



MAGNAGOLD

MAGNA GOLD CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS
ENDED SEPTEMBER 30, 2022 AND 2021
(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	September 30, 2022	December 31, 2021
ASSETS			
Current			
Cash		\$ 94	\$ 2,068
Trade and other receivables	4	10,460	12,979
Inventories	5	8,759	17,659
Advances and prepaid expenses		576	1,190
Total current assets		19,889	33,896
Mineral properties and plant and equipment	6	43,166	36,995
Exploration and evaluation	6	13,325	11,152
Deferred tax assets		1,142	1,098
Total assets		\$ 77,522	\$ 83,141
LIABILITIES			
Current			
Trade payables and accrued liabilities	7	\$ 53,887	\$ 35,734
Debentures	8	6,294	-
Other payables	9	3,254	4,054
Sandstorm deferred revenue	10	824	824
Auramet deferred revenue	11	-	2,444
Derivative liabilities	21	2	14
Total current liabilities		64,261	43,070
Other payables	9	196	110
Sandstorm deferred revenue	10	1,019	1,639
Debentures	8	-	6,539
Other provisions	12	1,154	1,090
Provision for site reclamation and closure	13	5,931	5,605
Deferred tax liabilities		2,980	2,129
Total liabilities		75,541	60,182
EQUITY			
Issued capital	14	22,720	21,701
Share-based payment reserve	15	4,994	5,041
Equity component of debentures	8	495	495
Cumulative translation reserve		(1,247)	(912)
Deficit		(24,981)	(3,366)
Total equity		1,981	22,959
Total liabilities and equity		\$ 77,522	\$ 83,141

Nature of operations (note 1)

Going concern (note 2)

Commitments and contingencies (note 20)

Events after the reporting period (note 25)

Approved on behalf of the Board:

/s/ "Arturo Bonillas"

Arturo Bonillas
Director

/s/ "Colin Sutherland"

Colin Sutherland
Director

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Magna Gold Corp.

Condensed Interim Consolidated Statements of Net and Comprehensive (Loss) Earnings

(Expressed in thousands of United States Dollars, except number of common shares and per share amounts)

(Unaudited)

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Metal revenues	16	\$ 15,700	\$ 32,837	\$ 60,226	\$ 69,368
Cost of sales	17a)	22,359	25,116	74,044	62,104
(Loss) earnings from mine operations		(6,659)	7,721	(13,818)	7,264
Corporate and administrative expenses	17b)	1,252	1,587	4,279	3,960
Impairment of mineral properties	18	4,551	-	4,551	-
Exploration expenses	17c)	471	418	956	891
Share-based compensation	15a)	-	555	-	555
(Loss) earnings from operations		(12,933)	5,161	(23,604)	1,858
Gain on sale of net smelter return	11	3,514	-	3,514	-
Other (expense) income, net		(104)	534	94	3,953
Finance expenses	17d)	(800)	(600)	(2,624)	(1,495)
Foreign exchange gain (loss)		713	100	734	(364)
Gain (loss) on derivative contracts	21	402	(52)	851	(537)
Net (loss) earnings before income taxes		(9,208)	5,143	(21,035)	3,415
Income taxes					
Current tax expense		-	576	-	576
Deferred tax (recovery) expense		(26)	774	821	21
Income taxes		(26)	1,350	821	597
Net (loss) earnings for the period		(9,182)	3,793	(21,856)	2,818
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Foreign exchange (loss) gain		(278)	(162)	(335)	204
Net and comprehensive (loss) earnings for the period		\$ (9,460)	\$ 3,631	\$ (22,191)	\$ 3,022
Weighted average shares outstanding:					
Basic	19	91,760,580	89,733,787	91,079,611	89,549,406
Diluted	19	91,760,580	90,395,195	91,079,611	90,169,300
(Loss) earnings per share:					
Basic	19	\$ (0.10)	\$ 0.04	\$ (0.24)	\$ 0.03
Diluted	19	\$ (0.10)	\$ 0.04	\$ (0.24)	\$ 0.03

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Magna Gold Corp.

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of United States Dollars)

(Unaudited)

		Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
	Note				
Operating activities					
Net (loss) earnings		\$ (9,182)	\$ 3,793	\$ (21,856)	\$ 2,818
Items not affecting cash:					
Depletion and depreciation	17a)	2,526	4,907	8,180	8,622
Gain on sale of net smelter return, non-cash	11	(3,613)	-	(3,613)	-
Impairment of mineral properties	18	4,551	-	4,551	-
Finance expenses	17d)	800	600	2,624	1,495
Gold delivery to Sandstorm	10	(401)	(272)	(1,240)	(908)
Gold delivery to Auramet	11	-	(1,454)	(484)	(2,443)
Income tax (recovery) expense		(26)	1,350	821	597
Share-based compensation	15a)	-	555	-	555
Other income		-	(525)	-	(525)
Unrealized loss (gain) on derivative contracts	21	543	(175)	(12)	(17)
Unrealized foreign exchange (gain) loss		(717)	(112)	(1,030)	195
		(5,519)	8,667	(12,059)	10,389
Changes in non-cash working capital items:					
Trade and other receivables		(806)	(2,515)	2,744	(3,683)
Inventories		2,641	1,857	6,659	(1,039)
Advances and prepaid expenses		117	209	614	9
Trade payables and accrued liabilities		3,121	(1,574)	15,243	14,313
Cash (used in) provided by operating activities		(446)	6,644	13,201	19,989
Investing activities					
Expenditures on mineral properties and plant and equipment		(514)	(9,244)	(15,831)	(26,228)
Expenditures on exploration and evaluation		(145)	(251)	(821)	(516)
Payment related to Molimentales acquisition		-	(2,051)	-	(7,051)
Cash used in investing activities		(659)	(11,546)	(16,652)	(33,795)
Financing activities					
Proceeds from Auramet agreement and extensions, net of transaction costs	11	-	1,975	1,970	5,915
Debentures interest paid	8	(160)	(78)	(495)	(78)
Proceeds from debentures issued, net of transaction costs	8	-	7,668	-	7,668
Proceeds from exercise of warrants	15b)	-	-	11	7
Cash (used in) provided by financing activities		(160)	9,565	1,486	13,512
Effects of exchange rate changes on the balance of cash held in foreign currencies		(9)	86	(9)	101
Increase (decrease) in cash		(1,274)	4,749	(1,974)	(193)
Cash, beginning of period		1,368	2,114	2,068	7,056
Cash, end of period		\$ 94	\$ 6,863	\$ 94	\$ 6,863

Supplementary disclosure with respect to cash flows (note 22)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

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	Equity component of debentures	Cumulative translation reserve	Deficit	Total
Balance, January 1, 2022		90,059,874	\$ 21,701	\$ 5,041	\$ 495	\$ (912)	\$ (3,366)	\$ 22,959
Common shares issued to Peal	9	1,660,132	1,000	-	-	-	-	1,000
Warrants issued	11, 15b)	-	-	202	-	-	-	202
Warrants exercised	15b)	40,574	19	(8)	-	-	-	11
Warrants expired	15b)	-	-	(241)	-	-	241	-
Net and comprehensive loss for the period		-	-	-	-	(335)	(21,856)	(22,191)
Balance, September 30, 2022		91,760,580	\$ 22,720	\$ 4,994	\$ 495	\$ (1,247)	\$ (24,981)	\$ 1,981
Balance, January 1, 2021		89,432,813	\$ 21,285	\$ 3,429	\$ -	\$ (1,233)	\$ (8,610)	\$ 14,871
Debentures issued	8	-	-	-	495	-	-	495
Shares and warrants issued in lieu of finder's fees	14, 15b)	600,000	403	133	-	-	-	536
Share-based compensation	15a)	-	-	555	-	-	-	555
Warrants exercise	15b)	27,061	13	(6)	-	-	-	7
Net earnings and comprehensive income for the period		-	-	-	-	204	2,818	3,022
Balance, September 30, 2021		90,059,874	\$ 21,701	\$ 4,111	\$ 495	\$ (1,029)	\$ (5,792)	\$ 19,486

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

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" or "TSXV") under the symbol "MGR" since June 10, 2019. The Company's registered address is 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

On August 25, 2022, the Board of Directors approved the delisting of the Company's shares from the OTCQB Venture Market, a U.S. trading platform that is operated by OTC Markets Group in New York. The Company's shares have been listed on the OTCQB since September 19, 2019. Following the Board's approval, the Company was delisted from the OTCQB Venture Market and listed on the OTC Pink Market, trading under the symbol "MGLQF".

