



MAGNAGOLD

MAGNA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021
AND NINE MONTHS ENDED DECEMBER 31, 2020

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

Magna Gold Corp.

Management's Discussion and Analysis

Year Ended December 31, 2021 and Nine Months Ended December 31, 2020

Discussion dated: April 29, 2022

(In millions of US Dollars, unless otherwise stated)

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for Magna Gold Corp. together with its subsidiaries ("Magna" or the "Company") is prepared as of April 29, 2022, and relates to the financial condition and results of operations for the year ended December 31, 2021 and nine months ended December 31, 2020. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the audited consolidated financial statements ("consolidated financial statements") and related notes for the year ended December 31, 2021, and nine months ended December 31, 2020, which have been prepared using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP").

As a result of the change in the Company's year-end from March 31 to December 31 during the previous fiscal year, the comparative period for the three months ended December 31, 2021 is the three months ended December 31, 2020, and the comparative period for the year ended December 31, 2021, is the nine months ended December 31, 2020.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The three months ended December 31, 2021, are also referred to as "Q4 2021". The year ended December 31, 2021, and the nine months ended December 31, 2020, are also referred to as "fiscal 2021" and "fiscal 2020", respectively.

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

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

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

ANNUAL OPERATIONAL OVERVIEW AND RECENT DEVELOPMENTS

San Francisco Mine Highlights

The San Francisco Mine completed planned pre-stripping activities during June 2021. Q3 2021 was the first quarter at full-scale and steady rate commercial production.

During the year ended December 31, 2021, the San Francisco Mine produced 56,099 ounces of gold, meeting its stated production guidance of 55,000 to 65,000 ounces.

Environmental, Social and Governance ("ESG")

The Company is committed to follow good ESG practices and continuously endeavours to operate in a sustainable and socially responsible manner. During fiscal 2021, the Company achieved the following:

- Received the Enterprise Socially Responsible (ESR) award from the Mexican Center for Philanthropy for the ninth consecutive year. Subsequent to December 31, 2021, the Company received the ESR award for the tenth consecutive year.
- No lost-time incident ("LTI") at the San Francisco Mine or at the Company's exploration sites. At December 31, 2021, the Company had achieved 4,614,861 man-hours worked without LTI at the San Francisco Mine.
- 1,944 hours of training were provided to the employees of the San Francisco Mine.
- Compliance with all environmental requirements set up by governmental authorities. All environmental permits were successfully renewed.
- Involvement in activities and programs benefiting the local community, such as providing school supplies, supporting access to essential health services, maintaining roads, and tree planting, amongst others.
- Provision of transportation to COVID-19 vaccination centers for employees of the mine and logistical support for the nearby vaccination center.
- A number of governance policies were approved by the Board of Directors and implemented, such as disclosure, anti-corruption, whistleblower, diversity and securities trading policies. A code of business ethics was also adopted.

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Corporate Activities

Appointment of CFO

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

Auramet agreement and extensions

During February 2021, the Company, through its subsidiary Molimentales del Noroeste, S.A. de C.V. ("Molimentales"), signed an agreement with Auramet International LLC ("Auramet") pursuant to which the Company received \$4.0 million in exchange for nine equal payments of 270 gold ounces to be delivered to Auramet starting May 31, 2021, and ending on January 31, 2022 (the "Auramet Agreement"). Auramet has been Molimentales' primary purchaser of gold doré bars since 2010 and continues to be so after the acquisition of Molimentales by the Company.

On February 12, 2021, the Company received \$4.0 million less transaction costs and upfront fee of 1%.

During September 2021, Molimentales and Auramet signed an agreement extension pursuant to which the Company would receive an additional \$2.0 million in exchange for four equal payments of 307 gold ounces to be delivered to Auramet starting on February 28, 2022, and ending on May 31, 2022 (the "Auramet 2021 Extension").

On September 24, 2021, the Company received \$2.0 million less transaction costs and upfront fee of 1%.

