MAGNA GOLD CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS
ENDED JUNE 30, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)
(UNAUDITED)

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

	Note		**June 30, 2021**		December 31, 2020
ASSETS					
Current					
Cash		**$**	**2,114**	$	7,056
Trade and other receivables	6		**8,824**		7,579
Inventories	7		**16,244**		11,882
Advances and prepaid expenses			**946**		746
Total current assets			**28,128**		27,263
Mineral properties and plant and equipment	8		**30,231**		16,861
Exploration and evaluation	8		**10,025**		9,610
Deferred tax assets			**2,955**		772
Total assets		**$**	**71,339**	$	54,506
LIABILITIES					
Current					
Trade payables and accrued liabilities	9	**$**	**35,494**	$	17,899
Other payables	10		**6,613**		11,285
Auramet deferred revenue	11		**3,111**		-
Sandstorm deferred revenue	12		**683**		632
Derivative liability, net	21		**158**		-
Total current liabilities			**46,059**		29,816
Sandstorm deferred revenue	12		**2,048**		2,463
Other provisions	13		**1,231**		1,200
Provision for site reclamation and closure	14		**5,712**		5,567
Deferred tax liabilities			**2,020**		589
Total liabilities			**57,070**		39,635
EQUITY					
Issued capital	15		**21,298**		21,285
Share-based payment reserve	16		**3,423**		3,429
Cumulative translation reserve			**(867)**		(1,233)
Deficit			**(9,585)**		(8,610)
Total equity			**14,269**		14,871
Total liabilities and equity		**$**	**71,339**	$	54,506

Nature of operations (note 1)
Going concern (note 2)
Commitments and contingencies (note 22)
Events after the reporting period (note 24)

Approved on behalf of the Board:

/s/ "Arturo Bonillas"
Arturo Bonillas
Director

/s/ "Colin Sutherland"
Colin Sutherland
Director

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

			Restated Note 3		Restated Note 3
		Three months ended June 30,	Three months ended June 30,	**Six months ended June 30,**	Six months ended June 30,
	Note	**2021**	2020	**2021**	2020
Metal revenues	17	**$ 21,212**	$ 8,463	**$ 36,531**	$ 8,463
Cost of sales	18a)	**20,136**	6,939	**36,988**	6,939
Earnings (loss) from mine operations		**1,076**	1,524	**(457)**	1,524
Corporate and administrative expenses	18b)	**1,104**	632	**2,373**	1,042
Share-based compensation	16a)	**-**	1,450	**-**	1,450
Exploration expenses	18c)	**10**	-	**473**	-
Acquisition transaction costs	4	**-**	681	**-**	681
Loss from operations		**(38)**	(1,239)	**(3,303)**	(1,649)
Other income, net	22	**3,412**	62	**3,419**	62
Finance expenses	18d)	**(475)**	(160)	**(895)**	(160)
Foreign exchange gain (loss)		**258**	472	**(464)**	13
Loss on derivative contracts	21	**(525)**	(190)	**(485)**	(190)
Net earnings (loss) before income taxes		**2,632**	(1,055)	**(1,728)**	(1,924)
Income taxes					
Current tax recovery		**-**	(496)	**-**	(496)
Deferred tax expense (recovery)		**228**	-	**(753)**	-
Net earnings (loss) for the period		**2,404**	(559)	**(975)**	(1,428)
Other comprehensive (loss) income					
Items that may be reclassified subsequently to profit or loss					
Foreign exchange (loss) gain		**(342)**	(414)	**366**	52
Net earnings (loss) and comprehensive income (loss) for the period		**$ 2,062**	$ (973)	**$ (609)**	$ (1,376)
Weighted average shares outstanding:					
Basic	19	**89,459,874**	61,084,008	**89,455,688**	50,264,615
Diluted	19	**90,072,898**	61,084,008	**89,455,688**	50,264,615
Earnings (loss) per share:					
Basic	19	**$ 0.03**	$ (0.01)	**$ (0.01)**	$ (0.03)
Diluted	19	**$ 0.03**	$ (0.01)	**$ (0.01)**	$ (0.03)

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

	Note	Three months ended June 30, 2021	Restated Note 3 Three months ended June 30, 2020	Six months ended June 30, 2021	Restated Note 3 Six months ended June 30, 2020
Operating activities					
Net earnings (loss)		**$ 2,404**	$ (559)	**$ (975)**	$ (1,428)
Items not affecting cash:					
Depletion and depreciation	18a)	**2,436**	227	**3,715**	227
Finance expenses	18d)	**475**	160	**895**	160
Gold delivery to Sandstorm	12	**(266)**	-	**(636)**	-
Gold delivery to Auramet	11	**(989)**	-	**(989)**	-
Income tax expense (recovery)		**228**	(496)	**(753)**	(496)
Share-based compensation	16a)	**-**	1,450	**-**	1,450
Unrealized loss on derivative contracts	21	**158**	190	**158**	190
Unrealized foreign exchange (gain) loss		**(517)**	(546)	**307**	(64)
		3,929	426	**1,722**	39
Changes in non-cash working capital items:					
Trade and other receivables		**(404)**	1,371	**(1,168)**	1,402
Inventories		**(1,932)**	2,938	**(2,896)**	2,938
Advances and prepaid expenses		**(221)**	91	**(200)**	77
Trade payables and accrued liabilities		**7,285**	2,065	**15,887**	2,135
Cash provided by operating activities		**8,657**	6,891	**13,345**	6,591
Investing activities					
Expenditures on mineral properties and plant and equipment		**(7,393)**	(1)	**(16,984)**	(1)
Expenditures on exploration and evaluation		**(99)**	(120)	**(265)**	(397)
Payment related to Molimentales acquisition	4,10	**(5,000)**	-	**(5,000)**	-
Amounts paid to Alio Gold	4	**-**	(570)	**-**	(570)
Cash acquired in connection with Molimentales acquisition	4	**-**	1,465	**-**	1,465
Cash (used in) provided by investing activities		**(12,492)**	774	**(22,249)**	497
Financing activities					
Proceeds from Auramet agreement, net of transaction costs	11	**-**	-	**3,940**	-
Exercise of warrants	16b)	**-**	-	**7**	-
Proceeds from private placements, net of transaction costs		**-**	6,469	**-**	6,469
Cash provided by financing activities		**-**	6,469	**3,947**	6,469
Effects of exchange rate changes on the balance of cash held in foreign currencies		**40**	(7)	**15**	(34)
(Decrease) increase in cash		**(3,795)**	14,127	**(4,942)**	13,523
Cash, beginning of period		**5,909**	164	**7,056**	768
Cash, end of period		**$ 2,114**	$ 14,291	**$ 2,114**	$ 14,291

Supplementary disclosure with respect to cash flows (note 20)

