MAGNA GOLD CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2020

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

(UNAUDITED)

Magna Gold Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in thousands of United States Dollars)
(Unaudited)

	Notes	June 30, 2020	Restated - Note 3 March 31, 2020	Restated - Note 3 April 1, 2019
ASSETS				
Current				
Cash		**$ 14,286**	$ 161	$ 1,213
Funds held in escrow		**-**	710	1,985
Trade and other receivables	8	**1,744**	5	4
Inventories	9	**13,116**	-	-
Advances and prepaid expenses		**421**	32	-
Total current assets		**29,567**	908	3,202
Mineral properties, plant and equipment, exploration and evaluation	10	**5,185**	-	-
Goodwill	5	**2,897**	-	-
Total assets		**$ 37,649**	$ 908	$ 3,202
LIABILITIES				
Current				
Trade payables and accrued liabilities	11	**$ 7,453**	$ 148	$ 69
Loan payables	7	**11,000**	-	5
Derivative liability		**190**	-	-
Total current liabilities		**18,643**	148	74
Other provisions	18	**1,420**	-	-
Provision for site reclamation and closure	12	**4,896**	-	-
Foreign currency warrants	16	**502**	-	-
Total liabilities		**25,461**	148	74
EQUITY				
Issued capital	13	**16,950**	4,805	3,932
Shares to be issued		**-**	710	-
Contributed surplus		**1,461**	11	11
Accumulated other comprehensive loss		**(382)**	(148)	(101)
(Deficit) retained earnings		**(5,841)**	(4,618)	(714)
Total equity		**12,188**	760	3,128
Total liabilities and equity		**$ 37,649**	$ 908	$ 3,202

Nature of operations (note 1)
Subsequent events (note 21)

Approved on behalf of the Board:

/s/ "Arturo Bonillas"
Arturo Bonillas
Director

/s/ "Alex Tsakumis"
Alex Tsakumis
Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Magna Gold Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands of United States Dollars, except per share amounts)
(Unaudited)

Three Months Ended June 30,	**Notes**		**2020**		**2019**
Metal revenues	19	**$**	**8,463**	$	-
Cost of sales (including depreciation and depletion)	6a)		**6,894**		-
Income (loss) from mine operations			**1,569**		-
Corporate and administrative expenses	6b)		**1,976**		383
Exploration expense	10b)		**101**		655
Acquisition transaction costs			**756**		-
Loss from operations			**(1,264)**		(1,038)
Other income, net			**79**		-
Finance expense			**(125)**		-
Gain (loss) on change in valuation of warrants			**(245)**		-
Foreign exchange (loss) gain			**703**		(36)
(Loss) gain on derivative contracts			**(190)**		-
Net loss before income taxes			**(1,042)**		(1,074)
Income taxes					
Income tax expense			**181**		-
Loss for the period			**(1,223)**		(1,074)
Other comprehensive loss					
Foreign exchange loss			**(234)**		47
Net comprehensive loss for the period		**$**	**(1,457)**	$	(1,027)
Basic and diluted net loss per share	14	**$**	**(0.02)**	$	(0.03)
Basic and diluted comprehensive loss per share	14	**$**	**(0.02)**	$	(0.03)
Weighted average number of common shares outstanding			**61,084,008**		36,057,256

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Magna Gold Corp.
Condensed Interim Consolidated Statements of Cash Flows
(In thousands of United States Dollars)
(Unaudited)

Three Months Ended June 30,	Notes	2020	2019
Operating activities			
Loss for the period		**$ (1,223)**	$ (1,074)
Items not affecting cash:			
Stock based compensation		**1,450**	-
Depletion and depreciation		**236**	-
Foreign exchange		**125**	-
Accretion		**153**	-
Shares for exploration and evaluation costs		**-**	584
Gain (loss) on change in valuation of warrants		**245**	-
(Loss) gain on derivative contracts		**190**	-
Shares issued as part of transaction costs		**527**	-
		1,703	(490)
Changes in non-cash working capital items:			
Trade and other receivables		**195**	(50)
Inventories		**2,929**	-
Advances and prepaid expenses		**94**	(21)
Trade payables and accrued liabilities		**2,898**	(36)
Net cash provided by (used in) operating activities		**7,819**	(597)
Investing activities			
Acquisition	5	**1,465**	-
Amounts paid to Alio Gold	5	**(570)**	-
Net cash provided by investing activities		**895**	-
Financing activities			
Proceeds from private placements	13	**6,835**	-
Funds in escrow		**-**	1,985
Share issue costs		**(599)**	(6)
Net cash provided by financing activities		**6,236**	1,979
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(825)**	46
Increase (decrease) in cash		**14,125**	1,428
Cash, beginning of period		**161**	1,213
Cash, end of period		**$ 14,286**	$ 2,641
Non cash investing and financing activities			
Shares issued for acquisition	5	**$ 2,758**	$ -
Shares issued for settlement of Peal	5	**2,860**	-
Compensation shares issued	13	**527**	-

Magna Gold Corp.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in thousands of United States Dollars, except for number of common shares)
(Unaudited)

	Number of common shares	Share capital	Shares to be issued	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance at April 1, 2019	**35,413,184**	**$ 3,932**	**$ -**	**$ 11**	**$ (101)**	**$ (714)**	**$ 3,128**
Shares issued for properties (note 13)	2,442,105	584	-	-	-	-	584
Share issue costs (note 13)	-	(6)	-	-	-	-	(6)
Net comprehensive loss for the period	-	-	-	-	47	(1,074)	(1,027)
Balance, June 30, 2019	**37,855,289**	**$ 4,510**	**-**	**$ 11**	**$ (54)**	**$ (1,788)**	**$ 2,679**
Balance at March 31, 2020	**39,204,791**	**$ 4,805**	**$ 710**	**$ 11**	**$ (148)**	**$ (4,618)**	**$ 760**
Private placement (note 13)	23,583,116	6,835	(710)	-	-	-	6,125
Shares issued for acquisition (note 5 and 13)	21,769,999	5,909	-	-	-	-	5,909
Share issuance costs (note 13)	-	(599)	-	-	-	-	(599)
Stock based compensation (note 15)	-	-	-	1,450	-	-	1,450
Net comprehensive loss for the period	-	-	-	-	(234)	(1,223)	(1,457)
Balance, June 30, 2020	**84,557,906**	**$ 16,950**	**$ -**	**$ 1,461**	**$ (382)**	**$ (5,841)**	**$ 12,188**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Magna Gold Corp. ("the Company" or "Magna") was incorporated pursuant to the provisions of the Business Corporations Act of Ontario on January 9, 2018. Its shares have been listed on the TSX Venture Exchange (the "Exchange") under the symbol "MGR" since June 10, 2019. In addition, the Company's shares also trade on the OTCQB Venture Market, a U.S. trading platform that is operated by OTC Markets Group in New York, under the symbol "MGLQF". The Company's address is 18 King Street East, Suite 902, Toronto, Ontario, M5C 1C4.

On June 6, 2019 the Company completed its Qualifying Transaction, as defined in Exchange Policy 2.4 - Capital Pool Companies, consisting of the property option agreement dated September 25, 2018 pursuant to which the Company acquired a 100% interest in the Mercedes Property in Yécora, Mexico.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. At the date of issuance of these financial statements, mining operations has been considered as an essential activity in Mexico, and therefore, mining companies are able to continue operations following the safety protocols established. The Company has not interrupted its leaching process and doré shipments to its customer, therefore, Company's management has not identified a material impact on its financial position or results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

On May 6, 2020, the Company closed the acquisition of the San Francisco Mine located in Sonora, Mexico (Note 5).

