agreed to grant Magellan a 0.5% royalty on the Cuiú Cuiú Project. Magellan was subsequently acquired by Anfield Gold Corp.

In connection with the acquisition of Magellan Brazil by Cabral, Magellan transferred its rights and responsibilities relating to a net smelter royalty agreement with Sandstorm Gold Ltd. to Cabral. The agreement provides Sandstorm Gold Ltd. with a 1.0% net smelter royalty on the Cuiú Cuiú Project, and provides that Cabral is required to pay an advance royalty of US$250,000 on the date that it obtains a feasibility study that recommends placing all or part of the Cuiú Cuiú Project into production, and a further advance royalty payment of US$250,000 on each one year anniversary of this date thereafter until the property enters commercial production. Sandstorm Gold Ltd. also has a right of first refusal on any future royalty or gold stream financing for the Cuiú Cuiú Project.

Also in April 2016, Cabral acquired a parcel of land that is part of the Cuiú Cuiú Project with a total area of approximately 30 hectares for a total of R$2,000,000. The land parcel covers the Moreira Gomes deposit which is one of the two gold deposits currently known on the Cuiú Cuiú Project. The agreement was formalised in January 2017. R$1,000,000 of the R$2,000,000 purchase price was paid in April 2016 prior to the closing of the acquisition of Magellan Brazil. Pursuant to the agreement as amended, the outstanding liability was paid in two tranches of R$500,000 on each of February 2, 2017 and July 31, 2017.

On March 29, 2017, Magellan Brazil entered into a renewal of a surface access agreement originally entered into in February 2006 with owners of the traditional surface rights over the Cuiú Cuiú Project. The owners are organized into a 'condominium' which is currently comprised of 57 minority stakeholders and 18 majority stakeholders. Pursuant to the renewal agreement, Magellan Brazil has agreed to make annual payments of R$2,500 to minority stakeholders and R$5,000 to majority stakeholders. The renewal also set out charges in respect of inflation adjustments and interest charges relating to the delay in payment of annual fees since 2014. Total charges amounted to R$1,268,079 in respect of the four years ended May 2018, of which R$43,999 remains owing to three minority stakeholders as at August 31, 2017. The surface access agreement specifies that in the event an economically viable gold resource is identified, Magellan Brazil will make an additional payment to the owners of the traditional surface rights based on the amount of gold defined (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Less than 1.0 million ounces: US$2,000,000

- 1.0 million ounces to 2.0 million ounces: US$3,000,000
- 2.0 million ounces to 3.0 million ounces: US$4,000,000
- 3.0 million ounces to 4.0 million ounces: US$6,000,000
- More than 4.0 million ounces: an additional US$3,000,000 for every additional million ounces identified in excess of 4.0 million ounces of contained gold.

Please see "*Narrative Description of the Business - Mineral Project*" below, for more information on the Cuiú Cuiú Project.

Financings

Between incorporation and December 19, 2016, Cabral raised $782,275 through the issuance for cash of 27,702,190 Cabral Shares at an average price of $0.028 per Cabral Share. These proceeds include $198,450 contributed by the two founding shareholders in March 2016 for 8,620,690 Cabral Shares at an average price of $0.023 per Cabral Share. No success fees or similar fees were paid or compensation options issued in connection with these share issuances.

On December 20, 2016, Cabral closed a private placement financing pursuant to which 31,841,932 Cabral Shares were issued at a price of $0.06 per Cabral Share, for gross proceeds of $1,910,516. If Cabral does not complete a go-public transaction (which would include the listing of the Cabral Shares on a recognized stock exchange in Canada or certain types of business combination transactions involving the Cabral Shares) within one year of closing the private placement, then Cabral is required to issue to each subscriber participating in the private placement that number of Cabral Shares equivalent to 10% of the number of Cabral Shares that the subscriber purchased in the private placement. Cabral paid success fees to an external adviser in connection with the financing of $88,876. In addition, 1,471,261 compensation options were issued to the adviser. Each compensation option provides the adviser with the right to acquire one Cabral Share at an exercise price of $0.06 for a period commencing on the date of closing of the private placement and ending on the date that is two years following the date of a go-public transaction.

On January 12, 2017, Cabral closed a private placement financing pursuant to which 4,450,000 Cabral Shares were issued at a price of $0.06 per Cabral Share, for gross proceeds of $267,000. No fees were paid or compensation options issued in connection with the financing. If Cabral does not complete a go-public transaction within one year of closing the private placement, then Cabral is required to issue to each subscriber participating in the private placement that number of Cabral Shares equivalent to 10% of the number of Cabral Shares that the subscriber purchased in the private placement.

On October 11, 2017, Cabral closed the first tranche of the Cabral Offering, raising gross proceeds of $1,799,963 through the sale of 16,666,328 Subscription Receipts. In connection with this tranche of the Cabral Offering, Cabral issued 988,869 special warrants to finders, and will pay cash commission of $106,798 on closing of the Transaction. On October 19, 2017, a second tranche of the Cabral Offering was completed on a brokered basis by the Agents. Cabral raised gross proceeds of $1,799,901 through the sale of 16,665,752 Subscription Receipts. In connection with this tranche of the Cabral Offering, Cabral issued 999,945 special warrants to the Agents and will pay cash commission of $107,994 on closing of the Transaction.

Narrative Description of the Business - Mineral Project

Cabral owns the Cuiú Cuiú Project, a gold exploration project located in the Tapajos Region within the state of Para in northern Brazil. The Cuiú Cuiú Project will be the principal property of the Resulting Issuer upon completion of the Transaction.

Micon was commissioned by Cabral to prepare the Technical Report for San Angelo in connection with the Transaction, pursuant to the policies of the TSX-V. The qualified persons responsible for the Technical Report are Thomas C. Stubens, P.Eng., B. Terrence Hennessey, P.Geo., and Richard M. Gowans, P.Eng. The Technical Report was prepared according to NI 43-101 standards of disclosure and guidelines for technical reporting.

Cabral also obtained an independent title opinion regarding Magellan Brazil's interest in the Cuiú Cuiú Project. There were no material qualifications to the title opinion relating to the Cuiú Cuiú Project.

The following represents information about the Cuiú Cuiú Project which has been summarized or is a direct extract from the Technical Report. Certain of the tables and figures from the Technical Report are included in this Filing Statement. The remaining figures and greater detail regarding information contained in this section is available in the Technical Report, a full copy of which has been filed on SEDAR at www.sedar.com. Data and reports referred to in the Filing Statement are referenced in the section entitled "References" in the Technical Report.

Micon undertook an independent technical review of the mineral exploration completed on the Cuiú Cuiú Project. The Cuiú Cuiú Project was formerly controlled by Magellan which completed a mineral resource estimate and Technical Report under NI 43-101 dated April 19, 2011 and filed on SEDAR on April 21, 2011. The estimate was prepared by Pincock Allen & Holt ("**PAH**").

Since the completion of the 2011 mineral resource estimate, approximately 22,000 m of additional drilling on several targets is reported to have been performed by Magellan. This drilling and its results are described in the Technical Report. In the Technical Report, the Cuiú Cuiú Project's 2011 mineral resources are presented as historic mineral resources as described in NI 43-101.

Property Description and Location

Location

The Cuiú Cuiú Project is located within the Amazon Basin of Brazil, at an approximate latitude of 5.92°S and longitude 56.56°W (UTM-SAD69 coordinates 9,344,890 N, 547,930 E,). The property is located in the municipality of Itaituba, in Pará State, 1,440 km north-northwest of Brasilia, 2,200 km north-northwest of São Paulo, and 1,035 km southwest of the Atlantic coast port city of Belém (see Figure 1 and Figure 2).

Elevation on the property ranges between 90 m and 300 m above sea level. Cuiú Cuiú has rolling topography with some moderately incised streams and northwest-trending ridges which rise up to 100 m above low-lying valleys.

Mineral Claims

The Cuiú Cuiú Project consists of 36 exploration licences and five applications totaling 71,792.93 ha. The three main targets outlined by drilling lie in the Exploration Licences 850.615/2004 and 850.047/2005.

In Brazil, priority is given to licence applications on a "first come, first served" basis. The application must follow a National Department of Mineral Production ("**DNPM**") format and must include a plan or map with the coordinates of the claim. Once the DNPM has evaluated an application, it is sent to Brasilia for publication, known as being awarded the "alvará de pesquisa" or exploration permit. The term of the exploration permit can be checked in the DNPM official web page.

The Gazette date shown in Table 1 is the date of granting of the licence, usually 1 to 4 years after application. Three years from the date the licence is granted, a first report outlining work completed must be submitted to the DNPM. If accepted, another 3-year term is granted. After the 6-year time frame a final report must be submitted. After the 6-year final report an application for an exploitation licence must be submitted in order to keep the concession.

In McMahon (2011), PAH reports that at the Cuiú Cuiú gold project, all the limits of the licences held at that time were checked using handheld GPS, and all of the exploration program was carried out within the property limits.

Micon is unable to comment with authority on the certainty and timing of the granting or renewal of the exploration license applications. It is not anticipated that the failure to grant the licenses will have a significant impact on the recommended exploration program.

Micon is also unable to comment with authority on the certainty and timing of the granting of the two mining applications.

Cabral reports that, with respect to the certainty of licenses being granted, it also finds it to be a difficult question to answer. It notes that Magellan has conducted all necessary work programs and supplied all required paperwork, and payment of taxes etc. that are required for license renewal. Cabral reports that it holds a high degree of confidence that these licenses will either be published or renewed in the near term.

With respect to the Mining Applications on 850.047/2005 and 850.615/2004 Cabral reports that both have had their Final Reports Approved and the Economic Feasibility Study (PAE) has been submitted to the DNPM and is awaiting analysis.

Additionally Cabral notes that within the scope of the New Mining Code of Brasil it is now possible to continue exploration after submission of the Final Report. A letter advising the DNPM of continuation of exploration has been registered, as required by the code, and, as such, any delays in the processing of the Mining Application will not affect the planned exploration programs.

The EIA-RIMA background environmental study will commence in October, 2017 and involves a minimum of 1 year of data collection before an application for the environmental license can be filed. As such Cabral envisages approximately 18 months before the full mining licenses will be granted for these two areas. Any new data and resource estimate can be added to the PAE as a complementary report. (R. McKnight, personal communication, October, 2017.)

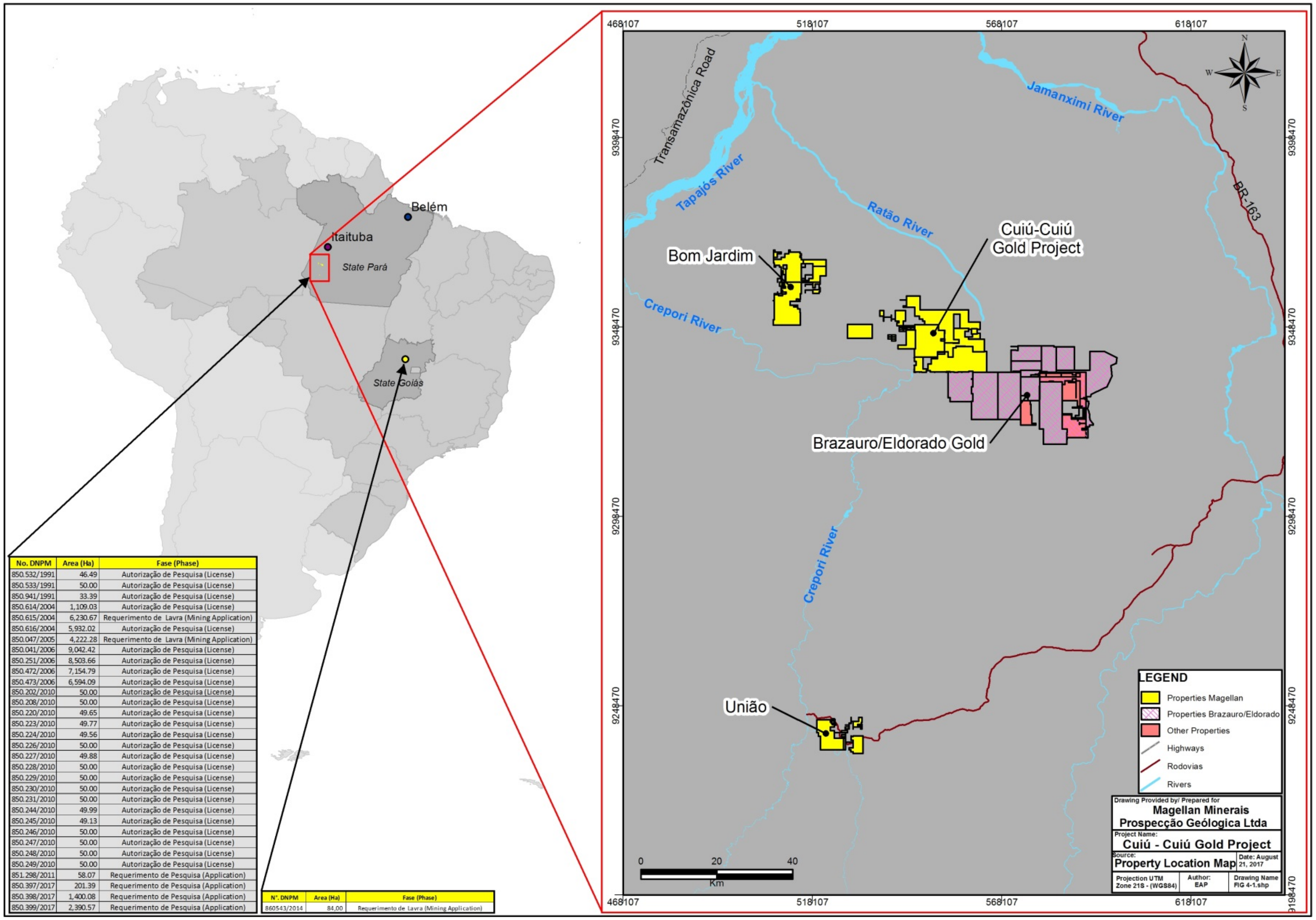
Micon is unaware of any other significant risks which might affect title or the right to perform work on the property.

Table 1
Cuiú Cuiú Property Exploration Permits and Applications

DNPM No.	Area (ha)	Licence No.	Gazette Date	Garimpo/ (Target)	Preliminary Report	Final Report	Mining Application Plan	Phase	Substance	Comments
Goias State										
860.543/2014	84.00			Niquelandia - GO			27/05/2014	Mining Application	Gold	
Para State										
850.616/2004	5,932.02	4822	09/06/2014	União	10/04/2017	09/06/2017		Licence	Gold	
850.532/1991	46.49	8598	01/08/2008	União	10/05/2011			Licence	Gold	Preliminary Report Presented
850.533/1991	50.00	7350	14/07/2008	União	10/05/2011			Licence	Gold	Preliminary Report Presented
850.941/1991	33.39	7351	14/07/2008	União	10/05/2011			Licence	Gold	Preliminary Report Presented
850.277/2003	6,717.50	13734	30/11/2009	Porquinho	13/09/2012			Licence	Gold	Preliminary Report Denied - Appeal Filed 18/09/2013
851.298/2011	58.07			Bom Jardim				Application	Gold	
850.472/2006	7,154.79	8535	02/09/2013	Bom Jardim	04/07/2016	02/09/2016		Licence	Gold	Preliminary Report Presented - Preliminary Report Denied Appeal Filed 05/12/2016
850.473/2006	6,594.09	15207	03/10/2011	Bom Jardim	04/08/2014	03/10/2014		Licence	Gold	Preliminary Report Presented
850.397/2017	201.39			Cuiú Cuiú				Application	Gold	
850.398/2017	1,400.08			Cuiú Cuiú				Application	Gold	
850.399/2017	2,390.57			Cuiú Cuiú				Application	Gold	
850.041/2006	9,042.42	8534	02/09/2013	Cuiú Cuiú	04/07/2016	02/09/2016		Licence	Gold	Preliminary Report Presented - Preliminary Report Denied Appeal Filed 05/12/2016
850.046/2017	1,828.62	4396	06//06/2017	Cuiú Cuiú	06/06/2020	06//06/2023		Licence	Gold	
850.139/2017	9,995.40			Cuiú Cuiú				Application	Gold	
850.251/2006	8,503.66	9686	03/09/2010	North Cuiú		03/09/2013		Licence	Gold	Preliminary Report Presented 05/07/2013
850.614/2004	1,109.03	4821	09/06/2014	Carneirinho	10/04/2017	09/06/2017		Licence	Gold	

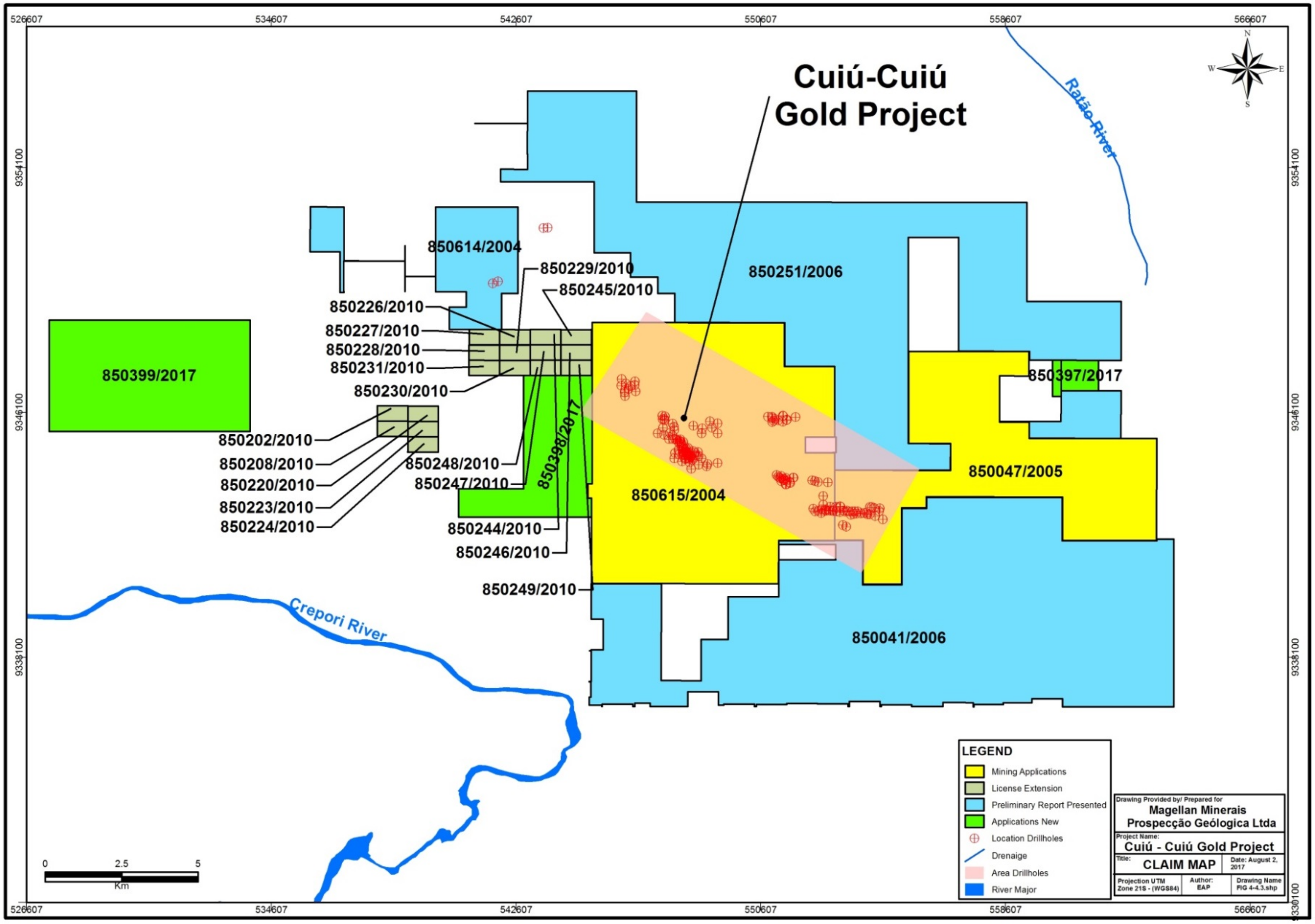
DNPM No.	Area (ha)	Licence No.	Gazette Date	Garimpo/ (Target)	Preliminary Report	Final Report	Mining Application Plan	Phase	Substance	Comments
850.202/2010	50.00	15216	16/09/2015	Cuiú Cuiú		16/09/2018		Licence	Gold	Licence Extension Term
850.208/2010	50.00	15777	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.220/2010	49.65	15789	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.223/2010	49.77	15792	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.224/2010	49.56	15793	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.226/2010	50.00	15795	16/09/2015	Cuiú Cuiú		16/09/2018		Licence	Gold	Licence Extension Term
850.227/2010	49.88	15796	16/09/2015	Cuiú Cuiú		16/09/2018		Licence	Gold	Licence Extension Term
850.228/2010	50.00	15797	16/09/2015	Cuiú Cuiú		16/09/2018		Licence	Gold	Licence Extension Term
850.229/2010	50.00	15798	16/09/2015	Cuiú Cuiú		16/09/2018		Licence	Gold	Licence Extension Term
850.230/2010	50.00	15799	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.231/2010	50.00	15800	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.244/2010	49.99	15813	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.245/2010	49.13	15814	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.246/2010	50.00	15815	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.247/2010	50.00	15816	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.248/2010	50.00	15817	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.249/2010	50.00	15818	30/08/2016	Cuiú Cuiú		30/08/2019		Licence	Gold	Licence Extension Term
850.615/2004	6,230.67	11129	28/10/2010	Cuiú Cuiú		25/10/2013	27/10/2016	Mining Application	Gold	Final Report Approved 12/11/2015 - Mining Application 27/10/2016
850.047/2005	3,572.76	8544	28/10/2010	Mineiro		25/10/2013	27/10/2016	Mining Application	Gold	Final Report Approved 12/11/2015 - Mining Application 27/10/2016
Total ha	**71,792.93**									

Figure 1
Property Location Map



Source: Cabral, 2017.

Figure 2
Cuiú Cuiú Claim Map



Source: Cabral, 2017.

The following is a description of San Angelo's rights and obligations with respect to its exploration activities at Cuiú Cuiú once the Transaction has closed.

Rights:

- To perform the work necessary to define the deposits within the maximum allowable term of the licence, which is three years. It can be extended for no longer than another equal period, at DNPM's discretion and in full compliance with the conditions stipulated by the Brazil Mining Code.
- To negotiate the deed. The holder may grant or transfer the claims before the approval of the final report of exploration work, only requiring the prior consent of DNPM.
- To relinquish the title, without detriment to meeting the obligation arising from the Mining Code.

Obligations:

- To start exploration work no later than 60 days after the licence has been published in the official gazette and to not stop or interrupt work, without due reason, for more than three months running or 120 non-consecutive days.
- To perform exploration work under the responsibility of a geologist or mining engineer legally qualified in Brazil.
- To inform DNPM of the occurrence of any other mineral substance not included in the licence agreement, as well as the start or resumption of the exploration work and any possible interruptions.
- To perform the exploration work and to submit to DNPM, before the expiration of the licence or its extension, a detailed report on the exploration work carried out.
- To pay the Federal Government annual fees according to Table 2, below.

Table 2
Federal Government Annual Fees

Period	Annual Fees (R$/ha)
First 3 years	2.02
Second 3 years	3.06

<u>Agreements</u>

At the time of Micon's site visit there was a limited number of garimpeiros (artisanal miners) living within the Licence areas and mining oxidized surface material (saprolite) on the claims. They do not have any Permissão de Lavra Garimpeira (PLG), which are small scale mining licences, nor do they have legal rights over the surface area.

In 2006, Magellan negotiated an agreement with the local garimpeiros at the Cuiú Cuiú Project, to explore and mine their properties. This agreement included annual payments during a period of five years.

In November 2010, a five year renewal of the contract was signed, with a 25% increase in the annual payment. The surface access contract terminated in 2015 and Magellan was in arrears for two years of payments. Cabral reports that it has reached an agreement with the community to pay the two years in arrears, plus the payments for 2016 and 2017 in exchange for no increase in the annual payments. These payments are approximately R$192,500 per annum which is approximately USD61,000/yr. at current exchange rates.

As at 30 September 2015, the management of Magellan were owed a total of approximately $2,400,000 relating to loans provided to the company, unpaid remuneration and unreimbursed expenditures incurred on behalf of the company. Magellan management proposed that $500,000 of these liabilities be addressed through an exchange for the company's interest in Magellan Brazil, a wholly owned subsidiary of Magellan.

A new, private BC registered company was formed and acquired 100% of Magellan's shares of Magellan Brazil. This company later was renamed Cabral.

Consideration for the interest in Magellan Brazil was $500,000 in the form of unpaid liabilities due to certain members of management (all of whom are insiders) who chose to participate in this transaction.

Cabral took over all liabilities of Magellan Brazil. However, prior to the transaction closing, all staff of Magellan Brazil were terminated resulting in an estimated cost of $280,000 that was paid for by Magellan.

There is a 1% net smelter return (NSR) royalty on the Cuiú Cuiú Project held by Sandstorm Gold Ltd and a 0.5% NSR held by Anfield Gold Corp. These commitments were retained by Magellan Brazil and will be assumed by Cabral.

On May 10, 2017, San Angelo, Cabral and Subco entered into the Business Combination Agreement, pursuant to which San Angelo will acquire Cabral by way of a three-cornered amalgamation. The Transaction will be a reverse takeover of San Angelo by Cabral pursuant to the policies of the TSX-V, and San Angelo will carry on the business of Cabral. The Transaction will result in San Angelo acquiring Cabral and control of the Cuiú Cuiú Project.

Surface Rights

Surface rights in Brazil are not associated with title to either a mining lease or an exploration claim and must be negotiated with the landowner. A landowner's right to participate in the profit of a mine is documented in Article 11, letter b, from the Federal Mining Code. The text reads as follows: "The participation will be 50 percent of what is payable to the States, Municipalities, and Administrative Organism, as a Financial Compensation for the exploitation of a mineral resource." The Financial Compensation (CFEM) is calculated from the mineral sales value, minus taxes, transport costs, and insurances. The percentage of this "Financial Compensation" varies with the mineral; in the case of gold it is 1%.

General Description

At the Cuiú Cuiú Project, the area of most intense exploration by Magellan covers approximately 9 km by 5 km (4,500 ha) and consists of nine main targets.

The exploration drilling completed by Magellan since 2006 was focused on six of these targets and most of the PAH technical report refers to three of these zones: Central, Jerimum de Baixo, and Moreira Gomes (McMahon, 2011). The drilling completed since the 2011 PAH mineral resource estimate has focused on the previously drilled areas, mostly on extensions of what was drilled, particularly Central North, Jerimum de Baixo, Jerimum de Cima and the east and west extensions of Moreira Gomes. Several new targets: Guarim, Ivo and Ratinho were also tested by diamond drilling in 2011 and 2012.

The remaining exploration area surrounding the Cuiú Cuiú project has been subject to limited exploration, such as airborne geophysical magnetic, gradiometric and radiometric surveys, some regional mapping and soil surveys.

Environmental Regulations and Liabilities

Federal law 6938/1981 outlines the environmental policy and the requirements of environmental permits for any activity with contaminant potential, or involved with natural resources.

Environmental permits are divided into three stages/categories:

- Preliminary Permit (LP, Licença Previa): this permit deals with the selection of the best place for developing the activity.
- Installation Permit (LI, Licença de Instalação): this permit deals with the construction of the project, according to a previously approved technical project description.
- Operating Permit (LO, Licença de Operação): this permit allows commencement of mining activities.

The government environmental organization has a six month period to approve or deny the permit, from the time of the application.

If the permit requires an environmental study (EIA/RIMA) where a public audience (public consultation) is required, this approval period may extend to 12 months. In the case of the Pará State, this period is not legislated.

The National Environmental Council (CONAMA) has established a list of activities, which need to be presented for a previous EPIA/RIMA. Mining activity is included in that list. Generally, a public audience is required.

The environmental permit needs to be renewed within a 1 to 5 year period, depending on the conditions included by regulatory agency in the permit.

The Cuiú Cuiú Project was granted an Operation Permit (Licença de Operação) which allows for the conduct of exploration activity. This permit was to be renewed in August, 2012. This permit must be renewed by Cabral but is considered to be a formality upon granting of the exploitation licence.

Much of the Tapajós Region has been environmentally classified into six categories:

- REBIO and RESEX: Biological study areas. Mining is prohibited.
- Indigenous Lands: Areas under tribal jurisdiction. Mining can occur with special tribal permission.
- PARNA: National Park. Mining is prohibited.
- FLONA: Permits mining activities with restricted environmental conditions.
- APA: The least restrictive environmental classification. Allows exploration activities and mining.

The Cuiú Cuiú project, all the property falls in the APA TAPAJÓS-Area 2.

Known environmental liabilities at the Cuiú Cuiú Project are mostly the result of artisanal mining activities. These include shallow water-filled pits from which saprolitic materials were extracted, mainly by hydraulic mining methods.

Most of the Magellan exploration program was restricted to areas already disturbed by the artisanal miners. Even though artisanal miners are known to have used mercury amalgamation for gold recovery, no traces of this element were found in the water sampling carried out by Magellan.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

<u>Accessibility</u>

The Cuiú Cuiú Project is located approximately 195 km south-southwest of Itaituba, a town on the Tapajós River. The Tapajós is a major southern tributary of the Amazon River. Itaituba is located 1,000 km west-southwest of Belém. Regional airlines service the Belém-Itaituba route (a 3.5 h trip).

There is a 15-km long road from Cuiú Cuiú village to Porto Seguro where boats can dock. The Transgarimpeiro road lies 60 km to the south of the project, and highway BR-163, which connects the city of Cuiaba (Mato Grosso State) with the city of Santarem (Pará State), lies 90 km east of the Cuiú Cuiú Project.

In late 2015 local garimpeiros completed a 103 km long, dry season track that connects Cuiú Cuiú to the Agua Branca garimpo to the southeast. Agua Branca is itself accessible from the BR-163 via a gravel road approximately 80 km in length. In dry weather, one can complete the 450 km drive from Cuiú Cuiú to Itaituba in approximately 12 hours.

There are small, single engine charter flights from Itaituba to the project, which takes about 50 minutes. The project has a 1,000-m long unpaved airstrip.

In general, rivers provide better local access than roads, especially in the rainy season.

Eldorado Gold Corporation has announced that it intends to spend USD35.0 million in capital on its Tocantinzinho project during 2017. The focus will be primarily on completing construction of the access road to site (now complete), permitting, basic engineering and general site costs. The Tocantinzinho concession group is located adjacent to and southeast of the Cuiú Cuiú Project.

Climate

The Cuiú Cuiú Project is located within the Amazon Basin where the dry season normally begins around late May and continues through to November, although there are intermittent rains from June to November. Temperatures vary between a minimum of 17°C in June to a maximum of 44°C in January with average annual temperatures of 26°C. Temperatures are typically cooler in the high jungle where humidity is also constantly higher throughout the year. Average annual precipitation is between 1,500 mm and 2,000 mm. Although rainfall is heavy between February and May, exploration work can be carried out on the project all year round.

Local Resources and Infrastructure

The company's camp is located in the village of Cuiú Cuiú on the project site. The village consists of 75 houses and in 2010 had a population of 177 inhabitants. Power for the village and for the project is provided by a diesel generator.

In 2010 the village had the following services:

- One primary school.
- Four public telephones.
- Two churches.
- One small restaurant.
- Four bars.
- Four grocery stores.

The water supply for the village comes from a nearby stream, Agua Azul (Blue Water).

The closest town to Cuiú Cuiú with social services, banking, postal services, health services, and regular air services to major cities, is Itaituba, with a population of approximately 97,700 inhabitants in 2011.

Fuel and others supplies are currently brought in by road. Minor supplies for the camp are brought in by small aircraft from Itaituba.

Transportation around the area is done using local tractors capable of hauling heavy equipment. Magellan used eight ATVs for travelling around the Cuiú Cuiú Project. The camp had internet and telephone services, a capacity for 20 people, and a core shed with capacity to store 55,000 m of core.

Physiography and Flora

The Cuiú Cuiú Project is situated approximately at 200 m above sea level, with a maximum elevation of 330 m and a minimum of 75 m. The Cuiú Cuiú Project has a weakly incised topography forming north-northwest-trending ridges on most parts of the property. The river valleys flow strongly during the wet season and are low during the months of June to October. Vegetation over 75% of the area is jungle (some of it secondary growth), with trees reaching a height of 30 m in some places. The rest of the area has been cleared, mainly by artisanal workings (garimpos) or for small farms.

History

Regional Mining History

The Tapajós Gold Province was the site of a major gold rush by artisanal miners from the late 1970s until the late 1990s and has recorded historical production of at least 10 million ounces, with actual production estimated to be approximately 30 million ounces to date (McMahon, 2011). Although gold is reported to have been first discovered in 1747, there has been continuous production in the area since 1958. Over a quarter of a million garimpeiros were recovering well over a million ounces per year as part of the largest gold rush in history during the 1980s to early 1990s, (there were over 1 million active miners in northern Brazil) with peak gold production from 1988 to 1990.

The Tapajós Province is still active, with over 30,000 artisanal workers and a current estimated production of well over 200,000 ounces per year. Alluvial deposits were exploited to near exhaustion, and then miners turned to mining the laterite/saprolite by hydraulic methods. Occasionally, primary veins and stockworks are mined when practical.

Local Mining History

The Cuiú Cuiú area was first worked in 1958. The construction of the village itself started in the middle 1970s. It is said that during the period 1976 to 1992 up to 86 flights per day arrived in the village, and over 5,000 people lived in the area (McMahon, 2011).

The only known modern exploration conducted in the Cuiú Cuiú Project was by Rio Tinto plc and TVX Gold Inc., during the 1990s. TVX drilled 13 holes near the Jerimum de Baixo target.

Altoro Gold Corp. mapped the Central and Jerimum pits between 1997 and 1999.

Exploration conducted by Magellan will be discussed later in the Technical Report.

Historical Mineral Resource Estimates

In 2010 Magellan retained PAH to prepare a mineral resource estimate for the Cuiú Cuiú project. The principal author and qualified person for the estimate was Aaron McMahon, P.G., Senior Geologist at PAH. The estimate was supported by a Technical Report filed on SEDAR (www.sedar.com) by Magellan on April 21, 2011 (McMahon, 2011).

The estimate was prepared using assay results from drill core collected by Magellan. Prior to the estimate a total of 25,955.01 m of diamond drill core, in 104 exploration holes was reported to have been drilled since 2006. Magellan continued drilling after the estimate was completed.

The mineral resource estimate is reported to have been “conducted in accordance with the Standards for Disclosure for Mineral Projects, Form 43-101F1 and Companion Policy 43-101CP dated December 23, 2005” (McMahon, 2011). The resource was classified using “Resource and Reserve definitions are as set forth in Canadian Institute of Mining, Metallurgy and Petroleum, CIM Standards on Mineral Resource and Mineral Reserves - Definitions and Guidelines adopted by CIM Counsel on December 11, 2005” (McMahon, 2011).

The resource estimate was performed using a block model constrained by low (>0.01 g/t Au) and high grade (>0.2 g/t Au) domains. A surface separating oxidized (weathered) and fresh rock was also modelled. For each deposit there were multiple high grade domains.

Grade domain boundaries were treated as hard for grade interpolation which was performed using Ordinary Kriging. Often, single blocks transcend one or more domain boundaries. PAH assigned various percentage values representing the proportion of a block in a given domain. Blocks were then interpolated with multiple grades for each of the domains in which it resides. The final grade for a block was then calculated as the average interpolated grade weighted by their respective percentage volume values. It is not known whether the assays from the oxidized and fresh rock were treated separately or not.

Due to the sparse distribution of samples throughout the project, the majority of the resources were classified as inferred. However, a small portion of the Central deposit has a sample density that the author felt was sufficient to support indicated resources.

For the reasons set out above, Micon believes that discussion of the historical PAH/Magellan mineral resource estimate is relevant to the present report.

PAH reports that the statement of resources in Table 3 is constrained by mineable shapes and cut-off grades to meet the requirement that mineral resources must have reasonable prospects for economic extraction. The mineable shapes are either Lerchs-Grossman pits or conceptual underground stopes. Resources falling within the pits are reported at cut-off grades of 0.3 g/t Au for fresh rock or 0.4 g/t Au for saprolite. Stope shapes only include blocks above a cut-off grade of 1.3 g/t Au. The cut-off grades consider a gold price of USD1,250 per ounce and metallurgical recoveries of 91% for fresh rock and 66% for saprolite.

Table 3
Cuiú Cuiú Historical Resource Statement

Zone	Tonnage (x 1,000)	Au Grade (g/t)	Contained Au (koz)
Central	3,400	1.0	100
Moreira Gomes	0	0	0
Total Indicated Resources	**3,400**	**1.0**	**100**
Central	17,000	0.9	500
Moreira Gomes	14,000	1.5	700
Total Inferred Resources	**31,000**	**1.2**	**1,200**

Source: McMahon, 2011.

The mineral resources presented in Table 3 above are historical in nature as described in NI 43-101. They were prepared prior to the agreement to acquire the Cuiú Cuiú Project by Cabral and the Business Combination Agreement with San Angelo, and a Qualified Person from Micon has not verified them as current. Furthermore, 72 diamond drill holes, totalling over 22,000 m, have been drilled at Cuiú Cuiú since the end of 2010, the cut-off date for the most recent mineral resource estimate generated by PAH in 2011. At this time, the reliability of the estimates is not known by Micon. The estimates in Table 3 are classified using the categories set out in the Canadian Institute of Mining, Metallurgy and Petroleum's CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines, as required by NI 43-101. However, San Angelo is not treating the mineral resources or mineral reserves as current.

The inferred historical resource summarized in Table 3 includes 1.9 million tonnes of saprolite with an average grade of 1.5 g/t Au (containing 90 koz of Au) which was not mined by the garimpeiros.

No other, more recent, estimates are known to have been made.

In order to verify the historical estimate as current San Angelo will need to retain an independent QP to review all of the supporting data and either re-estimate the resources or review the previous model, if available. Given that there is drilling post the 2011 resource estimate, re-estimation is likely the preferred course of action.

PAH also provided a complete block model inventory at various cut-off grades in order to show sensitivity to cut-off. This is not a compliant mineral resource.

Geological Setting

The following description of the regional geology was drawn mainly from work done by the Brazil Geological Survey. The description of the deposit geology, structural interpretation and geological model was produced from field mapping, core drilling, previous Magellan reports, and other similar occurrences such as Tocantinzinho deposit, which is also located in the Tapajós Mineral Province (TMP).

The Tapajós Region is hosted within the Brazilian Shield, which is Archean to Proterozoic in age and extends from western Bolivia through Brazil to Guyana and Venezuela. The TMP occurs specifically within the Tapajós-Parima terrane, which is one of six terranes or geological provinces recognized within the Brazilian part of the shield. The Tapajós-Parima terrane stretches from the Alta Floresta gold district in northern Mato Grosso state, through the TMP, and continues on the north side of the Amazon River, where granite-hosted gold deposits occur within indigenous reserves in the state of Roraima. The region is characterized by Paleoproterozoic magmatism. The basement is comprised of granite-gneisses of the Cuiú Cuiú Complex of 2015 Ma, and is intruded by later the Parauari suite (1.89 Ga), the Maloquinha suite (1.88 Ga) and the latter part of the Irri Irri volcano plutonic suite.

The Cuiú Cuiú Project is mostly underlain by granitic to dioritic plutons and granite-gneiss of Early Palaeoproterozoic (Trans-Amazonian) age. Two regional fault systems are identified, with a northwest-southeast trend. One is located to the north, and the second one to the south of the project. The deposit itself occurs in a distinctive structural anomaly, interpreted as a dilational zone, hosted within a large crustal scale shear known as the Tocantinzinho Trend. This shear hosts many of the more important gold deposits and garimpos in the northern part of TMP.

Regional Geology

The Cuiú Cuiú Project is located in the central part of the Tapajós Gold Province, which in turn is situated in the central part of the Amazon Craton and covers part of the Ventuari-Tapajós and Tapajós-Parima Provinces, and is characterized by Proterozoic magmatism.

The basement is mainly formed by granite-gneisses of the Cuiú Cuiú Complex (2015 Ma), while other plutonic rocks are included in the Creporizão suite (1997 Ma), the Parauari suite (1.89 Ga) and the Maloquinha suite (1.88 Ga).

The Creporizão suite includes syenite-granites, monzonite-granites, tonalities and granodiorites, all of which are generally deformed.

The Parauari suite is composed of monzonite-granites and granodiorites, with little or no deformation. A significant majority of the TMP gold deposits are hosted within Parauari intrusives, including Tocantinzinho, Palito, Sao Jorge and Bom Jardim.

The Maloquinha suite is characterized by A-type granites, mainly syenite-granites and alkaline-feldspar granites. The Maloquinha granite is sometimes intrusive into the Parauari Granite. Due to the A-type, alkaline nature of the Maloquinha intrusives and associated volcanic rocks, it has been postulated that this suite possibly represents a failed Proterozoic rift.

Volcanics rocks are distributed throughout the Province and are grouped within the Iriri Group or Uatumã Supergroup. Mafic Rocks from the Ingarana Suite and the Cachoeira Seca Suite are part of the Crepori diabase and associated with many of the mineralized structures in the area.

Regional scale shear zones with a northwest-southeast orientation cut the crystalline units and many of the known gold occurrences are controlled by this tectonic event, such as Sao Jorge, Palito, Tocantinzinho, Coringa, and Mato Velho. Gold occurrences such as Cuiú Cuiú, Tocantinzinho, Mamoal, and Palito, and Sao Jorge are all aligned along this trend.

These crystalline units offer many possibilities for gold and base metal mineral deposits and since the alluvial gold rush of the 1980s and 1990s various types of primary mineralization have been identified.

Gold mineralization in the Tapajós is intrusive-related and shear hosted. Native gold occurs in quartz-sulfide ± carbonate veins and veinlets, and to lesser extend associated with disseminated sulfides. Pyrite is by far the dominant sulfide mineral, with subordinate sphalerite, chalcopyrite and galena. Host rocks are coarse, felsic (usually granitic) intrusive cut by fine grained dykes, although a minority of deposits are hosted in sub-volcanic lithologies. Mineralization is frequently well developed on the contact between the dykes and host intrusive, although rare, post-mineral dykes and intrusive bodies occur. It appears the deposits are genetically "intrusive related gold" type (IRG) with similarities to gold deposits in eastern Alaska and the Yukon as opposed to "orogenic/greenstone" types (D. Moore, ProExplo 2011 Lima Peru).

Cuiú Cuiú Property Geology

In 2009, a remote sensing interpretation of the Cuiú Cuiú area was carried out by Mike Baker, geological consultant. The study involved the mapping of drainages, regoliths, lithologies and structures, based on airphotos, Landsat, satellite radar and high resolution Quickbird imagery. One of the products obtained was an image interpreted geological map showing the principal target areas as well as a description of geological units in the project area below. (McMahon, 2011.)

Central Target Area – Simplified Geology

The Central target area is underlain by the intrusive igneous Cuiú Cuiú Complex. The mineralization is mainly hosted in an intrusive rock that ranges from a tonalite/granodiorite to a coarse to medium grained granite (CLM Petrografia Ltda, 2010). The coarse granite is the most representative host rock. Colour ranges (when not altered) from pale pink to reddish, depending on the amount of microcline.

The host rock is weakly to moderately foliated in parts. Pre-mineral micro-brecciation and crushing of the granite/granodiorite is widespread, but is not always related to mineralization, although the better mineralized zones are invariably hosted in brecciated granite, indicating that the brecciation is a form of structural preparation.

Within the mineralized zone, the intrusive rocks appear weakly sheared, and strongly hydrothermally altered (sericitization, carbonatization and chloritization), displaying roughly preserved relicts of the original texture. In most cases plagioclase is completely altered to sericite.

Associated with the intrusive rock, are aplite/pegmatite dikes usually less than 2 m wide but with occurrences up to 6 m in width, displaying a preferred orientation east-west, and to a lesser extent northeast-southwest.

Fine grained, dark green to dark gray andesitic dikes are widespread on the Central area. The rock, as described in the petrology report, is “sheared and extremely hydrothermally altered (chloritization, carbonatization and sericitization), preserving subhedral pseudomorphs after plagioclase, relicts from original igneous hypidiomorphic granular texture….” In some cases no textural relict of the original rock is preserved. These dikes, in general, are riddled with carbonate and quartz veinlets (less quartz than carbonate). Gold grades in these dykes are normally low. Very similar, altered andesite dykes occur at Tocantinzinho and São Jorge, and in fact are ubiquitous throughout the Tapajós. It appears that the larger, stockwork-style gold deposits in the Tapajós, such as Tocantinzinho and Central in Cuiú Cuiú, are associated with dyke swarms. However, this is probably an indication of local structural preparation rather than evidence of a genetic link to the volcanic dykes (D. Moore pers. comm. to McMahon, 2009).

Two preferred orientations have been obtained from oriented core measurements, east-northeast-west-southwest, dipping 60° to the northwest, and east-west, dipping 70° to the north.

Moreira Gomes Target – Simplified Geology

The Moreira Gomes target is underlain by the intrusive igneous Cuiú Cuiú complex. The mineralization is mainly hosted in a granodiorite, with no sign of foliation or strong brecciation, and is strongly magnetic. The mesoscopic description from the petrology report reads “Coarse-grained mottled to spotted pinkish white intrusive rock, magnetic, displaying white crystals of plagioclase, pale pink crystals of microcline, colorless quartz, dark green crystals of chlorite, brownish pink crystals of titanite and yellow crystal of epidote.”

Within the mineralized zone, the granodiorite is strongly altered (sericitization, chloritization and carbonatization), preserving relicts of the original igneous hypidiomorphic granular texture. The original magnetism of the fresh granodiorite is completely lost and the predominant color is gray-green.

Dike-like bodies appear parallel to the main mineralized structure (east-west). The main composition of these dykes is aplite-pegmatite, and a few of them are chloritized, fine grain andesite.

A felsic dike rock unit is described in some holes (rhyolite). It is not altered and is non-magnetic, with its original porphyritic texture well preserved.

Structure

The Cuiú Cuiú Project lies between two major faults, identified by Mike Baker (2009), as Fault A (to the southwest of the project), and Fault B (to the northeast). Fault A has a southeast-northwest trend. To the west of the area it changes direction to north-northwest. Elsewhere in the Amazonian craton, fault zones with similar changes in trend tend to be long-lived features of Archean origin. This fault is interpreted as a major strike-slip structure during the ductile phase of the Trans-Amazonic event.

Fault B has a north-northwesterly direction, parallel to Fault A. This fault is interpreted as an early Trans-Amazonian compressional structure, which was reactivated during the late Trans-Amazonian event.

Most of the structures in the main part of the Cuiú Cuiú Project are related to the differential movement between the two regional faults. There are a series of left-lateral faults, parallel to Fault B. Some of these terminate in east-northeast trending faults, interpreted as late structures.

These northwest-trending structures have the geometry of shear zones, whereas internal second or third order faults are oriented east-northeast, and are probably extensional in origin.

Structural Model

Based on a detailed Airborne Magnetic survey (Horizontal Gradient Map) and oriented core measurements, a local interpretation of the structural model and strain field was carried out.

The Central zone seems to be related to differential movements between two major strike-slip faults, with a dextral movement, and is located in tension gashes related to the shear zone.

Moreira Gomes is located in an east-west trending, parallel strike-slip fault, with a sinistral sense of movement. At the Jerimum de Baixo target, the zone is not yet well defined, and more drilling is required. However the target is located along a major strike-slip sinistral fault. This major lineament is probably the contact between two different lithological units.

Alteration

In a regional context, the Cuiú Cuiú Project displays large zones of alteration. This indicates that large volumes of hydrothermal fluid were focused within the shear zones.

At the prospect scale, gold mineralization is associated with zones of intense sericite alteration. Petrographic studies (CLM Petrografia, 2010), show that primary plagioclase grains have been extensively altered to sericite. This is clearly seen in core samples as the rock changes to a pale green-brown color. Sericitization occurs as selvedges within veins. At Central zone, sericitic alteration becomes more massive, as veins/veinlets become more abundant. The primary alteration minerals are sericite-chlorite-silica, and calcite in veinlets (D. Moore, 2011).

A wider and more distal alteration type is the chlorite-hematite alteration, which can reach up to 15-20 m from the mineralized zone. This alteration type is mentioned in most shear-hosted deposits (Peters S. G., Golding S. D., 1989), and in some cases has been described as potassic alteration, although it is not potassic alteration. This alteration is typified by a strong reddish colouration, and is the result of staining by microcrystalline hematite after magnetite alteration.

Mineralization

The Cuiú Cuiú gold deposit is a stockwork/sheeted veinlet body hosted in granitic rocks (Cuiú Cuiú complex), cut by fine-grained andesitic dykes, and by later aplitic/pegmatitic dykes. Gold mineralization is localized in shear zones which in turn are controlled by a large scale northwest-southeast-striking lineament (the so called Tocantinzinho trend), probably a crustal-scale shear. The dimensions of the Central and Moreira Gomes deposits that have been outlined by core drilling are shown in Figures 7.10 and 7.11. The former strikes 800 m in the northwest-southeast direction, is 50 to 70 m wide, with a vertical depth of 450 m. The latter strikes 1,200 m east-west, is 30 to 50 m wide, with a vertical depth of 400 m. Both zones remain open along strike and at depth.

Mineralization Styles

The key feature of both deposits is sheeted quartz-chlorite-calcite veinlets, containing pyrite and accessory base metal sulfides. Veinlets are generally 0.2 to 2.0 cm in width but occasionally are up to 20 cm wide. Chlorite forms ubiquitous selvedges to fractures and veins and replaces ferromagnesian grains.

The pyrite content within the zones of stockwork mineralization ranges from 0.5 to 4% in volume, while base metals values (galena, sphalerite and chalcopyrite) average less than 0.2%. Similar to Tocantinzinho, the mineralization at Cuiú Cuiú can be considered “low sulfide,” with overall sulfide content of less than 2%. However, high grade gold zones above 10 g/t Au are associated with elevated levels of both pyrite and base metal sulfides, and display significant silicification.

Pyrite is the primary host for native gold, although visible coarse gold is usually associated with base metal sulfides, particularly galena, sphalerite, and chalcopyrite. Rare fluorite, and amethyst are present (cassiterite is noted in petrographic reports). Individual veins exhibit pinch and swell morphologies. Visible gold grains size range from 0.1 to 2.0 mm in diameter. There is a positive correlation between the frequency of quartz veins, the percentage of sulfides present and gold grade.

Gold occurs as the native metal in fracture fillings within pyrite and other sulfides; it occurs on the surfaces of, and in between individual sulfide grains, rarely as inclusions within pyrite. It also occurs as solitary grains up to 1 mm or more in size in quartz-base metal sulfide veins.

The sheeted veinlets and veins show some preferred orientation. At Central there are four main orientations, north-south, east-west, north-northeast-south-southwest and northwest-southeast Veinlets dip from 41° to 84°. No preferred orientation of high grade veins is evident in the drilling conducted to date. At Moreira Gomes, there are two main orientations of the veinlets: north-northeast-south-southwest dipping 31° and east-southeast-west-northwest dipping 71°. As at Central, there is no preferred orientation for the high grade veins.

Geological Model

Central Zone 3D Model

A three dimensional solid model was constructed by PAH using Encom Discover 3D software. Twenty-four digital cross sections were used at irregular-spaced intervals (40 to 85 m spacing), with the same orientation of the holes, and approximately parallel to the main structure. Polygons representing the zone boundary were drawn at and above 0.2 g/t Au. These polygons were connected to create the 3D model.

The topographic data were taken from the Fugro Airborne magnetic survey, and locally adjusted with drill hole collars and topographic sections built with tape and compass.

Moreira Gomes Zone 3D Model

A three dimensional solid model was constructed using Encom Discover 3D software. Fifteen digital cross sections were used at irregular spaced intervals (80 to 130 m spacing), with the same orientation of the holes, and approximately perpendicular to the main structure. Polygons representing the ore boundary were drawn at and above 0.2 g/t Au. These polygons were connected to create the 3D model.

The topographic data were taken from the Fugro Airborne magnetic survey, and locally adjusted with drill hole collars and topographic sections built with tape and compass.

Deposit Types

Shear Zone Hosted Gold Deposits

Shear zone hosted gold deposits are zones of anomalously high strain, and form linear mappable units. These linear units occur in generally predictable orientations, and are located in certain preferred settings.

In these mappable units, lithologies may be rotated (A), folded (B), dislocated (C), truncated (D), thinned (E), thickened (F), repeated (G) or transposed (H) (see Figure 8.1). (See OGS, 1988).

At the prospect scale, shear zone hosted gold deposits consist of many individual shear zones that are rarely linear and continuous, but which anastomose, bifurcate, or are discontinuous in both vertical and horizontal dimensions.

Many deformation zones are characterized by structures of both ductile and brittle deformation, which may be coeval or occur at different times (see Ramsay, 1980).

These zones generally contain altered rocks, carbonate and hydrous minerals (sericite-biotite), as well as quartz and quartz-carbonate veins (low pressure-temperature conditions). Hematization of feldspars, which imparts a brick red color, is common in altered granitoids and porphyries (McMahon, 2011).

And finally, syn-tectonic to late-tectonic, andesitic to dacitic dykes, as well as aplitic and pegmatitic dykes appear intruding the deformation zones (Wyman and Kerrich, 1986, 1987).

Gold mineralization is hosted by small-scale structures within larger deformation zones. These structures are highly permeable zones, which are preferred sites for mineralization. A change from the brittle to ductile environment occurs with increasing depth.