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

	Note	Number of common shares		Share capital		Share-based payment reserve		Cumulative translation reserve		Deficit		Total
Balance, January 1, 2021		**89,432,813**	**$**	**21,285**	**$**	**3,429**	**$**	**(1,233)**	**$**	**(8,610)**	**$**	**14,871**
Warrants exercise	16b)	27,061		13		(6)		-		-		7
Net and comprehensive loss for the period		-		-		-		366		(975)		(609)
Balance, June 30, 2021		**89,459,874**	**$**	**21,298**	**$**	**3,423**	**$**	**(867)**	**$**	**(9,585)**	**$**	**14,269**
Balance, January 1, 2020 (restated - note 3)		39,204,791	$	4,805	$	11	$	(101)	$	(2,016)	$	2,699
Private placements, net of transaction costs	15	23,583,116		6,214		255		-		-		6,469
Shares issued for acquisition	4,15	10,769,999		3,049		-		-		-		3,049
Shares issued to Peal	15	11,000,000		2,860		-		-		-		2,860
Share-based compensation	16a)	-		-		1,450		-		-		1,450
Net and comprehensive loss for the period		-		-		-		52		(1,428)		(1,376)
Balance, June 30, 2020 (restated - note 3)		84,557,906	$	16,928	$	1,716	$	(49)	$	(3,444)	$	15,151

1. NATURE OF OPERATIONS

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

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

During March 2020, the World Health Organization declared a global pandemic following the emergence of a novel strain of the coronavirus disease, called “COVID-19”. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. At the date of issuance of these unaudited condensed interim consolidated financial statements of the Company as at June 30, 2021, and for the six months ended June 30, 2021 (the “Condensed Interim Consolidated Financial Statements”), mining operations are considered an essential activity in Mexico, and therefore, mining companies are able to continue operations following the safety protocols established. The Company has not interrupted its mining, crushing and leaching processes and doré shipments to its customers, therefore, Company’s management has not identified a material impact on its financial position or results of operations during the six months ended June 30, 2021, and the period up to the date of issuance of these Condensed Interim Consolidated Financial Statements. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

On May 6, 2020, the Company closed the acquisition of Molimentales del Noroeste, S.A. de C.V. (“Molimentales”) (note 4), which owns a 100% interest in the San Francisco Mine. The San Francisco Mine is an open-pit heap leach operating mine, 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 at the time of the acquisition. Mining and crushing activities restarted late in June 2020.

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

2. GOING CONCERN

These Condensed Interim Consolidated Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses to date and has limited history of revenue from operations and the certainty of funding future operating and exploration expenditures and availability of sources of additional financing cannot be assured at this time; these events and conditions create a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern in the longer term is dependent on successful execution of its business plan and ultimately generating net income and positive cash flow from mining operations. These Condensed Interim Consolidated Financial Statements do not include adjustments to the carrying values and classifications of recorded assets and liabilities which could be material that might be necessary should the Company be unable to continue as a going concern.

3. BASIS OF PREPARATION

a) Statement of compliance

These Condensed Interim Consolidated Financial Statements of the Company as at June 30, 2021, and for the six months ended June 30, 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and with interpretations of the IFRS Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants of Canada Handbook - Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard 34 - *Interim Financial Reporting*.

The policies applied in the Condensed Interim Consolidated Financial Statements are based on IFRS issued and effective as of August 26, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these Condensed Interim Consolidated Financial Statements as compared to the most recent annual consolidated financial statements as at and for the nine months ended December 31, 2020, ("Annual Financial Statements").

b) Functional currency and presentation currency

These Condensed Interim Consolidated Financial Statements are presented in United States dollars ("US$"). Effective April 1, 2020, the Company changed its presentation currency from Canadian Dollars ("C$") to the US$. The change in presentation currency was to better reflect the Company's business activities. There has been no change to Magna's functional currency or its subsidiaries' functional currencies. In making this change to the US$ presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21") and has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency.

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. ("LM Mining") and Minera Magna, S.A. de C.V ("Minera Magna"). The functional currency of Molimentales del Noroeste, S.A. de C.V. was determined to be the US dollar.

c) Basis of consolidation

These Condensed Interim Consolidated Financial Statements include the assets and operations of Magna Gold Corp. and its subsidiaries Molimentales, 2660170 Ontario Ltd., LM Mining and Minera Magna. All intercompany balances and transactions have been eliminated on consolidation.

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

d) Basis of measurement

The Condensed Interim Consolidated Financial Statements have been prepared using the historical cost basis, except for certain financial assets and liabilities, which are measured at fair value, as specified by IFRS as set out in the accounting policies below.

e) Critical judgements

The critical judgements applied in the preparation of these Condensed Interim Consolidated Financial Statements are consistent with those applied and disclosed in note 3(f) of the Annual Financial Statements.

f) Significant estimates and assumptions

The preparation of the Company's Condensed Interim 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.

The significant estimates and assumptions applied in the preparation of the Condensed Interim Consolidated Financial Statements are consistent with those applied and disclosed in note 3(g) of the Annual Financial Statements.

g) Change of year end

During November 2020, the Company changed its fiscal year end from March 31 to December 31 in order to align the fiscal year-end with that of its Mexican subsidiaries, which are required to have fiscal periods for Mexican tax purposes ending on December 31. As a result of this change, these Condensed Interim Consolidated Financial Statements are for the three and six months ended June 30, 2021, and amounts presented are comparable to the three and six months ended June 30, 2020, which have not been disclosed prior to these Condensed Interim Consolidated Financial Statements.

h) Capitalization of exploration and evaluation

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 capitalizes 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. This change was applied on a retrospective basis.

4. MOLIMENTALES ACQUISITION

On May 6, 2020 (the "Closing Date"), Magna completed the acquisition of the San Francisco Mine located in Sonora, Mexico (the "Acquisition") pursuant to a definitive share purchase agreement dated March 5, 2020, as amended on April 24, 2020 (the "Definitive Agreement"), between the Company and Timmins Gold Corp Mexico S.A. de C.V. ("Timmins"), a wholly owned subsidiary of Alio Gold Inc. ("Alio"). Alio was purchased by Argonaut Gold Inc. ("Argonaut") on July 1, 2020.

Commercial production began at the San Francisco Mine in April 2010 and has continued up until and after the Company's acquisition of Molimentales during May 2020.

Under the terms of the Definitive Agreement, Magna acquired ownership of Alio's indirect wholly owned subsidiary, Molimentales, which owns a 100% interest in the San Francisco Mine, in exchange for:

(i) Issuance to Timmins of 9,740,000 common shares of the Company at their fair value of C$0.40 ($0.28) per common share; and,

(ii) $5,000 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.

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

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

Amounts recognized May 6, 2020			**Final purchase price allocation**
Purchase price allocation	Note		
Common shares of Magna		$	**2,758**
$5,000 cash or 1% Net Smelter Royalty ("NSR") (1)	10		**4,671**
Working capital difference (2)	10		**2,499**
Value added tax ("VAT") payable to seller (3)			**570**
		$	**10,498**
Purchase price allocation			
Cash		$	**1,465**
Trade and other receivables			**2,954**
Inventories			**16,298**
Advances and prepaid expenses			**483**
Mineral properties and plant and equipment	8		**5,244**
Deferred tax assets			**2,328**
Trade payables and accrued liabilities			**(5,077)**
Other payables	10		**(6,940)**
Other provisions	13		**(1,410)**
Provision for site reclamation and closure	14		**(4,847)**
Net assets		$	**10,498**

(1) The $5,000 was discounted over a one-year period using a rate of 6.86%.

(2) On May 6, 2020, the working capital of Molimentales exceeded the target working capital as defined within the Definitive Agreement. The Company is required to pay Timmins the base cash amount plus such surplus amount (the "Working Capital Difference") in one instalment on or before the one-year anniversary of the Closing Date. The undiscounted Working Capital Difference was determined and agreed between both parties to be $2,675 at May 6, 2020. The $2,675 was discounted over a one-year period using a rate of 6.86%.

(3) During June 2020, per the Definitive Agreement, the Company paid $570 to Timmins relating to January and February 2020 value added tax recoverable that was received by the Company after the Closing Date.

Transaction costs related to the Molimentales Acquisition were $681 for the six months ended June 30, 2020.

On May 5, 2021, the Company paid $5,000 in cash to Timmins before the May 6, 2021, deadline as stipulated in the Definitive Agreement.

On May 6, 2021, the Company, through its subsidiary Minera Magna, entered into a promissory note arrangement with Timmins whereby the Company agreed to pay Timmins the Working Capital Difference of $2,675 in four equal principal instalments (note 10).

5. MARGARITA ACQUISITION

Effective November 17, 2020, the Company and Molimentales (the "Purchaser") closed the acquisition (the "Margarita Acquisition") of the option (the "Option") to acquire a 100% undivided interest in the mining concessions comprising the Margarita Silver Project ("Margarita" or the "Margarita Project") 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 mining concessions, covering 125.625 hectares, located within the Sierra Madre Gold Belt, 88 kilometers south of the state capital of Chihuahua in the Municipality of Satevo, State of Chihuahua, Mexico.

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

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

(i) 3,219,278 common shares of the Company at their fair value of $2,877 issued at C$1.17 ($0.89) per common share;
(ii) $1,165 in cash; and,
(iii) $621 in cash representing Mexican 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 at their fair value of $1,480 issued at C$1.17 ($0.89) per common share;
(ii) $388 in cash; and,
(iii) $286 in cash representing Mexican VAT on the full consideration of the Option Exercise.

In addition, the Company paid $40 to the landowner of the property in relation to a prior contractual arrangement between the landowner and the titleholders of Margarita.

Total VAT of $907 was fully refundable from the Mexican tax authority and was received during the three months ended March 31, 2021.

The Margarita Acquisition did 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, are included in these Condensed Interim Consolidated Financial Statements as an exploration and evaluation asset (note 8).

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 Purchaser entered into a royalty agreement with Osisko, pursuant to which the Purchaser will pay Osisko a 2% net smelter returns royalty on all products mined and produced from Margarita.

6. TRADE AND OTHER RECEIVABLES

		June 30, 2021		December 31, 2020
Trade receivable	**$**	**232**	$	349
VAT receivable [1]		**8,471**		7,109
Other receivables		**121**		121
	$	**8,824**	$	7,579

[1] VAT receivable is value added tax payments made by the Company, which in Mexico and Canada are refundable. Mexican VAT refunds are typically expected within two to three months after the associated monthly filing with the Mexican tax authority, whereas Canadian VAT refunds are expected within one to two months after each quarterly filing to the Canadian tax authority.

7. INVENTORIES

		June 30, 2021		December 31, 2020
Ore in process	**$**	**11,647**	$	8,566
Finished metal inventory		**2,854**		1,375
Supplies		**1,743**		1,941
	$	**16,244**	$	11,882

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

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

	Mineral properties [(1)]	Plant and equipment	Exploration and evaluation	Total
Cost				
At January 1, 2021	$ 14,374	$ 3,393	$ 9,610	$ 27,377
Additions	12,960	5,643	340	18,943
Adjustment on currency translation	-	1	75	76
At June 30, 2021	**27,334**	**9,037**	**10,025**	**46,396**
Accumulated depreciation				
At January 1, 2021	847	59	-	906
Depreciation and depletion	5,111	123	-	5,234
At June 30, 2021	**5,958**	**182**	**-**	**6,140**
Carrying amount at June 30, 2021	**$ 21,376**	**$ 8,855**	**$ 10,025**	**$ 40,256**

	Note	Mineral properties [(1)]	Plant and equipment	Exploration and evaluation	Total
Cost					
At April 1, 2020		$ -	$ 14	$ 2,240	$ 2,254
Acquisitions	4,5	3,852	1,392	6,073	11,317
Additions		10,013	1,987	1,297	13,297
Asset retirement obligation remeasurement		509	-	-	509
At December 31, 2020		14,374	3,393	9,610	27,377
Accumulated depreciation					
At April 1, 2020		-	1	-	1
Depreciation and depletion		847	58	-	905
At December 31, 2020		847	59	-	906
Carrying amount at December 31, 2020		$ 13,527	$ 3,334	$ 9,610	$ 26,471

[(1)] At June 30, 2021, mineral properties included deferred stripping costs with a carrying amount of $14,047 (December 31, 2020 - $7,739) and underground development costs of $3,065 (December 31, 2020 - $1,502).

All non-current assets are located in Mexico.

Mineral properties

The San Francisco Mine is located in Santa Ana, Sonora, Mexico, which is formed by several adjacent claims. Commercial production began at the San Francisco Mine in April 2010 and has continued up until and after the Company's acquisition of Molimentales during May 2020.

Exploration and evaluation

The Company is in the exploration stage with respect to its investment in the Mercedes Property, the Las Marias Property, the San Judas Project, Los Muertos Project, La Fortuna Project (previously described as the Cuproros Project), Margarita Project, and the La Pima Project. Through the Molimentales Acquisition (note 4), in addition to the San Francisco Mine, the Company acquired title to the Patricia, Norma, Los Carlos, La Pima, TMC, and Dulce claims located in the state of Sonora, Mexico. Through the Margarita Acquisition (note 5), the Company acquired the Margarita Project consisting of two mining concessions located in the state of Chihuahua, Mexico.

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

The Company capitalizes all costs relating to the acquisition and exploration of mineral rights with the exception of concession payments. Such costs include, among others, option payments, geological, geophysical studies, exploratory drilling and sampling, feasibility studies and technical reports. Exploration and evaluation balances are as follows:

		June 30, 2021		December 31, 2020
Margarita Project	**$**	**6,103**	$	6,077
Mercedes Property		**2,565**		2,275
La Pima Project		**481**		481
Las Marias Property		**438**		410
San Judas Project		**340**		292
Los Muertos Project		**52**		44
La Fortuna Project (1)		**46**		31
	$	**10,025**	$	9,610

(1) Previously described as the Cuproros Project.

Margarita Project

On November 17, 2020, the Company closed the Margarita Acquisition (note 5). Margarita is comprised of two mining concessions, covering 125.625 hectares, located within the Sierra Madre Gold Belt, 88 kilometers south of the state capital of Chihuahua in the Municipality of Satevo, State of Chihuahua, Mexico.

Mercedes Property

On June 6, 2019, the Company completed its qualifying transaction consisting of an option agreement dated September 25, 2018, pursuant to which the Company acquired an option to acquire a 100% undivided interest in two mining claims (the “Mercedes Property”) located in the municipality of Yécora, Sonora, Mexico, for a four-year period. The Mercedes Property consists of two contiguous claims covering an aggregate area of approximately 345 hectares located approximately 250 kilometers east-southeast along the Federal Highway 16 from the state capital, Hermosillo.