Subsequent to December 31, 2021, Molimentales and Auramet signed another agreement extension pursuant to which the Company would receive an additional \$2.0 million, increasing the overall funds received from the Auramet 2021 Extension to \$4.0 million 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"). The Auramet 2022 Extension supersedes the prior Auramet 2021 Extension both in delivery of gold ounces and delivery dates.

On March 1, 2022, the Company received \$2.0 million less transaction costs and upfront fee of 1%.

In relation to the Auramet 2022 Extension, the Company issued 1,500,000 non-transferable warrants to Auramet with each warrant being exercisable for one common share at C\$0.78 per common share until March 18, 2023.

Under the agreement with Auramet, the Company must maintain a minimum consolidated cash balance of \$1.0 million at all times during the duration of the agreement. Subsequent to December 31, 2021, the minimum consolidated cash balance increased to \$1.5 million upon finalization of the Auramet 2022 Extension. The Company is required to maintain the minimum consolidated cash balance until all gold delivery obligations in relation to the Auramet 2022 Extension are fulfilled on December 29, 2022.

Argonaut promissory note

On May 6, 2021, Minera Magna S.A. de C.V. ("Minera Magna") had provided a promissory note to Timmins Goldcorp Mexico S.A. de C.V. ("Timmins"), a Mexican subsidiary of Argonaut Gold Inc. ("Argonaut"), for the working capital differential of \$2.7 million in relation to the acquisition of the San Francisco Mine. The promissory note was to be paid in four monthly installments, plus interest, commencing July 6, 2021, and ending October 6, 2021. The promissory note carried uncompounded interest at a rate of 5% per annum.

During fiscal 2021, Minera Magna made all of the scheduled payments, thereby satisfying the promissory note obligations with Timmins.

Private placement of convertible debentures

On May 12, 2021, the Company entered into a non-brokered private placement of C\$10.0 million secured 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\$10.0 million in exchange for 10,000 debentures. The Company paid Delbrook a 1.25% arrangement fee upon closing.

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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 will initially be unsecured obligations of the Company and will 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. As at the date of this MD&A, the interest rate remained at 8.5% per annum.

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

During September 2021, the private placement of the Debentures was given final TSX Venture Exchange ("TSXV") approval.

Stock option grants

On September 3, 2021, the Company granted options to certain officers and employees to purchase 1,000,000 common shares of the Company pursuant to the Company's stock option plan. The options are exercisable at C\$0.90 per common share and expire on September 3, 2026. The options vested immediately.

On December 31, 2021, the Company granted options to certain directors, officers and employees to purchase 2,500,000 common shares of the Company pursuant to the Company's stock option plan. The options are exercisable at C\$0.80 per common share and expire on December 31, 2026. The options vested immediately.

Preliminary short form base shelf prospectus

On April 21, 2021, the Company filed a preliminary short form base shelf prospectus in connection with the qualification for distribution, from time to time, of up to an aggregate offering price of C\$100.0 million of the Company's securities. On July 20, 2021, the Company filed an amended and restated preliminary short form base shelf prospectus. On October 21, 2021, the Company filed a notice of withdrawal. The Company is currently evaluating potential financing activities, including the filing of a new base shelf prospectus.

Labour Reform in Mexico

On April 21, 2021, Mexican Congress approved a bill prohibiting outsourcing services in Mexico. Following the approval, a labour and tax reform (the "Reform") was later published in the Mexican Official Gazette. The Reform includes various changes to the Federal Labour Law, including the elimination of labour subcontracting arrangements, also known as outsourcing. The effective date of the elimination of outsourcing was initially set on August 1, 2021, but then extended to September 1, 2021.

Prior to the Reform, the Company's Mexican personnel were outsourced. During July 2021, to comply with the Reform, the Company proceeded with transferring its Mexican outsourced personnel to direct employees of either Molimentales or Minera Magna. LM Mining Corp, S.A. de C.V. does not have direct employees or outsourced personnel.