Gold is associated with large volumes of fluid that have altered the host rock. This fluid, through its influence on the ductile-brittle behaviour of the rocks, will affect the form and distribution of gold bearing structures.

Deposits are lenticular, tabular or irregular shaped bodies composed of veins/veinlets, breccias zones, and/or stockwork systems. Veins transect lithological contacts, and are not restricted to a specific rock type. In shear zone hosted gold deposits there is also a vertical zonation, which reflects a change in the deformation style, from brittle to brittle-ductile. For example breccia veins occur principally within the brittle style of deformation and replacement veins are commonly associated with ductile zones.

As described in the idealized composite depositional model for Archean load gold deposits (OGS, 1988) minerals common to gold related alteration zones include:

- Carbonates.
- Potassic phyllosilicates (sericite and biotite).
- Chlorite associated with calcite and dolomite.
- Iron sulphides (pyrite).
- Quartz.
- Chloritoid minerals.

The most distinctive occurrence of gold is in quartz veins. In some deposits this is the principal location of mineralisation, although gold also occurs in altered host rocks. In other deposits, gold is associated with alteration sulfides in the wall rock.

The 200 km long Juneau belt, and the Valdez Creek district in Alaska (R. J. Goldfarb, G. N. Philips, W. J. Nokleberg, 1997), the Charters towers district in Australia (O. P. Kreuzeur, 2004) are examples of gold deposits associated with deformations zones.

Cuiú Cuiú

The main characteristics of the gold deposits at Cuiú Cuiú are as follows (D. Moore, 2011):

- The Tocantinzinho Trend is comprised of major northwest-southeast lineaments that control the locations of the most important gold deposits in the Tapajós, and are probably crustal-scale shear zones.
- Cuiú Cuiú is located along the Tocantinzinho Trend, which also hosts the São Jorge, Palito and Tocantinzinho gold deposits.
- Central zone mineralisation is related to differential movements that occurred between two major strike-slip faults systems. Moreira Gomes zone mineralisation is located in an east-west-trending strike-slip fault.
- The primary alteration minerals are sericite, chlorite, silica, calcite and hematite.
- Andesitic to dacitic dykes are associated with many of the gold occurrences at Cuiú Cuiú; aplitic and pegmatitic dykes are also common. At Central, over a hundred andesitic dykes have been identified from drill holes.
- Mineralized zones at Cuiú Cuiú have irregular shapes, and gold is hosted in vein/veinlets, breccias, stockwork systems and as results of replacement of granitic host rocks.
- At both the Central and Moreira Gomes deposits, gold mineralisation has been traced over a vertical extent of more than 350 m and to date the lower limits of mineralisation have not been defined. In the case of Moreira Gomes, gold mineralisation extends more than 1,000 m along strike and remains open.
- Gold grades show a correlation with the amount of quartz and intensity of sulfide content and base metal mineralization.

Exploration

Since beginning work on the Cuiú Cuiú Project in 2005, Magellan employed a multi-faceted approach to exploring the property. This included soil sampling, Auger drilling, diamond drilling and collecting rock samples where rock was exposed in "Garimpos" or artisanal workings. These sample data are summarised in Table 4, below.

Table 4
Cuiú Cuiú Gold Project - Sampling Summary by Year

Year	Rock	Soil	Auger Drilling		Diamond Drilling			
			Holes	Samples	Holes	Drilled (m)	Samples	Sample (m)
2005	104	143	-	-	-	-	-	-
2006	529	4,808	-	-	10	2,753.51	1,430	2,646.81
2007	133	2,131	-	-	20	4,209.18	2,297	3,933.91
2008	103	-	88	1,032	15	3,765.14	1,921	3,126.81
2009	-	-	121	2,019	9	1,742.95	1,225	1,734.68
2010	-	2,892	28	520	50	13,486.55	9,163	13,420.23
2011	-	-	-	-	64	20,849.52	11,968	18,045.35
2012	-	-	-	-	8	1,218.53	828	1,218.98
Total	**869**	**9,974**	**237**	**3,571**	**176**	**48,025.38**	**28,832**	**44,126.77**

Work completed in 2005 included:

- Structural Interpretation/Geological Mapping: A structural map based on an interpretation of Landsat images, followed by geological mapping was carried out, together with a detailed survey of all the garimpos or artisanal workings.

- Rock Sampling: Rock samples (104) were collected where possible, as most of the area is covered by vegetation or saprolite. The samples were sent to the SGS Geosol laboratory in Belo Horizonte, Brazil, for preparation and assayed for gold.

- Soil Sampling: A soil sampling survey was carried out. A total of 143 soil samples were collected, which were submitted to the SGS Geosol laboratory in Belo Horizonte, Brazil, for preparation and gold assay.

Between January, 2006 and December, 2006, Magellan's exploration work included:

- Rock Sampling: 259 rock samples were collected, mainly from artisanal workings. The samples were sent to the SGS Geosol laboratory in Belo Horizonte, Brazil, for preparation and assayed for gold.

- Soil Sampling: An extensive program of soil sampling was carried out over the Central, Pau da Merenda, Jerimum de Baixo, and Jerimum de Cima zones using a 100 by 25 m sampling grid. In addition, regional soil sampling was carried out with a 500 by 100 m grid. A total of 4,808 soil samples were collected, which were submitted to the SGS Geosol laboratory in Belo Horizonte, Brazil for preparation and gold assay.

- Drill Core Sampling: A total of 1,430 samples were collected from 2,753.51 m of BTW diamond drill core, which were sent to SGS Geosol laboratory in Belo Horizonte for sample preparation, followed by gold fire assay.

- IP Survey: a 22.75 line-km IP dipole-dipole geophysical survey (50 m spacing) was carried out over the Pau da Merenda, Jerimum de Cima and Jerimum de Baixo. The Moreira Gomes and Central zones were also covered.

January, 2007 to December, 2007

- Rock Sampling: An additional 133 rock samples were collected from artisanal workings. The samples were sent to SGS Geosol laboratory in Belo Horizonte, Brazil, for preparation and assayed for gold.

- Soil Sampling: The regional soil survey over the property was expanded to the northwest, using a 500 by 100 m grid. A total of 2,131 additional soil samples were collected, which were submitted to the SGS Geosol laboratory in Belo Horizonte, Brazil, for preparation and gold assay.

- Airborne Magnetic-Radiometric and Gamma Ray Survey: During June, 2007, an airborne magnetic radiometric survey was carried out. The airborne survey covered 3,233 line-km flown along 200-m spaced lines at an altitude of 100 m.

- Ground Magnetic Survey: During July, 2007, ground magnetic survey work was carried out over the Central and Jerimum de Cima zones at a line spacing of 100 m.

- Drill Core Sampling: A total of 2,297 samples were collected from 4,209.18 m of BTW core, which were sent to the SGS Geosol laboratory in Belo Horizonte for sample preparation, followed by gold assay.

January, 2008 to December, 2008

- Rock Sampling: An additional 103 rock samples were collected. The samples were sent to the SGS Geosol laboratory in Belo Horizonte, Brazil for preparation and assayed for gold.

- Power Auger sampling: A total of 88 power auger holes were drilled at the Central and Moreira Gomes zone, and 1,032 samples were collected and sent to the SGS Geosol laboratory.

- Drill Core Sampling: A total of 1,921 samples were collected from 3,765.4 m of NTW and BTW core, which were sent to SGS Geosol laboratory in Belo Horizonte for sample preparation, followed by gold.

January, 2009 to December, 2009

- Drill Core Sampling: A total of 1,225 samples were collected from 1,742.95 m of NTW and BTW core, which were sent to Acme Analytical Laboratories in Chile for sample preparation, followed by gold analysis.

- Power Auger Sampling: A total of 121 power auger holes were drilled at Pau da Merenda, North of Central and Moreira Gomes. 2,019 samples were collected and sent to Acme Analytical Laboratories in Chile for sample preparation, followed by gold analysis.

- Ground magnetic survey: A ground magnetic survey was carried out over the Moreira Gomes and Pau da Merenda zones.

January, 2010 to December, 2010

- Soil Sampling: Soil sampling was carried out to the west of Pau da Merenda, Miraboa, east of Moreira Gomes, and Jerimum de Baixo. The average sample spacing was 200 m by 25 m. A total of 2,892 samples were collected, which were submitted to the Acme Analytical Laboratories in Chile for preparation and gold assay.

- Petrologic Studies: Sixteen thin sections from drill core samples were prepared and reported on by CLM Petrografia LTDA, Rio de Janeiro, Brazil.

- Ground magnetic survey: A ground magnetic survey was carried out over the Jerimum de Baixo zone.

- Power Auger: A total of 28 power auger holes were drilled to the east, and west of Central, and 520 samples were collected and sent to Acme Analytical Laboratories in Chile for sample preparation, followed by gold analysis.

- Drill Core Sampling: A total of 8,502 samples were collected from 12,719 m of NTW and BTW core, which was sent to Acme Analytical Laboratories in Chile for sample preparation, followed by gold analysis.

- Airborne Magnetic - Radiometric and Gamma Ray Survey: A detailed airborne magnetic radiometric survey was carried out. The airborne survey covered 1,264 line-kilometers, and was flown along 50-m spaced lines at an altitude of 100 m.

2011 Exploration Program

In 2011, Magellan drilled 64 diamond drill holes totalling 20,849.52 m. Follow-up and step-out holes were drilled on the Central, Moreira Gomes, Babi, Jerimum de Baixo and Jerimum de Cima zones. New targets, Central North, Central SE and Guarim were also tested.

2012 Exploration Program

In 2012, eight diamond drill holes were completed totalling 1,218.53 m. These holes tested previously undrilled targets at Ivo and Ratinho.

<u>Interpretation and Conclusions</u>

The Cuiú Cuiú soil anomaly, is a continuous, 15 km NW trending soil anomaly, coincident with the "Tocantinzinho trend" (the crustal scale shear controlling most of the important gold occurrences in the TMP) comprising over 9,000 sample points. The main part of the anomaly is over 10km in length with an average value above 55ppb, and contains half a dozen higher value zones averaging over 100 ppb Au coincident with the main artisanal workings and areas drilled by Magellan. Over 50% of the anomaly has yet to be tested by drilling.

The exploration methods employed by Magellan at Cuiú Cuiú follow a multi-faceted, industry standard approach. The airborne geophysical surveys were carried out by Fugro. The IP survey was conducted by Geodatos do Brasil Ltda. Magellan personnel performed the ground magnetometer surveys.

The soil samples, rock samples and auger hole surveys described above were used to define prospective areas for follow-up diamond drill hole testing. The assay results thereof were not used in the estimation of the mineral resources. Collectively, they are a reasonable, order of magnitude indication of the size and location of areas with potential to host gold mineralization in bedrock.

The diamond drilling methods and sampling procedures are discussed below.

Drilling

A total of 48,025.38 m of diamond drill core, in 176 exploration holes has been drilled between 2006 and 2012.

The Cuiú Cuiú diamond drill holes are summarized by year in Table 5.

Table 5
Cuiú Cuiú Gold Project - Diamond Drilling Summary by Year

Year	Holes		Metres	Samples	
	Drilled	with DH Survey	Drilled	Number	Metres
2006	10	10	2,753.51	1,430	2,646.81
2007	20	20	4,209.18	2,297	3,933.91
2008	15	15	3,765.14	1,921	3,126.81
2009	9	9	1,742.95	1,225	1,734.68
2010	50	50	13,484.23	9,164	13,420.23
2011	64	58	20,849.53	11,968	18,045.35
2012	8	7	1,218.53	828	1,218.98
Total	**176**	**169**	**48,025.38**	**28,832**	**44,126.77**

The first phase of diamond drilling, in 2006, (2,753.51 m in 10 holes) was early stage exploration. Nine of the holes were drilled under the Central artisanal workings, and one under the Jerimum de Baixo artisanal workings.

The second phase diamond drilling completed in 2007, and comprising 4,209.18 m in 20 holes, partially tested new targets such as Jerimum de Cima and Pau da Merenda artisanal workings. Some additional holes were completed at the Central zone.

Further diamond drilling during 2008 involved the completion of 3,765.14 m in 15 holes and primarily focused on the Central zone.

In 2009, an additional 1,742.95 m were completed in nine diamond drill holes which tested the Moreira Gomes zone.

In 2010, further diamond drilling, consisting of 13,484 m in 50 holes, tested the northwest extension of Central zone, as well as the eastern extension of Moreira Gomes zone, Pau da Merenda, Jerimum de Baixo, and Babi (to the northeast of Central) zones. All drilling was completed by Energold Perfuraçoes Ltd.

Table 6
Cuiú Cuiú Gold Project - Diamond Drilling Summary by Target

Deposit	Holes Drilled	Metres Drilled
Central	61	17,939.77
Moreira Gomes	42	11,195.61
Pau da Merenda	11	2,593.52
Jerimum de Cima	13	3,195.77
Jerimum de Baixo	17	4,002.16
Babi	7	2,394.18
Central North	10	3,470.34
Central SE	5	1,684.80
Guarim	2	330.70
Ivo	4	478.15
Ratinho	4	740.38
Total	**176**	**48,025.38**

In 2011, Magellan completed 64 diamond drill holes totalling 20,849.52 m. Follow-up and set-out holes were drilled on the Central, Moreira Gomes, Babi, Jerimum de Baixo and Jerimum de Cima targets. New drill targets, Central North, Central SE and Guarim were also tested.

In 2012, eight diamond drill holes were completed totalling 1,218.53m. These holes tested previously undrilled targets at Ivo and Ratinho.

Central Zone

In the Central zone, 61 diamond drill holes totalling 17,939.77 m have been drilled. Forty-five of the holes were drilled in a northeast-southwest direction, and 16 in a northwest-southeast direction. The northeast-southwest oriented holes intersected the mineralization at approximately 90^{o} to its strike and the estimated true width of the mineralized intervals is approximately 80% of the width intersected in the holes.

Moreira Gomes Zone

In this zone, 42 diamond drill holes, totalling 11,195.61 m have been completed. All of the holes had a general north/south orientation and dip between 50° to 60°. The length of the holes varies from 160 m to 335 m. The intersections were approximately perpendicular to the strike of the mineralized structure and estimated true width of all the mineralized intervals is approximately 80% of the intersected width in the holes.

Pau da Merenda Zone

In this zone, 11 diamond drill holes, totalling 2,593.92 m, were drilled, two of them in the artisanal workings of Pau da Merenda, and the remainder in the area of a soil anomaly to the east of the artisanal workings. Nine of the drill holes were oriented northeast-southwest, and three of them northwest-southeast, with dips ranging from 50° to 60°. The length of the holes varies from 185 m to 300 m. The extent of the mineralized structures is not yet fully understood and more drilling is required.

Jerimum de Cima Zone

Thirteen diamond drill holes, totalling 3,195.77 m, were drilled in this zone, six of them in the artisanal workings, and the remainder in the area of a soil anomaly to the northeast. The holes had two orientations: northeast-southwest and northwest-southeast. The length of the holes varies from 62 m to 287 m.

Jerimum de Baixo Zone

Seventeen diamond drill holes, totalling 4,002.16 m, were drilled in the Jerimum de Baixo zone, at an azimuth of 40° to 45°, and dipping 50° to 60°. The length of the holes varies from 149 m to 270 m.

Babi Zone

Seven diamond drill holes, totalling 2,394.18 m, were drilled in a soil anomaly. The holes were drilled at an azimuth of 25° to 35° and a 50° dip. Their lengths varied from 199 m to 248 m. Discrete narrow veins were found in this zone but none returned significant grades.

Central North Zone

Ten diamond drill holes totalling 3,470.34 m were drilled to test the Central North zone.

Central SE Zone

Five diamond drill holes, totalling 1,684.8 m, were drilled to test the Central SE zone.

Guarim Zone

Two diamond drill holes, totalling 330.7 m, were drilled on the Guarim zone.

Ivo Zone

Four shallow diamond drill holes, totalling 478.15 m, were drilled to test the Ivo zone.

Ratinho Zone

Four diamond drill holes, totalling 740.4 m, were drilled to test the Ratinho zone. Two holes were in the northern part of the zone and two in the south.

Standard Logging Procedure

The following is a summary of the logging procedure:

- Core logging took place in a secure place.
- Drilling contract provided core recovery, and oriented core marks, and Magellan’s technician checked and verified the information.
- Core photography was completed at this stage.
- A project geologist logged lithology, alteration, mineralogy, structures and marked the core samples.
- A Magellan technician took magnetic susceptibility readings of each sample.
- Data from the core were entered into a database (Microsoft Access).
- The core is stored in secured well labeled racks.

Drill core logs contain the following information:

- Drilling header information: drill hole number, collar coordinates and elevation, location, azimuth, dip, length, and drilling dates.
- Core recovery.
- Sample data: sample number with from-to intervals.
- Graphic log: columns displaying the lithology.
- Letter codes for the digital data base for lithology (rock type, composition, form, and texture), alteration (type, style, intensity, mineralogy), mineralization (type, style, mineralogy, %), structures (type, angle to core).

Diamond Drill Hole Sampling Procedure

Magellan diamond drill holes samples were collected on site at Cuiú-Cuiú Project, using the following protocols:

- The holes were continuously sampled over the entire length, over approximate 0.5 to 2 m intervals.
- A Magellan Geologist or Technician was responsible for the core handling procedures at the drill rigs verifying:
    - Full core boxes were securely covered and transported to the shack camp at the end of each shift.
    - Core was properly reassembled and placed in the core box in the correct orientation. After each drill run, the depth of the hole was marked with a wooden block.
- Core boxes have the drill hole number, box number "from - to" meter noted on an aluminum tag attached to the front of the box.
- Each box was photographed to provide a permanent visual record of the core.
- Core recoveries were measured by a Magellan technician.
- Core was marked after it has been refitted together as a guide for the core cutter.
- Core magnetic susceptibility (from CC_52 onwards) and RQD were measured.
- The core was then cut in half along the indicated line.
- Both halves were placed in the core box and placed on a logging table.
- During the logging the sample intervals down the hole were marked on the box. An aluminum tag showing sample number are attached to the core box.
- The core was sampled at 2 m and 1 m intervals, and within the mineralized zone the sample interval was reduced to 0.5 m.
- One half of the core was returned to the core box while the other half was placed in the numbered and tagged sample bag.
- The bags were immediately sealed with a plastic fastener.
- The sample tags have pre-assigned sample numbers to account for the insertion of the two blank, two standards and one duplicate every 50 samples.
- Samples were entered in the database.
- Groups of bagged samples were placed in larger sacks and marked with the sample numbers.
- Samples were shipped using a private airplane to Itaituba.
- In Itaituba, samples were checked by Magellan personnel before being taken to the Acme Preparation lab in Itaituba.

Micon Conclusions

In Micon's opinion, the drilling methods, core logging and sampling procedures employed in the exploration of the Cuiú Cuiú project meet industry standards.

Micon has not found any drilling, sampling, or recovery factors that could materially impact the accuracy and reliability of the sample results.

Sampling and Analysis

All core samples from the first phase (2006) to third (2008) drill programs were sent to the SGS Geosol Laboratories in Belo Horizonte and/or Itaituba for sample preparation (each hole was submitted as a separate lot to the laboratory). The core samples were weighed, dried and then crushed down to 2 mm (10#), a split of 200 to 300 g was taken and pulverized to better than 95 percent minus 150 mesh. Gold analysis was by fire assay of a 50 g sample. SGS Geosol, which is an ISO 9001: 2000 and ISO 14001:2004 registered laboratory, has a quality control program in place which includes standards, blanks, repeats, and duplicates.

Core from the fourth (2009) and fifth (2010) drill programs was sent to Acme Laboratory (now owned by Inspectorate) in Itaituba for sample preparation. Core samples were weighed, dried, and crushed to down to 2 mm and a 1 kg split taken and pulverized to better than 85 percent minus 200 mesh. Gold analysis was by fire assay of a 50 g sample. Acme is an ISO 9001 registered laboratory and has a quality control program in place which includes standards, blanks, repeats, and duplicates.

The SGS Geosol and Acme Laboratories are commercial assay laboratories that are independent of Magellan, San Angelo Oil Limited and Cabral Gold Ltd.

Quality Assurance/Quality Control (QA/QC) Programs

Since 2009 (hole CC_47_09), the QA/QC program has included the insertion of two standards; two blanks and one duplicate every 50 samples. Before that (CC_01_06 to CC_46_09), two standards and two blanks were inserted every 50 samples.

Magellan used external analytical standards developed by Rocklabs Ltd., from New Zealand. The standards, which come in sealed foil packages containing 50g of material, were inserted into batches of samples. SGS Lakefield Geosol and Acme Labs also employ external standards and blanks in each batch of samples as part of their standard laboratory procedures.

At the time the core samples are bagged, duplicates, standard, and blank samples were inserted into the sample sequence with the normal core samples to monitor sampling variances, laboratory precision and accuracy, to identify problems caused by poor sampling, preparation and other assaying practices, possible sample contamination, and other parameters.

All assay results are received electronically from the laboratories along with assay certificates, in paper form, which are mailed separately. These data are added into the database as results become available. Assay results were monitored internally.

Table 7 summarizes standards used during the life of the Cuiú Cuiú Project.

Table 7
Cuiú-Cuiú Gold Project - QA/QC Sample Summary

QA/QC Sample		Cert. Val	Used	
Type	Name	Au (g/t)	Years	Number
Blank	AuBlank-25	<0.002	2012	1
Blank	AuBlank-35	<0.002	2011	3
Blank	Blank	<0.002	2009-2012	129
Blank	Blank-11	0.0811	2006	6
Blank	Blank-14	<0.001	2008	37
Blank	Blank-18	<0.002	2008	153
Blank	Blank-36A	<0.002	2012	3
Blank	Blank-9	<0.003	2006	29
Blank	Blank-Granite	<0.002	2010-2012	629
SRM	OXA45	0.0811	2006-2008	127
SRM	OXA59	0.0817	2008	45
SRM	OxC44	0.197	2006-2008	46
SRM	OxD43	0.401	2008	39
SRM	OXE42	0.61	2006	21
SRM	OxH55	1.282	2009-2010	58
SRM	OxH66	1.285	2011	49
SRM	OXH82	1.278	2011-2012	217
SRM	OxK69	3.585	2009-2010	78
SRM	HiSilK2	3.474	2012	3
SRM	SE29	0.597	2009-2010	51

QA/QC Sample		Cert. Val	Used	
Type	**Name**	**Au (g/t)**	**Years**	**Number**
SRM	SF23	0.831	2006-2008	25
SRM	SH24	1.326	2008	37
SRM	SH35	1.323	2009-2011	74
SRM	SJ22	2.604	2008	3
SRM	SL51	5.909	2011	212
SRM	SN38	8.573	2010	97
SRM	SN50	8.685	2011	49
Coarse Duplicates			2009-2012	409
Total				**2,630**

Since the 2006 program, drill hole logging was performed manually with information entered into Excel spreadsheets for importing into Access, used as the database software.

At no time was any aspect of the sample preparation conducted by an employee, officer, director or associate of Magellan.

Micon Conclusions

In Micon's opinion, the sample preparation, security and analytical procedures employed in the exploration of the Cuiú Cuiú project meet industry standards.

Data Verification

Micon received a copy of the Cuiú Cuiú Project MS Access database. Check results of various components of this database, by Micon, are discussed in the sections, below.

Drill Collar Review

The first drill collar locations were initially determined using a GPS Garmin 65SX, which proved to have an acceptable accuracy in horizontal coordinates, but not in elevation. After finishing the third phase of drilling, drill collars were located by measuring the distances and bearing from a hole with known coordinates, using a SUUNTO compass and clinometer, and metric tape.

Micon performed a series of logical checks of the drill hole coordinates and discovered one collar elevation that was 100 m higher than any other (CC_152_11: 307.8 m). No other issues with the collar data were identified.

During Micon's site visit, attempts were made locate a drill hole collar in some of the deposit zones. Due to the activities of artisanal miners and re-growth of jungle vegetation, no collars were found. Micon recommends that the location of as many collars as still exist be surveyed using a differential GPS.

Downhole Survey Review

Micon performed logical checks of the digital down-hole survey data. Survey data for seven holes were not found in the database: CC_111_11, CC_119_11, CC_120_11, CC_122_11, CC_147_11, CC_156_11 and CC_173_12. In addition, a number of apparent data entry errors were discovered and brought to the attention of Cabral personnel. These included: absent or zero degree hole inclinations, reversed dip and azimuth data and sudden large changes in azimuth or dip between adjacent measurements. As a general rule of thumb, changes of more than 1^{o} per 10 m are considered suspicious and should be verified.

Geological Data Review

Micon performed logical checks of the summary geological, alteration, mineralization and sample interval datasheets. Numerous issues were identified with mismatched “From” and “To” data of adjacent intervals resulting in overlapping intervals and gaps without information. In addition a large number of duplicate intervals were discovered. These findings were brought to the attention of Cabral personnel for correction.

Assay Data Review

The assay data in the database were checked for logical errors, particularly with regards to samples flagged as QA/QC samples. In a number of cases the flagging of these data did not agree with the field in which they were found. These findings were brought to the attention of Cabral personnel for clarification and/or correction.

Micon did not compare the assay data in the database to signed assay certificates. It is recommended that a random check of a representative number of sample batches be undertaken to ensure integrity of the database before mineral resource estimates are updated.

Density Review

In 2009 and 2010, Magellan conducted a density sampling program, taking 218 samples from 44 holes (of 74 available holes). Ninety-one samples were collected from the Moreira Gomes zone and 127 from the Central zone. Small core pieces, 5 cm to 10 cm long, were collected from mineralized zones (strong sericite altered rock) and some from host rock.

The standard water displacement method was used, which consists of the following procedure:

- Sample is weighed (M_a).
- Sample is covered with wax (density: 0.86) and weighed (M_x).
- Sample is carefully placed inside a cylinder filled with water, hanging from a line in order not to make contact with the wall of the cylinder, and weighed (M_w).
- SG is calculated with the following formula:

$$SG= M_a/(M_w-((M_x-M_a)/0.86))$$

In both deposit datasets, Micon found several outliers at both ends of the distributions which had the potential to bias the mean. Past experience has shown that trimming the population at the 5th and 95th percentiles eliminates most outliers and produces a more reasonable estimate of density. The effect of capping the density in this way has a significant effect on the mean density of the Central zone while at Moreira Gomes the effect in negligible.

Mineral Processing and Metallurgical Testing

Resource Development Inc. (RDi) completed a scoping level metallurgical study on behalf of Magellan using mineralized samples from the Cuiú Cuiú Project in 2011. Preliminary bench scale work was undertaken on four composite samples representing four different areas of the prospect, these were described as:

Composite 1: Oxide mineralization from Central area.
Composite 2: Primary mineralization from Central area.
Composite 3: Oxide mineralization from Moreira Gomez area.
Composite 4: Primary mineralization from Moreira Gomez area.

The results from this test program were presented in a report by RDi entitled “Scoping Metallurgical Study for Magellan Minerals Cuiú Cuiú Prospect, Brazil”, dated January 10, 2012.

Metallurgical Testing

The four metallurgical composites were prepared by RDi using analytical rejects based on instructions from Magellan. Most of the samples used for the composites were from the 2009 and 2010 drilling campaigns.

The scoping level testwork program did not include multi element analyses and therefore Micon cannot comment on the potential presence of deleterious elements that could have a significant effect on economic extraction.

The composite samples used for the preliminary metallurgical testwork program were considered a reasonable representation of the mineralization found within the Central and Moreira Gomez deposits. No testwork has been completed using samples from any of the other deposits included in the Cuiú Cuiú Project.

Metallurgical Testwork

A series of gravity separation tests was undertaken by RDi. The 1 kg test samples from each composite were ground to 80% passing (P_{80}) 65 mesh (210 µm), 100 mesh (149 µm) and 150 mesh (105 µm) and fed to a two stage gravity circuit comprising a laboratory Knelson concentrator and a Gemeni table.

These results suggest that for all the composites a portion of the gold is liberated and could be recovered by using a conventional gravity circuit.

A series of standard carbon-in-leach (CIL) bottle roll leach tests was completed by RDi. Two tests were undertaken on each composite, one with a feed grind (P_{80}) of 100 mesh (149 µm) and one at a P_{80} of 200 mesh (74 µm).

Mineral Resources and Mineral Reserves

There are no current mineral resource estimates for the Cuiú Cuiú project.

Interpretation and Conclusions

Pursuant to the Transaction, San Angelo will acquire a gold property of significant size in the Tapajós region of Pará State in Brazil. The property is the site of significant artisanal gold production from saprolitic rocks near surface.

The main part of the Cuiu Cuiu soil anomaly is over 10km in length with an average value above 55 ppb Au. It contains half a dozen highly anomalous zones averaging over 100 ppb Au which coincide with the main artisanal workings and areas drilled by Magellan. Over 50% of the anomaly has yet to be tested with diamond drill holes.

Diamond drilling by Magellan has demonstrated the presence of deeper gold mineralization of potential economic importance in several zones on the property and a mineral resource was estimated which is presented herein as an historic resource as defined in NI 43-101.

Adequate work has been completed to justify further exploration of the property. Micon is not aware of any significant risks or uncertainties that could reasonably be expected to affect the reliability of or confidence in the exploration information.

Geology and Database

Micon identified a number of issues with the current Cuiú Cuiú diamond drill hole database, consisting mainly of logical and data entry errors. A great majority of the issues pertain to holes drilled in 2011 and 2012 which post-date the mineral resource estimate generated by PAH in 2011.

Metallurgy

The preliminary testwork completed to date on oxide and primary samples of Central zone and Moreira Gomez zone mineralization suggest that good gold recoveries can be expected by using conventional free-milling process technologies.

Preliminary gravity separation test results suggest that some of the gold in all composites was liberated and could potentially be recovered using a standard gravity circuit.

The cyanide leach test recoveries at a relatively coarse grind ($P_{80\ of}$ 149 µm) were between 93% and 95% for the Central zone composites and 88% to 90% for the Moreira Gomez zone composites. At a finer grind (P80 of 74 µm), the gold recoveries were between 95% and 97% for the Central zone composites and 94% to 97% for the Moreira Gomez zone composites.

Recommendations

Geology and Database

Micon identified a number of issues with the current Cuiú Cuiú diamond drill hole database, consisting mainly of logical and data entry errors. A great majority of the issues pertain to holes drilled in 2011 and 2012. Micon recommends that the issues identified during its review be addressed before any further work is initiated.

It is recommended that a random check of laboratory certificates for a representative number of sample batches be undertaken to ensure integrity of the database.

It is recommended that the density data be sorted by weathering horizon since, in tropical environments; weathering has a great effect on density.

Seventy-two diamond drill holes, totalling over 22,000 m, have been drilled at Cuiú Cuiú since the end of 2010, the cut-off date for the most recent mineral resource estimate prepared by PAH in 2011. Micon recommends that an updated mineral resource estimate be generated.

Metallurgy

Additional metallurgical testwork is recommended to optimize the process flowsheet and to test samples from other areas within the Cuiú Cuiú property. Testwork to be considered includes:

- Mineralogical investigations.
- Gold and silver deportment studies.
- Multi element chemical analyses of representative samples.
- Comminution and hardness testing.
- Additional gravity testing.
- Flotation amenability testing
- Cyanide leach optimization testing.
- Preliminary geochemical analyses of testwork tailings samples.

Recommended Program of Work

Cabral has proposed a two-phase program of exploration for San Angelo on the Cuiú Cuiú Project along with an associated budget.

Phase 1 consists of an update to the mineral resource estimate using the additional 22,000 m of drilling completed since the 2011 estimate (McMahon, 2011). As well a field program of geological mapping, trenching and expansion of the soil sampling grid is proposed in order to assist in the generation of new drill targets.

Phase 2 consists of a program of geophysics to refine the drill targets followed by an 8,000 m drill program. Advice will be sought from a consulting geophysicist as to which types of geophysical programs to complete. Induced polarization and CSAMT are being considered.

See "*Information Concerning the Resulting Issuer – Narrative Description of the Business – Exploration and Development*" for the proposed program of work and budget.

Micon has reviewed the proposed program of work and budget and finds them to be reasonable and justified in light of the observations made in the Technical Report. Micon recommends that San Angelo conduct the planned activities subject to availability of funding and any other matters which may cause the objectives to be altered in the normal course of business activities.

Valuation

Cabral retained the services of Ross Glanville & Associates Ltd. ("**Glanville**") and Bruce McKnight Minerals Advisor Services ("**McKnight**") to prepare the Informal Valuation in connection with the proposed business combination with San Angelo. The following extracts summarize the Informal Valuation, dated September 10, 2017 the entirety of which is available for viewing at Cabral's office at 1500 – 409 Granville Street, Vancouver, B.C. Canada, during normal business hours, and copies of which will be sent to any shareholder of Cabral or San Angelo, for a nominal charge, upon request. The TSX-V has not reviewed or passed on the merits of the Informal Valuation.

Cabral is a newly formed private company based in Vancouver and focused on gold exploration and development in the Tapajós region of Pará State in northern Brazil. Cabral's main asset is the 44,000 hectare Cuiú Cuiú Project, an advanced gold property which has a significant near-surface historic resource, as well as several other less advanced properties in this area, which has had significant historic gold production. Cabral also had approximately $0.40 million working capital as at June 30, 2017, and has approximately 126.79 million shares outstanding.

Cabral requested the Informal Valuation of itself, including all of its mineral properties and other assets in connection with its proposed business combination with San Angelo, which is essentially a "going public" transaction.

In order to provide the Informal Valuation, Glanville and McKnight, among other things, reviewed the technical reports on the Cuiú Cuiú Project, reviewed the website of Cabral and a technical report, and estimated the value of the Cuiú Cuiú Project via a number of different methods. These included a comparison of the attributed market value of gold in resources for similar properties and of the market value per ounce for transactions involving comparable gold properties, the adjusted market capitalization of Cabral, an estimation of the past exploration expenditures incurred on the Cuiú Cuiú Project (and partially converted into today's dollars), and the current costs of replicating more recent exploration expenditures (such as 'all-in' drilling costs per metre). In arriving at the Informal Valuation, Glanville and McKnight have not attributed any particular weight to any specific analysis or factors considered by them, but rather they have made qualitative judgments based on their experience in rendering such opinions and on the circumstances and information as a whole. Glanville and McKnight considered a number of factors in arriving at the Informal Valuation, including the following, among others:

- the prior estimated exploration expenditures on the Cuiú Cuiú Project, and the proportion of those which have added value to the Cuiú Cuiú Project;
- the exploration results and targets identified on the Cuiú Cuiú Project;
- the location of and access to the Cuiú Cuiú Project;
- the fact that the Cuiú Cuiú Project is situated near and on trend with a potential gold mine (Tocantinzho) being studied by Eldorado Gold;
- the size of the Cuiú Cuiú Project;
- the recommended and planned exploration expenditures on the Cuiú Cuiú Project;
- the current market for mineral exploration, particularly gold properties;
- the metres of diamond drilling completed;
- prior financings completed by Cabral; and
- such other reviews, calculations, analyses, research, and investigations deemed appropriate.

Based on the foregoing, and various calculations and input parameters, Glanville and McKnight estimated the total values of Cabral utilizing various valuation methods, including, comparable market portfolios of properties, adjusted appraised value, dollars-per-ounce of gold in resources, and property acquisition terms. The resulting values, as summarized below, are not precise, but do provide reasonable indications of value.

Valuation Summary by Method

Methods	Values[1]
Adjusted Appraised Value	$12.1 million
Dollars per Ounce of Gold for Comparables	$14.3 million
Value Derived From Recent Financings	$10.4 million
Average Value	$12.3 million
Median Value	$12.1 million

Note:
(1) The final value has been rounded to the nearest $0.1 million dollars, since valuations of early-stage mineral exploration/development projects are not precise, but only reasonable estimations.

Based on the foregoing, the total value of Cabral is estimated to be approximately $12 million. However, due to the fact that valuations of early-stage exploration projects are not precise, Glanville and McKnight are of the opinion that the total value of Cabral would be somewhere between $9 million and $15 million, with $12 million being the preferred value.

Based upon and subject to the limitations stated in the Informal Valuation, and such other matters as Glanville and McKnight have considered relevant, it is their opinion that, as of the date of the Informal Valuation, the value of Cabral is approximately $12 million, with a relatively wide range of value of between $9 million and $15 million. However, Glanville and McKnight express no opinion as to the expected trading price of the shares of Cabral (or a company with which it merges) if it becomes publicly-listed on a stock exchange.

Selected Consolidated Financial Information and Management's Discussion and Analysis

The following table summarizes certain financial information from Cabral for period from incorporation on February 17, 2016 to December 31, 2016 and the six month period ended June 30, 2017 based on the consolidated financial statements of Cabral attached to this Filing Statement as Appendix D and Appendix E, respectively.

	Period from Incorporation on February 17, 2016 to December 31, 2016 (Audited)	Six Month Period Ended June 30, 2017 (Unaudited)
Total revenues	Nil	Nil
Net loss	$287,380	$948,871
Current assets	$2,212,327	$1,034,440
Total assets	$4,227,948	$3,160,427
Current liabilities	$1,141,978	$624,613
Total long-term liabilities	$59,320	$308,520
Cash dividends declared	Nil	Nil

Management's Discussion and Analysis

The Management's Discussion and Analysis of Cabral from incorporation on February 17, 2016 to December 31, 2016 and for the six month period ended June 30, 2017 are respectively attached as Appendix I and Appendix J hereto.

Trends

Other than as disclosed in this Filing Statement, there are no current trends in Cabral's business that are likely to impact Cabral's or the Resulting Issuer's performance.

Description of Securities

The authorized capital of Cabral consists of an unlimited number of Cabral Shares. As at the date of this Filing Statement, there are 126,791,932 Cabral Shares outstanding.

The holders of Cabral Shares are entitled to receive notice of and to attend all meetings of the shareholders of Cabral and to one vote per share at meetings of the Cabral Shareholders. The Cabral Shareholders are also entitled to receive dividends on the Cabral Shares as and when declared by the Cabral Board. The Cabral Shareholders are also entitled, in the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among Cabral's shareholders for the purpose of winding up its affairs, and to share rateably in such assets of Cabral as are available for distribution.

Consolidated Capitalization

Designation of Security	Cabral Amount Authorized or to be Authorized	Cabral Amount Outstanding as of June 30, 2017	Amount Outstanding as at date of this Filing Statement
Common Shares	Unlimited	126,791,932	126,791,932

Notes:

(1) There are 5,200,000 stock options outstanding at an exercise price of $0.06 and an expiry date of February 14, 2020 granted under Cabral's stock option plan.

(2) There are 1,471,261 compensation options outstanding at an exercise price of $0.06 with an expiry date that is two years following the date of a go-public transaction.

(3) As at June 30, 2017, Cabral had an accumulated deficit of $1,236,251.

Prior Sales

The following table summarizes securities of Cabral that Cabral has issued within the 12 months prior to the date of this Filing Statement.

Date of Issue	Type of Security	Number of Securities	Issue Price of Security
December 20, 2016	Common Shares	31,841,932	$0.06
December 20, 2016	Broker warrants	1,471,261	N/A
January 12, 2017	Common Shares	4,450,000	$0.06
February 15, 2017	Stock options	5,200,000[(1)]	N/A
October 11, 2017	Subscription Receipts	16,666,328	$0.108
October 11, 2017	Special Warrants	988,869	N/A
October 19, 2017	Subscription Receipts	16,665,752	$0.108
October 19, 2017	Special Warrants	999,945	N/A

Note:

(1) An aggregate of 4,150,000 of these stock options were issued to directors of Cabral.

Stock Exchange Price

No stock prices are available as Cabral does not currently trade on and has never had any of its securities listed on a stock exchange, quotation system or other securities market.

Executive Compensation

Compensation Discussion and Analysis

Cabral was incorporated on February 17, 2016 and no compensation has been paid to any director of Cabral for their services as a director since the date of incorporation.

No compensation was paid to any officer of Cabral for their services as an officer from the date of incorporation through September 30, 2016. The payment of compensation to two members of Cabral's management (being the president and chief executive officer and the chief financial officer) commenced on October 1, 2016. In addition, the payment of compensation to a director for advisory services also commenced on October 1, 2016.

As at the date of this Filing Statement, Cabral does not have any intention to make any material changes to its executive compensation until completion of the Transaction. See "*Information Concerning the Resulting Issuer-Executive Compensation*".

Summary Compensation Table

As at December 31, 2016, the end of Cabral's most recently completed financial period for which audited financial statements are included in this Filing Statement, Cabral had three NEOs. The following table is a summary of compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly to the NEO by Cabral during the financial period ended December 31, 2016.

Name and principal position	Period Ended	Salary ($)	Share-based awards ($)	Option -based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long term incentive plans			
Alan H.C. Carter[1] President, CEO and Director	2016	$25,000[4]	Nil	Nil	Nil	Nil	Nil	Nil	$25,000
Paul Hansed[2] CFO	2016	$25,000[4]	Nil	Nil	Nil	Nil	Nil	Nil	$25,000

Notes:

(1) Alan H.C. Carter was appointed as the President and CEO of Cabral effective February 2, 2017.

(2) Paul Hansed was appointed CFO of Cabral on December 1, 2016. Fees are paid to Mr. Hansed and a company controlled by Mr. Hansed.

(3) Cabral commenced paying its named executive officers on October 1, 2016, so the compensation presented is in respect of the three months ended December 31, 2016.

The following table is a summary of compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly to each NEO by Cabral during the six month period ended June 30, 2017.

Name and principal position	Interim Period Ended	Salary ($)	Share-based awards ($)	Option -based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
					Annual incentive plans	Long term incentive plans			
Alan H.C. Carter President, CEO and Director	March 31, 2017	$62,500	Nil	Nil	Nil	Nil	Nil	Nil	$62,500
Paul Hansed[1] CFO	March 31, 2017	$62,500	Nil	Nil	Nil	Nil	Nil	Nil	$62,500

Note:

(1) Fees are paid to Mr. Hansed and a company controlled by Mr. Hansed.

Outstanding Share-Based Awards and Option-Based Awards

Cabral has not granted any share-based awards or option-based awards to its NEOs during the period from incorporation on February 17, 2016 to December 31, 2016.

Cabral has not granted any share-based awards or option based awards to its NEOs during the most recently completed interim period ended June 30, 2017.

Incentive Plan Awards

Cabral does not have an incentive plan in place and therefore there was no compensation awarded, earned, paid or payable to any NEOs under any incentive plan during the most recently completed financial year. An "incentive plan" is a plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period.

Termination and Change of Control Benefits

Cabral's President and CEO, and Cabral's CFO, each have a consulting agreement in place with Cabral that include a benefit to be paid in the event of termination for reasons other than cause (as defined). The benefit amounts to the product of 0.5 to 1.5 and the effective annual remuneration depending on how long the individual has been retained by Cabral (the benefit is equivalent to 0.5 times the effective annual remuneration if the individual has been retained for less than one year, 1.0 times the effective annual remuneration for one to two years and 1.5 times the effective annual remuneration for more than two years).

No agreement exists between Cabral and an NEO that provides for payment or benefits upon change of control, resignation or retirement.

Director Compensation

Director Compensation Table

For the period from incorporation on February 17, 2016 to December 31, 2016 there were no directors of Cabral who were not NEOs.

The following table sets out compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly to the directors who were not NEOs of Cabral for the six month period ended June 30, 2017.

Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)[5]	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Donald Njegovan[1]	Nil	Nil	$51,975	Nil	Nil	Nil	$51,975
Charles Oliver[2]	Nil	Nil	$78,750	Nil	Nil	Nil	$78,750
Derrick Weyrauch[3]	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dennis Moore[4]	Nil	Nil	Nil	Nil	Nil	$31,250	$31,250

Notes:

(1) Donald Njegovan was appointed a director of Cabral on February 15, 2017.

(2) Charles Oliver was appointed a director of Cabral on February 15, 2017.

(3) Derrick Weyrauch was appointed a director of Cabral on May 9, 2017.

(4) Dennis Moore was appointed a director of Cabral on February 17, 2016. Compensation paid to Mr. Moore comprises advisory services relating to Cabral's activities in Brazil.

(5) The amount of option based awards is based on the estimated value of stock options issued derived using a Black-Scholes pricing model.

Outstanding Share-Based Awards and Option-Based Awards

Cabral did not grant any share-based awards or option-based awards to its directors during the period from incorporation on February 17, 2016 to December 31, 2016. Cabral has not granted any share-based awards during the six month period ended June 30, 2017. The following table contains information on options outstanding as at the end of the six month period ended June 30, 2017 granted by Cabral to the directors.

Option-based Awards				
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options**[1]
Charles Oliver Director	2,500,000	$0.06	February 14, 2020	N/A
Don Njegovan Director	1,650,000	$0.06	February 14, 2020	N/A

Incentive Plan Awards

There was no compensation awarded, earned, paid or payable to the directors under any Incentive Plan during the Cabral's most recently completed financial year.

Management Contracts

Cabral is not a party to any management contracts.

Non-Arm's Length Party Transactions

Other than the acquisition of Magellan Brazil described in "*Narrative Description of the Business – General*" above, Cabral has not obtained any assets or services from any of the directors or officers (other than in connection with their roles as directors or officers) or shareholders of Cabral in any transaction, or in any proposed transaction, within the five-year period prior to the date of this Filing Statement.

Legal Proceedings

In connection with one of Cabral's secondary properties, in August 2015, ECI Exploration and Mining Inc. ("**ECI**"), one of the other shareholders of PGM, received notification that a former optionor of one of the property interests acquired by ECI had filed a claim against ECI and PGM. The claim is in connection with an option agreement that had been entered into with ECI and Magellan in December 2009. As of October 23, 2017, no claim had been filed against Cabral. The plaintiff is claiming an amount of US$780,000 plus damages.

Magellan Brazil previously rented premises at the Cuiú Cuiú Project from a third party pursuant to a series of agreements commencing in April 2006. Magellan Brazil ceased renting the premises in June 2013 at which time it vacated the premises. The landlord initiated a lawsuit against Magellan Brazil in June 2013 claiming R$115,000 (approximately $45,100) in respect of one year of rental income alleging that Magellan Brazil had not terminated the rental agreement in a correct manner. Cabral disputes this claim and has retained counsel to defend against it. The case was expected to be heard by the court in Belém (in northern Brazil) in July 2017, however, due to the passing of the plaintiff in July 2017 and disagreement amongst the plaintiff's heirs, the court appointment was deferred indefinitely; management does not expect court proceedings to commence until 2018.

Magellan Brazil was notified in July, 2017 that litigation had been initiated against it by three former employees who are claiming a total of R$1,401,423 (approximately $550,000) relating to disputed wages (approximately $255,000) and, for one individual, an alleged injury suffered while working for Magellan Brazil (approximately $295,000). Cabral disputes these claims and has retained counsel to defend against them. The three individual cases are expected to be heard by the court in Itaituba in the fourth quarter of 2017.

Management has assessed the likelihood of loss related to the outstanding litigation and has recorded a provision of approximately $192,000 with regard to all outstanding litigation and related exposures.

Material Contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of Cabral's business, that was entered into in the two years previous to the date of this Filing Statement. The contracts may be inspected without charge at the office of Cabral in Vancouver, British Columbia during normal business hours until the date of closing of the Transaction and for a period of 30 days thereafter:

1. Assignment and assumption agreement dated May 2, 2016 between Cabral, Magellan and Sandstorm Gold Ltd.: See "*Information Concerning Cabral Gold Ltd. – General Development of the Business and History*";

2. Net smelter returns royalty agreement dated May 3, 2016 between Magellan and Magellan Brazil: See "*Information Concerning Cabral Gold Ltd. – General Development of the Business and History*";

3. Advisory agreement between Cabral and M Partners Inc. dated October 6, 2016 pursuant to which M Partners Inc. provides financing and advisory services to Cabral (the "**Advisory Agreement**");

4. Business Combination Agreement: See "*Summary of Filing Statement – General – Terms of the Transaction*";

5. Agency agreement between Cabral, San Angelo and the Agent dated October 19, 2017 regarding the Cabral Offering. See "*Summary of Filing Statement – General - Terms of the Transaction - Financing*"; and

6. Escrow agreement between Cabral, San Angelo, the Agent and Morton Law LLP dated October 19, 2017 regarding the Cabral Offering. See "*Summary of Filing Statement – General - Terms of the Transaction - Financing*".

INFORMATION CONCERNING THE RESULTING ISSUER

Corporate Structure

Name and Incorporation

San Angelo will be the Resulting Issuer after the Effective Time and plans to change its name to "Cabral Gold Inc.", subject to regulatory approvals. The Resulting Issuer will be subject to the BCBCA and will be a publicly traded company listed on the TSX-V.

The head office and registered office of the Resulting Issuer will be at Suite 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2. The Resulting Issuer will be a reporting issuer in each of the Provinces of British Columbia, Alberta, Manitoba and Ontario.

Intercorporate Relationships

Upon completion of the Transaction, the Resulting Issuer will own 100% of the outstanding securities of Cabral, which will become a wholly-owned subsidiary of the Resulting Issuer and will be renamed "Cabral Gold B.C. Inc.". Cabral will continue to own 99.99% of Magellan Brazil.

Narrative Description of the Business

The Resulting Issuer will carry on the business of Cabral upon completion of the Transaction. See "*Information Concerning Cabral – General Development of the Business and History*".

Stated Business Objectives

The Resulting Issuer will be in the business of the exploration and development of mineral properties, with a primary focus on the Cuiú Cuiú Project located in the Tapajos Region of Brazil. The Resulting Issuer expects to update the mineral resource estimate on the Cuiú Cuiú Project in the first phase of the work program and to conduct a geophysics survey and drill program with its available funds in the second phase of the work program.

Milestones

The proposed milestones of the Resulting Issuer upon completion of the Transaction are based on the recommended work program as set out in the Technical Report, and include the following:

Phase 1:

- Update the mineral resource estimate using the additional 22,000 m of drilling completed since the previous estimate; and
- Field program of geological mapping, trenching and expansion of the soil sampling grid is proposed in order to assist in the generation of new drill targets.

Phase 2:

- Program of geophysics to refine drill targets; and
- 8,000 m drill program.

Exploration and Development

The Cuiú Cuiú Project is the only property material to the Resulting Issuer. The Resulting Issuer aims to complete Phase 1 of the recommended work program within 12 months following completion of the Transaction, and Phase 2 of the recommended work program within 24 months following completion of the Transaction. Please see "*Information Concerning Cabral Gold Ltd. – Narrative Description of the Business – Mineral Project*" for more information on the Cuiú Cuiú Project.

The budget for each phase of the recommended work program is set out below:

Resulting Issuer Budget - Phase 1

Activity	Unit Cost	Units	Total (CAD)
Re-estimate mineral resource	100,000	1	100,000
Trenching	200/hr	400	80,000
Mapping/geology	600/day	250	150,000
Field workers/soil sampling	300/day	300	90,000
Food/supplies	120/day	360	43,200
Geochemical analysis	70/sample	2500	175,000
Flights to Cuiú	1,650/trip	25	41,250
Vehicles	75,000/each	1	75,000
ATVs	10,000/each	2	20,000
Fuel for vehicles	1.85/liter	5000	9,250
Transport of personnel	1200/trip	15	18,000
Logistical Support	5,000/month	12	60,000
Computers, etc.			12,000
Contingency		10%	87,370
Total			**961,070**

Resulting Issuer Budget - Phase 2

Activity	Unit Cost	Units	Total (CAD)
Drilling	230/m	8,000	1,840,000
Geophysical survey(s)	600,000	1	600,000
Logging/geology	600/day	500	300,000
Field workers (five)	500/day	500	250,000
Food/supplies	200/day	500	100,000
Geochemical analysis	70/sample	6000	420,000
Flights to Cuiú	1650/trip	60	99,000
Vehicles	75,000/truck	1	75,000
ATVs	10,000/each	3	30,000
Fuel for vehicles	1.85/liter	15,000	27,750
Transport of personnel	1,200/trip	40	48,000
Logistical Support	5,000/month	12	60,000
Contingency		10%	384,975
Total			**4,234,725**

Description of the Securities

The authorized capital of the Resulting Issuer will consist of an unlimited number of Resulting Issuer Shares.

The Resulting Issuer Shareholders will be entitled to receive dividends if, as and when declared by the Resulting Issuer Board, subject to the prior rights of the holders of preferred shares and will be entitled to one vote per share at meetings of the shareholders of the Resulting Issuer. The Resulting Issuer Shareholders will also be entitled, in the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among the Resulting Issuer's shareholders for the purpose of winding up its affairs, to share equally in such assets of the Resulting Issuer as are available for distribution, subject to the prior rights of the holders of preferred shares.

The Resulting Issuer's shares carry no pre-emptive rights, conversion or exchange rights, retraction, sinking fund or purchase fund provisions. There are no provisions requiring the holders of the Resulting Issuer Shares to contribute additional capital and no restrictions on the issuance of additional securities by the Resulting Issuer. There are no restrictions on the repurchase or redemption of shares by the Resulting Issuer except as otherwise set out herein and to the extent that any such repurchase or redemption would render the Resulting Issuer insolvent pursuant to the BCBCA.

Pro Forma Consolidated Capitalization

Pro Forma Consolidated Capitalization

The following table summarizes the pro forma capital of the Resulting Issuer on a consolidated basis after giving effect to the Transaction.

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding after giving effect to the Transaction and Minimum Cabral Offering(1)(2)(3)(4)	Amount Outstanding after giving effect to the Transaction and Maximum Cabral Offering(1)(2)(3)(4)
Common Shares	Unlimited	31,147,764	34,481,098

Notes:

(1) The issued and outstanding amount includes: (i) 1,298,550 San Angelo Shares (after giving effect to the Consolidation) held by existing San Angelo Shareholders; (ii) between 6,000,000 and 10,000,000 Post-Consolidation San Angelo Shares issued pursuant to the Cabral Offering, see "*Information Concerning Cabral Gold Ltd. – General Development of Business – Financing*"; (iii) 22,822,548 Post-Consolidation San Angelo Shares issued pursuant to the Transaction; and (iv) 360,000 Post-Consolidation San Angelo Shares issuable to M Partners Inc. pursuant to the Advisory Agreement (assuming Cabral elects to pay this fee in San Angelo Shares as opposed to cash).