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 condensed interim consolidated financial statements of the Company as at September 30, 2022, and for the nine months ended September 30, 2022 (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 nine months ended September 30, 2022 and 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"), 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 conflict between Ukraine and the Russian Federation has resulted in significant volatility and uncertainty in financial markets. The North Atlantic Treaty Organization, the European Union and the Group of Seven member countries, including Canada, have imposed severe and coordinated sanctions against Russia. These actions have resulted in significant disruptions to investing activities and businesses with operations in Russia. It is unclear whether the Company's future operations may be affected by the outbreak of war between Russia and Ukraine, the variety of sanctions implemented by the international community on Russia or the resulting withdrawal of products and services from Russia.

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 sustained net earnings and positive cash flow from mining operations. These Condensed Interim Consolidated Financial Statements do not include adjustments to the carrying values and classifications of assets and liabilities which could be material should the Company be unable to continue as a going concern.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

3. BASIS OF PREPARATION**a) Statement of compliance**

These Condensed Interim Consolidated Financial Statements of the Company 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 November 28, 2022, 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 year ended December 31, 2021, ("Annual Financial Statements") with exception of the following:

i. Amendments to IFRS 3 Business Combinations ("IFRS 3")

IFRS 3 was amended by the IASB in May 2020. The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The IFRS 3 amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued March 2018.

The Company adopted the amendments to IFRS 3 effective January 1, 2022, which did not have an impact on the Company's interim financial statements.

ii. Amendments to IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was amended by the IASB in May 2020. The amendment provides further explanation in determining fees in the 10 percent test for derecognition of financial liabilities. The IFRS 9 amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

The Company adopted the amendments to IFRS 9 effective January 1, 2022, which did not have an impact on the Company's interim financial statements.

iii. Amendments to IAS 16 Property, Plant and Equipment ("IAS 16")

IAS 16 was amended by the IASB in May 2020. The amendment prohibits a company from deducting from the cost of the property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The IAS 16 amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

The Company adopted the amendments to IAS 16 effective January 1, 2022, which could have an impact on the Company's interim financial statements should there be items produced from pre-production stage properties.

iv. Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

IAS 37 was amended by the IASB in May 2020. The amendments specify which costs a company includes when assessing whether a contract will be loss-making. The IAS 37 amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

The Company adopted the amendments to IAS 37 effective January 1, 2022, which did not have an impact on the Company's interim financial statements.

b) Functional currency and presentation currency

These Condensed Interim Consolidated Financial Statements are presented in United States dollars ("US\$").

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
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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 (C\$) 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 United States Dollar (US\$). 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.

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.

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(d) 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 and the ongoing conflict between Ukraine and the Russian Federation, 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(e) of the Annual Financial Statements.

4. TRADE AND OTHER RECEIVABLES

	September 30, 2022	December 31, 2021
Trade receivable	\$ -	\$ 1,079
VAT receivable ⁽¹⁾	9,553	11,186
Income tax refund recoverable	576	569
Other receivables	331	145
	\$ 10,460	\$ 12,979

⁽¹⁾ VAT receivable is value added tax payments made by the Company, which in Mexico and Canada are refundable.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
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(Unaudited)

Mexican VAT refunds are typically expected within two to three months after the associated monthly filing with the Mexican tax authority. At September 30, 2022, VAT filings outstanding and collectible with the Mexican tax authority totalled \$1,521 (December 31, 2021 - \$5,501).

Canadian VAT refunds are expected within one to two months after each quarterly filing to the Canadian tax authority.

5. INVENTORIES

	September 30, 2022	December 31, 2021
Ore in process ⁽¹⁾	\$ 4,415	\$ 11,263
Finished metal inventory ⁽¹⁾	1,738	3,277
Supplies	2,606	3,119
	\$ 8,759	\$ 17,659

⁽¹⁾ On September 30, 2022, the Company revalued the ore in process and finished metal inventories to net realizable value (note 18).

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

	Note	Mineral properties ⁽¹⁾	Plant and equipment	Exploration and evaluation	Total
Cost					
At January 1, 2022		\$ 39,654	\$ 13,648	\$ 11,152	\$ 64,454
Additions		14,408	3,149	2,161	19,718
Sale of net smelter return	11	(575)	(312)	-	(887)
Impairment of mineral properties	18	(6,547)	-	-	(6,547)
Adjustment on currency translation		-	1	12	13
At September 30, 2022		46,940	16,486	13,325	76,751
Accumulated depreciation					
At January 1, 2022		15,722	585	-	16,307
Depreciation and depletion		5,271	678	-	5,949
Impairment of mineral properties	18	(1,996)	-	-	(1,996)
At September 30, 2022		18,997	1,263	-	20,260
Carrying amount at September 30, 2022		\$ 27,943	\$ 15,223	\$ 13,325	\$ 56,491

	Mineral properties ⁽¹⁾	Plant and equipment	Exploration and evaluation	Total
Cost				
At January 1, 2021	\$ 14,374	\$ 3,393	\$ 9,610	\$ 27,377
Additions	25,533	10,255	1,592	37,380
Site reclamation and closure remeasurement	(253)	-	-	(253)
Adjustment on currency translation	-	-	(50)	(50)
At December 31, 2021	39,654	13,648	11,152	64,454
Accumulated depreciation				
At January 1, 2021	847	59	-	906
Depreciation and depletion	14,875	526	-	15,401
At December 31, 2021	15,722	585	-	16,307
Carrying amount at December 31, 2021	\$ 23,932	\$ 13,063	\$ 11,152	\$ 48,147

⁽¹⁾ At September 30, 2022, mineral properties included deferred stripping costs with a carrying amount of \$23,838 (December 31, 2021 - \$16,603) and underground development costs of \$nil (December 31, 2021 - \$3,042).

All non-current assets are located in Mexico.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

Mineral properties

The San Francisco Mine is located in Santa Ana, Sonora, Mexico, which is formed by several adjacent claims.

The San Francisco Mine is subject to a 2.0% net smelter return royalty payable to Auramet Capital Partners, LP (note 11).

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, the Los Muertos Project, the La Fortuna Project, the Margarita Project, and the La Pima Project.

The Company also has title to the Patricia, Norma, Los Carlos, and Dulce claims (the “regional concessions”) in the state of Sonora, Mexico.

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:

	September 30, 2022	December 31, 2021
Margarita Project	\$ 8,688	\$ 6,925
Mercedes Property	3,009	2,695
La Pima Project	494	494
San Judas Project	451	435
Las Marias Property	397	429
Los Muertos Project	151	100
La Fortuna Project	135	74
	\$ 13,325	\$ 11,152

Margarita Project

The Margarita Project 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.

In relation to the 2020 acquisition of the Margarita Project, the Company entered into a royalty agreement with Osisko Gold Royalties Ltd. (“Osisko”), pursuant to which the Company will pay Osisko a 2.0% net smelter return royalty on all products mined and produced from Margarita.

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 September 30, 2022, the Company had paid \$440 of the \$1,340 option instalments and, in agreement with the Mercedes Property optionor, the Company postponed scheduled payments of \$105 which are included in trade payables and accrued liabilities.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2022 and 2021

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

(Unaudited)

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.

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 September 30, 2022, the Company had paid \$100 of the \$1,680 option instalments and, in agreement with the San Judas Project optionors, the Company postponed scheduled payments of \$100 which are included in trade payables and accrued liabilities.

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 September 30, 2022, the Company had paid \$75 of the \$425 option instalments and, in agreement with the Los Muertos Project optionor, the Company postponed a scheduled payment of \$50 which is included in trade payables and accrued liabilities.

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") 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 September 30, 2022, the Company had paid \$65 of the \$480 option instalments and, in agreement with the La Fortuna Project optionor, the Company postponed a scheduled payment of \$60 which is included in trade payables and accrued liabilities.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2022	December 31, 2021
Trade payables ⁽¹⁾	\$ 47,801	\$ 29,914
Accrued taxes	2,031	950
Accrued liabilities	2,574	1,778
Advances	815	1,862
Vendor loan ⁽²⁾	666	1,230
	\$ 53,887	\$ 35,734

(1) At September 30, 2022, \$6,047 related to investing activities (December 31, 2021 - \$2,990) (note 22).

(2) On June 1, 2021, Molimentales and Inmobiliaria y Hotelera 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 17(d)).

In agreement with Algodones, the Company paid the September 2022 scheduled payment during October 2022. Subsequent to September 30, 2022, payments scheduled for October and November 2022 were postponed.

At September 30, 2022, the vendor loan included principal of \$647 and accrued interest of \$19 (December 31, 2021 - principal of \$1,222 and accrued interest of \$8). During the three and nine months ended September 30, 2022, interest expense on the vendor loan was \$35 and \$103, respectively (three and nine months ended September 30, 2021 - \$34 and \$53, respectively).

Prior to the settlement agreement, liens were put in place on several of the San Francisco mining concessions.

8. DEBENTURES

	Liability Component	Equity Component	Total
Opening, January 1, 2021	\$ -	\$ -	\$ -
Issued	7,068	749	7,817
Transaction costs	(713)	(76)	(789)
Deferred tax charge	-	(178)	(178)
Initial balance, net of transaction costs	6,355	495	6,850
Accretion	127	-	127
Accrued interest	246	-	246
Interest payments	(246)	-	(246)
Currency translation adjustment	57	-	57
Balance at December 31, 2021	6,539	495	7,034
Accretion	262	-	262
Accrued interest	495	-	495
Interest payments	(495)	-	(495)
Currency translation adjustment	(507)	-	(507)
Balance at September 30, 2022	\$ 6,294	\$ 495	\$ 6,789

On May 12, 2021, the Company entered into a non-brokered private placement of convertible debentures (the "Debentures") with Delbrook Capital Advisors Inc. ("Delbrook") on behalf of funds managed by Delbrook. The private placement closed on August 19, 2021, and the Company received C\$10,000 (\$7,817) in exchange for 10,000 Debentures. The Company paid Delbrook a 1.25% arrangement fee upon closing.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

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 on August 19, 2023, twenty-four months from the closing date. The Debentures are initially unsecured obligations of the Company and bear interest at a rate of 8.5% per annum until the date that the security contemplated for the Debentures is delivered to Delbrook. Following such delivery, if applicable, the Debentures will bear interest at a rate of 6.5% per annum. On September 30, 2022, the Debentures interest rate remained at 8.5% per annum.

In connection with the private placement, the Company issued 600,000 common shares (note 14) and 450,000 share purchase warrants (note 15(b)) to Medalist Capital Ltd. in lieu of finder's fees. The share purchase warrants were issued with an exercise price of C\$1.25 and an expiry date of August 19, 2024.

The Company performed an assessment on the issuance and determined the Debentures are a compound financial instrument under IFRS as the Debentures contain both liability and equity components due to the common share conversion option. The liability component was determined to have a fair value of \$7,068 after discounting the liability component's future cash flows with a discount rate of 14.35%. The equity component was allocated the residual value of \$749 being the difference between the proceeds of issuance and the fair value of the liability component. Furthermore, the Company determined that the equity component is an equity instrument upon initial recognition.

Deferred tax of \$178 was accounted for as a deferred tax liability on the resulting taxable difference on initial recognition of the equity instrument and was directly charged to equity.

Transaction costs directly attributable to the Debentures issuance were \$789 and includes the 1.25% arrangement fee paid to Delbrook, fair value of the common shares and warrants issued to Medalist, TSXV application fees, and legal fees. Transaction costs have been allocated between the liability and equity components on a proportionate basis.

The Debentures liability is accounted for at amortized cost with accretion recognized each reporting period during which the Debentures are outstanding at an effective rate of 5.33%. During the three and nine months ended September 30, 2022, accretion expense on the Debentures was \$88 and \$262, respectively (three and nine months ended September 30, 2021 - \$39).

During the three and nine months ended September 30, 2022, interest expense was \$160 and \$495, respectively (three and nine months ended September 30, 2021 - \$78). During the three and nine months ended September 30, 2022, the Company paid cash interest to Delbrook of \$160 and \$495 (three and nine months ended September 30, 2021 - \$78) in accordance with the Debentures payment schedule. No common shares were issued in lieu of interest payments.

9. OTHER PAYABLES

	September 30, 2022	December 31, 2021
Peal settlement	\$ 3,054	\$ 4,054
Equipment loan	284	-
Seniority premiums ⁽¹⁾	112	110
	\$ 3,450	\$ 4,164
Current portion	3,254	4,054
Non-current portion	196	110
	\$ 3,450	\$ 4,164

⁽¹⁾ Seniority premiums represent employee benefits due upon termination of employment as required by Mexican labour laws.

Peal Settlement

In relation to the 2020 acquisition of Molimentales, the Company finalized a settlement agreement on June 30, 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 was to be partially satisfied with cash payment of \$4,054 by December 31, 2021.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

The \$4,054 was discounted over an eighteen-month period using a rate of 6.86% to determine a discounted payable of \$3,623. During the three and nine months ended September 30, 2022, accretion related to the obligation was \$nil (three and nine months ended September 30, 2021 - \$67 and \$197, respectively).

On March 18, 2022, the Company announced that the Company and Peal amended the timing and payment terms of the \$4,054. The Company agreed to (1) pay Peal six monthly cash payments of \$193 starting on July 31, 2022, (2) pay six monthly cash payments of \$316 starting on January 31, 2023, and (3) issue 1,660,132 common shares to extinguish \$1,000 of the \$4,054. The Company issued the common shares to Peal on April 19, 2022.

In agreement with Peal, the Company did not pay certain scheduled payments under the terms of the amended agreement. Payments scheduled for July, August, and September 2022, were therefore postponed. Subsequent to September 30, 2022, the payment scheduled for October 2022, was also postponed.

