

**MAGNA GOLD CORP.**

**(a Capital Pool Company)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED JUNE 30, 2018**

**(EXPRESSED IN CANADIAN DOLLARS)**

**Introduction**

The following management’s discussion and analysis (“MD&A”) of the financial condition and results of the operations of Magna Gold Corp. (“Magna”, or the “Company”) constitutes management’s review of the factors that affected the Company’s financial and operating performance for the three months ended June 30, 2018. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements of the Company as at March 31, 2018 and for the period from January 9, 2018 (date of incorporation) to March 31, 2018, together with the notes thereto and the unaudited condensed interim financial statements as at June 30, 2018 and for the three months ended June 30,2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. Information contained herein is presented as of August 20, 2018 unless otherwise indicated.

Further information about the Company and its operations can be obtained on [www.sedar.com](http://www.sedar.com).

**Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

<b>Forward-looking Statements</b>	<b>Assumptions</b>	<b>Risk Factors</b>
The Company expects to complete a Qualifying Transaction (defined below)	The Company expects to identify an asset or business to acquire and close a Qualifying Transaction, on terms favourable to the Company	The Company’s inability to find a target to complete a Qualifying Transaction, resulting in the Company remaining as a public shell on the NEX trading board of the Exchange (defined below)
The Company’s ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2019	The operating activities of the Company for the twelve-month period ending June 30, 2019, and the costs associated therewith, will be consistent with the Company’s	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; regulatory compliance

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	current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	and changes in regulatory compliance and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
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Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

**Description of Business**

Magna was incorporated on January 9, 2018, under the *Business Corporations Act* (Ontario) under the name Magna Gold Corp. The authorized share capital of the Company consists of an unlimited number of common shares, without nominal or par value.

The Company is classified as a Capital Pool Company as defined in Policy 2.4 – Capital Pool Companies ("Policy 2.4") of the TSX Venture Exchange ("Exchange"). At June 30, 2018, the Company has not commenced commercial operations and has no assets other than cash of \$2,172,790 (March 31, 2018 - \$2,349,747 which were funds in trust) and prepaid expenses of \$23,604 (March 31, 2018 - \$nil). The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (as such term is defined in Policy 2.4). Any proposed Qualifying Transaction must be accepted by the Exchange.

Except as described in the Company's prospectus dated June 29, 2018, the funds raised by the Company will be utilized only for the identification and evaluation of potential Qualifying Transactions and, to the extent permitted by Policy 2.4, for general and administrative expenses. While the Company has commenced the process of identifying potential acquisitions, it has not yet entered into a definitive agreement for any particular transaction.

On August 15, 2018, the Company completed its initial public offering (the "Offering") of 2,000,000 common shares at a purchase price of \$0.10 per common shares for aggregate gross proceeds of \$200,000. M Partners Inc. (the "Agent") acted as agent for the initial public offering. In connection with the Offering, the Agent received a cash commission equal to 10% of the aggregate gross proceeds from the

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sale of the common shares and was paid for legal expense, a corporate finance fee and other disbursements totalling \$59,521.

On August 15, 2018, the Company granted 200,000 stock options to the directors and officers of the Company. Each option is exercisable to acquire one common share at a price of \$0.10 for a period of 5 years following the date of issuance.

The Company's common shares commenced trading on the Exchange under the trading symbol MGR.P on August 17, 2018. As of August 17, 2018, the Company had 27,075,000 common shares outstanding, with 6,250,000 common shares held in escrow.

### **Overall Performance**

The Company has not conducted commercial operations and it is focused on the identification and evaluation of businesses or assets to acquire.

During the three months ended June 30, 2018, the Company earned no revenue and reported a net loss of \$141,725 (\$0.01 basic and diluted loss per share) (period from January 9, 2018 (date of Incorporation) to March 31, 2018 – loss of \$26,505 (\$0.01 basic and diluted loss per share)).

The losses incurred in the period presented represent Qualifying Transaction investigation costs, professional fees, reporting issuer costs and bank charges.

Current liabilities at June 30, 2018, total \$25,800 (March 31, 2018 - \$37,428). Shareholders' equity consists of share capital of \$2,338,824 (March 31, 2018 - \$2,338,824) and deficit of \$168,230 (March 31, 2018 – deficit of \$26,505) for a net of \$2,170,594 (March 31, 2018 - \$2,312,319) in shareholders' equity.

The weighted average number of common shares of the Company outstanding for the three months ended June 30, 2018, was 23,725,000.