(2) In addition, 936,000 Resulting Issuer Stock Options will be outstanding upon completion of the Transaction.

(3) In addition, between 7,531,494 and 10,864,827 Resulting Issuer Warrants will be outstanding upon completion of the Transaction

(4) In addition, between 400,000 and 600,000 Finder's Warrants may be issued to finders in connection with the Cabral Offering.

(5) As at March 31, 2017, San Angelo had an accumulated deficit of $2,115,150 calculated on a consolidated pro forma basis.

Fully Diluted Share Capital

The following table summarizes the number and percentage of securities of the Resulting Issuer proposed to be outstanding on a fully diluted basis after giving effect to the Transaction:

Category of Securities	After Giving Effect to the Transaction and Minimum Cabral Offering[(1)]		After Giving Effect to the Transaction and Maximum Cabral Offering	
	Number of Securities	Percentage of Securities	Number of Securities	Percentage of Securities
Resulting Issuer Shares held by San Angelo Shareholders (issued as San Angelo Shares prior to the Transaction after giving effect to the San Angelo Consolidation)	1,298,550	3.2%	1,298,550	2.7%
Resulting Issuer Shares being issued to Cabral Shareholders pursuant to the Transaction	22,822,548	56.5%	22,822,548	48.1%
Resulting Issuer Shares being issued pursuant to the Cabral Offering	6,666,667	16.5%	10,000,000	21.1%
Resulting Issuer Shares issuable to M Partners Inc. in accordance with the Advisory Agreement[(2)]	360,000	0.9%	360,000	0.8%
Resulting Issuer Shares issuable upon exercise of the Resulting Issuer Stock Options	936,000	2.3%	936,000	2.0%
Resulting Issuer Shares issuable upon exercise of the Resulting Issuer Warrants (issued as warrants of San Angelo prior to the Transaction after giving effect to the San Angelo Consolidation)	600,000	1.5%	600,000	1.3%
Resulting Issuer Shares issuable upon exercise of the Resulting Issuer Warrants issued pursuant to the Cabral Offering	6,666,667	16.5%	10,000,000	21.1%
Resulting Issuer Shares issuable upon exercise of the Finder's Warrants issued pursuant to the Cabral Offering	400,000	1.0%	600,000	1.3%
Resulting Issuer Shares issuable upon exercise of the Resulting Issuer Warrants issuable upon exercise of the Finder's Warrants issued pursuant to the Cabral Offering	400,000	1.0%	600,000	1.3%
Resulting Issuer Shares issuable upon exercise of Resulting Issuer Warrants issued to Cabral warrantholders pursuant to the Transaction	264,827	0.7%	264,827	0.6%
Total Fully Diluted Shares	**40,415,258**	**100.0%**	**47,481,925**	**100.0%**

Notes:

(1) The minimum Cabral Offering is an approximate amount based on the requirement in the Business Combination Agreement for the Resulting Issuer to have $3,800,000 in working capital.

(2) Post-Consolidation San Angelo Shares issuable to M Partners Inc. pursuant to the Advisory Agreement (assuming Cabral elects to pay this fee in San Angelo Shares as opposed to cash).

Available Funds and Principal Purposes

Upon completion of the Transaction, the Resulting Issuer expects to have the following funds available, and to use those funds as follows:

Principal Uses	Time Period	Allocation Assuming Minimum Cabral Offering[1] (Est.)	Allocation Assuming Maximum Cabral Offering (Est.)
Estimated available funds as at September 30, 2017		245,000	245,000
Net proceeds from Cabral Offering[2]		3,760,000	5,640,000
Other transaction costs[3] [4]	Immediate	(175,000)	(182,000)
Opening working capital		**3,830,000**	**5,703,000**
Work Program on Cuiú Cuiú	12 months	960,000	960,000
General administrative working capital requirements	12 months	700,000	700,000
Property payments on Cuiú Cuiú	12 months	100,000	100,000
Total	**12 months**	**1,760,000**	**1,760,000**
Unallocated working capital		2,070,000	3,943,000
TOTAL		**3,830,000**	**5,703,000**

Notes:

(1) The minimum Cabral Offering is an approximate amount based on the requirement in the Business Combination Agreement for the Resulting Issuer to have $3,800,000 in working capital.

(2) Gross proceeds of $4,000,000 and $6,000,000 net of a 6% commission that may be paid to finders in connection with the Cabral Offering.

(3) Relates to professional fees and TSX-V fees not reflected in net working capital as at September 30, 2017.

(4) Excludes liabilities totalling $180,000 that are expected to be paid through the issuance of San Angelo Shares.

Upon completion of the Transaction, San Angelo's operations will be immediately integrated with Cabral's operations and redundant personnel costs and overhead expenses will be eliminated. While it is anticipated that the Resulting Issuer's available funds following completion of the Transaction will be used as set forth above, the Resulting Issuer may re-allocate funds from time to time depending upon its growth strategy and other conditions in effect at the time.

Dividends

The Resulting Issuer does not currently have a dividend policy in place. The holders of Resulting Issuer Shares will be entitled to receive such dividends as may be declared by the Resulting Issuer Board from time to time.

Principal Securityholders

To the knowledge of the directors and senior officers of San Angelo and Cabral after completion of the Transaction, the following persons will beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding Resulting Issuer Shares.

Name	Number of Common Shares Owned, or Controlled or Directed, Directly or Indirectly	Approximate Percentage of Total Outstanding Common Shares[1]
Alan H.C. Carter Vancouver, BC	5,527,665	17.7%[2]
Dennis Moore Lisbon, Portugal	5,527,665	17.7%[3]

Note:

(1) Based on the estimated minimum Cabral Offering of $4,000,000.

(2) On a fully diluted basis Mr. Carter will own 13.7% of the Resulting Issuer assuming the estimated minimum Cabral Offering.

(3) On a fully diluted basis Mr. Moore will own 13.7% of the Resulting Issuer assuming the estimated minimum Cabral Offering.

Directors, Officers and Promoters

Name, Address, Occupation and Security Holdings

The following table sets forth the name and municipality of residence, position held within the corporation, principal occupation, and date of election or appointment as a director or officer, as the case may be, and the number of Resulting Issuer Shares beneficially owned by each director and executive officer of the Resulting Issuer on completion of the Transaction.

Name and Municipality of Residence	Proposed Position with Resulting Issuer	Principal Occupation and Position Held During the Past Five Years[(1)]	Director/ Officer of Cabral Since	Number and Percentage of Resulting Issuer Shares to be Held Directly or Indirectly[(4)]
Alan Carter[(5)] Vancouver, British Columbia, Canada	President and Chief Executive Officer, Director	President and CEO of Cabral from February 2016 to present. Chairman of Fremont Gold Ltd. from June 29, 2017 to present. President & CEO (interim) of Altamira Gold Corp. (formerly Equitas Resources Ltd.) from October 2016 to September 2017; Chairman of Fremont Gold Ltd. from September 2017 to present. President & CEO of Magellan Minerals Ltd. from April 2006 to May 2016.	February 17, 2016	5,527,665 17.7%
Charles Oliver[(2)(3)] Ontario, Canada	Chairman, Director	Fund manager. Director of Klondex Mines Ltd. and Integra Gold Corp.	February 15, 2017	766,679 2.5%
Dennis Moore Lisbon, Portugal	Director	President and CEO of Fremont Gold Ltd. from June 29, 2017 to present. Advisor to Cabral from February 2016 to present. Vice President of Corporate Development for Magellan Minerals Ltd. from June 2008 to May 2016. Exploration geologist.	February 17, 2016	5,527,665 17.7%
Donald Njegovan[(2)(3)] Ontario, Canada	Director	Vice President, New Business Development at Osisko Mining Corporation.	February 15, 2017	46,667 0.1%
Derrick Weyrauch[(2)(3)] Ontario, Canada	Director	Chief Financial Officer, Cardinal Resources Ltd. from July 2017 to present and a director of Banro Corporation from December 2013 to present. Previously the Chief Financial Officer of Jaguar Mining Inc., Temex Resources Ltd. and Andina Minerals Inc.	May 9, 2017	16,667 0.1%
Paul Hansed[(5)] Vancouver, British Columbia, Canada	Chief Financial Officer, Corporate Secretary	CFO of Cabral from December 2016 to present. CFO of Fremont Gold Ltd. from June 29, 2017 to present. Chief Financial Officer of Magellan Minerals Ltd. from March 2008 to May 2016. Chief Financial Officer of ECI Exploration and Mining Inc. from December 2009 to December 2014.	December 1, 2016	1,620,000 5.2%

Notes:

(1) Please see "*Directors and Executive Officers*" below for a description of principal occupations within the five years preceding the date of this Filing Statement.
(2) Proposed member of the Resulting Issuer Audit Committee.
(3) Proposed member of the Resulting Issuer Compensation Committee.
(4) Assumes 31,147,764 Resulting Issuer Shares issued and outstanding reflecting the minimum Cabral Offering. Includes Resulting Issuer Shares expected to be issued as a result of participation by certain directors in the Cabral Offering.
(5) Alan Carter and Paul Hansed are employees of Cabral and have non-disclosure clauses in their current consulting agreements with Cabral.

On closing of the Transaction, the directors and executive officers, as a group, will beneficially own, directly or indirectly, or exercise control or direction over, a total of 13,505,342 Resulting Issuer Shares, representing approximately 43.4% of the issued and outstanding Resulting Issuer Shares (assuming the minimum Cabral Offering).

Directors and Executive Officers

The following are brief biographies of the directors, executive officers and senior management of the Resulting Issuer.

Alan Carter, President, Chief Executive Officer and Director, age 52. Dr. Carter has over 25 years of experience in the minerals exploration industry. He spent seven years working for Rio Tinto Corp. in South America and the United Kingdom, most recently as Exploration Manager in Bolivia. In 1996, he became President and CEO of Balaclava Mines and moved to Lima, Peru. Dr. Carter joined Billiton Plc in 1998 and in 2000 moved from Lima to Vancouver. Following the merger of Billiton with BHP, he assumed the role of Manager, Business Development within the BHP Billiton Exploration Group and was the Chief Operating Officer of Peregrine Diamonds Ltd. from mid-2004 to late 2006. Dr. Carter was a co-founder of both Peregrine Metals Ltd. and Cuprum Resources Ltd., and is currently a director of Peregrine Diamonds Ltd., Blackrock Gold Corp. and Anfield Gold Ltd. He has a B.Sc. degree in Geology from the University of Nottingham, U.K. and a Ph.D. degree in gold geochemistry from the University of Southampton, U.K. Most recently, Dr. Carter founded Magellan Minerals Inc. (along with Dennis Moore) which listed on the TSX Venture Exchange in early 2008 and was acquired by Anfield Gold Corp. in May 2016. Anfield completed a $25 million financing immediately after the acquisition and recently completed a $32 million financing with the objective of bringing Magellan's Coringa project into production. Dr. Carter will devote approximately 30% of his time to the Resulting Issuer.

Charles Oliver, Chairman and Director, age 54. Mr. Oliver has over 30 years of experience in the financial services sector including 15 years as a fund manager. He holds a Chartered Financial Analyst designation and a Bachelor of Science in Geology. Mr. Oliver is currently a director of Klondex Mines Ltd. and Integra Gold Corp. He was formerly Lead Portfolio Manager of the Gold and Precious Metals Fund at Sprott Asset Management and Senior Vice President and Lead Portfolio Manager of several funds, including the Precious Metals Fund, at AGF Funds.

Dennis Moore, Director, age 62. Mr. Moore has over 35 years of experience as an exploration geologist. Originally working for major companies in Australia and the South West Pacific, he later became involved with several of Ross Beaty's early companies in Bolivia, Peru and Brazil. Dennis co-founded Magellan Minerals Inc. with Alan Carter in 2005 and remained as an officer of the company through its formative years. Mr. Moore discovered and drilled the 1.8M ounce Tocantinzinho deposit being developed by Eldorado Gold Corp and has been directly involved in at least four other gold discoveries in South America, including Amayapampa in Bolivia, and Cuiú Cuiú, Coringa and Cajuiero in Brazil. Mr. Moore has partnered with Clay Newton in developing Intermont Exploration, LLC, a Nevada-focused generative and exploration venture.

Donald Njegovan, Director, age 46. Mr. Njegovan has over 25 years of experience in the mining industry. He holds a Bachelor of Science in Mining Engineering and a Bachelor of Arts. He is currently the Vice President, New Business Development at Osisko Mining Corporation. He was formerly Managing Director of Global Mining at Scotiabank, an investment banker at Toll Cross Securities Inc., and worked underground and as a Mining Engineer for Hudson Bay Mining & Smelting Co., Ltd. Mr. Njegovan was also a director of Royal Road Minerals Ltd. and a director of St. Andrew Goldfields Ltd. prior to its acquisition by Kirkland Lake Gold Inc.

Derrick Weyrauch, Director, age 53. Mr. Weyrauch has over 27 years of executive and board experience that includes international capital markets, corporate restructuring, strategic planning and merger and acquisitions. He currently serves as the Chief Financial Officer of Cardinal Resources Ltd. and serves on the board of directors for Banro Corporation. Mr. Weyrauch was previously the Chief Financial Officer of Jaguar Mining Inc., and, prior to its sale in 2013, was the Chief Financial Officer of Andina Minerals Inc. He is a Chartered Professional Accountant (CA), is a member of the Institute of Chartered Accountants of Ontario, the Institute of Corporate Directors and holds a Bachelor of Arts degree in Economics.

Paul Hansed, Chief Financial Officer and Corporate Secretary, age 54. Mr. Hansed has more than 25 years of accounting and finance experience, including eight years as CFO of Magellan Minerals Ltd. from 2008 until 2016, when the company was acquired by Anfield Gold Corp., and five years as CFO of ECI Exploration and Mining Inc. from 2010 until 2014. Mr. Hansed has been the CFO of Cabral since December 2016 and the CFO of Fremont Gold Ltd. since June 2017. Prior to joining Magellan Minerals Ltd. in 2008, Mr. Hansed worked for 20 years with KPMG in Canada and Europe. He is a Chartered Professional Accountant (CA) and holds an undergraduate degree in business administration from Simon Fraser University.

Management

Proposed members of management of the Resulting Issuer will be the same as the directors and officers described above under "*Information Concerning the Resulting Issuer - Directors, Officers and Promoters*".

Promoter Consideration

No person or company has been, within the two years immediately preceding the date of this Filing Statement, a promoter of San Angelo.

Corporate Cease Trade Orders or Bankruptcies

Except as otherwise disclosed below, no proposed director or officer of the Resulting Issuer or a security holder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, within ten years before the date of this Filing Statement, has been, a director, officer or promoter of any person or company that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Derrick H. Weyrauch was elected to the board of directors of Jaguar Mining Inc. ("Jaguar") in June 2013. As part of a corporate turnaround and restructuring process, Jaguar declared insolvency and commenced a voluntary proceeding under the Companies' Creditors Arrangement Act (Canada) (the "CCAA") on December 23, 2013 in the Ontario Superior Court of Justice. This proceeding was commenced to implement a debt restructuring and financing transaction ("CCAA Plan") that was negotiated prior to the commencement of the CCAA proceeding. On April 22, 2014, Jaguar implemented the CCAA Plan and emerged from court protection under the CCAA. On May 2, 2014, the shares of Jaguar began trading on the TSX Venture Exchange. Following the voluntary proceeding under the CCAA, the Toronto Stock Exchange advised that it is reviewing the common shares of Jaguar with respect to meeting the requirements for continued listing pursuant to the Expedited Review Process. The common shares were subsequently suspended from trading on the Toronto Stock Exchange. In 2013, NYSE Regulation reached a decision to delist Jaguar's common shares in view of the fact that Jaguar's common shares had fallen below the NYSE's continued listing standard for an average closing price of less than US$1.00 over a consecutive 30 trading day period. As a result, on June 3, 2013, NYSE Regulations, Inc. ("NYSE Regulation") commenced proceedings to delist the common shares of Jaguar from the New York Stock Exchange ("NYSE") and trading in Jaguar's common shares was suspended prior to the opening on June 7, 2013.

Penalties or Sanctions

No proposed director or officer of the Resulting Issuer, or a security holder anticipated to hold sufficient securities of the Resulting Issuer to materially affect the control of the Resulting Issuer, has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Transaction.

Personal Bankruptcies

No proposed director or officer of the Resulting Issuer or a security holder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons has, within the 10 years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

The directors of the Resulting Issuer will be required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. To the best of the knowledge of San Angelo, and other than as disclosed herein, there are no known existing or potential conflicts of interest between the Resulting Issuer and its proposed promoters, directors and officers or other proposed members of management of the Resulting Issuer as a result of their outside business interests except that certain directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies.

Other Reporting Issuer Experience

The following table sets out the proposed directors and officers of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Alan Carter	Magellan Minerals Ltd, B.C.	TSX-V	President & CEO	Feb 2008	May 2016
	Anfield Gold Corp., B.C.	TSX-V	Director	May 2016	Present
	Peregrine Diamonds Ltd.	TSX	Director	Mar 2005	Present
	Blackrock Gold Corp., B.C.	TSX-V	Director	Aug 2016	Present
	Altamira Gold Corp. (formerly Equitas Resources Corp.), B.C.	TSX-V	President & CEO	Oct 2016	Sept. 2017
	Altamira Gold Corp. (formerly Equitas Resources Corp.), B.C.	TSX-V	Chairman	Sept. 2017	Present
	Fremont Gold Ltd., B.C.	TSX-V	Chairman	June 2017	Present

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Charles Oliver	Klondex Mines Ltd., B.C.	NYSE / TSX	Director	Dec. 2015	Present
	Integra Gold Corp., B.C.	TSX-V	Director	Mar. 2015	July 2017
	Orezone Gold Corporation, ONT	TSX-V	Director	Aug. 2017	Present
Dennis Moore	Magellan Minerals Ltd., B.C.	TSX-V	Vice President, Corporate Development	June 2008	May 2016
	Fremont Gold Ltd., B.C.	TSX-V	President and CEO	June 2017	Present
Donald Njegovan	Osisko Mining Corporation, ONT.	TSX	Vice President, New Business Development	Feb. 2016	Present
Derrick Weyrauch	Banro Corporation, ONT.	NYSE / TSX	Director	Dec. 2013	Present
	Jaguar Mining Inc., ONT.	TSX	CFO	April 2014	Feb 2016
	Jaguar Mining Inc., ONT.	NYSE / TSXV	Director	June 2013	April 2014
	Andina Minerals Inc., ONT.	TSXV	CFO	Nov 2010	Feb 2013
	Eco Oro Minerals Corp., BC	TSX	Director	June 2016	July 2017
	Minera IRL S.A., Peru	BVL	Director	June 2016	Nov. 2016
	Cardinal Resources Limited, Australia	ASX / TSX	CFO	July 2017	Present
	Temex Resources Inc., ONT.	TSXV	CFO	Nov 2013	June 2014
Paul Hansed	Magellan Minerals Ltd., B.C.	TSX-V	CFO	Mar 2008	May 2016
	Fremont Gold Ltd., B.C.	TSX-V	CFO	June 2017	Present

Executive Compensation

The statement of executive compensation contained in this section relates only to the proposed executive compensation of the Resulting Issuer assuming completion of the Transaction, and should be read and interpreted as though the Transaction has been completed. For information relating to the executive compensation practices of San Angelo for periods prior to the date of this Filing Statement, see "*Information Concerning San Angelo Oil Limited – Executive Compensation*". For information relating to the executive compensation practices of Cabral for periods prior to the date of this Filing Statement, see "*Information Concerning Cabral Gold Ltd. – Executive Compensation*".

Compensation Discussion and Analysis

The Resulting Issuer's compensation philosophy for NEOs is designed to attract well-qualified individuals by paying modest base salaries plus short and long-term incentive compensation in the form of stock options or other suitable long-term incentives. In making its determinations regarding the various elements of executive compensation, the Resulting Issuer Board will have access to and will rely on published studies of compensation paid in comparable businesses.

The duties and responsibilities of the CEO are typical of those of a business entity of the Resulting Issuer's size in a similar business and include direct reporting responsibility to the Chairman of the Resulting Issuer Board, overseeing activities of all other executives of the Resulting Issuer, representing the Resulting Issuer, providing leadership and responsibility for achieving corporate goals, and implementing corporate policies and initiatives.

The objectives of the Resulting Issuer's executive compensation program are as follows:

- to attract, retain and motivate talented executives who create and sustain the Resulting Issuer's continued success;
- to align the interests of the Resulting Issuer's executives with the interests of the Resulting Issuer's shareholders; and
- to provide total compensation to executives that is competitive with that paid by other companies of comparable size engaged in a similar business in appropriate regions.

Overall, the executive compensation program aims to design executive compensation packages that mirror executive compensation packages for executives with similar talents, qualifications and responsibilities at companies with similar financial, operating and industrial characteristics. The Resulting Issuer expects to undergo rapid growth and is committed to retaining its key executives for the next several critical years, while at the same time ensuring that executive compensation is tied to specific corporate goals and objectives. The Resulting Issuer's executive compensation program has been designed to reward executives for reinforcing the Resulting Issuer's business objectives and values, for achieving the Resulting Issuer's performance objectives, and for their individual performance.

The executive compensation program consists of a combination of base salary, performance bonus and stock option incentives. The base salary of an NEO is intended to attract and retain executives by providing a reasonable amount of non-contingent remuneration.

Base Salary

In addition to a fixed base salary, an NEO is eligible to receive a performance-based bonus meant to motivate the NEO to achieve short-term goals. Awards under the plan will be made by way of cash payments only, which payments will be made at the end of the relevant fiscal year. Each NEO will be measured against the financial targets within his or her control and, while overall company performance is part of the plan, individual targets will represent the highest percentage of the plan payout.

Stock Options

The Resulting Issuer believes that equity-based compensation in the form of stock options will link the interests of its executive officers with the long-term interests of the Resulting Issuer's shareholders. Stock option awards to executive officers (including NEOs) will typically be subject to time-based vesting provisions. The Resulting Issuer believes that such awards will encourage NEOs to focus on long-term company performance and increasing long-term shareholder value, and will serve as a useful retention mechanism by encouraging NEOs to remain employed with the Resulting Issuer.

The Resulting Issuer does not have any formal policy regarding when stock options are to be granted or the size of any given grant, and the Resulting Issuer does not intend to tie such grants directly to any pre-established corporate or individual goals. The Resulting Issuer Board or a committee thereof will, however, consider and evaluate the total compensation package, including base salary and cash bonuses, received or to be received by a particular executive officer, and will seek to ensure that such total compensation package is fair, reasonable and competitive. When considering an award of options to an executive officer, consideration of the number of options previously granted to the executive may be taken into account.

Broad-Based Benefits Programs

All full-time employees, as well as the Resulting Issuer's NEOs, may participate in the Resulting Issuer's health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance. The Resulting Issuer does not intend to provide perquisites or personal benefits to its NEOs that are not otherwise generally available to other employees.

Determination of the Amount of Each Element of the Executive Compensation Program

Base Salary

The base salary review of any NEO takes into consideration the current competitive market conditions, experience, proven or expected performance, and the particular skills of the NEO. Base salary is not evaluated against a formal "peer group".

Performance Bonuses

The Resulting Issuer Board will oversee the operation of the Resulting Issuer's bonus plan by evaluating and approving the targets and the objectives to be met by the NEO and the amount of bonus payable at specific levels of attainment of those targets and objectives. The bonus for any individual NEO varies dependent upon the position and financial performance of the related business unit or corporate activity.

Each element of the executive compensation program has been designed to meet one or more objectives of the overall program.

The fixed base salary of any NEO, combined with the granting of stock options, has been designed to provide total compensation which the Resulting Issuer Board believes is competitive with that paid by other companies of comparable size engaged in similar business in appropriate regions.

Option-Based Awards

The Resulting Issuer Stock Option Plan will be administered by the Resulting Issuer Board or a committee thereof, in accordance with such terms and conditions as the Resulting Issuer Board may prescribe.

Amendments to the terms of previously granted options are subject to regulatory approval, if required. If required by the TSX-V, disinterested shareholder approval will be required for any reduction in the option price of a previously granted stock option if the optionee is an Insider of San Angelo at the time of the proposed reduction in the option price.

Summary Compensation Table

There is no existing or agreed upon annual incentive plan for the executives of the Resulting Issuer at this time; this is expected to be reviewed and an annual incentive plan implemented after the Resulting Issuer Board is constituted and has had adequate time to review any such plan. As described earlier, it is expected that the annual incentive plan will be based on overall company performance and meeting individual financial targets. The Resulting Issuer may grant options to the executives upon completion of the Transaction.

The following table is a summary of the anticipated compensation for the proposed President and Chief Executive Officer, Chief Financial Officer and Secretary, as well as the three other most highly compensated executive officers during the 12-month period after giving effect to the Transaction:

Name and Principal Position	Salary ($)	Share-based awards ($)	Option -based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)	Total compensation ($)
				Annual incentive plans	Long term incentive plans			
Alan Carter President and CEO Vancouver, British Columbia, Canada	$125,000	Nil	Nil	Nil	Nil	Nil	Nil	$125,000
Paul Hansed CFO and Secretary Vancouver, British Columbia, Canada	$125,000	Nil	Nil	Nil	Nil	Nil	Nil	$125,000

Notes:

(1) Option-based awards, if any, for fiscal 2018 will be determined by the Resulting Issuer Board or a committee thereof. See "*Executive Compensation- Compensation Discussion and Analysis*".

(2) Cash bonuses, if any, for fiscal 2018 will be determined by the Resulting Issuer Board or a committee thereof. See "*Executive Compensation- Compensation Discussion and Analysis*".

(3) Any additional compensation to be paid to the NEOs for fiscal 2018 will be determined by the Resulting Issuer Board or a committee thereof. See "*Executive Compensation- Compensation Discussion and Analysis*".

Termination and Change of Control Benefits

On closing of the Transaction, the Resulting Issuer will not have any contracts, agreements, plans or arrangements that provide for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Resulting Issuer or a change in an NEO's responsibilities.

There are no existing employment agreements between the Resulting Issuer and any of the NEOs.

Director Compensation

The remuneration payable to directors of the Resulting Issuer will be determined following completion of the Transaction. It is anticipated that the directors will be issued Resulting Issuer Stock Options.

Indebtedness of Directors and Officers

There is not currently, nor has there been since the beginning of the most recently completed financial years of San Angelo and Cabral, any outstanding indebtedness owing to San Angelo or Cabral or, in each case, any subsidiary thereof, by: (i) any director, executive officer or employee of San Angelo or Cabral, as the case may be; (ii) any former director, executive officer or employee of San Angelo or Cabral, as the case may be; (iii) any proposed nominee for election as a director of the Resulting Issuer; or (iv) any Associate of any current or former director, executive officer or proposed nominee for election as a director of the Resulting Issuer, either pursuant to an employee stock purchase program of San Angelo or Cabral, as the case may be, or otherwise, and no individual is or has been indebted to any other entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit, or similar arrangement or understanding by San Angelo or Cabral, as the case may be, except as regards nominal amounts that are advanced to officers from time to time for travel; such amounts are settled within one month following disbursement through the submission of expense reports and receipts and/or reimbursement by the officer.

Investor Relations Arrangements

No written or oral agreement or understanding has been reached with any person to provide any promotional or investor relations services for the Resulting Issuer. See "*Information Concerning the Resulting Issuer- Directors, Officers and Promoters*".

Options to Purchase Securities

The following table sets out information of the Resulting Issuer with respect to compensation plans under which equity securities of the Resulting Issuer are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	936,000	$0.3333	2,178,776[(1)]
Equity compensation plans not approved by security holders	Nil	N/A	N/A
Total	**936,000**		2,178,776

Notes:
(1) Assumes 31,147,764 Resulting Issuer Shares issued and outstanding reflecting the minimum Cabral Offering.

Stock Option Plan

See "*Information Concerning San Angelo- Stock Option Plan*" for a summary of the terms of the San Angelo Stock Option Plan, which will be the Resulting Issuer Stock Option Plan upon completion of the Transaction.

Escrowed Securities

Prior to the Transaction, no securities of Cabral are held in escrow. The following table summarizes information concerning securities of San Angelo and of the Resulting Issuer that will be held in escrow before and after giving effect to the Transaction:

Name of Municipality of Residence of Security holder	Designation of Class	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Securities to be held in Escrow	Percentage of Class	Number of Securities to be held in Escrow	Percentage of Class[(1)]
Michael Black *Calgary, Alberta*	Common shares	11,250	0.2%	2,250	0.01%
Michael Arguijo *Bellville, Texas*	Common shares	21,000	0.3%	4,200	0.01%
Gordon Nielsen *West Vancouver, British Columbia*	Common shares	60,000	0.9%	12,000	0.04%
Richard Schroeder *Tsawwassen, British Columbia*	Common shares	7,500	0.1%	1,500	<0.01%

Name of Municipality of Residence of Security holder	Designation of Class	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Securities to be held in Escrow	Percentage of Class	Number of Securities to be held in Escrow	Percentage of Class(1)
Barry Loughlin *Vancouver, British Columbia*	Common shares	7,500	0.1%	1,500	<0.01%
Q Investments Ltd. *Vancouver, British Columbia*	Common shares	7,500	0.1%	1,500	<0.01%
Alan Carter *Vancouver, British Columbia*	Common shares	Nil	N/A	5,527,665	17.7%
Charles Oliver *Ontario, Canada*	Common shares	Nil	N/A	600,012	1.9%
	Options	Nil	N/A	450,000	48.1%
Dennis Moore *Lisbon, Portugal*	Common shares	Nil	N/A	5,527,665	17.7%
Donald Njegovan *Ontario, Canada*	Common shares	Nil	N/A	30,000	0.1%
	Options	Nil	N/A	297,000	31.7%
Paul Hansed *Vancouver, British Columbia*	Common shares	Nil	N/A	1,620,000	5.2%

Notes:

(1) Assumes 30,481,098 Resulting Issuer Shares issued and outstanding based on the minimum Cabral Offering, and 936,000 options of the Resulting Issuer outstanding.

An aggregate of 114,750 San Angelo Shares, or 22,950 Resulting Issuer Shares, are held by Computershare Investor Services Inc. pursuant to escrow agreements entered into under National Policy 46-201 *Escrow for Initial Public Offerings* and TSX-V Policy 5.4. These Resulting Issuer Shares are scheduled to be released on March 10, 2018.

An aggregate of 13,305,342 Resulting Issuer Shares held by Alan Carter, Charles Oliver, Dennis Moore, Donald Njegovan and Paul Hansed, and 747,000 Resulting Issuer Stock Options held by Charles Oliver and Donald Njegovan, will be placed in TSX-V Tier 2 Value Escrow. The Resulting Issuer Shares and Resulting Issuer Stock Options placed in TSX-V Tier 2 Value Escrow will be held in escrow by Computershare Trust Company of Canada, which will release them as follows:

Percentage	Release Date
10%	At the time of TSX-V Bulletin
15%	6 months from TSX-V Bulletin
15%	12 months from TSX-V Bulletin
15%	18 months from TSX-V Bulletin
15%	24 months from TSX-V Bulletin
15%	30 months from TSX-V Bulletin
15%	36 months from TSX-V Bulletin

An aggregate of 180,000 Resulting Issuer Shares held by a non-principal of the Resulting Issuer will be subject to the TSX-V seed share resale restrictions. The resale restrictions will be removed from these Resulting Issuer Shares in accordance with the TSX-V Tier 2 Value Escrow schedule set out above.

Auditor(s), Transfer Agent(s) and Registrar(s)

Auditor

The auditor of the Resulting Issuer will be MNP LLP of Suite 2200, MNP Tower, 1021 West Hastings Street, Vancouver, British Columbia V6E 0C3.

Transfer Agent and Registrar

The transfer agent and registrar for the Resulting Issuer will be Computershare Investor Services Inc. of 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

GENERAL MATTERS

Experts

Opinions

- Ernst & Young LLP audited the financial statements of San Angelo for its financial year ended June 30, 2015 and the period from the incorporation to June 30, 2014. Ernst & Young LLP confirms its independence as determined by the Chartered Professional Accountants of British Columbia, up to the date of its resignation as auditor on January 12, 2016.

- MNP LLP audited the financial statements of San Angelo for its financial year ended June 30, 2016. MNP LLP reviewed the interim financial statements of San Angelo for the nine month period ended March 31, 2017. MNP LLP confirms its independence as determined by the Chartered Professional Accountants of British Columbia.

- DeVisser Gray LLP audited the financial statements of Cabral for the year ended December 31, 2016. DeVisser Gray LLP reviewed the interim financial statements of Cabral for the six month period ended June 30, 2017. DeVisser Gray LLP confirms its independence as determined by the Chartered Professional Accountants of British Columbia.

- Thomas C. Stubens, P.Eng., B. Terrence Hennessey, P.Geo. and Richard M. Gowans, P.Eng of Micon International Limited prepared the Technical Report. The authors of the Technical Report confirm they are independent of San Angelo and Cabral.

- Ross Glanville of Ross Glanville & Associates Ltd. and Bruce McKnight of Bruce McKnight Minerals Advisor Services prepared the Informal Valuation. The authors of the Informal Valuation confirm they are independent of San Angelo and Cabral.

Interest of Experts

To San Angelo's and Cabral's knowledge, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement, holds any beneficial interest, direct or indirect, in any securities or property of San Angelo, Cabral or the Resulting Issuer or an Associate or Affiliate of the foregoing.

Other Material Facts

There are no other material facts about San Angelo, Cabral, the Resulting Issuer or the Transaction that have not been disclosed in this Filing Statement.

Board Approval

The contents and sending of this Filing Statement have been approved by the San Angelo Board.

Additional Information

If readers have any questions about the information contained in the Filing Statement, please contact: San Angelo at Suite 650, 669 Howe Street, Vancouver, British Columbia, V6C 0B4, Telephone: 778 725-1488; or Cabral at Suite 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2, Telephone: 604 676 5660.

APPENDIX A

Consolidated Financial Statements
[Expressed in Canadian dollars]

San Angelo Oil Limited

June 30, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
San Angelo Oil Limited

We have audited the accompanying consolidated financial statements of **San Angelo Oil Limited**, which comprise the consolidated statements of financial position as at June 30, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended June 30, 2015 and the period from February 11, 2014 [date of incorporation] to June 30, 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **San Angelo Oil Limited** as at June 30, 2015 and 2014, and its financial performance and its cash flows for the year ended June 30, 2015 and for the period from February 11, 2014 [date of incorporation] to June 30, 2014, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that **San Angelo Oil Limited** incurred a net loss of $1,304,738 during the year ended June 30, 2015 and, as of that date, the Company had an accumulated deficit of $1,452,137. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt on **San Angelo Oil Limited**'s ability to continue as a going concern.

Ernst & Young LLP

Vancouver, Canada
October 26, 2015

Chartered Professional Accountants

San Angelo Oil Limited

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in Canadian dollars]

As at June 30

	2015	2014
	$	$
ASSETS		
Current		
Cash	**190,955**	60,246
Funds held in trust	—	570,250
Short-term investments	**250,000**	—
Other receivables and prepaid expenses	**39,610**	6,786
Total current assets	**480,565**	637,282
Equipment, net *[note 3]*	**72,406**	13,434
Exploration and evaluation assets *[note 4]*	**1,335,158**	578,617
Operator's bond *[note 5]*	**30,919**	26,666
	1,919,048	1,255,999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**188,907**	341,895
Provision	**6,000**	—
Total current liabilities	**194,907**	341,895
Convertible debentures *[note 6]*	**893,890**	798,167
Deferred income taxes *[note 8]*	—	36,057
Total liabilities	**1,088,797**	1,176,119
Commitments *[note 10]*		
Shareholders' equity		
Share capital *[note 7]*	**1,838,322**	81,068
Warrants *[note 7]*	**120,754**	—
Convertible debentures – equity component *[note 6]*	**215,070**	154,660
Contributed surplus	**25,092**	—
Accumulated other comprehensive income (loss)	**83,150**	(8,449)
Deficit	**(1,452,137)**	(147,399)
Total shareholders' equity	**830,251**	79,880
	1,919,048	1,255,999

See accompanying notes

On behalf of the Board:

"Gordon Nielsen"
Director

"Scott Young"
Director

San Angelo Oil Limited

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[Expressed in Canadian dollars]

	Year ended June 30, 2015 $	Period from February 11, 2014 [date of incorporation] to June 30, 2014 $
EXPENSES		
Accretion *[note 6]*	**150,394**	—
Amortization *[note 3]*	**12,061**	—
Consulting fees	**311,112**	54,268
Insurance	**44,596**	—
Legal	**99,253**	59,013
Office and miscellaneous	**116,118**	6,029
Professional fees	**80,193**	25,000
Regulatory fees	**38,484**	—
Salary and benefits	**403,470**	5,365
Site investigation costs	**50,422**	—
Share-based payments *[note 7]*	**8,972**	—
Transfer agent	**16,518**	—
Travel	**38,469**	14,894
Loss on modification of convertible debentures *[note 6]*	**49,500**	—
	1,419,562	164,569
Loss before income taxes	**(1,419,562)**	(164,569)
Recovery of income taxes *[note 8]*	**114,824**	17,170
Net loss for the period	**(1,304,738)**	(147,399)
Other comprehensive income (loss)		
Exchange differences of translating subsidiary operations, net of tax of $84,337 [2014 – nil]	**91,599**	(8,449)
Comprehensive loss for the period	**(1,213,139)**	(155,848)
Weighted average number of common shares outstanding	**16,241,205**	2,446,043
Loss per share – basic and diluted	**(0.08)**	(0.06)

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[Expressed in Canadian dollars]

Period from February 11, 2014 [date of incorporation] to June 30, 2015

	Number of issued and outstanding shares #	Share capital $	Number of issued and outstanding warrants #	Warrants $	Convertible debentures – equity component $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total equity $
Initial Subscriber's share	1	1	—	—	—	—	—	—	1
Initial Subscriber's share cancelled	(1)	(1)	—	—	—	—	—	—	(1)
Common shares, issued at $0.01 *[note 7]*	8,500,000	85,000	—	—	—	—	—	—	85,000
Share issuance expenses	—	(5,174)	—	—	—	—	—	—	(5,174)
Share issuance expenses – deferred tax	—	1,242	—	—	—	—	—	—	1,242
Convertible debentures – equity component	—	—	—	—	213,895	—	—	—	213,895
Convertible debenture – issuance expense	—	—	—	—	(4,766)	—	—	—	(4,766)
Convertible debentures – deferred tax	—	—	—	—	(54,469)	—	—	—	(54,469)
Other comprehensive loss for the period	—	—	—	—	—	—	—	(8,449)	(8,449)
Net loss for the period	—	—	—	—	—	—	(147,399)	—	(147,399)
Balance, June 30, 2014	8,500,000	81,068	—	—	154,660	—	(147,399)	(8,449)	79,880
Units, issued at $0.20 *[note 7]*	7,390,000	1,478,000	3,695,000	—	—	—	—	—	1,478,000
Units, issued at $0.20 *[note 7]*	5,037,500	806,000	5,037,500	201,500	—	—	—	—	1,007,500
Unit issuance expenses	—	(536,248)	—	(80,746)	—	16,120	—	—	(600,874)
Unit issuance expenses – deferred tax	—	9,502	—	—	—	—	—	—	9,502
Convertible debentures – equity component	—	—	—	—	14,844	—	—	—	14,844
Loss on modification of convertible debentures *[note 6]*	—	—	—	—	49,500	—	—	—	49,500
Convertible debentures – deferred tax	—	—	—	—	(3,934)	—	—	—	(3,934)
Other comprehensive loss for the period	—	—	—	—	—	—	—	91,599	91,599
Share-based payments	—	—	—	—	—	8,972	—	—	8,972
Net loss for the period	—	—	—	—	—	—	(1,304,738)	—	(1,304,738)
Balance, June 30, 2015	**20,927,500**	**1,838,322**	**8,732,500**	**120,754**	**215,070**	**25,092**	**(1,452,137)**	**83,150**	**830,251**

See accompanying notes

San Angelo Oil Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

	Year ended June 30, 2015	Period from February 11, 2014 [date of incorporation] to June 30, 2014
	$	$
OPERATING ACTIVITIES		
Net loss for the period	**(1,304,738)**	(147,399)
Accretion	**150,394**	—
Amortization	**12,061**	—
Recovery of deferred income taxes	**(114,824)**	(17,170)
Share-based payments	**8,972**	—
Loss on modification of convertible debentures	**49,500**	—
Changes in non-cash working capital balances related to operations		
Other receivables and prepaid expenses	**(32,824)**	(6,786)
Accounts payable and accrued liabilities	**6,110**	121,634
Provision	**6,000**	—
Cash used in operating activities	**(1,219,349)**	(49,721)
INVESTING ACTIVITIES		
Acquisition of equipment	**(69,738)**	(13,434)
Investment in short-term investments	**(250,000)**	—
Investment in exploration and evaluation assets	**(793,009)**	(367,196)
Purchase of operator's bond	**—**	(26,666)
Cash used in investing activities	**(1,112,747)**	(407,296)
FINANCING ACTIVITIES		
Funds received on issuance of convertible debentures	**69,750**	1,030,250
Convertible debenture issuance expenses	**—**	(22,953)
Funds received on issuance of share capital	**2,485,500**	85,000
Unit issuance expenses	**(600,874)**	(5,174)
Repayment of convertible debenture obligation	**(109,579)**	—
Cash provided by financing activities	**1,844,797**	1,087,123
Effect of exchange rates on cash	**47,758**	390
Increase (decrease) in cash during the period	**(439,541)**	630,496
Cash, beginning of period	**630,496**	—
Cash, end of period	**190,955**	630,496
Represented by		
Cash	**190,955**	60,246
Funds held in trust	**—**	570,250
	190,955	630,496

Supplemental cash flow information *[note 13]*

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars]

June 30, 2015

1. NATURE OF OPERATIONS AND GOING CONCERN

San Angelo Oil Limited [the "Company"] was incorporated under the *British Columbia Business Corporations Act* on February 11, 2014. The Company is a junior resource company engaged in the identification, and the exploration and development, of both proven and unproven reserves via drilling and/or acquisition with a focus on central Texas.

To date the Company has not earned significant revenues and is considered to be in the exploration stage. The recoverability of the costs incurred for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the projects and upon future profitable production or from the proceeds of disposition. The Company will require additional capital to fund its future property acquisitions and exploration programs as well as for administrative purposes. If management is unable to obtain additional funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the normal course of business. The Company incurred a loss of $1,304,738 during the year ended June 30, 2015, and as of that date, the Company had an accumulated deficit of $1,452,137 and net working capital of $285,658. Management has carried out an assessment of the going concern assumption and has concluded that the working capital position of the Company is insufficient to finance continued operations for the 12-month period subsequent to June 30, 2015. Note 14[i] describes subsequent events which were also considered in the going concern assessment.

These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

The continuity of the Company's operations is dependent on raising future financings for working capital, the continued exploration and development of its properties and for the acquisition of development costs of new projects. The Company's failure to raise additional funds could result in a delay in the work to be performed on the Company's existing exploration and evaluation assets and may lead to an impairment charge on the Company's exploration and evaluation asset. Management believes that it will be able to secure the necessary financing through a combination of the issuance of new equity or debt instruments. However, there is no assurance that the Company will be successful in these actions. There can be no assurance that adequate financing will be available, or available at terms favourable to the Company. Should it be determined that the Company is no longer a going concern, adjustments which could be significant, could be required to the carrying value of the assets and liabilities. These consolidated financial statements do not reflect any adjustments to the carrying value of the assets or liabilities or any impact on the consolidated statements of loss and comprehensive loss, and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ["IFRS"], on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

The address of the Company's head office is located at Suite 1100 - 1111 Melville Street, Vancouver, British Columbia, V6E 3V6.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared using accounting policies in compliance with IFRS, as issued by the International Accounting Standards Board ["IASB"].

The policies applied in these consolidated financial statements are based on IFRS issued and effective as at October 26, 2015, the date the Board of Directors approved these financial statements for issue.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention, except for financial assets classified as fair value through profit and loss ["FVTPL"] which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and are presented in Canadian dollars.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars]

June 30, 2015

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned controlled U.S. subsidiary, San Angelo Operating Corp. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances have been eliminated upon consolidation. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Significant accounting policies

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below. These accounting policies have been used throughout all periods presented in the consolidated financial statements.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates [the “functional currency”].

Parent

The functional and reporting currency of the parent Company is the Canadian dollar. Transactions in foreign currencies are initially recorded in the Company’s functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the end of each reporting period. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction.

Subsidiary

The functional currency of the Company’s U.S. subsidiary is the U.S. dollar [“US$”].

The results and financial position of a subsidiary that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive loss are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

Foreign exchange differences arising on monetary items that form part of the Company's net investment in foreign subsidiary are initially recognized in other comprehensive income and reclassified from equity to the statement of comprehensive loss on disposal of the net investment.

Cash and cash equivalents

Cash consists of deposits held in banks. Cash equivalents include demand deposits together with other highly liquid short-term investments with maturity dates of less than 90 days at the time of issuance. The Company places its cash and cash equivalents with institutions of high creditworthiness.

Short-term investments

Short-term investments consist of cash invested in guaranteed investment certificates with maturities of up to one year at the time of acquisition. These short-term deposits are highly liquid and can be converted to cash without restriction.

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at FVTPL.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular purchases and sales of FVTPL financial assets are accounted for at the trade date, as opposed to the settlement date. The Company has reported its cash on hand, short-term investments and funds held in trust as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses that are considered other than temporary. The Company has classified other receivables as being loans and receivables. The Company has not classified any of its assets as being held-to-maturity or available-for-sale.

Financial liabilities

All financial liabilities are designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability. The Company's accounts payable and accrued liabilities and convertible debentures are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL and are initially recorded at fair value. Derivatives, including separated embedded derivatives, are also classified as held-for-trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company does not have any financial liabilities in this category.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's-length market transaction, discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and in a condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Company's equipment consists of computers, furniture and well equipment. Amortization is recorded over the estimated useful life of the asset on the following basis:

Computers	3 years straight-line
Furniture	3 years straight-line
Well equipment	5 years straight-line

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit and loss.

Exploration and evaluation assets

Pre-exploration expenditures

Expenditures made by the Company before acquiring the legal right to explore a specific area do not meet the definition of an asset, and therefore are expensed by the Company as incurred.

Exploration and evaluation expenditures

Once a legal right to explore has been obtained, acquisition costs incurred are capitalized as exploration and evaluation assets. These assets include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centres by property and are not subject to depletion until technical feasibility and commercial viability has been determined.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying value exceeds the recoverable amount.

The technical and commercial viability of extracting petroleum resources is considered to be determinable when proved and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to these reserves are tested for impairment and reclassified to oil and gas properties.

Development and production costs

Oil and gas development and production assets are measured at cost less accumulated depletion, depreciation and accumulated impairment losses. Development and production assets are grouped in cash-generating units ["CGU"] for impairment testing. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds of disposal with the carrying amount and the difference is recognized in profit or loss.

Subsequent costs

Costs incurred subsequent to commercial production including the costs of replacement are recognized in profit and loss as incurred unless they increase the future economic benefits in the assets to which they relate.

Depletion and depreciation

Depletion of oil and gas properties is determined using the unit-of-production method based on production volumes in relation to the total estimated proved and developed reserves as determined on an annual basis in compliance with NI 51-101. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

The calculation of depletion and depreciation is based on total capitalized costs less the estimated net realizable value of equipment and facilities after the proved and developed reserves are fully depleted.

Proved developed reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a 90% degree of certainty to be recoverable in future years from known proved and developed reservoirs and which are considered commercially producible.

Impairment

Exploration and evaluation assets are assessed for impairment when they are reclassified to developing and producing assets, as oil and gas properties, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Fair value less costs to sell is determined to be the amount for which the asset could be sold in an arm's length transaction. Fair value less costs to sell can be determined by using an observable market or by using discounted future net cash flows.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amounts. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depletion and depreciation, if no impairment loss had been recognized.

Convertible debentures

The liability component of the convertible debentures has been recognized initially at the fair value of a similar liability that does not possess a conversion option. The equity component is initially recognized as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to their initial carrying value. Subsequent to initial recognition, the liability component of the convertible note is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new equity instruments are shown as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of common shares issued is determined to be the more easily measurable component, and common shares are valued at their fair value as determined by the closing price on the effective date. The balance, if any, would then be allocated to the attached warrants.

Interest income

Interest income is recorded on an accrual basis.

Related party transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations and it is probable that there will be a requirement to settle. The provision is measured at the best estimate of the present value of the amount required to settle the obligation using a pre-tax rate reflecting current market assessment, the time value of money and the risk specific to the obligation. Future increases resulting from the passing of time will be recognized as an accretion expense.

Reclamation costs

The Company records the present value of the estimated costs of legal and constructive obligations required to remediate environmental disturbances caused during the exploration process. The present value of the estimated costs is capitalized by increasing the carrying amount of the related asset. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. As at June 30, 2015, the Company has not incurred any legal or constructive obligation as a result of its exploration and evaluation activities.

Earnings (loss) per share

Earnings (loss) per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. The calculation of diluted earnings per share assumes the outstanding options and warrants are exercised and proceeds are used to repurchase common shares at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

Income taxes

Income tax expense includes current and deferred taxes.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount to be expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax related to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax filings with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and tax losses, can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates [and tax laws] that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars]

June 30, 2015

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Certain estimates by their nature are uncertain. The impacts of such estimates could be pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following accounting policies are subject to such judgments and, because of the uncertainty associated with the estimation process, they could have the most significant impact on the reported results and financial position:

Convertible debentures

The liability component of the convertible debenture has been recognized initially at the fair value of a similar liability that does not possess a conversion option. As the debenture bears interest below market rates, the determination of fair value was based on using unobservable discount rates appropriate to borrowings with similar characteristics such as the credit rating of the Company. Based on this determination, the fair value yield for the liability component of the debenture has been estimated at 16.4%.

Reserves

The estimate of oil and gas reserves is integral to the calculation of the amount of depletion to be charged to the consolidated statement of loss and comprehensive loss and is also a key determinant in assessing whether the carrying value of any of the Company's exploration and evaluation assets have been impaired. Changes in reported reserves can impact asset carrying values. The Company's reserves are evaluated and reported on by independent reserve engineers in accordance with National Instrument 51-101 – *Standards of Disclosure of Oil and Gas Activities*. Reserve estimation is based on a variety of factors which are subject to significant judgment and interpretation.

Exploration and evaluation assets

The Company assesses at each reporting date whether or not there is an indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Company estimates the recoverable amount determined based on the higher of value-in-use and fair value less costs to sell. These calculations are based on a number of factors which are subject to estimates and assumptions.

New standards, amendments and interpretations issued

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after July 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these consolidated financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

The Company continues to evaluate the impact the implementation of these standards will have on the consolidated financial statements.

Accounting standards anticipated to be effective on or after July 1, 2015

Financial instruments

IFRS 9 – *Financial Instruments* is intended to replace IAS 39 – *Financial Instruments: Recognition and Measurement* in the three main phases. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. In July 2014, the IASB issued the final version of *IFRS 9 – Financial Instruments*, which reflects all phases of the financial instruments project and replaces *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 [2009, 2010 and 2013] is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

[Expressed in Canadian dollars]

3. EQUIPMENT

	Computer $	**Equipment** $	**Well equipment** $	**Total** $
Cost				
Balance, February 11, 2014	—	—	—	—
Additions	1,544	11,890	—	13,434
Balance, June 30, 2014	1,544	11,890	—	13,434
Additions	1,299	21,357	47,573	69,738
Effect of changes to foreign exchange rate	—	1,896	(491)	1,896
Balance, June 30, 2015	**2,843**	**35,143**	**47,082**	**85,068**
Accumulated amortization				
Balance, June 30, 2014	—	—	—	—
Amortization for the period	948	11,113	—	12,061
Effect of changes to foreign exchange rate	—	601	—	601
Balance, June 30, 2015	**948**	**11,714**	**—**	**12,662**
Net carrying value				
Balance, June 30, 2014	1,544	11,890	—	13,434
Balance, June 30, 2015	**1,895**	**23,429**	**47,082**	**72,406**

4. EXPLORATION AND EVALUATION ASSETS

Runnels County, State of Texas, U.S.A.

The Company acquired an undivided 55% working interest in 35 claims covering approximately 2,952 net acres located in Runnels County in the State of Texas.

[Expressed in Canadian dollars]

Cumulative expenditures related to the Runnels County interest consists of the following:

	$
Balance, February 11, 2014	—
Additions	591,318
Translation adjustments	(12,701)
Balance, June 30, 2014	578,617
Additions	633,910
Translation adjustments	122,631
Balance, June 30, 2015	**1,335,158**

	June 30, 2015 $	**June 30, 2014** $
Acquisition costs	**586,130**	582,625
Consulting	**12,056**	—
Drilling	**226,585**	2,027
Lease	**123,464**	5,866
Mapping	**2,274**	—
Permitting	**1,578**	800
Reporting	**72,217**	—
Staking	**5,010**	—
Site preparation	**141,066**	—
Site supplies	**54,848**	—
Translation adjustment	**109,930**	(12,701)
	1,335,158	578,617

A review is carried out at each reporting date to assess whether or not indicators of impairment are present and whether or not an adjustment to the carrying value of the asset is required. As at June 30, 2015, management has concluded that indicators of impairment were present. Accordingly, management performed an impairment test and concluded that no impairment existed as at June 30, 2015 because the fair value less costs of disposal of the cash generating unit containing the property exceeded its carrying value.

On October 1, 2014, the Company was appointed as operator for the 35 claims in which it has a 55% working interest located in Runnels County, in the State of Taxes *[note 14]*.

The Company and the remaining 45% interest holders have agreed to bear their proportionate share of well costs on the farm out interest.

5. OPERATOR'S BOND

The Company is required to provide an operator's bond in respect of its exploration activities in the State of Texas. The bond represents collateral for possible reclamation activities necessary in connection with the permits required for exploration activities.

The bond, in the amount of US$25,000 or CAD$30,919 [June 30, 2014 – US$25,000 or CAD$26,666], is fully refundable on discontinuing exploration activities or alternatively putting in place an alternative form of collateral acceptable to the governing authorities as a substitute.

6. CONVERTIBLE DEBENTURES

During the period ended June 30, 2014, the Company undertook a non-brokered private placement of 10% secured subordinated convertible debentures in the aggregate principal amount of $1,100,000. The first tranche of the offering closed on June 30, 2014, resulting in the receipt of $1,030,250 in gross proceeds. The second tranche of the offering closed on July 22, 2014, resulting in the receipt of $69,750 in gross proceeds. The convertible debentures are due five years from their date of issuance, pay interest at the rate of 10% per annum and are convertible into 5,500,000 units of the Company. The debenture holders have the right, at their option, to convert all or part of the principal amount, excluding interest thereon, into units of the Company at a price of $0.20 per unit for a period of five years after the closing date. Each unit consists of one common share and one-half of a share purchase warrant entitling the holder to purchase one additional common share for each full warrant tendered at a purchase price of $0.50 per share for a period of five years from the closing date of the offering. On January 21, 2015, the Company repriced the warrants entitling the holder to purchase one additional common share at a reduced price of $0.30 per common share. As a result of repricing the warrants, a loss on modification of the convertible debentures of $49,500 was recorded.

Pursuant to a pooling agreement between the holders of the debentures, the Company and the Pooling Agent, the units, which include the unit shares and unit warrants, issuable upon conversion of the debentures and the unit share warrant shares issuable upon exercise of any unit warrants may not be sold or transferred for three years from the date of closing. The unit pooling period may be altered to allow for an earlier release if the original debenture holders who hold two-thirds or greater of the total Canadian dollar value of the Debenture Offering agree to do so in writing.

[Expressed in Canadian dollars]

The following table reconciles the recorded value of the convertible debentures:

	Liability $	Equity $	Total $
Subscription proceeds	**816,355**	**213,895**	**1,030,250**
Convertible debenture issuance costs	**(18,188)**	**(4,766)**	**(22,954)**
Deferred income tax on equity component	**—**	**(54,469)**	**(54,469)**
Balance, June 30, 2014	**798,167**	**154,660**	**952,827**
Subscription proceeds	**54,908**	**14,844**	**69,752**
Loss on modification of convertible debentures	**—**	**49,500**	**49,500**
Accretion	**150,394**	**—**	**150,394**
Deferred income tax on equity component	**—**	**(3,934)**	**(3,934)**
Interest paid	**(109,579)**	**—**	**(109,579)**
Balance, June 30, 2015	**893,890**	**215,070**	**1,108,960**

7. SHARE CAPITAL

The Company has an unlimited number of common shares without par value authorized for issuance.

	Number of issued and outstanding shares \#	Share capital $
Shares issued for cash pursuant to a private placement	8,500,000	85,000
Less share issuance expense, net of taxes	—	(3,932)
Balance, June 30, 2014	8,500,000	81,068
Shares issued for cash pursuant to a brokered private placement	7,390,000	1,478,000
Shares issued for cash pursuant to an initial public offering	5,037,500	806,000
Less share issuance expenses, net of taxes	—	(526,746)
Balance, June 30, 2015	**20,927,500**	**1,838,322**

On March 10, 2015, the Company completed its initial public offering by issuing 5,037,500 units at a price of $0.20 per unit for gross proceeds of $1,007,500. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.30. The warrants expire on March 10, 2017.

The Company also granted 403,000 Agents options entitling the holder to subscribe for and purchase 403,000 common shares at a price of $0.20 per share. The options expire on March 10, 2017.

On August 28, 2014, the Company completed a brokered private placement issuing 7,390,000 units at a price of $0.20 per unit for gross proceeds of $1,478,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share warrant will entitle the holder to purchase one additional common share at a price of $0.50 per common share. The warrants expire on March 10, 2017. On January 21, 2015, the Company repriced the warrants entitling the holder to purchase one additional common share at a reduced price of $0.30 per common share.

The Company also granted 591,200 Agents options entitling the holder to subscribe for and purchase 591,200 common shares at a price of $0.20 per share. These options expire on March 10, 2017.

The common shares and warrants will be subject to seed share resale restrictions with releases of 20% on the listing date and 20% on each of months one through four after the listing date. In addition, 165,000 common shares and 82,500 share purchase warrants have been placed into a voluntary pooling arrangement pursuant to which these securities will be restricted for a period of six months following the Listing Date.

On May 20, 2014, the Company completed a private placement issuing 8,500,000 common shares of the Company at a price of $0.01 per share for gross proceeds of $85,000.

Pursuant to the terms of a Voluntary Pooling Agreement between the unit holders subscribing to the May 20, 2014 private placement [the "Shareholders"], the pooling agent, and the Company, the shares were placed on deposit on May 20, 2014. The pooled securities will be held by the pooling agent and released subject to the provisions of the agreement on the date that is three years from the closing date. The release date may be changed to an earlier date or the pooled securities may be released in tranches in such amounts and on such dates as agreed to in writing by two-thirds of the Shareholders on the closing date. As at June 30, 2015, there have been no changes to the Voluntary Pooling Agreement and no shares, warrants, warrant shares or existing shares have been released from the pool.

[Expressed in Canadian dollars]

[a] Stock options

The Company has a stock option plan for the purchase of common shares for its directors, officers and employees [the "2014 Plan"]. The maximum number of shares which may be issuable pursuant to options granted under the plan shall be the number equal to 10% of the Company's issued share capital from time to time or such additional amount as may be approved from time to time by the shareholders of the Company. The options are non-assignable and non-transferable. There is no cash settlement alternative provision for the options. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant, subject to all applicable regulatory requirements.

	Number of stock options #	Weighted average exercise price $
Balance, February 11, 2014 and July 1, 2014	—	—
Granted	1,253,600	0.20
Forfeited	(115,740)	0.20
Balance, June 30, 2015	**1,137,860**	**0.20**

A summary of the Company's outstanding and exercisable stock options at June 30, 2015 is as follows:

Options outstanding				Options exercisable	
Number of options #	**Expiry date**	**Weighted average remaining life** [in years]	**Exercise price** $	**Number of options** #	**Exercise price** $
12,860	January 27, 2021	5.58	0.20	12,860	0.20
1,125,000	March 10, 2021	5.70	0.20	—	0.20
1,137,860		5.69		12,860	

On October 8, 2014 and November 14, 2014, the Company granted 2,050,000 options to directors, employees and consultants. The grant of 1,850,000 of the options will be effective on the Listing Date and the options will be exercisable at the Offering Price for a period of six years from the Listing Date. The options will vest over a 36-month period, with one-third of the options vesting every 12 months after the Listing Date. The grant of 200,000 of the options was to be effective on the earlier of the Listing Date and January 27, 2015 with the options to be exercisable at the

[Expressed in Canadian dollars]

Offering Price for a period of six years from the effective date of the grant. The options vest over an 18-month period, with 10% of the options vesting on the effective date of the grant, and a further 15% vesting every 3 months following that date.

On January 21, 2015, the number of options granted effective on the Listing Date was reduced to 1,125,000, and the number of options granted effective on the earlier of the Listing Date and January 27, 2015 was reduced to 128,600, with the exercise price of all the options decreased to $0.20. All other terms and conditions remained unchanged.

On January 27, 2015, the grant of the 128,600 options became effective. The unvested options were forfeited with no expense recognition in the consolidated statement of loss and comprehensive loss.

[b] Agent's options

The following table summarizes the continuity of agent's options outstanding at June 30, 2015:

	Number of options #	**Weighted average exercise price** $
Balance, February 11, 2014 and July 1, 2014	—	—
Granted	994,200	0.20
Balance, June 30, 2015	**994,200**	**0.20**

Options outstanding

Number of options #	**Expiry date**	**Weighted average remaining life** [in years]	**Exercise price** $
591,200	March 10, 2017	1.69	0.20
403,000	March 10, 2017	1.69	0.20
994,200		1.69	

[Expressed in Canadian dollars]

[c] Warrants

The following table summarizes the continuity of warrants outstanding at June 30, 2015:

	Number of warrants #	Weighted average exercise price $
Balance, February 11, 2014 and July 1, 2014	—	—
Granted	8,732,500	0.30
Balance, June 30, 2015	**8,732,500**	**0.30**

Warrants outstanding

Number of warrants #	Expiry date	Weighted average remaining life (in years)	Exercise price $
3,695,000	March 10, 2017	1.69	0.30
5,037,500	March 10, 2017	1.69	0.30
8,732,500		1.69	0.30

[d] Share-based payments

For the period ended June 30, 2015, the Company recorded compensation on the stock options granted to employees, officers, directors and consultants. For the purposes of estimating the fair value of options using the Black-Scholes option pricing model, certain assumptions are made such as expected dividend yield, forfeiture rates, volatility of the market price of the Company’s shares, risk free interest rates and expected average life of the options.

[Expressed in Canadian dollars]

The fair value of options granted during the period ended June 30, 2015 was $0.04 per option. The fair value of each option granted was determined using the Black-Scholes option pricing model and used the weighted average assumptions provided in the table below.

	June 30, 2015
Risk free interest rate	2.00%
Expected life	3 years
Estimated forfeiture rates	0%
Expected volatility	26.70%
Expected dividend yield	0%

For the period ended June 30, 2015, the Company has recorded to the audited consolidated statement of loss and comprehensive loss a total of $8,972 of share-based payment expense.

Nature and purpose of equity reserves

The reserves recorded in equity on the Company's consolidated statement of financial position included contributed surplus, accumulated other comprehensive income (loss) and accumulated deficit.

Contributed surplus is used to recognize the value of options, net of amounts transferred on exercising of the related options and share-based payments recognized.

Accumulated other comprehensive income (loss) is used to recognize the gain and loss from exchange differences on the translation of foreign subsidiaries.

Deficit is used to record the Company's cumulative results of operations from inception net of any capital distributions.

[Expressed in Canadian dollars]

8. INCOME TAXES

[a] The provision for income taxes recorded in the consolidated financial statements differs from the amount which would have been obtained by applying the Canadian income tax rate of 26% [2014 – 26%] to the consolidated net loss as follows:

	2015 $	**2014** $
Loss for the year	**(1,419,562)**	(164,569)
Current tax rate	**26%**	26%
Expected income tax (recovery) based on statutory rate	**(369,086)**	(42,788)
Effect of tax rates in different jurisdictions	**(74,416)**	(8,538)
Permanent income tax differences	**17,224**	—
Temporary income tax differences not recognized	**309,585**	33,908
Other	**1,869**	248
Income tax recovery	**(114,824)**	(17,170)

[b] Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income taxes relate to the following:

	2015 $	**2014** $
Deferred income tax assets		
Non-capital losses carried forward	**116,754**	17,344
Share issuance costs	**16,443**	6,941
	133,197	24,285
Deferred income tax liability		
Convertible debenture	**(48,860)**	(60,342)
Foreign exchange gain on inter-company loan	**(84,337)**	—
	—	(36,057)

[Expressed in Canadian dollars]

[c] Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits is dependent upon a number of factors, including the future probability of operations in the jurisdictions in which the tax benefits arose. The Company did not recognize deferred tax assets for the following deductible temporary differences and non-capital loss carryforwards:

	2015	**2014**
	$	$
Equipment	**12,009**	—
Non-capital loss carryforwards	**1,088,478**	12,815
Share issuance expenses	**497,497**	—
	1,597,984	12,815

As at June 30, 2015, the Company has the following net operating losses expiring in various years to 2035 and available to offset future taxable incomes in Canada and the U.S.

The tax losses expire as follows:

	$
2034	102,415
2035	986,063
	1,088,478

9. RELATED PARTY TRANSACTIONS

Transactions with related parties were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

In addition to the related party transactions noted below, the Company has reimbursed these related parties for out of pocket costs incurred on behalf of the Company. Such costs include travel, telephone charges and other office related charges.

[Expressed in Canadian dollars]

Key management personnel compensation, including senior officers and directors of the Company:

	2015 $	2014 $
Salary paid to key management and included in salary and benefits	**212,396**	5,365
Share-based payments	**8,972**	—
Total remuneration	**221,368**	5,365

[a] As at June 30, 2015, convertible debentures held by key management personnel and their close family members totalled $362,500 [2014 – $362,500].

[b] For the period ended June 30, 2015, $48,798 [2014 – $30,166] has been paid to the CEO and Director of the Company, for consulting services provided.

10. COMMITMENTS

[a] The Company has a commitment to make monthly rental payments pursuant to an office rental agreement in Austin, Texas. The agreement expires on June 1, 2016 and will require annual payments of approximately US$22,152 or CAD$23,628 until the expiry date. During the year, the lease was assigned to a third party with the Company's net obligation reduced to US$500 monthly. However, the Company remains the primary obligor on the agreement.

[b] The Company is required to pay interest, calculated at the rate of 10% per annum, on the outstanding balance of the convertible debentures outstanding at the end of each quarter after closing. The Company has estimated that it will be required to pay approximately $27,500 each quarter subsequent to the first payment date until the notes are converted or repaid.

11. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risks are credit risk, liquidity risk and market risk. These risks arise from the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated to cash, short-term investments, and other receivables. The carrying amounts of assets included on the consolidated statements of financial position represent the maximum credit exposure. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short-term investments with institutions of high creditworthiness.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short-term business requirements, after taking into account cash flows from operations, expected capital expenditures and its holdings of cash. In the long term, the Company may have to issue additional shares to ensure there is cash available on demand for its programs. All short-term financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash on hand. The debt portion of the convertible debentures *[note 6]* is payable in 2019.

Market risk

Interest rate risk

The Company is exposed to interest rate risk on its outstanding cash reserves. The Company's policy is to invest cash at fixed and floating interest rates in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company monitors this exposure and does not enter into any derivative contracts to manage this risk. The Company's interest rate risk mainly arises from the interest rate impact on its cash and short-term investments. Short-term investments receive interest based on market interest rates. Based on short-term investments outstanding at June 30, 2015, with other variables unchanged, a 1% change in the interest rate would decrease (increase) its net loss by approximately $2,500. The Company's financial liabilities are not exposed to interest rate risk.

Foreign currency risk

The Company operates in the U.S. and is exposed to foreign currency risk relating to U.S. dollars, from purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's foreign operations. The Company's subsidiary has a U.S. dollar functional currency, whose net assets are exposed to foreign currency translation risk. The Company has elected not to actively manage this exposure at this time. For the year ended June 30, 2015, with other variables unchanged, a 1.00% strengthening of the U.S. dollar against the Canadian dollar would impact the Company's financial statements as follows:

- increase net loss by approximately $10,800 [2014 – nil] due to the translation of the foreign operations' statements of operations into the Company's presentation currency, the Canadian dollar; and
- increase other comprehensive income by approximately $10,800 [2014 – nil].

Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – *Financial Instruments: Fair Value Measurement* ["IFRS 13"].

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

[Expressed in Canadian dollars]

The significance of the inputs used in determining fair value measurements of the Company's financial instruments is provided below:

		June 30, 2015			
Category		**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	**190,955**	**190,955**	**—**	**—**
Short-term investment	FVTPL	**250,000**	**—**	**250,000**	**—**

		June 30, 2014			
Category		**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	60,246	60,246	—	—
Funds held in trust	FVTPL	570,250	570,250	—	—

Funds held in trust were a result of legal counsel receiving on the Company's behalf the proceeds from the convertible debenture offering.

The fair value of short-term investment approximates its carrying value.

12. CAPITAL MANAGEMENT

The Company manages its cash, short-term investments, share capital and share purchase warrants as capital. It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company's investment policy is to hold cash with institutions of high creditworthiness, in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

[Expressed in Canadian dollars]

13. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of non-cash financing activities:

	2015 $	2014 $
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	**152,062**	219,232
Interest paid	**109,579**	—
Interest received	**425**	—

14. EVENTS OCCURRING AFTER THE REPORTING PERIOD

[i] With an effective date of July 22, 2015, the Company has agreed to transfer the operations of the Orb Prospect to LoIn Energy Corporation or its designee. It has been agreed that no additional drilling will be proposed before November 1, 2015 and the Company will have until November 30, 2015 to elect to participate.

The Company has agreed to bear its proportionate share of costs associated with the future drillings and should the Company fail to participate its proportionate interest in their interest will be reassigned to the operator free of charge.

[ii] Effective September 30, 2015, the Company cancelled the 1,137,860 outstanding incentive stock options.

APPENDIX B

Consolidated Financial Statements

(Expressed in Canadian dollars)

San Angelo Oil Limited

For the years ended June 30, 2016 and 2015

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of San Angelo Oil Limited:

We have audited the accompanying consolidated financial statements of San Angelo Oil Limited, which comprise the consolidated statement of financial position as at June 30, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of San Angelo Oil Limited as at June 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that San Angelo Oil Limited incurred a net loss of $2,526,737 during the year ended June 30, 2016 and has an accumulated deficit of $3,978,874. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on San Angelo Oil Limited's ability to continue as a going concern.

Other Matter
The consolidated financial statements for the year ended June 30, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on October 26, 2015.

MNP LLP

Vancouver, British Columbia
October 28, 2016

Chartered Professional Accountants

SAN ANGELO OIL LIMITED
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at June 30, 2016	As at June 30, 2015
	$	$
ASSETS		
Current		
Cash	**219,793**	190,955
Short-term investments	**-**	250,000
Other receivables and prepaid expenses	**4,776**	39,610
Total current assets	**224,569**	480,565
Equipment, net *(Note 3)*	**6,407**	72,406
Exploration and evaluation assets *(Note 4)*	**-**	1,335,158
Operator's bond *(Note 5)*	**-**	30,919
	230,976	1,919,048
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**50,596**	194,907
Total current liabilities	**50,596**	194,907
Convertible debentures *(Note 6)*	**-**	893,890
Total liabilities	**50,596**	1,088,797
Shareholders' equity		
Share capital *(Note 7)*	**2,820,369**	1,838,322
Share premium *(Note 6)*	**930,383**	-
Warrants *(Note 7)*	**120,754**	120,754
Convertible debentures – equity component *(Note 6)*	**-**	215,070
Contributed surplus	**105,092**	25,092
Accumulated other comprehensive income	**182,656**	83,150
Deficit	**(3,978,874)**	(1,452,137)
Total shareholders' equity	**180,380**	830,251
	230,976	1,919,048

Subsequent events *(Note 13)*

On behalf of the Board:

"Eileen Au"	"Danny Lee"
Director	Director

The accompanying notes are an integral part of these consolidated financial statements

SAN ANGELO OIL LIMITED
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For years ended		**June 30, 2016**		June 30, 2015
Expenses				
Accretion *(Note 6)*	**$**	**75,383**	$	150,394
Amortizaton *(Note 3)*		**13,506**		12,061
Consulting fees *(Note 8)*		**50,084**		311,112
Management fees		**7,200**		-
Insurance		**29,374**		44,596
Legal		**53,700**		99,253
Office and miscellaneous		**23,856**		116,118
Professional fees		**19,082**		80,193
Regulatory fees		**15,112**		38,484
Salaries and benefits *(Note 8)*		**54,247**		403,470
Site investigation costs		**-**		50,422
Share-based payments		**-**		8,972
Transfer agent		**18,551**		16,518
Travel		**395**		38,469
Loss on modification of convertible debenture *(Note 6)*		**715,313**		49,500
Loss before other items		**1,075,803**		1,419,562
Other expense (income)				
Foreign exchange expense		**2,242**		-
Interest income		**(793)**		-
Write off of interest expense		**(27,123)**		-
Write down of equipment *(Note 3)*		**57,733**		-
Exploration property write-off *(Note 4)*		**1,418,875**		-
		1,450,934		-
Net loss for the period before taxes	**$**	**2,526,737**	$	1,419,562
Recovery of income taxes		**-**		(114,824)
Net loss for the year	**$**	**2,526,737**	$	1,304,738
Exchange differences from translation of foreign operations		**(99,506)**		(91,599)
Comprehensive loss for the year	**$**	**2,427,231**	$	1,213,139
Basic and diluted loss per share (post-share consolidation)	**$**	**(0.82)**	$	(0.80)
Weighted average number of shares outstanding		**3,086,175**		1,624,121

The accompanying notes are an integral part of these consolidated financial statements

SAN ANGELO OIL LIMITED
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Number of issued and outstanding shares #	Share capital $	Number of issued and outstanding warrants #	Warrants $	Share premium $	Convertible debentures equity component $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total equity $
Balance, July 1, 2014	**850,000**	**81,068**	**-**	**-**	**-**	**154,660**	**-**	**(147,399)**	**(8,449)**	**79,880**
Units, issued at $0.20 *(Note 7)*	739,000	1,478,000	369,500	-	-	-	-	-	-	1,478,000
Units, issued at $0.20 *(Note 7)*	503,750	806,000	503,750	201,500	-	-	-	-	-	1,007,500
Unit issuance expenses	-	(536,248)	-	(80,746)	-	-	16,120	-	-	(600,874)
Unit issuance expenses – deferred tax	-	9,502	-	-	-	-	-	-	-	9,502
Convertible debentures – equity component	-	-	-	-	-	14,844	-	-	-	14,844
Loss on modification of convertible debenture	-	-	-	-	-	49,500	-	-	-	49,500
Convertible debentures – deferred tax	-	-	-	-	-	(3,934)	-	-	-	(3,934)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	91,599	91,599
Share-based payments	-	-	-	-	-	-	8,972	-	-	8,972
Net loss for the year	-	-	-	-	-	-	-	(1,304,738)	-	(1,304,738)
Balance, June 30, 2015	**2,092,750**	**1,838,322**	**873,250**	**120,754**	**-**	**215,070**	**25,092**	**(1,452,137)**	**83,150**	**830,251**
Balance, July 1, 2015	**2,092,750**	**1,838,322**	**873,250**	**120,754**	**-**	**215,070**	**25,092**	**(1,452,137)**	**83,150**	**830,251**
Loss on modification of convertible debenture	-	-	-	-	-	715,313	-	-	-	715,313
Shares issued for debt conversion *(Note 7)*	2,200,000	914,424	-	-	-	-	-	-	-	914,424
Units, issued at $0.05	3,000,000	150,000	3,000,000	-	-	-	-	-	-	150,000
Unit issuance expense	-	(2,377)	-	-	-	-	-	-	-	(2,377)
Seed shares cancelled	(800,000)	(80,000)	-	-	-	-	80,000	-	-	-
Equity component – convertible debenture	-	-	-	-	930,383	(930,383)	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-	99,506	99,506
Net loss for the year	-	-	-	-	-	-	-	(2,526,737)	-	(2,526,737)
Balance, June 30, 2016	**6,492,750**	**2,820,369**	**3,873,250**	**120,754**	**930,383**	**-**	**105,092**	**(3,978,874)**	**182,656**	**180,380**

The accompanying notes are an integral part of these consolidated financial statements

SAN ANGELO OIL LIMITED
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended		**June 30, 2016**		June 30, 2015
OPERATING ACTIVITIES				
Net loss for the year	$	(2,526,737)	$	(1,304,738)
Items not affecting cash:				
Accretion		75,383		150,394
Amortization		13,506		12,061
Recovery of deferred income tax		-		(114,824)
Share-based payment		-		8,972
Loss on modification of convertible debenture		715,313		49,500
Write down of equipment		57,733		-
Impairment of exploration and evaluation assets		1,418,875		-
Foreign exchange gain		1,562		-
Interest write off		(27,123)		-
Changes in non-cash working capital items:				
Other receivables and prepaid expenses		33,889		(32,824)
Accounts payable, accrued liabilities and other long-term liabilities		(127,324)		12,110
Net cash used in operating activities		(364,923)		(1,219,349)
INVESTING ACTIVITIES				
Acquisition of equipment		-		(69,738)
Short Term Investment		250,000		(250,000)
Redemption of operator's bond		34,600		-
Investment in exploration and evaluation assets		(20,084)		(793,009)
Net cash used in investing activities		264,516		(1,112,747)
FINANCING ACTIVITIES				
Funds received on issuance of convertible debentures		-		69,750
Interest expense paid on convertible debentures		(27,726)		-
Funds received on issuance of share capital		150,000		2,485,500
Share issuance expenses		(2,377)		(600,874)
Repayment of Convertible debt obligation		-		(109,579)
Net cash from financing activities		119,897		1,844,797
Effect of exchange rate changes on cash		9,348		47,758
Change in cash during the year		**28,838**		**(439,541)**
Cash, beginning of the year		190,955		630,496
Cash, end of the year	**$**	**219,793**	**$**	**190,955**

Supplemental cash flow information (Note 12)

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

San Angelo Oil Limited (the "Company") was incorporated under the *British Columbia Business Corporations Act* on February 11, 2014. The Company is a junior resource company engaged in the identification, and the exploration and development, of both proven and unproven reserves via drilling and/or acquisition.

To date the Company has not earned significant revenues and is considered to be in the exploration stage. The recoverability of the costs incurred for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the projects and upon future profitable production or from the proceeds of disposition. The Company will require additional capital to fund any future property acquisitions and exploration programs as well as for administrative purposes. If management is unable to obtain additional funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the normal course of business. The Company incurred a loss of $2,526,737 during the year ended June 30, 2016, and as of that date, the Company had an accumulated deficit of $3,978,874 and net working capital of $173,973.

These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

The continuity of the Company's operations is dependent on raising future financings for working capital and for the acquisition and exploration of new projects. Management believes that it will be able to secure the necessary financing through a combination of the issuance of new equity or debt instruments. However, there is no assurance that the Company will be successful in these actions. There can be no assurance that adequate financing will be available or available at terms favorable to the Company. Should it be determined that the Company is no longer a going concern, adjustments which could be significant, could be required to the carrying value of the assets and liabilities. These consolidated financial statements do not reflect any adjustments to the carrying value of the assets or liabilities or any impact on the consolidated statements of loss and comprehensive loss, and consolidated statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The address of the Company's head office is located at Suite 3123 – 595 Burrard Street, Vancouver, British Columbia, V7X 1J1.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared using accounting policies in compliance with IFRS, International Accounting Standards ("IAS"), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) issued by the International Accounting Standards Board (“IASB”).

The policies applied in these financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these financial statements for issue.

The financial statements were authorized for issue by the Board of Directors (the “Board”) on October 28, 2016.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention, except for financial assets classified as fair value through profit and loss (“FVTPL”) which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and are presented in Canadian dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned controlled U.S. subsidiary, San Angelo Operating Corp. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances have been eliminated upon consolidation. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional and reporting currency of the Company is the Canadian dollar.

Parent

Transactions in foreign currencies are initially recorded in the Company’s functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the end of each reporting period. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiary

The functional currency of the Company's U.S. subsidiary is the U.S. dollar ("US$").

The results and financial position of subsidiary that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive loss are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

Foreign exchange differences arising on monetary items that form part of the Company's net investment in foreign subsidiary are initially recognized in other comprehensive income and reclassified from equity to the statement of comprehensive loss on disposal of the net investment.

Cash and Cash Equivalents

Cash consists of deposits held in banks. Cash equivalents include demand deposits together with other highly liquid short-term investments with maturity dates of less than 90 days at the time of issuance. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

Short-term Investments

Short-term investments consist of cash invested in guaranteed investment certificates with maturities of up to one year at the time of acquisition. These short term deposits are highly liquid and can be converted to cash without restriction.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company has classified cash and short-term investments as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's other receivables are classified as loans and receivables.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company does not have any financial liabilities in this category.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction, discounted cash flow analysis or other valuation models.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Company's equipment consists of computers, furniture and well equipment. Amortization is recorded over the estimated useful life of the asset on the following basis:

Computers	3 years straight-line
Furniture	3 years straight-line
Well equipment	5 years straight-line

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

Pre-exploration expenditures

Expenditures made by the Company before acquiring the legal right to explore a specific area do not meet the definition of an asset, and therefore are expensed by the Company as incurred.

Exploration and evaluation expenditures

Once a legal right to explore has been obtained, acquisition costs incurred are capitalized as exploration and evaluation assets. These assets include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs including drilling costs directly attributable to an identifiable well and directly attributable general and administrative costs. These costs are accumulated in cost centres by property and are not subject to depletion until technical feasibility and commercial viability has been determined.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying value exceeds the recoverable amount.

The technical and commercial viability of extracting petroleum resources is considered to be determinable when proved and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to these reserves are tested for impairment and reclassified to oil and gas properties.

Development and production costs

Oil and gas development and production assets are measured at cost less accumulated depletion, depreciation and accumulated impairment losses. Development and production assets are grouped in cash-generating units ["CGU"] for impairment testing. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds of disposal with the carrying amount and the difference is recognized in profit or loss.

Subsequent costs

Costs incurred subsequent to commercial production including the costs of replacement are recognized in profit and loss as incurred unless they increase the future economic benefits in the assets to which they relate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depletion and depreciation

Depletion of oil and gas properties is determined using the unit-of-production method based on production volumes in relation to the total estimated proved and developed reserves as determined on an annual basis in compliance with NI 51-101. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

The calculation of depletion and depreciation is based on total capitalized costs less the estimated net realizable value of equipment and facilities after the proved and developed reserves are fully depleted.

Proved developed reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a 90% degree of certainty to be recoverable in future years from known proved and developed reservoirs and which are considered commercially producible.

Impairment

Exploration and evaluation assets are assessed for impairment when they are reclassified to developing and producing assets, as oil and gas properties, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Fair value less costs to sell is determined to be the amount for which the asset could be sold in an arm’s length transaction. Fair value less costs to sell can be determined by using an observable market or by using discounted future net cash flows.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amounts. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depletion and depreciation, if no impairment loss had been recognized.

Convertible debentures

The liability component of the convertible debentures has been recognized initially at the fair value of a similar liability that does not possess a conversion option. The equity component is initially recognized as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to their initial carrying value. Subsequent to initial recognition, the liability component of the convertible note is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital

Financial instruments issued by the Company are classified as equity to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocated value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing price on the effective date. The balance, if any, was allocated to the attached warrants.

Interest Income

Interest income is recorded on an accrual basis using the effective interest rate method.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations and it is probable that there will be a requirement to settle. The provision is measured at the best estimate of the present value of the expenditure required to settle the obligation using a pre-tax rate reflecting current market assessment, the time value of money and risk specific to the obligation. Future increases resulting from the passing of time will be recognized as an accretion expense.

The Company had no provisions as at June 30, 2016 and 2015.

Earnings (Loss) Per Share

Earnings per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. The calculation of diluted earnings per share assumes the outstanding options and warrants are exercised and proceeds are used to repurchase common share at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share and is only recognized when the effect is dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax expense comprises current and deferred taxes.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax related to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Convertible debentures

The liability component of the convertible debenture has been recognized initially at the fair value of a similar liability that does not possess a conversion option. As the debenture bears interest below market rates, the determination of fair value was based on using unobservable discount rates appropriate to borrowings with similar characteristics such as the credit rating of the Company. Based on this determination, the fair value yield for the liability component of the debenture has been estimated at 16.4%.

Reserves

The estimate of oil and gas reserves is integral to the calculation of the amount of depletion to be charged to the consolidated statement of loss and comprehensive loss and is also a key determinant in assessing whether the carrying value of any of the Company's exploration and evaluation assets have been impaired. Changes in reported reserves can impact asset carrying values. The Company's reserves are evaluated and reported on by independent reserve engineers in accordance with National Instrument 51-101 – Standards of Disclosure of Oil and Gas Activities. Reserve estimation is based on a variety of factors which are subject to significant judgment and interpretation.

Exploration and evaluation assets

The Company assesses at each reporting date whether or not there is an indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Company estimates the recoverable amount determined based on the higher of value-in-use and fair value less costs to sell. These calculations are based on a number of factors which are subject to managements' judgment, estimates and assumptions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern evaluation

Significant judgments used in the preparation of these financial statements relate to the assessment of the Company's ability to continue as a going concern. Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the period year ended June 30, 2016. Management prepares the financial statements on a going concern basis unless Management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. As a result of the assessment, Management concluded the going concern basis of accounting is appropriate.

New Standards, Amendments and Interpretations Issued

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

The Company continues to evaluate the impact the implementation of these standards will have on the financial statements.

Accounting standards anticipated to be effective in future periods:

IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

(Expressed in Canadian dollars)

3. EQUIPMENT

	Computer $	Equipment $	Well Equipment $	Total $
Cost				
Balance, July 1, 2014	**1,544**	**11,890**	**-**	**13,434**
Additions	1,299	21,357	47,573	70,229
Effect of changes to foreign exchange rate	-	1,896	(491)	1,405
Balance, June 30, 2015	**2,843**	**35,143**	**47,082**	**85,068**
Effect of changes to foreign exchange rate	-	1,562	3,876	5,438
Write off	-	(6,775)	(50,958)	(57,733)
Balance, June 30, 2016	**2,843**	**29,930**	**-**	**32,773**
Accumulated amortization				
Balance, July 1, 2014	-	-	-	-
Amortization for the year	948	11,113	-	12,061
Effect of changes to foreign exchange rate	-	601	-	601
Balance, June 30, 2015	**948**	**11,714**	**-**	**12,662**
Amortization for the year	948	12,558	-	13,506
Effect of changes to foreign exchange rate	-	198	-	198
Balance, June 30, 2016	**1,896**	**24,470**	**-**	**26,366**
Net carrying value				
Balance, June 30, 2015	**1,895**	**23,429**	**47,082**	**72,406**
Balance, June 30, 2016	**947**	**5,460**	**-**	**6,407**

During the year ended June 30, 2016, the Company wrote off $6,775 and $50,958 in office furniture and well equipment, respectively as the Company had determined that they had no recoverable value.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Runnels County, State of Texas, U.S.A.

The Company acquired an undivided 55% working interest in 35 claims covering approximately 2,952 net acres located in Runnels County in the State of Texas.

Cumulative expenditures related to the Runnels County interest consists of the following:

	$
Balance, July 1, 2014	578,617
Additions	633,910
Translation adjustments	122,631
Balance, June 30, 2015	1,335,158
Additions	53,803
Translation adjustments	29,914
Impairment in exploration property	(1,418,875)
Balance, June 30, 2016	**-**

	June 30, 2016	**June 30, 2015**
	$	$
Acquisition costs	**586,130**	586,130
Consulting	**16,634**	12,056
Drilling	**226,585**	226,585
Lease	**123,464**	123,464
Mapping	**2,274**	2,274
Permitting	**1,578**	1,578
Reporting	**72,217**	72,217
Staking	**5,010**	5,010
Site preparation	**183,064**	141,066
Site supplies	**62,020**	54,848
Translation adjustment	**139,899**	109,930
Impairment in exploration property	**(1,418,875)**	-
	-	1,335,158

4. EXPLORATION AND EVALUATION ASSETS (continued)

A review is carried out at each reporting date to assess whether or not indicators of impairment are present and whether or not an adjustment to the carrying value of the asset is required. As at June 30, 2016, management has concluded that indicators of impairment were present. Accordingly, management performed an impairment test and concluded that an impairment existed as at June 30, 2016 because the fair value less costs of disposal of the cash generating unit containing the property exceeded its carrying value. As a result, an impairment charge of $1,418,875 was recognized in the consolidated statements of loss and comprehensive loss.

On October 1, 2014, the Company was appointed as operator for the 35 claims in which it has a 55% working interest located in Runnels County, in the State of Taxes. Effective July 22, 2015, the Company agreed to transfer the operations of the Orb Prospect to LoIn Energy Corporation or its' designee.

The Company and the remaining 45% interest holders have agreed to bear their proportionate share of costs associated with all future drilling and should the Company fail to participate, its proportionate interest in the project will be reassigned to the operator free of charge.

5. OPERATOR'S BOND

The Company is required to provide an operator's bond in respect of its exploration activities in the State of Texas. The bond represents collateral for possible reclamation activities necessary in connection with the permits required for exploration activities.

The bond, in the amount of US$25,000 or $32,293 (June 30, 2015 – US$25,000 or $30,919), is fully refundable on discontinuing exploration activities or alternatively putting in place an alternative form of collateral acceptable to the governing authorities as a substitute. During the year ended June 30, 2016, the bond was redeemed for cash.

6. CONVERTIBLE DEBENTURES

During the period ended June 30, 2014, the Company undertook a non-brokered private placement of 10% secured subordinated convertible debentures in the aggregate principal amount of $1,100,000. The first tranche of the offering closed on June 30, 2014, resulting in the receipt of $1,030,250 in gross proceeds. The second tranche of the offering closed on July 22, 2014, resulting in the receipt of $69,750 in gross proceeds. The convertible debentures (the "Debentures") are due five years from their date of issuance, pay interest at the rate of 10% per annum and are convertible into 5,500,000 units of the Company. The debenture holders have the right, at their option, to convert all or part of the principal amount, excluding interest thereon, into units of the Company at a price of $0.20 per unit for a period of five years after the closing date. Each unit consists of one common share and one-half of a share purchase warrant entitling the holder to purchase one additional common share for each full warrant tendered at a purchase price of $0.50 per share for a period of five years from the closing date of the offering. On January 21, 2015, the Company repriced the warrants entitling the holder to purchase one additional common share at a reduced price of $0.30 per common share. As a result of repricing the warrants, a loss on modification of the convertible debentures of $49,500 was recorded.

On December 29, 2015, the Company and its debenture holders have amended the convertible debenture agreements whereby both parties have agreed to eliminate the warrants underlying the Debentures and reduce the conversion price of the Debenture from $0.20 to $0.05 per common share. Also as part of the amendment, these Debentures have also been converted into common shares of the Company. As a result of these amendments to the convertible debenture agreements, the Company recorded a loss on modification of convertible debentures of $715,313. As at June 30, 2016, the Company does not have any outstanding amounts owed to convertible debenture holders.

(Expressed in Canadian dollars)

6. CONVERTIBLE DEBENTURES (continued)

Pursuant to a pooling agreement between the holders of the debentures, the Company and the Pooling Agent, the units, which include the unit shares and unit warrants, issuable upon conversion of the debentures and the unit share warrant shares issuable upon exercise of any unit warrants may not be sold or transferred for three years from the date of closing. The unit pooling period may be altered to allow for an earlier release if the original debenture holders who hold two-thirds or greater of the total Canadian dollar value of the Debenture Offering agree to do so in writing.

The following table reconciles the recorded value of the convertible debentures:

	Liability $	**Equity** $	**Total** $
Balance, July 1, 2014	798,167	154,660	952,827
Subscription proceeds	54,908	14,844	69,752
Loss on modification of convertible debentures	-	49,500	49,500
Accretion	150,394	-	150,394
Deferred income tax on equity component	-	(3,934)	(3,934)
Interest paid	(109,579)	-	(109,579)
Balance, June 30, 2015	893,890	215,070	1,108,960
Accretion	75,383	-	75,383
Interest paid	(27,726)	-	(27,726)
Interest written-off	(27,123)		(27,123)
Loss on modification of convertible debentures	-	715,313	715,313
Converted to equity	**(914,424)**	**(930,383)**	**(1,844,807)**
Balance, June 30, 2016	**-**	**-**	**-**

7. SHARE CAPITAL

The Company has an unlimited number of common shares without par value authorized for issuance.

The Company completed a ten (10) for one (1) basis share consolidation which has been updated for retrospectively in these consolidated financial statements.

	Number of issued and outstanding shares	**Share Capital**
Balance, July 1, 2014	850,000	$ 81,068
Shares issued for cash pursuant to a brokered private placement	739,000	1,478,000
Shares issued for cash pursuant to an initial public offering	503,750	806,000
Less share issuance expenses, net of taxes	-	(526,746)
Balance, June 30, 2015	2,092,750	$ 1,838,322
Shares issued upon convertible debt conversion	2,200,000	914,424
Shares cancelled	(800,000)	(80,000)
Shares issued for cash pursuant to a non-brokered private placement	3,000,000	150,000
Less share issuance expense, net of taxes	-	(2,377)
Balance, June 30, 2016	6,492,750	$ 2,820,369

7. SHARE CAPITAL (continued)

On August 28, 2014, the Company completed a brokered private placement issuing 7,390,000 units at a price of $0.20 per unit for gross proceeds of $1,478,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share warrant will entitle the holder to purchase one additional common share at a price of $0.50 per common share. The warrants expire on March 10, 2017. On January 21, 2015, the Company repriced the warrants entitling the holder to purchase one additional common share at a reduced price of $0.30 per common share.

The Company also granted 591,200 Agents options entitling the holder to subscribe for and purchase 591,200 common shares at a price of $0.20 per share. These options expire on March 10, 2017.

The common shares and warrants will be subject to seed share resale restrictions with releases of 20% on the Listing Date and 20% on each of months one through four after the Listing Date. In addition, 165,000 common shares and 82,500 share purchase warrants have been placed into a voluntary pooling arrangement pursuant to which these securities will be restricted for a period of six months following the Listing Date.

On March 10, 2015, the Company completed its initial public offering by issuing 5,037,500 units at a price of $0.20 per unit for gross proceeds of $1,007,500. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.30. The warrants expire on March 10, 2017.The Company also granted 403,000 Agents options entitling the holder to subscribe for and purchase 403,000 common shares at a price of $0.20 per share. These options expire on March 10, 2017.

On December 29, 2015, the Company cancelled and returned to treasury 8,000,000 of the 8,500,000 seed shares that were issued at $0.01 per common share prior to San Angelo's initial public offering.

On December 29, 2015, the Company issued 22,000,000 common shares for the conversion of $1,100,000 in total aggregate amount of convertible debentures outstanding at an amended price of $0.05 per common share (previously convertible at $0.20 per common share). The Company has also eliminated the warrants underlying these Debentures. Out of the 22,000,000 common shares issued to the debenture holders, 5,362,500 common shares underlying the Debentures will remain subject to an escrow agreement while the remaining 16,637,500 common shares underlying the Debentures will be free trading.

May 26, 2016, the Company completed ten (10) for one (1) basis share consolidation of its common shares.

On May 26, 2016, the Company completed a non-brokered private placement issuing 3,000,000 units at a price of $0.05 per unit for gross proceeds of $150,000. Each unit consists of one post-consolidated common share and one transferable common share purchase warrant exercisable into one additional post- consolidated common share at an exercise price of $0.05 per common share. The warrants expire on May 26, 2021.

As at June 30, 2016, the Company has 459,000 shares held in escrow. 114,750 of these shares were released on September 10, 2016 and 114,750 shares will be released every six months thereafter until March 10, 2018.

(a) Stock options

The Company has a stock option plan for the purchase of common shares for its directors, officers and employees [the "2014 Plan"]. The maximum number of shares which may be issuable pursuant to options granted under the plan shall be the number equal to 10% of the Company's issued share capital from time to time or such additional amount as may be approved from time to time by the shareholders of the Company. The options are non-assignable and non-transferable. There is no cash settlement alternative provision for the options. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant, subject to all applicable regulatory requirements. During the year ended June 30, 2016, the Company cancelled stock options previously issued due to the recent changes to management and the Board of Directors.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(a) Stock options (continued)

	Number of stock options	Weighted average Exercise price
	#	$
Balance, July 1, 2014	-	-
Granted	125,360	0.20
Forfeited	(11,574)	0.20
Balance, June 30, 2015	113,786	0.20
Cancelled	(113,786)	0.20
Balance, June 30, 2016	-	-

On October 8, 2014 and November 14, 2014, the Company granted 2,050,000 options to directors, employees and consultants. The grant of 1,850,000 of the options will be effective on the Listing Date and the options will be exercisable at the Offering Price for a period of six years from the Listing Date. The options will vest over a 36-month period, with one-third of the options vesting every 12 months after the Listing Date. The grant of 200,000 of the options was to be effective on the earlier of the Listing Date and January 27, 2015 with the options to be exercisable at the Offering Price for a period of six years from the effective date of the grant. The options vest over an 18-month period, with 10% of the options vesting on the effective date of the grant, and a further 15% vesting every 3 months following that date.

On January 21, 2015, the number of options granted effective on the Listing Date was reduced to 1,125,000, and the number of options granted effective on the earlier of the Listing Date and January 27, 2015 was reduced to 128,600, with the exercise price of all the options decreased to $0.20. All other terms and conditions remained unchanged.

On January 27, 2015, the grant of the 128,600 options became effective. The unvested options were forfeited with no expense recognition in the consolidated statement of loss and comprehensive loss.

As at June 30, 2016, there were no stock options issued and outstanding.

For the purposes of estimating the fair value of options using the Black-Scholes option pricing model, certain assumptions are made such as expected dividend yield, forfeiture rates, volatility of the market price of the Company's shares, risk free interest rates and expected average life of the options.

The fair value of options granted during the period ended June 30, 2015 was $0.04 per option. The fair value of each option granted was determined using the Black-Scholes option pricing model and used the weighted average assumptions provided in the table below.

	June 30, 2015
Risk free interest rate	2.00%
Expected life	3 years
Estimated forfeiture rates	0%
Expected volatility	26.70%
Expected dividend yield	0%

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

For the year ended June 30, 2016, the Company did not record any share-based payment expense (June 30, 2015: $8,972).

(b) Agent's options

The following table summarizes the continuity of agent's options outstanding at June 30, 2016:

	Number of options	Weighted average exercise price
Balance, July 1, 2014	-	-
Granted	99,420	0.20
Balance, June 30, 2015 and 2016	99,420	0.20

Options outstanding

Number of options #	Expiry date	Weighted average remaining life (in years)	Exercise price $
59,120	March 10, 2017	0.69	0.20
40,300	March 10, 2017	0.69	0.20
99,420		0.69	

(c) Warrants

The following table summarizes the continuity of warrants outstanding at June 30, 2016:

	Number of warrants #	Weighted average exercise price $
Balance, July 1, 2014	-	-
Granted	503,750	3.00
Granted	369,500	3.0
Balance, June 30, 2015	873,250	3.00
Granted	3,000,000	0.05
Balance, June 30, 2016	**3,873,250**	**0.72**

Warrants outstanding

Number of warrants #	Expiry date	Weighted average remaining life (in years)	Exercise price $
3,000,000	May 26, 2021	4.91	0.05
873,250	March 10, 2017	0.69	3.00

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

Transactions with related parties were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

Key management personnel compensation, including senior officers and directors of the Company:

	June 30, 2016 $	June 30, 2015 $
Salary paid to key management and included in salary and benefits	**48,364**	212,396
Share-based payment	**-**	8,972
Consulting fee	**40,000**	48,798
Total remuneration	**88,364**	270,166

(a) As at June 30, 2016, convertible debentures held by key management personnel and their close family members totaled $Nil (June 30, 2015 – $362,500).

(b) For the year ended June 30, 2016, the Company incurred and paid consulting fees charged by the former CEO and a director of the Company of $27,000 (June 30, 2015 – $48,798).

(c) For the year ended June 30, 2016, the Company incurred and paid consulting fees charged by the former CFO and a director of the Company of $13,000 (June 30, 2015 – $Nil).

9. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risks are credit risk, liquidity risk and market risk. These risks arise from the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated to cash, short-term investments, and other receivables. The carrying amounts of assets included on the consolidated statements of financial position represent the maximum credit exposure. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short-term investments with institutions of high creditworthiness.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short-term business requirements, after taking into account cash flows from operations, expected capital expenditures and its holdings of cash. In the long term, the Company may have to issue additional shares to ensure there is cash available on demand for its programs. All short-term financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash on hand.

9. FINANCIAL INSTRUMENTS (continued)

Market risk

Interest rate risk

The Company is exposed to interest rate risk on its outstanding cash reserves. The Company's policy is to invest cash at fixed and floating interest rates in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company monitors this exposure and does not enter into any derivative contracts to manage this risk. The Company's interest rate risk mainly arises from the interest rate impact on its cash and short-term investments. Short-term investments receive interest based on market interest rates. Based on short-term investments outstanding at June 30, 2016, with other variables unchanged, a 1% change in the interest rate would decrease (increase) its net loss by approximately $Nil (2015 - $2,500) the Company's financial liabilities are not exposed to interest rate risk.

Foreign currency risk

The Company operates in the U.S. and is exposed to foreign currency risk relating to U.S. dollars, from purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's foreign operations. The Company's subsidiary has a U.S. dollar functional currency, whose net assets are exposed to foreign currency translation risk. The Company has elected not to actively manage this exposure at this time. For the year ended June 30, 2016, with other variables unchanged, a 1.00% strengthening of the U.S. dollar against the Canadian dollar would impact the Company's financial statements as follows:

- increase net loss by approximately $1,440 (2015 - $Nil) due to the translation of the foreign operations' statements of operations into the Company's presentation currency, the Canadian dollar; and
- increase other comprehensive income by approximately $1,440 (2015 - $Nil).

Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 - *Financial Instruments: Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Fair value (continued)

The significance of the inputs used in determining fair value measurements of the Company's financial instruments is provided below:

		June 30, 2016			
	Category	**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	219,793	219,793	-	-

		June 30, 2015			
	Category	**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	190,955	190,955	-	-
Funds held in trust	FVTPL	250,000	250,000	-	-

Funds held in trust were a result of legal counsel receiving on the Company's behalf the proceeds from the convertible debenture offering. The fair value of cash and short-term investment approximates its carrying value. There has been no changes in Levels throughout the year.

(Expressed in Canadian dollars)

10. INCOME TAXES

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would have been obtained by applying the Canadian income tax rate of 26% (2015– 26%) to the consolidated net loss as follows:

	2016	**2015**
	$	**$**
Loss for the year	**(2,526,737)**	**(1,419,562)**
Current tax rate	**26%**	**26%**
Expected income tax (recovery) based on statutory rate	**(656,952)**	**(369,086)**
Effect of tax rates in different jurisdictions	**(127,502)**	**(74,416)**
Change in estimate	**(197,246)**	**-**
Net effect of items not deductible for tax purposes	**185,981**	**326,809**
Other	**11,930**	**1,869**
Change in deferred income tax assets	**783,789**	**-**
Income tax expense (recovery)	**-**	**(114,824)**

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2016	2015
	$	$
Deferred income tax assets		
Non-Capital losses	**240,822**	116,754
Share issuance costs	**12,375**	16,443
Equipment	**24,012**	-
Oil and gas interest	**506,580**	-
Unrecognized deferred tax assets	**(783,789)**	-
	-	133,197
Deferred income tax liability		
Convertible debenture	**-**	(48,860)
Foreign exchange gain on inter-company loan	**-**	(84,337)
	-	-

As at June 30, 2016, the Company has the following net operating losses expiring in various years to 2036 and available to offset future taxable incomes in Canada and the U.S.

	$
2034	**71,122**
2035	**560,242**
2036	**256,390**
	887,754

(Expressed in Canadian dollars)

11. CAPITAL MANAGEMENT

The Company manages its cash, short-term investments, share capital and share purchase warrants as capital. It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company's investment policy is to hold cash with institutions of high creditworthiness, in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital restrictions. There has been no change in the Company's capital management during the year.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of non-cash financing activities:

	June 30 2016 $	**June 30 2015** $
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	**-**	152,062
Interest paid	**-**	109,579
Interest received	**(794)**	(425)

13. SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2016, the Company announced that it entered into an agreement with a former director pursuant to which the Company has agreed to sell all of the issued and outstanding shares of its wholly owned and controlled U.S. subsidiary, San Angelo Operating Corp. for nominal consideration. The Board of Directors of the Company has determined that it is in the best interest of the Company to sell San Angelo Operating Corp. in order to avoid any impediments to the acquisition of future assets by the Company. No finder's fee is payable in connection with the sale. Completion of the sale is subject to customary closing conditions, including approval of the regulatory authorities and TSX Venture Exchange.

APPENDIX C

Condensed Interim Financial Statements

(Expressed in Canadian dollars - Unaudited)

San Angelo Oil Limited

For the nine months ended March 31, 2017 and 2016

SAN ANGELO OIL LIMITED
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars - Unaudited)

	As at March 31, 2017	As at June 30, 2016
	$	$
ASSETS		
Current		
Cash	**122,157**	219,793
Other receivables	**6,478**	4,776
Total current assets	**128,635**	224,569
Equipment, net *(Note 3)*	**-**	6,407
	128,635	230,976
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**16,224**	50,596
Total current liabilities	**16,224**	50,596
Shareholders' equity		
Share capital *(Note 4)*	**2,820,369**	2,820,369
Share premium	**930,383**	930,383
Warrants *(Note 4)*	**120,754**	120,754
Contributed surplus	**105,092**	105,092
Accumulated other comprehensive income	**-**	182,656
Deficit	**(3,864,187)**	(3,978,874)
Total shareholders' equity	**112,411**	180,380
	128,635	230,976

Approved on behalf of the Board:

"Eileen Au" — Director

"Danny Lee" — Director

The accompanying notes are an integral part of these condensed interim financial statements

SAN ANGELO OIL LIMITED
Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars – Unaudited)

	Three months ended March 31, 2017	Three months ended March 31, 2016	**Nine months ended March 31, 2017**	Nine months ended March 31, 2016
Expenses				
Accretion	**$ -**	$ -	**$ -**	$ 75,383
Amortizaton *(Note 3)*	**474**	3,478	**947**	10,267
Management fees	**4,500**	-	**13,500**	-
Insurance	**-**	2,198	**-**	29,594
Legal	**415**	15,951	**21,885**	47,842
Office and miscellaneous	**211**	4,344	**410**	30,234
Professional fees	**3,000**	21,991	**14,440**	57,234
Regulatory fees	**1,750**	4,883	**7,700**	10,850
Salaries and benefits *(Note 5)*	**-**	5,082	**-**	54,594
General exploration	**-**	-	**2,213**	-
Transfer agent	**2,526**	5,856	**7,006**	10,068
Travel	**-**	-	**-**	395
Loss before other items	**12,876**	63,783	**68,101**	326,461
Other expense (income)				
Interest income	**-**	(674)	**-**	(794)
Gain on sale of subsidiary	**-**	-	**(4,875)**	-
Foreign exchange	**(181,850)**	2,003	**(183,428)**	2,081
Write off of equipment *(Note 3)*	**-**	50,958	**5,515**	50,958
Exploration property write-off	**-**	(113,384)	**-**	1,418,820
	(181,850)	(61,097)	**(182,788)**	1,471,065
Net loss (income) for the period	**$ (168,974)**	$ 2,686	**$ (114,687)**	$ 1,797,526
Exchange differences from translation of foreign operations	**182,633**	20,715	**182,656**	(100,412)
Comprehensive loss for the period	**$ 13,659**	$ 23,401	**$ 67,969**	$ 1,697,114
Basic income (loss) per share (post-share consolidation)	**$ 0.02**	$ (0.00)	**$ 0.01**	$ (0.85)
Diluted income (loss) per share (post-share consolidation)	**$ 0.03**	$ (0.00)	**$ 0.02**	$ (0.85)
Weighted average number of shares outstanding	**6,492,750**	2,123,519	**6,492,750**	2,108,051

The accompanying notes are an integral part of these condensed interim financial statements.