In consideration of the grant of the option agreement, Magna will: (i) pay to the optionor an aggregate of $1,340 plus VAT of 16%, paid in instalments up to forty-eight months from the Effective Date, with the last instalment being $750; (ii) issue to the optionor a 3% net smelter return royalty, capped at $3,500 and subject to the right of the Company to acquire all 3% of the NSR at a price of $500 per percentage point, within the first three years of commercial production of the Mercedes Property; and (iii) issue 2,442,105 common shares valued at $584. The common shares were issued on June 6, 2019.

As at June 30, 2021, the Company has paid $305 of the $1,340 option instalments.

La Pima Project

On May 6, 2020, through the acquisition of Molimentales, the Company acquired the La Pima Project (“La Pima”) located in the state of Sonora, Mexico. La Pima is an early-stage exploration project which is located approximately 25 kilometers north of the San Francisco Mine.

Las Marias Property

On August 16, 2019, the Company closed the acquisition of 2660170 Ontario Ltd. and its 99% owned subsidiary LM Mining. LM Mining holds the Las Marias Property, which consists of seven mining concessions covering 646 hectares adjacent to the Mercedes Property and the Las Cabanas mineral claims (“Las Cabanas Property” and together with the Las Marias Property the “Claims”), which consists of two claims covering 248 hectares located approximately 10 km south-west of the Mercedes Property. The total consideration for the Claims consisted of 1,000,000 common shares valued at $210 and cash of $188.

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

San Judas Project

On December 17, 2019, the Company entered into an exploration and option agreement for a 100% undivided interest in two mining claims (the “San Judas Project”) for a five-year period. The San Judas Project consists of two contiguous claims covering an aggregate area of approximately 2,806 hectares located approximately 240 kilometers north-west along the Federal Highway 16 from the state capital, Hermosillo. In consideration, the Company shall (i) pay to the optionors of the San Judas Project an aggregate of $1,680 plus VAT of 16% paid in annual instalments commencing on December 17, 2019, and ending on the sixtieth month thereafter; and (ii) issue to the optionors a 1.5% NSR, capped at $1,500, and subject to the right of the Company to acquire all 1.5% of the NSR, at a price of $500 per 0.5% of the NSR, at any time.

As at June 30, 2021, the Company has paid $94 of the $1,680 option instalments.

Los Muertos Project

On August 3, 2020, the Company entered into an option agreement to acquire a 100% undivided interest in the Los Muertos Project located in the municipality of La Colorada, Sonora, Mexico. The Los Muertos silver-gold properties comprised of two claims (Los Muertos concession and Los Muertos 1 concession), covering 1,756 hectares.

Under the terms of the option agreement the Company can earn a 100% undivided interest in the Los Muertos Project by paying an aggregate amount of $425 plus VAT of 16% in five annual instalments commencing on the effective date of the option agreement, August 3, 2020, and ending forty-eight months thereafter.

As at June 30, 2021, the Company has paid $25 of the $425 option instalments.

La Fortuna Project

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 “La Fortuna Project”, previously described as the “Cuproros Project”) for a four-year period. The La Fortuna 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. In consideration of the grant of the option, the Company shall pay to the optionors of the La Fortuna Project an aggregate of $480 plus VAT of 16%, paid in instalments commencing on the effective date of the exploration and option agreement and ending forty-eight months thereafter.

As at June 30, 2021, the Company has paid $35 of the $480 option instalments.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

		June 30, 2021		December 31, 2020
Trade payables [(1)]	**$**	**30,600**	$	13,468
Accrued taxes		**495**		586
Accrued liabilities		**1,069**		971
Advances		**1,669**		1,149
Vendor loan [(2)]		**1,661**		1,725
	$	**35,494**	$	17,899

(1) At June 30, 2021, $3,549 related to investing activities (December 31, 2020 - $1,916).

(2) On June 1, 2021, Molimentales and Inmobiliaria y Hotelaria Los Algodones, S.A. de C.V. ("Algodones") entered into a settlement agreement regarding their amparo suit with respect to an amount of $1,725. Under the settlement agreement Molimentales is required to pay Algodones $1,725 in twenty-four equal principal payments, in monthly instalments starting June 2021. Molimentales is also required to pay interest of $275 over the payment schedule which is subject to VAT of 16%. Interest is recognized over the twenty-four month payment term (note 18).

At June 30, 2021, the vendor loan included principal of $1,653 and accrued interest of $8 (December 31, 2020 - principal of $1,725 and accrued interest of $nil).

During the three and six months ended June 30, 2021, interest expense on the vendor loan was $19 (three and six months ended June 30, 2020 - $nil).

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

10. OTHER PAYABLES

	Note		**June 30, 2021**		December 31, 2020
$5,000 or San Francisco Mine NSR	4	**$**	**-**	$	4,884
Working capital difference	4		**-**		2,613
Promissory note	4		**2,695**		-
Peal settlement			**3,918**		3,788
		$	**6,613**	$	11,285

In relation to the Molimentales Acquisition (note 4), the Company recognized the following liabilities:

a) The Company agreed to pay Timmins $5,000 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 $5,000 was discounted over a one-year period using a rate of 6.86% to determine a discounted payable of $4,671 on May 6, 2020. During the three and six months ended June 30, 2021, accretion expense was $34 and $116, respectively (three months and six months ended June 30, 2020 - $48).

   On May 5, 2021, the Company paid $5,000 in cash to Timmins.

b) The Company agreed to pay Timmins $2,675 in cash in respect to Working Capital Difference available on the Closing Date of the Acquisition due on or before May 6, 2021. The $2,675 was discounted over a one-year period using a rate of 6.86% to determine a discounted payable of $2,499 on May 6, 2020. During the three and six months ended June 30, 2021, accretion related to the obligation was $18 and $62, respectively (three and six months ended June 30, 2020 - $26).

   On May 6, 2021, the Company, through is subsidiary Minera Magna, entered into a promissory note arrangement (the "Promissory Note") with Timmins whereby the Company agreed to pay Timmins $2,675 in four equal principal instalments, plus interest, on July 6, August 6, September 6, and October 6, 2021. The Promissory Note bears uncompounded interest at a rate of 5.0% per annum.

   At June 30, 2021, the Promissory Note had a balance of $2,695 that included principal of $2,675 and accrued interest of $20. During the three and six months ended June 30, 2021, the Company incurred interest expense related to the promissory note of $20 (three and six months ended June 30, 2020 - $nil).

   Subsequent to period end, the Company paid two of the instalment payments as scheduled.

c) Concurrently with the Acquisition, the Company signed a binding letter of intent on April 6, 2020, with Peal de Mexico, S.A. de C.V. ("Peal"), the mining contractor for the San Francisco Mine, to settle pre-existing arbitration proceedings between Peal and Molimentales for aggregate consideration of $6,355 plus VAT of 16%. This amount is to be satisfied by (1) the issuance of 11,000,000 common shares at the settlement amount of $2,860 and (2) undiscounted cash flows of $3,495 plus VAT of 16% to be paid in cash within a period of eighteen months from the date of the final settlement agreement.

   On June 30, 2020, the Company finalized the settlement agreement and issued 11,000,000 common shares to Peal valued at $2,860. VAT of $457 was paid in cash during the nine months ended December 31, 2020. The Company recognized an undiscounted liability of $2,860 at May 6, 2020, as the $2,860 in common shares was payable immediately upon finalization of the settlement agreement.

   The $3,495 plus VAT of 16%, a total of $4,054, was discounted over an eighteen-month period using a discount rate of 6.86% to determine a discounted payable of $3,623 on May 6, 2020. During the three and six months ended June 30, 2021, accretion related to the obligation was $66 and $130, respectively (three and six months ended June 30, 2020 - $37).

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

11. AURAMET DEFERRED REVENUE

Opening, January 1, 2021	$	-
Advance consideration received		4,000
Accretion on financing component		100
Gold delivery to Auramet per agreement		(989)
Balance at June 30, 2021	**$**	**3,111**

During February 2021, the Company, through its subsidiary Molimentales, and Auramet International LLC ("Auramet") signed an agreement (the "Auramet Agreement") whereas the Company would receive $4,000 in exchange for nine equal payments of 270 gold ounces to be delivered to Auramet starting May 31, 2021, and ending on January 31, 2022. On February 12, 2021, the Company received $3,940 representing $4,000 less transaction costs of $20, an upfront 1% fee of $40, and applicable banking charges.

The Company has recognized the $4,000 as deferred revenue ("Auramet deferred revenue") which will be recognized into revenue as monthly gold delivery obligations are met over the nine-month payment period. A financing component was also recognized starting in May 2021 and is determined as the difference between the advance received and prevailing gold prices.

Accretion expense on the Auramet deferred revenue financing component is recognized at the end of each reporting period. During the three and six months ended June 30, 2021, the Company had accretion expense of $100 (three and six months ended June 30, 2020 - $nil).

Revenue is recognized at the time of delivery. During the three and six months ended June 30, 2021, the Company recognized revenue of $989 (three and six months ended June 30, 2020 - $nil) on 540 gold ounces delivered under the Auramet Agreement.

12. SANDSTORM DEFERRED REVENUE

Opening, April 1, 2020	$	-
Advance consideration received		3,000
Accretion on financing component		95
Balance at December 31, 2020		3,095
Accretion on financing component		272
Gold delivery to Sandstorm per agreement		(636)
	$	**2,731**
Current portion		683
Non-current portion		2,048
Balance at June 30, 2021	**$**	**2,731**

During November 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") whereby, the Company received $3,000 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 $1,000 on the San Francisco mining concession, and $500 each on the other concessions, all subject to a 10% annual escalation, compounded annually.

The Company has recognized the Gold Delivery portion of the Sandstorm Agreement as deferred revenue ("Sandstorm deferred revenue") which will be recognized into revenue as monthly gold delivery obligations are met over the forty-eight month period. The deferred revenue consists of $3,000 cash received and a financing component determined as the difference between the advance received and prevailing gold prices.

Accretion expense on the Sandstorm deferred revenue financing component is recognized at the end of each reporting period. During the three and six months ended June 30, 2021, the Company had accretion expense of $130 and $272, respectively (three and six months ended June 30, 2020 - $nil).

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

Revenue is recognized at the time of delivery and is subject to a 10% withholding tax. During the three and six months ended June 30, 2021, the Company recognized revenue of $266 and $636, respectively (three and six months ended June 30, 2020 - $nil), on 150 and 350 gold ounces delivered, respectively, under the Sandstorm Agreement.

The Company will recognize the NSR portion of the Sandstorm Agreement at the time the royalty is paid. No royalty liability related to the Sandstorm Agreement was recognized at June 30, 2021, and December 31, 2020.

13. OTHER PROVISIONS

Opening, April 1, 2020	$	-
Molimentales acquisition (note 4)		1,410
Accretion		40
Remeasurement		(250)
Balance at December 31, 2020		1,200
Accretion		31
Balance at June 30, 2021	**$**	**1,231**

Other provisions are 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.

The total undiscounted amount of estimated cash flows required to settle the other provisions at June 30, 2021, is $1,732 (December 31, 2020 - $1,732).

As at June 30, 2021, the cash flows for other provisions were discounted using a rate of 5.25% (December 31, 2020 - 5.25%).

During the three and six months ended June 30, 2021, accretion expense related to other provisions was $15 and $31, respectively (three and six months ended June 30, 2020 - $nil).

14. PROVISION FOR SITE RECLAMATION AND CLOSURE

Opening, April 1, 2020	$	-
Molimentales acquisition (note 4)		4,847
Accretion		211
Remeasurement		509
Balance at December 31, 2020		5,567
Accretion		145
Balance at June 30, 2021	**$**	**5,712**

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

The total undiscounted amount of estimated cash flows required to settle the retirement obligations of the San Francisco Mine as at June 30, 2021, is $6,277 (December 31, 2020 - $6,277).

As at June 30, 2021, the cash flows were inflated by a rate of 3.50% (December 31, 2020 - 3.50%) and discounted using a rate of 5.25% (December 31, 2020 - 5.25%).

During the three and six months ended June 30, 2021, accretion expense related to the provision for site reclamation and closure was $73 and $145, respectively (three and six months ended June 30, 2020 - $49).

15. ISSUED CAPITAL

Authorized share capital

At June 30, 2021, and December 31, 2020, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

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

Common shares issued and outstanding

	Number		Amount
Balance, January 1, 2021	89,432,813	$	21,285
Warrant exercise [(1)]	27,061		13
Balance, June 30, 2021	**89,459,874**	**$**	**21,298**

(1) On January 27, 2021, 27,061 common shares were issued upon exercise of warrants (note 16(b)).

	Number		Amount
Balance, April 1, 2020	39,204,791	$	4,805
Private placements, net of transaction costs [(2,3)]	23,583,116		6,214
Shares issued for acquisition [(4)]	10,769,999		3,049
Shares issued to Peal [(5)]	11,000,000		2,860
Balance, June 30, 2020	**84,557,906**	**$**	**16,928**

(2) On May 6, 2020, Magna closed a non-brokered private placement consisting of 5,714,286 common shares (the "May 2020 Offered Shares") at a price of C$0.35 ($0.25) per share for aggregate gross proceeds of C$2,000 ($1,416). In connection with the private placement, the Company:

(i) Paid C$28 ($20) in cash finder's fees to Canaccord Genuity Corp. and issued 34,260 common shares to Medalist Capital Ltd. at their fair value of C$0.35 ($0.25) per common share in lieu of cash finder's fees, representing 6% of the gross proceeds of the May 2020 Offered Shares that were sold to subscribers introduced by such parties; and,

(ii) Issued an aggregate of 96,185 non-transferable warrants (note 16(b)) to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the May 2020 Offered Shares that were sold to subscribers introduced by such parties.

Arturo Bonillas, an officer and director of the Company subscribed for 285,714 May 2020 Offered Shares under the Private Placement under the same terms as arm's length investors.

Share issuance costs related to the May 6, 2020, private placement were $119.

(3) On June 1, 2020, Magna closed a non-brokered private placement consisting of 17,075,000 common shares (the "June 2020 Offered Shares") at a price of C$0.41 ($0.30) per share for aggregate gross proceeds of C$7,001 ($5,180). In connection with the private placement, the Company:

(i) Issued an aggregate of 759,570 common shares to Canaccord Genuity Corp. and Medalist Capital Ltd. at their fair value of C$0.41 ($0.30) per common share in lieu of cash finder's fees, representing 6% of the gross proceeds of the June 2020 Offered Shares that were sold to subscribers introduced by such parties; and,

(ii) Issued an aggregate of 632,975 non-transferable warrants (note 16(b)) to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the June 2020 Offered Shares that were sold to subscribers introduced by such parties.