The Company also holds a portfolio of earlier-stage mineral properties located in Mexico. The Company is in the process of exploring these mineral properties and has not yet determined whether they contain mineral reserves where extraction is both technically feasible and commercially viable.

2. GOING CONCERN

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has a cash balance of $14,286 and positive working capital that, when combined, the Company believes are sufficient to current operations and business objectives for the next twelve months. However, the Company has incurred operating losses to date and has limited history of revenue from operations and the certainty of funding future operating and exploration expenditures and availability of sources of additional financing cannot be assured at this time and accordingly, these material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern in the longer term is dependent on successful execution of its business plan and ultimately generating net income and positive cash flow from mining and milling operations. These unaudited condensed interim consolidated financial statements do not include adjustments to the carrying values and classifications of recorded assets and liabilities which could be material that might be necessary should the Company be unable to continue as a going concern.

3. BASIS OF PREPARATION

a) Statement of compliance

These unaudited condensed interim consolidated financial statements of the Company as at June 30, 2020 and for the three months ended June 30, 2020 (the "Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and with interpretations of the IFRS Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants of Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting".

3. BASIS OF PREPARATION (Cont'd)

a) Statement of compliance (Cont'd)

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 28, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these Interim Financial Statements as compared with the most recent annual financial statements as at and for the year ended March 31, 2020, except as disclosed in Note 4.

The Company does not believe that any accounting standards that have been recently issued but which are not yet effective would have a material effect on the Interim Financial Statements if such accounting standards were currently adopted.

b) Basis of measurement

The unaudited condensed interim consolidated financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities, which are measured at fair value, as specified by IFRS for each type of asset, liability, income and expense as set out in the accounting policies below.

c) Functional currency and presentation currency

These unaudited condensed interim consolidated financial statements are presented in United States Dollars (“US”), which is different from the Company's functional currency of Canadian Dollars (“CAD”). This represents a change in accounting policy and is the first period the Company used US as the presentation currency. Effective April 1, 2020 the Company changed its presentation currency from CAD to the US. The change in presentation currency is to better reflect the Company's business activities. There has been no change to Magna's functional currency (CAD) or its subsidiaries’ functional currencies. In making this change to the US presentation currency, the Company followed the guidance in IAS 21 The Effects of Changes in Foreign Exchange Rates (IAS 21) and has applied the change retrospectively as if the new presentation currency had always been the Company’s presentation currency.

In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new US presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new US presentation currency using the closing current exchange rate at the date of each statement of financial position;
- Income and expenses for each statement of loss and comprehensive loss presented have been retranslated at average exchange rates prevailing during each reporting period;
- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment listed as Accumulated Other Comprehensive Loss on the statement of financial position).

In addition to the comparative financial statements, the Company has presented a third statement of financial position as at April 1, 2019 as required by IFRS upon application of a voluntary change in accounting policy.

3. BASIS OF PREPARATION (Cont'd)

d) Judgements

The critical judgements made by management of the Company's in the application of the accounting policies that are presented in note 4 and have the most significant effect on the amounts recognized in these unaudited condensed interim consolidated financial statements are as follows:

i. Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates; the Company has determined the functional currency of Magna Gold Corp. and 266170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining SA de CV and Minera Magna, S.A. De C.V. The functional currency of the Molimentales subsidiary was determined to be US dollar. Such determination involves certain judgements to identify the primary economic environment of each entity. The Company reconsiders the functional currency of each entity if there is a change in events and/or conditions which determine the primary economic environment.

ii. Liquidity risk related to the Company's operations

The Company has a budgeting process to determine the funds required to support operating, capital, and exploration expenditures. The Company is managing cash flows to ensure sufficient liquidity. This process is subject to significant estimates and judgements including gold price assumptions, operating performance, and capital project management.

iii. Assessment of indicators of impairment

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or cash generating unit ("CGU") may be impaired, thereby requiring adjustment to the carrying value. As of June 30, 2020, there were no indicators of impairment.

iv. Revenue recognition

a. Determination of performance obligations

The Company applies judgement to determine if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable. Based on these criteria, the Company determined the primary performance obligation relating to its sales contracts is the delivery of the gold doré.

b. Transfer of control

Judgement is required to determine when transfer of control occurs relating to the sale of the Company's metals to its customers. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, and whether the physical possession of the goods, significant risks and rewards and legal title have been transferred to the customer.

v. Business combination

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgements, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders. On May 6, 2020, the Company acquired Molimentales del Noroeste, S.A. de C.V. ("Molimentales") (note 5). The Company concluded that the acquired assets and liabilities of Molimentales constituted a business and therefore the transaction was accounted for as a business combination in accordance with IFRS 3 -Business combinations.

3. BASIS OF PREPARATION (Cont'd)

e) Significant estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant estimates and assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

i. Mineral reserves

Proven and probable mineral reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study.

The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons.

The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgements to interpret the data.

The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgements made in estimating the recovery rate, size and grade of the ore body.

Changes in the proven and probable reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of mineral properties, and plant and equipment (note 10), provision for site reclamation and closure (note 12), recognition of deferred tax amounts, and depreciation and depletion (note 10).

ii. Depreciation and depletion (note 10)

Plants and other facilities used directly in mining activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on proven and probable reserves.

The calculation of the UOP rate, and therefore the annual depreciation and depletion expense could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual recovery rates and costs of mining and differences in gold price used in the estimation of mineral reserves.

Significant judgement is involved in the estimation of useful life and residual values for the computation of depreciation and depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

3. BASIS OF PREPARATION (Cont'd)

e) Significant estimates and assumptions (Cont'd)

iii. Deferred stripping costs (note 10)

In determining whether stripping costs incurred during the production phase of a mining property relate to reserves and resources that will be mined in a future period and therefore should be capitalized, the Company makes estimates of the stripping activity over the life of the mining property and the life of mining phases. Changes in estimated life of mine strip ratios or life of phase strip ratios can result in a change to the future capitalization of stripping costs incurred and future depreciation and depletion charges.

iv. Inventories (note 9)

Expenditures incurred, and depreciation and depletion of assets used in mining and processing activities are deferred and accumulated as the cost of ore in process and finished metal inventory. These deferred amounts are carried at the lower of average cost or net realizable value (“NRV”) and are subject to significant measurement uncertainty.

Write-downs of ore in process and finished metal inventory resulting from NRV impairments are reported as a component of current period costs. The primary factors that influence the need to record write-downs include prevailing and long-term metal prices and prevailing costs for production inputs such as labour, fuel and energy, materials and supplies, as well as realized ore grades and actual production levels.

Costs are attributed to ore in process based on current mining costs, including applicable depreciation and depletion relating to mining operations incurred up to the point of placing the ore on the leach pad. Costs are removed from ore in process based on the average cost per estimated recoverable ounce of gold on the leach pad as the gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly from the estimates.

The quantities of recoverable gold placed on the leach pads are reconciled to the quantities of gold actually recovered (metallurgical balancing), by comparing the grades of ore placed on the leach pads to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a leach pad will not be known until the leaching process is completed.

The allocation of costs to ore in process and finished metal inventory and the determination of NRV involve the use of estimates. There is a high degree of judgement in estimating future costs, future production level, gold prices, and the ultimate estimated recovery for ore in process. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

v. Recoverable value of mineral properties, plant and equipment

Where an indicator of impairment or impairment reversal exists (note 3(d)(iii)), a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use.