### **Capital Resources**

The following financings have been completed by the Company:

- (1) On February 23, 2018, the Company issued an aggregate of 2,700,000 seed common shares at a price of \$0.05 per share for gross cash proceeds of \$135,000.
- (2) On February 26, 27, 28, 2018, the Company issued an aggregate of 2,825,000, 1,000,000 and 8,350,000 common shares at a price of \$0.10 per share for gross cash proceeds of \$1,217,500.
- (3) On March 26, 2018, the Company issued an aggregate of 10,200,000 common shares at a price of \$0.10 per share for gross cash proceeds of \$1,020,000.
- (4) On August 15, 2018, the Company completed the Offering by issuing 2,000,000 common shares at a price of \$0.10 per common share pursuant to Policy 2.4.

### **Discussion of Operations**

Three months ended June 30, 2018

The Company's net loss totaled \$141,725 for the three months ended June 30, 2018, with basic and diluted loss per share of \$0.01. Activities for the three months ended June 30, 2018, principally related to professional fees of \$41,998, reporting issuer costs of \$18,932, bank charges of \$288 and Qualifying Transaction investigation costs of \$80,507.

During the period, the Company initiated its search for a suitable business or asset to merge with or acquire. For the period ended June 30, 2018, costs directly related to these activities amounted to \$80,507. These activities did not lead to the execution of any agreements for a Qualifying Transaction and the Company's search continues.

#### Budget

Management has not assigned a specific budget to maintaining its operations other than maintaining costs as low as possible.

### **Off-Balance-Sheet Arrangements**

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

### **Proposed Transactions**

See "Subsequent Event" below.

### **Selected Quarterly Information**

<b>Three Months Ended</b>	<b>Net Revenues (\$)</b>	<b>Net Income (Loss)</b>	
		<b>Total (\$)</b>	<b>Basic and Diluted Loss per Share (\$) <sup>(3)</sup></b>
June 30, 2018	-	(141,725) <sup>(1)</sup>	(0.01)
January 9, 2018 (date of incorporation) to March 31, 2018	-	(26,505) <sup>(2)</sup>	(0.01)

Notes:

<sup>(1)</sup> Net loss of \$141,725 principally related to Qualifying Transaction investigation costs of \$80,507, professional fees of \$41,998, reporting issuer costs of \$18,932 and bank charges of \$288.

<sup>(2)</sup> Net loss of \$26,505 principally related to professional fees of \$18,930, reporting issuer costs of \$7,290 and bank charges of \$285.

<sup>(3)</sup> Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

### **Liquidity**

At June 30, 2018, the Company had working capital of \$2,170,594 (March 31, 2018 - \$2,312,319) of which \$2,172,790 (March 31, 2018 - \$2,349,747 (funds in trust)) was cash. The Company manages its capital structure and makes adjustments to it, based on available funds. Capital levels for a Capital Pool Company are regulated pursuant to guidelines issued by the Exchange. These guidelines state that proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company not related to the identification and evaluation of a Qualifying Transaction. These restrictions apply until completion of a Qualifying Transaction by the Company. The Company has not exceeded this limit at June 30, 2018.

Management believes that the Company has sufficient cash to meet its current obligations for the next 12 months and to meet its objective of completing a Qualifying Transaction.

There are no commitments for capital expenditures as at June 30, 2018.

The Company currently has no established credit lines with any chartered banks or other financial institutions. The Company expects to rely upon equity financing as its primary source of funding. There are no assurances that the Company will be able to negotiate equity financings on terms acceptable to management or at all.

### **Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

### **No Operating History**

The Company was incorporated on January 9, 2018, has not commenced commercial operations and has no assets other than cash and prepaid expenses at June 30, 2018. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future. Until completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions. The Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction. Even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction.

### **Possible Trading Suspension or Delisting**

The Exchange may suspend from trading or delist the securities of the Company where the Company fails to comply with the policies of the Exchange or if the Company fails to meet initial listing requirements of the Exchange upon completion of a Qualifying Transaction. Suspension from trading of the common

shares may, and delisting of the common shares will, result in the regulatory securities authorities issuing an interim cease trade order against the Company. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares of the Company held by insiders. Trading in the common shares of the Company may be halted at other times for other reasons, including for failure by the Company to submit documents to the Exchange in the time periods required.

### **Halt of Trading**

Upon public announcement of a potential Qualifying Transaction, trading in the common shares of the Company will be halted and will remain halted until completion of a Qualifying Transaction, or sooner pursuant to Policy 2.4. Neither the Exchange nor any securities regulatory authority passes upon the merits of the potential Qualifying Transaction.