Share issuance costs related to the June 1, 2020, private placement were $502.

(4) On May 6, 2020, Magna closed the acquisition of the San Francisco Mine located in Sonora, Mexico (note 4). As part of the consideration, the Company issued 9,740,000 common shares of the Company at their fair value of C$0.40 ($0.28) per common share.

Medalist Capital Ltd. and Trinity Advisors Corporation received advisory fees consisting of $170 in cash and issuance of an aggregate of 1,029,999 common shares at their fair value of C$0.40 ($0.28) per common share.

(5) On June 30, 2020, in connection to a debt and payment agreement with Peal (note 10), the mining contractor for the San Francisco Mine, the Company issued 11,000,000 common shares in settlement of liabilities of $2,860.

Subsequent to June 30, 2021, the Company issued 600,000 common shares (note 24).

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

16. SHARE-BASED PAYMENT RESERVE

a) *Stock options*

On August 12, 2020, the Board of Directors 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, in accordance with the policies of the TSX Venture Exchange, and was subject to, and subsequently received, the final acceptance of the TSX Venture Exchange.

Under the Plan, the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares. The maximum number of common shares reserved for issuance under the Stock Option Plan shall not exceed 10% of the then issued and outstanding common shares of the Company. The options will be exercisable for a period of up to ten years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent of the issued and outstanding common shares. The Board of Directors will determine the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture Exchange.

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

	Number of stock options	**Weighted average exercise price ($ CAD)**
Outstanding at April 1, 2020	200,000	0.10
Granted (1)(2)	4,600,000	1.26
Outstanding and exercisable at December 31, 2020	4,800,000	1.21
Outstanding and exercisable at June 30, 2021	**4,800,000**	**1.21**

(1) On June 29, 2020, the Company granted options to certain directors, officers, employees, and consultants to purchase 2,250,000 common shares. The options are exercisable at C$0.98 per share and expire on June 29, 2025. The options vested immediately. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.36%; (iv) expected life of 5 years; (v) underlying grant date closing stock price on the TSX Venture Exchange of C$1.16 per common share outstanding; and (vi) assumption of nil forfeiture rate. The fair value was C$1,984 ($1,450). The grant date fair value of the options issued was C$0.882 ($0.645) per option.

(2) On August 12, 2020, the Company granted options to certain directors, officers, employees, and consultants to purchase 2,350,000 common shares. The options are exercisable at C$1.53 per share and expire on August 12, 2025. The options vested immediately. The fair value of each option granted has been estimated at the date of shareholder approval on September 15, 2020, using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.36%; (iv) expected life of 4.9 years; (v) underlying grant date closing stock price on the TSX Venture Exchange of C$1.34 per common share outstanding; and (vi) assumption of nil forfeiture rate. The fair value was determined to be C$2,256 ($1,713). The grant date fair value of the options issued was C$0.960 ($0.729) per option.

The following table reflects the stock options outstanding and exercisable as at June 30, 2021:

Expiry date	**Number of options outstanding and exercisable**	**Weighted average exercise price (C$)**	**Weighted average remaining life of options (years)**
August 15, 2023	200,000	0.10	2.13
June 29, 2025	2,250,000	0.98	4.00
August 12, 2025	2,350,000	1.53	4.12
	4,800,000	**1.21**	**3.98**

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

b) *Warrants*

	Number of warrants		Issuance date fair value
Balance at April 1, 2020	-	$	-
Issued [(1)(2)]	729,160		255
Balance at December 31, 2020	729,160	$	255
Exercised [(3)]	(27,061)		(6)
Balance at June 30, 2021	**702,099**	**$**	**249**

[(1)] On May 6, 2020, in connection with a non-brokered private placement, the Company issued 96,185 non-transferable warrants to Canaccord Genuity Corp. and Medalist Capital Ltd., with each warrant being exercisable for one common share at a price of C$0.35 per warrant until May 6, 2022. The fair value of each warrant issued was estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.30%; and (iv) expected life of 2 years. The issuance date fair value was determined to be C$26 ($19).

[(2)] On June 1, 2020, in connection with a non-brokered private placement, the Company issued 632,975 non-transferable warrants to Canaccord Genuity Corp. and Medalist Capital Ltd., with each warrant being exercisable for one common share at a price of C$0.41 per warrant until June 1, 2022. The fair value of each warrant issued was estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.39%; and (iv) expected life of 2 years. The issuance date fair value was determined to be C$319 ($236).

[(3)] On January 27, 2021, 27,061 warrants were exercised at C$0.35 ($0.27) each for proceeds of C$9 ($7).

The following table reflects all warrants issued and outstanding as of June 30, 2021:

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

Subsequent to June 30, 2021, the Company issued 450,000 share purchase warrants (note 24).

17. METAL REVENUES

During the three and six months ended June 30, 2021 and 2020, the Company had sales agreements with three customers. The percentage breakdown of metal revenues by customer is as follows:

	Three months ended June 30, 2021	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Customer A	**92%**	95%	**92%**	95%
Customer B	**5%**	2%	**5%**	2%
Customer C	**3%**	3%	**3%**	3%
	100%	100%	**100%**	100%

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

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

The Company's metal revenues from operations, all of which are derived in Mexico, are as follows:

	Three months ended June 30, 2021	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Gold	**$ 20,991**	$ 8,448	**$ 36,129**	$ 8,448
Silver	**221**	15	**402**	15
	$ 21,212	$ 8,463	**$ 36,531**	$ 8,463

18. EXPENSES

a) Cost of sales

		Restated - Note 3		Restated - Note 3
	Three months ended June 30, 2021	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Costs of mining	**$ 9,944**	$ 397	**$ 18,035**	$ 397
Crushing and gold recovery costs	**8,279**	2,931	**15,677**	2,931
Mine site administration costs	**1,226**	510	**2,267**	510
Transport and refining	**71**	10	**131**	10
Royalties	**120**	43	**203**	43
Change in inventories	**(1,940)**	2,821	**(3,040)**	2,821
Production costs	**17,700**	6,712	**33,273**	6,712
Depreciation and depletion	**3,680**	22	**5,235**	22
Change in inventories - depreciation and depletion	**(1,244)**	205	**(1,520)**	205
Cost of sales	**$ 20,136**	$ 6,939	**$ 36,988**	$ 6,939

b) Corporate and administrative expenses

		Restated - Note 3		Restated - Note 3
	Three months ended June 30, 2021	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Consulting and professional fees	**$ 582**	$ 281	**$ 1,099**	$ 391
Salaries	**557**	153	**1,014**	302
Administrative and other	**91**	33	**192**	89
VAT (recovery) expense	**(274)**	41	**(214)**	111
Business development	**92**	104	**139**	113
Rent and office costs	**34**	10	**76**	10
Reporting issuer costs	**22**	7	**60**	19
Investigation costs	**-**	3	**7**	7
Corporate and administrative expenses	**$ 1,104**	$ 632	**$ 2,373**	$ 1,042