In determining the recoverable amounts of the Company’s mineral properties, and plant and equipment, management makes estimates of the discounted future cash flows expected to be derived from the Company’s mining properties, costs of disposal of the mining properties and the appropriate discount rate. Reductions or increases in metal price forecasts; estimated future costs of production; estimated future capital expenditures; recoverable reserves and resources; estimated in-situ values; and discount rates can result in an impairment of the carrying amounts of the Company’s mineral properties, and plant and equipment.

3. BASIS OF PREPARATION (Cont'd)

e) Significant estimates and assumptions (Cont'd)

vi. Provision for site reclamation and closure (note 12)

Site reclamation and closure provisions are recognized in the period in which they arise and are stated as the present value of estimated future costs taking into account inflation and discounted at a risk free rate. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. In view of uncertainties concerning environmental rehabilitation, the ultimate costs could be materially different from the amounts estimated.

It is possible that the Company's estimate of the site reclamation and closure liability could change as a result of change in regulations, the extent of environmental remediation required, the means and technology of reclamation activities or cost estimates. Any such changes could materially impact the estimated provision for site reclamation and closure. Changes in estimates are accounted for prospectively from the period the estimate is revised.

vii. Current and deferred taxes

The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

viii. Equity-settled stock-based compensation (note 15)

Stock-based compensation is measured at fair value. Options are measured using the Black-Scholes option pricing model based on estimated fair values of all stock-based awards at the date of grant and are expensed to earnings or loss from operations over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

3. BASIS OF PREPARATION (Cont'd)

e) Significant estimates and assumptions (Cont')

ix. Contingencies (note 18)

Due to the nature of the Company's operations, various legal and tax matters can arise from time to time that require estimation of amounts and probability of outcome. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its financial statements for the period in which such changes occur.

x. Fair value estimates

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

i. The fair values of identifiable assets acquired and liabilities assumed;
ii. The fair value of the consideration transferred in exchange for an interest in the acquiree; and,
iii. The resulting goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

a) Basis of consolidation

These condensed interim consolidated financial statements include the assets and operations of Magna Gold Corp. and its wholly owned subsidiaries Molimentales del Noroeste, S.A. de C.V. ("Molimentales"), 266170 Ontario Ltd., LM Mining SA de CV and Minera Magna, S.A. De C.V., 266170 Ontario Ltd. and LM Mining SA de CV are inactive subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Subsidiaries are investees where the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

b) Revenue

The Company's primary product is gold. Other metals, such as silver, produced as part of the extraction process are considered to be by-products arising from the production of gold. Revenue relating to the sale of metals is recognized when control of the metal is transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for the metal.

When considering whether the Company has satisfied its performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the metal; the Company has transferred physical possession of the metal to the customer; and the customer has the significant risks and rewards of ownership of the metal.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c) Inventories

The Company predominantly produces gold and silver by-product. Inventories consist of ore in process, finished metal inventory (doré), and operational supplies. Doré represents a bar containing predominantly gold by value which must be refined into its saleable metals.

These inventories are valued at the lower of cost and NRV after consideration of additional processing, refining and transportation costs. NRV represents the estimated future sales price of the product based on prevailing and long-term metals prices, less the estimated costs to complete production and bring the product to saleable form.

Write-downs of inventory are recognized in earnings or loss from operations as incurred. The Company reverses write-downs in the event that there is a subsequent increase in NRV.

i. Ore in process

The recovery of gold and silver from the ore is achieved through heap leaching processes. Costs are added to ore on leach pads based on current mining and processing costs, including applicable overhead, depletion and depreciation relating to mining operations. Costs are removed from ore on leach pads as ounces are recovered, based on the average cost per ounce of recoverable gold in ore in process inventory.

ii. Finished metal inventory

Finished metal inventory consists of doré bars containing gold and silver.

iii. Supplies

Supplies include consumables used in operations such as fuel, grinding material, chemicals, and spare parts. NRV is estimated as replacement cost.

Major spare parts and standby equipment are included in plant and equipment when they meet the definition of property, plant and equipment.

d) Mineral properties, plant and equipment, exploration and evaluation

i. Mineral property development costs

Mineral property development costs, are stated at cost less accumulated depletion and accumulated impairment losses. Costs associated with the commissioning of new assets, net of incidental revenues, are capitalized as mineral property costs in the period before they are operating in the manner intended by management.

Costs of producing properties are amortized using the UOP method based on estimated proven and probable reserves forecast to be extracted over the life of the mine and the costs of abandoned properties are written off in the period in which that decision is made by management.

Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in earnings or loss as incurred. Write-offs due to impairment in value are charged to earnings or loss as incurred.

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body. Stripping costs incurred prior to commercial production are capitalized and deferred as part of the cost of constructing the mine.

Mining costs associated with stripping activities during the production phase of a mine are variable production costs that are included in the costs of the inventory during the period that the stripping costs are incurred, unless the stripping activity can be shown to represent future benefits to the mineral property, in which case stripping costs are capitalized.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Mineral properties, plant and equipment, exploration and evaluation (Cont'd)

i. Mineral property development costs (Cont'd)

Future benefits to the mineral property are demonstrated when stripping activity results in either immediate usable ore to produce finished gold doré bar inventory or improved access to sources of gold reserves that will be produced in future periods that would otherwise not have been accessible. Stripping activity occurs on separately identifiable components of the open pit and the amount capitalized is calculated by multiplying the tonnes removed for stripping purposes from each identifiable component during the period by the mining cost per tonne.

The Company includes stripping costs in its production costs using a strip ratio based on tonnes of material removed compared to the estimated strip ratio per each separately identifiable component. Periods where the actual strip ratio for the identifiable component exceeded the average life of phase strip ratio for that component resulted in deferral of the excess stripping costs as an asset recorded within mineral properties (note 10).

ii. Plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase price, any costs directly attributable to bringing plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated site reclamation and closure costs associated with removing the asset, and, where applicable, borrowing costs.

Upon sale or abandonment of any plant and equipment, the cost and related accumulated depreciation and impairment losses are written off and any gains or losses thereon are recognized in earnings or loss for the period. When the parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of replacing or overhauling a component of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. Maintenance and repairs of a routine nature are charged to earnings or loss as incurred.

iii. Exploration and evaluation costs

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities.

iv. Depletion and depreciation

Mineral property costs, including deferred stripping costs, are depreciated when commercial production begins using the UOP method based on estimated proven and probable reserves.

Plant and equipment, including major components, are depreciated using the following depreciation methods and rates:

Computer equipment	30% straight line method
Leasehold improvements	20% straight line method
Office furniture and equipment	10% straight line method
Vehicles	25% straight line method or straight line method over expected life
Vehicles - right-of-use assets	straight line method over expected life
Mine equipment and buildings	UOP method or straight line method over expected life (2 - 7 years)
Plant and equipment	UOP method

Depreciation commences on the date the asset is available for use.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

e) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and,
- as a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are reduced by actual expenditures for which the provision was originally recognized. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The accretion of the discount is charged to earnings or loss for the period.

Provision for site reclamation and closure

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company records the fair value of a provision for site reclamation and closure as a liability in the period in which it incurred a legal or constructive obligation associated with the reclamation of the mine site and the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets.

The obligation is measured initially at present value based on estimated future cash flows derived using internal information and third party reports. The estimated cost is capitalized and included in the carrying value of the related mineral properties and is depreciated using either the straight-line method or UOP method, as appropriate.

The provision is initially discounted using a current market-based pre-tax discount rate and subsequently increased for the unwinding of the discount. The unwinding of the discount is charged to earnings or loss for the period.