### **Exchange May Not Approve a Qualifying Transaction**

Completion of a Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and in the case of a Non-Arm's Length Qualifying Transaction, Majority of the Minority Approval, as such terms are defined in Policy 2.4.

Notwithstanding that a transaction may meet the definition of a Qualifying Transaction; the Exchange may not approve a Qualifying Transaction:

- (a) if the Company fails to meet the initial listing requirements prescribed by Policy 2.1 – Initial Listing Requirements of the Exchange upon completion of a Qualifying Transaction;
- (b) if, following completion of a Qualifying Transaction, the Company will be a finance company or a mutual fund as defined under applicable securities laws;
- (c) the consideration proposed to be paid by the Company in connection with the Qualifying Transaction is not acceptable to the Exchange; or
- (d) for any other reason at the sole discretion of the Exchange.

### **Approval by the Majority of the Minority**

Where Majority of the Minority Approval is required, unless the shareholder has the right to dissent and be paid fair value in accordance with the applicable corporate or other law, a shareholder who votes against a proposed Non-Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Company of fair value for the common shares.

### **Dilution**

If the Company issues treasury shares to finance acquisition or participation opportunities, control of the Company may change and subscribers may suffer dilution of their investment.

### **Reliance on Management**

The Company is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. The success of the Company is dependent upon the efforts and abilities

of its directors and officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Company.

### **Directors and Officers**

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company but will be devoting such time as required to effectively manage the Company. Some of the directors and officers of the Company are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Company may be exposed to liability and its ability to achieve its business objectives may be impaired.

Additionally, directors and officers of the Company may also serve as directors and/or officers of other reporting issuers from time to time.

The Company has not purchased "key-man" insurance, nor has it entered into non-competition and non-disclosure agreements with management and has no current plans to do so.

### **Foreign Acquisition**

In the event the Company identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.

### **Volatile Financial Markets**

The extreme volatility occurring in the financial markets is a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Issuers like the Company are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets in order to raise the capital it will need to fund its current level of expenditures and identify, evaluate and close a Qualifying Transaction.

### **Loans or Advances**

Subject to prior acceptance from the Exchange, the Company may be permitted to loan or advance up to an aggregate of \$250,000 (\$25,000 without prior Exchange approval) of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Company will be able to recover the loan or advance.

### **New Standards and Interpretations Not Yet Adopted**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. In the current circumstances, it does not expect any of these to have a material impact on the Company's financial statements.

### **Financial Instruments**

The Company's financial instruments, consisting of cash and accounts payable and other liabilities, approximate fair values due to the relatively short term maturities of the instruments. It is management's



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opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As at June 30, 2018, the Company had working capital of \$2,170,594 and is not exposed to any liquidity risk.

### **Capital Management**

The Company includes equity, comprised of issued share capital and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its activities relating to identifying and evaluating qualifying transactions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and completion of the Qualifying Transaction.

There has been no change with respect to the overall capital risk management strategy during the period ended June 30, 2018. The Company is not subject to externally imposed capital requirements other than the cash restriction disclosed below.

Pursuant to the policies of the Exchange, the proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of the Qualifying Transaction by the Company as defined under the policies of the Exchange. The Company has not exceeded this limit at June 30, 2018.

### **Share Capital**

As of the date of this MD&A, the Company had 27,075,000 common shares outstanding, with 6,250,000 common shares held in escrow. In addition, the Company had 200,000 stock options outstanding. Each option is exercisable to acquire one common share at a price of \$0.10 for a period of 5 years following the date of issuance.

### **Outlook**

For the immediate future, the Company intends to identify and evaluate potential Qualifying Transactions. The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

### **Additional Disclosure for Venture Issuers Without Significant Revenue**

	<b>Three Months Ended June 30, 2018 \$</b>
Investigation costs	80,507
Professional fees	41,998
Reporting Issuer costs	18,932
Bank charges	288
<b>Total</b>	<b>141,725</b>

### **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, not disclosed elsewhere, were as follows:

(a) During the three months ended June 30, 2018, travel expenses of \$14,512 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 condensed interim statements of net loss and comprehensive loss.

(b) As at June 30, 2018, \$6,127 (March 31, 2018 - \$nil) was advanced to Arturo Bonillas, a corporate officer of the Company. These advances were included in prepaid expenses and will be used to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction.