



MAGNAGOLD

MAGNA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NINE MONTHS ENDED DECEMBER 31, 2020
AND YEAR ENDED MARCH 31, 2020

(EXPRESSED IN MILLIONS OF US DOLLARS, UNLESS OTHERWISE STATED)

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for Magna Gold Corp. together with its subsidiaries ("Magna" or the "Company") is prepared as of April 7, 2021, and relates to the financial condition and results of operations for the nine months ended December 31, 2020, and year ended March 31, 2020. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the audited consolidated financial statements ("consolidated financial statements") and related notes for the nine months ended December 31, 2020, and year ended March 31, 2020, which have been prepared using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP").

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively.

On November 30, 2020, the Company announced a fiscal year-end change from March 31 to December 31. Due to this change, the previously reported "Q1 2021" and "Q2 2021" periods have been renamed "three months ended June 30, 2020" and "three months ended September 30, 2020", respectively, so that the quarterly periods during calendar 2021 can be named "Q1 2021", "Q2 2021", "Q3 2021" and "Q4 2021". References to "YTD 2021", "YTD 2020", "fiscal 2021" and "fiscal 2020" have also been eliminated and replaced by references to the calendar periods, so that they can be referred to during calendar 2021.

All amounts are presented in United States dollars, the Company's presentation currency, unless otherwise stated. References to "C\$" and "MXP" are to Canadian dollars and Mexican pesos, respectively.

Statements are subject to the risks and uncertainties identified in the "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" sections of this document. The Company has included the non-GAAP performance measures of cash cost per gold ounce on a by-product basis and all-in sustaining cost per gold ounce on a by-product basis throughout this document. For further information and detailed calculations of these measures, see the "Non-GAAP Measures" section of this document.

Additional information relating to the Company, including any Annual Information Form filed by the Company, is available on SEDAR at www.sedar.com.

ANNUAL OPERATIONAL OVERVIEW AND RECENT DEVELOPMENTS

San Francisco Mine Highlights

- Produced 7,485 ounces of gold at cash cost and site all-in sustaining cost ("Site AISC") per gold ounce sold ⁽¹⁾ of \$1,902 and \$2,542, respectively, during the three months ended December 31, 2020.
- Sales of 7,827 ounces of gold at an average realized price of \$1,856 per ounce during the three months ended December 31, 2020.
- Produced 19,295 ounces of gold at cash cost and Site AISC per gold ounce sold ⁽¹⁾ of \$1,680 and \$2,116, respectively, during the nine months ended December 31, 2020.
- Sales of 20,235 ounces of gold at an average realized price of \$1,820 per ounce during the nine months ended December 31, 2020.

Corporate

San Francisco Mine Acquisition

On May 6, 2020, Magna closed the acquisition of the San Francisco Mine located in Sonora, Mexico (the "Molimentales Acquisition") pursuant to a definitive share purchase agreement dated March 5, 2020, as amended April 24, 2020 (the "Definitive Agreement"), between Timmins GoldCorp Mexico S.A. de C.V. ("Timmins"), a wholly owned subsidiary of Alio Gold Inc. ("Alio"), and the Company.

⁽¹⁾ Refer to the "Non-GAAP Measures" section of the MD&A.

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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"), 100% owner of the San Francisco Mine, 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 (C\$0.40) per Consideration Share; and (ii) \$5.0 million in cash, on or before May 6, 2021. Should the Company not pay this amount the Company will in lieu grant a 1% net smelter return royalty in respect of the San Francisco Mine.

The Consideration Shares are subject to a lock up agreement until the earlier of (i) May 6, 2021; and (ii) the date on which Timmins and its affiliates collectively hold less than 9.9% of the issued and outstanding common shares in the capital of the Company ("Common Shares") on an undiluted basis. In the event that Timmins wishes to sell any or all of its Common Shares, Magna will have the option to arrange the purchaser of such shares until Timmins and its affiliates collectively hold less than 9.9% of the issued and outstanding Common Shares on an undiluted basis.

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 \$1.7 million.

In connection with the Molimentales Acquisition, Medalist Capital Ltd. and Trinity Advisors Corporation received advisory fees consisting of an aggregate of \$0.2 million in cash and the issuance of an aggregate of 1,029,999 Common Shares (the "Compensation Shares") at a fair value of \$0.28 (C\$0.40) per Compensation Share. The Compensation Shares were subject to a hold period in accordance with applicable Canadian securities laws which expired on September 7, 2020.

May 6, 2020 Private Placement

On May 6, 2020, Magna also closed a non-brokered private placement (the "Private Placement") consisting of 5,714,286 Common Shares (the "Offered Shares") at a price of \$0.25 (C\$0.35) per Offered Share for aggregate gross proceeds of approximately \$1.4 million (C\$2.0 million). The net proceeds from the Private Placement were 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: (i) paid approximately C\$0.1 million 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 (C\$0.35) per Common 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 (C\$0.35) per Common Share until May 6, 2022.

The securities issued in connection with the Private Placement were subject to a hold period in accordance with applicable Canadian securities laws which expired on September 7, 2020.

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.

June 1, 2020 Private Placement

On June 1, 2020, Magna closed a non-brokered private placement of 17,075,000 Common Shares (the "Offered Securities") at a price of \$0.30 (C\$0.41) per Offered Security for aggregate gross proceeds of \$5.2 million (C\$7.0 million) (the "Financing"). The Financing was fully subscribed and included lead investments by Eric Sprott and two mining industry participants.

The net proceeds from the Financing were used for working capital purposes in connection with the Company's existing projects.

In connection with the Financing, the Company: (i) issued an aggregate of 759,570 Common Shares (the "Finder's Shares II") to Canaccord Genuity Corp. and Medalist Capital Ltd. at a fair value of C\$0.41 per Finder's Share II in lieu of cash finder's fees, representing 6% of the gross proceeds of the Offered Securities that were sold to subscribers introduced by such parties; and (ii) issued an aggregate of 632,975 non-transferable warrants (the "Finder's Warrants II") to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the Offered Securities that were sold to subscribers introduced by such parties, with each Finder's Warrant II being exercisable for one Common Share (the "Finder's Warrant Shares II") at a price of C\$0.41 per Finder's Warrant Share II until June 1, 2022. The securities issued in connection with the Financing were subject to a hold period in accordance with applicable Canadian securities laws which expired on October 2, 2020.

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Stock Option Plan

On June 29, 2020, the Company announced that it had granted a total of 2,250,000 incentive stock options to purchase Common Shares to certain officers, directors, employees and consultants of the Company pursuant to the Company's stock option plan. Such options are exercisable at a price of C\$0.98 per Common Share for a period of five years. The Common Shares issuable upon exercise of the options were subject to a four-month hold period which expired on October 30, 2020.

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

On August 13, 2020, the Company also announced that it had granted a total of 2,350,000 incentive stock options to purchase Common Shares to certain directors, officers, employees and consultants of the Company pursuant to the Plan. The options are exercisable at a price of C\$1.53 per Common Share for a period of five years. The grant of stock options was subject to, and subsequently received, 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 were subject to a four-month hold period pursuant to the policies of the Exchange which expired on December 14, 2020.

Peal Settlement

On June 30, 2020, the Company's subsidiary, Molimentales, entered into a definitive agreement with Peal de Mexico, S.A. de C.V. ("Peal") to settle the existing arbitration proceedings between Peal and Molimentales in relation to the Company's San Francisco Mine located in Sonora, Mexico (the "Settlement"). Pursuant to the terms of the definitive agreement, Peal agreed to the Settlement in exchange for aggregate consideration of approximately \$6.4 million (plus value added taxes) (the "Consideration"). In satisfaction of the Consideration, the Company issued 11,000,000 Common Shares (the "Settlement Shares") to Peal at a fair value of \$2.9 million and Molimentales has agreed to pay approximately \$3.5 million (plus value added taxes) in cash to Peal by December 31, 2021.

The Settlement Shares are subject to a lock up agreement until the earlier of (i) June 30, 2021 and (ii) the date on which Peal and its affiliates collectively hold less than 9.9% of the outstanding Common Shares. In the event that Peal or any of its affiliates wishes to sell or transfer any or all of the Settlement Shares, the Company will have the option to arrange the purchaser of such shares until the date on which Peal and its affiliates collectively hold less than 9.9% of the issued and outstanding Common Shares. Until the date on which Peal holds less than 10% of the issued and outstanding Common Shares, Peal will have the right to participate in any future share issuance made by the Company on a pro rata basis in proportion to, and to maintain, its percentage interest in the issued and outstanding Common Shares immediately prior to the applicable issuance or sale (up to a maximum percentage interest of 19%) on the same terms that such securities are offered for issuance or sale to other purchasers, subject to certain customary exceptions. The Settlement Shares were subject to resale restrictions pursuant to the policies of the Exchange which expired on October 31, 2020.

Los Muertos Project Option Agreement

On August 11, 2020, the Company announced that it had entered into an option agreement with a private party pursuant to which the Company was granted an option to acquire a 100% undivided interest in the Los Muertos silver-gold project (the "Los Muertos Project") located in the municipality of La Colorada, Sonora, Mexico. The Los Muertos Project is comprised of two mineral concessions (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 \$0.4 million plus value added tax ("VAT") in five annual installments commencing on the effective date of the option agreement, August 3, 2020 (the "Effective Date"), and ending on the 48th month from the Effective Date.

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Pre-Feasibility Study on the San Francisco Mine

On September 17, 2020, the Company announced the results from the Pre-Feasibility Study ("PFS") completed on its 100%-owned San Francisco Mine ("San Francisco" or the "Mine") located in Sonora, Mexico. Highlights of the PFS are as follows:

- Base case after-tax net present value ("NPV") of \$80.0 million using a \$1,450/oz gold price and 5% discount rate;
- Assuming a spot gold price of \$1,950 per ounce, the project economics increase to an after-tax NPV of \$231.0 million using a 5% discount rate;
- Average annual gold production of 69,000 ounces per year over 2021 to 2027;
- Average all-in sustaining cash costs of \$1,204 per gold ounce; and,
- No major capital required for resumption of full mining operations.

Full details of the PFS and the current estimates of mineral reserves and resources can be found in the technical report entitled "*NI 43-101 F1 Technical Report Pre-Feasibility Study for the San Francisco Gold Project, Sonora, Mexico*" dated August 28, 2020, located on the Company's website at www.magnagoldcorp.com and on SEDAR at www.sedar.com.

Margarita Silver Project Acquisition

On November 19, 2020, the Company announced that the Company, through its subsidiary Molimentales (the "Purchaser"), closed the acquisition (the "Margarita Acquisition") of the option (the "Option") to acquire a 100% undivided interest in the mineral concessions comprising the Margarita Silver Project ("Margarita") pursuant to a definitive option acquisition agreement (the "Agreement") with Sable Resources Ltd. ("Sable") and Exploraciones Sable, S. de R.L. de C.V. (the "Vendor"), a wholly-owned subsidiary of Sable.

Margarita is comprised of two mineral concessions, covering 125.625 hectares, located within the prolific Sierra Madre Gold Belt, which hosts numerous multimillion-ounce gold-silver deposits, 88 kilometers south of the state capital of Chihuahua in the Municipality of Satevo, State of Chihuahua, Mexico. Margarita lies 15 kilometers northwest on strike with Sunshine Silver Corp.'s Los Gatos Mine.

Pursuant to the terms of the Agreement, the Purchaser acquired the Option in exchange for:

- (i) 3,219,278 Common Shares of the Company with a fair value of \$2.9 million issued at C\$1.17 (\$0.89) per Common Share;
- (ii) C\$1.5 (\$1.2) million in cash; and,
- (iii) C\$0.8 (\$0.6) million in cash representing Mexican 16% VAT on the full consideration of the Margarita Acquisition.

Immediately following the Margarita Acquisition, the Purchaser exercised the Option to acquire Margarita (the "Option Exercise") by payment to the titleholders of Margarita of:

- (i) 1,655,629 Common Shares of the Company with a fair value of \$1.5 million issued at C\$1.17 (\$0.89) per Common Share;
- (ii) C\$0.5 (\$0.4) million in cash; and,
- (iii) C\$0.4 (\$0.3) million in cash representing Mexican 16% VAT on the full consideration of the Option Exercise.

The Common Shares issued in connection with the Margarita Acquisition and the Option Exercise were subject to a four-month hold period from the date of issuance in accordance with applicable Canadian securities laws which expired on March 18, 2021.

The Margarita Acquisition does not meet the definition of a business combination and therefore was accounted for as an asset acquisition. The acquisition and exercise of the Option, landowner payment, and related transaction costs, were included in the consolidated financial statements as an exploration and evaluation asset.

Concurrent with the Option Exercise, in accordance with the terms of an amended and restated royalty purchase agreement dated October 13, 2020, between Osisko Gold Royalties Ltd ("Osisko"), Sable, the Vendor and certain affiliates of Sable and the Vendor, the Company and the Purchaser entered into a royalty agreement with Osisko, pursuant to which the Purchaser will pay Osisko a 2.0% net smelter returns royalty on all products mined and produced from Margarita.

Change of fiscal year-end

On November 30, 2020, the Company announced a fiscal year-end change from March 31 to December 31. This will align the fiscal year-end of the Company with that of its Mexican subsidiaries, which are required to have fiscal periods for Mexican tax purposes ending on December 31.

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Sandstorm Agreement

On November 30, 2020, the Company, through its subsidiaries, Molimentales and Minera Magna, and SA Targeted Investing Corp., a subsidiary of Sandstorm Gold Ltd. ("Sandstorm"), completed a royalty agreement arrangement (the "Sandstorm Agreement") pursuant to which the Company received \$3.0 million in exchange for:

- (i) Gold Delivery. Commencing November 2020 and for the first twelve months, the Company will deliver 50 gold ounces per month to Sandstorm, and from the thirteenth to forty-eighth month thereafter, deliver 75 gold ounces per month; and,
- (ii) Net Smelter Royalty. Commencing on the forty-ninth month, the Company will pay to Sandstorm a 1% NSR on each of the following mining concessions: San Francisco, Patricia, Norma, La Pima, Dulce, and San Judas. At the option of the Company, 0.5% of each NSR can be bought back for \$1.0 million on the San Francisco mining concession, and \$0.5 million each on the other concessions, all subject to a 10% annual escalation, compounded annually.

Capitalization of exploration and evaluation

Effective December 31, 2020, the Company has voluntarily adopted a new accounting policy with respect to exploration and evaluation expenditures to reflect the Company's future outlook on its exploration activities. The Company has capitalized exploration and evaluation activities incurred in connection with the exploration and evaluation of mineral resources before technical feasibility and commercial viability of extracting a mineral resource is demonstrable.

The Company has applied the change retrospectively in the consolidated financial statements and MD&A as if the exploration and evaluation activities have always been capitalized. Refer to the "*Review of quarterly results*" section of this document for a summary of the impact on the consolidated financial statements.

The Company continues to expense mining concession payments as these payments are a regulatory requirement with no future economic benefit to the Company. Mining concession payments are expensed in the period they are incurred and are presented in the consolidated financial statements and MD&A as exploration expenses.