At September 30, 2022, the current portion of the Peal settlement was \$3,054 (December 31, 2021 - \$4,054).

Prior to the settlement agreement with Peal, liens were put in place on several of the San Francisco mining concessions. Subsequent to September 30, 2022, the mining concessions liens were released.

Equipment Loan

During January 2022, the Company entered into a two-year loan agreement (the "Equipment Loan") with Sandvik Financial Services, LLC ("Sandvik") for a principal amount of \$335 relating to a purchase of crushing equipment. The Equipment Loan carries interest of 7.25% per annum on the outstanding principal balance and will be paid in twenty-four equal monthly instalments plus accrued interest.

The crushing equipment is for use at the San Francisco Mine and is pledged as collateral on the Equipment Loan with Sandvik.

In agreement with Sandvik, the Company postponed the scheduled payments for August and September 2022. Subsequent to September 30, 2022, the Company paid the August 2022 scheduled payment and the payments scheduled for October and November 2022 were also postponed.

On September 30, 2022, principal balance and accrued interest on the Equipment Loan was \$279 and \$5, respectively (December 31, 2021 - \$nil and \$nil).

During the three and nine months ended September 30, 2022, interest expense relating to the Equipment Loan was \$5 and \$12, respectively (three and nine months ended September 30, 2021 - \$nil).

At September 30, 2022, the current portion of the equipment loan was \$200 (December 31, 2021 - \$nil).

10. SANDSTORM DEFERRED REVENUE

Opening, January 1, 2021	\$	3,095
Accretion on financing component		590
Gold delivery to Sandstorm		(1,222)
Balance at December 31, 2021		2,463
Accretion on financing component		620
Gold delivery to Sandstorm per agreement		(1,240)
	\$	1,843
Current portion		824
Non-current portion		1,019
Balance at September 30, 2022	\$	1,843

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 an 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,

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2022 and 2021

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

(Unaudited)

- (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 is 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 nine months ended September 30, 2022, the Company recognized accretion expense of \$197 and \$620, respectively (three and nine months ended September 30, 2021 - \$136 and \$408, respectively).

Revenue is recognized at the time of delivery and is subject to a 10% withholding tax. During the three and nine months ended September 30, 2022, the Company recognized revenue of \$401 and \$1,240, respectively (three and nine months ended September 30, 2021 - \$272 and \$908, respectively), on 225 and 675 gold ounces, respectively (three and nine months ended September 30, 2021 - 150 and 500 gold ounces, respectively), delivered 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 September 30, 2022, and December 31, 2021.

In relation to the Sandstorm Agreement, liens were put in place on the regional mining concessions, the San Judas mining concessions, and several of the San Francisco mining concessions.

11. AURAMET DEFERRED REVENUE

Opening, January 1, 2021	\$	-
Advance consideration received		6,000
Accretion on financing component		340
Gold delivery to Auramet		(3,896)
Balance at December 31, 2021		2,444
Advance consideration received		2,000
Accretion on financing component		540
Gold delivery to Auramet		(484)
Extinguishment of agreement		(4,500)
Balance at September 30, 2022	\$	-

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 on May 31, 2021, and ending 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.

During September 2021, the Company, through its subsidiary Molimentales, and Auramet signed an agreement extension ("Auramet 2021 Extension") whereas the Company would receive an additional \$2,000 in exchange for four equal payments of 307 gold ounces to be delivered to Auramet starting on February 28, 2022, and ending May 31, 2022. On September 24, 2021, the Company received \$1,975 representing \$2,000 less transaction costs of \$5 and an upfront 1% fee of \$20.

During March 2022, the Company, through its subsidiary Molimentales, and Auramet signed an agreement extension ("Auramet 2022 Extension") whereby the Company would receive an additional \$2,000, increasing the overall funds received from the Auramet 2021 Extension to \$4,000 in exchange for six equal payments of 431 gold ounces to be delivered to Auramet starting on July 29, 2022, and ending December 29, 2022. The Auramet 2022 Extension superseded the prior Auramet 2021 Extension both in delivery of gold ounces and delivery dates. On March 1, 2022, the Company received \$1,970 representing \$2,000 less transaction costs of \$10 and an upfront 1% fee of \$20.

In relation to the Auramet 2022 Extension, on March 18, 2022, the Company issued 1,500,000 share purchase warrants to Auramet. Each warrant is exercisable for one common share at an exercise price of C\$0.78 per share until March 18, 2023.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

The Company was required to maintain a minimum consolidated cash balance of \$1,500 until all gold delivery obligations in relation to the Auramet 2022 Extension were fulfilled on December 29, 2022. The requirement prior to the finalization of the Auramet 2022 Extension was \$1,000. On March 31, 2022, Auramet issued a Waiver of Liquidity Covenant that waived the Company's minimum consolidated cash balance requirements and was in effect from March 31 to June 15, 2022. On June 30, 2022, Auramet issued another Waiver of Liquidity Covenant that waived the Company's minimum consolidated cash balance requirements and was in effect from June 30 to October 31, 2022.

The Company had recognized the \$8,000 as deferred revenue ("Auramet deferred revenue") which was recognized into revenue as monthly gold delivery obligations were met over the payment periods. A financing component was also recognized starting in May 2021 and was determined as the difference between the advances received and prevailing gold prices.

Accretion expense on the Auramet deferred revenue financing component was recognized at the end of each reporting period. During the three and nine months ended September 30, 2022, the Company recognized accretion expense of \$183 and \$540, respectively (three and nine months ended September 30, 2021 - \$121 and \$221, respectively).

Revenue was recognized at the time of delivery. During the three and nine months ended September 30, 2022, the Company recognized revenue of \$nil and \$484, respectively (three and nine months ended September 30, 2021 - \$1,454 and \$2,443, respectively) on nil and 270 gold ounces, respectively (three and nine months ended September 30, 2021 - 810 and 1,350 gold ounces, respectively) delivered under the Auramet agreement and extensions.

On August 31, 2022, the Company and Auramet agreed to extinguish the Auramet 2022 Extension, valued at \$4,500, and concurrently the Company signed a net smelter return agreement (the "Auramet NSR Agreement") with Auramet Capital Partners, LP ("ACP"), an entity related to Auramet, also valued at \$4,500, in exchange for a 2.0% net smelter return ("NSR") royalty on gold produced from the San Francisco Mine and surrounding mining concessions.

The NSR royalty payments are calculated based on quarterly gold production, less applicable costs including refining, transportation, and production taxes, and payable following each calendar quarter. NSR royalty payments will be paid to ACP in gold ounces produced from the San Francisco Mine.

The Auramet NSR Agreement includes a one-time buyback option (the "Buyback Option") whereas the Company retains the right to exercise a repurchase of the full NSR in exchange for \$4,500 cash. The Buyback Option will be available for exercise after a minimum of 600 gold ounces are delivered to ACP through the normal course of the Auramet NSR Agreement starting on August 31, 2022. Management assessed the Buyback Option and determined that it does not constitute a liability on August 31, 2022.

On August 31, 2022, the Company recognized the \$4,500 value of the Auramet NSR Agreement as a gain on sale of net smelter return.

Upon entering the Auramet NSR Agreement, the Company deemed ACP a purchaser of 2.0% of the San Francisco Mine's future economic benefits as ACP assumes the proportional risks and rewards of ownership. As such, the Company has assumed a deemed sale of assets valued at \$887, calculated as 2.0% of the net book value of the mine's mineral properties and plant and equipment on August 31, 2022. This deemed value offsets the gain on sale of net smelter return.