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

c) Exploration expenses

	Three months ended June 30, 2021	Restated - Note 3 Three months ended June 30, 2020	Six months ended June 30, 2021	Restated - Note 3 Six months ended June 30, 2020
San Francisco Mine and regional concessions	**$ 10**	$ -	**$ 376**	$ -
La Pima Project	**-**	-	**43**	-
San Judas Project	**-**	-	**25**	-
Los Muertos Project	**-**	-	**16**	-
Las Marias Property	**-**	-	**7**	-
Mercedes Property	**-**	-	**3**	-
La Fortuna Project [1]	**-**	-	**2**	-
Margarita Project	**-**	-	**1**	-
Exploration expenses	**$ 10**	$ -	**$ 473**	$ -

[1] Previously described as the Cuproros Project.

d) Finance expenses

	Note	Three months ended June 30, 2021	Restated - Note 3 Three months ended June 30, 2020	Six months ended June 30, 2021	Restated - Note 3 Six months ended June 30, 2020
Accretion on other payables	10	**$ 118**	$ 111	**$ 308**	$ 111
Accretion on Sandstorm deferred revenue	12	**130**	-	**272**	-
Accretion on Auramet deferred revenue	11	**100**	-	**100**	-
Accretion on provision for site reclamation and closure	14	**73**	49	**145**	49
Accretion on other provisions	13	**15**	-	**31**	-
Interest on promissory note	10	**20**	-	**20**	-
Interest on vendor loan	9	**19**	-	**19**	-
Finance expenses		**$ 475**	$ 160	**$ 895**	$ 160

19. EARNINGS (LOSS) PER SHARE

Three months ended June 30, 2021 and 2020

	Three months ended June 30, 2021			Restated - Note 3 Three months ended June 30, 2020		
	Earnings for the period	**Weighted average shares outstanding**	**Earnings per share**	Loss for the period	Weighted average shares outstanding	Loss per share
Basic	**$ 2,404**	**89,459,874**	**$ 0.03**	$ (559)	61,084,008	$ (0.01)
Effect of dilutive securities:						
Stock options	**-**	**180,964**	**-**	-	-	-
Warrants	**-**	**432,060**	**-**	-	-	-
Diluted	**$ 2,404**	**90,072,898**	**$ 0.03**	$ (559)	61,084,008	$ (0.01)

At June 30, 2021, 4,800,000 (June 30, 2020 - 2,450,000) stock options were outstanding, of which 4,600,000 were anti-dilutive (June 30, 2020 - 2,450,000).

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

At June 30, 2021, 702,099 (June 30, 2020 - 729,160) warrants were outstanding, of which nil were anti-dilutive (June 30, 2020 - 729,160).

Six months ended June 30, 2021 and 2020

						Restated - Note 3			
	Six months ended June 30, 2021				Six months ended June 30, 2020				
		Loss for the period	**Weighted average shares outstanding**		**Loss per share**		Loss for the period	Weighted average shares outstanding		Loss per share
Basic	**$**	**(975)**	**89,455,688**	**$**	**(0.01)**	$	(1,428)	50,264,615	$	(0.03)
Effect of dilutive securities:										
Stock options		**-**	**-**		**-**		-	-		-
Warrants		**-**	**-**		**-**		-	-		-
Diluted	**$**	**(975)**	**89,455,688**	**$**	**(0.01)**	$	(1,428)	50,264,615	$	(0.03)

At June 30, 2021, 4,800,000 (June 30, 2020 - 2,450,000) stock options were outstanding, all of which were anti-dilutive (June 30, 2020 - 2,450,000).

At June 30, 2021, 702,099 (June 30, 2020 - 729,160) warrants were outstanding, all of which were anti-dilutive (June 30, 2020 - 729,160).

20. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions were as follows:

	Note		**Three months ended June 30, 2021**		Restated - Note 3 Three months ended June 30, 2020		**Six months ended June 30, 2021**		Restated - Note 3 Six months ended June 30, 2020
Shares issued for Molimentales acquisition	15	**$**	**-**	$	2,758	**$**	**-**	$	2,758
Shares issued to Peal	15		**-**		2,860		**-**		2,860
Molimentales acquisition compensation shares issued	15		**-**		291		**-**		291
Private placement compensation shares issued	15		**-**		239		**-**		239
Warrants issued	16b)		**-**		255		**-**		255
		$	**-**	$	6,403	**$**	**-**	$	6,403

At June 30, 2021, the Company had $3,549 (December 31, 2020 - $1,916) in trade payables related to investing activities for expenditures on mineral properties, plant and equipment, and exploration and evaluation.

21. 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, and other payables approximate their fair value due to their short-term nature and are classified at amortized cost.

At June 30, 2021, and December 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 six months ended June 30, 2021 and 2020.

Derivatives

During the six months ended June 30, 2021, 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 derivatives are based on the valuation of the outstanding gold option contracts using Level 2 inputs and valuation techniques. During the three and six months ended June 30, 2021, realized loss on these contracts was $104 and $64, respectively (three and six months ended June 30, 2020 - $nil).

On June 30, 2021, gold option contracts giving the holder the right to purchase 600 gold ounces were outstanding at a weighted average exercise price of $1,850 per gold ounce. During the three and six months ended June 30, 2021, unrealized loss on the fair value of these open contracts was $5 (three and six months ended June 30, 2020 - $190) and a derivative liability was recognized.

Subsequent to June 30, 2021, the Company entered into gold option contracts whereby the Company sold the right to a third party to purchase 4,800 gold ounces, with a weighted average exercise price of $1,875 per gold ounce, and expiry dates ranging from July 28, 2021, to September 28, 2021. Of these, nil contracts were exercised and contracts covering 1,100 gold ounces expired unexercised.

Derivatives in relation to the Auramet Agreement

On February 11, 2021, in conjunction with, and to secure, the Auramet Agreement (note 11), the Company entered into a call option agreement whereas the Company granted gold option contracts that gave Auramet the right to purchase 3,000 gold ounces, with a weighted average exercise price of $2,000 per gold ounce, and expiry dates ranging from August 31, 2021, to May 31, 2022. On June 30, 2021, all of these contracts were outstanding. During the three and six months ended June 30, 2021, unrealized loss on the fair value of the contracts was $65 (three and six months ended June 30, 2020 - $nil) and a derivative liability was recognized.

In addition to the call option agreement, the Company entered other derivative contract arrangements during February 2021 with Auramet with the purpose of price protecting the Company against significant fluctuations in the future gold price:

- The Company entered into call option contracts that granted the Company the right to purchase 5,000 gold ounces each at $1,900 per gold ounce with expiry dates from May to September 2021. On June 30, 2021, contracts covering 2,000 gold ounces expired unexercised and 3,000 were outstanding. During the three and six months ended June 30, 2021, unrealized gain on the fair value of these open contracts was $23 (three and six months ended June 30, 2020 - $nil) and a derivative asset was recognized.

  Simultaneously, the Company entered into forward contracts that granted Auramet the right to purchase 5,000 gold ounces each at $1,700 per gold ounce with expiry dates from May to September 2021. During the three and six months ended June 30, 2021, forward contracts covering 2,000 gold ounces were exercised and a realized loss was recognized of $263 (three and six months ended June 30, 2020 - $nil). On June 30, 2021, contracts covering 3,000 gold ounces were outstanding. During the three and six months ended June 30, 2021, unrealized loss on the fair value of these open contracts was $214 (three and six months ended June 30, 2020 - $nil) and a derivative liability was recognized.