Appointment of CFO

On January 27, 2021, the Company announced the appointment of Mr. Colin Sutherland, CPA, CA, as Chief Financial Officer effective immediately. Mr. Sutherland continues to be a director of the Company.

Auramet Agreement

During February 2021, the Company, through its subsidiary Molimentales, signed an agreement with Auramet International LLC ("Auramet") pursuant to which the Company will receive \$4.0 million in exchange for nine equal payments of 275 gold ounces to be delivered to Auramet starting April 2021 and ending on December 31, 2021. Auramet has been Molimentales' primary purchaser of gold doré bars since 2010 and continues to be so after the Molimentales Acquisition.

On February 12, 2021, the Company received \$3.9 million representing \$4.0 million less transaction costs and upfront fee of \$0.1 million.

The funds are not restricted for use. Use of funds is budgeted for operational activities at the San Francisco Mine.

Under the agreement with Auramet, the Company must maintain a minimum consolidated cash balance of \$1.0 million at all times during the duration of the agreement.

COVID-19

The focus of the Company is to ensure the safety of its workforce and community. The Company instituted numerous social distancing measures, including working from home, eliminating travel of any kind, and restricting access to sites. Further, the Company has increased efforts to clean and sanitize common areas as well as provide training and information to employees to reduce the risk of exposure and transmission of the virus.

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During the nine months ended December 31, 2020, there has been no material impact on the operating and exploration activities of the Company. Production at the San Francisco Mine has continued as per the schedule detailed in the PFS dated August 28, 2020. As of the date of this MD&A, the Canadian and Mexican authorities have not introduced any further measures that are impacting, or are expected to impact, the Company's operations in Canada or Mexico. The United States authorities have not introduced any further measures that are impacting, or are expected to impact, the Company's deliveries of gold doré bars to its customer in the United States.

Even though the Company has not incurred material impacts to date from the COVID-19 pandemic, the duration and impact of the COVID-19 outbreak is undetermined. As a result, it is not possible to reliably estimate the impact on the financial results and condition of the Company and its sites in future periods.

OVERVIEW OF THE BUSINESS

Magna was incorporated on January 9, 2018 pursuant to 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. Its shares have been listed on the TSX Venture Exchange under the symbol "MGR" since June 10, 2019. In addition, Magna's shares 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 an option to acquire a 100% interest in the Mercedes Property in Yécora, Mexico.

Magna is a gold mining company engaged in acquisition, exploration, development and operation in Mexico. Magna's vision is to create a leading precious metals company by leveraging its existing platform of assets and people to maximize value for all its stakeholders.

Magna operates one open-pit heap leach operating mine: the San Francisco Mine in the state of Sonora, Mexico, located approximately 150 kilometers north of Hermosillo and 120 kilometers south of the United States/Mexico border via Highway 15 (Pan-American Highway). The San Francisco Mine was in residual leaching when it was acquired on May 6, 2020. The mining and crushing activities restarted late in June 2020.

In addition, Magna has exploration stage projects in Mexico. The exploration stage projects of the Company at the date of this MD&A consist of: (i) the Mercedes Property; (ii) the San Judas Project; (iii) the La Pima Project; (iv) the Las Marias Property; (v) the Los Muertos Project; (vi) the Cuproros Project; and (vii) the Margarita Project.

The Company's current sources of operating cash flows are primarily from the sale of gold and silver contained in doré bars produced at the San Francisco Mine. The doré is refined offsite and the refined gold and silver is sold primarily in the London spot market. As a result, Magna is not dependent on a particular purchaser.

TRENDS AND ECONOMIC CONDITIONS

During the three months ended December 31, 2020, the spot gold price fluctuated between a low of \$1,763 per ounce and a high of \$1,941 per ounce. The average spot gold price for the quarter was \$1,875 per ounce, an increase of 27% from the comparative prior year period of \$1,482 per ounce.

During the nine months ended December 31, 2020, the spot gold price fluctuated between a low of \$1,577 per ounce and a high of \$2,067 per ounce. The average spot gold price for the period was \$1,835 per ounce, an increase of 29% from the average of \$1,423 per ounce during the nine months ended December 31, 2019, and an increase of 25% from the average of \$1,463 per ounce during the year ended March 31, 2020.

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions.

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Due to the worldwide COVID-19 pandemic, material uncertainties may arise that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global gold prices;
- Demand for gold and the ability to explore for gold;
- The severity and the length of potential measures taken by governments to manage the spread of the virus, and their effect on labour availability and supply lines;
- Availability of government supplies, such as water and electricity;
- Purchasing power of the United States dollars, Canadian dollars and Mexican pesos; and,
- Ability to obtain funding.

At the date of this MD&A, the Canadian federal government and the provincial government of Ontario have not introduced measures that have directly impeded Magna's corporate activities in Canada. The Mexican government had imposed restrictions on mining activities in March 2020, which were lifted on May 18, 2020. Since then, the Mexican authorities have not introduced any further measures that are impacting, or are expected to impact, the Company's operations in Mexico.

However, it is not possible to reliably estimate the length and severity of COVID-19 developments and the impact on the financial results and condition of Magna in future periods.

Apart from these factors and the risk factors noted under the heading "Risk Factors", management is not aware of any other trends, demands, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

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OPERATING STATISTICS**San Francisco Mine**

The San Francisco Mine is located in the Arizona-Sonora desert in the north of the Mexican state of Sonora. The San Francisco Mine is an open pit operation, with crushing and heap leach processing facilities. The San Francisco Mine consists of two separate mineral deposits, the San Francisco pit and La Chicharra pit.

The following is a summary of San Francisco Mine's production statistics:

	October 1 – December 31, 2020	July 1 - September 30, 2020	May 7 - June 30, 2020	May 7 - December 31, 2020
MINING				
Ore mined (dry kt)	427	334	80	841
Average ore mined grade (g/t Au)	0.30	0.32	0.44	0.32
Waste mined (kt)	2,954	3,091	270	6,315
Total mined (kt)	3,381	3,425	350	7,156
Strip ratio	6.92	9.26	3.38	7.51
Average total mined (t/d)	36,746	37,228	6,370	29,941
Cost per tonne mined ⁽¹⁾	\$ 3.23	\$ 2.05	\$ 1.13 ⁽²⁾	\$ 2.57
CRUSHING AND PROCESSING				
Ore processed (kt)	746	871	111	1,728
Average ore processed grade (g/t Au)	0.39	0.29	0.35	0.34
<i>Including:</i>				
<i>Ore from underground processed (kt)</i>	87	11	-	98
<i>Average ore from underground grade (g/t Au)</i>	1.51	2.62	-	1.64
<i>Ore from stockpile processed (kt)</i>	243	529	26	798
<i>Average ore stockpiled grade (g/t Au)</i>	0.23	0.24	0.23	0.24
Ore reprocessed (kt)	168	-	-	168
Average ore reprocessed grade (g/t Au)	0.22	-	-	0.22
Average ore processed per day (t/d)	8,112	9,468	2,016	7,231
Cost per tonne processed	\$ 9.55	\$ 7.86	\$ 26.44	\$ 9.78
Gold deposited on pad (ozs)	9,411	8,112	1,248	18,771
Cost per tonne - administration	\$ 1.31	\$ 1.13	\$ 4.60	\$ 1.43
Total cost per tonne processed	\$ 25.86	\$ 17.06	\$ 34.62 ⁽²⁾	\$ 21.98
PRODUCTION				
Gold sold (ozs)	7,827	7,473	4,935	20,235
Gold produced (ozs)	7,485	6,719	5,091	19,295
Silver produced (ozs)	4,609	3,211	2,456	10,276
COSTS				
Cash cost per gold ounce ⁽³⁾	\$ 1,902	\$ 1,660	\$ 1,357 ⁽⁵⁾	\$ 1,680
Site AISC per gold ounce ^(3,4)	\$ 2,542	\$ 2,171	\$ 1,357 ⁽⁵⁾	\$ 2,116
TOTAL DAYS IN PERIOD	92	92	55	239

(1) Cost per tonne mined includes the low-grade stockpile rehandling costs and the underground mine costs.

(2) Cost per tonne mined and total cost per tonne processed originally disclosed in the MD&A for the three months ended June 30, 2020, and six months ended September 30, 2020, were \$1.01 and \$34.22, respectively. Change is due to adjustments relating to the Molimentales Acquisition purchase price allocation.

(3) Refer to the "Non-GAAP Measures" section of the MD&A.

(4) Site AISC excludes corporate and administrative expenses and accretion for site reclamation and closure.

(5) Cash cost per gold ounce and Site AISC per gold ounce originally disclosed in the MD&A for the three months ended June 30, 2020, and six months ended September 30, 2020, were \$1,348 and \$1,348, respectively. Change is due to adjustments relating to the Molimentales Acquisition purchase price allocation.

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Operations review

Mining and crushing activities were reinitiated in late June 2020. During the three and nine months ended December 31, 2020, most of the mining activity related to the stripping of the San Francisco and La Chicharra pits. The re-development of the San Francisco Mine is in line with the PFS dated August 28, 2020. Ore tonnes and waste tonnes mined from the pits were 841,000 and 6,315,000, respectively, compared to 889,000 and 6,856,000, respectively, in the PFS. The Company expects to complete the pre-stripping activities during the first half of 2021, at which point the Company will be able to operate the crushing circuits at full capacity.

At the date of this MD&A, there has been no impact on the supply chain, workforce and labour hours due to the COVID-19 pandemic. Mining, crushing and leaching activities were not impacted or disrupted due to the implementation of safety measures at the mine site. To date, gold deliveries to the United States have not been impacted or disrupted.

As a result of the required pre-stripping and low amount of ore extracted, the unit costs, cash cost per gold ounce and Site AISC per gold ounce are not representative of a steady rate of operations. Over the long term, unit operating costs, cash cost per gold ounce and Site AISC per gold ounce are expected to be in line with the costs outlined in the PFS dated August 28, 2020.

Acquisition

On May 6, 2020, the Company completed the acquisition of Molimentales and its wholly owned San Francisco Mine. The acquisition of Molimentales was accounted for as a business combination under IFRS. The purchase price has been allocated to the assets acquired and liabilities assumed based on their fair values as follows (amounts in thousands of US Dollars):

Amounts recognized May 6, 2020	Preliminary purchase price allocation	Adjustments ⁽¹⁾	Final purchase price allocation
Purchase price allocation			
Common shares	\$ 2,758	\$ -	\$ 2,758
\$5.0 million in cash or a 1% net smelter return royalty	4,671	-	4,671
Working capital difference	2,499	-	2,499
VAT payable to seller	570	-	570
Total consideration	\$ 10,498	\$ -	\$ 10,498
Purchase price allocation			
Cash	\$ 1,465	\$ -	\$ 1,465
Trade and other receivables	2,954	-	2,954
Inventories	16,259	39	16,298
Advances and prepaid expenses	483	-	483
Mineral properties, plant and equipment	5,197	47	5,244
Deferred tax assets	-	2,328	2,328
Intangible assets and goodwill	1,748	(1,748)	-
Trade payables and accrued liabilities	(4,401)	(676)	(5,077)
Other payables ⁽²⁾	(6,940)	-	(6,940)
Other provisions	(1,420)	10	(1,410)
Provision for site reclamation and closure	(4,847)	-	(4,847)
Net assets	\$ 10,498	\$ -	\$ 10,498

(1) During the final quarter of the nine months ended December 31, 2020, the Company adjusted the fair values of certain assets acquired and liabilities assumed in the acquisition. In particular, fair values were adjusted related to recognized deferred income tax assets and current tax payables.

(2) The "Other payables" liability relates to the Peal settlement and the amount was determined as follows:

- The amount of \$7.4 million including VAT, corresponding to unpaid invoices issued in 2018, was adjusted from "Trade payables and accrued liabilities".
- The "Other payables" line represents the fair value of the liability at May 6, 2020. The amount of \$6.9 million including VAT is the sum of the following amounts:
 - o An amount of \$2.9 million plus VAT, corresponding to the common share portion of the settlement; and,
 - o An amount of \$3.1 million plus VAT, corresponding to the cash portion of \$3.5 million plus VAT due by December 31, 2021, and discounted at 6.86%.

REVIEW OF ANNUAL RESULTS

The following table includes selected annual information for each of the three most recently completed financial periods. They are derived from the Company's consolidated financial statements, which have been prepared in accordance with IFRS:

	Nine months ended December 31, 2020	Year ended March 31, 2020	Year ended March 31, 2019
FINANCIAL RESULTS			
Metal revenues ⁽¹⁾	\$ 37,047	\$ -	\$ -
Net loss ^(1,2)	\$ (5,725)	\$ (2,176)	\$ (688)
Net and comprehensive loss ^(1,2)	\$ (7,323)	\$ (1,705)	\$ (784)
Net loss per share - basic and diluted ⁽²⁾	\$ (0.07)	\$ (0.06)	\$ (0.03)
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil
Total assets ^(1,2)	\$ 54,506	\$ 3,156	\$ 3,202
Total non-current liabilities ⁽¹⁾	\$ 9,819	\$ -	\$ -
OPERATING RESULTS			
Gold produced (ozs)	19,295	-	-
Gold sold (ozs)	20,235	-	-
Silver sold (ozs)	9,188	-	-
Average realized gold price (per oz)	\$ 1,820	\$ -	\$ -
Average London PM fix gold price (per oz)	\$ 1,835	\$ -	\$ -
By-product cash cost per ounce sold ⁽³⁾	\$ 1,680	\$ -	\$ -
By-product AISC per ounce sold ⁽³⁾	\$ 2,446	\$ -	\$ -

⁽¹⁾ Amounts are rounded to the nearest thousands of US Dollars.

⁽²⁾ Effective December 31, 2020, the Company has voluntarily adopted a new accounting policy with respect to exploration and evaluation expenditures to reflect the Company's future outlook on its exploration activities. Refer to the "Change in accounting" subsection below for a detailed summary of the impacts on the Company's financial performance, financial position and cash flows.

⁽³⁾ Refer to the "Non-GAAP Measures" section of the MD&A.

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REVIEW OF QUARTERLY RESULTS

Three months ended	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
FINANCIAL RESULTS								
Metal revenues ⁽¹⁾	\$ 14,620	\$ 13,964	\$ 8,463	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss ^(1,2)	\$ (2,183)	\$ (2,983)	\$ (559)	\$ (869)	\$ (419)	\$ (459)	\$ (429)	\$ (226)
Net and comprehensive loss ^(1,2)	\$ (3,460)	\$ (2,890)	\$ (973)	\$ (403)	\$ (438)	\$ (496)	\$ (368)	\$ (227)
Net loss per share - basic and diluted ^(2,3)	\$ (0.03)	\$ (0.04)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Total assets ^(1,2)	\$ 54,506	\$ 44,270	\$ 40,014	\$ 3,156	\$ 2,790	\$ 3,204	\$ 3,374	\$ 3,202
Total non-current liabilities ⁽¹⁾	\$ 9,819	\$ 6,038	\$ 6,316	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING RESULTS								
Gold produced (ozs)	7,485	6,719	5,091	-	-	-	-	-
Gold sold (ozs)	7,827	7,473	4,935	-	-	-	-	-
Silver sold (ozs)	3,756	4,567	865	-	-	-	-	-
Average realized gold price (per oz)	\$ 1,856	\$ 1,855	\$ 1,712	\$ -	\$ -	\$ -	\$ -	\$ -
Average London PM fix gold price (per oz)	\$ 1,875	\$ 1,909	\$ 1,712	\$ -	\$ -	\$ -	\$ -	\$ -
By-product cash cost per ounce sold ⁽⁴⁾	\$ 1,902	\$ 1,660	\$ 1,357 ⁽⁵⁾	\$ -	\$ -	\$ -	\$ -	\$ -
By-product AISC per ounce sold ⁽⁴⁾	\$ 2,730	\$ 2,596	\$ 1,768 ⁽⁵⁾	\$ -	\$ -	\$ -	\$ -	\$ -

⁽¹⁾ Amounts are rounded to the nearest thousands of US Dollars.

⁽²⁾ Effective December 31, 2020, the Company has voluntarily adopted a new accounting policy with respect to exploration and evaluation expenditures to reflect the Company's future outlook on its exploration activities. Refer to the "Change in accounting" subsection below for a detailed summary of the impacts on the Company's financial performance, financial position and cash flows.

⁽³⁾ Quarterly per share amounts may not reconcile to full year per share amounts due to possible difference in the weighted average number of common shares outstanding.

⁽⁴⁾ Refer to the "Non-GAAP Measures" section of the MD&A.

⁽⁵⁾ Cash cost per gold ounce and AISC per gold ounce originally disclosed in the MD&A for the three months ended June 30, 2020, and six months ended September 30, 2020, were \$1,348 and \$1,759, respectively. Change is due to adjustments relating to the Molimentales Acquisition purchase price allocation.

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Notes to quarterly and annual results

Magna is a gold mining company engaged in acquisition, exploration, development and operation in Mexico. On May 6, 2020, Magna closed the acquisition of the San Francisco Mine located in Sonora, Mexico. Magna had metal revenues for the first time since incorporation during the three months ended June 30, 2020. Prior to this date, Magna's focus was solely on exploration. Over the past quarters and fiscal years up to March 31, 2020, variations in the quarterly and annual net loss were caused by fluctuations in general and administrative expenses. Share-based compensation expense varies from quarter-to-quarter depending on the number of stock options granted in a quarter, their vesting periods, and the inputs, including assumptions used in the Black-Scholes Option Pricing Model, which is used to calculate the fair value of the stock options. From April 1, 2020, variations in the quarterly and annual net loss were mainly affected by the number of gold ounces sold, the average realized gold price per ounce, operating costs and corporate and administrative expenses.

At the date of this MD&A, there has been no significant costs incurred due to any impact of the COVID-19 pandemic on supply chain, workforce and labour hours. The Company did not incur any production stoppage costs as the San Francisco Mine was not placed in care and maintenance at any time. There was no significant movement in the price of consumables and supplies. Additionally, the cost of the implementation of safety measures at the mine site is not material.

Change in accounting policy

Effective December 31, 2020, the Company voluntarily adopted a new accounting policy with respect to exploration and evaluation expenditures to reflect the Company's future outlook on its exploration activities. The Company has applied the change retrospectively. The impacts on the consolidated financial statements were as follows (amounts in thousands of US Dollars):

Three months ended	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
Financial information previously reported (MD&A for the three and six months ended September 30, 2020)							
Net loss	\$ (3,622)	\$ (978)	\$ (705)	\$ (924)	\$ (1,316)	\$ (1,074)	\$ (226)
Net and comprehensive loss	\$ (3,385)	\$ (1,212)	\$ (627)	\$ (933)	\$ (1,323)	\$ (1,027)	\$ (227)
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.01)
Total assets	\$ 41,291	\$ 37,649	\$ 908	\$ 806	\$ 1,727	\$ 2,717	\$ 3,202
Exploration and evaluation assets							
Exploration and evaluation assets	\$ 648	\$ 120	\$ 277	\$ 466	\$ 857	\$ 653	\$ -

The amount of exploration and evaluation expenditures capitalized retrospectively for the year ended March 31, 2020 was \$2.2 million. \$1.6 million related to the Mercedes Project, \$0.4 million to the Las Marias Property and \$0.2 million to the San Judas Project.

Review of consolidated financial information for the three months ended December 31, 2020 and 2019

The Company had a net loss of \$2.2 million and comprehensive loss of \$3.5 million during the three months ended December 31, 2020, with basic and diluted loss per share of \$0.03. This compares with a net loss of \$0.4 million and comprehensive loss of \$0.4 million during the three months ended December 30, 2019, with basic and diluted loss per share of \$0.01. The increase in net loss of \$1.8 million was principally due to the following factors:

Metal revenues

During the three months ended December 31, 2020, revenues were \$14.6 million compared to \$nil during the three months ended December 31, 2019. The Company sold 7,827 gold ounces at an average realized gold price of \$1,856 per ounce.

Cost of sales

Production costs, which comprise the full cost of operations excluding depreciation and depletion, form a component of cost of sales and were \$15.0 million compared to \$nil during the three months ended December 31, 2019.

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Costs of mining were \$6.2 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019. Capitalization of deferred stripping and of underground development costs totaled \$2.9 million and \$2.1 million, respectively, during the three months ended December 31, 2020. A total of 3.4 million tonnes were mined at the San Francisco Mine during the quarter.

Crushing and gold recovery costs were \$7.1 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019.

Mine site administrative costs were \$1.0 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019.

Royalty, transport, and refining costs were \$0.1 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019.

Change in inventories increased cost of sales by \$0.5 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019. The mining activity at the San Francisco Mine was mostly focused on overburden removal and a low number of ounces have been extracted from the pit. Therefore, there were less recoverable gold ounces deposited onto the pad than ounces recovered from the pad. It resulted in a decrease of the inventory value on the leach pads.

Depletion and depreciation costs form a component of cost of sales and were \$0.5 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019.

Corporate and administrative expenses

Corporate and administrative expenses were \$1.4 million during the three months ended December 31, 2020, compared to \$0.5 million during the three months ended December 31, 2019. The significant components of these expenses include salaries, consulting and professional fees, and business development. Salaries were \$0.4 million during the three months ended December 31, 2020, compared to \$0.1 million during the three months ended December 31, 2019. Consulting and professional fees were \$0.6 million during the three months ended December 31, 2020, compared \$0.1 million during the three months ended December 31, 2019. Business development expenses were \$0.1 million during the three months ended December 31, 2020 and 2019.

Exploration expenses

Exploration expenses were \$0.1 million for the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019. Expenses relate to the concession payments made in order to keep the mineral concessions in good standing. The expenses for the three months ended December 31, 2019, were retrospectively capitalized in evaluation and exploration due to the change in accounting policy. Refer to the "Exploration Properties" section of this document for further details on the exploration activities.

Other expense, net

Other expense, net was \$0.4 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019. During the three months ended December 31, 2020, there was a \$0.4 million expense related to the revaluation of various provisions, including for the demobilization of the mining contractor.

Finance expenses

Finance expenses were \$0.4 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019. The increase is due to accretion on other payables, which was \$0.2 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019. Additionally, accretion on the provisions for site reclamation and demobilization of the mining contractor were \$0.1 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019. Finally, accretion on the Sandstorm deferred revenue was \$0.1 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019.

Gain (loss) on derivatives

During the three months ended December 31, 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 realized gain on the contracts was \$0.1 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 30, 2019.

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There were no unsettled contracts held at December 31, 2020.

Subsequent to December 31, 2020, the Company entered into the following contracts:

Contract expiry	Counter party	Ounces	Exercise price
January 22, 2021	Auramet International LLC	300	\$ 1,850
January 27, 2021	Auramet International LLC	200	\$ 2,000
January 27, 2021	Auramet International LLC	300	\$ 1,870
February 24, 2021	Auramet International LLC	300	\$ 1,900
February 24, 2021	Auramet International LLC	300	\$ 1,870
March 29, 2021	Auramet International LLC	300	\$ 2,000
March 29, 2021	Auramet International LLC	300	\$ 1,975
March 29, 2021	Auramet International LLC	300	\$ 1,900
March 29, 2021	Auramet International LLC	300	\$ 1,860
March 29, 2021	Auramet International LLC	300	\$ 1,850
March 29, 2021	Auramet International LLC	300	\$ 1,760
March 29, 2021	Auramet International LLC	300	\$ 1,745
March 29, 2021	Auramet International LLC	500	\$ 1,740
March 29, 2021	Auramet International LLC	500	\$ 1,735
Total ounces		4,500	
Weighted average price per ounce			\$ 1,847

Contracts covering 300 gold ounces were exercised and contracts covering 4,200 gold ounces expired unexercised.

Subsequent to December 31, 2020, and in conjunction with an agreement with Auramet International LLC, the Company granted the following call options:

Contract expiry	Counter party	Ounces	Exercise price
August 31, 2021	Auramet International LLC	300	\$ 2,000
September 30, 2021	Auramet International LLC	300	\$ 2,000
October 29, 2021	Auramet International LLC	300	\$ 2,000
November 30, 2021	Auramet International LLC	300	\$ 2,000
December 31, 2021	Auramet International LLC	300	\$ 2,000
January 31, 2022	Auramet International LLC	300	\$ 2,000
February 28, 2022	Auramet International LLC	300	\$ 2,000
March 31, 2022	Auramet International LLC	300	\$ 2,000
April 29, 2022	Auramet International LLC	300	\$ 2,000
May 31, 2022	Auramet International LLC	300	\$ 2,000
Total ounces		3,000	
Weighted average price per ounce			\$ 2,000

Income taxes

Current tax

The current tax recovery was \$0.5 million during the three months ending December 31, 2020. At the acquisition date, Molimentales had a current income tax liability of \$0.7 million, which was recognized in the purchase price allocation. The liability was fully reversed during the nine months ending December 31, 2020.

Deferred tax

The deferred tax expense was \$2.1 million during the three months ending December 31, 2020. At the acquisition date, Molimentales had a deferred tax asset of \$2.3 million, which was recognized in the purchase price allocation. At December 31, 2020, the deferred tax asset was \$0.8 million and a deferred tax liability was recognized for \$0.6 million, resulting in a deferred tax expense of \$2.1 million.

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The reduction in the deferred tax asset amount was mostly due to an increase of the accounting value of the mineral properties and plant and equipment, reducing the temporary difference with its tax basis.

Review of consolidated financial information for the nine months ended December 31, 2020, and for the year ended March 31, 2020

The Company had a net loss of \$5.7 million and a comprehensive loss of \$7.3 million during the nine months ended December 31, 2020, with basic and diluted loss per share of \$0.07. This compares with a net loss of \$2.2 million and comprehensive loss of \$1.7 million for the year ended March 31, 2020, with basic and diluted loss per share of \$0.06. The increase in net loss of \$3.5 million was principally due to the following factors:

Metal revenues

During the nine months ended December 31, 2020, the Company sold 20,235 gold ounces at an average realized gold price of \$1,820 per ounce and revenues were \$37.0 million compared to \$nil during the year ended March 31, 2020.

Cost of sales

Production costs, which comprise the full cost of operations excluding depreciation and depletion, form a component of cost of sales and were \$34.2 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020.

Costs of mining were \$10.1 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020. Capitalization of deferred stripping and underground development costs totaled \$6.4 million and \$2.1 million, respectively, during the nine months ended December 31, 2020. A total of 7.2 million tonnes were mined at the San Francisco Mine during the nine months ended December 31, 2020.

Crushing and gold recovery costs were \$16.9 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020.

Mine site administrative costs were \$2.5 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020.

Royalty, transport, and refining costs were \$0.3 million during the nine months ended December 31, 2020, compared to \$nil during the twelve months ended March 31, 2020.

Change in inventories increased cost of sales by \$4.4 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020. The mining activity at the San Francisco Mine was mostly focused on overburden removal and a low number of ounces were extracted from the pit. Therefore, there were less recoverable gold ounces deposited onto the pad than ounces recovered from the pad. It resulted in a decrease of the inventory value on the leach pads.

Depletion and depreciation costs form a component of cost of sales and were \$0.9 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020.

Corporate and administrative expenses

Corporate and administrative expenses were \$3.3 million during the nine months ended December 31, 2020, compared to \$1.7 million during the year ended March 31, 2020. The significant components of these expenses include salaries, consulting and professional fees, and business development. Salaries were \$1.1 million during the nine months ended December 31, 2020, compared to \$0.4 million during the year ended March 31, 2020. Consulting and professional fees were \$1.2 million during the nine months ended December 31, 2020, compared to \$0.4 million during the year ended March 31, 2020. Business development expenses were \$0.3 million during the nine months ended December 31, 2020, compared to \$0.1 million during the year ended March 31, 2020.

Share-based compensation

Share-based compensation was \$3.2 million during the nine months ended December 31, 2020, compared to \$0.1 million during the year ended March 31, 2020. A total of 4,600,000 options at a weighted average exercise price of C\$1.26 were granted during the nine months ended December 31, 2020, compared to 250,000 options at a weighted average exercise price of C\$0.20 granted during the year ended March 31, 2020.

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Exploration expenses

Exploration expenses were \$0.5 million for the nine months ended December 31, 2020, compared to \$0.1 million during the year ended March 31, 2020. Expenses relate to the concession payments made in order to keep the mineral concessions in good standing. The majority of the expenses for the year ended March 31, 2020, were retrospectively capitalized in evaluation and exploration due to the change in accounting policy. Refer to the "Exploration Properties" section of this document for further details on the exploration activities.

Acquisition Costs

The Company incurred costs of \$0.7 million related to the acquisition of Molimentales during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020.

Other income, net

Other income, net was \$0.1 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020. During the nine months ended December 31, 2020, there was an income of \$0.1 million related to the revaluation of various provisions, including the provision for the demobilization of the mining contractor.

Finance expenses

Finance expenses were \$0.8 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020. The increase is due to accretion on other payables, which was \$0.5 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020. Additionally, accretion on the provision for site reclamation and demobilization of the mining contractor were \$0.3 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020. Finally, accretion on the Sandstorm deferred revenue was \$0.1 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020.

Loss on derivatives

During the nine months ended December 31, 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 realized loss on the contracts was \$0.1 million during the nine months ended December 31, 2020, compared to \$nil during the year ended March 31, 2020.

Please refer to the "Review of consolidated financial information for the three months ended December 31, 2020 and 2019" section of this document for further details on subsequent contracts.

*Income taxes**Current tax*

The current tax recovery was \$0.7 million during the nine months ending December 31, 2020. At the acquisition date, Molimentales had a current income tax liability of \$0.7 million, which was recognized in the purchase price allocation. The liability was fully reversed during the nine months ending December 31, 2020.

Deferred tax

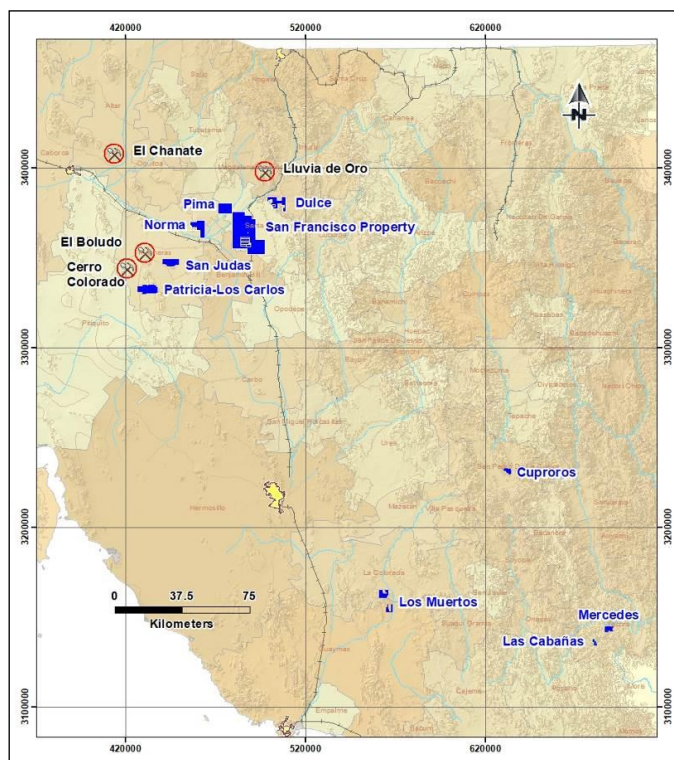
The deferred tax expense was \$2.1 million during the nine months ending December 31, 2020. At the acquisition date, Molimentales had a deferred tax asset of \$2.3 million, which was recognized in the purchase price allocation. At December 31, 2020, the deferred tax asset was \$0.8 million and a deferred tax liability was recognized for \$0.6 million, resulting in a deferred tax expense of \$2.1 million.

The reduction in the deferred tax asset amount was mostly due to an increase of the accounting value of the mineral properties and plant and equipment, reducing the temporary difference with its tax basis.

EXPLORATION PROPERTIES

The Company has not yet determined whether the Company's exploration properties (Mercedes, San Judas, Las Marias, La Pima, Los Muertos, Cuproros, and Margarita) contain an economic mineral reserve. Any activities on these projects will constitute exploratory searches for minerals. Planned expenditures may be adjusted depending on new acquisitions, prioritization of activities, capital allocation and other factors. Refer to the "Risk Factors" section of this MD&A.

Figure 1: Location of Magna's Mining Concessions



Exploration expenditures by property (in thousands of US Dollars)	Nine months ended December 31, 2020		Planned Expenditures for 2021
	Total Expenditures	Total Planned	
San Francisco Mine	\$2,121	\$2,000	\$4,895
Mercedes Property	\$654	\$500	\$802
Margarita Project	\$6,077	-	\$2,241
San Judas Project	\$137	\$300	\$1,316
La Pima Project	\$519	\$600	\$455
Los Muertos Project	\$74	\$100	\$560
Cuproros Project	\$31	\$50	\$238
Las Marias Property	\$24	\$100	\$11
Total	\$9,637	\$3,650	\$10,518
Total excluding acquisition costs of the Margarita Project	\$3,560	\$3,650	

The San Francisco Mine

Current activities

191 drill holes were drilled at the San Francisco Mine from June to December 2020 for a total of 22,103 meters of RC drilling distributed as follows:

Location	Objective	Drill Holes	Meters Drilled
La Chicharra Northwest ("NW")	Test extensions of the mineral zones in dippers at \$1,500/ounce of gold	61	5,801
Support to the Operation	Drill holes to construct a ventilation shaft for underground development	11	806
San Francisco Underground Drill from Surface	Confirm and explore continuity of veins 1 and 2 and other veins at the hanging wall and foot wall of the main vein 1, from the elevation 680 to the elevation 500 within the block designed for underground mining where a lack of or poor drilling was observed	43	5,698
San Francisco Pit	Test measured resource to make it immediately available for the operation	18	546
San Francisco Pit – Las Barajitas	Infill drilling to confirm a mineral resource in the SE border of the San Francisco Pit, indicated at that moment with spaced drilling.	15	2,011
San Francisco Pit W-NW	Explore the continuity of the mineral zones of the La Loma 200, el Cementerio and infill to test mineral interceptions at the N_NW of the pit	43	7,241
Total		191	22,103

La Chicharra NW

The objective was to test the mineral extensions within a dipper ran at a \$1,500 gold price per ounce. The dipper conventionally used to report the historical resources of La Chicharra is of \$1,350 per ounce of gold. There are also three small dippers of \$1,500 per ounce of gold at the north and northwest of the main La Chicharra Pit. The drill holes were infill drilling along and within the borders previously delineated with the dippers, covering an area of 450 meters along NW and 400 meters NE-SW between the main La Chicharra Pit and the NW Chicharra Pit. Both pits were part of the mine plan during the years 2016 and 2017.

There was a total of 61 RC drill holes at an average depth of 97 meters. Significant gold values were intercepted, and the update of the mineral resource is in progress, adding this information to the existing database.

An update of the resource estimation on the drilled area is in process and should be concluded during 2021.

San Francisco underground

An infill surface drill program was completed from June to December 2020. A total of 5,698 meters distributed in 43 RC holes were drilled. This is part of a drill program designed to infill spaces with poor or no information on vein 1 and vein 2 and other veins-lenses at the hanging wall and footwall of the main vein 1, including its projection down dip below of the level 600, which was considered, up to September 2020, the low vertical limit of the underground mining.

The results of the drilling confirm the extension and the known limits of vein 1 and confirm the presence of some ore shoots at the hanging wall and foot wall of the vein 1. The results also confirm the potential continuity of vein 2. This drill program concluded in December 2020 and an update of the block model and resource estimation specifically for this portion of the San Francisco pit is currently in progress.

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San Francisco pit

A total of 9,798 meters in 76 drill holes were drilled during the nine months ended December 31, 2020. From October to December 2020, 7,241 meters of RC drilling were drilled in the San Francisco pit. The 43 RC drill holes were distributed along of the NW projection of the La Loma 200 orebody and to the west of the San Francisco pit, in the El Cementerio area, to explore continuity of the orebody.

At the north limit of the pit and to the west of the crushing circuit, four holes were drilled to test the continuity of the gold mineralization detected by historical drilling. The drilling program is not yet completed.

The following table summarizes the Company's activities carried out and the total expenditures for the current fiscal year at the San Francisco Mine (amount in thousands of US Dollars):

Activities carried out during the nine months ended December 31, 2020	Total Expenditures
• RC drilling La Chicharra NW	
• RC drilling San Francisco Underground	
• RC drilling San Francisco Pit	\$2,121 ⁽¹⁾
• Other costs (concession payments)	

⁽¹⁾ The amount of \$2,121 was allocated as follows during the nine months ended December 31, 2020:

- \$1,543 capitalized in mineral properties;
- \$313 in exploration expenses; and,
- \$265 in production costs.

The following table summarizes the expenditures per nature capitalized in mineral properties during the nine months ended December 31, 2020 (amounts in thousands of US Dollars):

	December 31, 2020	March 31, 2020
Drilling	\$ 1,122	\$ -
Geological costs	258	-
Sampling	97	-
Professional fees	66	-
	\$ 1,543	\$ -

Planned activities

The following table summarizes the Company's planned activities and expenditures for the next fiscal year at the San Francisco Mine (amount in thousands of US Dollars):

Plans for the project during 2021	Planned Expenditures for 2021
• 20,000 meters of infill and exploration drilling on the eastern portion of the San Francisco ore body	
• 10,000 meters of infill and exploration drilling test the continuity of the mineralization in direction down dip to the northeast of the phase 4A of the San Francisco pit	\$4,895
• Other costs (option/land payments, other geological and administrative costs)	

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Mercedes Property*Overview*

The Mercedes project is an exploration property within the Sierra Madre Occidental province. It is a historically productive, regionally extensive tertiary volcanic field that stretches from the United States/Mexico border to Central Mexico. Previous work at the La Lamosa area, one of the mineralized targets within the mining concessions, display disseminated gold mineralization hosted within an andesitic and rhyodacitic volcanic complex intruded by a quartz-feldspar porphyry. Gold and silver are target commodities sought at Mercedes and the property exhibits textures and alteration consistent with high sulphidation epithermal mineralization, typical of important discoveries in the region.

Current Activities

The following table summarizes the Company's activities carried out and the total expenditures for the current fiscal period at the Mercedes Property (amount in thousands of US Dollars):

Activities carried out during the nine months ended December 31, 2020	Total Expenditures
• Complete geology mapping and sampling on SW extension of La Lamosa and La Cueva targets	
• Complete geology mapping and sampling on SW extension of the Mina del Oro target	
• Sampling for metallurgical investigation	
• Drone measurements for site selection for heap leach pads	
• Structural mapping and analysis for slope design for a possible mine plan	
• Other costs (option/concession/land payments, other geological and administrative costs)	\$654 ⁽¹⁾

⁽¹⁾ The amount of \$654 was allocated as follows during the nine months ended December 31, 2020:

- \$646 capitalized in exploration and evaluation assets; and,
- \$8 in exploration expenses.

The following table summarizes the expenditures per nature and the exploration and evaluation asset balance as at December 31, 2020 and March 31, 2020 (amounts in thousands of US Dollars):

	December 31, 2020	March 31, 2020
Geological costs	\$ 672	\$ 536
Acquisition costs	584	584
Environmental	247	12
Option payments	230	110
Drilling	227	227
Sampling	148	126
Rental	100	15
Professional fees	51	3
Administrative	16	16
	\$ 2,275	\$ 1,629

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Planned activities

The following table summarizes the Company's planned activities and expenditures for the next fiscal year at the Mercedes Property (amount in thousands of US Dollars):

Plans for the project during 2021	Planned Expenditures for 2021
<ul style="list-style-type: none"> • Reverse circulation ("RC") drill program of 3,000 meters on the Mina del Oro target • IP-R along the Quartz/Tourmaline breccias (4 kilometers) and across the La Lamosa ridge and Mina del Oro (2 kilometers) • Compile and review the data to generate a RC drill program on the Quartz/Tourmaline breccias • Review of the drilling results of the Mina del Oro target to plan on following steps and infill drilling • Review and interpretation of the drilling results on the Quartz/Tourmaline breccias and decide future exploration works • Other costs (option/concession/land payments, other geological and administrative costs) 	\$802

With respect to any prior disclosure of the Company regarding the potential production and sale of gold from the Mercedes Property, the decision of the Company to potentially produce at the Mercedes Property is not based on a technical report supporting mineral reserves or a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be an increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, which include increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic or technical failure. There is no guarantee that anticipated production costs will be achieved. Failure to achieve the anticipated production costs would have a material adverse impact on the Company's cash flow and future profitability. Readers are cautioned that there is increased uncertainty and higher risk of economic and technical failure associated with such production decisions. It is further cautioned that mineral resources are not mineral reserves and do not have demonstrated economic viability.

Margarita Project*Overview*

The Margarita silver project is an exploration property comprised of two mining concessions, covering 125.625 hectares, located within the prolific Sierra Madre Gold Belt, which hosts numerous multimillion-ounce gold-silver deposits, 88 kilometers south of the state capital of Chihuahua in the Municipality of Satevo, State of Chihuahua, Mexico. The Property lies 15 kilometers northwest on strike with Sunshine Silver Corp.'s Los Gatos Mine.

Current Activities

The following table summarizes the Company's activities carried out and the total expenditures for the current fiscal period at the Margarita Project (amount in thousands of US Dollars):

Activities carried out during the nine months ended December 31, 2020	Total Expenditures
<ul style="list-style-type: none"> • Acquisition of the project • Other costs (option/concession/land payments, other geological and administrative costs) 	\$6,077 ⁽¹⁾

⁽¹⁾ The amount of \$6,077 was capitalized to exploration and evaluation assets during the nine months ended December 31, 2020.

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The following table summarizes the expenditures per nature and the exploration and evaluation asset balance as at December 31, 2020 and March 31, 2020 (amounts in thousands of US Dollars):

	December 31, 2020	March 31, 2020
Acquisition costs	\$ 6,073	\$ -
Geological costs	3	-
Administrative	1	-
	\$ 6,077	\$ -

Planned activities

The following table summarizes the Company's planned activities and expenditures for the next fiscal year at the Margarita Project (amount in thousands of US Dollars):

Plans for the project during 2021	Planned Expenditures for 2021
<ul style="list-style-type: none"> • Review historical drilling data • Re-log drill core, re-sample and sample vein and vein extensions • Topographic survey of the drill holes and topographic map to support the construction of new cross and long sections to support the following drill program • Drill program of 8,000 meters to test continuity of mineral interceptions and explore at depth • Other costs (option/concession/land payments, other geological and administrative costs) 	\$2,241

San Judas Project*Overview*

San Judas is an early-stage exploration project hosting structurally controlled mineralization within lithologies similar in age to the La Herradura and San Francisco gold mines. The project is underlain by a basement composed of a Precambrian aged igneous-metamorphic sequence including granite, gneiss, pegmatites and schists. Augen gneiss is locally present and is likely derived from pegmatitic granitic protolith. The entire sequence is affected by multiple deformations and the emplacement of intrusions such as leucocratic granites and andesitic dikes.

Structural and lithological interpretation of available data suggest the mineralized structures, characterized by gold-bearing quartz veins and mineralized quartz-sericite altered hanging-wall rocks extend under the surface.

Current Activities

The Company is currently carrying out a comprehensive surface exploration program including geological and structural mapping, trenching and reconnaissance sampling in conjunction with a surface geophysical program to define targets in anticipation of a maiden drilling campaign.

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The following table summarizes the Company's activities carried out and the total expenditures for the current fiscal period at the San Judas Project (amount in thousands of US Dollars):

Activities carried out during the nine months ended December 31, 2020	Total Expenditures
<ul style="list-style-type: none"> • Develop a structural model based on the ongoing geological mapping and the gold mineralization in sampling work • Identify which geophysical method adapts best to this part of the Megashear to support drill targets • Other costs (option/concession/land payments, other geological and administrative costs) 	\$137 ⁽¹⁾

⁽¹⁾ The amount of \$137 was allocated as follows during the nine months ended December 31, 2020:

- \$91 capitalized in exploration and evaluation assets; and,
- \$46 in exploration expenses.

The following table summarizes the expenditures per nature and the exploration and evaluation asset balance as at December 31, 2020 and March 31, 2020 (amounts in thousands of US Dollars):

	December 31, 2020	March 31, 2020
Geological costs	\$ 164	\$ 121
Option payments	50	50
Rental	40	-
Sampling	20	20
Professional fees	13	6
Administrative	5	4
	\$ 292	\$ 201

Planned activities

The following table summarizes the Company's planned activities and expenditures for the next fiscal year at the San Judas Project (amount in thousands of US Dollars):

Plans for the project during 2021	Planned Expenditures for 2021
<ul style="list-style-type: none"> • Detailed mapping on surface to collect structural measurements to validate the selection of drill targets along the Santa Lucia-Palomas-San Martin trend • Drilling program of 1,000 meters of RC drilling and 1,000 meters of core drilling along the Santa Lucia-Las Palomas-San Martin mineral trend • Drilling program of 2,000 meters of RC drilling and 2,000 meters of core drilling to test five targets within the property • Review interpretation of the drilling results and decide future exploration works, follow step and infill drilling • Other costs (option/concession/land payments, other geological and administrative costs). 	\$1,316

La Pima Project*Overview*

The La Pima Project is located approximately 25 kilometers north of the San Francisco Mine. The mineralization within the La Pima Project is related to structurally controlled hydrothermal Ba-Ca-Ag-Pb-Zn breccias with over a 2.5 kilometers strike length that are hosted in fossiliferous limestones of Cretaceous age. Artisanal mines and diggings have been developed within the limestone beds.

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Current activities

The Company has conducted additional exploration at the La Pima Project that includes an IP geophysical survey to confirm surface sampling and mapping work on the property. The Company has also concluded an initial 9-hole core drilling program of 1,719 meters to target high grade silver, lead and zinc mineralization.

The Company is in the process of scheduling a follow up core drilling program of 2,000 meters distributed across different targets within the Project area.

The following table summarizes the Company's activities carried out and the total expenditures for the current fiscal period at the La Pima Project (amount in thousands of US Dollars):

Activities carried out during the nine months ended December 31, 2020	Total Expenditures
• Geophysical survey	
• Exploration drilling program of 1,719 meters	\$519 ⁽¹⁾
• Other costs (option/concession/land payments, other geological and administrative costs)	

⁽¹⁾ The amount of \$519 was allocated as follows during the nine months ended December 31, 2020:

- \$481 capitalized in exploration and evaluation assets; and,
- \$38 in exploration expenses.

The following table summarizes the expenditures per nature and the exploration and evaluation asset balance as at December 31, 2020 and March 31, 2020 (amounts in thousands of US Dollars):

	December 31, 2020	March 31, 2020
Geological costs	\$ 274	\$ -
Drilling	140	-
Rental	35	-
Sampling	16	-
Environmental	8	-
Administrative	5	-
Professional fees	3	-
	\$ 481	\$ -

Planned activities

The following table summarizes the Company's planned activities and expenditures for the next fiscal year at the La Pima Project (amount in thousands of US Dollars):

Plans for the project during 2021	Planned Expenditures for 2021
• Drilling program of 2,000 meters of RC drilling to test two additional targets within the property and explore at depth the mineral intercepts of the previous drilling program	
• Review interpretation of the drilling results and decide future exploration works, follow step and infill drilling	\$455
• Other costs (option/concession/land payments, other geological and administrative costs).	

Los Muertos Project*Overview*

On August 3, 2020, the Company entered into an option agreement with a private party pursuant to which the Company was granted an option to acquire a 100% undivided interest in the Los Muertos silver-gold project. The Los Muertos Project is located in central Sonora, 75 kilometers southeast of the city of Hermosillo, within the La Colorada municipality, and approximately 30 kilometers southeast of the La Colorada gold mine, owned by Argonaut Gold Inc.

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Current activities

Upon acquisition, the Company has undertaken the task of compiling and interpreting the database of the exploration works performed by Rome Resources during 2007 and 2008 and has performed field reconnaissance to confirm the presence of silver and gold mineralization on the property.

The Company's planned activities include performing soil and rock chip sampling, geology mapping and an IP geophysical survey to support an initial 2,000 meters drill program scheduled in the latter part of 2021.

The following table summarizes the Company's activities carried out and the total expenditures for the current fiscal year at the Los Muertos Project (amount in thousands of US Dollars):

Activities carried out during the nine months ended December 31, 2020	Total Expenditures
• Interpretation of historical database	
• Prospecting the property	\$74 ⁽¹⁾
• Other costs (option/concession/land payments, other geological and administrative costs)	

⁽¹⁾ The amount of \$74 was allocated as follows during the nine months ended December 31, 2020:

- \$44 capitalized in exploration and evaluation assets; and,
- \$30 in exploration expenses.

The following table summarizes the expenditures per nature and the exploration and evaluation asset balance as at December 31, 2020 and March 31, 2020 (amounts in thousands of US Dollars):

	December 31, 2020	March 31, 2020
Geological costs	\$ 31	\$ -
Option payments ⁽¹⁾	10	-
Sampling	2	-
Professional fees	1	-
	\$ 44	\$ -

⁽¹⁾ As at December 31, 2020, the Company has paid a total of \$25 of option payments. The first payment of \$15 was made prior to the acquisition of the project and was expensed.

Planned activities

The following table summarizes the Company's planned activities and expenditures for the next fiscal year at the Los Muertos Project (amount in thousands of US Dollars):

Plans for the project during 2021	Planned Expenditures for 2021
• Soil and rock chip sampling to confirm the results of the previous sampling campaigns	
• Geology mapping	
• Review and validation of the IP-R survey and if positive, extend the lines to the targets to the north and east	\$560
• Drilling program of 2,000 meters	
• Review interpretation of the drilling results and decide future exploration works, follow step and infill drilling	
• Other costs (option/concession/land payments, other geological and administrative costs).	

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Cuproros Project*Overview*

On September 8, 2020, the Company entered into an exploration and option agreement to acquire an option for a 100% undivided interest in three mining claims (the "Cuproros Project") for a four-year period. The Cuproros Project consists of three contiguous claims covering an aggregate area of approximately 196 hectares located approximately 150 kilometers east from the Sonora state capital, Hermosillo.

Current activities

The Company will be prospecting the concession, looking for additional mineral occurrences similar to those known to date and extend the mineral potential for exploration.

The following table summarizes the Company's activities carried out and the total expenditures for the current fiscal year at the Cuproros Project (amount in thousands of US Dollars):

Activities carried out during the nine months ended December 31, 2020	Total Expenditures
• Prospecting the property	
• Other costs (option/land payments, other geological and administrative costs)	\$31 ⁽¹⁾

⁽²⁾ The amount of \$31 was capitalized in exploration and evaluation during the nine months ended December 31, 2020.

The following table summarizes the expenditures per nature and the exploration and evaluation asset balance as at December 31, 2020 and March 31, 2020 (amounts in thousands of US Dollars):

	December 31, 2020	March 31, 2020
Option payments	\$ 30	\$ -
Sampling	1	-
	\$ 31	\$ -

Planned activities

The following table summarizes the Company's planned activities and expenditures for the next fiscal year at the Cuproros Project (amount in thousands of US Dollars):

Plans for the project during 2021	Planned Expenditures for 2021
• Survey of the mining concessions	
• Topographic survey with drone to obtain a reliable base map for geology mapping	
• Detailed mapping of lithology, alteration and structures containing the mineralization	
• Chip rock sampling	\$238
• Consider an IP-R survey to identify sulfide rich mineral shoots below surface	
• Other costs (option/land payments, other geological and administrative costs)	

Las Marías Property*Overview*

The Las Marias Property consists of seven mining concessions covering 646 hectares adjacent to the Mercedes Property. The Las Cabanas mineral claims consist of two claims covering 248 hectares located approximately 10 kilometers south-west of the Mercedes Property.

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Current Activities

The following table summarizes the Company's activities carried out and the total expenditures for the current fiscal period at the Las Marias Property (amount in thousands of US Dollars):

Activities carried out during the nine months ended December 31, 2020	Total Expenditures
• Other costs (option/concession/land payments, other geological and administrative costs)	\$24 ⁽¹⁾

⁽¹⁾ The amount of \$24 was allocated to exploration expense during the nine months ended December 31, 2020.

The following table summarizes the expenditures per nature and the exploration and evaluation asset balance as at December 31, 2020 and March 31, 2020 (amounts in thousands of US Dollars):

	December 31, 2020	March 31, 2020
Acquisition costs	\$ 399	\$ 399
Environmental	11	11
	\$ 410	\$ 410

Planned activities

The following table summarizes the Company's planned activities and expenditures for the next fiscal year at the Las Marias Property (amount in thousands of US Dollars):

Plans for the project during 2021	Planned Expenditures for 2021
• The Las Marias concessions cover the eastern portion of the Mercedes property where lies the quartz/tourmaline breccias system with exploration works included in the Mercedes property (IP-R; drilling and review and interpretation of results)	\$11
• Other costs (option/concession/land payments, other geological and administrative costs).	

Quality assurance and quality control ("QA/QC")

The exploration works and their results discussed in this MD&A comply with the QA/QC protocols, which consists of the regular insertion of duplicates, blanks and certified reference standards into the sample stream. Check samples are submitted to an umpire laboratory at the end of the drilling programs. Samples are kept in a secure facility and transferred to Bureau Veritas in Hermosillo, Mexico, in sealed containers on a weekly basis from the work site by the Company's own laboratory personnel. Personnel handling samples are using Company-approved protocols for all phases of chip logging, sample delineation, sample layout, and storage. Bureau Veritas is ISO 9001 certified. Bureau Veritas has a standard operating procedure for all aspects of sample drop off, drying and preparation, digestion, instrument analysis, quality control assurance and computerized data reporting. QA/QC protocols applies both to chips rock and soil samples.

OUTLOOK

The main objective of the Company is to continue the ramp-up of the San Francisco Mine and to establish a stable low-cost production. This will help strengthen the financial position of the Company and will enable the Company to pursue external growth opportunities and advance the exploration pipeline. The Company remains committed to the protection of health, safety and environment and will continue to operate in a sustainable and socially responsible manner.

The Company had retained Micon International Limited to complete a PFS to re-evaluate the resource model, examine potential operational improvements and develop an optimized production schedule that incorporates all currently available drill data, updated operating costs and revised gold price assumptions. The results of the PFS were announced on September 17, 2020. The goal of the Company is to successfully execute the PFS operating plan and to create additional value through the advancement of a number of identified opportunities.

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Since acquiring the San Francisco Mine in May 2020, the Company has been focusing on pre-stripping both the San Francisco and La Chicharra open pits. In parallel, the Company has also been processing lower grade stockpile material and fresh ore from the open pits and from the underground mine. The Company has reinvested approximately \$12.0 million towards plant and equipment refurbishing, leach pad construction, infill drilling to increase resources, pre-stripping of the pits, and underground mine exploration and development. The full ramp-up of the San Francisco Mine is expected to be completed during the first half of 2021.

The Company expects the San Francisco Mine to produce between 55,000 to 65,000 ounces during 2021. The production profile is weighted to the latter half of 2021, representing approximately 60% of the yearly production, which will result in a very strong operational progression through 2021.

The expected cash generated by the operation will help strengthen the balance sheet and support the execution of the Company's exploration strategy in and around the existing open pits of the San Francisco Mine and across its extensive portfolio of gold and silver projects.

The Company has over 45,000 hectares of highly prospective ground, a gold operation with increasing resources, two very promising gold projects, and a portfolio of four silver properties including La Pima and Margarita – all in two of the most mining-friendly states in Mexico. The Company has a well-defined exploration program for 2021 and details of the on-going activities are described in the "Exploration Properties" section of this document.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Liquidity

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations. The Company's strategy for managing liquidity is based on achieving positive cash flows from operations to internally fund operating and capital requirements.

Factors that may affect the Company's liquidity are continuously monitored. These factors include the market price of gold, production levels, operating costs, capital costs, exploration expenditures, the timing of VAT recoveries, income tax refunds, foreign currency fluctuations, health and safety risks related to the coronavirus (COVID-19), and other risks and uncertainties (refer to "Risk Factors" section of this MD&A). In the event that the Company is adversely affected by any of these factors and, as a result, the operating cash flows are not sufficient to meet the Company's working capital requirements, there is no guarantee that the Company would be able to raise additional capital on acceptable terms to fund a potential cash shortfall. Consequently, the Company is subject to liquidity risk.

During the nine months ended December 31, 2020, the Company closed two non-brokered private placements on May 6, 2020 and June 1, 2020, for gross proceeds of approximately \$1.4 million and \$5.2 million, respectively. Additionally, the Company completed a royalty agreement with Sandstorm pursuant to which the Company received \$3.0 million.

At December 31, 2020, the Company had negative net working capital of \$2.6 million. The Company had cash of \$7.1 million, trade and other receivables of \$7.6 million, inventories of \$11.9 million, trade payables and accrued liabilities of \$17.9 million, and other payables of \$11.3 million.

With the ramp-up of operations at the San Francisco Mine, the Company believes it is able to generate sufficient amounts of cash during the next fiscal year to fund its operating and corporate costs and its upcoming exploration plans of \$10.5 million at the San Francisco Mine and its other projects. However, the Company may prioritize expenditures in the short term and may require additional financing in order to fulfill its financial commitments and carry out its operational activities.

Subsequent to December 31, 2020, the Company signed an agreement with Auramet pursuant to which the Company will receive \$4.0 million in exchange for nine equal payments of 275 gold ounces to be delivered to Auramet starting April 2021 and ending on December 31, 2021.

The commitment of \$5.0 million in cash or a 1% net smelter return royalty in respect of the San Francisco Mine and the working capital difference of \$2.7 million are expected to be paid before May 6, 2021. In addition, Molimentales has agreed to pay \$3.5 million (plus value added taxes of 16%) in cash to Peal by December 31, 2021.

The Company holds, directly or through option contracts, a total of 38 mineral concessions and must pay a bi-annual fee in order to keep them in good standing. The expected amount of concession payments for fiscal 2021 is \$0.9 million. Additionally, the Company is party to four option agreements to acquire mineral concessions (Mercedes, San Judas, Los Muertos and Cuproros). The expected amount of option payments for fiscal 2021 is \$0.4 million.

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At this time, it is challenging to definitively project the funds necessary to support the planned activities of the Company over the long term. For these reasons, management considers it to be in the best interests of the Company and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed, or for other purposes, as needs arise. See the "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" sections of this MD&A.

Changes in capital markets, including a decline in the market price for gold, could materially and adversely impact Magna's ability to continue as a going concern.

A summary of undiscounted liabilities and future operating commitments, in thousands of US Dollars, at December 31, 2020, are as follows:

	Total	Within 1 year	1 - 3 years	4 - 5 years	Greater than 5 years
Maturity analysis of financial liabilities					
Trade payables and accrued liabilities	\$ 17,899	\$ 17,899	\$ -	\$ -	\$ -
Other payables	11,729	11,729	-	-	-
	29,628	29,628	-	-	-
Commitments					
Provision for site reclamation and closure ⁽¹⁾	6,277	-	-	-	6,277
Other provisions ⁽²⁾	1,732	-	-	-	1,732
Option payments on exploration and evaluation properties	3,590	415	1,690	1,485	-
Total financial liabilities and commitments	\$ 41,227	\$ 30,043	\$ 1,690	\$ 1,485	\$ 8,009

⁽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 amount is \$6.3 million. At December 31, 2020, the discounted obligation was determined to be \$5.6 million.

⁽²⁾ Other provisions represent the undiscounted amount of the demobilization costs related to the mining contractor, 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 5.25%, reflecting the implied interest rate, and calculated according to the formula stipulated in the contract. The undiscounted amount is \$1.7 million. At December 31, 2020, the discounted obligation was determined to be \$1.2 million.

Contingencies

Various tax and legal matters may arise from time to time. The Company will recognize the financial effects of these matters in the consolidated financial statements in the period such matters occur.