SAN ANGELO OIL LIMITED
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars – Unaudited)

	Number of issued and outstanding shares	Share capital	Number of issued and outstanding warrants	Warrants	Share premium	Convertible debentures equity component	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
	#	$	#	$	$	$	$	$	$	$
Balance, July 1, 2015	**2,092,750**	**1,838,322**	**873,250**	**120,754**	**-**	**215,070**	**25,092**	**(1,452,137)**	**83,150**	**830,251**
Shares issued for debt conversion	2,200,000	941,547	-	-	-	-	-	-	-	941,547
Seed shares cancelled	(800,000)	(80,000)	-	-	-	-	80,000	-	-	-
Equity component – convertible debenture	-	-	-	-	215,070	(215,070)	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-	100,412	100,412
Net loss for the period	-	-	-	-	-	-	-	(1,797,526)	-	(1,797,526)
Balance, March 31, 2016	**3,492,750**	**2,699,869**	**873,250**	**120,754**	**215,070**	**-**	**105,092**	**(3,249,663)**	**183,562**	**74,684**
Balance, July 1, 2016	**6,492,750**	**2,820,369**	**3,873,250**	**120,754**	**930,383**	**-**	**105,092**	**(3,978,874)**	**182,656**	**180,380**
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(182,656)	(182,656)
Net income for the period	-	-	-	-	-	-	-	114,687	-	114,687
Balance, March 31, 2017	**6,492,750**	**2,820,369**	**3,873,250**	**120,754**	**930,383**	**-**	**105,092**	**(3,864,187)**	**-**	**112,411**

The accompanying notes are an integral part of these condensed interim financial statements

(Expressed in Canadian dollars – Unaudited)

For the nine months ended		**March 31, 2017**		March 31, 2016
OPERATING ACTIVITIES				
Net income (loss) for the period	$	114,687	$	(1,797,526)
Items not affecting cash:				
Accretion		-		75,383
Amortization		947		10,267
Gain on sale of subsidiary		(4,875)		-
Write down of equipment		5,515		50,958
Impairment of exploration and evaluation assets		-		1,418,820
Foreign exchange gain		(183,428)		103
Changes in non-cash working capital items:				
Other receivables		(1,702)		(26,079)
Accounts payable and accrued liabilities		(29,497)		(95,997)
Net cash used in operating activities		(98,353)		(364,071)
INVESTING ACTIVITIES				
Redemption of short-term investment		-		250,000
Redemption of operator's bond		-		34,600
Investment in exploration and evaluation assets		-		(12,447)
Net cash generated by investing activities		-		272,153
FINANCING ACTIVITY				
Interest expense paid on convertible debentures		-		(27,726)
Net cash used in financing activity		-		(27,726)
Effect of exchange rate changes on cash		717		10,242
Change in cash during the period		**(97,636)**		(109,402)
Cash, beginning of the period		219,793		190,955
Cash, end of the period	**$**	**122,157**	$	81,553

Supplemental cash flow information (Note 8)

The accompanying notes are an integral part of these condensed interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

San Angelo Oil Limited (the "Company") was incorporated under the *British Columbia Business Corporations Act* on February 11, 2014. The Company is a junior resource company engaged in the identification, and the exploration and development, of both proven and unproven reserves via drilling and/or acquisition.

The address of the Company's head office is located at Suite 650 – 669 Howe Street, Vancouver, British Columbia, V6C 0B4.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The recoverability of the costs incurred for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the projects and upon future profitable production or from the proceeds of disposition. The Company will require additional capital to fund any future property acquisitions and exploration programs as well as for administrative purposes. If management is unable to obtain additional funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these unaudited condensed interim financial statements. These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

These unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharges its liabilities in the normal course of business. The Company had net income of $114,687 during the nine months ended March 31, 2017, and as of that date, the Company had an accumulated deficit of $3,864,187 and net working capital of $112,411.

These unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Should it be determined that the Company is no longer a going concern, adjustments which could be significant, could be required to the carrying value of the assets and liabilities. These unaudited condensed interim financial statements do not reflect any adjustments to the carrying value of the assets or liabilities or any impact on the statements of loss and comprehensive loss, and statement of financial position classifications that would be necessary should the going concern assumption not be appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended June 30, 2016 ("2016 Annual Financial Statements"), which have been prepared in accordance with IFRS. The Company's interim results are not necessarily indicative of its results for a full year.

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these financial statements for issue.

These condensed interim financial statements have been prepared using accounting policies consistent with those used in the 2016 Annual Financial Statement and were authorized for issue by the Board of Directors (the "Board") on May 9, 2017.

Basis of measurement

The condensed interim financial statements have been prepared on the historical cost convention, except for financial assets classified as fair value through profit and loss ("FVTPL") which are measured at fair value. These condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and are presented in Canadian dollars.

Basis of consolidation

The condensed interim financial statements include the financial statements of the Company and its wholly owned controlled U.S. subsidiary, San Angelo Operating Corp. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances have been eliminated upon consolidation. The financial statements of the subsidiary are included in the financial statements from the date that control commences until the date that control ceases.

In October 2016, the Company completed the sale of all of the issued and outstanding shares of its wholly owned and controlled U.S. subsidiary, San Angelo Operating Corp. for nominal consideration to a previous director of the Company. No finder's fee was paid in connection with this sale. The Company recognized a gain of $4,875 is connection with this sale.

Functional and presentation currency

Items included in the condensed interim financial statements of the Company and its previously owned and controlled subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional and reporting currency of the Company is the Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards, Amendments and Interpretations Issued

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning on July 1, 2016, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these unaudited condensed interim financial statements are disclosed below. Management anticipates that all the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

The Company continues to evaluate the impact the implementation of these standards will have on the financial statements.

<u>Accounting standards anticipated to be effective in future periods:</u>

IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

(Expressed in Canadian dollars – Unaudited)

3. EQUIPMENT

	Computer $	Equipment $	Well equipment $	Total $
Cost				
Balance, June 30, 2015	**2,843**	**35,143**	**47,082**	**85,068**
Effect of changes to foreign exchange rate	-	1,562	3,876	5,438
Write off	-	(6,775)	(50,958)	(57,733)
Balance, June 30, 2016	**2,843**	**29,930**	**-**	**32,773**
Effect of changes to foreign exchange rate	-	434	-	434
Write off	-	(5,515)	-	(5,515)
Balance, March 31, 2017	**2,843**	**24,849**	**-**	**27,692**
Accumulated amortization				
Balance, June 30, 2015	**948**	**11,714**	**-**	**12,662**
Amortization for the period	948	12,558	-	13,506
Effect of changes to foreign exchange rate	-	198	-	198
Balance, June 30, 2016	**1,896**	**24,470**	**-**	**26,366**
Amortization for the period	947	-	-	947
Effect of changes to foreign exchange rate	-	379	-	379
Balance, March 31, 2017	**2,843**	**24,849**	**-**	**27,692**
Net carrying value				
Balance, June 30, 2016	**947**	**5,460**	**-**	**6,407**
Balance, March 31, 2017	**-**	**-**	**-**	**-**

During the nine months ended March 31, 2017, the Company wrote off $5,515 (year ended June 30, 2016: $6,775) in office furniture as the Company had determined that it had no recoverable value. During the year ended June 30, 2016, the Company also wrote off $50,958 of well equipment.

(Expressed in Canadian dollars – Unaudited)

4. SHARE CAPITAL

The Company has an unlimited number of common shares without par value authorized for issuance.

On May 26, 2016, the Company completed a ten (10) for one (1) basis share consolidation. All current and comparative references to the number of common shares, weighted average number of common shares, loss per common share, stock options and warrants have been updated retrospectively to give effect to this share consolidation.

	Number of issued and outstanding shares		Share capital
Balance, June 30, 2015	2,092,750	$	1,838,322
Shares issued upon convertible debt conversion	2,200,000		914,424
Shares cancelled	(800,000)		(80,000)
Shares issued for cash pursuant to a non-brokered private placement	3,000,000		150,000
Less share issuance expense, net of taxes	-		(2,377)
Balance, June 30, 2016 and March 31, 2017	6,492,750	$	2,820,369

On December 29, 2015, the Company issued 2,200,000 common shares for the conversion of $1,100,000 in total aggregate amount of convertible debentures outstanding at an amended price of $0.50 per common share (previously convertible at $2.00 per common share). The Company has also eliminated the warrants underlying these Debentures. Out of the 2,200,000 common shares issued to the debenture holders, 536,250 common shares underlying the Debentures will remain subject to an escrow agreement while the remaining 1,663,750 common shares underlying the Debentures will be free trading.

On December 29, 2015, the Company cancelled and returned to treasury 800,000 of the 850,000 seed shares that were issued at $0.10 per common share prior to San Angelo's initial public offering.

On May 26, 2016, the Company completed a non-brokered private placement issuing 3,000,000 units at a price of $0.05 per unit for gross proceeds of $150,000. Each unit consists of one common share and one transferable common share purchase warrant exercisable into one additional common share at an exercise price of $0.05 per common share. These warrants expire on May 26, 2021.

As at March 31, 2017, the Company has 22,950 shares held in escrow. 11,475 of these shares will be released on September 10, 2017 and 11,475 shares will be released on March 10, 2018.

(a) Stock options

The Company has a stock option plan for the purchase of common shares for its directors, officers and employees (the "2014 Plan"). The maximum number of shares which may be issuable pursuant to options granted under the plan shall be the number equal to 10% of the Company's issued share capital from time to time or such additional amount as may be approved from time to time by the shareholders of the Company. The options are non-assignable and non-transferable. There is no cash settlement alternative provision for the options. The exercise price of the options is fixed by the Board of Directors of the Company at the time of the grant, subject to all applicable regulatory requirements. During the year ended June 30, 2016, the Company cancelled stock options previously issued due to the recent changes to management and the Board of Directors.

(Expressed in Canadian dollars – Unaudited)

4. SHARE CAPITAL (continued)

(a) Stock options (continued)

As at June 30, 2016 and March 31, 2017, there were no stock options outstanding.

(b) Agent's options

The following table summarizes the continuity of agent's options outstanding:

	Number of options #	Weighted average exercise price $
Balance, June 30, 2016	99,420	2.00
Expired	(99,420)	2.00
Balance, March 31, 2017	-	-

During the nine months ended March 31, 2017, 99,420 agent options expired unexercised.

(c) Warrants

The following table summarizes the continuity of warrants outstanding:

	Number of warrants #	Weighted average exercise price $
Balance, June 30, 2016	**3,873,250**	**0.72**
Expired	(873,250)	3.00
Balance, March 31, 2017	**3,000,000**	**0.05**

Warrants outstanding

Number of warrants #	Expiry date	Weighted average remaining life (in years)	Exercise price $
3,000,000	May 26, 2021	4.16	0.05

During the nine months ended March 31, 2017, 873,250 warrants expired unexercised.

5. RELATED PARTY TRANSACTIONS

Transactions with related parties were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

Key management personnel compensation, including senior officers and directors of the Company:

	For the nine months ended	
	March 31, 2017	March 31, 2016
	$	$
Salary and benefits	**-**	48,364

6. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risks are credit risk, liquidity risk and market risk. These risks arise from the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated to cash and other receivables. The carrying amounts of assets represent the maximum credit exposure. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash with institutions of high credit worthiness. Management believes that credit risk related to these amounts are nominal.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short-term business requirements, after taking into account cash flows from operations, expected capital expenditures and its holdings of cash. In the long term, the Company may have to issue additional shares to ensure there is cash available on demand for its programs. All short-term financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash on hand.

Market risk

Interest rate risk

The Company is exposed to interest rate risk on its outstanding cash reserves. The Company's policy is to invest cash at fixed and floating interest rates in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company monitors this exposure and does not enter into any derivative contracts to manage this risk. The Company's interest rate risk mainly arises from the interest rate impact on its cash. Based on cash balance as at March 31, 2017, with other variables unchanged, a 1% change in the interest rate would have a nominal impact to net loss. The Company's financial liabilities are not exposed to interest rate risk.

(Expressed in Canadian dollars – Unaudited)

6. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign currency risk

The Company previously operated in the United States and was exposed to foreign currency risk relating to United States dollars, from purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's subsidiary. The Company's subsidiary had a United States dollar functional currency, with net assets that are exposed to foreign currency translation risk. The Company's subsidiary was sold during the nine months ended March 31, 2017 and the Company's foreign exchange risk is now minimal.

Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 - *Financial Instruments: Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company's financial instruments include cash, other receivables, and accounts payable and accrued liabilities. There have been no changes in levels during the period.

The significance of the inputs used in determining fair value measurements of the Company's financial instruments is provided below:

		March 31, 2017			
	Category	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	FVTPL	122,157	122,157	-	-

		June 30, 2016			
	Category	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	FVTPL	219,793	219,793	-	-

The fair value of cash approximates its carrying value. There have been no changes in levels throughout the period.

7. CAPITAL MANAGEMENT

The Company manages its cash, share capital and share purchase warrants as capital. It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company's investment policy is to hold cash with institutions of high credit worthiness, in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital restrictions. There has been no change in the Company's capital management during the period.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of non-cash financing activities for the nine months ended:

	March 31 2017 $	March 31 2016 $
Interest paid	-	27,726
Interest received	-	(794)

APPENDIX D

Cabral Gold Ltd.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCORPORATION ON
FEBRUARY 17, 2016 TO DECEMBER 31, 2016

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company were prepared by management in accordance with International Financial Reporting Standards, and within the framework of the significant accounting policies in the notes to these financial statements. Management is responsible for the preparation and presentation of the consolidated financial statements.

A system of accounting and control is maintained in order to provide reasonable assurance that the assets are safeguarded and that transactions are properly recorded and executed in accordance with management’s authorization. The system includes established policies and procedures, the selection and training of qualified persons, and the appropriate delegation of authority and segregation of responsibilities for a corporation of the size of Cabral Gold Ltd.

The Board of Directors reviews and approves the consolidated financial statements. The Board of Directors meets with the Company’s chief financial officer and independent auditors to ensure that management is fulfilling its responsibility to maintain financial controls and systems. The Board of Directors also meets with the independent auditors to discuss the scope and the results of the audit and the audit report prior to approving the consolidated financial statements.

As at December 31, 2016, the Company’s Board of Directors did not have an Audit Committee. The Company’s Board of Directors expects to establish an Audit Committee (the majority of members of which will be independent members of the Company’s Board of Directors) in 2017.

The consolidated financial statements for the period from incorporation on February 17, 2016 to December 31, 2016 have been audited on behalf of the shareholders by the Company’s independent auditors, DeVisser Gray LLP, in accordance with Canadian generally accepted auditing standards. The auditor’s report outlines the scope of their audit and their opinion on these consolidated financial statements.

“Alan Carter”	*“Paul Hansed”*
Alan Carter	Paul Hansed
President and Chief Executive Officer	Chief Financial Officer

June 22, 2017

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Cabral Gold Ltd.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Cabral Gold Ltd. which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cabral Gold Ltd. as at December 31, 2016, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
June 22, 2017

Cabral Gold Ltd.

Consolidated statement of financial position

(Expressed in Canadian Dollars)

	Notes		As at Dec. 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$	2,184,746
Accounts receivable			11,811
Prepaid expenses			15,770
Total Current assets			**2,212,327**
Non-current assets			
Fixed assets	6		853,890
Mineral properties	7		1,161,731
Total Assets		**$**	**4,227,948**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9, 10	$	729,471
Financing of land purchase	6		412,507
Total Current liabilities			**1,141,978**
Long-term liabilities	9, 10		59,320
Total liabilities			**1,201,298**
Shareholders' equity			
Share capital	12(a)		3,050,383
Subscription receipts	12(a)		200,000
Reserves	12(b)		38,253
Accumulated other comprehensive income			25,394
Accumulated deficit			(287,380)
Total Shareholders' equity			**3,026,650**
Total Liabilities and Shareholders' equity		**$**	**4,227,948**
Subsequent events (Notes 6, 7(a), 10 and 21)			
Commitments and contingent liabilities (Notes 7, 8 and 20)			

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

"Alan Carter"
Alan Carter, Director

"Dennis Moore"
Dennis Moore, Director

Cabral Gold Ltd.

Consolidated statement of loss

(Expressed in Canadian Dollars except number of shares)

	Notes		Period from February 17, 2016 (date of incorporation) to December 31, 2016
Expenses			
Professional fees		$	10,961
Depreciation			3,956
Office and administrative			22,878
Exploration expenditures	13, 16(a)		162,846
Management and consulting	16(a)		59,417
Travel			22,198
			282,256
Other income and expenses			
Foreign exchange gain			(11,735)
Interest expense	10		16,859
Net loss for the period		**$**	**287,380**
Loss per share, Basic and diluted		$	0.00
Weighted average shares outstanding, Basic and diluted			80,192,883

The accompanying notes are an integral part of these consolidated financial statements.

Cabral Gold Ltd.

Consolidated statement of comprehensive loss

(Expressed in Canadian Dollars)

		Period from February 17, 2016 (date of incorporation) to December 31, 2016
Net loss for the period	**$**	**287,380**
Other comprehensive income for the period:		
Unrealised foreign currency translation gain		(25,394)
Total comprehensive loss for the period	**$**	**261,986**

The accompanying notes are an integral part of these consolidated financial statements.

Cabral Gold Ltd.

Consolidated statement of changes in shareholders' equity

(Expressed in Canadian Dollars)

	Issued common shares	Share capital	Subscription receipts	Reserves	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
Balance at February 17, 2016 (date of incorporation)	-	$ -	$ -	$ -	$ -	$ -	$ -
Shares issued for cash	99,919,519	2,693,517	-	-	-	-	**2,693,517**
Shares issued for Magellan Brazil	22,422,413	500,000	-	-	-	-	**500,000**
Share issuance costs	-	(143,134)	-	38,253	-	-	**(104,881)**
Subscription receipts	-	-	200,000	-	-	-	**200,000**
Comprehensive loss	-	-	-	-	25,394	(287,380)	**(261,986)**
Balance at December 31, 2016	**122,341,932**	**$ 3,050,383**	**$ 200,000**	**$ 38,253**	**$ 25,394**	**($ 287,380)**	**$ 3,026,650**

The accompanying notes are an integral part of these consolidated financial statements.

Cabral Gold Ltd.

Consolidated statement of cash flows

(Expressed in Canadian Dollars)

	Period from February 17, 2016 (date of incorporation) to December 31, 2016
OPERATING ACTIVITIES	
Net loss for the period	($ 287,380)
Adjustments for items not involving cash:	
Depreciation	3,956
Unrealised foreign exchange gain	(12,379)
	(295,803)
Net changes in non-cash working capital:	
Increase in accounts receivable	(11,387)
Increase in prepaid expenses	(15,770)
Increase in accounts payable	45,485
Cash used in operating activities	**(277,475)**
INVESTING ACTIVITIES	
Additions to mineral properties	(34,786)
Pre-closing cash advanced to acquire Magellan Brazil	(360,816)
Cash acquired in Magellan Brazil transaction (Note 5)	68,102
Cash used in investing activities	**(327,500)**
FINANCING ACTIVITIES	
Issuance of share capital	2,693,517
Share issuance costs	(104,881)
Subscription receipts	200,000
Cash provided by financing activities	**2,788,636**
Effect of change in exchange rate on cash	**1,085**
Net increase in cash and cash equivalents	**2,184,746**
Cash and cash equivalents, beginning of period	**-**
Cash and cash equivalents, end of period	**$ 2,184,746**

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS

Cabral Gold Ltd. was incorporated in Canada on February 17, 2016 under the British Columbia Business Corporations Act. Cabral Gold Ltd. (which, together with its subsidiaries, is collectively referred to as "Cabral" or the "Company") is in the business of the exploration and development of mineral properties, with a primary focus on gold properties in Brazil.

The Company's registered office is located at 1200 – 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8.

The nature of the Company's operations results in significant expenditures for the acquisition and exploration of mineral properties. The recoverability of the carrying value of mineral properties and deferred expenditures is dependent upon a number of factors including the existence of recoverable reserves, the ability of the Company to obtain financing to maintain properties and continue exploration and development and the discovery of economically recoverable reserves. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage.

Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate development, administrative and property obligations for the coming year. The Company will periodically need to obtain additional financing, and while it has been successful in the past, there can be no assurance that it will be able to do so in the future.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of June 22, 2017, the effective date the Board of Directors approved these financial statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements as at and for the period ended December 31, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All amounts are presented in Canadian Dollars unless otherwise indicated. A summary of significant accounting policies is as follows:

(a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

These financial statements include the accounts of Cabral Gold Ltd. and its subsidiary and associate as follows:

	Location	Ownership	Functional currency
Magellan Minerais Prospecção Geológica Ltda.	Brazil	100%	R$
Poconé Gold Mineração Ltda.	Brazil	35%	R$

The Company's interest in Poconé Gold Mineração Ltda. ("PGM") is held through Magellan Minerais Prospecção Geológica Ltda. ("Magellan Brazil").

All intercompany transactions and balances have been eliminated upon consolidation.

Subsidiaries are those entities which Cabral Gold Ltd. controls. The Company has control over an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is obtained by Cabral Gold Ltd. and are deconsolidated from the date that control ceases.

(c) Significant estimates and critical judgement

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgements and estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. Information about such judgements and estimation is contained in the accounting policies and notes to the consolidated financial statements, and the key areas are summarized below.

Functional currency

Management is required to assess the functional currency of each entity of the Company. In concluding the functional currencies of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Impairment of mineral properties

Mineral properties are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Assessment of impairment indicators involves the application of a number of significant judgments over internal and external factors including reserve and resource estimation, future precious metal prices, estimated costs of future production, changes in government legislation and regulations, estimated deferred income taxes, the availability of financing and various other operational factors. If any such indication exists, an estimate of the recoverable amount is undertaken. If the asset's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the statement of loss.

Title to the mineral properties

Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(d) Investment in associate

Associates are entities over which the Company exercises significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results using the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the statement of loss and its share of other comprehensive income (loss) of associates is included in the other comprehensive loss.

Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of loss.

The Company assesses at each year-end whether there is any objective evidence that its investment in associates is impaired. If so, the carrying value of the Company's share of the underlying net assets of its associate is written down to its net recoverable amount (being the higher of fair value less cost to sell and value in use) and the loss is charged to the statement of loss.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(e) Foreign currency translation

Functional currency

Items included in the financial statements of the Company's subsidiary and associate are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of loss.

Subsidiary

The results and financial position of the Company's subsidiary and associate that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date
- Income and expenses are translated at average exchange rates for the period
- Equity is translated using historical rates
- All resulting exchange differences are recognised in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the foreign currency translation reserve (a component of other comprehensive loss). When a foreign operation is sold, such exchange differences are recognised in the statement of loss as part of the gain or loss on sale.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and short term investments, which are readily convertible into cash or which have maturities of three months or less when purchased.

(g) Fixed assets

Fixed assets are recorded at cost. Depreciation of depreciable fixed assets (vehicles and office equipment) is provided on a straight-line basis over four years.

Fixed assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(h) Mineral properties and exploration and development expenditures

Costs relating to the acquisition and claim maintenance of mineral properties (including option payments and annual fees to maintain the property in good standing) are capitalised and deferred by property until the project to which they relate is sold, abandoned, impaired or placed into production.

The Company expenses all exploration, evaluation and development expenditures until management concludes that a future economic benefit is more likely than not to be realized. In evaluating if expenditures meet this criterion to be capitalized, management considers the following:

- The extent to which reserves or resources, as defined in National Instrument 43-101, have been identified in relation to the property in question;
- The conclusions of National Instrument 43-101 compliant preliminary economic assessment studies, preliminary feasibility studies and/or feasibility studies regarding the property in question;
- The status of environmental permits; and
- The status of mining leases or permits.

Once the Company considers that a future economic benefit is more likely than not of being realized, all subsequent costs directly relating to the advancement of the related area of interest are capitalized.

Capitalised mineral property costs are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator is identified, the asset's recoverable amount is calculated and compared to the carrying amount. For the purpose of measuring recoverable amounts, assets are grouped into CGUs. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(i) Decommissioning provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2016 the Company does not have any decommissioning obligations.

(j) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the income tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(k) Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

(l) Stock-based compensation

The Company grants stock options to certain of its employees, directors and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest. This number is reviewed annually, with any change in estimate recognized immediately in compensation expense with a corresponding adjustment to reserves.

Upon exercise of a stock option, consideration paid together with the stock-based compensation amount previously recognized in reserves is recorded as an increase to share capital.

(m) Loss per share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by the treasury stock method.

4. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

New standard IFRS 9, "Financial Instruments"
Amendments to IAS 1, "Presentation of Financial Statements"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

5. ACQUISITION OF MAGELLAN BRAZIL

On April 13, 2016, the Company entered into an agreement with Magellan Minerals Ltd. ("Magellan") and two of the Company's founding shareholders pursuant to which:

- Debts of $500,000 owing by Magellan to the two founding shareholders of the Company were settled in exchange for Magellan's 99.99% equity interest in Magellan Brazil in full satisfaction of the debt. The exchange was part of a comprehensive debt settlement between Magellan and its senior management group. The settlement also included debt forgiveness, by management, of $252,669; and
- The interest in Magellan Brazil was then contributed by the two founders to the Company in exchange for 22,422,413 common shares.

Magellan Brazil is a private company incorporated in the state of Para in Brazil. It holds 100% of the Cuiú Cuiú property and several secondary properties, including properties held by PGM in which Magellan Brazil holds a 35% interest.

The agreement was subject to the approval of the TSX Venture Exchange which was received in April 2016.

As part of the debt settlement, Magellan Brazil and the Company agreed to grant Magellan a 0.5% royalty on the Cuiú Cuiú property (see Note 7(a)).

(Expressed in Canadian Dollars)

The consolidated financial statements for the period ended December 31, 2016 reflect the assets, liabilities and results of operations of the Company and Magellan Brazil since April 28, 2016 being the date on which the Company formally became the sole shareholder of Magellan Brazil.

The transaction has been accounted for as an asset acquisition and the allocation of the purchase price to the assets acquired and liabilities assumed is based on estimated fair values at the time of acquisition.

The allocation of the purchase price to the estimated fair value of the assets and liabilities of Magellan Brazil is as follows:

Purchase price:		
Company common shares issued	$	500,000
Pre-closing cash advanced to acquire Magellan Brazil		360,816
		860,816
Estimated fair values of assets and liabilities acquired:		
Cash acquired		68,102
Receivables		424
Machinery and equipment		21,786
Land		733,452
Mineral properties, Cuiú Cuiú		948,380
Mineral properties, other		25,417
Total assets acquired		1,797,561
Accounts payable and accrued liabilities		936,745
Total liabilities acquired		936,745
	$	860,816

(Expressed in Canadian Dollars)

6. FIXED ASSETS

	Land	Vehicles	Office equipment	Total
Cost:				
February 17, 2016	$ -	$ -	$ -	$ -
Magellan Brazil transaction	733,452	14,524	7,262	755,238
Foreign exchange differences	99,648	1,973	987	102,608
December 31, 2016	833,100	16,497	8,249	857,846
Accumulated depreciation:				
February 17, 2016	-	-	-	-
Depreciation expense	-	(2,637)	(1,319)	(3,956)
December 31, 2016	-	(2,637)	(1,319)	(3,956)
Net book value:				
February 17, 2016	-	-	-	-
December 31, 2016	**$ 833,100**	**$ 13,860**	**$ 6,930**	**$ 853,890**

Land

Pursuant to an informal agreement entered into in April 2016, the Company acquired a parcel of land at Cuiú Cuiú with a total area of approximately 30 hectares for a total of R$ 2,000,000. The land parcel covers the Moreira Gomes deposit which is one of the two gold deposits currently known on the Cuiú Cuiú project. The agreement was formalised and registered in January 2017.

R$ 1,000,000 of the R$ 2,000,000 purchase price was paid in April 2016 prior to the closing of the Magellan Brazil transaction; the remaining R$ 1,000,000 ($412,507) was a liability as at the date of closing. Pursuant to the agreement, the outstanding liability is to be paid in two tranches of R$ 500,000 on each of February 2, 2017 and June 30, 2017 (the June 30, 2017 payment was deferred to July 31, 2017 pursuant to an amendment dated June 21, 2017). The liability is non-interest bearing and is unsecured. The February payment was made by the Company in accordance with the terms of the agreement.

(Expressed in Canadian Dollars)

7. MINERAL PROPERTIES

Period ended December 31, 2016	Feb. 17, 2016	Magellan Brazil transaction	Additions	Foreign exchange	Dec. 31, 2016
Cuiú Cuiú	$ -	$ 948,380	$ 101,069	$ 64,872	$ 1,114,321
Bom Jardim	-	25,417	15,334	4,115	44,866
Other	-	-	2,440	104	2,544
	$ -	**$ 973,797**	**$ 118,843**	**$ 69,091**	**$ 1,161,731**

The Company's primary mineral property is Cuiú Cuiú.

All of the Company's properties are located in Brazil.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee their titles. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

It is possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties could be impaired in the future.

The Company is required to make certain option payments in order to maintain its property agreements in good standing. These future payments totalled US$ 40,000 as at December 31, 2016 all of which is conditional on the formal registration of title to an optioned secondary property (see Note 7(b)). The Company is also required to make statutory claim maintenance expenditures to the Brazilian authorities each year to maintain its properties in good standing.

(a) Cuiú Cuiú

Surface access agreement, garimpiero condominium

On February 19, 2006, Magellan Brazil entered into an agreement with the owners of the traditional surface rights over the Cuiú Cuiú property. Additional minority stakeholders were added to the agreement in 2008. The owners are organized into a 'condominium' (which is similar to a cooperative, but with fewer rights) comprising 60 minority stakeholders and 10 majority stakeholders. Magellan Brazil agreed to pay each of the majority stakeholders R$ 4,000 per year and each of the minority stakeholders R$ 2,000 per year for a period of up to five years in May of each year; the first payment was made on May 16, 2006, and subsequent payments were made in May of each year through 2010.

The February 2006 agreement was extended through February 16, 2016 pursuant to a renewal agreement dated December 7, 2010. The terms remained the same as the original agreement with the exception of the annual payments which increased from R$ 2,000 to R$ 2,500 for minority stakeholders (equivalent of $1,031 as at December 31, 2016) and from R$ 4,000 to R$ 5,000 for majority stakeholders ($2,062).

An amendment to the agreement dated August 21, 2011 increased the number of stakeholders to 60 minority stakeholders and 15 majority stakeholders.

The 2014 and 2015 payments of approximately R$ 225,000 each (equivalent to $92,814 as at December 31, 2016) were due on or before May 16, 2014 and May 16, 2015, respectively, pursuant to the December 2010 amendment. These amounts and an uncontracted amount in respect of the period ended May 2016 were unpaid as at December 31, 2016.

The February 2006 agreement was extended a second time subsequent to the period ended December 31, 2016 pursuant to a second renewal agreement dated March 29, 2017 for four years through May 2018 (including in respect of the two years ended May 2016). With certain minor exceptions, the terms remained the same as the initial December 2010 amendment. The March 2017 amendment did, however, recognise a reduction in the number of minority stakeholders from 60 to 58 and an increase in the number of majority stakeholders from 15 to 18.

The March 2017 amendment sets out charges in respect of inflation adjustments and interest charges relating to the delay in payment of annual fees since 2014. Total charges amount to R$ 1,268,079 in respect of the four years ended May 2018 of which R$ 751,383 was to be paid on or before March 30, 2017 (paid in full in April 2017 with the exception of R$ 18,421 paid in May 2017 and R$ 18,421 owing to three minority stakeholders as at June 22, 2017), and the remaining R$ 516,696 is to be paid on or before June 30 2017.

The agreements specify that in the event that an economically viable gold resource is identified Magellan Brazil will make an additional payment to the owners of the traditional surface rights based on the amount of gold defined in the ground (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Less than 1.0 million ounces: US$ 2,000,000
- 1.0 million ounces to 2.0 million ounces: US$ 3,000,000
- 2.0 million ounces to 3.0 million ounces: US$ 4,000,000
- 3.0 million ounces to 4.0 million ounces: US$ 6,000,000
- More than 4.0 million ounces: an additional US$ 3,000,000 for every additional million ounces identified in excess of 4.0 million ounces of contained gold.

Upon delivery and approval of the final research reports on the areas under consideration to the Brazilian National Department of Mineral Production or at any time if the size of the gold reserve is found to be economically viable, Magellan Brazil is to provide written notice to the condominium following which the aforementioned payment is to be made within 90 days.

The March 2017 amendment added the requirement that the economic viability of a gold resource must be supported by a formal feasibility study,

Sandstorm NSR

In May 2012, Magellan and Magellan Brazil granted Sandstorm Gold Ltd. ("Sandstorm") a 1.0% net smelter royalty ("NSR") on the Cuiú Cuiú project for consideration of US$ 500,000. The Company is required to pay an advance royalty of US$ 250,000 on the date that it obtains a feasibility study that recommends placing all or part of the Cuiú Cuiú project into production and a further advance royalty payment of US$ 250,000 on each one year anniversary of this date thereafter until the property enters commercial production. As part of the transaction, Magellan provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Cuiú Cuiú project.

Magellan's rights and responsibilities associated with this agreement were transferred to Cabral pursuant to an agreement dated May 2, 2016.

Magellan NSR

In conjunction with the April 2016 agreement between the Company, Magellan and two of the Company's founding shareholders relating to the transfer of Magellan Brazil from Magellan to the Company (see Note 5), Magellan Brazil and the Company agreed to grant Magellan a 0.5% royalty on the Cuiú Cuiú property. The Magellan NSR is subordinate to the Sandstorm NSR.

(b) Bom Jardim

Magellan Brazil holds rights to mineral properties in the Bom Jardim region pursuant to two separate option agreements as follows:
- Option agreement dated June 1, 2011 requiring total payments of R$ 100,000 (paid in full as at the date of closing of the Magellan Brazil transaction)
- Option agreement dated May 4, 2009 requiring total payments of R$ 35,000 and US$ 40,000. As at the date of closing of the Magellan Brazil transaction, R$ 35,000 had been paid and US$ 40,000 was unpaid pending the formal transfer of mineral rights to the Company; the final US$ 40,000 option payment remained unpaid as at December 31, 2016 due to the absence of formal transfer.

The second option agreement specifies that in the event that a gold deposit is identified, Magellan Brazil will immediately make an additional payment to the optionors based on the amount of gold defined (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:
- Up to 15 tons: US$ 2,000,000
- Between 15 and 30 tons: US$ 3,000,000
- Between 30 and 45 tons: US$ 4,000,000
- Between 45 and 60 tons: US$ 5,000,000
- Between 60 and 90 tons: US$ 6,000,000
- More than 90 tons: US$ 8,000,000.

(c) Uniao

Magellan Brazil holds the rights to the Uniao property.

Pursuant to an agreement entered into with a third party in 2014, Magellan agreed to transfer the Uniao property out of Magellan Brazil for nominal consideration. As at June 22, 2017, the transfer of the Uniao property had not been completed. None of the purchase price consideration relating to the Magellan Brazil transaction was attributed to the Uniao property.

8. POCONÉ

The Company is a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso were to be identified, explored and developed. The first agreement was entered into between Magellan and ECI Exploration & Mining Inc. ("ECI") on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the "ECI Venture"). The second set of agreements was between Magellan, ECI and Brasil Central Engenharia Ltda. ("Brasil Central") pursuant to which Magellan, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through a newly incorporated entity, Poconé Gold Mineração Ltda. ("PGM"), an entity in which Magellan Brazil holds a 35% interest (at both the date of closing of the Magellan Brazil transaction and at December 31, 2016).

Magellan's rights and responsibilities associated with both the ECI Venture and PGM were transferred to Cabral prior to the date of closing of the Magellan Brazil transaction pursuant to an agreement dated April 15, 2016 between the Company, Magellan and ECI.

Virtually no exploration activity was undertaken on any of the Poconé properties since 2012.

None of the purchase price consideration relating to the Magellan Brazil transaction was attributed to the Poconé properties, however, various liabilities amounting to $18,788 relating to the ECI Venture and PGM were recognised.

In August 2015, ECI received notification that a former optionor of one of the property interests acquired by ECI on behalf of the ECI Venture had filed a claim against ECI and PGM in connection with an option agreement that had been entered into with the ECI Venture in December 2009. As of June 22, 2017, no claim had been filed against the Company. The plaintiff is claiming an amount of US$ 780,000 plus damages. Management has assessed the likelihood of a potential loss to be less than 50%. No accrual has been made in the accounts for any amount associated with the claim.

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2016
Cuiú Cuiú condominium liability (see Note 7(a))	$	337,830
Brazil taxes (not deferred)		283,041
Deferred Brazil taxes and claim maintenance (see Note 10)		85,421
Other		82,499
		788,791
Less long-term portion (Brazil taxation; see Note 10)		(59,320)
	$	**729,471**

The non-deferred component of Brazil taxes totalling $283,041 relates to unpaid social taxes and withholding taxes in respect of fiscal years prior to the closing of the Magellan transaction in 2016 (see Note 5). Magellan Brazil entered into a restructuring agreement relating to approximately $267,000 of this balance in May 2017 (see Note 10).

10. RESTRUCTURING OF BRAZILIAN TAX AND CLAIM MAINTENANCE LIABILITIES

During the fourth quarter of 2014 and the first quarter of 2016, Magellan Brazil restructured certain of its overdue liabilities due to various federal and state taxation and administrative bodies in Brazil. The restructuring was undertaken pursuant to a general program offered by these bodies. The restructured liabilities are being repaid over 60 months. Monthly repayments are increased to reflect inflation pursuant to indices published each month.

In addition, certain claim maintenance expenditures incurred in connection with the ECI Venture properties were also subject to restructuring in a similar manner.

The balance of Magellan Brazil's restructured tax and claim maintenance liabilities as at the time of closing of the Magellan Brazil transaction was $76,276 (R$ 210,073). Of the total balance of $85,423 (R$ 207,083) outstanding as at December 31, 2016, $26,103 is due in the year ended December 31, 2017 and $59,320 is due subsequent to December 31, 2017 through December 2020.

Magellan Brazil entered into a new restructuring agreement relating to approximately $266,834 of unpaid social taxes in May 2017. The restructured liabilities are being repaid over 120 months. Monthly repayments are increased to reflect inflation pursuant to indices published each month.

(Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of income taxes at the statutory rate is as follows:

		Period ended December 31, 2016
Net loss before income taxes	($	287,380)
Statutory tax rate		30.15%
Expected income tax recovery		(86,632)
Effect of deductible/non-deductible items for income tax purposes		(28,971)
Unrecognised benefit of non-capital losses		115,603
Deferred income tax expense		**-**

The Company's deductible temporary differences and unused tax losses consist of the following amounts:

		Period ended December 31, 2016
Non-capital losses	$	16,736,167
Mineral properties		(1,161,731)
Fixed assets		(853,890)
Share issue costs		83,905
	$	**14,804,451**

The Company has non-capital losses of approximately $171,178 in its Canadian operations and $16,564,989 in its Brazilian operations for income tax purposes which are available to reduce future taxable income.

12. SHAREHOLDERS' EQUITY

(a) Share capital

The Company has authorized capital of an unlimited number of common shares with no par value.

Acquisition of Magellan Brazil

On April 13, 2016, the Company issued 22,422,413 common shares to acquire Magellan Brazil (see Note 5).

(Expressed in Canadian Dollars)

December 20, 2016 private placement

On December 20, 2016, the Company closed a private placement financing pursuant to which 31,841,932 common shares of Cabral were issued at a price of $0.06 per common share, for gross proceeds of $1,910,516.

The total success fees paid to an external adviser (the "Adviser") in connection with the financing amounted to $88,876. In addition, 1,471,261 compensation options were issued to the Advisor (see Notes 12(b) and 20).

If the Company does not complete a go-public transaction (which would include the listing of the Company's common shares on a recognized stock exchange in Canada or certain types of M&A transactions involving the Company's shares) within one year of closing the private placement, then the Company is required to issue to each subscriber participating in the private placement that number of common shares of the Company equivalent to 10% of the number of common shares of the Company that the subscriber purchased in the private placement.

All securities issued in connection with the private placement are subject to a four month hold period following issuance.

Private placements prior to December 20, 2016

Prior to December 20, 2016, the Company raised $782,275 through the issuance for cash of 27,702,190 common shares at an average price of $0.028 per common share. These proceeds include $198,450 contributed by the two founding shareholders in March 2016 for 8,620,690 common shares at an average price of $0.023 per share.

No success fees or similar fees were paid or compensation options issued in connection with these share issuances.

(b) Compensation options

1,471,261 compensation options were issued to the Advisor in connection with the December 20, 2016 private placement. Each compensation option provides the Advisor with the right to acquire one common share of the Company at an exercise price of $0.06 for a period commencing on the date of closing of the private placement and ending on the date that is two years following the date of a go-public transaction.

	Number of compensation options	Weighted average exercise price
Incorporation	-	-
Compensation options granted	1,471,261	0.06
December 31, 2016	**1,471,261**	**0.06**

(Expressed in Canadian Dollars)

The estimated weighted average remaining contractual life of the compensation options as at December 31, 2016 was 2.50 years.

13. EXPLORATION AND DEVELOPMENT EXPENDITURES

Period ended December 31, 2016	Cuiú Cuiú	Pocone	Local administration	Total
Incurred in period ended December 31, 2016:				
Office and logistics	$ -	$ -	$ 55,455	$ 55,455
Field costs	26,384	-	-	26,384
Consulting, internal	13,275	-	-	13,275
Consulting, third parties	57,016	-	-	57,016
Other	-	1,719	-	1,719
Travel	1,259	-	7,738	8,997
	$ 97,934	**$ 1,719**	**$ 63,193**	**$ 162,846**

14. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the period ended December 31, 2016 amounted to $91,664.

15. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of mineral properties. The Company's assets are located in Canada and Brazil as follows:

	Canada	Brazil	Total
Non-current assets:			
December 31, 2016	$ -	$ 2,015,621	$ 2,015,621
Net loss:			
Period ended December 31, 2016	$ 125,967	$ 161,413	$ 287,380

(Expressed in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS

(a) Management compensation

		Period ended December 31, 2016
Employment and consulting remuneration	$	62,500
Payroll related costs		11,917
	$	74,417

Management comprises the President and Chief Executive Officer, Chief Financial Officer and Vice President – Exploration.

(b) Balances due to related parties

As at December 31, 2016, the Company owed a total of $17,034 to the President and Chief Executive Officer in connection with unpaid remuneration and was also owed $785. Both amounts were paid in full in January 2017.

(c) Other related party issues

See Note 5 regarding the acquisition by the Company of Magellan Brazil through the restructuring of balances due by Magellan to the founding shareholders of Cabral.

Also, see Note 12(a) regarding the participation by the two founding shareholders in a private placement that closed in March 2016.

17. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are as follows:

- To safeguard its ability to continue as a going concern
- To have sufficient capital to be able to meet its strategic objectives including the continued exploration and development of its existing mineral projects and the identification of additional projects.

Given the current exploration stage of its projects, the Company's primary source of capital is derived from equity issuances. Capital consists of equity attributable to common shareholders.

The Company has no externally imposed capital requirements and manages its capital structure in accordance with its strategic objectives and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares in the form of private placements and/or secondary public offerings.

Additional information relating to going concern is disclosed in Note 1.

18. FINANCIAL INSTRUMENTS

(a) Carrying value and fair value

The Company's financial instruments comprise cash and cash equivalents, receivables, accounts payable and accrued liabilities and financing of land purchase.

Financial instruments recognized at fair value on the consolidated balance sheets are classified in fair value hierarchy levels as follows:

- Level 1: Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques based on inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
- Level 3: Valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

Cash and cash equivalents and receivables are classified as loans and receivables and are recorded in the financial statements at amortized cost. Amortized cost approximates fair market value due to the short-term nature of the balances.

Accounts payable and accrued liabilities and financing of land purchase are classified as other financial liabilities and are recorded in the financial statements at amortized cost. The fair value of accounts payable and accrued liabilities may be less than the carrying value as a result of the Company's credit and liquidity risk.

(b) Financial risks

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, liquidity risk, credit risk and interest rate risk.

Foreign exchange risk

The Company operates primarily in Brazil and is therefore exposed to foreign exchange risk arising from transactions denominated in Brazilian reais ("R$"). Other than Canadian dollar balances, the Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities are denominated in R$ and US$. Accordingly, the Company is subject to foreign exchange risk relating to such balances in connection with fluctuations against the Canadian dollar. The Company has no program in place for hedging foreign currency risk. The Company held the following foreign currency denominated balances as at December 31, 2016:

	December 31, 2016	
	R$	US$
Cash and cash equivalents	47,498	150,764
Receivables and prepaid expenses	2,350	-
Accounts payable and accrued liabilities	(2,802,630)	-
	(2,752,782)	150,764
Equivalent in Canadian dollars	(1,135,542)	202,422

Based on the balances held as at December 31, 2016, a 10% decrease in the $ per R$ and $ per US$ exchange rates on this date would have resulted in an increase in the net loss for the period then ended of approximately $103,680.

Liquidity risk

Liquidity risk encompasses the risk that an entity cannot meet its financial obligations in full as they become due. The Company manages liquidity by taking the appropriate steps to maintain adequate cash and cash equivalent balances. The Company monitors actual and forecast cash flows, and matches the maturity profile of financial assets and liabilities. See Note 1.

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and receivables. The carrying value of the Company's financial assets recorded in the consolidated financial statements represents its maximum exposure to credit risk.

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at December 31, 2016.

Interest rate risk

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short-term nature, changes in interest rates will have a corresponding impact on interest income realised on such assets.

The Company's restructured tax liabilities in Brazil are subject to interest which is calculated, in part, on the domestic rate of inflation in Brazil and related indices published by the Brazilian authorities.

Other than the Company's restructured tax liabilities in Brazil, it did not have any interest bearing liabilities outstanding as at December 31, 2016.

(Expressed in Canadian Dollars)

19. SUPPLEMENTARY CASH FLOW INFORMATION

The consolidated statements of cash flows exclude the following items that do not require the use of cash:

		Period ended December 31, 2016
Share issuance costs paid in compensation options	$	38,253
Acquisition of the net assets of Magellan Brazil: see Note 5		

20. CONTINGENT LIABILITY

Magellan Brazil previously rented premises at Cuiú Cuiú from a third party pursuant to a series of agreements commencing in April 2006. Magellan Brazil ceased renting the premises in June 2013 at which time it vacated the premises.

The landlord initiated a lawsuit against Magellan Brazil in June 2013 claiming R$ 115,000 (approximately $47,500) in respect of one year of rental income alleging that Magellan Brazil had not terminated the rental agreement in a correct manner.

The Company disputes this claim and has retained counsel to defend against it. The case is expected to be heard by the court in Belém (in northern Brazil) in July 2017. Management has assessed the likelihood of a potential loss to be less than 50%. No accrual has been made in the accounts in respect of this case.

21. SUBSEQUENT EVENTS

(a) Private placement

On January 12, 2017, the Company closed a private placement financing pursuant to which 4,450,000 common shares of Cabral were issued at a price of $0.06 per common share, for gross proceeds of $267,000 (including $200,000 received prior to 2017 and classified as Subscription receipts as at December 31, 2016).

No success fees or similar fees were paid or compensation options issued in connection with the financing.

The Company is committed to complete a go-public transaction pursuant to the same terms as described in connection with the private placement that closed on December 20, 2016 (see Note 12(a)).

All securities issued in connection with the private placement are subject to a four month hold period following issuance.

(b) Issuance of stock options

In February 2017, the Company issued a total of 5,200,000 stock options to certain directors and employees of the Company. Each stock option is exercisable into one common share at an exercise price of $0.06 for a period of 36 months following issuance.

(c) Business combination agreement with San Angelo Oil Limited

On May 10, 2017, the Company and San Angelo Oil Limited ("San Angelo") entered into a business combination agreement. San Angelo was previously listed on the TSX Venture Exchange and since November 2016 - following the sale of its subsidiary, San Angelo Operating Corp. - has been listed on the NEX. Pursuant to the agreement, San Angelo will acquire the Company by way of a three-cornered amalgamation whereby the Company will amalgamate with a newly-incorporated wholly-owned subsidiary of San Angelo to form Cabral Gold B.C. Inc. San Angelo proposes to complete a 1:5 consolidation of its common shares concurrently with closing, and pursuant to the amalgamation, shareholders of the Company will receive 0.18 of one post-consolidation common share of San Angelo for each one common share of Cabral held. The amalgamated entity will become a wholly-owned subsidiary of San Angelo, and San Angelo proposes to change its name to Cabral Gold Inc. on closing of the Transaction. San Angelo will issue approximately 22,822,548 post-consolidation common shares to shareholders of Cabral. In addition, outstanding options and warrants of Cabral will be exchanged for similar instruments of San Angelo exercisable for or convertible into San Angelo post-Consolidation common shares on the basis of the 0.18 exchange ratio.

The closing of the transaction is conditional upon the following and other customary conditions:

- San Angelo will complete the 1:5 consolidation; upon completion of the consolidation, San Angelo will have approximately 1,298,550 common shares issued and outstanding
- The resulting issuer is required to have not less than $3,800,000 in working capital immediately following closing of the transaction (see Note 21(d))
- The closing of the transaction is subject to San Angelo obtaining approval of the TSX Venture Exchange. In addition, San Angelo is required to obtain shareholder approval of the consolidation and Cabral is required to obtain shareholder approval of the amalgamation.

It is expected that following closing of the transaction, the current management of Cabral will continue in identical capacities at San Angelo and that the current five members of the board of directors of Cabral will constitute the new board of directors of San Angelo.

A success fee in connection with a completed transaction equivalent to the greater of $180,000 or 3.0% of the transaction value will be due following closing pursuant to an advisory agreement entered into with an external adviser in October 2016.

(d) Financial advisory agreement

In May 2017, the Company entered into an agreement with M Partners Inc. to act as lead agent on behalf of a syndicate comprised of Haywood Securities Inc., PI Financial Corp., and Echelon Wealth Partners Inc. in connection with a best efforts private placement financing of up to $6,000,000 of subscription receipts of Cabral priced at $0.108 per subscription receipt.

Immediately prior to the closing of the business combination with San Angelo, each subscription receipt will be exchanged, without additional consideration for one unit of Cabral which will, in conjunction with the closing of the business combination, be exchanged for 0.18 of a unit of San Angelo (each whole such unit being referred to as a “Unit”) at an effective post consolidation (1:5) issue price of $0.60.

Each Unit will be comprised of one common share of San Angelo, one-half of one class A warrant, with each whole class A warrant entitling the holder to purchase one common share of San Angelo at a price of $0.75 for a period of one year after the closing of the offering and one-half of one class B warrant with each whole class B warrant entitling the holder to purchase one common share of San Angelo at a price of $0.90 for a period of two years after the closing of the offering.

In connection with the offering, the agents will be paid a cash commission equal to 6% of the gross proceeds of the offering and will be issued that number of compensation warrants equal to 6% of the number of subscription receipts issued in connection with the offering. Each compensation warrant (subject to the exchange ratio) will entitle the holder thereof to acquire one Unit at any time until the second anniversary of the closing of the offering at a price of $0.60 per Unit.

The gross proceeds of the offering will be placed into escrow on closing. If the business combination takes place on or before August 31, 2017 (or such later date as is agreed to by the Company and the subscribers), then the gross proceeds from the offering will be released to the Company concurrently with the closing of the business combination. If the business combination is not completed on or before August 31, 2017 (or such later date as is agreed to by the Company and the subscribers), then the gross proceeds from the offering will be returned to the subscribers without interest or deduction.

APPENDIX E

Cabral Gold Ltd.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

SIX MONTHS ENDED JUNE 30, 2017

Cabral Gold Ltd.