At each reporting date, the Company reviews its provision for site reclamation and closure to reflect the current best estimate. The provision for site reclamation and closure is adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or the market-based pre-tax discount rate, with the offsetting amount recorded to the site reclamation and closure asset included in mineral properties which arises at the time of establishing the provision. The site reclamation and closure asset is depreciated on the same basis as the related asset.

f) Issued capital

Common shares are classified as issued capital. Costs directly attributable to the issue of common shares are recognized as a deduction from issued capital, net of any tax effects.

g) Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g) Financial instruments (Cont'd)

Classification of financial assets

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

Equity instruments designated as FVTOCI:

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income ("OCI"). The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

The Company does not currently hold any equity instruments designated as FVTOCI.

Financial assets measured subsequently at FVTPL:

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in note 3.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g) Financial instruments (Cont'd)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Financial instruments designated as hedging instruments

The Company does not currently apply nor have a past practice of applying hedge accounting to financial instruments.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indication exists such as decreases in metal prices, an increase in operating costs, a decrease in mineable reserves or a change in foreign exchange rate, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. In determining the recoverable amount, the Company also considers the net carrying amount of the asset, the ongoing costs required to maintain and operate the asset, and the use, value and condition of the asset.

Where the asset does not generate cash inflows that are independent with other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The recoverable amount is determined as the higher of fair value less costs of disposal and the asset’s value in use. Fair value is determined with reference to discounted estimated future cash flow analysis or to recent transactions involving dispositions of similar properties. In assessing value in use, the estimated future cash flows are discounted to their present value.

The pre-tax discount rate applied to the estimated future cash flows measured on a value in use basis reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as a charge to earnings or loss. Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depletion and depreciation) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in earnings or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

h) Foreign Currency Warrants

Warrants denominated in a currency different from the functional currency of the Company, called foreign currency warrants, meet the definition of a derivative liability and are fair valued at each statement of financial position date, using the Black-Scholes option pricing model, with changes in fair value recognized in the consolidated statement of income (loss) and comprehensive income (loss).

i) Taxes

i. Current tax expense

Current tax is the expected tax payable or receivable on the taxable earnings or loss for the period.

Current tax for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date, and includes adjustments to tax payable or recoverable in respect of previous periods.

ii. Deferred tax expense

Deferred tax is accounted for using the liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill, or 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 earnings nor taxable earnings or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forwards of unused tax losses and tax credits, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized, except where the deferred tax asset related 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 earnings nor taxable earnings or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred tax asset is recorded.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantially enacted at the reporting date. Current and deferred tax relating to items recognized directly in equity are recognized in equity and not in earnings or loss.

iii. Mining taxes and royalties

Mining taxes and certain royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to a form of net income after adjustment for items comprising temporary differences.

j) Loss per share

Basic loss per share (“LPS”) is calculated by dividing the loss and comprehensive loss of the Company by the basic weighted average number of common shares outstanding during the period. For purposes of calculating diluted LPS, the proceeds from the potential exercise of dilutive share options and share purchase warrants with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Company’s common shares at their average market price for the period.

Share options and share purchase warrants are included in the calculation of diluted LPS only to the extent that the market price of the common shares exceeds the exercise price of the share options or share purchase warrants except where such conversion would be anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets include the cost of developing mineral properties and constructing new facilities.

Borrowing costs are capitalized at the rate of interest applicable to the specific borrowings financing the assets under construction, or, where financed through general borrowings, at a capitalization rate representing the weighted average interest rate on such borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in earnings or loss in the period in which they are incurred.

l) Stock-based compensation transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. If and when the share options are exercised, the applicable fair value of the share options reserve is transferred to share capital. Any consideration paid on the exercise of the share options is credited to share capital. For those share options that expire unexercised on maturity, the applicable fair value is transferred to deficit.

m) New accounting standards adopted

IFRS 3, Business Combinations ("IFRS 3")

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

(Expressed in thousands of United States Dollars, except where noted)

5. ACQUISITION

Magna closed the acquisition of the San Francisco Mine located in Sonora, Mexico (the "Acquisition") pursuant to a definitive share purchase agreement dated March 5, 2020, as amended April 24, 2020 (the "Definitive Agreement"), between Timmins Gold Corp Mexico S.A. de C.V. ("Timmins"), a wholly owned subsidiary of Alio Gold Inc. ("Alio"), and the Company.

Under the terms of the Definitive Agreement, Magna acquired ownership of Alio's indirect wholly owned subsidiary, Molimentales del Noroeste, S.A. de C.V. ("Molimentales"), in exchange for (i) the issuance to Timmins of 9,740,000 common shares in the capital of the Company (the "Consideration Shares") at a fair value of $0.28 (CAD 0.40) per Consideration Share; and (ii) $5,000 in cash or a 1% net smelter return royalty in respect of the San Francisco Mine, at the election of Magna, on or before May 6, 2021, discounted at a rate of 6.86%.

Molimentales is party to an ongoing amparo suit with Inmobiliaria y Hotelera Los Algodones, S.A. de C.V. with respect to an amount of $1,725.

In connection with the Acquisition, Medalist Capital Ltd. and Trinity Advisors Corporation received advisory fees consisting of an aggregate of $170 in cash and the issuance of an aggregate of 1,029,999 Common Shares (the "Compensation Shares") at a fair value of $0.28 (CAD 0.40) per Compensation Share. The Compensation Shares are subject to a hold period in accordance with applicable Canadian securities laws which will expire on September 7, 2020.

The acquisition of Molimentales was accounted for as a business combination. The purchase price has been allocated on a preliminary basis to the assets acquired and liabilities assumed based on their fair values as follows:

Amounts recognized at acquisition date		
Estimated purchase price allocation		
Common Shares (9,740,000 at $0.28)	$	2,758
Additional payment:		
$5,000 in cash or a 1% net smelter return royalty in respect of the San Francisco Mine, at the election of Magna, on or before May 6, 2021		4,671
Working capital differences [b]		2,499
Peal settlement [a] - cash portion		4,213
Peal settlement [a] - non-cash portion		2,860
VAT payable to seller		570
Total estimated consideration	**$**	**17,571**

Estimated purchase price allocation		
Cash	$	1,465
Trade and other receivables		1,934
Inventories		16,259
Advances and prepaid expenses		484
Mineral properties, plant and equipment		5,196
Trade payables and accrued liabilities		(4,397)
Other provisions		(1,420)
Provision for site reclamation and closure		(4,847)
Intangible assets and goodwill		2,897
Preliminary allocation of purchase price	**$**	**17,571**

The above amounts included in the purchase price allocation are preliminary. The purchase price and the fair value of the net assets acquired are estimates, which were made by management at the time of the preparation of these unaudited condensed interim consolidated financial statements based on available information. Amendments may be made to these amounts as well as the identification of intangible assets and the allocation of identifiable intangible assets between indefinite life and finite lives. Values based on estimates are subject to changes during the period ending 12 months after the acquisition date.

(Expressed in thousands of United States Dollars, except where noted)

5. ACQUISITION (Cont'd)

Notes to acquisition:

[a] In connection with the Acquisition, the Company has also entered into a binding letter of intent with Peal de Mexico, S.A. de C.V. ("Peal"), the prior mining contractor for the San Francisco Mine, to settle the existing arbitration proceedings between Peal and Molimentales, which owns a 100% interest in the San Francisco Mine, for aggregate consideration of approximately $6,355 (plus value added taxes), to be satisfied by the issuance of 11,000,000 Common Shares (the "Settlement Shares") at a fair value of $2,860 and undiscounted cash flows of $3,495 (plus valued added taxes) to be paid in cash within a period of 18 months from the date of settlement (the "Settlement"). The $3,495 (plus value added taxes) was discounted over a period of 18 months at a rate of 6.86%.

[b] If on the Closing Date Working Capital exceeds the Target Working Capital, then the Company shall pay to the Vendor the Base Cash Amount plus such surplus amount (in one installment) on or before May 6, 2021, discounted at a rate of 6.86%.

6. EXPENSES

a) Cost of sales

Three Months Ended June 30,		**2020**		2019
Costs of mining	**$**	**352**	$	-
Crushing and gold recovery costs		**2,931**		-
Mine site administration costs		**510**		-
Transport and refining		**10**		-
Royalties		**43**		-
Change in inventories		**2,821**		-
Production costs		**6,667**		-
Depreciation and depletion		**227**		-
Cost of sales (including depreciation and depletion)	**$**	**6,894**	$	-

b) Corporate and administrative expenses

Three Months Ended June 30,		**2020**		2019
Salaries	**$**	**79**	$	-
Consulting and professional fees		**224**		204
Rent and office costs		**10**		-
Administrative and other		**59**		50
Reporting issuer costs		**7**		50
Investigation costs		**-**		42
VAT Expense		**62**		30
Business development		**85**		7
Stock based compensation		**1,450**		-
Corporate and administrative expenses	**$**	**1,976**	$	383

7. LOAN PAYABLES

	Notes		**June 30, 2020**		March 31, 2020		April 1, 2019
Working capital differences	5	**$**	**2,525**	$	-	$	-
Peal settlement	5		**3,755**		-		-
San Francisco mine NSR	5		**4,720**		-		-
Mercedes property landowner			**-**		-		5
		$	**11,000**	$	-	$	5

(Expressed in thousands of United States Dollars, except where noted)

8. TRADE AND OTHER RECEIVABLES

		June 30, 2020		March 31, 2020		April 1, 2019
Trade receivable	$	236	$	-	$	-
VAT receivable		1,387		6		4
Other receivables		121		-		-
	$	1,744	$	6	$	4

9. INVENTORIES

		June 30, 2020		March 31, 2020		April 1, 2019
Ore in process	$	8,772	$	-	$	-
Finished metal inventory		2,544		-		-
Supplies		1,800		-		-
	$	13,116	$	-	$	-

10. MINERAL PROPERTIES, PLANT AND EQUIPMENT, AND EXPLORATION AND EVALUATION

	Note		Mineral properties[1]		Plant and equipment		Total
Cost							
At May 6, 2020 (date of acquisition)		$	3,805	$	1,392	$	5,197
Additions			-		10		10
At June 30, 2020			**3,805**		**1,402**		**5,207**
Accumulated depreciation, depletion							
At May 6, 2020 (date of acquisition)			-		-		-
Depreciation and depletion			16		6		22
At June 30, 2020			**16**		**6**		**22**
Carrying amount at June 30, 2020		**$**	**3,789**	**$**	**1,396**	**$**	**5,185**

(1) At June 30, 2020 properties included deferred stripping costs with a carrying value of $1,596 (March 31, 2020 - $nil).

a) Mineral properties

The San Francisco Mine is located in Santa Ana, Sonora, Mexico, which is formed by several adjacent claims. Commercial production began at San Francisco in April 2010.

b) Exploration and evaluation

San Francisco Mine

The Company has title to the Patricia, Norma, Los Carlos, Pima, TMC, and Dulce claims located in the state of Sonora, Mexico. Mineral property exploration and evaluation expenditures within the scope of IFRS 6 on the San Francisco Mine are expensed.

(Expressed in thousands of United States Dollars, except where noted)

10. MINERAL PROPERTIES, PLANT AND EQUIPMENT, EXPLORATION AND EVALUATION (Cont'd)

b) Exploration and evaluation (Cont'd)

Mercedes Property

On June 6, 2019 (the "Closing Date"), the Company completed its Qualifying Transaction pursuant to Exchange Policy2.4 – Capital Pool Companies, consisting of an arm's length option agreement dated September 25, 2018 (the "Effective Date") with Beatriz Delia Yepiz Fong (the "Seller"), an individual resident in the Sonora State of Mexico, pursuant to which the Company acquired from the Seller an option ("Option") to acquire a 100% undivided interest in two mining claims (the "Mercedes Property") located in the municipality of Yecora, Sonora, Mexica, for a four-year period. In consideration of the grant of the Option, Magna will: (i) pay to the Seller an aggregate of $1,340 plus VAT of 16%, paid in installments comprised of one $50 payment on the later of the Closing Date and the sixth month from the Effective date, and thirty-six monthly payments of $15 starting on the twelfth month from the Effective Date, and one $750 payment on the forty-eighth month from the Effective Date; (ii) issue to the Seller a 3% net smelter returns ("NSR"), capped at $3,500 and subject to the right of the Company to acquire all 3 percentage points of the NSR at a price of $500 per percentage point, within the first three (3) years of commercial production of the Mercedes Property; and (iii) issue 2,442,105 common shares ("Common Shares") of the Company to the Seller (the "Consideration Shares") (valued at $584). As of the date here of, the Company has made the following payments to the Seller of $110 plus VAT of 16% and issued the Consideration Shares. The Mercedes Property consists of two contiguous claims covering an aggregate area of approximately 345 hectares located approximately 250 kilometers east-southeast along the Federal Highway 16 from the state capital, Hermosillo. In addition, as a result of the Qualifying Transaction, the Company consented to an unrelated party providing a loan tothe Mercedes Property landowner in the amount of $160 plus VAT, bearing no interest, resulting from the Mercedes Property landowner requiring funds.

Three Months Ended June 30,		**2020**		2019
Geological costs	**$**	**41**	$	-
Acquisition costs		**24**		635
Sampling		**5**		1
Administrative		**-**		12
Rental		**-**		5
Environmental		**-**		2
Professional fees		**3**		-
	$	**73**	$	655

Las Marias Property

On August 16, 2019 the Company announced it has closed the acquisition of 266170 Ontario Ltd. ("266") and its 99 %owned subsidiary LM Mining SA de CV ("LM Mining"). LM Mining holds the Las Marias Property ("Las Marias Property"), which consists of 7 mining concessions covering 646 hectares adjacent to the Mercedes Property and the Las Cabanas mineral claims ("Las Cabanas Property" and together with the Las Marias Property the "Claims"), which consists of 2 claims covering 248 hectares located approximately 10 km south-west of the Mercedes Property. The total purchase price for the Claims consisted of: (i) cash of $188 (ii) 1,000,000 common shares (fair value of $210) of the Company.

The Company did not have any exploration expenditures on the Las Marias property for the three months ended June 30, 2020 and 2019.

San Judas Project

On September 10, 2019, and agreement dated December 17, 2019, the Company announced that it had entered into an exploration and option agreement to acquire an option (the "San Judas Option") for a 100% undivided interest in two mining claims (the "San Judas Project") for a five-year period. The San Judas Project consists of two contiguous claims covering an aggregate area of approximately 2,806 hectares located approximately 240 kilometers north-west along the Federal Highway 16 from the state capital, Hermosillo. In consideration of the grant of the San Judas Option, the Company shall (i) pay to the optionors of the San Judas Project an aggregate of $1,680 plus VAT of 16%, (paid as at June 30, 2020 - $50, which includes VAT) paid in installments commencing on the effective date of the Agreement (the "Effective Date") and ending on the 60th month from the Effective Date; and (ii) issue to the Concessionaires a 1.5% net smelter returns ("NSR"), capped at $1,500 and subject to the right of the Company to acquire all 1.5 percentage points of the NSR at a price of $500 per half (1/2) percentage point, at any time.

(Expressed in thousands of United States Dollars, except where noted)

10. MINERAL PROPERTIES, PLANT AND EQUIPMENT, EXPLORATION AND EVALUATION (Cont'd)

San Judas Project (Continued)

The Company is in the exploration stage with respect to its investment in Mercedes Property, Las Marias Property, and San Judas Project the Company is expensing all costs relating to the acquisition and exploration of mineral rights. Such costs include, among others, geological, geophysical studies, exploratory drilling and sampling, feasibility studies and technical reports.

A summary of exploration cost is summarized below:

Three Months Ended June 30,		**2020**		2019
Geological costs	**$**	**21**	$	-
Acquisition costs		**7**		-
	$	**28**	$	-

11. TRADE PAYABLES AND ACCRUED LIABILITIES

	Notes		**June 30, 2020**		March 31, 2020		April 1, 2019
Trade payables		**$**	**2,264**	$	148	$	69
Accrued taxes			**310**		-		-
Accrued liabilities			**1,854**		-		-
Deferred revenue			**1,300**		-		-
Vendor loan	5		**1,725**		-		-
		$	**7,453**	$	148	$	69

12. PROVISION FOR SITE RECLAMATION AND CLOSURE

Balance, May 6, 2020 (date of acquisition)	$	4,847
Accretion		49
Balance, June 30, 2020	**$**	**4,896**

The provision for site reclamation and closure consists of mine closure costs, reclamation and retirement obligations for mine facilities and infrastructure.

The total undiscounted amount of estimated cash flows required to settle the retirement obligations of the San Francisco Mine as at June 30, 2020 is $6,104 (March 31, 2020 - $nil).

The cash flows have been inflated by a weighted average rate of 3.50% (March 31, 2020 - nil%) and discounted using the weighted average pre-tax risk-free rate of 6.84% (March 31, 2020 - nil%). The provision for site reclamation and closure is not expected to be paid in the near term and is intended to be funded from cash balances at the time of the mine closure.

13. ISSUED CAPITAL

Authorized share capital

At June 30, 2020 and March 31, 2020, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Common shares issued

	Number		**Amount**
Balance, April 1, 2019	**35,413,184**	**$**	**3,932**
Shares issued for properties (a)	2,442,105		584
Share issue costs	-		(6)
Balance, June 30, 2019	**37,855,289**	**$**	**4,510**

(Expressed in thousands of United States Dollars, except where noted)

13. ISSUED CAPITAL (Cont'd)

Common shares issued (Continued)

	Number		Amount
Balance, March 31, 2020	**39,204,791**	**$**	**4,805**
Private placement (b)(d)	23,583,116		6,835
Shares issued for acquisition (c)	21,769,999		5,909
Share issue costs	-		(599)
Balance, June 30, 2020	**84,557,906**	**$**	**16,950**

(a) On June 6, 2019 (the "Closing Date"), the Company completed its Qualifying Transaction pursuant to Exchange Policy 2.4 – Capital Pool Companies, consisting of an arm's length option agreement dated September 25, 2018 (the "Effective Date") with Beatriz Delia Yepiz Fong (the "Seller"), an individual resident in the Sonora State of Mexico, pursuant to which the Company acquired from the Seller an option ("Option") to acquire a 100% undivided interest in two mining claims (the "Mercedes Property") located in the municipality of Yecora, Sonora, Mexica, for a four-year period. In consideration of the grant of the Option, Magna will:

(i) pay to the Seller an aggregate of $1,340 plus VAT of 16%, paid in installments comprised of one $50 payment on the later of the Closing Date and the sixth month from the Effective date, and thirty-six monthly payments of $15 starting on the twelfth month from the Effective Date, and one $750 payment on the forty-eighth month from the Effective Date;
(ii) issue to the Seller a 3% net smelter returns ("NSR"), capped at $3,500 and subject to the right of the Company to acquire all 3 percentage points of the NSR at a price of $500 per percentage point, within the first three (3) years of commercial production of the Mercedes Property; and
(iii) issue 2,442,105 common shares ("Common Shares") of the Company to the Seller (the "Consideration Shares") (valued at $781). As of the date hereof, the Company has made the following payments to the Seller of $110 plus VAT of 16% and issued the Consideration Shares. The Mercedes Property consists of two contiguous claims covering an aggregate area of approximately 345 hectares located approximately 250 kilometers east-southeast along the Federal Highway 16 from the state capital, Hermosillo.

(b) On March 6, 2020 Magna announced that it commenced a non brokered private placement, and on May 6, 2020 Magna announced that it has closed the non brokered private placement (the "Private Placement") consisting of 5,714,286 Common Shares (the "Offered Shares") at a price of $0.25 ($0.35 CAD) per Offered Share for aggregate gross proceeds of approximately $1,425 ($2,000,000 CAD). The net proceeds from the Private Placement will be used for the acquisition of, and for working capital purposes in connection with, the San Francisco Mine. In connection with the Private Placement, the Company has: (i) paid approximately $20 ($28,400 CAD) in cash finder's fees to Canaccord Genuity Corp. and issued 34,260 Common Shares (the "Finder's Shares") to Medalist Capital Ltd. at a fair value of $0.25 ($0.35 CAD) per Finder's Share in lieu of cash finder's fees, representing 6% of the gross proceeds of the Offered Shares that were sold to subscribers introduced by such parties; and (ii) issued an aggregate of 96,185 non transferable warrants (the "Finder's Warrants") to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the Offered Shares that were sold to subscribers introduced by such parties, with each Finder's Warrant being exercisable for one Common Share at a price of $0.25 ($0.35 CAD) per Common Share until May 6, 2022 (note 16).

Arturo Bonillas, an officer and a director of the Company subscribed for 285,714 Offered Shares under the Private Placement on the same terms as arm's length investors.

(c) on May 6, 2020 Magna closed the acquisition of the San Francisco Mine located in Sonora, Mexico pursuant to the Definitive Agreement whereby, Magna acquired ownership of Alio's indirect wholly owned subsidiary, Molimentales, in exchange for (i) the issuance to Timmins of 9,740,000 common shares in the capital of the Company (the "Consideration Shares") at a fair value of $0.28 ($0.40 CAD) per Consideration Share (see note 5 for additional terms). In connection with the Acquisition, Medalist Capital Ltd. and Trinity Advisors Corporation received advisory fees consisting of an aggregate of $170 ($240,000 CAD) in cash and the issuance of an aggregate of 1,029,999 Compensation Shares at a fair value of $0.28 ($0.40 CAD) per Compensation Share.

In connection with the Acquisition, the Company has also entered into a binding letter of intent with Peal, the prior mining contractor for the San Francisco Mine, to settle the existing arbitration proceedings between Peal and Molimentales, which owns a 100% interest in the San Francisco Mine, for aggregate consideration of approximately $6,355 (plus value added taxes), which was partially satisfied by the issuance of 11,000,000 Settlement Shares at a fair value of $2,860 (see note 5 for additional terms).

(Expressed in thousands of United States Dollars, except where noted)

13. ISSUED CAPITAL (Cont'd)

(d) On June 1, 2020, Magna announced that it has closed its non-brokered private placement of 17,075,000 common shares in the capital of the Company (the "Securities") at a price of $0.30 ($0.41 CAD) per Security for aggregate gross proceeds of $5,410 ($7,000,750 CAD) (the "Private Placement").

In connection with the Private Placement, the Company has: (i) issued an aggregate of 759,570 common shares (the "Finder's Shares") to Canaccord Genuity Corp. and Medalist Capital Ltd. at a fair value of $0.41 CAD per Finder's Share in lieu of cash finder's fees, representing 6% of the gross proceeds of the Offered Shares that were sold to subscribers introduced by such parties; and (ii) issued an aggregate of 632,975 non-transferable warrants (the "Finder's Warrants") to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the Offered Shares that were sold to subscribers introduced by such parties, with each Finder's Warrant being exercisable for one common share in the capital of the Company (the "Finder's Warrant Shares") at a price of $0.41 CAD per Finder's Warrant Share until June 1, 2022 (note 16).

14. LOSS AND COMPREHENSIVE LOSS PER SHARE

For the three months ended June 30, 2020, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $1,042 (three months ended June 30, 2019 - $1,074) and the weighted average number of common shares outstanding of 61,084,008 (three months ended June 30, 2019 - 36,057,256). Stock options and warrants were excluded as they were anti-dilutive.

For the three months ended June 30, 2020, basic and diluted comprehensive loss per share has been calculated based on the comprehensive loss attributable to common shareholders of $1,457 (three months ended June 30, 2019 - $1,027) and the weighted average number of common shares outstanding of 61,084,008 (three months ended June 30, 2019 - 36,057,256). Stock options and warrants were excluded as they were anti-dilutive.

15. STOCK OPTIONS

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares. The maximum number of common shares reserved for issuance under the Stock Option Plan shall not exceed 2,707,500. The options will be exercisable for a period of up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors will determine the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX-V.

The following table reflects the continuity of stock options for the periods indicated:

	Number of stock options	**Weighted average exercise price ($ CAD)**
Balance, March 31, 2019 and June 30, 2019	200,000	0.10 CAD
Balance, March 31, 2020	200,000	0.10 CAD
Issued	2,250,000	0.98 CAD
Balance, June 30, 2020	**2,450,000**	**0.91 CAD**

On June 29, 2020, the Company granted options to certain officers, director and consultants to purchase 2,250,000 common shares. The options are exercisable at $0.98 CAD per share and expire on June 29, 2025. The options vest immediately. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.36%; and (iv) expected life of 5 years. The fair market value was determined to be $1,450 ($1,984,500 CAD). For the three month period ended June 30, 2020, $1,450 was expensed as stock based compensation. The weighted average grant date fair value of the options issued is $0.882 CAD per option.

(Expressed in thousands of United States Dollars, except where noted)

15. STOCK OPTIONS (Cont'd)

The following table reflects the stock options issued and outstanding as of June 30, 2020.

Expiry date	Exercise price ($ CAD)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
August 15, 2023	0.10	3.13	200,000	200,000	-
June 29, 2025	0.98	5.00	2,250,000	2,250,000	-
		4.85	2,450,000	2,450,000	-

16. WARRANTS

	Number of warrants	Grant date fair value
Balance, March 31, 2019 and June 30, 2019	**-**	**$ -**
Balance, March 31, 2020	**-**	**$ -**
Issued	729,160	255
Balance, June 30, 2020	**729,160**	**$ 255**

On May 6, 2020, in connection with the non-brokered private placement the Company issued 96,185 non-transferable warrants to Canaccord Genuity Corp. and Medalist Capital Ltd. ("Finders Warrant"), with each Finders Warrant being exercisable for one common share in the capital of the Company (the "Finder's Warrant Shares") at a price of $0.35 CAD per Finder's Warrant Share until May 6, 2022. The fair value of each warrant granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.30%; and (iv) expected life of 2 years. The fair market value was determined to be $26,355 CAD. The Company has assumed no forfeiture rate. The warrants were revalued as at June 30, 2020 each warrant has been estimated at the revaluation date using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.36%; and (iv) expected life of 1.84 years.

On June 1, 2020, in connection with the non-brokered private placement the Company issued 632,975 non-transferable warrants to Canaccord Genuity Corp. and Medalist Capital Ltd. ("Finders Warrant"), with each Finders Warrant being exercisable for one common share in the capital of the Company (the "Finder's Warrant Shares") at a price of $0.41 CAD per Finder's Warrant Share until June 1, 2022. The fair value of each warrant granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.29%; and (iv) expected life of 2 years. The fair market value was determined to be $319,019 CAD. The warrants were revalued as at June 30, 2020 each warrant has been estimated at the revaluation date using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.36%; and (iv) expected life of 1.94 years. The Company has assumed no forfeiture rate.

As of June 30, 2020, there are 729,160 (March 31, 2020 – $nil) warrants outstanding which are recorded as a derivative liability with a value of $502 (March 31, 2020 - $nil)

The following table reflects the actual warrants issued and outstanding as of June 30, 2020.

Expiry date	Exercise price (CAD)	Warrants outstanding
May 6, 2022	0.35	96,185
June 1, 2022	0.41	632,975
		729,160

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value measurement of financial assets and liabilities

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and,

Level 3 - inputs for the asset or liability that are not based upon observable market data.

The carrying values of cash, trade and other receivables, trade payables and accrued liabilities, loan payables and amounts due to and from related parties approximate their fair value due to their short-term nature, and are classified at amortized cost.

The foreign currency warrant was determined a level 2 instrument and valued using the Black Scholes valuation model derived from observable market inputs. The derivative liability was classified as a level 2 instrument because the inputs are derived from observable market data.

At June 30, 2020 and March 31, 2020, there were no financial assets or liabilities measured and recognized in the statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above.

There were no transfers between Level 1 and Level 2, during the three months ended June 30, 2020 or for the year ended March 31, 2020.

Derivative liability

During the three months ended June 30, 2020, the Company entered into gold option contracts whereby the Company sold the right to a third party to purchase a number of the Company’s gold ounces at a set price. The carrying value of the derivative liability is based on the valuation of the outstanding gold option contracts using Level 2 inputs and valuation techniques. The unrealized loss on the contracts was $190 during the three months ended June 30, 2020.

Risk management

The Company’s primary business activities consist of the acquisition, exploration, development and operation of mineral resource properties in Mexico. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, commodity price risk, currency risk, liquidity risk, and interest rate risk. The Company’s risk management program strives to evaluate the unpredictability of financial and commodity markets and its objective is to minimize the potential adverse effects of such risks on the Company’s financial performance, where financially feasible to do so. When deemed material, these risks may be monitored by the Company’s corporate finance group and they are regularly discussed with the Board of Directors or one of its committees.

i. Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the consolidated financial statements.

(Expressed in thousands of United States Dollars, except where noted)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Risk management (Continued)

i. Credit risk (Continued)

The Company's credit risk is predominantly limited to cash equivalent balances held in financial institutions, the recovery of VAT receivable from the Mexican tax authorities, any gold and silver sales and related receivables and other receivables. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At June 30, 2020 and March 31, 2020, the Company expects to recover the full amount of such assets.

The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Company assesses the quality of its counterparties, taking into account their credit worthiness and reputation, past performance and other factors.

Cash is only deposited with or held by major financial institutions where the Company conducts its business. In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

Gold and silver sales are made to a limited number of large international organizations specializing in the precious metals markets. The Company believes them to be of sound credit worthiness, and to date, all receivables have been settled in accordance with agreed upon terms and conditions. The Mexican tax authorities with whom the Company holds a VAT receivable balance, are also deemed to be of sound credit worthiness.

ii. Commodity price risks

The Company is exposed to price risk associated with the volatility of the market price of commodities, in particular gold and silver, and also to many consumables that are used in the production of gold and silver.