During the three and nine months ended September 30, 2022, the Company incurred \$99 (three and nine months ended September 30, 2021 - \$nil) of transaction costs related to obtaining the Auramet NSR Agreement and additionally offsets the gain on sale of net smelter return.

On September 30, 2022, the NSR royalty payment owing to ACP was \$89 (December 31, 2021 - \$nil) and is included in trade payables and accrued liabilities.

In relation to the Auramet Agreement, shares of Molimentales owned by Minera Magna and shares of Minera Magna owned by Magna Gold Corp. were pledged as collateral. In relation to the extinguishment of the Auramet 2022 Extension, Auramet agreed to waive the obligation to deliver gold ounces scheduled for July 2022. In addition, the requirement to maintain a minimum consolidated cash balance was withdrawn and the shares pledged as collateral were released.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

12. OTHER PROVISIONS

Opening, January 1, 2021	\$	1,200
Accretion		63
Remeasurement		(173)
Balance at December 31, 2021		1,090
Accretion		64
Balance at September 30, 2022	\$	1,154

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 September 30, 2022, is \$1,732 (December 31, 2021 - \$1,732).

As at September 30, 2022, the cash flows for other provisions were discounted using a rate of 7.79% (December 31, 2021 - 7.79%).

During the three and nine months ended September 30, 2022, accretion expense related to other provisions was \$22 and \$64, respectively (three and nine months ended September 30, 2021 - \$16 and \$47, respectively).

13. PROVISION FOR SITE RECLAMATION AND CLOSURE

Opening, January 1, 2021	\$	5,567
Accretion		291
Remeasurement		(253)
Balance at December 31, 2021		5,605
Accretion		326
Balance at September 30, 2022	\$	5,931

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 September 30, 2022, is \$7,201 (December 31, 2021 - \$7,201).

As at September 30, 2022, the cash flows were inflated by a rate of 3.50% (December 31, 2021 - 3.50%) and discounted using a rate of 7.79% (December 31, 2021 - 7.79%).

During the three and nine months ended September 30, 2022, accretion expense related to the provision for site reclamation and closure was \$110 and \$326, respectively (three and nine months ended September 30, 2021 - \$73 and \$218, respectively).

14. ISSUED CAPITAL*Authorized share capital*

At September 30, 2022, and December 31, 2021, 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.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

Common shares issued and outstanding

	Number		Amount
Balance, January 1, 2022	90,059,874	\$	21,701
Shares Issued to Peal ⁽¹⁾	1,660,132		1,000
Warrant exercise ⁽²⁾	40,574		19
Balance, September 30, 2022	91,760,580	\$	22,720

⁽¹⁾ On April 19, 2022, in connection with an amended debt and payment agreement with Peal (note 9), the Company issued 1,660,132 common shares in settlement of liabilities of \$1,000.

⁽²⁾ On May 2, 2022, 40,574 common shares were issued upon exercise of warrants (note 15(b)).

	Number		Amount
Balance, January 1, 2021	89,432,813	\$	21,285
Warrant exercise ⁽³⁾	27,061		13
Shares issued in lieu of finder's fees ⁽⁴⁾	600,000		403
Balance, September 30, 2021	90,059,874	\$	21,701

⁽³⁾ On January 27, 2021, 27,061 common shares were issued upon exercise of warrants (note 15(b)).

⁽⁴⁾ On August 19, 2021, in connection to the Debentures issuance (note 8), the Company issued 600,000 common shares, at a price of C\$0.86 (\$0.67) per share, valued at C\$516 (\$403) to Medalist Capital Ltd. in lieu of finder's fees.

15. SHARE-BASED PAYMENT RESERVEa) *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 January 1, 2021	4,800,000	1.21
Granted ⁽¹⁾⁽²⁾	3,500,000	0.83
Outstanding and exercisable at December 31, 2021	8,300,000	1.05
Outstanding and exercisable at September 30, 2022	8,300,000	1.05

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

- (1) On September 3, 2021, the Company granted options to certain employees and officers to purchase 1,000,000 common shares. The options are exercisable at C\$0.90 per share and expire on September 3, 2026. 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 0.78%; (iv) expected life of 5.0 years; (v) underlying grant date closing stock price on the TSX Venture Exchange of C\$0.93 per common share outstanding; and (vi) assumption of nil forfeiture rate. The fair value was determined to be C\$694 (\$555). The grant date fair value of the options issued was C\$0.694 (\$0.554) per option.
- (2) On December 31, 2021, the Company granted options to certain directors, officers, and employees to purchase 2,500,000 common shares. The options are exercisable at C\$0.80 per share and expire on December 31, 2026. 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 80%; (iii) risk-free interest rate of 1.25%; (iv) expected life of 5.0 years; (v) underlying grant date closing stock price on the TSX Venture Exchange of C\$0.75 per common share outstanding; and (vi) assumption of nil forfeiture rate. The fair value was determined to be C\$1,179 (\$930). The grant date fair value of the options issued was C\$0.472 (\$0.372) per option.

The following table reflects the stock options outstanding and exercisable as at September 30, 2022:

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	0.87
June 29, 2025	2,250,000	0.98	2.75
August 12, 2025	2,350,000	1.53	2.87
September 3, 2026	1,000,000	0.90	3.93
December 31, 2026	2,500,000	0.80	4.25
	8,300,000	1.05	3.33

b) *Warrants*

	Number of warrants	Weighted average exercise price (\$CAD)
Balance at January 1, 2021	729,160	0.40
Issued ⁽¹⁾	450,000	1.25
Exercised ⁽²⁾	(27,061)	0.35
Balance at December 31, 2021	1,152,099	0.70
Issued ⁽³⁾	1,500,000	0.78
Exercised ⁽⁴⁾	(40,574)	0.35
Expired ⁽⁵⁾	(661,525)	0.41
Balance at September 30, 2022	1,950,000	0.89

- (1) On August 19, 2021, in connection with the Convertible Debentures issuance (note 8), the Company issued 450,000 share purchase warrants to Medalist Capital Ltd. in lieu of finder's fees. Each warrant is exercisable for one common share at a price of C\$1.25 per share until August 19, 2024. 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 82.57%; (iii) risk-free interest rate of 0.55%; and (iv) expected life of 3 years. The issuance date fair value was determined to be C\$170 (\$133).
- (2) On January 27, 2021, 27,061 warrants were exercised at C\$0.35 (\$0.27) each for proceeds of C\$9 (\$7).
- (3) On March 18, 2022, in connection with the Auramet 2022 Extension (note 11), the Company issued 1,500,000 share purchase warrants to Auramet upon finalization of the extension agreement. Each warrant is exercisable for one common share at a price of C\$0.78 per share until March 18, 2023. 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 57.90%; (iii) risk-free interest rate of 1.68%; and (iv) expected life of one year. The issuance date fair value was determined to be C\$256 (\$202).

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

(4) On May 2, 2022, 40,574 warrants were exercised at C\$0.35 (\$0.27) each for proceeds of C\$14 (\$11).

(5) 28,550 and 632,975 warrants with expiry dates of May 6, 2022, and June 1, 2022, respectively, expired unexercised.