Condensed interim consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes		June 30, 2017		Dec. 31, 2016
ASSETS					
Current assets					
Cash and cash equivalents		$	1,007,268	$	2,184,746
Accounts receivable			22,172		11,811
Prepaid expenses			5,000		15,770
Total Current assets			**1,034,440**		**2,212,327**
Non-current assets					
Fixed assets	5		813,959		853,890
Mineral properties	6		1,312,028		1,161,731
Total Assets		**$**	**3,160,427**	**$**	**4,227,948**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	8	$	236,133	$	729,471
Other liabilities and provisions	9		388,480		412,507
Total Current liabilities			**624,613**		**1,141,978**
Long-term liabilities	8		308,520		59,320
Total liabilities			**933,133**		**1,201,298**
Shareholders' equity					
Share capital	10(a)		3,309,346		3,050,383
Subscription receipts	10(a)		-		200,000
Reserves	10(b), 10(c)		202,053		38,253
Accumulated other comprehensive income			(47,854)		25,394
Accumulated deficit			(1,236,251)		(287,380)
Total Shareholders' equity			**2,227,294**		**3,026,650**
Total Liabilities and Shareholders' equity		**$**	**3,160,427**	**$**	**4,227,948**
Subsequent events (Notes 4, 5 and 6(a))					
Commitments and contingent liabilities (Notes 4, 6, 10(a) and 17)					

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors

"Derrick Weyrauch"
Derrick Weyrauch, Director

"Charles Oliver"
Charles Oliver, Director

Cabral Gold Ltd.

Condensed interim consolidated statements of loss and comprehensive loss

(Expressed in Canadian Dollars except number of shares)

	Notes	3 months ended 30 June 2017	3 months ended 30 June 2016	6 months ended 30 June 2017	Period from Feb. 17, 2016 (date of incorporation) to June 30, 2016
Expenses					
Professional fees		$ 98,119	$ 711	$ 148,771	$ 711
Depreciation	5	2,292	928	3,871	928
Office and administrative		18,857	3,115	38,721	3,347
Exploration expenditures	11	71,976	45,384	197,705	46,594
Management and consulting	14(a)	68,828	1,576	128,750	1,576
Stock based compensation	10(c)	-	-	163,800	-
Travel		29,076	1,346	45,479	2,745
		289,148	53,060	727,097	55,901
Other income and expenses					
Adjustment to provisions	17	192,278	-	192,278	-
Foreign exchange loss (gain)		4,917	467	10,820	(715)
Penalties and financing charges	8	7,018	3,435	24,516	3,435
Interest income		(4,722)	-	(5,840)	-
Net loss for the period		**$ 488,639**	**$ 56,962**	**$ 948,871**	**$ 58,621**
Other comprehensive income and loss					
Unrealised foreign currency translation items		74,680	(22,231)	73,248	(22,231)
Total comprehensive loss for the period		**$ 563,319**	**$ 34,731**	**$ 1,022,119**	**$ 36,390**
Loss per share, Basic and diluted		$ 0.00	$ 0.00	$ 0.01	$ 0.00
Weighted average shares outstanding, Basic and diluted		126,791,932	74,167,363	126,198,599	63,665,699

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Cabral Gold Ltd.

Condensed interim consolidated statements of changes in shareholders' equity

(Expressed in Canadian Dollars except number of shares)

	Issued common shares	Share capital	Subscription receipts	Reserves, Warrants	Reserves, Stock options	Accumulated other comprehensive income	Accumulated deficit	Total shareholders' equity
Balance at February 17, 2016 (date of incorporation)	**-**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Shares issued for cash	89,495,993	1,185,576	-	-	-	-	-	**1,185,576**
Comprehensive loss	-	-	-	-	-	22,231	(58,621)	**(36,390)**
Balance at June 30, 2016	**89,495,993**	**$ 1,185,576**	**$ -**	**$ -**	**$ -**	**$ 22,231**	**($ 58,621)**	**$ 1,149,186**
Balance at December 31, 2016	**122,341,932**	**$ 3,050,383**	**$ 200,000**	**$ 38,253**	**$ -**	**$ 25,394**	**($ 287,380)**	**$ 3,026,650**
Shares issued for cash	4,450,000	267,000	(200,000)	-	-	-	-	**67,000**
Share issuance costs	-	(8,037)	-	-	-	-	-	**(8,037)**
Stock options issued	-	-	-	-	163,800	-	-	**163,800**
Comprehensive loss	-	-	-	-	-	(73,248)	(948,871)	**(1,022,119)**
Balance at June 30, 2017	**126,791,932**	**$ 3,309,346**	**$ -**	**$ 38,253**	**$ 163,800**	**($ 47,854)**	**($ 1,236,251)**	**$ 2,227,294**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Cabral Gold Ltd.

Condensed interim consolidated statements of cash flows

(Expressed in Canadian Dollars)

	6 months ended June 30, 2017	Period from Feb. 17, 2016 (date of incorporation) to June 30, 2016
OPERATING ACTIVITIES		
Net loss for the period	($ 948,871)	($ 58,621)
Adjustments for items not involving cash:		
Depreciation	3,871	928
Stock based compensation	163,800	-
Unrealised foreign exchange gain	(12,133)	(17,742)
	(793,333)	**(75,435)**
Net changes in non-cash working capital:		
Increase in accounts receivable	(10,361)	(354,501)
Decrease in prepaid expenses	10,770	-
Increase (decrease) in accounts payable	(610,217)	142,580
Increase in other liabilities and provisions	192,278	-
Cash used in operating activities	**(1,210,863)**	**(287,356)**
INVESTING ACTIVITIES		
Additions to mineral properties	(15,479)	(22,865)
Additions to fixed assets	(5,349)	-
Pre-closing cash advanced to acquire Magellan Brazil	-	(360,816)
Cash acquired in Magellan Brazil transaction	-	68,102
Cash used in investing activities	**(20,828)**	**(315,579)**
FINANCING ACTIVITIES		
Issuance of share capital	67,000	685,576
Share issuance costs	(8,037)	-
Cash provided by financing activities	**58,963**	**685,576**
Effect of change in exchange rate on cash	**(4,750)**	**(677)**
Net increase (decrease) in cash and cash equivalents	**(1,177,478)**	**81,964**
Cash and cash equivalents, beginning of period	**2,184,746**	**-**
Cash and cash equivalents, end of period	**$ 1,007,268**	**$ 81,964**

The accompanying notes are an integral part of these condensed interim consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Cabral Gold Ltd. was incorporated in Canada on February 17, 2016 under the British Columbia Business Corporations Act. Cabral Gold Ltd. (which, together with its subsidiaries, is collectively referred to as "Cabral" or the "Company") is in the business of the exploration and development of mineral properties, with a primary focus on gold properties in Brazil.

The Company's registered office is located at 1200 – 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8.

The nature of the Company's operations results in significant expenditures for the acquisition and exploration of mineral properties. The recoverability of the carrying value of mineral properties and deferred expenditures is dependent upon a number of factors including the existence of recoverable reserves, the ability of the Company to obtain financing to maintain properties and continue exploration and development and the discovery of economically recoverable reserves. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage.

Going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes the Company will be able to realize its assets and settle its liabilities in the normal course of business. To date, the Company has not generated any revenue from mining or other operations as it is considered to be in the exploration stage. For the six months ended June 30, 2017, the Company reported a net loss of $948,871 (six months ended June 30, 2016: net loss of $58,621) and cash applied to operating activities of $1,210,863 (six months ended June 30, 2016: $287,356), and as at that date had a net working capital balance of $409,827 (December 31, 2016: $1,070,349) and an accumulated deficit of $1,236,251 (December 31, 2016: $287,380).

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings provided by the Company's existing shareholders and/or new shareholders or through other arrangements. There is no assurance that the Company will be successful in this regard. These material uncertainties cast substantial doubt about its ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the period ended December 31, 2016.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of October 3, 2017, the effective date the Board of Directors approved these financial statements. Any subsequent changes to IFRS after this date could result in changes to the consolidated financial statements as at and for the six months ended June 30, 2017.

The condensed interim consolidated financial statements do not contain all disclosures required under IFRS and should be read in conjunction with Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2016.

3. RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9 Financial Instruments (2014)

The IASB replaced IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9. IFRS 9 deals with classification and measurement, impairment, hedge accounting and derecognition of financial assets and liabilities. In February 2014, the IASB decided to defer to January 1, 2018 the implementation of IFRS 9. The Company's management has yet to assess the impact of this new standard on the Company's financial statements. Management does not expect to implement IFRS 9 until it has been issued and its overall impact can be assessed. IFRS 9 is applicable to annual periods commencing on or after January 1, 2018.

4. PROPOSED BUSINESS COMBINATION WITH SAN ANGELO OIL LIMITED

On May 10, 2017, the Company and San Angelo Oil Limited ("San Angelo") entered into a business combination agreement (as subsequently amended). San Angelo was previously listed on the TSX Venture Exchange and since November 2016 - following the sale of its subsidiary, San Angelo Operating Corp. - has been listed on the NEX. Pursuant to the agreement, San Angelo will acquire the Company by way of a three-cornered amalgamation whereby the Company will amalgamate with a newly-incorporated wholly-owned subsidiary of San Angelo to form Cabral Gold B.C. Inc. San Angelo proposes to complete a 1:5 consolidation of its common shares concurrently with closing, and pursuant to the amalgamation, shareholders of the Company will receive 0.18 of one post-consolidation common share of San Angelo for each one common share of Cabral held. The amalgamated entity will become a wholly-owned subsidiary of San Angelo, and San Angelo proposes to change its name to Cabral Gold Inc. on closing of the Transaction. San Angelo will issue approximately 22,822,548 post-consolidation common shares to shareholders of Cabral. In addition, outstanding options and warrants of Cabral will be exchanged for similar instruments of San Angelo exercisable for or convertible into San Angelo post-Consolidation common shares on the basis of the 0.18 exchange ratio.

The closing of the transaction is conditional upon the following and other customary conditions:

- San Angelo will complete the 1:5 consolidation; upon completion of the consolidation, San Angelo will have approximately 1,298,550 common shares issued and outstanding
- The resulting issuer is required to have not less than $3,800,000 in working capital immediately following closing of the transaction

- The closing of the transaction is subject to San Angelo obtaining approval of the TSX Venture Exchange. In addition, San Angelo is required to obtain shareholder approval of the consolidation and Cabral is required to obtain shareholder approval of the amalgamation.

It is expected that following closing of the transaction, the current management of Cabral will continue in identical capacities at San Angelo and that the current five members of the board of directors of Cabral will constitute the new board of directors of San Angelo.

A success fee in connection with a completed transaction equivalent to the greater of $180,000 or 3.0% of the transaction value will be due following closing pursuant to an advisory agreement entered into with an external adviser, M Partners Inc. ("M Partners"), in October 2016.

Financing

In conjunction with this proposed business combination transaction, the Company is pursuing an equity financing of up to $6,000,000.

Part of the financing is being brokered by M Partners as agent and part of the financing is being arranged by the Company on a non-brokered basis. The financing consists of subscription receipts of Cabral priced at $0.108 per subscription receipt. The maximum proceeds of the financing (both brokered and non-brokered) is $6,000,000. Immediately prior to the closing of the business combination with San Angelo, each subscription receipt will be exchanged, without additional consideration for one unit of Cabral which will, in conjunction with the closing of the business combination, be exchanged for 0.18 of a unit of San Angelo (each whole such unit being referred to as a "Unit") at an effective post consolidation (1:5) issue price of $0.60.

Each Unit will be comprised of one common share of San Angelo, one-half of one class A warrant, with each whole class A warrant entitling the holder to purchase one common share of San Angelo at a price of $0.75 for a period of one year after the closing of the offering and one-half of one class B warrant with each whole class B warrant entitling the holder to purchase one common share of San Angelo at a price of $0.90 for a period of two years after the closing of the offering.

Pursuant to an agreement entered into in September 2017 with M Partners as agent, and finder's fee agreements entered into with various entities and individuals, M Partners and the finders will be paid a cash commission equal to 6% of the applicable gross proceeds and will be issued that number of special warrants equal to 6% of the applicable number of subscription receipts issued in connection with the offering. On closing of the business combination with San Angelo, each special warrant will be exchanged into a compensation warrant of the Company, and immediately exchanged into 0.18 of a compensation warrant of San Angelo. Each compensation warrant will entitle the holder thereof to acquire one Unit at any time until the second anniversary of the closing of the offering at a price of $0.60 per Unit.

The gross proceeds of the offering will be placed into escrow on closing. If the business combination takes place on or before October 31, 2017 (or such later date as is agreed to by the Company and the subscribers), then the gross proceeds from the offering will be released to the Company concurrently with the closing of the business combination. If the business combination is not completed on or before October 31, 2017 (or such later date as is agreed to by the Company and the subscribers), then the gross proceeds from the offering will be returned to the subscribers without interest or deduction and M Partners and the finders will not receive the cash commission. In addition, the certificates representing the subscription receipts and special warrants will be null, void and of no further force and effect.

(Unaudited, Expressed in Canadian Dollars)

5. FIXED ASSETS

	Land	Vehicles	Office equipment	Total
Cost:				
December 31, 2016	$ 833,100	$ 16,497	$ 8,249	$ 857,846
Additions	-	-	5,349	5,349
Foreign exchange differences	(40,409)	(800)	(400)	(41,609)
June 30, 2017	792,691	15,697	13,198	821,586
Accumulated depreciation:				
December 31, 2016	-	(2,637)	(1,319)	(3,956)
Depreciation expense	-	(2,100)	(1,771)	(3,871)
Foreign exchange differences	-	133	67	200
March 31, 2017	-	(4,604)	(3,023)	(7,627)
Net book value:				
December 31, 2016	833,100	13,860	6,930	853,890
June 30, 2017	**$ 792,691**	**$ 11,093**	**$ 10,175**	**$ 813,959**

(Unaudited, Expressed in Canadian Dollars)

	Land	Vehicles	Office equipment	Total
Cost:				
February 17, 2016	$ -	$ -	$ -	$ -
Magellan Brazil transaction	733,452	14,524	7,262	755,238
Foreign exchange differences	99,648	1,973	987	102,608
December 31, 2016	833,100	16,497	8,249	857,846
Accumulated depreciation:				
February 17, 2016	-	-	-	-
Depreciation expense	-	(2,637)	(1,319)	(3,956)
December 31, 2016	-	(2,637)	(1,319)	(3,956)
Net book value:				
February 17, 2016	-	-	-	-
December 31, 2016	**$ 833,100**	**$ 13,860**	**$ 6,930**	**$ 853,890**

Land

Pursuant to an agreement entered into in January 2016 and amended in June 2017, the Company acquired a parcel of land at Cuiú Cuiú with a total area of approximately 30 hectares for a total of R$ 2,000,000. The land parcel covers the Moreira Gomes deposit which is one of the two gold deposits currently known on the Cuiú Cuiú project.

R$ 1,000,000 of the R$ 2,000,000 purchase price was paid in April 2016 prior to the closing of the 2016 Magellan Brazil transaction; the remaining R$ 1,000,000 was a liability as at the date of closing. Pursuant to the agreement, the outstanding liability was to be paid in two tranches of R$ 500,000 on each of February 2, 2017 and July 31, 2017. The February and July payments were made by the Company in accordance with the terms of the agreement.

6. MINERAL PROPERTIES

6 months ended June 30, 2017	Dec. 31, 2016	Additions	Foreign exchange	June 30, 2017
Cuiú Cuiú	$ 1,114,321	$ 195,409	($ 42,800)	$ 1,266,930
Bom Jardim	44,866	-	(2,187)	42,679
Other	2,544	-	(125)	2,419
	$ 1,161,731	**$ 195,409**	**($ 45,112)**	**$ 1,312,028**

(Unaudited, Expressed in Canadian Dollars)

Period ended December 31, 2016	Feb. 17, 2016	Magellan Brazil transaction	Additions	Foreign exchange	Dec. 31, 2016
Cuiú Cuiú	$ -	$ 948,380	$ 101,069	$ 64,872	$ 1,114,321
Bom Jardim	-	25,417	15,334	4,115	44,866
Other	-	-	2,440	104	2,544
	$ -	**$ 973,797**	**$ 118,843**	**$ 69,091**	**$ 1,161,731**

The Company's primary mineral property is Cuiú Cuiú.

All of the Company's properties are located in Brazil.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee their titles. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

It is possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties could be impaired in the future.

The Company is required to make certain option payments in order to maintain its property agreements in good standing. These future payments totalled US$ 40,000 as at June 30, 2017 all of which is conditional on the formal registration of title to an optioned secondary property (see Note 6(b)). The Company is also required to make statutory claim maintenance expenditures to the Brazilian authorities each year to maintain certain of its properties in good standing.

(a) Cuiú Cuiú

Surface access agreement, garimpiero condominium

On February 19, 2006, Magellan Minerais Prospecção Geológica Ltda. ("Magellan Brazil") entered into an agreement with the owners of the traditional surface rights over the Cuiú Cuiú property. Additional minority stakeholders were included in the agreement in 2008. The owners are organized into a 'condominium' (which is similar to a cooperative, but with fewer rights) comprising 60 minority stakeholders and 10 majority stakeholders. Magellan Brazil agreed to pay each of the majority stakeholders R$ 4,000 per year and each of the minority stakeholders R$ 2,000 per year for a period of up to five years in May of each year; the first payment was made on May 16, 2006, and subsequent payments were made in May of each year through 2010.

The February 2006 agreement was extended through February 16, 2016 pursuant to a renewal agreement dated December 7, 2010. The terms remained the same as the original agreement with the exception of the annual payments which increased from R$ 2,000 to R$ 2,500 for minority stakeholders (equivalent of $981as at June 30, 2017) and from R$ 4,000 to R$ 5,000 for majority stakeholders ($1,962).

The February 2006 agreement was extended a second time pursuant to a second renewal agreement dated March 29, 2017 for four years through May 2018 (including in respect of the two years ended May 2016). With certain minor exceptions, the terms remained the same as the initial December 2010 amendment. The March 2017 amendment did, however, recognise a reduction in the number of minority stakeholders to 57 and an increase in the number of majority stakeholders to 18.

The March 2017 amendment also set out charges in respect of inflation adjustments and interest charges relating to the delay in payment of annual fees since 2014. Total charges amount to R$ 1,268,079 in respect of the four years ended May 2018 which was to be paid as follows:

- R$ 751,383 was to be paid on or before March 30, 2017 (this amount, subject to minor late adjustments, was paid in full in April 2017 with the exception of R$ 18,421 paid in May 2017 and R$ 18,421 still owing to one majority and two minority stakeholders as at October 3, 2017)
- The remaining R$ 516,696 was to be paid on or before June 30, 2017 (this amount, subject to minor late adjustments, was paid in full in July 2017 with the exception of R$ 25,578 still owing to one majority and two minority stakeholders as at October 3, 2017)

The agreements specify that in the event an economically viable gold resource is identified, Magellan Brazil will make an additional payment to the owners of the traditional surface rights based on the amount of gold defined (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Less than 1.0 million ounces: US$ 2,000,000
- 1.0 million ounces to 2.0 million ounces: US$ 3,000,000
- 2.0 million ounces to 3.0 million ounces: US$ 4,000,000
- 3.0 million ounces to 4.0 million ounces: US$ 6,000,000
- More than 4.0 million ounces: an additional US$ 3,000,000 for every additional million ounces identified in excess of 4.0 million ounces of contained gold.

Upon delivery and approval of the final research reports on the areas under consideration to the Brazilian National Department of Mineral Production or at any time if the size of the gold reserve is found to be economically viable (supported by a formal feasibility study), Magellan Brazil is to provide written notice to the condominium following which the aforementioned payment is to be made within 90 days.

Sandstorm NSR

In May 2012, Magellan and Magellan Brazil granted Sandstorm Gold Ltd. ("Sandstorm") a 1.0% net smelter royalty ("NSR") on the Cuiú Cuiú project for consideration of US$ 500,000. The Company is required to pay an advance royalty of US$ 250,000 on the date that it obtains a feasibility study that recommends placing all or part of the Cuiú Cuiú project into production and a further advance royalty payment of US$ 250,000 on each one year anniversary of this date thereafter until the property enters commercial production. As part of the transaction, Magellan provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Cuiú Cuiú project.

Magellan's rights and responsibilities associated with this agreement were transferred to Cabral pursuant to an agreement dated May 2, 2016.

Magellan NSR

In conjunction with the April 2016 agreement between the Company, Magellan and two of the Company's founding shareholders relating to the transfer of Magellan Brazil from Magellan to the Company, Magellan Brazil and the Company agreed to grant Magellan a 0.5% royalty on the Cuiú Cuiú property. The Magellan NSR is subordinate to the Sandstorm NSR.

(b) Bom Jardim

Magellan Brazil holds rights to mineral properties in the Bom Jardim region pursuant to two separate option agreements as follows:

- Option agreement dated 1 June 2011 requiring total payments of R$ 100,000 (paid in full as at the date of closing of the 2016 Magellan Brazil transaction)
- Option agreement dated May 4, 2009 requiring total payments of R$ 35,000 and US$ 40,000. As at the date of closing of the 2016 Magellan Brazil transaction, R$ 35,000 had been paid and US$ 40,000 was unpaid pending the formal transfer of mineral rights to the Company; the final US$ 40,000 option payment remained unpaid as at June 30, 2017 due to the absence of formal transfer.

The second option agreement specifies that in the event that a gold deposit is identified, Magellan Brazil will immediately make an additional payment to the optionors based on the amount of gold defined (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Up to 15 tons: US$ 2,000,000
- Between 15 and 30 tons: US$ 3,000,000
- Between 30 and 45 tons: US$ 4,000,000
- Between 45 and 60 tons: US$ 5,000,000
- Between 60 and 90 tons: US$ 6,000,000
- More than 90 tons: US$ 8,000,000.

(c) Uniao

Magellan Brazil holds the rights to the Uniao property.

Pursuant to an agreement entered into with a third party in 2014, Magellan agreed to transfer the Uniao property out of Magellan Brazil for nominal consideration. As at October 3, 2017, the transfer of the Uniao property had not been completed. None of the purchase price consideration relating to the April 2016 Magellan Brazil transaction was attributed to the Uniao property.

7. POCONÉ

The Company is a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso in Brazil were to be identified, explored and developed. The first agreement was entered into between Magellan and ECI Exploration & Mining Inc. ("ECI") on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the "ECI Venture"). The second set of agreements was between Magellan, ECI and Brasil Central Engenharia Ltda. ("Brasil Central") pursuant to which Magellan, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through a newly incorporated entity, Poconé Gold Mineração Ltda. ("PGM"), an entity in which Magellan Brazil holds a 35% interest (as at both the date of closing of the 2016 Magellan Brazil transaction and June 30, 2017).

(Unaudited, Expressed in Canadian Dollars)

Magellan's rights and responsibilities associated with both the ECI Venture and PGM were transferred to Cabral prior to the date of closing of the 2016 Magellan Brazil transaction pursuant to an agreement dated April 15, 2016 between the Company, Magellan and ECI.

Virtually no exploration activity was undertaken on any of the Poconé properties since 2012.

None of the purchase price consideration relating to the 2016 Magellan Brazil transaction was attributed to the Poconé properties, however, various liabilities amounting to $18,788 relating to the ECI Venture and PGM were recognised.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2017	December 31, 2016
Restructured Brazil taxes (see Note 9)	$ 321,720	$ 71,935
Cuiú Cuiú condominium liability (see Note 6(a))	58,794	337,830
Brazil taxes (not deferred)	28,172	283,041
Restructured Brazil claim maintenance (see Note 9)	17,430	13,486
Other	118,537	82,499
	544,653	788,791
Less long-term portion, restructured Brazil taxation (see Note 9)	(296,005)	(49,577)
Less long-term portion, deferred claim maintenance (see Note 9)	(12,515)	(9,743)
	$ 236,133	**$ 729,471**

Restructuring of Brazilian tax and claim maintenance liabilities

During the fourth quarter of 2014 and the first quarter of 2016, Magellan Brazil restructured certain unpaid taxes due to various federal and state taxation and administrative bodies in Brazil. The payment plan including discount was entered into pursuant to a general program offered by these bodies. The restructured liabilities are being repaid over 60 months. Monthly repayments are increased to recognise the impact of inflation pursuant to indices published each month.

Magellan Brazil entered into a new restructuring agreement relating to approximately $289,525 of unpaid social taxes, penalties, interest and fees in May 2017. The restructured liabilities are being repaid over 120 months. Monthly repayments are increased to recognise the impact of inflation pursuant to indices published each month.

In the six months ended June 30, 2017, two additional new restructuring agreements were entered into as follows:

- INSS social taxes of R$ 65,642 (approximately $25,758)

- Poconé claim maintenance charges of R$ 31,532 (approximately $12,373); entered into by ECI, amounts reflect Magellan Brazil's share.

Of the total balance of deferred taxes and deferred claim maintenance expenditures of $339,150 outstanding as at June 30, 2017, $30,630 is due by June 30, 2018 and $308,520 is due subsequent to June 30, 2018 through April 2027.

9. OTHER LIABILITIES AND PROVISIONS

The balance of Other liabilities and provisions as at June 30, 2017 includes an amount of approximately $196,000 owing to the vendor in respect of the purchase of land at Cuiú Cuiú made in January 2016 (see Note 5). This amount was paid in full subsequent to June 30, 2017 in accordance with the terms of the land purchase agreement (as amended).

Various legal, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations. The balance of Other liabilities and provisions as at June 30, 2017 includes a provision of approximately $192,000 representing management's best estimate of expenditures required to settle present contingent obligations relating to such matters. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Company's estimates (see Note 17).

10. SHAREHOLDERS' EQUITY

(a) Share capital

The Company has authorized capital of an unlimited number of common shares with no par value.

January 12, 2017 private placement

On January 12, 2017, the Company closed a private placement financing pursuant to which 4,450,000 common shares of Cabral were issued at a price of $0.06 per common share, for gross proceeds of $267,000 (including $200,000 received prior to 2017 and classified as Subscription receipts as at December 31, 2016).

No finder's fees or similar fees were paid or compensation options issued in connection with the financing.

If the Company does not complete a go-public transaction (which would include the listing of the Company's common shares on a recognized stock exchange in Canada or certain types of M&A transactions involving the Company's shares) within one year of closing the private placement, then the Company is required to issue to each subscriber participating in the private placement that number of common shares of the Company equivalent to 10% of the number of common shares of the Company that the subscriber purchased in the private placement. A similar condition was present with respect to the December 2016 private placement which comprised the issuance of 31,841,932 common shares.

(Unaudited, Expressed in Canadian Dollars)

All securities issued in connection with the private placement are subject to a four month hold period following issuance.

(b) Compensation options

1,471,261 compensation options were issued to an external adviser (the "Advisor") in connection with the December 2016 private placement. Each compensation option provides the Advisor with the right to acquire one common share of the Company at an exercise price of $0.06 for a period commencing on the date of closing of the private placement and ending on the date that is two years following the date of a go-public transaction.

	Number of compensation options	Weighted average exercise price
Incorporation	-	$ -
Compensation options issued	1,471,261	0.06
December 31, 2016	**1,471,261**	**0.06**
June 30, 2017	**1,471,261**	**$ -**

The estimated weighted average remaining contractual life of the compensation options as at June 30, 2017 was 2.5 years.

(c) Stock options

	Number of stock options	Weighted average exercise price
Incorporation	-	$ -
December 31, 2016	**-**	**-**
Stock options issued	5,200,000	0.06
June 30, 2017	**5,200,000**	**$ -**

Stock-based compensation totalled $163,800 in the six months ended June 30, 2017 (period ended June 30, 2016: nil).

5,200,000 stock options were granted on February 15, 2017. All stock options will expire on February 14, 2020. All stock options vested immediately upon issuance.

The fair values of the stock options granted in February 2017 were estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

(Unaudited, Expressed in Canadian Dollars)

Dividends	-
Expected volatility (average)	91%
Risk-free interest rate	1.15%
Expected life (months)	36
Expected rate of forfeiture	5.0%

The following table summarizes information relating to stock options outstanding and exercisable at June 30, 2017:

	Number of stock options outstanding	Weighted average remaining life (months)	Weighted average exercise price ($)	Number of stock options exercisable
February 2017	5,200,000	31	0.06	5,200,000
	5,200,000	**31**	**0.06**	**5,200,000**

11. EXPLORATION AND DEVELOPMENT EXPENDITURES

Six months ended June 30, 2017	Cuiú Cuiú	Pocone	Local administration	Total
Incurred in the six months ended June 30, 2017:				
Office and logistics	$ -	$ -	$ 46,998	$ 46,998
Field costs	26,842	-	-	26,842
Consulting, internal	-	-	76,692	76,692
Consulting, third parties	39,829	-	-	39,829
Other (net)	-	2,033	-	2,033
Travel	504	-	4,807	5,311
	$ 67,175	**$ 2,033**	**$ 128,497**	**$ 197,705**

(Unaudited, Expressed in Canadian Dollars)

Period ended June 30, 2016	Cuiú Cuiú	Pocone	Local administration	Total
Incurred in period ended June 30, 2016:				
Office and logistics	$ -	$ -	$ 6,446	$ 6,446
Field costs	14,908	-	-	14,908
Consulting, third parties	21,674	-		21,674
Other (net)	-	404	-	404
Travel	3,162	-	-	3,162
	$ 39,744	**$ 404**	**$ 6,446**	**$ 46,594**

12. SALARY AND WAGES

Total payroll, consulting and related costs incurred in the six months ended June 30, 2017 amounted to $221,261 (period ended June 30, 2016: $6,403).

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of mineral properties. The Company's assets are located in Canada and Brazil as follows:

	Canada	Brazil	Total
Non-current assets:			
June 30, 2017	$ 4,628	$ 2,121,359	$ 2,125,987
December 31, 2016	-	2,015,621	2,015,621
Net loss:			
6 months ended June 30, 2017	532,403	416,468	948,871
Period ended June 30, 2016	$ 3,553	$ 55,068	$ 58,621

(Unaudited, Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

(a) Management and director compensation

	6 months ended June 30, 2017	Period ended June 30, 2016
Management:		
Employment and consulting remuneration	$ 114,583	$ -
Payroll related costs	14,166	1,576
	128,749	1,576
Directors:		
Stock-based compensation	130,725	-
Advisory fees	31,250	-
	161,975	-
	$ 290,724	**$ 1,576**

Management comprises the President and Chief Executive Officer and Chief Financial Officer.

(b) Balances due to related parties

As at June 30, 2017, the Company owed a total of $3,597 to management in connection with unreimbursed expenditures. This liability had been settled in full in July 2017.

15. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are as follows:

- To safeguard its ability to continue as a going concern
- To have sufficient capital to be able to meet its strategic objectives including the continued exploration and development of its existing mineral projects and the identification of additional projects.

Given the current exploration stage of its projects, the Company's primary source of capital is derived from equity issuances. Capital consists of equity attributable to common shareholders.

The Company has no externally imposed capital requirements and manages its capital structure in accordance with its strategic objectives and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares in the form of private placements and/or secondary public offerings.

Additional information relating to going concern is disclosed in Note 1.

16. FINANCIAL INSTRUMENTS

(a) Carrying value and fair value

The Company's financial instruments comprise cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities and other liabilities and provisions.

Financial instruments recognized at fair value on the consolidated balance sheets are classified in fair value hierarchy levels as follows:

- Level 1: Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques based on inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
- Level 3: Valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

Cash and cash equivalents and accounts receivable are classified as loans and receivables and are recorded in the financial statements at amortized cost. Amortized cost approximates fair market value due to the short-term nature of the balances.

Accounts payable and accrued liabilities and other liabilities and provisions are classified as other financial liabilities and are recorded in the financial statements at amortized cost. The fair value of accounts payable and accrued liabilities may be less than the carrying value as a result of the Company's credit and liquidity risk.

(b) Financial risks

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, liquidity risk, credit risk and interest rate risk.

Foreign exchange risk

The Company operates primarily in Brazil and is therefore exposed to foreign exchange risk arising from transactions denominated in Brazilian reais ("R$"). Other than Canadian dollar balances, the Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities are denominated in R$ and US$. Accordingly, the Company is subject to foreign exchange risk relating to such balances in connection with fluctuations against the Canadian dollar. The Company has no program in place for hedging foreign currency risk.

The Company held the following foreign currency denominated balances as at June 30, 2017 and December 31, 2016:

	June 30, 2017		December 31, 2016	
	R$	US$	R$	US$
Cash and cash equivalents	728,935	226,666	47,498	150,764
Receivables and prepaid expenses	977	-	2,350	-
Liabilities and provisions	(2,162,662)	(517)	(2,802,630)	-
	(1,432,750)	226,149	(2,752,782)	150,764
Equivalent in Canadian dollars	(562,216)	293,472	(1,135,542)	202,422

Based on the balances held as at June 30, 2017, a 10% decrease in the $ per R$ and $ per US$ exchange rates on this date would have resulted in an increase in the net loss for the period then ended of approximately $29,860 (December 31, 2016: increase in net loss of $103,680).

Liquidity risk

Liquidity risk encompasses the risk that an entity cannot meet its financial obligations in full as they become due. The Company manages liquidity by taking the appropriate steps to maintain adequate cash and cash equivalent balances. The Company monitors actual and forecast cash flows, and matches the maturity profile of financial assets and liabilities. See Note 1.

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and receivables. The carrying value of the Company's financial assets recorded in the consolidated financial statements represents its maximum exposure to credit risk.

All accounts receivable balances are collectable and no valuation allowance or provision was applied or required as at June 30, 2017.

Interest rate risk

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short-term nature, changes in interest rates will have a corresponding impact on interest income realised on such assets.

The Company's restructured tax and claim maintenance liabilities in Brazil are subject to charges which are calculated based on the domestic rate of inflation in Brazil and related indices published by the Brazilian authorities.

17. CONTINGENT LIABILITIES

The Company is subject to litigation in the counties where it operates. As at June 30, 2017 and October 3, 2017, there were several cases outstanding which had not been settled or where final judgement had not been rendered. Management is vigorously defending against those claims and has assessed the likelihood of loss related to the outstanding litigation and has recorded a provision of approximately $192,000 with regard to all outstanding litigation and related exposures.

APPENDIX F

San Angelo Oil Limited

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2017

(Unaudited – Prepared by management)

San Angelo Oil Limited

Statement of financial position

(Expressed in Canadian dollars)

	San Angelo 31-Mar-17	Cabral 31-Mar-17	Notes	Pro forma adjustments	Resulting issuer 31-Mar-17
ASSETS					
Current assets					
Cash	122,157	1,752,070	3(a)	4,000,000	5,634,227
			3(c)	(240,000)	
Accounts receivable	6,478	18,912			25,390
Prepaid expenses	-	7,500			7,500
Total Current assets	**128,635**	**1,778,482**		**3,760,000**	**5,667,117**
Non-current assets					
Fixed assets	-	873,420			873,420
Mineral properties	-	1,221,386			1,221,386
Total Assets	**128,635**	**3,873,288**		**3,760,000**	**7,761,923**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	16,224	810,464	3(h)	320,000	1,146,688
Financing of land purchase	-	211,354			211,354
Total Current liabilities	**16,224**	**1,021,818**		**320,000**	**1,358,042**
Long-term liabilities	**-**	**60,857**			**60,857**
Total liabilities	**16,224**	**1,082,675**	**-**	**320,000**	**1,418,899**
Shareholders' equity					
Share capital	2,820,369	3,309,346	3(e)	(2,820,369)	7,393,435
			3(e)	681,739	
			3(a)	4,000,000	
			3(b)	(333,333)	
			3(c)	(355,600)	
			3(d)	180,000	
			3(g)	(88,717)	
Share premium	930,383	-	3(e)	(930,383)	-
Contributed surplus	105,092	-	3(e)	(105,092)	-
Contributed surplus, stock options	-	163,800	3(f)	298,210	462,010
Contributed surplus, compensation options		38,253	3(g)	88,717	126,970
Contributed surplus, warrants	120,754	-	3(e)	(120,754)	448,933
			3(b)	333,333	
			3(c)	115,600	
Accumulated other comprehensive income	-	26,826			26,826
Accumulated deficit	(3,864,187)	(747,612)	3(e)	3,864,187	(2,115,150)
			3(e)	(569,328)	
			3(d)	(180,000)	
			3(f)	(298,210)	
			3(h)	(320,000)	
Total Shareholder's equity	**112,411**	**2,790,613**		**3,440,000**	**6,343,024**
Total Liabilities and Shareholder's equity	**128,635**	**3,873,288**		**3,760,000**	**7,761,923**

1. BASIS OF PREPARATION

The accompanying unaudited pro forma consolidated statement of financial position has been prepared by management to show the effect of both the proposed acquisition (the "Transaction") by San Angelo Oil Limited ("San Angelo") of 100% of the issued and outstanding common shares of Cabral Gold Ltd. ("Cabral") and various transactions agreed by the Parties as set out in the business combination agreement dated May 10, 2017 (the "Business Combination Agreement") entered into between San Angelo, Cabral and related individuals to take place prior to and in conjunction with the Transaction. The Transaction is being recorded as a reverse takeover.

The unaudited pro forma consolidated statement of financial position has been prepared in accordance with International Financial Reporting Standards and has been compiled from information derived from the unaudited financial statements of San Angelo as at and for nine months ended March 31, 2017 and the unaudited financial statements of Cabral as at and for three months ended March 31, 2017. Management has applied the assumptions and adjustments described in Note 3 in compiling the unaudited pro forma consolidated statement of financial position.

A pro forma consolidated statement of loss and comprehensive loss has not been compiled as such a statement would not provide any meaningful information relative to the standalone statements of loss and comprehensive loss of each of the two parties.

The unaudited pro forma consolidated statement of financial position is not necessarily indicative of the financial position of San Angelo on the date of the completion of the proposed acquisition of Cabral.

The unaudited pro forma consolidated statement of financial position of San Angelo should be read in conjunction with the financial statements of each of San Angelo and Cabral and other public disclosures of San Angelo made in respect of the proposed acquisition transaction.

Completion of the transaction is subject to a number of conditions including, but not limited to approval by the TSX Venture Exchange (the "TSX-V").

2. TRANSACTION

Pursuant to the terms of the Business Combination Agreement, the Transaction will be carried out by way of a three-cornered amalgamation whereby Cabral will amalgamate with a newly-incorporated wholly-owned subsidiary of San Angelo as follows:

(a) San Angelo will complete a 1:5 consolidation of its common shares concurrently with closing thereby reducing the total number of issued and outstanding common shares from 6,492,750 to 1,298,550. The number of share purchase warrants outstanding and the corresponding exercise price will be subject to adjustment applying the same 1:5 consolidation ratio;

(b) Shareholders of Cabral will receive 0.18 of one post-consolidation common share of San Angelo for each one common share of Cabral held (the "Exchange Ratio"); total consideration received by Cabral shareholders will be 22,822,548 post-consolidation common share of San Angelo;

(c) The resulting issuer is required to have not less than $3,800,000 in working capital immediately following closing of the Transaction. Accordingly, Cabral will seek to raise a minimum of approximately $4,000,000 which will close concurrently with the closing of the Transaction;

(d) Outstanding stock options, compensation options and share purchase warrants of Cabral will be exchanged for similar instruments of San Angelo exercisable for or convertible into San Angelo post-consolidation common shares on the basis of the Exchange Ratio;

(e) Outstanding share purchase warrants of San Angelo will be exchanged for similar instruments of San Angelo exercisable for or convertible into San Angelo post-consolidation common shares on the basis of the 1:5 consolidation ratio; and,

(f) Cabral will amalgamate with a newly-incorporated wholly-owned subsidiary of San Angelo to form Cabral Gold B.C. Inc. which will be a wholly-owned subsidiary of San Angelo.

The closing of the Transaction is subject to San Angelo obtaining approval of the TSX Venture Exchange. In addition, San Angelo is required to obtain shareholder approval of the consolidation and Cabral is required to obtain shareholder approval of the amalgamation.

A success fee in connection with a completed transaction equivalent to the greater of $180,000 or 3.0% of the transaction value will be due following closing of the Transaction pursuant to an advisory agreement entered into by Cabral with an external adviser in October 2016.

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND ADJUSTMENTS

The unaudited pro forma consolidated statement of financial position gives effect to the Transaction as if it and the related matters described below had occurred on March 31, 2017.

The following assumptions and adjustments were used to compile the pro forma consolidated statement of financial position:

(a) The resulting issuer is required to have not less than $3,800,000 in working capital immediately following closing of the Transaction. Accordingly, Cabral will seek to raise a minimum of approximately $4,000,000 and a maximum of $6,000,000 through the issuance of subscription receipts (“Subscription Receipts”) priced at $0.108 per Subscription Receipt. It is assumed that $4,000,000 will be raised comprising 37,037,037 Subscription Receipts.

Immediately prior to the closing of the Transaction, each Subscription Receipt will be exchanged, without additional consideration for one unit of Cabral which will, in conjunction with the closing of the Transaction, be exchanged for 0.18 of a unit of San Angelo (each whole such unit being referred to as a “Unit”) at an effective post-consolidation (1:5) issue price of $0.60. Each Unit will be comprised of one post-consolidation common share of San Angelo, one-half of one class A warrant, with each whole class A warrant entitling the holder to purchase one post-consolidation common share of San Angelo at a price of $0.75 for a period of one year after the closing of the offering, and one-half of one class B warrant, with each whole class B warrant entitling the holder to purchase one post-consolidation common share of San Angelo at a price of $0.90 for a period of two years after the closing of the offering.

(Expressed in Canadian dollars)

(b) The most recent trading price of San Angelo common shares was $0.11, being the equivalent of $0.55 on a post-consolidation basis. This common share price compares to the effective post-consolidation issue price of $0.60. The Unit price consideration has been allocated $0.55 to the common share, $0.025 to the one-half of one class A warrant and $0.025 to the one-half of one class B warrant (total of $3,666,667, $166,667 and $166,666, respectively).

(c) A finders' fee equivalent to 6% of the gross proceeds of the offering will be paid in cash and that number of compensation warrants equivalent to 6% of the number of Subscription Receipts issued in connection with the offering will be issued upon closing. Each compensation warrant will entitle the holder thereof to acquire one Unit at any time until the second anniversary of the closing of the offering at a price of $0.60 per Unit. The compensation warrants have a fair value of $115,600. The cash finder's fee associated with this subscription will be $240,000.

(d) It is assumed that the transaction finder's fee will amount to $180,000 and will be paid in common shares of San Angelo following closing of the transaction at a price of $0.50 per common share.

(e) San Angelo will issue a total of 22,822,548 post-consolidation common shares to the shareholders of Cabral as consideration for the acquisition. For accounting purposes, the transaction will be treated as a reverse takeover with the equity accounts being presented as a continuation of Cabral and, accordingly, the share capital of San Angelo will be eliminated. The net assets of San Angelo acquired and recorded, with offsetting increases to share capital and deficit, as a result of the reverse takeover, are as follows:

	31 March 2017
Cash	$ 122,157
Other current assets	6,478
Current liabilities	(16,224)
Net assets acquired	112,411
Listing expense	569,328
	681,739
Issued equity	**$ 681,739**

(Expressed in Canadian dollars)

(f) The stock options of Cabral outstanding prior to closing will be reissued by San Angelo after adjusting both the number and exercise price by the exchange ratio of 0.18. The expiry date on these options has been extended to February 4, 2020. The additional stock based compensation recorded as a result of these modifications was $298,210.

(g) The compensation options of Cabral outstanding prior to closing will be reissued by San Angelo after adjusting both the number and exercise price by the exchange ratio of 0.18. The expiry date on these options has been extended to July 31, 2019. The additional share issue costs recorded as a result of these modifications was $88,717.

(h) San Angelo has estimated that approximately $320,000 in professional fees and other regulatory costs will be incurred in connection with the Transaction.

4. SHAREHOLDERS' EQUITY

(a) Share capital

The table below reconciles the outstanding common shares of the Company upon completion of the transaction:

	Common shares outstanding	Share capital
San Angelo pre-acquisition shares (consolidated)	1,298,550	$ 3,309,346
Share exchange	22,822,548	681,739
Private placement, net of warrants	6,666,667	3,666,667
Share issuance costs, cash	-	(240,000)
Share issuance costs, finder's warrants	-	(115,600)
Transaction fees	360,000	180,000
Compensation options, revalued	-	(88,717)
	31,147,765	**$ 7,393,435**

(b) Stock options

As at March 31, 2017, San Angelo had no stock options outstanding and Cabral had 5,200,000 stock options outstanding. Following consideration of the deemed closing of the Transaction and application of the 0.18 exchange ratio, the number of stock options outstanding is reduced to 936,000. Each stock option provides the holder with the right to acquire one common share of San Angelo. All stock options have an exercise price of $0.3333 and expire on February 14, 2020. (All references to number of stock options and exercise price refer to post-consolidation amounts).

(Expressed in Canadian dollars)

(c) Compensation options

As at March 31, 2017 and following consideration of the deemed closing of the Transaction and application of the 0.18 exchange ratio, the number of compensation options outstanding is reduced to 264,827. Each compensation option provides the holder with the right to acquire one common share of San Angelo. All compensation options have an exercise price of $0.3333 and expire two years following the closing of the Transaction. (All references to number of compensation options and exercise price refer to post-consolidation amounts).

(d) Share purchase warrants

As at March 31, 2017 and following consideration of the deemed closing of the Transaction, the share purchase warrants outstanding are as follows (all references to number of share purchase warrants and exercise prices refer to post-consolidation amounts):

	Exercise price ($)	**Expiry date**	**Warrants outstanding**
Class A share purchase warrants	0.75	One year following closing of the offering	3,333,333
Class B share purchase warrants	0.90	Two years following closing of the offering	3,333,333
Warrants	0.25	May 26, 2021	600,000
			7,266,666

Each share purchase warrant provides the holder with the right to acquire one common share of San Angelo.

(e) Finders' fee warrants

As at March 31, 2017 and following consideration of the deemed closing of the Transaction and application of the 0.18 exchange ratio, the number of finders' fee warrants outstanding is reduced to 400,000. Each finder's fee warrant provides the holder with the right to acquire one Unit of San Angelo. All finders' fee warrants have an exercise price of $0.60 and expire two years following the closing of the offering.

5. INCOME TAXES

The pro forma effective tax rate for March 31, 2017 is nil. There is no tax effect of pro forma adjustments relating to San Angelo or Cabral because both entities have net deferred income tax assets which have not been recognised due to uncertainty as to whether those assets will be realised.

APPENDIX G

San Angelo Oil Limited

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2016

Forward-Looking Statements

Information and statements contained in the Management Discussion and Analysis ("MD&A) that are not historical facts are forward-looking information within the meaning of Canadians securities legislation and involve risk and uncertainly. This MD&A contains looking-forward information including estimations and statements which describe the Company's future activities.

In certain cases forward-looking statements can be identified by such words as "plans", "expects", "budgets", "estimates", "forecasts", "intends", "anticipates", "believes" including the negative thereof or variations of such words combined with statements that events "may", "might", "could" or "will be taken". These forward looking statements involve factors that may change resulting in actual results differing materially from those expressed. Examples include timing and outcome of litigations, receipt of regulatory approvals, and valuation models.

Forward-looking statements contain known and unknown risks and uncertainties which could cause actual performance to be materially different from any future results. These factors are discussed in the "Risks and Uncertainties" section in the MD&A.

While the Company has identified a number of risks that could affect the Company's actual events this may not be an all exhaustive listing and there could be other factors that could impact the actual results.

Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties. The statements contained in this MD&A speak only as of the date hereof, and the Company does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Introduction

San Angelo Oil Limited ("San Angelo" or the "Company"), through its wholly owned subsidiary, San Angelo Operating Corp. ("SAOC"), is a junior resource exploration company focused on acquiring a portfolio of producing U.S. oil and gas assets with significant low cost proven undeveloped reserves. The Company owns a 55 % working interest in the Orb Prospect located in the Runnels County, State of Texas, United States of America.

The Company was incorporated under the British Columbia Corporations Act on February 11, 2014.

This management discussion and analysis ("MD&A") focuses on significant factors that affected San Angelo and its subsidiary company during the relevant reporting period and to the date of this report.

The Company's head office is located at Suite 3123 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J1.

Additional Information

The MD&A provides an analysis of the financial results of San Angelo's operations and financial results for the year ended June 30, 2016 and should be read in conjunction with the audited annual consolidated financial statements (the "Annual Financial Statements") and notes thereto, for the year ended June 30, 2016, and the MD&A and audited annual consolidated financial statements for the year ended June 30, 2015 along with other public disclosure documents of the Company.

These financial statements have been prepared using accounting policies in compliance with IFRS, International Accounting Standards ("IAS"), and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") issued by the International Accounting Standards Board ("IASB").

The policies applied in these financial statements are based on IFRS issued and effective as at the date the Board of Directors approved these financial statements for issue.

The financial statements were authorized for issue by the Board of Directors (the "Board") on October 28, 2016.

Overview of Significant Events

Corporate Matters

The Company's wholly owned subsidiary, San Angelo Operating Corp. ("SAOC"), entered into the Purchase, Sale and Participation Agreement ("PSPA"), pursuant to which SAOC acquired a 55% working interest in Loln Energy Corporation's ("Loln") existing leasehold and farm out position in the Orb Prospect. At the time the PSPA was executed in May 2014, the Orb Prospect consisted of approximately 2,348 leased net mineral acres located in Runnels County, State of Texas, United States of America. Subsequent leasing and acquisition efforts expanded the existing acreage to approximately 2,953 net mineral acres. A portion of the currently held position (258.3 acres) falls under the Farm-out Agreement whereby Loln has procured the rights to drill a vertical well into the target Gray Sand. As is customary in farm-out agreements, after drilling and completing the vertical well so that it is capable of producing in commercial quantities, Loln will have earned an assignment from 3D Oil and Gas ("3-D") for the entire 258.3 acre tract, 55% of which will be assigned to SAOC pursuant to the PSPA. The well has been drilled and as such the farm-out has been earned but the assignment from 3-D to the Orb owners has not been completed at this time. On September 30, 2014, Loln resigned as operator of the Orb Prospect and named SAOC as the operator effective October 1, 2014. Pursuant to a joint operating agreement, SAOC and Loln et al are responsible for their proportionate share of the costs of developing and operating the Farm-out Lands.

The initial vertical well, located on the farm-out lands was drilled in December 2014 and completion operations were initiated. The well was successfully drilled to the target Gray Sand formation and reached a total depth of 5,350 feet. A full suite of modern logs was obtained and are being utilized in the design of fracture stimulation operations. At present, additional leasing and mapping has been deferred while the Company evaluates the current low commodity price environment.

By way of a mutual agreement the Company has agreed to transfer operations of the Orb Prospect to Loln Energy Corporation, or its designee, on July 22, 2015. At the date of this MD&A, the operator is considering additional work on the Mikeska well but no formal work proposal has been received or scheduled at this time.

The Company expects to continue its search for viable opportunities with regards to its capital needs and to manage the cash balances as circumstances dictate to remain in a financially flexible and responsible position.

The focus on managing administrative and operational costs is consistent with the plan to conserve cash reserves and to employ funds only when there is a significant level of certainty that their use will be of benefit to the Company and their stakeholders.

Financing Matters

During the year ended June 30, 2016, The Company completed a non-brokered private placement of 3,000,000 units (the "Units") at a market price ($0.05 per Unit), post consolidation, for gross proceeds of up to $150,000 (the "Offering"). Each Unit comprised of one post-consolidated common share and one transferrable share purchase warrant (a "Warrant") of the Company. Each Warrant entitles the holder to acquire one additional post-consolidation common share of the Company at a price of $0.05 for a period of 5 years. These warrants expire on May 26, 2021.

On December 29, 2015, the Company has cancelled and returned to treasury 8,000,000 of the 8,500,000 seed shares that were issued at $0.01 per common share prior to San Angelo's initial public offering.

On December 29, 2015, the Company issued 22,000,000 common shares for the conversion of $1,100,000 of convertible debentures outstanding at an amended price of $0.05 per common share (previously convertible at $0.20 per common share). The Company has also eliminated the warrants underlying these debentures. Out of the 22,000,000 common shares issued to the debenture holders, 5,362,500 common shares underlying the Debentures will remain subject to an escrow agreement while the remaining 16,637,500 common shares underlying the Debentures will be free trading.

May 26, 2016, the Company completed ten (10) for one (1) basis share consolidation of its common shares.

Other Matters;

By Director's Resolution, dated September 30, 2015, the Company has cancelled 1,137,860 stock options which represent all of the outstanding stock options in the Company.

Financial Update

For the year ended June 30, 2016, the Company reported a net loss of $2,526,737 (2015: $1,304,738).

The following table sets forth selected items of general and administrative expenses for the Company for the years ended June 30, 2016 and 2015. The information has been summarized from the Company's audited consolidated financial statements for the years then ended:

Summary of Financial Information

	For the year ended June 30, 2016	For the year ended June 30, 2015	For the period February 11, 2014 to June 30, 2014
	$	$	$
Current assets	224,569	480,565	637,282
Total assets	230,976	1,919,048	1,255,999
Total non-current financial liabilities	-	194,907	341.895
Total Liabilities	50,596	1,088,797	1,176,119
Basic and diluted loss per share	(0.82)	(0.80)	(0.60)

	For the year ended June 30, 2016	For the year ended June 30, 2015	For the period February 11, 2014 to June 30, 2014
Expenses	$	$	$
Accretion	75,383	150,394	-
Amortization	13,506	12,061	-
Consulting	50,084	311,112	54,268
Management fee	7,200	-	-
Salary and benefits	54,247	403,470	5,365
Insurance	29,374	44,596	-
Legal	53,700	99,253	59,013
Professional fees	19,082	80,193	25,000
Office and miscellaneous	23,856	116,118	6,029
Site investigation costs	-	50,422	-
Transfer agent and regulatory fees	33,663	55,002	-
Travel	395	38,469	14,894
Share-based payments	-	8972	-
Loss on modification of convertible debt	715,313	49,500	-

For the Three Months ended June 30, 2016

The Company had a net loss of $729,211 for the three month period ended June 30, 2016.