- The Company entered into put option contracts that granted the Company the right to sell 13,000 gold ounces each at $1,700 per gold ounce with expiry dates from May 2021 to January 2022. On June 30, 2021, contracts covering 1,000 gold ounces expired unexercised and 12,000 were outstanding. During the three and six months ended June 30, 2021, unrealized gain on the fair value of these open contracts was $267 (three and six months ended June 30, 2020 - $nil) and a derivative asset was recognized.

Simultaneously, the Company entered into call option contracts that granted Auramet the right to purchase 13,000 gold ounces at a weighted average price of $2,011 per gold ounce with expiry dates from May 2021 to January 2022. On June 30, 2021, contracts covering 1,000 gold ounces expired unexercised and 12,000 were outstanding with a weighted average price of $2,012 per gold ounce. During the three and six months ended June 30, 2021, unrealized loss on the fair value of these open contracts was $164 (three and six months ended June 30, 2020 - $nil) and a derivative liability was recognized.

All derivative assets and liabilities are presented on a net basis on the Condensed Interim Consolidated Statements of Financial Position. At June 30, 2021, derivative liabilities, net of derivative assets, was $158 (December 31, 2020 - $nil).

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.

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 Condensed Interim 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 June 30, 2021, and December 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 (see derivatives section) 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 and Minera Magna. The functional currency of Molimentales was determined to be the US dollar. Therefore, the Company's earnings (loss) and comprehensive income (loss) are impacted by fluctuations in the value of foreign currencies in relation to the US$.

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

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

		June 30, 2021		December 31, 2020
Mexican peso net monetary assets	**$**	**18**	$	3,920
Canadian dollar net monetary (liabilities) assets	**$**	**(784)**	$	547

The effect on earnings (loss) before income tax at June 30, 2021, 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 $77 (December 31, 2020 - $447) 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.

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.

22. COMMITMENTS AND CONTINGENCIES

A summary of undiscounted liabilities and commitments at June 30, 2021, is as follows:

	Note		Total		Less than 1 year		1-3 years		4-5 years		Greater than 5 years
Maturity analysis of financial liabilities											
Trade payables and accrued liabilities	9	**$**	**35,494**	$	34,703	$	791	$	-	$	-
Other payables (1)	10		**6,785**		6,785		-		-		-
			42,279		41,488		791		-		-
Commitments											
Option payments on exploration and evaluation properties	8		**3,466**		381		1,600		1,485		-
Other provisions (2)	13		**1,732**		-		-		-		1,732
Provision for site reclamation and closure (3)	14		**6,277**		-		-		-		6,277
Total financial liabilities and commitments		**$**	**53,754**	$	41,869	$	2,391	$	1,485	$	8,009

(1) Other payables include the following:
- (i) Undiscounted consideration of $4,054 due to Peal; and,
- (ii) Principal of $2,675 and scheduled interest payments of $56 due to Timmins.

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

(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. At June 30, 2021, and December 31, 2020, the undiscounted amount was $1,732.

(3) 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. At June 30, 2021, and December 31, 2020, the undiscounted amount was $6,277.

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

Molimentales Income Tax Refund

On April 26, 2021, Molimentales was made aware that an income tax refund from the 2017 calendar year was to be refunded by the Mexican tax authority. At the time of the acquisition of Molimentales from Alio Gold on May 6, 2020, (note 4) this receivable was deemed uncollectible.

On April 29, 2021, the full 2017 income tax refund was received by the Company for $3,534, with additional $465 representing interest. For the three and six months ended June 30, 2021, other income includes a net gain of $3,316 in relation to the income tax refund, inclusive of related fees to retrieve the funds.

23. 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.

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Salaries and benefits (1)(2)	**$ 295**	$ 63	**$ 378**	$ 138
Share-based compensation	**$ -**	$ 709	**$ -**	$ 709

(1) The Board of Directors, with the exception of the CEO, CFO, and COO, do not have employment or service contracts with the Company. There were no director fees accrued or paid during the six months ended June 30, 2021, or 2020.

(2) Salaries and benefits excludes fees paid to the former CFO's associated companies (note 23(c)).

b) On January 27, 2021, the Company entered into an employment agreement with a new CFO. The CFO served, and continues to serve, as a member of the Board of Directors prior to the employment agreement.

c) During the three and six months ended June 30, 2021, the former CFO of Magna provided services through entities controlled by the former CFO for total fees of $nil and $12 (three and six months ended June 30, 2020 - $27 and $41, respectively) on terms equivalent to those that prevail with arm's length transactions.

As at June 30, 2021, these entities were owed $nil (December 31, 2020 - $3) for these services.

d) The Company receives legal advisory services through two Mexico-based entities of which a Director is a partner. The Director 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 six months ended June 30, 2021, legal advisory services of $92 and $99, respectively (three and six months ended June 30, 2020 - $nil), were incurred by the Company for these legal advisory services. As at June 30, 2021, these entities were owed $64 (December 31, 2020 - $nil) for these services.

In addition, the Director provided legal advisory consulting services directly to the Company. During the three and six months ended June 30, 2021, the Company incurred legal advisory consulting services of $nil and $51 (three and six months ended June 30, 2020 - $nil). As at June 30, 2021, the Director was owed $nil (December 31, 2020 - $nil) for these services.

e) During the three and six months ended June 30, 2021, the Company incurred $nil (three and six months ended June 30, 2020 - $5) for business development advisory fees performed by a director of the Company.

24. EVENTS AFTER THE REPORTING PERIOD

Debentures

On May 12, 2021, the Company entered into a non-brokered private placement of C$10,000 secured convertible debentures (the “Debentures”) with Delbrook Capital Advisors Inc. (“Delbrook”) on behalf of funds managed by Delbrook. The terms of the private placement were subsequently updated.

The principal amount of the Debentures is convertible, at the election of Delbrook, into common shares of the Company at a conversion price of C$1.25 per common share, subject to adjustment in certain events. The interest on the Debentures is convertible, at the election of Delbrook, into either cash or common shares of the Company based on the closing price on the day prior to the issuance of a press release relating to the applicable interest payment date and will be paid in full, including in the event of early conversion.

The Debentures mature twenty-four months from the closing date. The Debentures will initially be unsecured obligations of the Company and will bear interest at a rate of 8.5% per annum until the date, on or before September 30, 2021 (or such later date as may be agreed by the Company and Delbrook), that the security contemplated by the Debentures is delivered to Delbrook. Following such delivery, if applicable, the Debentures will bear interest at a rate of 6.5% per annum.

The private placement closed on August 19, 2021, and the Company received C$10,000 in exchange for 10,000 debentures. Additionally, the Company paid Delbrook a 1.25% arrangement fee upon closing.

In connection with the private placement, the Company issued 600,000 common shares and 450,000 share purchase warrants to Medalist Capital Ltd. in lieu of cash finder’s fees. The share purchase warrants were issued with an exercise price of C$1.25 and have an expiry date thirty-six months following the closing date.

The securities issued in connection with the private placement will be subject to a four month plus one day hold period, in accordance with the rules and policies of the TSX Venture Exchange ("TSXV") and applicable Canadian securities laws. The private placement of the Debentures is subject to the final approval of the TSXV.