Cash Flow

Effective December 31, 2020, the Company has voluntarily adopted a new accounting policy with respect to exploration and evaluation expenditures. These expenditures were capitalized in the consolidated financial statements and MD&A retrospectively as if such activities have always been capitalized. The below discussion on cash flows refers to periods that have been retrospectively restated to reflect exploration expenditures as an investing activity. Refer to the "Change in accounting" subsection of this document for a detailed summary of the impacts on the Company's financial performance and financial position.

Three months ended December 31, 2020

At December 31, 2020, the Company had cash of \$7.1 million compared to \$11.1 million at September 30, 2020. The three-month decrease in cash was primarily due to cash provided by operating and financing activities of \$1.0 million and \$3.0 million, respectively, offset by cash used in investing activities of \$8.2 million.

Loss for the three months ended December 31, 2020, was \$2.2 million compared to a loss of \$0.4 million for the three months ended December 31, 2019. For the three months ended December 31, 2020, items not affecting cash totaled \$0.2 million, including foreign exchange gain of \$1.8 million, offset by income tax expense of \$1.0 million, depletion and depreciation of \$0.5 million, finance expense of \$0.4 million, and change in other provision revaluation of \$0.1 million. For the three months ended December 31, 2019, items not affecting cash totaled \$0.1 million.

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Change in non-cash working capital balances increased cash by \$3.0 million during the three months ended December 31, 2020, compared to \$0.1 million during the three months ended December 31, 2019. During the three months ended December 31, 2020, trade payables and accrued liabilities movements increased cash by \$4.0 million and decrease in inventories increased cash by \$0.5 million. This was offset by movements in trade and other receivables and movements in advances and prepaid expenses which decreased cash by \$1.3 million and \$0.2 million, respectively. During the three months ended December 31, 2020, change in non-cash working capital items was \$0.1 million, mostly due to movements in trade payables and accrued liabilities.

Investing activities were \$8.2 million during the three months ended December 31, 2020, compared to \$0.5 million during the three months ended December 31, 2019. During the three months ended December 31, 2020, investing activities included \$5.0 million related to the capitalization of deferred stripping and underground development costs and \$1.1 million spent on property, plant and equipment and mineral properties at the San Francisco Mine. Additionally, \$0.6 million and \$1.6 million were spent on the exploration and evaluation projects and on the Margarita acquisition, respectively. During the three months ended December 31, 2019, investing activities included \$0.5 million related to the exploration and evaluation expenditures.

Financing activities were \$3.0 million during the three months ended December 31, 2020, compared to \$nil during the three months ended December 31, 2019. During the three months ended December 31, 2020, proceeds of \$3.0 million were received in conjunction with the Sandstorm Agreement.

The effects of exchange rate changes on the balance of cash held in foreign currencies increased cash by \$0.2 million during the three months ended December 31, 2020, compared to \$0.1 million during the three months ended December 31, 2019.

Nine months ended December 31, 2020

At December 31, 2020, the Company had cash of \$7.1 million compared to \$0.2 million at March 31, 2020. The nine-month increase in cash was primarily due to cash provided by operating and financing activities of \$9.3 million and \$9.4 million, respectively, offset by cash used in investing activities of \$12.2 million.

Loss for the nine months ended December 31, 2020 was \$5.7 million compared to \$2.2 million for the year ended March 31, 2020. For the nine months ended December 31, 2020, items not affecting cash totaled \$3.9 million, including share-based compensation of \$3.2 million, income tax expense of \$1.5 million, depletion and depreciation of \$0.9 million, and finance expense of \$0.8 million, offset by foreign exchange gain of \$2.3 million and change in other provision revaluation of \$0.2 million. For the year ended March 31, 2020, items not affecting cash totaled \$0.5 million, including foreign exchange loss of \$0.5 million.

Change in non-cash working capital balances increased cash by \$11.2 million during the nine months ended December 31, 2020, compared to \$0.1 million during the year ended March 31, 2020. During the year ended December 31, 2020, movements in trade payables and accrued liabilities and in inventories increased cash by \$10.9 million and \$4.4 million, respectively. This was offset by movements in trade and other receivables and in advances in prepaid expenses which decreased cash by \$3.8 million and \$0.2 million, respectively. During the year ended March 31, 2020, change in non-cash working capital items was \$0.1 million, mostly due to movements in trade payables and accrued liabilities.

Investing activities were \$12.2 million during the year ended December 31, 2020, compared to \$1.5 million during the year ended March 31, 2020. During the nine months ended December 31, 2020, investing activities included \$8.5 million related to the capitalization of deferred stripping and underground development costs and \$1.7 million spent on property, plant and equipment and mineral properties at the San Francisco Mine. Additionally, \$1.3 million and \$1.6 million were spent on the exploration and evaluation projects and on the Margarita acquisition, respectively. In relation to the acquisition of the San Francisco Mine, \$0.6 million was paid to Alio Gold Inc., offset by a net cash inflow of \$1.5 million. During the year ended March 31, 2020, \$1.3 million and \$0.2 million were spent on the exploration and evaluation projects and on the Las Marias acquisition, respectively.

Cash provided by financing activities were \$9.4 million during the nine months ended December 31, 2020, compared to \$2.0 million during the year ended March 31, 2020. During the nine months ended December 31, 2020, financing activities included proceeds from private placements of \$6.5 million and proceeds from deferred liability of \$3.0 million. During the year ended March 31, 2020, cash provided by financing activities was \$2.0 million, mostly due to the funds released from escrow.

The effects of exchange rate changes on the balance of cash held in foreign currencies increased cash by \$0.3 million during the year ended December 31, 2020, compared to a decrease of \$0.1 million during the year ended March 31, 2020.

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CAPITAL RESOURCES

The capital of the Company consisted of consolidated equity and other payables, net of cash. Amounts are disclosed in thousands of US Dollars.

	December 31, 2020	March 31, 2020
Equity	\$ 14,871	\$ 3,006
Other payables	11,285	-
	26,156	3,006
Less: Cash	(7,056)	(164)
	\$ 19,100	\$ 2,842

At December 31, 2020, and March 31, 2020, the Company was not subject to any externally imposed capital requirements.

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) The Company defines its key management personnel as its Board of Directors, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), and certain officers of the Company. Remuneration of Directors and key management personnel of the Company was as follows, in thousands of US Dollars:

	Three months ended December 31, 2020	Three months ended December 31, 2019	Nine months ended December 31, 2020	Year ended March 31, 2020
Salaries and benefits ⁽¹⁾⁽²⁾⁽³⁾	\$ 168	\$ 78	\$ 488	\$ 261
Share-based compensation ⁽⁴⁾	\$ -	\$ -	\$ 1,875	\$ -

(1) 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 and nine months ended December 31, 2020 (three months ended December 31, 2019, and year ended March 31, 2020 - \$nil and \$nil, respectively).

(2) Salaries and benefits exclude fees paid to the CFO's associated companies.

(3) Includes Arturo Bonillas, CEO and director, Miguel Soto, VP Exploration, and Miguel Bonilla, Country Manager and director.

(4) Includes Arturo Bonillas, CEO and director, Miguel Soto, VP Exploration, Miguel Bonilla, Country Manager and director, Laura Diaz, director, Parviz Farsangi, director, Colin Sutherland, director, and Alex Tsakumis, director.

- b) Carmelo Marrelli, whom was the CFO of Magna during the nine months ended December 31, 2020 and the year ended March 31, 2020, beneficially controls Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filing Services Limited, and Marrelli Press Release Services, collectively, the "Marrelli Group". 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.

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During the three and nine months ended December 31, 2020, the Company had professional fees and disbursements of \$0.01 million and of \$0.05 million, respectively (three months ended December 30, 2019 - \$0.03 million, and year ended March 31, 2020 - \$0.06 million) related to the following services provided by the Marrelli Group:

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

As at December 31, 2020, the Marrelli Group was owed \$0.01 million (March 31, 2020 - \$0.01 million) and this amount is included in trade payables and other liabilities.

Subsequent to December 31, 2020, a new CFO was appointed.

- c) The Company receives legal advisory services through two Mexico-based entities of which Laura Diaz, a director of the Company, is a partner. Ms. Diaz was elected to the Board of Directors on September 15, 2020 at the Company's annual and special meeting of shareholders. During the three and nine months ended December 31, 2020, legal advisory services of \$0.1 million and \$0.2 million, respectively, were incurred by the Company (three months ended December 31, 2019 - \$nil, and year ended March 31, 2020 - \$nil). The cost of the legal advisory services is on market terms.
- d) During the three and nine months ended December 31, 2020, the Company incurred \$nil and \$0.01 million, respectively, (three months ended December 31, 2019 - \$nil, and year ended March 31, 2020 - \$nil) for one-time business development advisory fees performed by Alex Tsakumis, a director of the Company. The services related to the preparation and review of the Company's corporate communications material and the cost of these services was on market terms.

NON-GAAP MEASURES

Cash cost per gold ounce on a by-product basis

Cash cost per gold ounce on a by-product basis is a non-GAAP performance measure that management uses to assess the Company's performance and its expected future performance. The Company has included the non-GAAP performance measure of cash cost per gold ounce on a by-product basis throughout this document. In the gold mining industry, this is a common performance measure but it does not have any standardized meaning. As such, it is unlikely to be comparable to similar measures presented by other issuers.

Management believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, presentation of this measure is to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

The cash cost per gold ounce on a by-product basis is calculated by dividing the operating production costs by the total number of gold ounces sold and deducting the by-product silver credits per gold ounce sold.

The following table provides a reconciliation of the cash cost per gold ounce on a by-product basis to the consolidated financial statements, in thousands of US Dollars:

	Three months ended December 31, 2020	Nine months ended December 31, 2020
Production costs	\$ 14,964	\$ 34,199
Divided by gold sold (ozs)	7,827	20,235
	1,912	1,690
Less: by-product silver credits per gold ounce sold ⁽¹⁾	(10)	(10)
Cash cost per gold ounce sold on a by-product basis	\$ 1,902	\$ 1,680

- ⁽¹⁾ Management determined that silver metal revenues, when compared to gold metal revenues, are immaterial and therefore considered a by-product of the production of gold. For the three and nine months ended December 31, 2020, total by-product silver credits were \$0.1 million and \$0.2 million, respectively.

For further details on the calculation of production costs, refer to the notes of the consolidated financial statements. Cash cost is not necessarily indicative of earnings from operations or cash flow from operations as determined under GAAP. Other companies may calculate these measures differently.

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All-in sustaining cost per gold ounce

The Company has adopted an all-in sustaining cost per ounce on a by-product basis performance measure which is calculated based on the guidance note issued by the World Gold Council. Management uses this information as an additional measure to evaluate the Company's performance and ability to generate cash.

All-in sustaining costs on a by-product basis include total production cash costs, corporate and administrative expenses, sustaining capital expenditures and accretion for site reclamation and closure costs. These reclamation and closure costs represent the gradual unwinding of the discounted liability to rehabilitate the area around the San Francisco Mine at the end of its mine life. The Company believes this measure to be representative of the total costs associated with producing gold; however, this performance measure has no standardized meaning. As such, there are likely to be differences in the method of computation when compared to similar measures presented by other issuers.

The following table provides a reconciliation of the Site AISC per gold ounce on a by-product basis and of the all-in sustaining cost ("AISC") per gold ounce on a by-product basis to the consolidated financial statements, in thousands of US Dollars:

	Three months ended		Nine months ended	
	December 31, 2020		December 31, 2020	
Production costs	\$	14,964	\$	34,199
Sustaining exploration expenses		1		315
Capital expenditures ^(1,2)		5,948		10,055
Less: development expenditures ⁽³⁾		(942)		(1,542)
Less: by-product silver credits		(77)		(211)
Site all-in sustaining costs		19,894		42,816
Divided by gold sold (ozs)		7,827		20,235
Site AISC per gold ounce sold on a by-product basis	\$	2,542	\$	2,116
Site all-in sustaining costs (per above)	\$	19,894	\$	42,816
Corporate and administrative expenses		1,393		6,461
Accretion for site reclamation and closure		81		211
All-in sustaining costs		21,368		49,488
Divided by gold sold (ozs)		7,827		20,235
AISC per gold ounce sold on a by-product basis	\$	2,730	\$	2,446

(1) Capital expenditures only include expenditures related to the San Francisco Mine.

(2) Sustaining capital expenditures include deferred stripping and underground development costs of \$5.0 million for the three months ended December 31, 2020, and \$8.5 million for the nine months ended December 31, 2020.

(3) Management determined the infill drilling program costs at the San Francisco Mine to be development capital expenditures.

Site AISC calculated for the San Francisco Mine excludes corporate and administrative expenses and accretion for site reclamation and closure.

OFF-BALANCE-SHEET ARRANGEMENTS

As of the date of this MD&A, 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 has not previously been discussed.

PROPOSED TRANSACTIONS

There were no material proposed transactions as of the date of this MD&A.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), effective as of December 31, 2020. The Company's significant accounting policies are described in note 4 of the Company's consolidated financial statements for the nine months ended December 31, 2020, and year ended March 31, 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's consolidated 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.

Management has made the following critical judgements and estimates:

Judgements

The critical judgements made by management of the Company in the application of the accounting policies 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 2660170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining Corp, S.A. de C.V. and Minera Magna, S.A. de C.V.. The functional currency of Molimentales was determined to be the 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 may be impaired, thereby requiring adjustment to the carrying amount. As of December 31, 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 and other metals.

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 combinations versus asset acquisitions

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date when control is transferred to the Company. The consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition date fair values of the assets transferred, liabilities incurred by the Company, and the equity interests issued by the Company in exchange for control of the acquiree. Transaction costs that the Company incurs in connection with a business combination are recognized in the consolidated statements of loss as incurred.

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Goodwill is measured as the excess of the sum of the fair value of the consideration transferred over the net of the amounts of the identifiable assets acquired and the liabilities assumed on the acquisition date.

To identify if an acquisition meets the definition of a business, the Company may apply the optional 'concentration test' to aid the assessment of whether a transaction represents a business combination or is simply in substance the purchase of a single asset or group of similar assets.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to 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 consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During this measurement period, if necessary, 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.

Determination of whether a set of assets acquired and liabilities assumed constitute a business requires 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.

Significant estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events, including the potential impacts of COVID-19, 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.

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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, provision for site reclamation and closure, recognition of deferred tax assets, and depreciation and depletion.

ii. Depreciation and depletion

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.

iii. Deferred stripping costs

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

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.

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v. Recoverable value of mineral properties, plant and equipment, and exploration and evaluation

Where an indicator of impairment or impairment reversal exists, an 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, plant and equipment and exploration and evaluation, 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, plant and equipment and exploration and evaluation.

vi. Provision for site reclamation and closure

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 deferred income tax assets.

viii. Equity-settled share-based compensation

Share-based compensation is measured at fair value. Options and warrants are measured using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant or issuance. 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.

Options are expensed to earnings or loss from operations over each award's vesting period. Warrants in the consolidated financial statements are private placement share issuance costs and are included in equity.

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ix. Contingencies

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 consolidated 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 any.

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 consolidated 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.

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, other 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.

At December 31, 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 nine months ended December 31, 2020, or for the year ended March 31, 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 finance team and they are regularly discussed with the Board of Directors or one of its committees.

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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.

The Company's credit risk is predominantly limited to cash balances held in financial institutions and any gold and silver sales and related receivables and other receivables. The maximum exposure to credit risk is equal to the carrying value of such financial assets. At December 31, 2020, and March 31, 2020, the Company expected 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.

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.

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 2660170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining Corp, S.A. de C.V. and Minera Magna, S.A. de C.V.. The functional currency of Molimentales was determined to be the US Dollar. Therefore, the Company's loss and comprehensive loss 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, in thousands of US Dollars:

	December 31, 2020	March 31, 2020
Mexican peso net monetary assets	\$ 3,920	\$ 38
Canadian dollar net monetary assets	\$ 547	\$ 3

The effect on loss before income tax at December 31, 2020, of a 10.0% change in the foreign currencies against the US Dollar on the above-mentioned net monetary assets of the Company is estimated to be an increase/decrease of \$0.4 million (March 31, 2020 - \$0.1 million) assuming that all other variables remained constant.

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*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The observable impacts on the fair value and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in profit or loss from financial instruments whose cash flows are determined with reference to floating interest rates and potential changes in value of financial instruments whose cash flows are fixed in nature. The Company does not have any financial liabilities with floating interest rates and accordingly is not exposed to cash flow risk. Additionally, the Company does not have non-current fixed rate financial liabilities and accordingly is not exposed to fair value risk.

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

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 89,459,874 common shares outstanding, with the following held in escrow:

	Common Shares	Options
CPC Escrow	2,812,500	90,000
Value Escrow	320,625	-
Total	3,133,125	90,000

In addition, the Company had the following warrants and stock options outstanding at the date of this MD&A:

Warrants

Expiry date	Exercise price (C\$)	Warrants outstanding
May 6, 2022	0.35	69,124
June 1, 2022	0.41	632,975
Total		702,099

Options

Expiry date	Exercise price (C\$)	Options outstanding
August 15, 2023	0.10	200,000
June 29, 2025	0.98	2,250,000
August 12, 2025	1.53	2,350,000
Total		4,800,000

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

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In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

RISK FACTORS

There are many risk factors facing companies involved in the mineral exploration and development industry. Risk management is an ongoing exercise upon which the Company spends a substantial amount of time. While it is not possible to eliminate all the risks inherent to the industry, the Company strives to manage these risks, to the greatest extent possible.

The risks described in this section are most applicable to the Company but may not be the only risks faced by the Company. Risks and uncertainties not presently known by the Company or which are presently considered immaterial may also adversely affect the Company's business, projections, results of operations and/or condition (financial or otherwise).

Prior to making an investment decision, investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a mineral exploration, development and production company. The directors of the Company consider the risks set out below to be the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline, and investors may lose all or part of their investment. An investment in the Company may not be suitable for all investors.

Nature of Mineral Exploration and Mining

Mining operations are inherently dangerous and generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including, without limitation: unusual and unexpected geologic formations; seismic activity; rock bursts; cave-ins or slides; flooding; pit wall failure; periodic interruption due to inclement or hazardous weather conditions; and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, personal injury or death, damage to property and environmental damage, all of which may result in possible legal liability. Milling operations are subject to hazards such as fire, equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability. The occurrence of any of these events could result in a prolonged interruption of the Company's operations that would have a material adverse effect on its business, financial condition, results of operations and prospects.

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines and no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or that funds required for development can be obtained on a timely basis. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The Company cannot give any assurance that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves or expand current reserves.

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Whether a mineral deposit will be commercially viable depends on a number of factors, including, but not limited to:

- the interpretation of geological data obtained from drill holes and other sampling techniques;
- the particular attributes of the deposit, such as size, grade, metallurgy and proximity to infrastructure;
- the cost of power and water;
- gold prices which are highly cyclical;
- fluctuations in inflation and currency exchange rates;
- higher input commodity and labour costs;
- the cost of operations and processing equipment; and
- government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, allowable production, importing and exporting of minerals and environmental protection.

The Company's development projects are also subject to the issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may adversely affect the Company's business.

In addition, as a result of the substantial expenditures involved in development projects, developments are prone to material cost overruns versus budget. The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the mine. The project development schedules are also dependent on obtaining the governmental approvals necessary for the operation of a mine. Substantial expenditures are required to build mining and processing facilities for new properties. The timeline to obtain these government approvals is often beyond the Company's control. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated.

The operations of the Company requires licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to maintain and/or obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits, or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on it.

The combination of these factors may result in the inability to develop the Company's non-producing properties, to achieve estimated production, revenue or cost levels, or to receive an adequate return on invested capital, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

Mineral reserves and mineral resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves can be mined or processed profitably. Mineral reserve and mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other relevant issues. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work or actual production experience.

Fluctuations in gold prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties may require revision of mineral reserve and mineral resource estimates. Prolonged declines in the market price of gold (or applicable by-product metal prices) may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves. Should reductions in mineral resources or mineral reserves occur, the Company may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Mineral resources and mineral reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and mineral reserves and corresponding grades being mined and, as a result, the volume and grade of mineral reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition.

Mineral resources are not mineral reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that mineral resources will be upgraded to proven or probable mineral reserves.

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Mineral Resources do not have Demonstrated Economic Viability

Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no assurance that the mineral resources set out in the technical reports will ever be classified as proven or probable mineral reserves as a result of continued exploration. In addition, mineral resources that are classified as inferred mineral resources are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as reserves. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

Revenues and Guidance

The Company has recently recommenced commercial production at the San Francisco Mine, however, is still in the operational ramp-up phase leading up to full production capacity. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as costs increase for the personnel, consumables, equipment and consultants associated with advancing exploration, development and production. The Company has not yet generated revenues over a financial reporting period sufficient to fund its continuing operations.

The Company has recently commenced providing estimates and projections of its future production. Any such information is forward-looking. Neither the Company's auditors nor any other independent expert or outside party compiles or examines this forward-looking information. Accordingly, no such person expresses any opinion or any other form of assurance with respect thereto. Such estimates are made by the Company's management and technical personnel and are qualified by, and subject to the assumptions, contained or referred to in the filing, release or presentation in which they are made. Any such production guidance or other financial or cost estimate the Company may provide speaks only as of the date on which they are made, and the Company disclaims any intent or obligation to update such estimates except as required by applicable laws, whether as a result of new information, future events or otherwise. Accordingly, this forward-looking information should be considered in the context in which it is provided and undue reliance should not be placed on it.

Additional Funding Requirements

The Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of mineral properties in the future, and, from time to time, the Company may require additional financing in order to carry out these activities. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities, delay or indefinitely postpone further exploration and development of its projects with the possible loss of such properties, and reduce or terminate its operations. The Company may have limited ability to expend the capital necessary to undertake or complete its projects or to fulfill the Company's obligations under any applicable agreements. There can be no assurance that debt or equity financing, or cash flow generated by operations, will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms favorable to the Company. The Company may issue securities on less than favorable terms to raise sufficient capital to fund its business plan. If the Company's future revenues decrease as a result of lower commodity prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. Any transaction involving the issuance of equity securities or securities convertible into Common Shares would result in dilution, possibly substantial, to present and prospective holders of Common Shares.

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Production Estimates

The Company has mineral reserve estimations for its San Francisco Project and such estimates are based on a pre-feasibility study. The Company cannot give any assurance that such estimates will be achieved. Failure to achieve such estimates could have an adverse impact on the Company's future cash flows, profitability, results of operations and financial condition. The realization of estimates is dependent on, among other things, the accuracy of mineral reserve and mineral resource estimates, the accuracy of assumptions regarding grades and recovery rates, ground conditions (including hydrology), the physical characteristics of deposits, the presence or absence of particular metallurgical characteristics and the accuracy of the estimated rates and costs of mining, haulage and processing. Actual production may vary from estimates for a variety of reasons, including the actual ore mined varying from estimates of grade or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of ore or not); short-term operating factors such as the need for sequential development of ore bodies; mine failures or slope failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; plant and equipment failure; the inability to process certain types of ores; labour shortages or strikes; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment. Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities in addition to adversely affecting mineral production.

Cost Estimates

Capital and operating cost estimates discussed herein may not prove accurate. Capital and operating cost estimates are based on the interpretation of geological data, feasibility studies, anticipated climatic conditions, market conditions for required products and services, and other factors and assumptions regarding foreign exchange currency rates. Any of the following events could affect the ultimate accuracy of such estimate: unanticipated changes in grade and tonnage of ore to be mined and processed; incorrect data on which engineering assumptions are made; unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; labour negotiations; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals); and title claims. Changes in the Company's anticipated production costs could have a major impact on any future profitability. Changes in costs of the Company's anticipated mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, a change in commodity prices, increased costs (including oil, steel, and diesel) and scarcity of labour, and could result in changes in profitability or mineral reserve and mineral resource estimates. Many of these factors may be beyond the Company's control. There is no assurance that actual costs will not exceed such estimates. Exceeding cost estimates could have an adverse impact on the Company's financial condition and results of operations.

Option Risk

The Company does not own the Mercedes Project and only has a right to acquire an interest therein pursuant to the QT Agreement. If the Company does not fulfill its obligations contemplated by the QT Agreement, it will not have any interest in the Mercedes Project.

Reliance on Key Persons

The Company's success depends to a significant extent on its ability to identify, attract, hire, train and retain qualified personnel, including at the management level, and their performance in their assigned roles. Competition for such personnel may be intense and there can be no assurance that the Company will be successful in identifying, attracting, hiring, training and retaining such personnel in the future. If the Company is unable to identify, attract, hire, train and retain qualified personnel in the future, such inability could have a material adverse effect on its business, financial condition and results of operations.

The loss of any member of management or key employees could have a material adverse effect on the Company. The Company will seek satisfactory replacements but there can be no guarantee that appropriate personnel may be found.

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Fluctuations in the Price of Gold

Gold is a commodity, the price of which is determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for gold have fluctuated widely in recent years. The volatility of mineral prices represents a substantial risk which no amount of planning or technical expertise can fully eliminate. Metal prices are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

Current and future price declines could cause commercial production or the development of new mines to be impracticable. If gold prices decline significantly, or decline for an extended period of time, the Company might not be able to continue its operations, develop its properties, or fulfill its obligations under its permits and licenses, or under its agreements with its partners. This could result in the Company losing its interest in some or all of its properties or being forced to cease operations or development activities or to abandon or sell properties, which could have a negative effect on the Company's profitability and cash flow.

Currency Risk

Currency fluctuations may affect costs at the Company's operations. The three main types of foreign exchange risk the Company faces can be categorized as follows:

- (a) Transaction exposure: Operations incur costs in different currencies. This creates exposure at the operational level, which may affect profitability as exchange rates fluctuate;
- (b) Exposure to currency risk: The Company is exposed to currency risk through a portion of the following assets and liabilities denominated in currencies other than the Canadian dollar: cash and cash equivalents, trade and other receivables, trade and other payables, reclamation and closure costs obligations, warrants and gross balance exposure; and
- (c) Translation exposure: Up to March 31, 2020, the Company's reporting currency was the Canadian dollar. Effective April 1, 2020, the Company changed its presentation currency to the United States dollar. The functional currency of Magna Gold Corp. and 2660170 Ontario Ltd. is the Canadian dollar. The functional currency of Minera Magna, S.A. de C.V. and LM Mining Corp, S.A. de C.V. is the Mexican Peso. The functional currency of Molimentales is the United States dollar. Gold is sold throughout the world based principally on the United States dollar; and the Company's operations have assets and liabilities denominated in the Canadian dollar, the United States dollar and the Mexican peso, with translation foreign exchange gains and losses included from these balances in the determination of profit or loss. Therefore, as the exchange rates between the United States dollar against the Canadian dollar and Mexican peso fluctuate, the Company will experience foreign exchange gains and losses, which can have a significant impact on its consolidated operating results.

As a result, fluctuations in currency exchange rates could significantly affect the Company's business, financial condition, results of operations and liquidity.

No Assurance of Title

While the Company has reviewed and is satisfied with the title to the properties in which it holds or intends to acquire an interest and, to the best of its knowledge, title to all of its properties is in good standing, there is no guarantee that title to such property will not be challenged or impugned. The properties may be subject to prior unregistered agreements or transfers. In those jurisdictions where the Company has property interests, the Company undertakes searches of mining records and obtains title opinions from reputable counsel in accordance with mining industry practices to confirm satisfactory title to properties in which it holds or intends to acquire an interest but does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of its properties might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such property, prior unregistered agreements or transfers, and title may be affected by undetected encumbrances or defects or governmental actions.

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Surface Rights and Access

Although the Company acquires the rights to some or all of the minerals in the ground with respect to the properties that it acquires, or has a right to acquire, it does not necessarily acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop mineral deposits it may locate.

Political Stability and Governmental Regulations in Mexico

The Company holds mineral interests in Mexico that may be affected in varying degrees by political instability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of Mexico. Any changes in regulations or shifts in political conditions are beyond the Company's control and may adversely affect its business. The Company's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety.

The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. The Company's operations may also be adversely affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

Additional Business and Financial Risks Inherent in Doing Business in Mexico

The Company's principal operations and mineral properties are located in Mexico. There are additional business and financial risks inherent in doing business in Mexico as compared to the United States or Canada. Since 1995, Transparency International has published the Corruption Perceptions Index ("CPI") annually ranking countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys. The CPI ranks countries on a scale from 100 (very clean) to 0 (highly corrupt). In 2020 and out of 180 countries in the World, Canada was ranked 11th with a CPI score of 77, the United States was ranked 25th with a CPI score of 67 and Mexico was ranked 124th with a CPI score of 31. Anything below 50 indicates governments are failing to tackle corruption and it represents a challenge in those countries requiring extra attention by those who conduct business there.

Corruption does not only occur with the misuse of public, government or regulatory powers, it also can occur in business' supplies, inputs and procurement functions (such as illicit rebates, kickbacks and dubious vendor relationships) as well as the inventory and product sales functions (such as inventory shrinkage or skimming). Employees as well as external parties (such as suppliers, distributors and contractors) have opportunities to commit procurement fraud, theft, embezzlement and other wrongs against the Company. While corruption, bribery and fraud risks can never be fully eliminated, the Company reviews and implements controls to reduce the likelihood of these irregularities occurring.

In addition, risks of operations in Mexico include fluctuations in currency exchange rates, inflation and significant changes in laws and regulations including but not limited to tax regulations, permitting and expropriation. These risks may limit or disrupt the Company's projects, reduce financial viability of local operations, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation. There can be no assurance that changes in the government or laws or changes in the regulatory environment for mining companies or for non-domiciled companies will not be made that would adversely affect the Company's business, financial condition, results of operation and prospects.