Significant costs were incurred in the following categories:

- During the three month period ended June 30, 2016, the Company wrote off $6,775 (2015: $Nil) of office furniture previously capitalized.
- Accretion charges of $Nil (2015 - $40,017) reflect the costs of the current period charges relating to the valuation of the convertible debenture;
- Legal fees of $5,858 was higher compared to $3,992 in the same period last year as it represents the legal costs associated with the conversion of convertible debentures and the cancellation of the seed shares as well as other corporate activities;
- Professional fees of $11,932 (2015 - $36,450) were lower this year compared to the same period in 2015 due to lower level of corporate activities;
- Regulatory and transfer fees of $12,745 were comparable to the regulatory and transfer agent fees incurred during same period in 2015 of $12,743.
- During the three month period ended June 30, 2016, the Company recorded a loss on modification of convertible debt of $715,313 (2015 - $49,500). This loss resulted from amending the conversion price of the convertible debt from $0.20 to $0.05 and eliminating the warrants underlying the convertible debentures.
- The Company had no revenue and no dividends were paid during the period.

For the Year ended June 30, 2016

The Company had a net loss of $2,526,737 for the year ended June 30, 2016.

Significant costs were incurred in the following categories:

- Exploration property write-off of $1,418,875 relates to the remaining balance in the Runnels County exploration costs initially capitalized (2015 - $Nil);
- The Company wrote off $57,733 (2015: $Nil) of well equipment and office furniture previously capitalized.
- Accretion charges of $75,383 (2015 - $110,378) reflect the costs of the current year charges relating to the valuation of the convertible debenture;
- Legal fees of $53,700 was lower compared to $99,253 in the previous year due to decreased corporate activities in the Company;
- Salary and benefits of $54,247 was lower compared to $403,470 in 2015 due to lower costs incurred by the Company related to the services provided by the senior management team;
- Office and miscellaneous of $23,856 were lower compared to 2015 charges of $116,118 due to decreased activities such as rent, supplies and services associated with the operation of the Vancouver office and Austin site;
- Regulatory and transfer agent fees of $33,663 were lower compared to fees incurred during 2015 of $55,002 as a result of lower corporate activities.
- During the year ended June 30, 2016, the Company recorded a loss on modification of convertible debt of $715,313 (2015 - $49,500). This loss resulted from amending the conversion price of the convertible debt from $0.20 to $0.05 and eliminating the warrants underlying the convertible debentures.
- The Company had no revenue and no dividends were paid during the period.

Summary of Quarterly Results

The information presented below highlights the Company's quarterly results for the past eight quarters from the date of:

Three Months Ended	June 30, 2016 $	March 31, 2016 $	December 31, 2015 $	September 30, 2015 $	June 30, 2015 $	March 31, 2015 $	December 31, 2014 $	September 30, 2014 $
Expenses	1,075,803	63,783	109,785	152,970	249,840	239,055	514,158	416,509
Loss for the period	2,526,737	2,686	614,552	1,180,287	268,301	172,957	489,710	373,770
Loss per share	(0.82)	(0.00)	(0.14)	(0.56)	(0.13)	(0.08)	(0.23)	(0.18)

The Company had no revenues, during the past eight quarters.

Total Assets

The Company's liquid assets are a result of the financing activities to date. The Company currently does not hold any long term assets other than equipment.

Working Capital

The Company's working capital has been funded from proceeds received from equity, brokered private placements, the issuance of convertible debentures, and the closing of the Company's initial public offering ("IPO").

Expenses

Operating expenses discussed above are representative of the Company's current ongoing activities.

Liquidity and Capital Resources

The Company is an exploration stage enterprise. It does not earn any operating revenues and relies on its working capital to fund its exploration activities and its administrative costs. The Company's cash position on June 30, 2016, is $219,793.

As at the date of this MD&A, the Company's working capital is estimated to be $159,000.

Capital Management

The Company manages its cash, short-term investments, share capital and share purchase warrants as capital. It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company's investment policy is to hold cash with institutions of high creditworthiness, in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company currently has no sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its capital either materially increasing or decreasing at present or in the foreseeable future.

Operating Activities

Cash used in operating activities during the year ended June 30, 2016 was $364,923 (2015: $1,219,349). The use of these funds was reflective of the corporate activity as discussed previously herein.

Financing Activities

During the year ended June 30, 2016, the Company generated cash of $119,897 from financing activities (2015 - $1,844,797). The Company made its interest payment on account of the convertible loan interest obligation in the amount of $27,726 (2015: $Nil). The company received $147,623 (2015 - $1,884,797) from issuance of shares (net of share issuance cost).

Investing Activities

During the year ended June 30, 2016, the Company spent $20,084 (2015: $793,009) on exploration and evaluation costs related to the Orb Project, located in Runnels County.

The Company redeemed $250,000 from its Guaranteed Income Certificate and $34,600 in operator bond upon the transfer of its appointment of operator in the Runnels County property.

Share Capital

As of the date of this MD&A, there was:

i) Authorized Share Capital

- The Company has an unlimited number of common shares without par value.

ii) Issued and fully paid

- 6,492,750 common shares.

iii) Share Purchase Warrants outstanding

- 3,873,250 Share Purchase Warrants, weighted average exercise price of $0.73 per share, with an expiry date from March 10, 2017 to May 26, 2021.

iv) Stock Options outstanding

Agent's Options

- 99,420 Agent's options with an exercise price of $2.00 per share with an expiry date of March 10, 2017.

v) Stock Option Plan

-The Company has implemented a Stock Option Plan (the "2014 Plan"). The Plan will provide, subject to the requirements of the TSX Venture Exchange, for the aggregate number of securities reserved for issuance under the Plan not to exceed 10% of the issued and outstanding shares of the Company at the time of granting of share options (including all share options granted by the Company to date). The exercise price of each share option will be based on the market price of the Company's common share at the date of the grant.

Transactions with Related Parties

Transactions with related parties were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

Key management personnel compensation, including senior officers and directors of the Company:

	June 30, 2016 $	June 30, 2015 $
Salary paid to key management and included in salary and benefits	**48,364**	212,396
Share-based payment	**-**	8,972
Consulting fee	**40,000**	48,798
Total remuneration	**88,364**	270,196

(a) As at June 30, 2016, convertible debentures held by key management personnel and their close family members totaled $Nil (June 30, 2015 – $362,500).

(b) For the year ended June 30, 2016, the Company incurred and paid consulting fees charged by the former CEO and a director of the Company of $27,000 (June 30, 2015 – $48,798).

(c) For the year ended June 30, 2016, the Company incurred and paid consulting fees charged by the former CFO and a director of the Company of $13,000 (June 30, 2015 – $Nil).

Financial Instruments and Risk Management

At June 30, 2016, the Company's financial instruments consist of cash and cash equivalents, other receivables, accounts payable and accrued liabilities. Fair value estimates are made at the reporting date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision.

The Company's financial instruments have been classified as follows under IFRS:

- Cash and cash equivalents: fair value through profits and loss
- Other receivables: loans and receivable
- Account payable and accrued liabilities: other financial liabilities

The types of financial risk exposure and the way in which such exposure is managed by the Company is as follows:

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated to cash, short-term investments, and other receivables. The carrying amounts of assets included on the consolidated statements of financial position represent the maximum credit exposure. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short-term investments with institutions of high creditworthiness.

Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short-term business requirements, after taking into account cash flows from operations, expected capital expenditures and its holdings of cash. In the long term, the Company may have to issue additional shares to ensure

there is cash available on demand for its programs. All short-term financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash on hand.
At June 30, 2016, the Company's current liabilities consisted of accounts payable and accrued liabilities of $50,596. The Company's cash totals $219,793 as at June 30, 2016. These funds are considered to be insufficient to pay these current liabilities and to meet projected financial requirements for a period of twelve months subsequent to the reporting date. These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

Market Risks
The only significant market risk to which the Company is exposed is that of interest rate risk.

Interest Rate Risk
The Company is exposed to interest rate risk on its outstanding cash reserves. The Company's policy is to invest cash at fixed and floating interest rates in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company monitors this exposure and does not enter into any derivative contracts to manage this risk. The Company's interest rate risk mainly arises from the interest rate impact on its cash and short-term investments. Short-term investments receive interest based on market interest rates. Based on short-term investments outstanding at June 30, 2016, with other variables unchanged, a 1% change in the interest rate would decrease (increase) its net loss by approximately $Nil (2015 - $2,500) the Company's financial liabilities are not exposed to interest rate risk.

Foreign Currency Risk
The Company operates in the U.S. and is exposed to foreign currency risk relating to U.S. dollars, from purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's foreign operations. The Company's subsidiary has a U.S. dollar functional currency, whose net assets are exposed to foreign currency translation risk. The Company has elected not to actively manage this exposure at this time. For the year ended June 30, 2016, with other variables unchanged, a 1.00% strengthening of the U.S. dollar against the Canadian dollar would impact the Company's financial statements as follows:

- increase net loss by approximately $1,440 (2015 - $Nil) due to the translation of the foreign operations' statements of operations into the Company's presentation currency, the Canadian dollar; and
- increase other comprehensive income by approximately $1,440 (2015 - $Nil).

Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 - *Financial Instruments: Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The significance of the inputs used in determining fair value measurements of the Company's financial instruments is provided below:

		June 30, 2016			
	Category	**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	219,793	219,793		

		June 30, 2015			
	Category	**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	190,955	190,955	-	
Funds held in trust	FVTPL	250,000	250,000	-	

Funds held in trust were a result of legal counsel receiving on the Company's behalf the proceeds from the convertible debenture offering. The fair value of cash and short-term investment approximates its carrying value. There have been no changes in Levels throughout the year.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation Uncertainty

Certain key assumptions concerning the future and other key sources of estimation uncertainty could have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited consolidated financial statements as at June 30, 2016. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

Recent Accounting Pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.
The standards and interpretations that are issued, but not yet effective, up to the date of authorization of this MD&A are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant is provided below.
The Company continues to evaluate the impact the implementation of these standards will have on the financial statements.

Accounting standards anticipated to be effective in future periods:

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.

- IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures

Management has established disclosure controls and procedures for the Company in order to provide reasonable assurance the information is made known to it in a timely manner, particularly during the period in which the annual and quarterly fillings were being prepared. However, the Company is not required to certify the design and evaluation of its disclosure controls and procedures, and has not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement disclosure controls and procedures on a cost effective basis may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Legal Matters

The Company is not currently, and has not at any time during our most recently completed financial year, been a party to, nor has any of its property been the subject of, any material legal proceedings or regulatory actions.

Proposed Transactions

As is typical of the resource exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. At present, there are no transactions pending that would affect our financial condition, results of operations and cash flows of any asset.

Subsequent Event

Subsequent to the year ended June 30, 2016, The Company announced that it has entered into an agreement with a former director pursuant to which the Company has agreed to sell all of the issued and outstanding shares of its wholly owned and controlled U.S. subsidiary, San Angelo Operating Corp ("SAOC"). for nominal consideration. The board of directors of the Company has determined that it is in the best interest of the Company to sell SAOC in order to avoid any impediments to the acquisition of future assets by the Company. No finder's fee is payable in connection with the Sale. Completion of the Sale is subject to customary closing conditions, including approval of the regulatory authorities and TSX Venture Exchange.

Risk and Uncertainties

The Company's principal activity involves the exploration and development of resources interests. Companies in this industry are subject to many risks, including but not limited to, environmental, fluctuating commodity prices, social, political, financial and economic. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen.

The risk and uncertainties described in this section are considered by management to be the most important in the context of the Company's business.

Regulations and Exploration Law
Exploration activities are subject to extensive laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and the closing of such facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation.

Environmental Factors
Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or result in substantial costs and liabilities in the future.

Governmental Regulation
Exploration and development will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) restrictions on production; price controls; and tax increases; (iii) maintenance of interests; (iv) tenure; and (v) expropriation. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Financing Ability
The Company's ability to continue exploration, development, and acquisition efforts will be largely reliant on its continued attractiveness to equity investors. The Company will incur operating losses as it continues to expend funds to explore and develop its properties and possibly other properties. There is no guarantee that the Company will be able to develop any of its properties to commercial production. Furthermore, should the Company require additional capital, failure to raise such capital could result in delay or indefinite postponement of exploration and development activities.

Exploration and Development
Exploration is highly speculative in nature, involving many risks and frequently is unsuccessful. No assurance can be given that exploration programs will result in the definition of reserves or that reserves may be economically developed.
The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, which are beyond the control of the Company.

Operating Hazards and Risks
The work that the Company proposes to undertake will be subject to all the hazards and risks normally incidental to such activities, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. The Company could incur significant costs that could have a material adverse effect upon its financial condition.

Commodity Prices
The price of commodities has fluctuated particularly in recent years and is affected by numerous factors beyond the Company's control. The effect of the volatility and therefore the economic viability of the Company's interests cannot be accurately predicted at this time. This could adversely affect the Company's operations.

Resource Nationalism
Company's exploration activities conducted in foreign jurisdictions could be exposed to a risk that governmental expropriation could result in a partial/total loss of the Company's property interests without compensation.

Dependence on Key Employees
The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company is highly dependent on the principal members of its senior management group and the loss of their services might impede the Company's business strategy and growth.

Conflicts Of Interest
Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or may have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

Competition
The industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of concessions, claims, leases and other interests as well as for the recruitment and retention of qualified employees.

No Dividends
The Company has not paid any dividends on its Common Shares during the past. Any decision to pay dividends on its shares in the future will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate in the circumstances.

October 28, 2016

On behalf of the Board of Directors Vancouver, British Columbia

APPENDIX H

San Angelo Oil Limited

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

Forward-Looking Statements

Information and statements contained in the Management Discussion and Analysis ("MD&A) that are not historical facts are forward-looking information within the meaning of Canadians securities legislation and involve risk and uncertainly. This MD&A contains looking-forward information including estimations and statements which describe the Company's future activities.

In certain cases forward-looking statements can be identified by such words as "plans", "expects", "budgets", "estimates", "forecasts", "intends", "anticipates", "believes" including the negative thereof or variations of such words combined with statements that events "may", "might", "could" or "will be taken". These forward looking statements involve factors that may change resulting in actual results differing materially from those expressed. Examples include timing and outcome of litigations, receipt of regulatory approvals, and valuation models.

Forward-looking statements contain known and unknown risks and uncertainties which could cause actual performance to be materially different from any future results. These factors are discussed in the "Risks and Uncertainties" section in the MD&A.

While the Company has identified a number of risks that could affect the Company's actual events this may not be an all exhaustive listing and there could be other factors that could impact the actual results.

Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties. The statements contained in this MD&A speak only as of the date hereof, and the Company does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Introduction

San Angelo Oil Limited (the "Company") was incorporated under the *British Columbia Business Corporations Act* on February 11, 2014. The Company is a junior resource company engaged in the identification, and the exploration and development, of both proven and unproven reserves via drilling and/or acquisition.

This management discussion and analysis ("MD&A") focuses on significant factors that affected San Angelo during the relevant reporting period and to the date of this report.

The Company's head office is located at Suite 650 – 669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4.

Additional Information

The MD&A provides an analysis of the financial results of San Angelo's operations and financial results for the nine month period ended March 31, 2017 and should be read in conjunction with the Company's unaudited interim condensed financial statements and the notes thereto for the nine month period ended March 31, 2017 (the "Financial Statements") and the audited annual financial statements and the notes thereto for the year ended June 30, 2016 (the "Annual Financial Statements") along with other public disclosure documents of the Company.

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements for the year ended June 30, 2016 ("2016 Annual Financial Statements"), which have been prepared in accordance with IFRS.

These condensed interim financial statements have been prepared using accounting policies consistent with those used in the 2016 Annual Consolidated Financial Statement and were authorized for issue by the Board of Directors (the "Board") on May 9, 2017.

Overview of Significant Events

Corporate Matters

The Company's previously wholly owned subsidiary, San Angelo Operating Corp. ("SAOC"), entered into the Purchase, Sale and Participation Agreement ("PSPA"), pursuant to which SAOC acquired a 55% working interest in Loln Energy Corporation's ("Loln") existing leasehold and farm out position in the Orb Prospect. At the time, the PSPA was executed in May 2014, the Orb Prospect consisted of approximately 2,348 leased net mineral acres located in Runnels County, State of Texas, United States of America. Subsequent leasing and acquisition efforts expanded the existing acreage to approximately 2,953 net mineral acres. A portion of the previously held position (258.3 acres) fell under the Farm-out Agreement whereby Loln had procured the rights to drill a vertical well into the target Gray Sand. As was customary in farm-out agreements, after drilling and completing the vertical well so that it is capable of producing in commercial quantities, Loln will have earned an assignment from 3D Oil and Gas ("3-D") for the entire 258.3 acre tract, 55% of which would be assigned to SAOC pursuant to the PSPA. The well had been drilled and as such the farm-out had been earned but the assignment from 3-D to the Orb owners had not been completed. On September 30, 2014, Loln resigned as operator of the Orb Prospect and named SAOC as the operator effective October 1, 2014. Pursuant to a joint operating agreement, SAOC and Loln et al were responsible for their proportionate share of the costs of developing and operating the Farm-out Lands.

The initial vertical well, located on the farm-out lands was drilled in December 2014 and completion operations were initiated. The well was successfully drilled to the target Gray Sand formation and reached a total depth of 5,350 feet. A full suite of modern logs was obtained and are being utilized in the design of fracture stimulation operations. Additional leasing and mapping had been deferred while the Company evaluated the low commodity price environment.

By way of a mutual agreement the Company has agreed to transfer operations of the Orb Prospect to Loln Energy Corporation, or its designee, on July 22, 2015.

During the period ended March 31, 2017, the Company completed the sale of all of the issued and outstanding shares of its wholly owned and controlled U.S. subsidiary, San Angelo Operating Corp. for nominal consideration to a previous director of the company. No finder's fee was paid in connection with this sale.

The Company expects to continue its search for viable opportunities with regards to its capital needs and to manage the cash balances as circumstances dictate to remain in a financially flexible and responsible position.

The focus on managing administrative and operational costs is consistent with the plan to conserve cash reserves and to employ funds only when there is a significant level of certainty that their use will be of benefit to the Company and their stakeholders.

Financing Matters

On May 26, 2016, The Company completed a non-brokered private placement of 3,000,000 units (the "Units") at a market price ($0.05 per Unit), post consolidation, for gross proceeds of up to $150,000 (the "Offering"). Each Unit comprised of one post-consolidated common share and one transferrable share purchase warrant (a "Warrant") of the Company. Each Warrant entitles the holder to acquire one additional post-consolidation common share of the Company at a price of $0.05 for a period of 5 years. These warrants expire on May 26, 2021.

On December 29, 2015, the Company cancelled and returned to treasury 800,000 of the 850,000 seed shares that were issued at $0.10 per common share prior to San Angelo's initial public offering.

On December 29, 2015, the Company issued 2,200,000 common shares for the conversion of $1,100,000 in total aggregate amount of convertible debentures outstanding at an amended price of $0.50 per common share (previously convertible at $2.00 per common share). The Company has also eliminated the warrants underlying these Debentures. Out of the 2,200,000 common shares issued to the debenture holders, 536,250 common shares underlying the Debentures will remain subject to an escrow agreement while the remaining 1,663,750 common shares underlying the Debentures will be free trading.

Financial Update

For the nine month period ended March 31, 2017, the Company reported a net income of $114,687 (March 31, 2016: net loss of 1,797,526).

The following table sets forth selected items of general and administrative expenses for the Company for the three and nine month period ended March 31, 2017 and 2016. The information has been summarized from the Company's unaudited interim condensed interim financial statements for the period then ended:

Summary of Financial Information

	For the three months ended March 31, 2017	For the three months ended March 31, 2016	For the nine months ended March 31, 2017	For the nine months ended March 31, 2016
Expenses	$	$	$	$
Accretion	-	-	-	75,383
Amortization	474	3,478	947	10,267
Management fees	4,500	-	13,500	-
Salary and benefits	-	5,082	-	54,594
Insurance	-	2,198	-	29,594
Legal	415	15,951	21,885	47,842
Professional fees	3,000	21,991	14,440	57,234
Office and miscellaneous	211	4,344	410	30,234
Regulatory	1,750	4,883	7,700	10,850
Transfer agent and regulatory fees	2,526	5,856	7,006	10,068
Travel	-	-	-	395

For the Nine Months ended March 31, 2017

The Company had a net income of $114,687 (March 31, 2016 - net loss of $1,797,526) for the nine month period ended March 31, 2017.

Significant costs were incurred in the following categories:

- During the nine month period ended March 31, 2017, the Company wrote off $5,515 (March 31, 2016 - $50,958) of office furniture and equipment previously capitalized.
- Accretion charges of $Nil (March 31, 2016 - $75,383) reflect the costs of the current period charges relating to the valuation of the convertible debenture;
- Legal fees of $21,885 were lower compared to $47,842 in the same period last year. This represents the lower level of corporate activities;
- Professional fees of $14,440 (March 31, 2016 - $57,234) were lower this period compared to the same period in 2016 due to lower level of corporate activities;
- During the nine month period ended March 31, 2017, the Company recorded a gain on sale of subsidiary of $4,875 (March 31, 2016: $Nil). As a result of this sale, the Company recognized a foreign exchange gain of $182,656.
- During the nine month period ended March 31, 2017, the Company recorded $Nil in impairment of its exploration property (March 31, 2016 - $1,418,820).
- The Company had no revenue and no dividends were paid during the period.

For the Three Months ended March 31, 2017

The Company had a net income of $168,974 for the three month period ended March 31, 2017 (March 31, 2016 – net loss of $2,686).

Significant costs were incurred in the following categories:

- Legal fees of $415 were lower compared to $15,951 in the same period last year. This represents the lower level of corporate activities;
- Professional fees of $3,000 (March 31, 2016 - $21,991) were lower this year compared to the same period in 2016 due to lower level of corporate activities;
- During the three month period ended March 31, 2017, the Company recorded $Nil in impairment compared to an impairment recovery of $113,384 relating to the Runnels County exploration costs during the period ended March 31, 2016.
- The Company had no revenue and no dividends were paid during the period.
- As a result of sale of its subsidiary, the Company recognized a foreign exchange gain of $182,656 during the three months period ended March 31, 2017 (March 31, 2016 - $Nil).

Summary of Quarterly Results

The information presented below highlights the Company's quarterly results for the past eight quarters from the date of:

Three Months Ended	March 31, 2017 $	December 31, 2016 $	September 30, 2016 $	June 30, 2016 $	March 31, 2016 $	December 31, 2015 $	September 30, 2015 $	June 30, 2015 $
Expenses	12,876	35,990	19,210	1,075,803	63,783	109,785	152,970	249,840
Loss (Income) for the period	(168,974)	29,537	24,298	2,526,737	2,686	614,552	1,180,287	268,301
Basic income (loss) per share	0.02	(0.00)	(0.01)	(0.82)	(0.00)	(0.14)	(0.56)	(0.13)
Diluted income (loss) per share	0.03	(0.00)	(0.01)	(0.82)	(0.00)	(0.14)	(0.56)	(0.13)

During the past eight quarters, the Company had no revenues.

Total Assets

The Company's liquid assets are a result of the financing activities to date. The Company currently does not hold any long term assets.

Working Capital

The Company's working capital has been funded from proceeds received from equity, brokered private placements, the issuance of convertible debentures, and the closing of the Company's initial public offering ("IPO").

Expenses

Operating expenses discussed above are representative of the Company's current ongoing activities.

Liquidity and Capital Resources

The Company is an exploration stage enterprise. It does not earn any operating revenues and relies on its working capital to fund its administrative costs. The Company's cash position on March 31, 2017 is $122,157.

As at the date of this MD&A, the Company's working capital is estimated to be $98,000.

Capital Management

The Company manages its cash, share capital and share purchase warrants as capital. It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company's investment policy is to hold cash with institutions of high creditworthiness, in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company currently has no sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its capital either materially increasing or decreasing at present or in the foreseeable future.

Operating Activities

Cash used in operating activities during the period ended March 31, 2017 was $98,353 (March 31, 2016: $364,071). The use of these funds was reflective of the corporate activity as discussed previously herein.

Financing Activities

During the period ended March 31, 2017, the Company used cash of $Nil in financing activities. During the period ended March 31, 2016, the Company made an interest payment on account of the convertible loan interest obligation in the amount of $27,726.

Investing Activities

During the period ended March 31, 2017, the Company generated $Nil from investing activities. During the period ended March 31, 2016, the Company spent $12,447 on exploration and evaluation costs related to the Orb Project, located in Runnels County. The Company redeemed $250,000 of its short term investments and also redeemed $34,600 of its operators bond.

Share Capital

As of the date of this MD&A, there was:

i) Authorized Share Capital

- The Company has an unlimited number of common shares without par value.

ii) Issued and fully paid

- 6,492,750 common shares.

iii) Share Purchase Warrants outstanding

- 3,000,000 Share Purchase Warrants, with an exercise price of $0.05 per share and an expiry date of May 26, 2021.

iv) Stock Options outstanding

- There were no stock options outstanding.

v) Stock Option Plan

-The Company has implemented a Stock Option Plan (the "2014 Plan"). The Plan will provide, subject to the requirements of the TSX Venture Exchange, for the aggregate number of securities reserved for issuance under the Plan not to exceed 10% of the issued and outstanding shares of the Company at the time of granting of share options (including all share options granted by the Company to date). The exercise price of each share option will be based on the market price of the Company's common share at the date of the grant.

Transactions with Related Parties

Transactions with related parties were in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

Key management personnel compensation, including senior officers and directors of the Company:

	March 31, 2017	March 31, 2016
	$	$
Salary paid to key management and included in salary and benefits	**-**	48,364
Total remuneration	**-**	48,364

Financial Instruments and Risk Management

As at March 31, 2017, the Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities. Fair value estimates are made at the reporting date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision.

The Company's financial instruments have been classified as follows under IFRS:

- Cash and cash equivalents: fair value through profits and loss
- Other receivables: loans and receivable
- Account payable and accrued liabilities: other financial liabilities

The types of financial risk exposure and the way in which such exposure is managed by the Company is as follows:

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated to cash, short-term investments, and other receivables. The carrying amounts of assets included on the consolidated statements of financial position represent the maximum credit exposure. The Company limits exposure to credit risk and liquid financial assets through maintaining its cash and short-term investments with institutions of high creditworthiness.

Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its capital in order to meet short-term business requirements, after taking into account cash flows from operations, expected capital expenditures and its holdings of cash. In the long term, the Company may have to issue additional shares to ensure there is cash available on demand for its programs. All short-term financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash on hand.

At March 31, 2017, the Company's current liabilities consisted of accounts payable and accrued liabilities of $16,224. The Company's cash totals $122,157 as at March 31, 2017. These funds are considered to be insufficient to pay these current liabilities and to meet projected financial requirements for a period of twelve months subsequent to the reporting date. These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

Market Risks
The only significant market risk to which the Company is exposed is that of interest rate risk.

Interest Rate Risk
The Company is exposed to interest rate risk on its outstanding cash reserves. The Company's policy is to invest cash at fixed and floating interest rates in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company monitors this exposure and does not enter into any derivative contracts to manage this risk. The Company's interest rate risk mainly arises from the interest rate impact on its cash. Based on cash balance as at March 31, 2017, with other variables unchanged, a 1% change in the interest rate would have a nominal impact to net loss. The Company's financial liabilities are not exposed to interest rate risk.

Foreign Currency Risk
The Company previously operated in the United States and was exposed to foreign currency risk relating to United States dollars, from purchases and loans that are denominated in currencies other than the respective functional currencies of the Company's subsidiary. The Company's subsidiary had a United States dollar functional currency, with net assets that are exposed to foreign currency translation risk. The Company's subsidiary was sold during the nine months ended March 31, 2017 and the Company's foreign exchange risk is now minimal.

Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 - *Financial Instruments: Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company's financial instruments include cash, other receivables, and accounts payable and accrued liabilities. There have been no changes in levels during the period.

The significance of the inputs used in determining fair value measurements of the Company's financial instruments is provided below:

		March 31, 2017			
	Category	**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	122,157	122,157	-	-

		June 30, 2016			
	Category	**Carrying value** $	**Level 1** $	**Level 2** $	**Level 3** $
Cash	FVTPL	219,793	219,793	-	-

The fair value of cash approximates its carrying value. There have been no changes in Levels throughout the period.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation Uncertainty

Certain key assumptions concerning the future and other key sources of estimation uncertainty could have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Annual Financial Statements. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

Recent Accounting Pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after July 1, 2016, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of this MD&A are disclosed below. Management anticipates that all of the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant is provided below.

The Company continues to evaluate the impact the implementation of these standards will have on the financial statements.

Accounting standards anticipated to be effective in future periods:

- IFRS 9 - Financial Instruments. This IFRS introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39 - Financial Instruments: Recognition and measurement, derecognition of financial assets and financial liabilities. The required adoption date for IFRS 9 is January 1, 2018.

- IFRS 15 - Revenue from Contracts with Customers. This IFRS establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- IFRS 16 – Leases. This IFRS, which supersedes IAS 17 – Leases, specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Disclosure Controls and Procedures

Management has established disclosure controls and procedures for the Company in order to provide reasonable assurance the information is made known to it in a timely manner, particularly during the period in which the annual and quarterly fillings were being prepared. However, the Company is not required to certify the design and evaluation of its disclosure controls and procedures, and has not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement disclosure controls and procedures on a cost effective basis may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Legal Matters

The Company is not currently, and has not at any time during our most recently completed financial year, been a party to, nor has any of its property been the subject of, any material legal proceedings or regulatory actions.

Proposed Transactions

As is typical of the resource exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. At present, there are no transactions pending that would affect our financial condition, results of operations and cash flows of any asset.

Risk and Uncertainties

The Company's principal activity involves the exploration and development of resources interests. Companies in this industry are subject to many risks, including but not limited to, environmental, fluctuating commodity prices, social, political, financial and economic. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen.

The risk and uncertainties described in this section are considered by management to be the most important in the context of the Company's business.

Regulations and Exploration Law
Exploration activities are subject to extensive laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and the closing of such facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation.

Environmental Factors
Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or result in substantial costs and liabilities in the future.

Governmental Regulation
Exploration and development will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) restrictions on production; price controls; and tax increases; (iii) maintenance of interests; (iv) tenure; and (v) expropriation. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Financing Ability
The Company's ability to continue exploration, development, and acquisition efforts will be largely reliant on its continued attractiveness to equity investors. The Company will incur operating losses as it continues to expend funds to explore and develop its properties and possibly other properties. There is no guarantee that the Company will be able to develop any of its properties to commercial production. Furthermore, should the Company require additional capital, failure to raise such capital could result in delay or indefinite postponement of exploration and development activities.

Exploration and Development
Exploration is highly speculative in nature, involving many risks and frequently is unsuccessful. No assurance can be given that exploration programs will result in the definition of reserves or that reserves may be economically developed.
The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, which are beyond the control of the Company.

Operating Hazards and Risks
The work that the Company proposes to undertake will be subject to all the hazards and risks normally incidental to such activities, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. The Company could incur significant costs that could have a material adverse effect upon its financial condition.

Commodity Prices
The price of commodities has fluctuated particularly in recent years and is affected by numerous factors beyond the Company's control. The effect of the volatility and therefore the economic viability of the Company's interests cannot be accurately predicted at this time. This could adversely affect the Company's operations.

Resource Nationalism
Company's exploration activities conducted in foreign jurisdictions could be exposed to a risk that governmental expropriation could result in a partial/total loss of the Company's property interests without compensation.

Dependence on Key Employees
The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company is highly dependent on the principal members of its senior management group and the loss of their services might impede the Company's business strategy and growth.

Conflicts Of Interest
Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or may have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

Competition
The industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of concessions, claims, leases and other interests as well as for the recruitment and retention of qualified employees.

No Dividends

The Company has not paid any dividends on its Common Shares during the past. Any decision to pay dividends on its shares in the future will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate in the circumstances.

May 9, 2017

On behalf of the Board of Directors Vancouver, British Columbia

APPENDIX I

Cabral Gold Ltd.

(An Exploration Stage Company)
Management Discussion and Analysis
For the period from incorporation on February 17, 2016
to December 31, 2016

Dated: June 22, 2017

Management Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") of Cabral Gold Ltd. ("Cabral" or the "Company") has been prepared as at June 22, 2017. It is intended to be read in conjunction with the audited consolidated financial statements of the Company for the period from incorporation on February 17, 2016 through December 31, 2016.

All of the financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

All monetary amounts, including comparatives, are expressed in Canadian dollars unless otherwise noted.

Overview

The Company is a mineral exploration and development company with interests in gold projects in the state of Pará in northern Brazil. Cabral's primary gold project is Cuiú Cuiú.

The Company holds its interest in Cuiú Cuiú through its wholly owned Brazilian subsidiary, Magellan Minerais Prospecção Geológica Ltda. ("Magellan Brazil").

The Company acquired its interest in Magellan Brazil in April 2016 through a transaction with Magellan Minerals Ltd. ("Magellan Minerals", the former owner of Magellan Brazil) and the Company's founding shareholders (the "Magellan Transaction"). See 'Acquisition of Magellan Brazil'.

In addition to Cuiú Cuiú, Magellan Brazil also holds interests in several secondary properties, including Bom Jardim, Porquinho and the Poconé properties held by Poconé Gold Mineração Ltda. ("PGM") in which Magellan Brazil holds a 35% interest. Nominal purchase price consideration of R$ 70,000 (approximately $25,417) was attributable to the Bom Jardim mineral property when Magellan Brazil was acquired. No value was attributed to any other mineral property other than Cuiú Cuiú in connection with the Magellan Transaction.

At the time of closing of the Magellan Transaction, Magellan Brazil had total liabilities of approximately $936,745 including amounts relating to taxes, a Cuiú Cuiú surface access agreement and the purchase of land at Cuiú Cuiú. See 'Acquisition of Magellan Brazil'.

Limited exploration activity has been undertaken by the Company through June 22, 2017. 2016 expenditures were limited primarily to a third party study and logistical support in connection with the maintenance of the Cuiú Cuiú property.

Highlights

The period from incorporation on February 17, 2016 through June 22, 2017 were highlighted by the following activities and initiatives:

- In May 2017, the Company entered into a business combination agreement with San Angelo Oil Limited (“San Angelo”) pursuant to which San Angelo will acquire the Company by way of a three-cornered amalgamation. See ‘Proposed transactions’
- In May 2017, the Company entered into an agreement with M Partners Inc. (“M Partners”) to act as lead agent in connection with a best efforts private placement financing of up to $6,000,000 of subscription receipts of Cabral. See ‘Proposed transactions’
- In May 2017, Magellan Brazil entered into a restructuring agreement relating to approximately $266,834 of unpaid Brazilian taxes which will be repaid over 120 months. See ‘Liquidity’
- In March 2017, the Company renewed the surface access agreement that Magellan Brazil had previously entered into with the Cuiú Cuiú garimpiero condominium. See ‘Cuiú Cuiú’
- In February 2017, the Company paid R$ 500,000 in connection with the R$ 2,000,000 purchase of approximately 30 hectares of land in the Cuiú Cuiú area leaving a balance of R$ 500,000 to be paid in Q3 2017. See ‘Cuiú Cuiú’
- In January 2017, the Company closed a private placement comprising the issuance of 4,450,000 common shares for gross proceeds totalling $267,000. See ‘Liquidity’.

Finance

- The balance of cash and cash equivalents as at December 31, 2016 was $2,184,746 and the net working capital balance as at this date was $1,070,349.

Exploration and development

- Virtually no exploration or development work was undertaken on the Cuiú Cuiú property since Cabral’s acquisition of Magellan Brazil in April 2016. 2016 exploration expenditures amounted to $162,846 and related primarily to a third party study and local administrative and logistical support for the maintenance of the Cuiú Cuiú property

Acquisition of Magellan Brazil

On April 13, 2016, the Company entered into an agreement with Magellan Minerals and two of the Company’s founding shareholders pursuant to which:

- Debts of $500,000 owing by Magellan Minerals to the two founding shareholders of the Company were settled in exchange for Magellan Minerals’ 99.99% equity interest in Magellan Brazil in full satisfaction of the debt. The exchange was part of a comprehensive debt settlement between Magellan Minerals and its senior management group. The settlement also included debt forgiveness, by management, of $252,669; and
- The interest in Magellan Brazil was then contributed by the two founders to the Company in exchange for 22,422,413 common shares.

Magellan Brazil is a private company incorporated in the state of Para in Brazil. It holds 100% of the Cuiú Cuiú property and several secondary properties.

The agreement was subject to the approval of the TSX Venture Exchange which was received in April 2016.

As part of the debt settlement, Magellan Brazil and the Company agreed to grant Magellan Minerals a 0.5% royalty on the Cuiú Cuiú property.

The consolidated financial statements for the period ended December 31, 2016 reflect the assets, liabilities and results of operations of the Company and Magellan Brazil since April 28, 2016 being the date on which the Company formally became the sole shareholder of Magellan Brazil.

The transaction was accounted for as an asset acquisition and the allocation of the purchase price to the assets acquired and liabilities assumed was based on estimated fair values at the time of acquisition.

The allocation of the purchase price to the estimated fair value of the assets and liabilities of Magellan Brazil was as follows:

	$
Purchase price:	
Company common shares issued	500,000
Cash advanced to acquire Magellan Brazil	360,816
	860,816
Estimated fair values of assets and liabilities acquired:	
Cash acquired	68,102
Receivables	424
Machinery and equipment	21,786
Land	733,452
Mineral properties, Cuiú Cuiú	948,380
Mineral properties, other	25,417
Total assets acquired	1,797,561
Accounts payable and accrued liabilities	573,650
Liability relating to purchase of land	363,095
Total liabilities acquired	936,745
	860,816

Cuiú Cuiú

The Company's primary gold project is Cuiú Cuiú.

Virtually no exploration or development work was undertaken on the Cuiú Cuiú property since the closing of the Magellan Transaction in April 2016. Costs incurred in Brazil in 2016 and 2017 to date have related primarily to various third party studies and local administrative and logistical support.

Surface access agreement, garimpiero condominium

In February 2006, Magellan Brazil entered into an agreement with the owners of the traditional surface rights over the Cuiú Cuiú property. The owners are organized into a 'condominium' (which is similar to a cooperative, but with fewer rights) comprising 60 minority stakeholders and 10 majority stakeholders. Magellan Brazil agreed to pay each of the majority stakeholders R$ 4,000 per year and each of the minority stakeholders R$ 2,000 per year for a period of up to five years in May of each year; the first payment was made on May 16, 2006, and subsequent payments were made in May of each year through 2010.

The February 2006 agreement was extended through February 16, 2016 pursuant to a renewal agreement dated December 7, 2010. The terms remained the same as the original agreement with the exception of the annual payments which increased from R$ 2,000 to R$ 2,500 for minority stakeholders (equivalent of $1,031 as at December 31, 2016) and from R$ 4,000 to R$ 5,000 for majority stakeholders ($2,062).

The 2014 and 2015 payments of approximately R$ 225,000 each (equivalent to $92,814 as at December 31, 2016) were due on or before May 16, 2014 and May 16, 2015, respectively, pursuant to the December 2010 amendment. These amounts and an uncontracted amount in respect of the period ended May 2016 were unpaid as at December 31, 2016.

The February 2006 agreement was extended a second time pursuant to a second renewal agreement dated March 29, 2017 for four years through May 2018 (including in respect of the two years ended May 2016). With certain minor exceptions, the terms remained the same as the initial December 2010 amendment. The March 2017 amendment did, however, recognise a reduction in the number of minority stakeholders from 60 to 58 and an increase in the number of majority stakeholders from 15 to 18.

The March 2017 amendment also set out charges in respect of inflation adjustments and interest charges relating to the delay in payment of annual fees since 2014. Total charges amount to R$ 1,268,079 in respect of the four years ended May 2018 which is to be paid as follows:

- R$ 751,383 was to be paid on or before March 30, 2017 (the amount was paid in full in April 2017 with the exception of R$ 18,421 paid in May 2017 and R$ 18,421 still owing to three minority stakeholders as at June 22, 2017)
- The remaining R$ 516,696 is to be paid on or before June 30 2017.

The agreements specify that in the event an economically viable gold resource is identified, Magellan Brazil will make an additional payment to the owners of the traditional surface rights based on the amount of gold defined in the ground (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Less than 1.0 million ounces: US$ 2,000,000
- 1.0 million ounces to 2.0 million ounces: US$ 3,000,000
- 2.0 million ounces to 3.0 million ounces: US$ 4,000,000
- 3.0 million ounces to 4.0 million ounces: US$ 6,000,000
- More than 4.0 million ounces: an additional US$ 3,000,000 for every additional million ounces identified in excess of 4.0 million ounces of contained gold.

Upon delivery and approval of the final research reports on the areas under consideration to the Brazilian National Department of Mineral Production or at any time if the size of the gold reserve is found to be economically viable, Magellan Brazil is to provide written notice to the condominium following which the aforementioned payment is to be made within 90 days.

The March 2017 amendment added the requirement that the economic viability of a gold resource must be supported by a formal feasibility study.

Purchase of land

The Company acquired a parcel of land at Cuiú Cuiú with a total area of approximately 30 hectares for a total of R$ 2,000,000 prior to the closing of the Magellan Transaction. The land parcel covers the Moreira Gomes deposit which is one of the two gold deposits currently known on the Cuiú Cuiú project.

R$ 1,000,000 of the R$ 2,000,000 purchase price was paid in April 2016 prior to the closing of the Magellan Transaction; the remaining R$ 1,000,000 was a liability as at the date of closing. Pursuant to the agreement, the outstanding liability was to be paid in two tranches of R$ 500,000 on each of February 2, 2017 (paid) and June 30, 2017; the June 30, 2017 payment was deferred to July 31, 2017 pursuant to an amendment dated June 21, 2017. The liability is non-interest bearing and is unsecured.

Net smelter royalties

There are two net smelter royalties ("NSR") on the Cuiú Cuiú property as follows:

- A 1.0% NSR held by Sandstorm Gold Ltd. ("Sandstorm"). The Company is required to pay an advance royalty of US$ 250,000 on the date that it obtains a feasibility study that recommends placing all or part of the Cuiú Cuiú project into production and a further advance royalty payment of US$ 250,000 on each one year anniversary of this date thereafter until the property enters commercial production. As part of the transaction, Magellan provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Cuiú Cuiú project. Magellan's rights and responsibilities associated with this agreement were transferred to Cabral pursuant to an agreement dated May 2, 2016
- A 0.5% NSR held by Magellan (see 'Acquisition of Magellan Brazil'). The Magellan NSR is subordinate to the Sandstorm NSR.

Outlook

The nature and extent of future exploration programs will be dependent in part on the quantum of proceeds raised in the current financing. In particular, the Company expects to pursue a two-phase program of exploration for the Cuiú Cuiú property over two years as follows:

- Phase 1 consists of an update to the current mineral resource estimate undertaken by Pincock Allen & Holt in 2011 which was based on 25,945 metres of diamond drilling undertaken by Magellan Minerals. The update will consider the additional 22,070 metres of diamond drilling that took place subsequently that were not reflected in the aforementioned resource estimate. In addition, a field program of geological mapping, trenching and expansion of the soil sampling grid is proposed with a view to identifying new drill targets
- Phase 2 consists of a program of geophysics to refine the drill targets followed by an 8,000 metre diamond drill program. Induced polarization and CSAMT are being considered.

The estimated costs of the two program phases are as follows:

Activity	Phase 1 $	Phase 2 $
Re-estimate mineral resource	100,000	
Trenching	80,000	
Mapping/geology	150,000	
Field workers/soil sampling	90,000	
Computers, etc.	12,000	
Drilling		1,840,000
Geophysical survey(ies)		600,000
Data logging/geology		300,000
Field workers		250,000
Food/supplies	43,200	100,000
Geochemical analysis	175,000	420,000
Flights to Cuiú Cuiú	41,250	99,000
Vehicles	75,000	75,000
ATVs	20,000	30,000
Fuel for vehicles	9,250	27,750
Transport of personnel	18,000	48,000
Logistical support	60,000	60,000
Contingency	87,370	277,175
	961,070	**4,126,925**

Poconé properties

The Company is a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso in Brazil were to be identified, explored and developed. The first agreement was entered into between Magellan Minerals and ECI Exploration & Mining Inc. (“ECI”) on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan Minerals would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the “ECI Venture”). The second set of agreements was between Magellan Minerals, ECI and Brasil Central Engenharia Ltda. (“Brasil Central”) pursuant to which Magellan Minerals, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through an incorporated entity, PGM, an entity in which Magellan Brazil holds a 35% interest (as at both the date of closing of the Magellan through June 22, 2017).

Magellan Mineral’s rights and responsibilities associated with both the ECI Venture and PGM were transferred to Cabral prior to the date of closing of the Magellan Transaction pursuant to an agreement dated April 15, 2016 between the Company, Magellan Minerals and ECI.

Virtually no exploration activity was undertaken on any of the Poconé properties since 2012.

None of the purchase price consideration relating to the Magellan Transaction was attributed to the Poconé properties, however, various liabilities amounting to $55,097 relating to the ECI Venture and PGM were recognised.

In August 2015, ECI received notification that a former optionor of one of the property interests acquired by ECI on behalf of the ECI Venture had filed a claim against ECI and PGM in connection with an option agreement that had been entered into with the ECI Venture in December 2009. As of June 22, 2017, no claim had been filed against the Company. The plaintiff is claiming an amount of US$ 780,000 plus damages. Management has assessed the likelihood of a potential loss to be less than 50%. No accrual has been made in the accounts for any amount associated with the claim.

Cabral is seeking to dispose of its interest in PGM through a transfer of its interest in the entity and all rights and responsibilities associated therewith to Brasil Central. If such a transaction were to occur, the consideration received by the Company, if any, would most likely be nominal. A transaction would not reduce the Company's exposure relating to the aforementioned legal claim against ECI and PGM.

Proposed transactions

As at June 22, 2017, the Company was working towards the closing of two related transactions as follows:

- A business combination agreement with San Angelo
- An equity financing of up to $6,000,000.

As at December 31, 2016 and June 22, 2017, there were no proposed asset or business acquisitions or dispositions other than as described herein.

Business combination agreement with San Angelo

On May 10, 2017, the Company and San Angelo entered into a business combination agreement. San Angelo was previously listed on the TSX Venture Exchange and since November 2016 - following the sale of its subsidiary, San Angelo Operating Corp. - was listed on the NEX. Pursuant to the agreement, San Angelo will acquire the Company by way of a three-cornered amalgamation whereby the Company will amalgamate with a newly-incorporated wholly-owned subsidiary of San Angelo to form Cabral Gold B.C. Inc. San Angelo proposes to complete a 1:5 consolidation of its common shares concurrently with closing, and pursuant to the amalgamation, shareholders of the Company will receive 0.18 of one post-consolidation common share of San Angelo for each one common share of Cabral held. The amalgamated entity will become a wholly-owned subsidiary of San Angelo, and San Angelo proposes to change its name to Cabral Gold Inc. on closing of the transaction. San Angelo will issue approximately 22,822,548 post-consolidation common shares to shareholders of Cabral. In addition, outstanding options and warrants of Cabral will be exchanged for similar instruments of San Angelo exercisable for or convertible into San Angelo post-consolidation common shares on the basis of the 0.18 exchange ratio.

The closing of the transaction is conditional upon the following and other customary conditions:

- San Angelo will complete the 1:5 consolidation. Upon completion of the consolidation, San Angelo will have approximately 1,298,550 common shares issued and outstanding
- The resulting issuer is required to have not less than $3,800,000 in working capital immediately following closing of the transaction (see discussion regarding equity financing of up to $6,000,000, below)
- The closing of the transaction is subject to San Angelo obtaining approval of the TSX Venture Exchange. San Angelo is also required to obtain shareholder approval of the consolidation and Cabral is required to obtain shareholder approval of the amalgamation.

In October 2016, the Company entered into an advisory agreement with M Partners pursuant to which M Partners would advise the Company in connection with a potential merger, reverse take-over, acquisition or similar business transaction. The agreement provides for a success fee in connection with a completed transaction equivalent to the greater of $180,000 or 3.0% of the transaction value. A fee of $180,000 will be due to M Partners upon closing of the transaction with San Angelo. This fee may be paid in shares.

It is expected that following closing of the transaction, the current management of Cabral will continue in identical capacities at San Angelo and that the current five members of the board of directors of Cabral will constitute the new board of directors of San Angelo.

Equity financing of up to $6,000,000

In May 2017, the Company entered into an agreement with M Partners to act as lead agent on behalf of a syndicate comprising Haywood Securities Inc., PI Financial Corp., and Echelon Wealth Partners Inc. in connection with a best efforts private placement financing of up to $6,000,000 of subscription receipts of Cabral priced at $0.108 per subscription receipt. Immediately prior to the closing of the business combination with San Angelo, each subscription receipt will be exchanged, without additional consideration for one unit of Cabral which will, in conjunction with the closing of the business combination, be exchanged for 0.18 of a unit of San Angelo (each whole such unit being referred to as a "Unit") at an effective post-consolidation (1:5) issue price of $0.60.

Each Unit will be comprised of one post-consolidation common share of San Angelo, one-half of one class A warrant, with each whole class A warrant entitling the holder to purchase one common share of San Angelo at a price of $0.75 for a period of one year after the closing of the offering and one-half of one class B warrant with each whole class B warrant entitling the holder to purchase one common share of San Angelo at a price of $0.90 for a period of two years after the closing of the offering.

In connection with the offering, the agents will be paid a cash commission equal to 6% of the gross proceeds of the offering and will be issued that number of compensation warrants equal to 6% of the number of subscription receipts issued in connection with the offering. Each compensation warrant (subject to the exchange ratio) will entitle the holder thereof to acquire one Unit at any time until the second anniversary of the closing of the offering at a price of $0.60 per Unit.

The gross proceeds of the offering will be placed into escrow on closing. If the business combination takes place on or before August 31, 2017 (or such later date as is agreed to by the Company and the subscribers), then the gross proceeds from the offering will be released to the Company concurrently with the closing of the business combination. If the business combination is not completed on or before August 31, 2017 (or such later date as is agreed to by the Company and the subscribers), then the gross proceeds from the offering will be returned to the subscribers without interest or deduction.

Capital structure of resulting issuer

The anticipated capital structure of San Angelo assuming closing of both transactions (including a private placement of $6,000,000) is as follows:

	Cabral 22 June 2017	Exchange ratio	Exercise price ($)	San Angelo At closing
Common shares:				
Cabral shareholders	126,791,932	0.18		22,822,548
San Angelo shareholders				1,298,550
Financing				10,000,000
Transaction fee (M Partners)				360,000
				34,481,098
Stock options:				
Cabral option holders	5,200,000	0.18	0.3333	936,000
Share purchase warrants (shares):				
Cabral compensation options	1,471,261	0.18	0.3333	264,827
San Angelo warrant holders			0.2500	600,000
Financing, A warrants			0.7500	5,000,000
Financing, B warrants			0.9000	5,000,000
				10,864,827
Share purchase warrants (Units):			0.6000	
Shares				600,000
A warrants			0.7500	300,000
B warrants			0.9000	300,000
				1,200,000
Fully diluted				**47,481,925**

Selected annual information

A summary of annual results in respect of the period from incorporation on February 17, 2016 through December 31, 2016 is as follows. The Company was incorporated on February 17, 2016 and the Magellan Transaction took place in April 2016. This summary information has been derived from the audited consolidated financial statements of the Company.

	Period ended
	31-Dec-16
Consolidated statement of loss:	
Revenue	-
Exploration and development	162,846
Administration:	
Management and consulting	59,417
Office and administration	22,878
Travel	22,198
Professional fees	10,961
Depreciation	3,956
Foreign exchange gain	11,735
Interest expense	16,859
Net loss	287,380
Weighted average shares outstanding	*80,192,883*
Net loss per share	-

Statement of loss

- Exploration and development, $162,846: Exploration and development activity has been limited since the closing of the Magellan Transaction with costs incurred relating primarily to a third party study and logistical support in connection with the maintenance of the Cuiú Cuiú property. The appreciation of the R$ relative to the CAD throughout 2016 led to an increase in expenditures incurred in Brazil when denominated in CAD (April 29, 2016: 2.75 R$ per CAD; December 30, 2016: 2.42). The most significant component of exploration and development expense related to a third party study relating to the preparation of an integrated economic development plan for the Cuiú Cuiú property at a cost of $57,016
- Management and consulting, $59,417: Compensation of the Company's officers (President and CEO and CFO) commenced on October 1, 2016
- Office and administration, $22,878: This item comprises the non-payroll costs of operating the Vancouver office of Cabral which was established in June 2016
- Interest expense, $16,859: Interest expense relates to overdue taxes (both restructured and non-restructured) of Magellan Brazil and, to a lesser extent, restructured claim maintenance charges relating to the Poconé properties.

	Period ended
	31-Dec-16
Consolidated statement of financial position:	
Cash and cash equivalents	2,184,746
Other current assets	27,581
Fixed assets	853,890
Mineral properties	1,161,731
Total assets	4,227,948
Accounts payable and accrued liabilities	729,471
Financing of land purchase	412,507
Long-term liabilities	59,320
Total liabilities	1,201,298
Equity:	
Share capital	3,050,383
Subscription receipts	200,000
Reserves	38,253
Other comprehensive income	25,394
Accumulated deficit	(287,380)

Statement of financial position

- Fixed assets, $853,890: Fixed assets relate primarily to a 30 hectare plot of land in Cuiú Cuiú that was purchased by Magellan Brazil prior to the closing of the Magellan Transaction (see 'Cuiú Cuiú')
- Mineral properties, $1,161,731: The balance of mineral properties relates to capitalised acquisition and claim maintenance costs. With the exception of $47,410, the balance relates entirely to Cuiú Cuiú
- Accounts payable and accrued liabilities, $729,471: The primary components of this liability balance include the following:
  - Overdue amounts due to the Cuiú Cuiú garimpieros (see 'Cuiú Cuiú'), $337,830: The principal component of this balance was outstanding at the time of closing of the Magellan Transaction. The balance is to be paid in full by June 30, 2017
  - Brazil taxes (non-restructured), $283,041: The principal component of this balance was outstanding at the time of closing of the Magellan Transaction. Approximately $266,834 of this balance was restructured in May 2017; the applicable agreement with the tax authorities provides for the repayment of the balance over 120 months (with additional interest charges). See 'Liquidity'
  - Brazil taxes (restructured) $85,421: This balance relates to certain previously overdue Brazil taxes and claim maintenance charges that were restructured. $26,101 of this balance is due in the year ended December 31, 2017 and the remaining $59,320 is due subsequent to December 31, 2017 through December 2020 (with additional interest charges). See 'Liquidity'
- Financing of land purchase, $412,507: This balance relates to vendor financing provided on the purchase of the Cuiú Cuiú plot of land referred to above. The balance is to be paid in full by July 31, 2017.