The following table reflects all warrants issued and outstanding as of September 30, 2022:

Expiry date	Exercise price (C\$)	Warrants outstanding
March 18, 2023	0.78	1,500,000
August 19, 2024	1.25	450,000
		1,950,000

16. METAL REVENUES

During the nine months ended September 30, 2022, the Company had sales agreements with four customers (nine months ended September 30, 2021 - three customers). The percentage breakdown of metal revenues by customer is as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Customer A	97.3%	94.9%	95.4%	93.4%
Customer B	0.1%	4.6%	0.2%	4.9%
Customer C	-	0.5%	3.2%	1.7%
Customer D	2.6%	-	1.2%	-
	100.0%	100.0%	100.0%	100.0%

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

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

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Gold	\$ 15,627	\$ 32,644	\$ 59,923	\$ 68,773
Silver	73	193	303	595
	\$ 15,700	\$ 32,837	\$ 60,226	\$ 69,368

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

17. EXPENSES**a) Cost of sales**

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Costs of mining	\$ 7,601	\$ 6,982	\$ 29,826	\$ 25,017
Crushing and gold recovery costs	8,657	9,179	25,636	24,856
Mine site administration costs	1,086	1,306	3,605	3,573
Transport and refining	83	83	248	214
Royalties	172	171	393	374
Change in inventories ⁽¹⁾	2,234	2,488	6,156	(552)
Production costs	19,833	20,209	65,864	53,482
Depreciation and depletion	2,442	5,188	5,949	10,423
Change in inventories - depreciation and depletion ⁽¹⁾	84	(281)	2,231	(1,801)
Cost of sales	\$ 22,359	\$ 25,116	\$ 74,044	\$ 62,104

⁽¹⁾ On September 30, 2022, ore in process and finished metal inventories were revaluated to net realizable value. During the three and nine months ended September 30, 2022, this write-down increased change in inventories and depreciation and depletion by \$1,549 and \$171, respectively (three and nine months ended September 30, 2021 - \$nil).

b) Corporate and administrative expenses

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Salaries	\$ 620	\$ 678	\$ 1,859	\$ 1,692
Consulting and professional fees	481	526	1,718	1,625
Administrative and other	71	92	321	284
Business development	10	165	143	304
Rent and office costs	25	25	95	101
VAT expense (recovery)	30	57	80	(157)
Reporting issuer costs	15	35	63	95
Investigation costs	-	9	-	16
Corporate and administrative expenses	\$ 1,252	\$ 1,587	\$ 4,279	\$ 3,960

c) Exploration expenses

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
San Francisco Mine and regional concessions	\$ 376	\$ 354	\$ 763	\$ 730
La Pima Project	45	44	90	87
San Judas Project	25	13	50	38
Los Muertos Project	15	-	31	16
Las Marias Property	5	6	11	13
Mercedes Property	3	-	6	3
La Fortuna Project	1	-	3	2
Margarita Project	1	1	2	2
Exploration expenses	\$ 471	\$ 418	\$ 956	\$ 891

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

d) Finance expenses

	Note	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Accretion on Sandstorm deferred revenue	10	\$ 197	\$ 136	\$ 620	\$ 408
Accretion on Auramet deferred revenue	11	183	121	540	221
Interest on debentures	8	160	78	495	78
Accretion on provision for site reclamation and closure	13	110	73	326	218
Accretion on debentures	8	88	39	262	39
Warrants issued to Auramet	11, 15b)	-	-	202	-
Interest on vendor loan	7	35	34	103	53
Accretion on other provisions	12	22	16	64	47
Interest on equipment loan	9	5	-	12	-
Accretion on other payables ⁽¹⁾⁽²⁾⁽³⁾		-	67	-	375
Interest on promissory note ⁽²⁾		-	36	-	56
Finance expenses		\$ 800	\$ 600	\$ 2,624	\$ 1,495

(1) In relation to the 2020 acquisition of Molimentales, the Company agreed to pay the seller \$5,000 in cash on or before May 6, 2021. 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. On May 5, 2021, the Company paid \$5,000 in cash to the seller. During the three and nine months ended September 30, 2022, accretion expense was \$nil (three and nine months ended September 30, 2021 - \$nil and \$116, respectively).

(2) In relation to the 2020 acquisition of Molimentales, the Company agreed to pay the seller \$2,675 in cash in respect to the 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 liability of \$2,499 on May 6, 2020. During the three and nine months ended September 30, 2022, accretion related to the obligation was \$nil (three and nine months ended September 30, 2021 - \$nil and \$62, respectively).

On May 6, 2021, the Company, through its 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 had un compounded interest at a rate of 5.0% per annum. During the three and nine months ended September 30, 2022, the Company incurred interest expense related to the Promissory Note of \$nil (three and nine months ended September 30, 2021 - \$36 and \$56, respectively).

(3) In relation to the 2020 acquisition of Molimentales, the Company signed a binding letter of intent with Peal (note 9) whereas the Company was obligated to pay \$4,054 by December 31, 2021. The Company discounted the obligation 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 nine months ended September 30, 2022, accretion relating to this obligation was \$nil (three and nine months ended September 30, 2021 - \$67 and \$197, respectively).

18. IMPAIRMENT OF MINERAL PROPERTIES AND WRITE-DOWN OF INVENTORIES*Mineral properties*

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or cash generating unit ("CGU") may be impaired, thereby requiring adjustment to the carrying value. The Company identified the following indicators of impairment during the nine months ended September 30, 2022:

- Sustained loss from mining operations at the San Francisco Mine, thereby requiring a thorough review of the mine plan and a reduction of mining rates for the foreseeable future.
- Financial position of the Company at September 30, 2022, temporarily limiting capacity to sustain full-scale production.
- Termination of underground activities during the three months ended September 30, 2022.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

- Sustained decrease in the market capitalization of the Company.

Due to changes to the San Francisco Mine plan, a detailed assessment was completed on the recoverable value of the underground development costs at the San Francisco Mine.

As a result of this assessment, the Company recognized an impairment charge in the amount of \$4,551 to reduce the underground development costs value in mineral properties to \$nil. This was due to management's plan to cease underground activities for the foreseeable future.

*Inventories**i. Ore in process*

Following an assessment of the net realizable value ("NRV") of inventory on the leach pads, it was determined that the value of inventory was overstated using a gold price of \$1,672 per ounce on September 30, 2022. As a result, a write-down of \$1,255 was recognized against ore in process inventory.

ii. Finished metal inventory

Following an assessment of the NRV of finished metal inventory, it was determined that the finished metal inventory was overstated using a gold price of \$1,672 per ounce on September 30, 2022. As a result, a write-down of \$465 was recognized against finished metal inventory.

19. (LOSS) EARNINGS PER SHARE

Three months ended September 30, 2022 and 2021

	Three months ended September 30, 2022			Three months ended September 30, 2021		
	Loss for the period	Weighted average shares outstanding	Loss per share	Earnings for the period	Weighted average shares outstanding	Earnings per share
Basic	\$ (9,182)	91,760,580	\$ (0.10)	\$ 3,793	89,733,787	\$ 0.04
Effect of dilutive securities:						
Stock options	-	-	-	-	227,016	-
Warrants	-	-	-	-	434,392	-
Diluted	\$ (9,182)	91,760,580	\$ (0.10)	\$ 3,793	90,395,195	\$ 0.04

At September 30, 2022, 8,300,000 (September 30, 2021 - 5,800,000) stock options were outstanding, all of which were anti-dilutive (September 30, 2021 - 4,600,000 were anti-dilutive).

At September 30, 2022, 1,950,000 (September 30, 2021 - 1,152,099) warrants were outstanding, all of which were anti-dilutive (September 30, 2021 - 450,000 were anti-dilutive).