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COVID-19

Near the end of March 2020, there was a global outbreak of COVID-19, a pandemic infectious disease that has had a significant impact on the global economy including that of Canada and Mexico, where the Company operates, through restrictions put in place by the various levels of governments regarding travel, business operations and isolation orders to reduce the rate of spread of new infections. As the outbreak of COVID-19 presents risks that are unknown at this time and may not be adequately responded to locally, nationally or internationally due to lack of preparedness to detect and respond to significant pandemic threats, there are potentially significant economic and social impacts caused by this infectious disease risk, including the inability of the Company's exploration, development and production activities to continue as intended. The Company continues to monitor its ability to access its properties. COVID-19 may have a material impact on the market and could also impact the ability of the Company to obtain financial resources in the future. COVID-19 could cause disruptions to the Company's business and operational plans, including shortages of employees, unavailability of contractors and subcontractors, interruption of supplies from third parties upon which the Company relies, restrictions that governments impose to address the COVID-19 outbreak, and restrictions that the Company and its contractors and subcontractors impose to ensure the safety of employees and others. At this time, it is not possible to reliably estimate the financial impact of the length or severity of COVID-19 on the business and operations of the Company. As at the date of this MD&A, COVID-19 has not had a material impact on the development of the San Francisco Project nor has it had a material impact on the Company's exploration projects.

Tax Matters

The Company is subject to income taxes and other taxes in a variety of jurisdictions and the Company's tax structure is subject to review by both Canadian and foreign taxation authorities. The Company's taxes are affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If the Company's filing position were to be challenged for whatever reason, this could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is subject to routine tax audits by various taxation authorities. Tax audits may result in additional tax, interest payments and penalties which would negatively affect the Company's financial condition and results of operations. New laws and regulations or changes in tax rules and regulations or the interpretation of tax laws by the courts or the taxation authorities may also have a substantial negative impact on the Company's business. There is no assurance that the Company's current financial condition will not be materially adversely affected in the future due to such changes.

Environment Risk

All phases of the natural resource business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. The Company may be subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products that could occur as a result of its mineral exploration, development and production. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with operations. Legislation may also require that facility sites and mines be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of tailings or other pollutants into the air, soil or water may give rise to liabilities to domestic or foreign governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Company. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company.

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Many of the regulations require the Company to obtain permits for its activities. The Company must update and review its permits from time to time, and is subject to environmental impact analyses and public review processes prior to approval of the additional activities. It is possible that future changes in applicable laws, regulations and permits or changes in their enforcement or regulatory interpretation could have a significant impact on some portion of the Company's business, causing those activities to be economically re-evaluated at that time. Governments at all levels may be moving towards enacting legislation to address climate change concerns, such as requirements to reduce emission levels and increase energy efficiency, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. Where legislation has already been enacted, such regulations may become more stringent, which may result in increased costs of compliance. There is no assurance that compliance with such regulations will not have an adverse effect on the Company's results of operations and financial condition. Furthermore, given the evolving nature of the debate related to climate change and resulting requirements, it is not possible to predict the impact on the Company's results of operations and financial condition.

Availability of Infrastructure, Energy and Other Commodities

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, railways, power sources and water supply are important determinants affecting capital and operating costs. The Company's inability to secure adequate water and power resources, as well as other events outside of its control, such as unusual or infrequent weather phenomena, sabotage, community or government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Company's operations, financial condition and results of operations.

Profitability is affected by the market price and availability of commodities that the Company uses or consumes for its operations and planned development projects. Prices for commodities like diesel fuel, electricity, steel, concrete and chemicals (including cyanide) can be volatile, and changes can be material, occur over short periods of time and be affected by factors beyond the Company's control. The Company's operations depend on suppliers to meet those needs. Higher costs for construction materials like steel and concrete could affect the timing and cost of the Company's projects.

Higher worldwide demand for critical resources like input commodities, drilling equipment, tires and skilled labour could affect the Company's ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on the Company's operating costs, capital expenditures and production schedules.

Additionally, the Company relies on certain key third-party suppliers and contractors for equipment, raw materials and services used in, and the provision of services necessary for, the development, construction and operations at the San Francisco Project. As a result, operations will be subject to a number of risks, some of which are outside of the Company's control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen events, failure of a supplier or contractor to perform under its agreement with the Company, failure of a supplier or contractor to comply with applicable legal and regulatory requirements and failure of a supplier or contractor to properly manage its workforce resulting in labour unrest or other employment issues. The occurrence of one or more of these risks could have a material adverse effect on the Company's business, results of operations and financial condition.

Insurance and Uninsured Risks

The Company's involvement in the exploration, development and production of mining properties may result in the Company becoming subject to liability for certain risks including, and in particular, unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, landslides, earthquakes, pollution, blow-outs, property damage, personal injury or other hazards.

Although the Company may obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects. No assurance can be given that insurance to cover the risks to which the Company's activities will be subject will be available at all or at economically feasible premiums. Insurance against environmental risks (including potential for pollution or other hazards as a result of the disposal of waste products occurring from production) is not generally available to the Company or to other companies within the industry. The payment of such liabilities would reduce the funds available to the Company. Should the Company be unable to fund fully the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

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Health and Safety Risks

A violation by the Company of health and safety laws, or the failure of the Company to comply with the instructions of relevant health and safety authorities, could lead to, among other things, a temporary cessation of activities on its properties or any part thereof, a loss of the right to conduct operations on the properties, or the imposition of costly compliance procedures. This could have a material adverse effect on the Company's business, financial condition and results of operations.

Volatility of Current Global Financial and Economic Conditions

Current global financial conditions have been subject to continued volatility. Government debt and the risk of sovereign defaults in many countries have been causing significant uncertainties in the markets. High levels of volatility and market turmoil could adversely impact commodity prices, exchange rates and interest rates and have a detrimental effect on the Company's business. The Company's future performance will be affected by a range of economic, competitive, governmental, operating and other business factors, many of which cannot be controlled, such as general economic and financial conditions in the industry or the economy at large. Many industries, including the mining industry, are impacted by global market conditions. Some of the key impacts of previous financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and metals markets and a lack of market liquidity. A slowdown in the financial markets or other economic conditions, including, but not limited to, reduced consumer spending, increased unemployment rates, deteriorating business conditions, inflation, deflation, volatile fuel and energy costs, increased consumer debt levels, lack of available credit, changes in interest rates and changes in tax rates may adversely affect the Company's growth and profitability potential.

Competition

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources. Competition in the mining industry is primarily for the following: mineral-rich properties that can be developed and produced economically; technical expertise to find, develop and operate such properties; labour to operate the properties; and capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to: acquire desired properties; recruit or retain qualified employees; or obtain the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future. Furthermore, increased competition could result in increased costs and lower prices for metal and minerals produced which, in turn, could reduce profitability. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. In the event that such a conflict of interest arises at a meeting of the Board, a director is required by the OBCA to disclose the conflict of interest and to abstain from voting on the matter.

Governmental Regulations

Mining activities may be affected in varying degrees by political and financial instability, inflation and haphazard changes in government regulations relating to this industry. Any changes in regulations or shifts in political or financial conditions are beyond the Company's control and may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety.

Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

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Parties engaged in mining activities may be required to compensate those suffering loss or damage by reason of its activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

Compliance with Anti-Corruption Laws

The Company is subject to various anti-corruption laws and regulations such as the Canadian Corruption of Foreign Public Officials Act. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third-party agents.

The Company's projects are located in Mexico, which is perceived as having fairly high levels of corruption relative to Canada. The Company cannot predict the nature, scope or effect of future anti-corruption regulatory requirements to which the Company's operations might be subject or the manner in which existing laws might be administered or interpreted.

Failure to comply with the applicable legislation and other similar foreign laws could expose the Company and/or its senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses and reputational damage, all of which could materially and adversely affect the Company's business, financial condition and results of operations. Likewise, any investigation of any alleged violations of the applicable anti-corruption legislation by Canadian or foreign authorities could also have an adverse impact on the Company's business, financial condition and results of operations.

Litigation and Other Proceedings

All companies are subject to legal claims, with and without merit. The Company's operations are subject to the risk of legal claims by employees, unions, contractors, lenders, suppliers, joint venture partners, shareholders, governmental agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation and other legal proceedings that the Company may be involved in the future, particularly regulatory actions, is difficult to assess or quantify. Plaintiffs may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from the time and effort of the Company's management and could force the Company to pay substantial legal fees. There can be no assurance that the resolution of any particular legal proceeding will not have an adverse effect on the Company's financial position and results of operations.

Community Relations and Public Opposition to Mining Activities

The Company's relationships with the communities in which it operates are critical to the future success of its existing operations and the construction and development of its projects. In recent years, there has been ongoing and potentially increasing public concern relating to the effects of resource extraction on the natural landscape, communities and the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs") who oppose globalization and resource development can be vocal critics of the mining industry and its practices, including the use of cyanide and other hazardous substances in processing activities. In addition, there have been many instances in which local community groups have opposed resource extraction activities, resulting in disruption and delays to the relevant operations. Adverse publicity generated by such NGOs or others related to the mining industry or to the extractive industries generally, could have an adverse effect on the Company's reputation or financial condition and may impact its relationship with the communities in which it operates. While the Company seeks to operate in a socially responsible manner and believes it has good relationships with local communities in the regions in which it operates, there is no guarantee that its efforts in this respect will mitigate this potential risk. NGOs or local community groups could direct adverse publicity against and/or disrupt the operations of the Company in respect of one or more of its properties, despite the Company's successful compliance with social and environmental best practices. Any such actions and the resulting media coverage could have adverse effects on the reputation and financial condition of the Company or its relationships with the communities in which it operates, which could have a material adverse effect on the business, financial condition, results of operations, cash flows or prospects of the Company.

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Unknown Liabilities in Connection with Acquisitions

As part of the Company's acquisitions, the Company has assumed certain liabilities and risks. While the Company conducted thorough due diligence in connection with such acquisitions, there may be liabilities or risks that the Company failed, or was unable, to discover in the course of performing the due diligence investigations or for which the Company was not indemnified. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Company's financial position and results of operations.

Acquisitions and Integration

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material property may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may experience dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Enforcement of Civil Liabilities

Substantially all of the assets of the Company are located outside of Canada and certain of the directors and officers of the Company are resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or the directors and officers of the Company residing outside of Canada.

Dilution and Future Sales or Issuances of Equity Securities

The Company has limited financial resources and will have further capital requirements and exploration expenditures as it proceeds to expand exploration activities at its mineral projects, develop any such projects or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it. The Company may sell additional equity securities (including through the sale of securities convertible into equity securities) in the future to finance its operations or may issue additional equity securities (including through the issuance of securities convertible into equity securities) as consideration for future acquisitions. The Company cannot predict the size or nature of future sales or issuances of equity securities or the size and terms of future sales or issuances of debt instruments or other securities convertible into equity securities or the effect, if any, that such future sales and issuances will have on the market price of the Common Shares.

Additional issuances of such securities may involve the issuance of a significant number of Common Shares at prices less than the current market price for the Common Shares. Sales or issuances of a significant number of Common Shares, or the perception that such sales or issuances could occur, may adversely affect prevailing market prices of the Common Shares. With any additional sale or issuance of Common Shares, investors will suffer dilution to their voting power and economic interest in the Company. Exercises of presently outstanding stock options or warrants may also result in dilution to security holders.

Volatility of the Trading Price of the Common Shares

The Common Shares are listed and posted for trading on the TSXV. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur, which may result in losses to investors. The purchase of Common Shares should be undertaken only by investors who have no need for immediate liquidity in their investment.

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The trading price of the Common Shares may increase or decrease in response to a number of events and factors, including, but not limited to: the Company's operating performance and the performance of competitors and other similar companies; volatility in gold and other metal prices; the public's reaction to the Company's news releases, other public announcements and the Company's filings with the various securities regulatory authorities; the failure of the Company to meet the reporting and other obligations under Canadian securities laws or imposed by the TSXV; changes in recommendations by research analysts who track the Common Shares or the shares of other companies in the resource sector; a reduction in coverage by such research analysts; changes in general economic and/or political conditions; the arrival or departure of key personnel; and acquisitions, strategic alliances or joint ventures involving the Company or its competitors, which, if involving the issuance of Common Shares, or securities exercisable or exchangeable for or convertible into Common Shares, would result in dilution to present and prospective holders of Common Shares. In addition, the market price of the Common Shares is affected by many variables not directly related to the Company's success and are, therefore, not within the Company's control, including other developments that affect the market for all resource sector securities, the breadth of the public market for the Common Shares and the attractiveness of alternative investments.

Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

No Dividends

The Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including operating results, financial condition, capital requirements, business opportunities and restrictions contained in any financing agreements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this MD&A constitute "forward-looking statements" within the meaning of applicable U.S. securities laws and "forward-looking information" within the meaning of applicable Canadian securities laws, which we refer to collectively as "forward-looking statements". Forward-looking statements are statements and information regarding possible events, conditions or results of operations that are based upon assumptions about future economic conditions and courses of action. All statements and information other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by the use of words such as "seek", "expect", "anticipate", "budget", "plan", "estimate", "continue", "forecast", "intend", "believe", "predict", "potential", "target", "may", "could", "would", "might", "will" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook.

Forward-looking statements in this MD&A include, but are not limited to, statements and information regarding: the Company's future mining activities, including mining capacity, recovery, cash costs, production and mine life; the Company's reserve and resource estimates; the Company's exploration and development plans, including anticipated costs and timing thereof; the timing and location of future drilling; the timing of geological and/or technical reports; the Company's ability to obtain and maintain required licences, permits, required agreements with third parties and regulatory approvals; the Company's plans for growth through exploration activities, acquisitions or otherwise; and expectations regarding future maintenance and capital expenditures, working capital requirements, the availability of financing and future effective tax rates. Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited to: the Company's ability to carry on exploration and development activities; the Company's ability to secure and to meet obligations under property and option agreements and other material agreements; the timely receipt of required approvals and permits; that there is no material adverse change affecting the Company or its properties; that contracted parties provide goods or services in a timely manner, that no unusual geological or technical problems occur, that plant and equipment function as anticipated and that there is no material adverse change in the price of gold, costs associated with production or recovery. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and you are cautioned not to place undue reliance on forward-looking statements contained herein.

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Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations; results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; risks relating to possible variations in reserves, resources, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined; mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development; the potential for delays in exploration or development activities or the completion of feasibility studies; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; risks related to commodity price and foreign exchange rate fluctuations; the uncertainty of profitability based upon the cyclical nature of the industry in which the Company operates; risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental or local community approvals or in the completion of development or construction activities; risks related to environmental regulation and liability; political and regulatory risks associated with mining and exploration; risks related to the uncertain global economic environment; risks related to COVID-19; and other factors contained in the section entitled "Risk Factors" per above.

Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking statements, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking statements included in, or incorporated by reference in, this MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

QUALIFIED PERSON AND TECHNICAL REPORTS

James Baughman, Consulting Geologist, and a Qualified Person as defined by *National Instrument 43-101 - Standards of Disclosure for Mineral Projects*, has approved the scientific and technical information in this MD&A.

For further information on the Company's properties, please see the reports as listed below on the Company's website or on www.sedar.com:

<i>San Francisco Mine</i>	"NI 43-101 F1 Technical Report - Pre-Feasibility Study for the San Francisco Gold Project, Sonora, Mexico" dated August 28, 2020, with an effective date of August 8, 2020
<i>Mercedes Property</i>	"NI 43-101 Technical Report, Initial Mineral Resource Estimate for the La Lamosa Ridge Deposit, Mercedes Project, Santa Rosa de Yécora, Sonora State, Mexico" dated January 22, 2021, with an effective date of January 11, 2021