The Company has reviewed the impact of the Reform and does not expect a material increase of its labour costs in Mexico. The prior employee compensation structure was already in compliance with the stated requirements of the Reform.

Accident at the San Francisco Mine

On February 16, 2022, the Company reported a fatal accident involving three employees at its San Francisco Mine that occurred on February 15, 2022. The Company provided all necessary support and assistance to the families and collaborated with the authorities during the investigation.

The crushing and laboratory areas were temporarily suspended for several days after an inspection by the State Civil Protection Coordination. The Company carried out improvement actions to comply with the observations issued by this authority. Activities in the restricted areas resumed on February 22, 2022, after a final inspection.

As of the date of this MD&A, all inspections and administrative procedures have been carried out and only the final report from the Mexican Ministry of Labor remains to be completed.

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Margarita exploration program

On March 8, 2022, the Company reported results from its resource definition drill campaign currently underway at its 100% owned Margarita silver project located in the state of Chihuahua, Mexico. Results were from the first 22 of 43 drill holes completed by the Company.

All drill holes intersected significant near surface silver mineralization over significant widths and the presence of multiple parallel mineralized veins was confirmed. The most significant result was for hole MAR-22-020, with a grade of 155.86 g/t Ag over 55.95 meters, including 12.80 meters with a grade of 498.0 g/t Ag. Please refer to the press release "*Magna Gold Drills 12.80 metres at 498.08 g/t Silver within 55.95 metres at 155.86 g/t Silver starting 3 metres from Surface*" dated March 8, 2022, and available on the Company's website at www.magnagoldcorp.com and on SEDAR at www.sedar.com.

On April 21, 2022, the Company reported a maiden mineral resource estimate which will lead to the completion of a preliminary economic assessment ("PEA") shortly thereafter. Indicated mineral resources are estimated to be 1.854 million tonnes ("Mt") at 204.9 g/t Ag and inferred mineral resources of 0.454 Mt at 153.4 g/t Ag above a 75 g/t Ag cut-off grade. It corresponds to indicated resources of 12.22 million ounces ("Moz") of silver and inferred resources of 2.24 Moz of silver. Please refer to the press release "*Magna Gold Announces Maiden Resource Estimate for the Margarita Silver Project*" dated April 21, 2022, and available on the Company's website at www.magnagoldcorp.com and on SEDAR at www.sedar.com.

OVERVIEW OF THE BUSINESS

Magna was incorporated on January 9, 2018, pursuant to the *Business Corporations Act* (Ontario) under the name Magna Gold Corp. The authorized share capital of the Company consists of an unlimited number of common shares, without nominal or par value. Its shares have been listed on the TSXV under the symbol "MGR" since June 10, 2019. In addition, Magna's shares trade on the OTCQB Venture Market, a U.S. trading platform that is operated by OTC Markets Group in New York, under the symbol "MGLQF". The Company's registered address is 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

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

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

Magna operates one open-pit heap leach operating mine: the San Francisco Mine in the state of Sonora, Mexico, located approximately 150 kilometers north of Hermosillo and 120 kilometers south of the United States/Mexico border via Highway 15 (Pan-American Highway). The San Francisco Mine was in residual leaching when it was acquired on May 6, 2020. The mining and crushing activities restarted late in June 2020. During June 2021, the San Francisco Mine completed planned pre-stripping activities and began full-scale and steady rate commercial production.

In addition, Magna has exploration stage projects in Mexico. The exploration stage projects of the Company at the date of this MD&A consist of: (i) the Mercedes Property; (ii) the San Judas Project; (iii) the La Pima Project; (iv) the Las Marias Property; (v) the Los Muertos Project; (vi) the La Fortuna Project (previously described as the Cuproros Project); and (vii) the Margarita Project. Through the acquisition of Molimentales, in addition to the San Francisco Mine, the Company acquired title to the Patricia, Norma, Los Carlos, La Pima, TMC, and Dulce claims, located in the state of Sonora, Mexico. During the nine months ended December 31, 2020, the Company relinquished its title to the TMC claim.

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

TRENDS AND ECONOMIC CONDITIONS

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

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Gold price

During the three months ended December 31, 2021, the spot gold price fluctuated between a low of \$1,753 per ounce and a high of \$1,865 per ounce. The average spot gold price for the quarter was \$1,795 per ounce, a decrease of 4% compared to \$1,875 per ounce for the three months ended December 31, 2020.

During the year ended December 31, 2021, the spot gold price fluctuated between a low of \$1,684 per ounce and a high of \$1,943 per ounce. The average spot gold price for the year was \$1,799 per ounce, a decrease of 2% compared to \$1,835 per ounce for the nine months ended December 31, 2020.

COVID-19

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

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

During the year ended December 31, 2021, and during the nine months ended December 31, 2020, there has been no material impact on the operating and exploration activities of the Company. Production at the San Francisco Mine has continued as per the schedule detailed in the pre-feasibility study ("PFS") dated August 28, 2020. As of the date of this MD&A, the Canadian and Mexican authorities have not introduced any further measures that are impacting, or are expected to impact, the Company's operations in Canada or Mexico. The United States authorities have not introduced any further measures that are impacting, or are expected to impact, the Company's deliveries of doré bars to its customer in the United States.

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

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

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

Inflation

During fiscal 2021, most countries of the world experienced an inflationary surge and inflation rates are expected to sustain at similar levels during fiscal 2022. As of the date of this MD&A, current inflation rate in Mexico is approximately 7%.

The Company has budgeted significant increases in the cost of its main consumables (diesel and cyanide), as well as labour cost, and the stated cash cost guidance of \$1,250 - \$1,350 per gold ounce for fiscal 2022 includes these assumptions.

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OPERATING STATISTICS

San Francisco Mine

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

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

	Q4 2021 ⁽¹⁾	Q3 2021 ⁽¹⁾	Q2 2021 ⁽¹⁾	Q1 2021 ⁽¹⁾	October 1 - December 31, 2020 ⁽¹⁾	July 1 - September 30, 2020 ⁽¹⁾	May 7 - June 30, 2020 ⁽¹⁾	Fiscal 2021	Fiscal 2020
MINING									
Ore mined (dry kt)	1,456	1,725	1,231	619	427	334	80	5,031	841
Average ore mined grade (g/t Au)	0.44	0.46	0.43	0.34	0.30	0.32	0.44	0.43	0.32
Waste mined (kt)	6,497	4,522	4,880	5,195	2,954	3,091	270	21,094	6,315
Total mined (kt)	7,953	6,247	6,111	5,814	3,381	3,425	350	26,125	7,156
Strip ratio	4.46	2.62	3.96	8.40	6.92	9.26	3.38	4.19	7.51
Average total mined per day (t/d)	86,449	67,907	67,153	64,597	36,746	37,228	6,370	71,576	29,941
Cost per tonne mined ⁽²⁾	\$ 2.04	1.93	2.52	2.57	3.23	2.05	1.13	2.25	2.57
PROCESSING									
Ore processed (kt)	1,688	1,759	1,347	744	746	871	111	5,538	1,728
Average ore processed grade (g/t Au)	0.39	0.45	0.49	0.51	0.39	0.29	0.35	0.45	0.34
<i>Including:</i>									
<i>Ore from underground processed (kt)</i>	-	5	126	130	87	11	-	261	98
<i>Average ore from underground grade (g/t Au)</i>	-	1.40	0.97	1.35	1.51	2.62	-	1.17	1.64
<i>Ore from stockpile processed (kt)</i>	215	-	-	-	243	529	26	215	798
<i>Average ore stockpiled grade (g/t Au)</i>	0.26	-	-	-	0.23	0.24	0.23	0.26	0.24
Ore reprocessed (kt)	-	-	297	477	168	-	-	774	168
Average ore reprocessed grade (g/t Au)	-	-	0.25	0.23	0.22	-	-	0.24	0.22
Average ore processed per day (t/d)	18,343	19,118	14,797	8,265	8,112	9,468	2,016	15,169	7,231
Cost per tonne processed	\$ 5.64	5.22	6.15	9.95	9.55	7.86	26.44	6.21	9.78
Gold deposited on pad (ozs)	21,209	25,663	21,094	12,177	9,411	8,112	1,248	80,143	18,771
Cost per tonne - administration	\$ 0.79	0.74	0.91	1.40	1.31	1.13	4.60	0.89	1.43
Total cost per tonne processed	\$ 16.04	12.84	18.72	31.86	25.86	17.06	34.62	17.80	21.98
PRODUCTION									
Gold sold (ozs)	16,305	18,276	11,777	8,430	7,827	7,473	4,935	54,788	20,235
Gold produced (ozs)	15,499	19,102	11,713	9,785	7,485	6,719	5,091	56,099	19,295
Silver produced (ozs)	5,711	7,115	7,742	8,093	4,609	3,211	2,456	28,661	10,276
COSTS									
Cash cost per gold ounce ⁽³⁾	\$ 1,131	1,095	1,484	1,826	1,900	1,660	1,357	1,302	1,680
Site AISC per gold ounce ^(3,4)	\$ 1,662	1,596	2,142	3,003	2,540	2,173	1,357	1,950	2,116
TOTAL DAYS IN PERIOD	92	92	91	90	92	92	55	365	239

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

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

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

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

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Operations review

Mining and crushing activities were reinitiated in late June 2020. During the six months ended June 30, 2021, and the nine months ended December 31, 2020, most of the mining activity related to the stripping of the San Francisco and La Chicharra pits. During June 2021, the San Francisco Mine completed planned pre-stripping activities and began full-scale and steady rate commercial production. Q3 2021 was the first quarter at full-scale and steady rate commercial production.

The re-development of the San Francisco Mine is in line with the PFS dated August 28, 2020. To date, ore kilotonnes and waste kilotonnes mined from the pits were 5,872 and 27,409, respectively, compared to 6,837 and 27,545, respectively, in the PFS. Total tonnes mined are therefore 3% lower than in the PFS.

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

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

Acquisition

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

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

⁽¹⁾ The "Other payables" liability relates to the settlement with Peal de Mexico, S.A. de C.V. ("Peal") and the amount was determined as follows:

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

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REVIEW OF ANNUAL RESULTS

The following table includes selected annual information for each of the three most recently completed financial periods. They are derived from the Company's consolidated financial statements, which have been prepared in accordance with IFRS. Amounts in the *Financial Results* section of the table are in thousands of US dollars, except for net earnings (loss) per share and cash dividends declared.

		Year ended December 31, 2021	Nine months ended December 31, 2020	Year ended March 31, 2020
FINANCIAL RESULTS				
Metal revenues	\$	98,508	37,047	-
Net earnings (loss)	\$	5,244	(5,725)	(2,176)
Net and comprehensive earnings (loss)	\$	5,565	(7,323)	(1,705)
Net earnings (loss) per share - basic and diluted	\$	0.06	(0.07)	(0.06)
Cash dividends declared	\$	Nil	Nil	Nil
Total assets	\$	83,141	54,506	3,156
Total non-current liabilities	\$	17,112	9,819	-
OPERATING RESULTS				
Gold produced (ozs)		56,099	19,295	-
Gold sold (ozs)		54,788	20,235	-
Silver sold (ozs)		29,622	9,188	-
Average realized gold price (per oz)	\$	1,785	1,820	-
Average London PM fix gold price (per oz)	\$	1,799	1,835	-
By-product cash cost per ounce sold ⁽¹⁾	\$	1,302	1,680	-
By-product AISC per ounce sold ⁽¹⁾	\$	2,085	2,446	-

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

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REVIEW OF QUARTERLY RESULTS

The following table includes quarterly and annual information for each of the two most recently completed financial periods. They are derived from the Company's consolidated financial statements, which have been prepared in accordance with IFRS. Amounts in the *Financial Results* section of the table are in thousands of US dollars, except for net earnings (loss) per share and cash dividends declared.

	Q4 2021 ⁽¹⁾	Q3 2021 ⁽¹⁾	Q2 2021 ⁽¹⁾	Q1 2021 ⁽¹⁾	Dec. 31, 2020 ⁽¹⁾	Sep. 30, 2020 ⁽¹⁾	Jun. 30, 2020 ⁽¹⁾	Mar. 31, 2020	Fiscal 2021	Fiscal 2020
FINANCIAL RESULTS										
Metal revenues	\$ 29,140	32,837	21,212	15,319	14,620	13,964	8,463	-	98,508	37,047
Net earnings (loss) ⁽²⁾	\$ 2,426	3,793	2,404	(3,379)	(2,753)	(2,413)	(559)	(869)	5,244	(5,725)
Net and comprehensive earnings (loss) ⁽²⁾	\$ 2,543	3,631	2,062	(2,671)	(4,030)	(2,320)	(973)	(403)	5,565	(7,323)
Net earnings (loss) per share - basic and diluted ^(2,3)	\$ 0.03	0.04	0.03	(0.04)	(0.03)	(0.03)	(0.01)	(0.02)	0.06	(0.07)
Cash dividends declared	\$ Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total assets	\$ 83,141	77,017	71,339	64,170	54,506	44,270	40,014	3,156	83,141	54,506
Total non-current liabilities	\$ 17,112	16,963	11,011	10,474	9,819	6,038	6,316	-	17,112	9,819
OPERATING RESULTS										
Gold produced (ozs)	15,499	19,102	11,713	9,785	7,485	6,719	5,091	-	56,099	19,295
Gold sold (ozs)	16,305	18,276	11,777	8,430	7,827	7,473	4,935	-	54,788	20,235
Silver sold (ozs)	6,178	8,061	8,422	6,961	3,756	4,567	865	-	29,622	9,188
Average realized gold price (per oz)	\$ 1,780	1,786	1,783	1,796	1,856	1,855	1,712	-	1,785	1,820
Average London PM fix gold price (per oz)	\$ 1,795	1,790	1,816	1,794	1,875	1,909	1,712	-	1,799	1,835
By-product cash cost per ounce sold ⁽⁴⁾	\$ 1,131	1,095	1,484	1,826	1,900	1,660	1,357	-	1,302	1,680
By-product AISC per ounce sold ⁽⁴⁾	\$ 1,828	1,717	2,242	3,162	2,714	2,598	1,789	-	2,085	2,446

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

(2) Reported amounts for the three months ended September 30, 2020, and December 31, 2020, have been updated to align with the restated amounts disclosed in the interim financial statements.

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

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

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Notes to quarterly and annual results

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

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

Review of consolidated financial information for the three months ended December 31, 2021 and 2020

The Company had net earnings of \$2.4 million and net comprehensive earnings of \$2.5 million during the three months ended December 31, 2021, with basic and diluted earnings per share of \$0.03. This compares with a net loss of \$2.8 million and net comprehensive loss of \$4.0 million during the three months ended December 31, 2020, with basic and diluted loss per share of \$0.03. The increase in net earnings of \$5.2 million was principally due to the following factors:

Metal revenues

During the three months ended December 31, 2021, revenues were \$29.1 million compared to \$14.6 million during the three months ended December 31, 2020. During the three months ended December 31, 2021, the Company sold 16,305 gold ounces at an average realized gold price of \$1,780 per ounce compared to 7,827 gold ounces at an average realized gold price of \$1,856 per ounce during the three months ended December 31, 2020.

Cost of sales

Production costs, which comprise the full cost of operations excluding depreciation and depletion, form a component of cost of sales and were \$18.6 million compared to \$15.0 million during the three months ended December 31, 2020.