Nine months ended September 30, 2022 and 2021

	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Loss for the period	Weighted average shares outstanding	Loss per share	Earnings for the period	Weighted average shares outstanding	Earnings per share
Basic	\$ (21,856)	91,079,611	\$ (0.24)	\$ 2,818	89,549,406	\$ 0.03
Effect of dilutive securities:						
Stock options	-	-	-	-	193,448	-
Warrants	-	-	-	-	426,446	-
Diluted	\$ (21,856)	91,079,611	\$ (0.24)	\$ 2,818	90,169,300	\$ 0.03

At September 30, 2022, 8,300,000 (September 30, 2021 - 5,800,000) stock options were outstanding, all of which were anti-dilutive (September 30, 2021 - 4,600,000 were anti-dilutive).

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

At September 30, 2022, 1,950,000 (September 30, 2021 - 1,152,099) warrants were outstanding, all of which were anti-dilutive (September 30, 2021 - 450,000 were anti-dilutive).

20. COMMITMENTS AND CONTINGENCIES

A summary of undiscounted liabilities and commitments at September 30, 2022, 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	7	\$ 53,887	\$ 53,887	\$ -	\$ -	\$ -
Other payables	9	3,450	3,254	84	-	112
Debentures ⁽¹⁾	8	7,296	7,296	-	-	-
Interest payments on debentures ⁽¹⁾	8	548	548	-	-	-
		65,181	64,985	84	-	112
Commitments						
Option payments on exploration and evaluation properties	6	3,245	1,460	1,785	-	-
Other provisions ⁽²⁾	12	1,732	-	-	-	1,732
Provision for site reclamation and closure ⁽³⁾	13	7,201	-	-	-	7,201
Total financial liabilities and commitments		\$ 77,359	\$ 66,445	\$ 1,869	\$ -	\$ 9,045

- (1) Debentures represent the undiscounted and non-componentized obligation to the debenture holders of C\$10,000 twenty-four months from the issuance date. Interest payments on the Debentures are the estimated future payments of C\$751 on September 30, 2022, assuming an interest rate of 8.5% throughout the term of the Debentures.
- (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 September 30, 2022, the undiscounted amount was \$1,732 (December 31, 2021 - \$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 September 30, 2022, the undiscounted amount was \$7,201 (December 31, 2021 - \$7,201).

Notice of Civil Claims

During August 2022, the Company, through its subsidiaries Minera Magna and Molimentales, was notified of two Lawsuit for Civil Liabilities and Damage Report claims from the families of the victims of the February 15, 2022, accident that occurred at the San Francisco Mine. One of the claims names Minera Magna, Molimentales, and a supplier as jointly liable.

On August 23, 2022, the Company filed a response to both claims, denying all of the allegations.

Subsequent to September 30, 2022, there are no further updates on the claims as they are still in process. The Company's position is unchanged. An estimate of the financial effect of the claims, if any, cannot be made at this time and therefore no liability has been recognized.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Fair value measurement of financial assets and liabilities**

The Company follows the fair value hierarchy under IFRS 9 *Financial Instruments* 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,

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

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, debentures and other payables approximate their fair value due to their short-term nature or market rate of interest and are classified at amortized cost.

At September 30, 2022 and December 31, 2021, 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 September 30, 2022, and for the nine months ended September 30, 2021.

Derivatives

All derivative assets and liabilities are presented on a net basis on the Condensed Interim Consolidated Statements of Financial Position. At September 30, 2022, derivative liabilities, net of derivative assets, were \$2 (December 31, 2021 - \$14).

Derivatives contracts entered

During the nine months ended September 30, 2022 and 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 nine months ended September 30, 2022, a loss of \$nil and \$66, respectively, was recognized on the fair value of these contracts (three and nine months ended September 30, 2021 - gain of \$62 and loss of \$7, respectively).

On September 30, 2022, and December 31, 2021, of these contracts, none were outstanding and therefore no derivative asset or liability was recognized.

Subsequent to September 30, 2022, the Company entered into gold option contracts whereby the Company sold the right to a third party to purchase 2,100 gold ounces at a weighted average exercise price of \$1,765 per gold ounce.

Zero-cost collars

During the nine months ended September 30, 2022, the Company entered into gold option contracts whereby the Company purchased the option to sell 2,500 gold ounces at a weighted average exercise price of \$1,830 per gold ounce. These contracts had expiry dates ranging from March 29 to June 28, 2022. Of these contracts, contracts covering 500 gold ounces were exercised and contracts covering 2,000 gold ounces expired unexercised.

Concurrently, during the nine months ended September 30, 2022, the Company sold the right to a third party to purchase 2,500 gold ounces at a weighted average exercise price of \$1,916 per gold ounce. These contracts had expiry dates ranging from March 29 to June 28, 2022. Of these contracts, contracts covering 1,000 gold ounces were exercised and contracts covering 1,500 gold ounces expired unexercised.

During the three and nine months ended September 30, 2022, a loss of \$nil and \$40, respectively, was recognized on the fair value of these contracts (three and nine months ended September 30, 2021 - \$nil).

On September 30, 2022, and December 31, 2021, of these contracts, none were outstanding and therefore no derivative asset or liability was recognized.

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 September 30, 2022, contracts covering 3,000 gold ounces had expired unexercised.

During the three and nine months ended September 30, 2022, a gain of \$nil and \$14, respectively, was recognized on the fair value of the contracts (three and nine months ended September 30, 2021 - gain of \$42 and loss of \$23, respectively). At September 30, 2022, no derivative liability was recognized on these contracts (December 31, 2021 - \$14).

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

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. During the year ended December 31, 2021, these contracts covering 5,000 gold ounces had expired unexercised.

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 year ended December 31, 2021, these contracts covering 5,000 gold ounces were exercised.

During the three and nine months ended September 30, 2022, no gain or loss was recognized on the fair value of these contracts (three and nine months ended September 30, 2021 - loss of \$93 and \$547, respectively). At September 30, 2022, and December 31, 2021, no derivative asset or liability was recognized on these contracts.

- 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. At December 31, 2021, contracts covering 12,500 gold ounces expired unexercised. During the nine months ended September 30, 2022, contracts covering 500 gold ounces expired unexercised.

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. At December 31, 2021, contracts covering 11,000 gold ounces expired unexercised. During the nine months ended September 30, 2022, contracts covering 2,000 gold ounces expired unexercised.

During the three and nine months ended September 30, 2022, no gain or loss was recognized on the fair value of these contracts (three and nine months ended September 30, 2021 - loss of \$63 and gain of \$40, respectively). At September 30, 2022, and December 31, 2021, no derivative asset or liability was recognized on these contracts.

Derivatives in relation to the Auramet 2022 Extension

During the nine months ended September 30, 2022, in relation to the Auramet 2022 Extension (note 11), the Company entered into gold option contracts whereby:

- The Company sold gold option contracts to purchase 10,000 gold ounces at a weighted exercise price of \$2,038 per gold ounce with expiry dates ranging from July 27 to November 28, 2022. During the nine months ended September 30, 2022, of these contracts, those covering 6,000 gold ounces expired unexercised and 4,000 were outstanding.

Concurrently, the Company purchased gold option contracts to sell 10,000 gold ounces at a weighted exercise price of \$1,822 per gold ounce with expiry dates ranging from July 27 to November 28, 2022. During September 2022, in relation to the extinguishment of the Auramet 2022 Extension agreement between Auramet and the Company (note 11), the Company exercised contracts covering 2,000 gold ounces for cash proceeds of \$226 and sold contracts covering 8,000 gold ounces for cash proceeds of \$719.