The prices of most commodities are determined in international markets and as such the Company has limited or no ability to control or predict the future level of most commodity prices. In some instances, the Company may have the ability to enter into derivative financial instruments to manage the Company's exposure to changes in the price of commodities such as gold, silver, oil and electricity.

iii. Currency risk

The functional currency of Magna Gold Corp. and 266170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining SA de CV and Minera Magna, S.A. De C.V. The functional currency of the Molimentales subsidiary was determined to be US dollar. Therefore the Company's earnings and comprehensive income are impacted by fluctuations in the value of foreign currencies in relation to the US dollar.

The table below summarizes the net monetary assets and liabilities held in foreign currencies:

		June 30, 2020		March 31, 2020
Mexican peso net monetary assets	**$**	**9,174**	$	-
Canadian dollar net monetary assets	**$**	**309**	$	771

The effect on earnings before income tax at June 30, 2020, of a 10.0% change in the foreign currencies against the US dollar on the above-mentioned net monetary assets and liabilities of the Company is estimated to be an increase/decrease of $948 (June 30, 2019 - $77) assuming that all other variables remained constant.

The calculations above are based on the Company's condensed interim consolidated statement of financial position exposure at June 30, 2020.

(Expressed in thousands of United States Dollars, except where noted)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Risk management (Continued)

iv. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements and its exploration and production plans.

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments. The Company has no concentrations of liquidity risk.

v. Interest rate risk

The Company's interest revenue earned on cash are exposed to low interest rate risk as they are held in fixed interest rate bank accounts.

As at June 30, 2020, the Company did not hold any loans or liabilities with variable interest rates, and therefore has no significant interest rate risk.

The Company does not enter into derivative contracts, interest rate swaps or other instruments to actively manage these risks.

18. CONTINGENCIES

A summary of undiscounted liabilities and future operating commitments at June 30, 2020, are as follows:

	Note	**Total**	Less than 1 year	1-3 years	4-5 years	Greater than 5 years
Maturity analysis of financial liabilities						
Trade payables and accrued liabilities	11	**$ 7,453**	$ 7,453	$ -	$ -	$ -
Loan payable	5, 7	**12,187**	12,187	-	-	-
		19,640	19,640	-	-	-
Commitments						
Provision for site reclamation and closure [1]		**6,104**	-	-	-	6,104
Other provisions [2]		**1,420**	-	-	-	1,420
Total financial liabilities and commitments		**$ 27,164**	$ 19,640	$ -	$ -	$ 7,524

(1) Provision for site reclamation and closure represents the undiscounted amount of the estimated cash flows required to settle the retirement obligations of the San Francisco Mine. The undiscounted amounts is $6,104.

(2) Other provisions represent the undiscounted amount of the demobilization costs related to the Peal de Mexico, S.A. de C.V. ("Peal") contract, whereby the Company is responsible for demobilization costs payable one month prior to the end of the mining contract. This obligation has been recorded at an annualized discount rate of 2.3%, reflecting the implied interest rate, and calculated according to the formula stipulated in the contract. At June 30, 2020, this obligation was determined to be $1,420.

Various tax and legal matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the financial statements in the period such changes occur.

(Expressed in thousands of United States Dollars, except where noted)

19. REVENUE

During the three months ended June 30, 2020 and 2019, the Company had sales agreements with three customers. The percentage breakdown of metal revenues by customer is as follows:

	Three Months Ended June 30,	
	2020	2019
Customer A	**92 %**	- %
Other	**8 %**	- %
Total	**100 %**	- %

Due to the nature of the gold market, the Company is not dependent on any customers to sell finished goods.

The Company's metal revenues from operations, all of which are derived in Mexico, for the three months ended June 30, 2020 and 2019, are as follows:

	Three Months Ended June 30,	
	2020	2019
Gold	**$ 8,448**	$ -
Silver	**15**	-
	$ 8,463	$ -

20. RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

The remuneration of directors and other members of key management personnel, were as follows:

(a) During the three months ended June 30, 2020, travel expenses of $nil (three months ended June 30, 2019 - $4) were incurred by Arturo Bonillas, a corporate officer of the Company, in order to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction in accordance with Policy 2.4 section 8.2(b). These expenses were included in investigation costs in the consolidated statements of net loss and comprehensive loss.

(b) During the three months ended June 30, 2020, the Company paid for compliance services and disbursements of $25 (During the three months ended June 30, 2019 - $5) to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filling Services Limited, and Marrelli Press Release Services, collectively, the ("Marrelli Group")

Chief Financial Officer ("CFO") services provided by Carmelo Marrelli;

- Bookkeeping services;
- Regulatory filing services;
- Press release services; and
- Corporate secretarial services.

Carmelo Marrelli, who is the CFO of Magna, beneficially controls the Marrelli Group through corporate and family relationships. These services are required by Magna to maintain its reporting issuer status and are made on terms equivalent to those that prevail with arm's length transactions. As at June 30, 2020, the Marrelli Group was owed $23 (March 31, 2020 - $3) and this amount is included in trade payables and accrued liabilities.

(c) During the three months ended June 30, 2020, stock based compensation of $322 (June 30, 2019 - $11) was attributed to Arturo Bonillas, a corporate officer of the Company.

(Expressed in thousands of United States Dollars, except where noted)

20. RELATED PARTY TRANSACTIONS (Cont'd)

(d) The Company defines its key management personnel as its Board of Directors, Chief Executive Officer ("CEO") and CFO.

Remuneration of Directors and key management personnel of the Company was as follows:

	Three Months Ended June 30,			
		2020		2019
Salaries and benefits (*)	**$**	**67**	$	13
Stock based compensation	**$**	**709**	$	-

(*) The Board of Directors do not have employment or service contracts with the Company. There were no director fees accrued or paid during the three months ended June 30, 2020 and 2019. Salaries and benefits excludes fees paid to the CFO and companies he controls (disclosed in note 20(b)) for each period presented.

21. SUBSEQUENT EVENTS

On August 11, 2020 the Company announced that it has entered into an option agreement with a private party to acquire a 100% undivided interest in the Los Muertos silver-gold project located in the municipality of La Colorada, Sonora, Mexico. The Los Muertos silver-gold projectis comprised of two claims (Los Muertos concession and Los Muertos 1 concession), covering 1,756 hectares.

Under the terms of the option agreement the Company can earn a 100% undivided interest in the Los Muertos Project by paying an aggregate amount of $425 plus VAT in five annual installments commencing on the effective date of the Agreement, August 3rd, 2020 (the “Effective Date”), and ending on the 48th month from the Effective Date.

On August 13, 2020 the Company announced that the board of directors has approved the adoption of a new 10% rolling stock option plan (the "Plan") to replace the Company's existing fixed stock option plan. The Plan is subject to approval of the shareholders of the Company at the annual and special meeting of shareholders to be held on September 15, 2020 (the "Meeting") in accordance with the policies of the TSX Venture Exchange (the "Exchange"), as well as the final acceptance of the Exchange.

On August 13, 2020 the Company also announced that it has granted a total of 2,350,000 incentive stock options to purchase common shares of the Company to certain directors, officers, employees and consultants of the Company pursuant to the Plan. The Options are exercisable at a price of CAD $1.53 per common share for a period of five years. The grant of stock options is subject to the approval of disinterested shareholders of the Company at the Meeting in accordance with the policies of the Exchange. The Common Shares issuable upon exercise of the options are subject to a four-month hold period pursuant to the policies of the Exchange which will expire on December 14, 2020.