A total of 8.0 million tonnes were mined at the San Francisco Mine during the three months ended December 31, 2021, compared to 3.4 million tonnes during the three months ended December 31, 2020. Total mining costs were \$16.2 million, of which deferred stripping costs of \$7.0 million were capitalized, resulting in costs of mining of \$9.2 million during the three months ended December 31, 2021. This compares with \$14.7 million, of which deferred stripping and underground development costs of \$6.4 million and \$2.1 million, respectively, were capitalized, resulting in costs of mining of \$6.2 million during the three months ended December 31, 2020.

Crushing and gold recovery costs were \$9.5 million during the three months ended December 31, 2021, compared to \$7.1 million during the three months ended December 31, 2020. A total of 1.7 million tonnes were processed at the San Francisco Mine during the three months ended December 31, 2021, compared to 0.7 million during the three months ended December 31, 2020.

Mine site administrative costs were \$1.3 million during the three months ended December 31, 2021, compared to \$1.0 million during the three months ended December 31, 2020. The increase is due to a change in the cost structure as the San Francisco Mine was operating at full-scale production rate during the three months ended December 31, 2021, whereas it was in the restart phase during the three months ended December 31, 2020.

Royalty, transport, and refining costs were \$0.2 million during the three months ended December 31, 2021, compared to \$0.1 million during the three months ended December 31, 2020, as a result of increased sales.

Change in inventories decreased cost of sales by \$1.7 million during the three months ended December 31, 2021, compared to an increase of \$0.5 million during the three months ended December 31, 2020. During the three months ended December 31, 2021, there were less recoverable gold ounces deposited onto the pad than ounces recovered from the pad. However, the average cost per recoverable gold ounce deposited was higher than the average cost per ounce in inventory. It resulted in a net increase of the inventory value. During the three months ended December 31, 2020, the San Francisco Mine was mostly in the restart phase and there were less recoverable gold ounces deposited onto the pad than ounces recovered from the pad. It resulted in a net decrease of the inventory value.

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Depletion and depreciation costs form a component of cost of sales and were \$4.4 million during the three months ended December 31, 2021, compared to \$0.5 million during the three months ended December 31, 2020. The increase is due to a larger amount of depreciable assets in operation combined with a higher units of production ("UOP") depreciation rate during the three months ended December 31, 2021. This was partially offset by a higher amount of depreciation and depletion costs allocated to inventory.

Corporate and administrative expenses

Corporate and administrative expenses were \$1.7 million during the three months ended December 31, 2021, compared to \$1.3 million during the three months ended December 31, 2020. The increase is the result of general growth in activities of the Company. The significant components of these expenses include salaries, consulting and professional fees, administrative and other, and business development. Salaries were \$0.6 million during the three months ended December 31, 2021, compared to \$0.4 million during the three months ended December 31, 2020. Consulting and professional fees were \$0.8 million during the three months ended December 31, 2021, compared to \$0.5 million during the three months ended December 31, 2020. Business development costs were \$0.1 million during the three months ended December 31, 2021 and 2020. Administrative and other expenses were \$0.1 million during the three months ended December 31, 2021 and 2020.

Share-based compensation

Share-based compensation was \$0.9 million during the three months ended December 31, 2021, compared to \$nil during the three months ended December 31, 2020. There were 2,500,000 options granted to certain directors, officers and employees of the Company during the three months ended December 31, 2021.

Exploration expenses

Exploration expenses were \$0.1 million for the three months ended December 31, 2021 and 2020. Exploration expenses relate to the bi-annual concession payments made in order to keep the mineral concessions in good standing. Refer to the "Exploration Properties" section of this document for further details on the exploration activities.