During the three and nine months ended September 30, 2022, a net gain of \$402 and \$943, respectively (three and nine months ended September 30, 2021 - \$nil), was recognized on the fair value of these contracts. At September 30, 2022, a derivative liability was recognized of \$2 (December 31, 2021 - \$nil) on the gold option contracts outstanding.

- The Company entered into gold option contracts whereby the Company purchased the option to buy 2,000 gold ounces at a weighted average exercise price of \$2,025 per gold ounce. These contracts had expiry dates ranging from May 25 to June 28, 2022. On September 30, 2022, all of these contracts had expired unexercised.

During the three and nine months ended September 30, 2022, no gain or loss was recognized on these contracts (three and nine months ended September 30, 2021 - \$nil). At September 30, 2022, and December 31, 2021, no derivative asset or liability was recognized on these contracts.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2022 and 2021

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

(Unaudited)

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 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 September 30, 2022, and December 31, 2021, 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 net and comprehensive earnings (loss) are impacted by fluctuations in the value of foreign currencies in relation to the US\$.

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

	September 30, 2022	December 31, 2021
Mexican peso net monetary (liabilities) assets	\$ (7,186)	\$ 1,842
Canadian dollar net monetary liabilities	\$ (733)	\$ (545)

The effect on earnings (loss) before income tax at September 30, 2022, of a 10.0% change in the foreign currencies against the US dollar on the above-mentioned net monetary assets and liabilities is estimated to be an increase/decrease of \$636 (December 31, 2021 - \$200) assuming that all other variables remained constant.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

The effect on comprehensive income (loss) at September 30, 2022, of a 10.0% change in the foreign currencies against the US dollar on the above-mentioned net monetary assets and liabilities is estimated to be an increase/decrease of \$156 (December 31, 2021 - \$70) 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 any non-current fixed rate financial instruments that are subsequently measured at fair value and accordingly is not exposed to fair value interest rate risk. The liability component of the Company's convertible debentures is carried at amortized cost.

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

22. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

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

		Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
	Note				
Shares issued in lieu of finder's fees	14	\$ -	\$ 403	\$ -	\$ 403
Warrants issued in lieu of finder's fees	15b)	\$ -	\$ 133	\$ -	\$ 133

At September 30, 2022, the Company had \$6,047 (December 31, 2021 - \$2,990) in trade payables related to investing activities for expenditures on mineral properties, plant and equipment, and exploration and evaluation.

At September 30, 2021, the Company had \$1,040 (December 31, 2020 - \$1,916) in trade payables related to investing activities for expenditures on mineral properties, plant and equipment, and exploration and evaluation.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

23. RELATED PARTY TRANSACTIONS

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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Salaries and benefits ⁽¹⁾⁽²⁾	\$ 250	\$ 315	\$ 748	\$ 693
Director fees ⁽³⁾	\$ 28	\$ 38	\$ 83	\$ 38

(1) Of the Board of Directors, the CEO, CFO, and COO each have employment contracts with the Company.

(2) Refer to note 23(b).

(3) Refer to note 23(c) and 23(d).

- b) At September 30, 2022, salaries owed to the CEO, VP of Exploration, and COO were \$207, \$44, and \$59, respectively (December 31, 2021 - \$49, \$9, \$6, respectively), and are included in accounts payable and accrued liabilities.
- c) On September 9, 2021, the Board of Directors approved recommendations from the Company’s compensation committee whereby independent Directors are to each receive compensation of C\$36 per annum and each committee chair and board chair will receive annual compensation of C\$2 for each chair position, all effective as of May 1, 2021.
- d) On May 26, 2022, the Board of Directors approved recommendations from the Company’s compensation committee whereby the Director position of board chair be renamed to executive chair and that the related compensation be increased to C\$75 per annum, effective as of April 1, 2022. The compensation increase replaced the per annum C\$36 and C\$2 board chair compensation (note 23(c)) that the board chair was previously compensated. At September 30, 2022, director fees owed to the executive chair was \$13 (December 31, 2021 - \$nil) and is included in accounts payable and accrued liabilities.
- e) The Company receives legal advisory services through two Mexico-based entities of which a Director is a partner. The Director was first 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 September 30, 2022, legal advisory services of \$nil and \$13, respectively (three and nine months ended September 30, 2021 - \$8 and \$107, respectively), were incurred by the Company.

In addition, the Director provided legal advisory consulting services directly to the Company. During the three and nine months ended September 30, 2022, the Company incurred legal advisory consulting services of \$nil (three and nine months ended September 30, 2021 - \$nil and \$51, respectively).

- f) During the three and nine months ended September 30, 2022, the CEO incurred reimbursable amounts of \$8 and \$10, respectively (three and nine months ended September 30, 2021 - \$8) related to business development expenses of which \$5 was included in accounts payable and accrued liabilities on September 30, 2022 (December 31, 2021 - \$nil).
- g) During the three and nine months ended September 30, 2022, the CFO incurred reimbursable amounts of \$4 and \$10, respectively (three and nine months ended September 30, 2021 - \$4), related to corporate and administrative expenses of which \$10 was included in accounts payable and accrued liabilities on September 30, 2022 (December 31, 2021 - \$nil).
- h) During the three and nine months ended September 30, 2022, the COO incurred reimbursable amounts of \$nil and \$2, respectively (three and nine months ended September 30, 2021 - \$1), related to corporate and administrative expenses.
- i) During the three and nine months ended September 30, 2022, the VP of Exploration incurred reimbursable amounts of \$nil (three and nine months ended September 30, 2021 - \$nil and \$2, respectively), related to corporate and administrative expenses.

Magna Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2022 and 2021
(Expressed in thousands of United States Dollars, except where noted)
(Unaudited)

24. MANAGEMENT OF CAPITAL

The Company's objectives of capital management are intended to safeguard the Company's normal operating requirements on an ongoing basis and the continued development and exploration of its mineral properties.

	Note	September 30, 2022	December 31, 2021
Equity		\$ 1,981	\$ 22,959
Other payables	9	3,054	4,054
		5,035	27,013
Less: Cash		(94)	(2,068)
		\$ 4,941	\$ 24,945

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated depending on various factors, including successful capital deployment and general industry conditions.

The Company also has in place a planning, budgeting and forecasting process which is used to identify the amount of funds required to ensure the Company has appropriate liquidity to meet short and long-term operating objectives. In order to maintain or adjust its capital structure, the Company may issue new shares or debt.

At December 31, 2021, the Company was required to maintain a minimum consolidated cash balance of \$1,000 in relation to the Auramet Agreement (note 11). On March 1, 2022, the minimum consolidated cash balance was increased to \$1,500 upon finalization of the Auramet 2022 Extension. On August 31, 2022, in relation to the extinguishment of the Auramet 2022 Extension, the requirement to maintain a minimum consolidated cash balance was withdrawn.

25. EVENTS AFTER THE REPORTING PERIOD*Notice of Commercial Claim*

On November 23, 2022, the Company, through its subsidiary Molimentales, was notified of a commercial claim from a San Francisco Mine explosives supplier, which relates to overdue payments on products delivered to the mine. The overdue payments and interest up to the date of the claim totaled \$101 and are included in trade payables and accrued liabilities on September 30, 2022.

The Company will file a response to the claim within sixteen days of receipt, as required by law.