Summary of quarterly results

A summary of quarterly results in respect of the period ended December 31, 2016 is as follows:

	Quarter ended 31-Mar-16	Quarter ended 30-Jun-16	Quarter ended 30-Sep-16	Quarter ended 31-Dec-16
Revenues	-	-	-	-
Exploration and development	1,210	53,384	50,052	58,200
Administration (a)	1,631	7,674	27,286	82,819
Net loss	1,659	56,960	78,294	150,467
Net loss per share (b)	-	-	-	-
Total comprehensive loss	1,659	34,729	80,230	145,368
Cash and cash equivalents	-	81,964	10,184	2,184,746
Net working capital (deficit) (c)	(66,951)	(691,782)	(695,544)	1,070,349
Total assets	330,618	2,336,865	2,393,662	4,227,948

(a) Administration comprises all operating expenses other than exploration and development expenditures, foreign exchange items and interest expense. It includes costs of management, professional fees, travel and general and administrative items as well as non-cash items such as stock-based compensation and depreciation charges

(b) Net loss per share is presented on a basic and diluted basis

(c) Excludes advances made to Magellan Brazil prior to closing of the Magellan Transaction in April 2016

Fluctuations in the Company's quarterly results were attributable to the following factors:

- Exploration and development: Exploration and development activity has been limited since the closing of the Magellan Transaction with costs incurred relating primarily to a third party study and logistical support in connection with the maintenance of the Cuiú Cuiú property. Fluctuations were attributable to the following specific issues:
  - Third party study relating to the preparation of an integrated economic development plan relating to the Cuiú Cuiú property ($23,188 in Q2 2016, $24,209 in Q3 2016 and $9,749 in Q4 2016). The report was not prepared to the standards required by Canadian National Instrument 43-101
  - Introduction of remuneration of VP Exploration effective October 1, 2016 ($12,500 in Q4 2016)
  - The appreciation of the R$ relative to the CAD throughout 2016 led to an increase in expenditures incurred in Brazil when denominated in CAD (April 29, 2016: 2.75 R$ per CAD; December 30, 2016: 2.42)
- Administration: Fluctuations in administration costs were attributable to the following specific issues:
  - An increase in travel costs in Q3 2016 relating to travel to Brazil and pursuit of financing and transaction opportunities in Q4 2016
  - The commencement of office rent and related charges in June 2016
  - The introduction of remuneration of management effective October 1, 2016 ($47,500 in Q4 2016).

Liquidity

As at December 31, 2016, the Company had a cash balance of $2,184,746, and a net working capital balance of $1,070,349.

December 20, 2016 private placement

In December 2016, the Company closed a private placement financing pursuant to which 31,841,932 common shares of Cabral were issued at a price of $0.06 per common share, for gross proceeds of $1,910,516.

The total success fees paid to an external adviser in connection with the financing amounted to $88,876. In addition, 1,471,261 compensation options were issued to the advisor.

If the Company does not complete a go-public transaction (which would include the listing of the Company's common shares on a recognized stock exchange in Canada or certain types of M&A transactions involving the Company's shares) within one year of closing the private placement, then the Company is required to issue to each subscriber participating in the private placement that number of common shares of the Company equivalent to 10% of the number of common shares of the Company that the subscriber purchased in the private placement.

All securities issued in connection with the private placement are subject to a four month hold period following issuance.

Private placements prior to December 20, 2016

Prior to December 20, 2016, the Company raised $782,275 through the issuance for cash of 27,702,190 common shares at an average price of $0.028 per common share. These proceeds include $198,450 contributed by the two founding shareholders in March 2016 for 8,620,690 common shares at an average price of $0.023 per share.

No success fees or similar fees were paid or compensation options issued in connection with these share issuances.

Brazil taxation restructuring

During the fourth quarter of 2014 and the first quarter of 2016, Magellan Brazil restructured certain of its overdue liabilities due to various federal and state taxation and administrative bodies in Brazil. The restructuring was undertaken pursuant to a general program offered by these bodies. The restructured liabilities are being repaid over 60 months. Monthly repayments are increased to reflect inflation pursuant to indices published each month.

In addition, certain claim maintenance expenditures incurred in connection with the ECI Venture properties were also subject to restructuring in a similar manner.

The balance of Magellan Brazil's restructured tax liabilities as at the time of closing of the Magellan Transaction was $70,907. Of the total balance of $85,423 outstanding as at December 31, 2018, $26,103 is due in the year ended December 31, 2017 and $59,320 is due subsequent to December 31, 2017 through December 2020.

In May 2017, Magellan Brazil entered into a new restructuring agreement relating to approximately $266,834 of unpaid social taxes. The restructured liabilities will be repaid over 120 months. Monthly repayments are increased to recognise interest expense and the impact of inflation pursuant to indices published each month.

Going concern

The recoverability of the carrying value of mineral properties and deferred expenditures is dependent upon a number of factors including the existence of recoverable reserves, the ability of the Company to obtain financing to maintain properties and continue exploration and development and the discovery of economically recoverable reserves. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage.

Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate development, administrative and property obligations for the coming year through December 31, 2017. The Company will periodically need to obtain additional financing, and while it has been successful in the past, there can be no assurance that it will be able to do so in the future.

Operating activities

Cash used in operating activities in 2016 amounted to 277,475. The application of cash in 2016 was due to the following:

- The net loss for the period of $287,380 (see ‘Selected annual information’ and ‘Summary of quarterly results’)
- Net reduction in accounts payable and accrued liabilities of $45,485 relating to the repayment of current liabilities in Magellan Brazil.

Investing activities

Cash used in investing activities in 2016 amounted to $327,500 and related primarily to the Magellan Transaction including $330,618 in cash advanced to acquire Magellan Brazil prior to closing of the transaction offset by $68,102 of cash in Magellan Brazil at the time of the acquisition. In addition, the Company incurred $34,786 in claim maintenance costs.

Financing activities

Net cash provided by financing activities in 2016 amounted to $2,788,636 which relates to equity raised through the December 2016 private placement issuance of common shares ($2,693,517) offset by share issuance costs ($104,881). A further $200,000 was received in connection with the private placement that closed in January 2017.

Dividends

The Company has neither declared nor paid any dividends on its common shares to date. The Company does not anticipate paying any dividends on its common shares in the foreseeable future.

Contractual commitments

The Company had no significant medium- or long-term contractual commitments as at December 31, 2016 or June 22, 2017 beyond its stated liabilities and the following:

- Pursuant to the terms of its December 2016 and January 2017 private placements, if the Company does not complete a go-public transaction within one year of closing the private placement, then it is required to issue to each subscriber without charge 10% of the number of common shares that the subscriber purchased in the private placement. A total of 36,291,932 common shares were issued in these private placements

- The Company is committed to sharing in commitments associated with both the ECI Venture (50%) and PGM (35%) including its share of any losses relating to the current litigation against ECI and PGM (see 'Poconé properties')
- A success fee in connection with a completed transaction equivalent to the greater of $180,000 or 3.0% of the transaction value will be due following closing of the proposed transaction with San Angelo pursuant to an advisory agreement entered into with M Partners in October 2016. This fee may be paid in shares.

Capital resources

The Company had no capital expenditure commitments as at either December 31, 2016 or June 22, 2017.

The Company is required to make certain option payments in order to maintain its properties and agreements in good standing. These payments are not considered to be commitments as the applicable agreements may be terminated by the Company at short notice without penalty. These future payments totalled $53,708 as at December 31, 2016 all of which is conditional on the registration of an optioned secondary property (Bom Jardim).

Transactions with related parties

The Company incurred the following costs of management remuneration:

		Period ended Dec. 31, 2016
Employment and consulting remuneration	$	62,500
Payroll related costs		11,917
	$	**74,417**

Management comprises the President and Chief Executive Officer, Chief Financial Officer and Vice President – Exploration. The payment of remuneration to members of management commenced on October 1, 2016.

As at December 31, 2016, the Company owed a total of $17,034 to the President and Chief Executive Officer in connection with unpaid remuneration and was also owed $785. Both amounts were paid in full in January 2017.

Prior to the December 2016 private placement, the Company raised $782,275 through the issuance for cash of 27,702,190 common shares at an average price of $0.028 per common share. These proceeds include $198,450 contributed by the two founding shareholders in March 2016 for 8,620,690 common shares at an average price of $0.023 per share.

See 'Acquisition of Magellan Brazil' regarding the acquisition by the Company of Magellan Brazil through the restructuring of balances due by Magellan to the founding shareholders of Cabral.

Outstanding share data

The Company has authorized capital of an unlimited number of common shares with no par value.

The Company had the following common shares, compensation options and stock options outstanding as at June 22, 2017:

Issued and outstanding common shares	126,791,932
Fully diluted	133,463,193
Compensation options	1,471,261
Stock options	5,200,000

The compensation options were issued to M Partners in connection with the December 2016 private placement.

All compensation options and stock options have an exercise price of $0.06 per option.

In addition, if the Company does not complete a go-public transaction within one year of closing the December 2016 and January 2017 private placements, the Company is required to issue to each subscriber 10% of the number of common shares that the subscriber purchased without charge. A total of 36,291,932 common shares were issued in these private placements resulting in a potential commitment to issue 3,629,193 additional common shares.

See 'Proposed transaction' for presentation of anticipated capital structure of San Angelo following the proposed reverse take-over transaction and financing transaction.

Changes in accounting policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2016, and were not applied in the preparation of the consolidated financial statements for the period ended December 31, 2016 as follows:

- New standard IFRS 9, "Financial Instruments"
- Amendments to IAS 1, "Presentation of Financial Statements"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, receivables, accounts payable and accrued liabilities and other liabilities (vendor financing of land purchase).

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, liquidity risk, credit risk and interest rate risk.

Foreign exchange risk

The Company operates primarily in Brazil and is therefore exposed to foreign exchange risk arising from transactions denominated in Brazilian reais ("R$"). Other than Canadian dollar balances, the Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities are held in R$ and US$ and are therefore subject to fluctuation against the Canadian dollar. The Company has no program in place for hedging foreign currency risk.

Liquidity risk

Liquidity risk encompasses the risk that an entity cannot meet its financial obligations in full as they become due. The Company manages liquidity by taking the appropriate steps to maintain adequate cash and cash equivalent balances. The Company monitors actual and forecast cash flows, and matches the maturity profile of financial assets and liabilities.

As at December 31, 2016, the Company had a cash balance of $2,184,746 and a net working capital balance of $1,070,349.

The Company recognised estimated penalties and interest expense of $16,859 associated with unpaid liabilities in Brazil in the period ended December 31, 2016. As at June 22, 2017, virtually all unpaid tax liabilities in Brazil had been restructured and monthly payments were being in accordance with the applicable terms of restructuring.

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The carrying value of the Company's financial assets recorded in the consolidated financial statements represents its maximum exposure to credit risk.

All accounts receivable balances are current and no valuation allowance or provision was applied or required as at December 31, 2016.

Interest rate risk

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short-term nature, changes in interest rates will have a corresponding impact on interest income realised on such assets.

The Company's restructured tax liabilities in Brazil are subject to interest which is calculated, in part, on the domestic rate of inflation in Brazil and related indices published by the Brazilian authorities. Otherwise, the Company did not have any interest bearing debt as at December 31, 2016 or June 22, 2017.

Cautionary Statement on Forward-Looking Information

This MD&A document contains 'forward-looking information' and 'forward-looking statements' (together, the "forward-looking statements") within the meaning of applicable securities laws. Such forward-looking statements concern the Company's anticipated operations in future periods, planned exploration and development of its properties, and plans related to its business and other matters that may occur in the future. This information relates to analyses and other information that is based on expectations of future performance and planned work programs. These forward-looking statements are made as of June 22, 2017.

Users of forward-looking statements are cautioned that actual results may vary from the forward-looking statements contained herein. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to:

- Risks related to the exploration and development of natural resource properties
- Risks related to the uncertainty of mineral resource calculations and the inclusion of inferred mineral resources in economic estimations
- Risks related to fluctuations in future metal prices (particularly gold prices)
- Risks related to market events and conditions
- Risks related to governmental regulations, including without limitation, environmental laws and regulations
- Risks related to delays in obtaining governmental or regulatory approvals, licenses or permits
- Risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title
- Risks related to uncertainty associated with the Company's ability to obtain funding in the future
- Risks related to the Company's inability to meet its financial obligations under agreements to which it is a party (see 'Liquidity')
- Risks related to competition from larger companies with greater financial and technical resources, and
- Risks related to the Company's directors and officers becoming associated with other natural resource companies which may give rise to conflicts of interest.

Although the forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this document, and the Company assumes no obligation to update or revise them to reflect new events or circumstances except as may be required under applicable securities laws. There can be no assurance that forward-looking statements, or the material factors or assumptions used to develop such forward-looking statements, will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements.

APPENDIX J

Cabral Gold Ltd.

(An Exploration Stage Company)
Management Discussion and Analysis
For the six months ended June 30, 2017

Dated: October 3, 2017

Management Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") of Cabral Gold Ltd. ("Cabral" or the "Company") has been prepared as at October 3, 2017. It is intended to be read in conjunction with the condensed interim consolidated financial statements of the Company as at and for the six months ended June 30, 2017.

All of the financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

All monetary amounts, including comparatives, are expressed in Canadian dollars unless otherwise noted.

Overview

The Company is a mineral exploration and development company with interests in gold projects in the state of Pará in northern Brazil. Cabral's primary gold project is Cuiú Cuiú.

The Company holds its interest in Cuiú Cuiú through its wholly owned Brazilian subsidiary, Magellan Minerais Prospecção Geológica Ltda. ("Magellan Brazil").

The Company acquired its interest in Magellan Brazil in April 2016 through a transaction with Magellan Minerals Ltd. ("Magellan Minerals", the former owner of Magellan Brazil) and the Company's founding shareholders (the "Magellan Transaction"). See 'Acquisition of Magellan Brazil'.

In addition to Cuiú Cuiú, Magellan Brazil also holds interests in several secondary properties, including Bom Jardim, Porquinho and the Poconé properties held by Poconé Gold Mineração Ltda. ("PGM") in which Magellan Brazil holds a 35% interest. Nominal purchase price consideration of R$ 70,000 (approximately $25,417) was attributable to the Bom Jardim mineral property when Magellan Brazil was acquired. No value was attributed to any mineral property other than Cuiú Cuiú and Bom Jardim in connection with the Magellan Transaction.

At the time of closing of the Magellan Transaction, Magellan Brazil had total liabilities of approximately $936,745 including amounts relating to taxes, a Cuiú Cuiú surface access agreement and the purchase of land at Cuiú Cuiú. See 'Acquisition of Magellan Brazil'.

Limited exploration activity has been undertaken by the Company through October 3, 2017. 2016 and the six months ended June 30, 2017 expenditures were limited primarily to various third party studies and logistical support in connection with the maintenance of the Cuiú Cuiú property.

Highlights

The six months ended June 30, 2017 and the period ended October 3, 2017 were highlighted by the following activities and initiatives:

- The Company paid R$ 500,000 in each of February 2017 and July 2017 in connection with the R$ 2,000,000 purchase of approximately 30 hectares of land in the Cuiú Cuiú area. See 'Cuiú Cuiú'

- In May 2017, the Company entered into a business combination agreement with San Angelo Oil Limited ("San Angelo") pursuant to which San Angelo will acquire the Company by way of a three-cornered amalgamation. See 'Proposed transactions - Equity financing of up to $6,000,000'
- In May 2017, Magellan Brazil entered into a restructuring agreement relating to approximately $266,834 of unpaid Brazilian taxes which will be repaid over 120 months. See 'Liquidity'
- In March 2017, the Company renewed the surface access agreement that Magellan Brazil had previously entered into with the Cuiú Cuiú garimpiero condominium. With certain minor exceptions, all garimpieros had been paid in full by early August 2017. See 'Cuiú Cuiú'
- In January 2017, the Company closed a private placement comprising the issuance of 4,450,000 common shares for gross proceeds totalling $267,000. See 'Liquidity'.

Finance

- The balance of cash and cash equivalents as at June 30, 2017 was $1,007,268 (December 31, 2016: $2,184,746) and the net working capital balance as at this date was $409,827 (December 31, 2016: $1,070,349).

Exploration

- Virtually no exploration activity was undertaken on the Cuiú Cuiú property since Cabral's acquisition of Magellan Brazil in April 2016. Q2 2017 exploration expenditures amounted to $71,976 and related primarily to updating the Cuiú Cuiú 43-101 report and local administrative and logistical support for the maintenance of the Cuiú Cuiú property.

Acquisition of Magellan Brazil

On April 13, 2016, the Company entered into an agreement with Magellan Minerals and two of the Company's founding shareholders pursuant to which:

- Debts of $500,000 owing by Magellan Minerals to the two founding shareholders of the Company were settled in exchange for Magellan Minerals' 99.99% equity interest in Magellan Brazil in full satisfaction of the debt. The exchange was part of a comprehensive debt settlement between Magellan Minerals and its senior management group. The settlement also included debt forgiveness, by management, of $252,669; and
- The interest in Magellan Brazil was then contributed by the two founders to the Company in exchange for 22,422,413 common shares.

Magellan Brazil is a private company incorporated in the state of Para in Brazil. It holds 100% of the Cuiú Cuiú property and several secondary properties.

The agreement was subject to the approval of the TSX Venture Exchange which was received in April 2016.

As part of the debt settlement, Magellan Brazil and the Company agreed to grant Magellan Minerals a 0.5% royalty on the Cuiú Cuiú property.

The consolidated financial statements for the six months ended June 30, 2017 reflect the assets, liabilities and results of operations of the Company and Magellan Brazil since April 28, 2016 being the date on which the Company formally became the sole shareholder of Magellan Brazil.

The transaction was accounted for as an asset acquisition and the allocation of the purchase price to the assets acquired and liabilities assumed was based on estimated fair values at the time of acquisition.

The allocation of the purchase price to the estimated fair value of the assets and liabilities of Magellan Brazil was as follows:

	$
Purchase price:	
Company common shares issued	500,000
Cash advanced to acquire Magellan Brazil	360,816
	860,816
Estimated fair values of assets and liabilities acquired:	
Cash acquired	68,102
Receivables	424
Machinery and equipment	21,786
Land	733,452
Mineral properties, Cuiú Cuiú	948,380
Mineral properties, other	25,417
Total assets acquired	1,797,561
Accounts payable and accrued liabilities	573,650
Liability relating to purchase of land	363,095
Total liabilities acquired	936,745
	860,816

Cuiú Cuiú

The Company's primary gold project is Cuiú Cuiú.

Virtually no exploration activity was undertaken on the Cuiú Cuiú property since the closing of the Magellan Transaction in April 2016. Costs incurred in Brazil in 2016 and 2017 to date have related primarily to various third party studies and local administrative and logistical support.

Surface access agreement, garimpiero condominium

In February 2006, Magellan Brazil entered into an agreement with the owners of the traditional surface rights over the Cuiú Cuiú property. The owners are organized into a 'condominium' (which is similar to a cooperative, but with fewer rights) comprising 60 minority stakeholders and 10 majority stakeholders. Magellan Brazil agreed to pay each of the majority stakeholders R$ 4,000 per year and each of the minority stakeholders R$ 2,000 per year for a period of up to five years in May of each year; the first payment was made on May 16, 2006, and subsequent payments were made in May of each year through 2010.

The February 2006 agreement was extended through February 16, 2016 pursuant to a renewal agreement dated December 7, 2010. The terms remained the same as the original agreement with the exception of the annual payments which increased from R$ 2,000 to R$ 2,500 for minority stakeholders (equivalent of $981 as at June 30, 2017) and from R$ 4,000 to R$ 5,000 for majority stakeholders ($1,962).

The February 2006 agreement was extended a second time pursuant to a second renewal agreement dated March 29, 2017 for four years through May 2018 (including in respect of the two years ended May 2016). With certain minor exceptions, the terms remained the same as the initial December 2010 amendment. The March 2017 amendment did, however, recognise a reduction in the number of minority stakeholders to 57 and an increase in the number of majority stakeholders to 18.

The March 2017 amendment also set out charges in respect of inflation adjustments and interest charges relating to the delay in payment of annual fees since 2014. Total charges amount to R$ 1,268,079 in respect of the four years ended May 2018 which is to be paid as follows:

- R$ 751,383 was to be paid on or before March 30, 2017 (this amount, subject to minor late adjustments, was paid in full in April 2017 with the exception of R$ 18,421 paid in May 2017 and R$ 18,421 still owing to one majority and two minority stakeholders as at October 3, 2017)
- The remaining R$ 516,696 was to be paid on or before June 30, 2017 (this amount, subject to minor late adjustments, was paid in full in July 2017 with the exception of R$ 25,578 still owing to one majority and two minority stakeholders as at October 3, 2017)

The agreements specify that in the event an economically viable gold resource is identified, Magellan Brazil will make an additional payment to the owners of the traditional surface rights based on the amount of gold defined in the ground (as measured in accordance with Australasian Joint Ore Reserves Committee definitions) as follows:

- Less than 1.0 million ounces: US$ 2,000,000
- 1.0 million ounces to 2.0 million ounces: US$ 3,000,000
- 2.0 million ounces to 3.0 million ounces: US$ 4,000,000
- 3.0 million ounces to 4.0 million ounces: US$ 6,000,000
- More than 4.0 million ounces: an additional US$ 3,000,000 for every additional million ounces identified in excess of 4.0 million ounces of contained gold.

Upon delivery and approval of the final research reports on the areas under consideration to the Brazilian National Department of Mineral Production or at any time if the size of the gold reserve is found to be economically viable (supported by a formal feasibility study), Magellan Brazil is to provide written notice to the condominium following which the aforementioned payment is to be made within 90 days.

Purchase of land

The Company acquired a parcel of land at Cuiú Cuiú with a total area of approximately 30 hectares for a total of R$ 2,000,000 prior to the closing of the Magellan Transaction. The land parcel covers the Moreira Gomes deposit which is one of the two gold deposits currently known on the Cuiú Cuiú project.

R$ 1,000,000 of the R$ 2,000,000 purchase price was paid in April 2016 prior to the closing of the Magellan Brazil transaction; the remaining R$ 1,000,000 was a liability as at the date of closing. Pursuant to the agreement, the outstanding liability was to be paid in two tranches of R$ 500,000 on each of February 2, 2017 and July 31, 2017. The February and July payments were made by the Company in accordance with the terms of the agreement.

Net smelter royalties

There are two net smelter royalties ("NSR") on the Cuiú Cuiú property as follows:

- A 1.0% NSR held by Sandstorm Gold Ltd. ("Sandstorm"). The Company is required to pay an advance royalty of US$ 250,000 on the date that it obtains a feasibility study that recommends placing all or part of the Cuiú Cuiú project into production and a further advance royalty payment of US$ 250,000 on each one year anniversary of this date thereafter until the property enters commercial production. As part of the transaction, Magellan provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Cuiú Cuiú project. Magellan's rights and responsibilities associated with this agreement were transferred to Cabral pursuant to an agreement dated May 2, 2016
- A 0.5% NSR held by Magellan (see 'Acquisition of Magellan Brazil'). The Magellan NSR is subordinate to the Sandstorm NSR.

Outlook

The nature and extent of future exploration programs will be dependent in part on the quantum of proceeds raised in the current financing. In particular, the Company expects to pursue a two-phase program of exploration for the Cuiú Cuiú property over two years as follows:

- Phase 1 consists of an update to the current mineral resource estimate undertaken by Pincock Allen & Holt in 2011 which was based on 25,945 metres of diamond drilling undertaken by Magellan Minerals. The update will consider the additional 22,070 metres of diamond drilling that took place subsequently that were not reflected in the aforementioned resource estimate. In addition, a field program of geological mapping, trenching and expansion of the soil sampling grid is proposed with a view to identifying new drill targets
- Phase 2 consists of a program of geophysics to refine the drill targets followed by an 8,000 metre diamond drill program. Induced polarization and CSAMT are being considered.

The estimated costs of the two program phases are as follows:

Activity	Phase 1 $	Phase 2 $
Re-estimate mineral resource	100,000	
Trenching	80,000	
Mapping/geology	150,000	
Field workers/soil sampling	90,000	
Computers, etc.	12,000	
Drilling		1,840,000
Geophysical survey(ies)		600,000
Data logging/geology		300,000
Field workers		250,000
Food/supplies	43,200	100,000
Geochemical analysis	175,000	420,000
Flights to Cuiú Cuiú	41,250	99,000
Vehicles	75,000	75,000
ATVs	20,000	30,000
Fuel for vehicles	9,250	27,750
Transport of personnel	18,000	48,000
Logistical support	60,000	60,000
Contingency	87,370	277,175
	961,070	**4,126,925**

Poconé properties

The Company is a party to two sets of agreements with third parties pursuant to which mineral properties in the Poconé region of the state of Mato Grosso in Brazil were to be identified, explored and developed. The first agreement was entered into between Magellan Minerals and ECI Exploration & Mining Inc. ("ECI") on October 17, 2011 effective December 2009 pursuant to which ECI and Magellan Minerals would share equally in the rights and responsibilities associated with the identification, exploration and development of mineral properties (the "ECI Venture"). The second set of agreements was between Magellan Minerals, ECI and Brasil Central Engenharia Ltda. ("Brasil Central") pursuant to which Magellan Minerals, ECI, and Brasil Central would seek to identify, explore and develop mineral properties through an incorporated entity, PGM, an entity in which Magellan Brazil holds a 35% interest (as at both the date of closing of the Magellan Brazil transaction and October 3, 2017).

Magellan Mineral's rights and responsibilities associated with both the ECI Venture and PGM were transferred to Cabral prior to the date of closing of the Magellan Transaction pursuant to an agreement dated April 15, 2016 between the Company, Magellan Minerals and ECI.

Virtually no exploration activity was undertaken on any of the Poconé properties since 2012.

None of the purchase price consideration relating to the Magellan Transaction was attributed to the Poconé properties, however, various liabilities amounting to $18,788 relating to the ECI Venture and PGM were recognised.

In August 2015, ECI received notification that a former optionor of one of the property interests acquired by ECI on behalf of the ECI Venture had filed a claim against ECI and PGM in connection with an option agreement that had been entered into with the ECI Venture in December 2009. As of October 3, 2017, no claim had been filed against the Company. The plaintiff is claiming an amount of US$ 780,000 plus damages.

Cabral is seeking to dispose of its interest in PGM through a transfer of its interest in the entity and all rights and responsibilities associated therewith to Brasil Central. If such a transaction were to occur, the consideration received by the Company, if any, would most likely be nominal. A transaction would not reduce the Company's exposure relating to the aforementioned legal claim against ECI and PGM.

Proposed transactions

As at October 3, 2017, the Company was working towards the closing of two related transactions as follows:

- A business combination agreement with San Angelo
- An equity financing of up to $6,000,000.

As at June 30, 2017 and October 3, 2017, there were no proposed asset or business acquisitions or dispositions other than as described herein.

Business combination agreement with San Angelo

On May 10, 2017, the Company and San Angelo entered into a business combination agreement. San Angelo was previously listed on the TSX Venture Exchange and since November 2016 - following the sale of its subsidiary, San Angelo Operating Corp. - was listed on the NEX. Pursuant to the agreement, San Angelo will acquire the Company by way of a three-cornered amalgamation whereby the Company will amalgamate with a newly-incorporated wholly-owned subsidiary of San Angelo to form Cabral Gold B.C. Inc. San Angelo proposes to complete a 1:5 consolidation of its common shares concurrently with closing, and pursuant to the amalgamation, shareholders of the Company will receive 0.18 of one post-consolidation common share of San Angelo for each one common share of Cabral held. The amalgamated entity will become a wholly-owned subsidiary of San Angelo, and San Angelo proposes to change its name to Cabral Gold Inc. on closing of the transaction. San Angelo will issue approximately 22,822,548 post-consolidation common shares to shareholders of Cabral. In addition, outstanding options and warrants of Cabral will be exchanged for similar instruments of San Angelo exercisable for or convertible into San Angelo post-consolidation common shares on the basis of the 0.18 exchange ratio.

The closing of the transaction is conditional upon the following and other customary conditions:

- San Angelo will complete the 1:5 consolidation. Upon completion of the consolidation, San Angelo will have approximately 1,298,550 common shares issued and outstanding

- The resulting issuer is required to have not less than $3,800,000 in working capital immediately following closing of the transaction (see discussion regarding equity financing of up to $6,000,000, below)
- The closing of the transaction is subject to San Angelo obtaining approval of the TSX Venture Exchange. San Angelo is also required to obtain shareholder approval of the consolidation and Cabral is required to obtain shareholder approval of the amalgamation.

In October 2016, the Company entered into an advisory agreement with M Partners pursuant to which M Partners would advise the Company in connection with a potential merger, reverse take-over, acquisition or similar business transaction. The agreement provides for a success fee in connection with a completed transaction equivalent to the greater of $180,000 or 3.0% of the transaction value. This fee may be paid in shares.

It is expected that following closing of the transaction, the current management of Cabral will continue in identical capacities at San Angelo and that the current five members of the board of directors of Cabral will constitute the new board of directors of San Angelo.

Equity financing of up to $6,000,000

In conjunction with this proposed business combination transaction, the Company is pursuing an equity financing part of which is being brokered by M Partners as agent with the remainder being arranged by the Company on a non-brokered basis. The financing consists of subscription receipts of Cabral priced at $0.108 per subscription receipt. The maximum proceeds of the financing (both brokered and non-brokered) is $6,000,000. Immediately prior to the closing of the business combination with San Angelo, each subscription receipt will be exchanged, without additional consideration for one unit of Cabral which will, in conjunction with the closing of the business combination, be exchanged for 0.18 of a unit of San Angelo (each whole such unit being referred to as a "Unit") at an effective post consolidation (1:5) issue price of $0.60.

Each Unit will be comprised of one common share of San Angelo, one-half of one class A warrant, with each whole class A warrant entitling the holder to purchase one common share of San Angelo at a price of $0.75 for a period of one year after the closing of the offering and one-half of one class B warrant with each whole class B warrant entitling the holder to purchase one common share of San Angelo at a price of $0.90 for a period of two years after the closing of the offering.

Pursuant to an agreement entered into in September 2017 with M Partners as agent, and finder's fee agreements entered into with various entities and individuals, M Partners and the finders will be paid a cash commission equal to 6% of the applicable gross proceeds and will be issued that number of special warrants equal to 6% of the applicable number of subscription receipts issued in connection with the offering. On closing of the business combination with San Angelo, each special warrant will be exchanged into a compensation warrant of the Company, and immediately exchanged into 0.18 of a compensation warrant of San Angelo. Each compensation warrant will entitle the holder thereof to acquire one Unit at any time until the second anniversary of the closing of the offering at a price of $0.60 per Unit.

The gross proceeds of the offering will be placed into escrow on closing. If the business combination takes place on or before October 31, 2017 (or such later date as is agreed to by the Company and the subscribers), then the gross proceeds from the offering will be released to the Company concurrently with the closing of the business combination. If the business combination is not completed on or before October 31, 2017 (or such later date as is agreed to by the Company and the subscribers), then the gross proceeds from the offering will be returned to the subscribers without interest or deduction and M Partners and the finders will not receive the cash commission. In addition, the certificates representing the subscription receipts and special warrants will be null, void and of no further force and effect.

Capital structure of resulting issuer

The anticipated capital structure of San Angelo assuming closing of both transactions (including a private placement of $4,200,000) is as follows:

	Cabral Oct. 3, 2017	Exchange ratio	Exercise price ($)	Sao Angelo At closing
Common shares:				
Cabral shareholders	126,791,932	0.18		22,822,548
San Angelo shareholders				1,298,550
Financing				7,000,000
Transaction fee (M Partners)				360,000
				31,481,098
Stock options:				
Cabral option holders	5,200,000	0.18	0.3333	936,000
Share purchase warrants (shares):				
Cabral compensation options	1,471,261	0.18	0.3333	264,827
San Angelo warrant holders			0.2500	600,000
Financing, A warrants			0.7500	3,500,000
Financing, B warrants			0.9000	3,500,000
				7,864,827
Share purchase warrants (Units):				
Shares			0.6000	420,000
A warrants			0.7500	210,000
B warrants			0.9000	210,000
				840,000
Fully diluted				**41,121,925**

Summary of quarterly results

A summary of quarterly results in respect of the period ended June 30, 2017 is as follows (note: the Company was incorporated on February 17, 2016 and the Magellan Transaction took place in April 2016):

	Quarter ended 30-Sep-16	Quarter ended 31-Dec-16	Quarter ended 31-Mar-17	Quarter ended 30-Jun-17
Revenues	-	-	-	-
Exploration	50,052	58,200	125,729	71,976
Administration (a)	27,286	82,819	312,220	217,172
Adjustment to provisions	-	-	-	192,278
Net loss	78,294	150,467	460,232	488,639
Net loss per share (b)	-	-	-	-
Total comprehensive loss	80,230	145,368	458,800	563,319
Cash and cash equivalents	10,184	2,184,746	1,752,070	1,007,268
Net working capital (deficit)	(695,544)	1,070,349	756,664	409,827
Total assets	2,393,662	4,227,948	3,873,288	3,160,427

	Quarter ended 31-Mar-16	Quarter ended 30-Jun-16
Revenues	-	-
Exploration	1,210	45,384
Administration (a)	1,631	7,676
Net loss	1,659	56,962
Net loss per share (b)	-	-
Total comprehensive loss	1,659	34,731
Cash and cash equivalents	-	81,964
Net working capital (deficit) (c)	(66,951)	(691,782)
Total assets	330,618	2,336,865

(a) Administration comprises all operating expenses other than exploration expenditures, foreign exchange items and interest expense. It includes costs of management, professional fees, travel and general and administrative items as well as non-cash items such as stock-based compensation and depreciation charges

(b) Net loss per share is presented on a basic and diluted basis

(c) Excludes advances made to Magellan Brazil prior to closing of the Magellan Transaction in April 2016

Fluctuations in the Company’s quarterly results were attributable to the following factors:

- Exploration: Exploration activity has been limited since the closing of the Magellan Transaction with costs incurred relating primarily to various third party studies and logistical support in connection with the maintenance of the Cuiú Cuiú property. Fluctuations were attributable to the following specific issues:
  - Third party study relating to the preparation of an integrated economic development plan for the Cuiú Cuiú property ($23,188 in Q2 2016, $24,209 in Q3 2016 and $9,749 in Q4 2016). The report was not prepared to the standards required by Canadian National Instrument 43-101
  - Cost of updating the 43-101 report relating to the Cuiú Cuiú property ($32,946 in Q1 2017)
  - Introduction of exploration-related advisory fees paid to a director effective October 1, 2016 ($12,500 in Q4 2016 and $15,615 in each of Q1 and Q2 2017)
  - The hiring of a Brazil country manager effective February 1, 2017 ($15,000 in Q1 2017 and $22,500 in Q2 2017)
  - The appreciation of the R$ relative to the CAD throughout 2016 and into early 2017 led to an increase in expenditures incurred in Brazil when denominated in CAD (April 29, 2016: 2.75 R$ per CAD; March 31, 2017: 2.37)
- Adjustment to provisions: See discussion in ‘Liquidity – Contingent liabilities’

- Administration: Fluctuations in administration costs were attributable to the following specific issues:
  - Stock-based compensation expense of $163,800 incurred in Q1 2017 in connection with the issuance of 5,200,000 stock options all of which vested immediately
  - A significant increase in professional costs in each of Q1 and Q2 2017 relating to legal fees incurred in connection with a proposed transaction and audit fees
  - An increase in travel costs in Q3 2016 relating to travel to Brazil and pursuit of financing and transaction opportunities in Q4 2016 through Q2 2017
  - The commencement of office rent and related charges in June 2016
  - The introduction of remuneration of management effective October 1, 2016 ($53,930 in Q4 2016, $59,922 in Q1 2017 and $62,707 in Q2 2017)

Results of operations

The Company's net loss increased by $890,250 from $58,621 in the period ended June 30, 2016 to $948,871 in the six months ended June 30, 2017. Its quarterly net loss increased by $431,677 from $56,962 in Q2 2016 to $488,639 in Q2 2017. There were limited costs incurred in the period ended June 30, 2016 as the Company was incorporated on February 17, 2016 and the Magellan Transaction took place in April 2016. Accordingly, the two periods are not directly comparable.

	6 months ended 30-Jun-17	Period ended 30-Jun-16	Variance
Expenses			
Professional fees	148,771	711	148,060
Office and administrative	38,721	3,347	35,374
Exploration expenditures	197,705	46,594	151,111
Management and consulting	128,750	1,576	127,174
Travel	45,479	2,745	42,734
	559,426	54,973	504,453
Expenses (non-cash items)			
Depreciation	3,871	928	2,943
Stock based compensation	163,800	-	163,800
Other income and expenses			
Adjustment to provisions	192,278	-	192,278
Foreign exchange loss (gain)	10,820	(715)	11,535
Penalties and financing charges	24,516	3,435	21,081
Interest income	(5,840)	-	(5,840)
Net loss for the period	**948,871**	**58,621**	**890,250**

	Quarter ended 30-Jun-17	Quarter ended 30-Jun-16	Variance
Expenses			
Professional fees	98,119	711	97,408
Office and administrative	18,857	3,115	15,742
Exploration expenditures	71,976	45,384	26,592
Management and consulting	68,828	1,576	67,252
Travel	29,076	1,346	27,730
	286,856	52,132	234,724
Expenses (non-cash items)			
Depreciation	2,292	928	1,364
Other income and expenses			
Adjustment to provisions	192,278	-	192,278
Foreign exchange loss	4,917	467	4,450
Penalties and financing charges	7,018	3,435	3,583
Interest income	(4,722)	-	(4,722)
Net loss for the period	**488,639**	**56,962**	**431,677**

Commentary regarding the Q2 2017 net loss of $488,639 is as follows:

- Professional fees relate primarily to legal and other professional fees incurred in connection with the proposed transaction with San Angelo
- Office and administration costs include all costs associated with maintaining the Company’s office in Vancouver other than management payroll
- Exploration expenditures relate primarily to costs incurred in connection with the Cuiú Cuiú property including the cost of maintaining an office in Itaituba, exploration-related advisory fees charged by a director and Brazil country manager and field costs at Cuiú Cuiú
- Management and consulting costs relate to the costs of the Company’s President and CEO and CFO
- Travel expenses related to the pursuit of transaction and financing opportunities in Q2 2017
- Adjustment to provisions relates to management’s best estimate of expenditures required to settle present contingent obligations relating to various outstanding legal, tax and regulatory matters (see ‘Liquidity – Contingent liabilities’)
- Penalties and finance charges relate to amounts incurred in connection with unpaid taxes and claim maintenance expenditures in Brazil (including restructured amounts).

Liquidity

As at June 30, 2017, the Company had a cash balance of $1,007,268 (December 31, 2016: $2,184,746), and a net working capital balance of $409,827 (December 31, 2016: $1,070,349).

January 2017 private placement

In January 2017, the Company closed a private placement financing pursuant to which 4,450,000 common shares of Cabral were issued at a price of $0.06 per common share for gross proceeds of $267,000 (including $200,000 received prior to 2017 and classified as Subscription receipts as at December 31, 2016).

If the Company does not complete a go-public transaction (which would include the listing of the Company's common shares on a recognized stock exchange in Canada or certain types of M&A transactions involving the Company's shares) within one year of closing the private placement, then the Company is required to issue without charge to each subscriber participating in the private placement that number of common shares of the Company equivalent to 10% of the number of common shares of the Company that the subscriber purchased in the private placement.

A similar commitment to issue additional shares without charge is present in connection with the December 2016 private placement of 31,841,932 common shares of Cabral which were issued at a price of $0.06 per common share.

Brazil taxation restructuring

During the fourth quarter of 2014 and the first quarter of 2016, Magellan Brazil restructured certain of its unpaid taxes due to various federal and state taxation and administrative bodies in Brazil. The payment plan including discount was entered intopursuant to a general program offered by these bodies. The restructured liabilities are generally being repaid over 60 months. Monthly repayments are increased to reflect inflation as per indices that are published each month.

In addition, certain claim maintenance expenditures incurred in connection with the ECI Venture properties were also subject to restructuring in a similar manner.

In May 2017, Magellan Brazil entered into a new restructuring agreement relating to R$ 658,760 (approximately $289,525) of unpaid INSS social taxes and related penalties, interest and fees. The restructured liability will be repaid over 120 months in staggered bands as set out below. Monthly repayments are increased to reflect inflation as per indices that are published each month.

	Inception (R$)	**Inception (R$)**
Repayment terms:		
Months 1-12	3,293.80	39,526
Months 13-24	3,952.56	47,431
Months 25-36	4,611.32	55,336
Months 37-119	6,152.82	510,684
Month 120	5,783.91	5,784
		658,760

In the six months ended June 30, 2017, two additional new restructuring agreements were entered into as follows:

- INSS social taxes of R$ 65,642 (approximately $25,758)
- Poconé claim maintenance charges of R$ 31,532 (approximately $12,373) reflecting Magellan Brazil's share

A summary of the non-restructured and restructured tax and claim maintenance liabilities is set out below.

	30 June 2017	Dec. 31. 2016
Non-restructured taxes (R$):		
INSS (2017) (1)	-	647,960
INSS (2017) (2)	-	38,188
IRRF (3)	71,793	-
	71,793	686,148
Restructured taxes (R$):		
INSS (2013-2014)	99,085	114,265
INSS (2017) (1)	657,139	-
INSS (2017) (2)	63,647	-
IRRF (3)	-	60,126
	819,871	174,391
Restructured Poconé claim maintenance (R$)	44,418	32,693
Total restructured (R$)	864,289	207,084
Less long-term portion (R$)	(786,232)	(143,802)
Current portion (R$)	78,057	63,282
Restructured taxes ($)	321,720	71,935
Restructured Poconé claim maintenance ($)	17,430	13,486
Total ($)	339,150	85,421
Less long-term portion, taxes ($)	(296,005)	(49,578)
Less long-term portion, claim maintenance ($)	(12,515)	(9,743)
Current portion ($)	30,630	26,100

(1) Restructuring plan entered into with respect to this amount in May 2017
(2) Restructuring plan entered into with respect to this amount in Q2 2017
(3) IRRF: termination of restructuring plan in Q2 2017 thereby resulting in entire balance becoming currently due and payable

The increase in the balance between December 31, 2016 and June 30, 2017 was due to the three new tax and claim maintenance charge restructuring plans being entered into and foreign exchange issues offset by the termination of an IRRF withholding tax restructuring plan previously entered into.

Going concern

The recoverability of the carrying value of mineral properties and deferred expenditures is dependent upon a number of factors including the existence of recoverable reserves, the ability of the Company to obtain financing to maintain properties and continue exploration and development activity and the discovery of economically recoverable reserves. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings provided by the Company's existing shareholders and/or new shareholders or through other arrangements. There is no assurance that the Company will be successful in this regard. These material uncertainties cast substantial doubt about its ability to continue as a going concern.

The Company's condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

Working capital

The balance of cash and cash equivalents as at June 30, 2017 was $1,007,268 (December 31, 2016: $2,184,746) and the net working capital balance as at this date was $409,827 (December 31, 2016: $1,070,349).

Operating activities

Cash used in operating activities in the six months ended June 30, 2017 amounted to $1,210,863 as compared to $287,356 in the period ended June 30, 2016. The application of cash in 2017 was due to the following:

- The net loss for the period of $948,871 (see 'Results of operations')
- Net non-cash items of $155,538 comprised primarily of stock-based compensation expense of $163,800
- Net reduction in accounts payable and accrued liabilities of $610,217 relating to the repayment of current liabilities in Magellan Brazil offset by the establishment of a provision of $192,278 relating to various legal, tax and regulatory matters associated with Magellan Brazil in Q2 2017.

Investing activities

Cash used in investing activities in the six months ended June 30, 2017 amounted to $20,828 and related to capitalised mineral claim maintenance costs and nominal fixed asset additions. Cash used in investing activities in the six months ended June 30, 2016 amounted to $315,579 and related primarily to cash advanced to acquire Magellan Brazil prior to closing of the transaction.

Financing activities

Net cash provided by financing activities the six months ended June 30, 2017 amounted to $58,963 as compared to $685,576 in the six months ended June 30, 2016. Both amounts related to equity raised through the private placement issuance of common shares.

Dividends

The Company has neither declared nor paid any dividends on its common shares to date. The Company does not anticipate paying any dividends on its common shares in the foreseeable future.

Contractual commitments

The Company had no significant medium- or long-term contractual commitments as at June 30, 2017 or October 3, 2017 beyond its stated liabilities and the following:

- Pursuant to the terms of its December 2016 and January 2017 private placements, if the Company does not complete a go-public transaction within one year of closing the private placement, then it is required to issue to each subscriber without charge 10% of the number of common shares that the subscriber purchased in the private placement. A total of 36,291,932 common shares were issued in these private placements
- The Company is committed to sharing in commitments associated with both the ECI Venture (50%) and PGM (35%) including its share of any losses relating to the current litigation against ECI and PGM (see 'Poconé properties')
- A success fee in connection with a completed transaction equivalent to the greater of $180,000 or 3.0% of the transaction value will be due following closing of the proposed transaction with San Angelo pursuant to an advisory agreement entered into with M Partners in October 2016. This fee may be paid in shares

- The Company is a party to an agreement with M Partners and finder's fee agreements with several other parties pursuant to which it will be required to pay a commission and finder's fee, respectively, of 6% and issue compensation warrants and finder's warrants, respectively, on funds raised. The closing of the financing, payment of both commissions and finder's fees and issuance of both compensation warrants and finder's warrants are subject to closing of the San Angelo transaction.

Contingent liabilities

The Company is subject to litigation in the counties where it operates. As at June 30, 2017 and October 3, 2017, there were several cases outstanding which had not been settled or where final judgement had not been rendered. Management is vigorously defending against those claims and has assessed the likelihood of loss related to the outstanding litigation and has recorded a provision of approximately $192,000 with regard to all outstanding litigation and related exposures.

Capital resources

The Company had no capital expenditure commitments as at either June 30, 2017 or October 3, 2017.

The Company is required to make certain option payments in order to maintain its properties and agreements in good standing. These payments are not considered to be commitments as the applicable agreements may be terminated by the Company at short notice without penalty; in addition, these payments relate to a secondary property. These future payments totalled $51,908 as at June 30, 2017 all of which is conditional on the registration of an optioned secondary property (Bom Jardim).

Transactions with related parties

The Company incurred the following costs of management and director compensation:

	6 months ended June 30, 2017	Period ended June 30, 2016
Management:		
Employment and consulting remuneration	$ 114,583	$ -
Payroll related costs	14,166	1,576
	128,749	1,576
Directors:		
Stock-based compensation	130,725	-
Advisory fees	31,250	-
	161,975	-
	$ 290,724	**$ 1,576**

Management comprises the President and Chief Executive Officer and Chief Financial Officer. The payment of remuneration to members of management commenced on October 1, 2016.

As at June 30, 2017, the Company owed a total of $3,597 to management in connection with unreimbursed expenditures. This liability had been settled in full in July 2017.

See 'Acquisition of Magellan Brazil' regarding the acquisition by the Company of Magellan Brazil through the restructuring of balances due by Magellan to the founding shareholders of Cabral.

Outstanding share data

The Company has authorized capital of an unlimited number of common shares with no par value.

The Company had the following common shares, compensation options and stock options outstanding as at October 3, 2017:

Issued and outstanding common shares	126,791,932
Fully diluted	133,463,193
Compensation options	1,471,261
Stock options	5,200,000

The compensation options were issued to M Partners in connection with the December 2016 private placement.

All compensation options and stock options have an exercise price of $0.06 per option.

In addition, if the Company does not complete a go-public transaction within one year of closing the December 2016 and January 2017 private placements, the Company is required to issue to each subscriber 10% of the number of common shares that the subscriber purchased without charge. A total of 36,291,932 common shares were issued in these private placements resulting in a potential commitment to issue 3,629,193 additional common shares.

See 'Proposed transaction' for presentation of anticipated capital structure of the resulting issuer following the proposed reverse take-over transaction and financing transaction.

Changes in accounting policies

The accounting policies applied in the preparation of the Company's unaudited condensed interim consolidated financial statements for the six months ended June 30, 2017 are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2016.

The IASB replaced IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9. IFRS 9 deals with classification and measurement, impairment, hedge accounting and derecognition of financial assets and liabilities. In February 2014, the IASB decided to defer to January 1, 2018 the implementation of IFRS 9. The Company's management has yet to assess the impact of this new standard on the Company's financial statements. Management does not expect to implement IFRS 9 until it has been issued and its overall impact can be assessed. IFRS 9 is applicable to annual periods commencing on or after January 1, 2018.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, other liabilities and provisions.

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, liquidity risk, credit risk and interest rate risk.

Foreign exchange risk

The Company operates primarily in Brazil and is therefore exposed to foreign exchange risk arising from transactions denominated in Brazilian reais ("R$"). Other than Canadian dollar balances, the Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities are held in R$ and US$ and are therefore subject to fluctuation against the Canadian dollar. The Company has no program in place for hedging foreign currency risk.

Liquidity risk

Liquidity risk encompasses the risk that an entity cannot meet its financial obligations in full as they become due. The Company manages liquidity by taking the appropriate steps to maintain adequate cash and cash equivalent balances. The Company monitors actual and forecast cash flows, and matches the maturity profile of financial assets and liabilities.

As at June 30, 2017, the Company had a cash balance of $1,007,268 and a net working capital balance of $409,827.

The Company recognised estimated penalties and finance charges of $24,516 associated with unpaid liabilities in Brazil in the six months ended June 30, 2017. With the exception of an outstanding current balance of approximately $29,300, all overdue tax liabilities in Brazil had been restructured as at October 3, 2017, and monthly payments were being made in accordance with the applicable terms of restructuring.

Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The carrying value of the Company's financial assets recorded in the consolidated financial statements represents its maximum exposure to credit risk.

All accounts receivable balances are current and no valuation allowance or provision was applied or required as at June 30, 2017.

Interest rate risk

Interest rate risk is the risk that cash flows will fluctuate due to changes in market interest rates. While the Company's financial assets are generally not exposed to significant interest rate risk because of their short-term nature, changes in interest rates will have a corresponding impact on interest income realised on such assets.

The Company's restructured tax liabilities in Brazil are subject to charges which are calculated based on the domestic rate of inflation in Brazil and related indices published by the Brazilian authorities. Otherwise, the Company did not have any interest bearing debt as at June 30, 2017 or October 3, 2017.

Cautionary Statement on Forward-Looking Information

This MD&A document contains 'forward-looking information' and 'forward-looking statements' (together, the "forward-looking statements") within the meaning of applicable securities laws. Such forward-looking statements concern the Company's anticipated operations in future periods, planned exploration and development of its properties, and plans related to its business and other matters that may occur in the future. This information relates to analyses and other information that is based on expectations of future performance and planned work programs. These forward-looking statements are made as of October 3, 2017.

Users of forward-looking statements are cautioned that actual results may vary from the forward-looking statements contained herein. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to:

- Risks related to the exploration and development of natural resource properties
- Risks related to the uncertainty of mineral resource calculations and the inclusion of inferred mineral resources in economic estimations
- Risks related to fluctuations in future metal prices (particularly gold prices)
- Risks related to market events and conditions
- Risks related to governmental regulations, including without limitation, environmental laws and regulations
- Risks related to delays in obtaining governmental or regulatory approvals, licenses or permits
- Risks related to the Company’s mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title
- Risks related to uncertainty associated with the Company’s ability to obtain funding in the future
- Risks related to the Company’s inability to meet its financial obligations under agreements to which it is a party (see ‘Liquidity’)
- Risks related to competition from larger companies with greater financial and technical resources, and
- Risks related to the Company’s directors and officers becoming associated with other natural resource companies which may give rise to conflicts of interest.

Although the forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this document, and the Company assumes no obligation to update or revise them to reflect new events or circumstances except as may be required under applicable securities laws. There can be no assurance that forward-looking statements, or the material factors or assumptions used to develop such forward-looking statements, will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements.

CERTIFICATE OF SAN ANGELO OIL LIMITED

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of San Angelo Oil Limited assuming the completion of the acquisition of Cabral Gold Ltd.

"Eileen Au"	*"Delaram Salem"*
EILEEN AU Interim Chief Executive Officer	DELARAM SALEM Chief Financial Officer

On Behalf of the Board of Directors

"Danny Lee"	*"Vincent Boon"*
DANNY LEE	VINCENT BOON

DATED: October 23, 2017

CERTIFICATE OF CABRAL GOLD LTD.

The foregoing document as it relates to Cabral Gold Ltd. constitutes full, true and plain disclosure of all material facts relating to the securities of Cabral Gold Ltd.

"Alan H.C. Carter"	*"Paul Hansed"*
ALAN H.C. CARTER Chief Executive Officer	PAUL HANSED Chief Financial Officer

On Behalf of the Board of Directors

"Charles Oliver"	*"Dennis Moore"*
CHARLES OLIVER	DENNIS MOORE

DATED: October 23, 2017