Other income, net

Other income was \$0.2 million during the three months ended December 31, 2021, compared to other expense of \$0.4 million during the three months ended December 31, 2020. During the three months ended December 31, 2021, other income was mostly due to a \$0.2 million revaluation of the provision for the demobilization of the mining contractor. During the three months ended December 31, 2020, there was a \$0.4 million expense related to the revaluation of various provisions, including the demobilization of the mining contractor.

Finance expenses

Finance expenses were \$0.8 million during the three months ended December 31, 2021, compared to \$0.4 million during the three months ended December 31, 2020. The increase is due to accretion on the Sandstorm and Auramet deferred revenue items, which were \$0.2 million and \$0.1 million, respectively, during the three months ended December 31, 2021, compared to \$0.1 million and \$nil, respectively, during the three months ended December 31, 2020. Additionally, interest and accretion on Debentures and interest on vendor loan totaled \$0.3 million during the three months ended December 31, 2021, compared to \$nil during the three months ended December 31, 2020. Accretion on the provisions for site reclamation and the demobilization of the mining contractor were \$0.1 million during the three months ended December 31, 2021 and 2020. These increases were offset by the accretion on other payables, which was \$0.1 million during the three months ended December 31, 2021, compared to \$0.2 million during the three months ended December 31, 2020.

*Income taxes**Current tax*

Current tax recovery during the three months ended December 31, 2021, was \$0.6 million compared to \$0.5 million during the three months ended December 31, 2020. During the three months ended December 31, 2021, based on preliminary annual taxable income of \$nil for Molimentales, cash instalment payments made during fiscal 2021 were reclassified to income tax receivable, resulting in a current tax recovery. During the three months ended December 31, 2020, provision for the 7.5% special mining duty tax was reversed and resulted in a tax recovery of \$0.5 million.

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Deferred tax

Deferred tax expense was \$1.0 million during the three months ended December 31, 2021, compared to \$2.1 million during the three months ended December 31, 2020.

During the three months ended December 31, 2021, the deferred tax asset decreased by \$0.6 million to \$1.1 million. Increased temporary differences between the accounting and tax values of mineral properties, plant and equipment and inventory resulted in increased deferred tax liabilities offsetting the deferred tax asset. During the three months ended December 31, 2020, the deferred tax asset decreased by \$1.5 million to \$0.8 million, due to an increase of the accounting value of the mineral properties and plant and equipment, reducing the temporary difference with its tax basis.

During the three months ended December 31, 2021, the deferred tax liability related to the 7.5% special mining duty tax increased by \$0.4 million to \$1.9 million. The increase of \$0.4 million was due to a decrease in deferred revenue items, resulting in an increase of the amount of deferred tax assets offsetting the deferred tax liabilities. During the three months ended December 31, 2020, a deferred tax liability related to the 7.5% special mining duty tax of \$0.6 million was recognized.

Review of consolidated financial information for the year ended December 31, 2021 and nine months ended December 31, 2020

Revenues and costs for the year ended December 31, 2021, are generally expected to be higher than for the nine months ended December 31, 2020, due to different lengths of the comparative periods.

The Company had net earnings of \$5.2 million and net comprehensive earnings of \$5.6 million during the year ended December 31, 2021, with basic and diluted earnings per share of \$0.06. This compares with a net loss of \$5.7 million and net comprehensive loss of \$7.3 million during the nine months ended December 31, 2020, with basic and diluted loss per share of \$0.07. The increase in net earnings of \$10.9 million was principally due to the following factors:

Metal revenues

During the year ended December 31, 2021, revenues were \$98.5 million compared to \$37.0 million during the nine months ended December 31, 2020. During the year ended December 31, 2021, the Company sold 54,788 gold ounces at an average realized gold price of \$1,785 per ounce compared to 20,235 gold ounces at an average realized gold price of \$1,820 per ounce during the nine months ended December 31, 2020. Metal revenues were generated from the San Francisco Mine, which commenced on May 6, 2020, the date that the San Francisco Mine was acquired.

Cost of sales

Production costs, which comprise the full cost of operations excluding depreciation and depletion, form a component of cost of sales and were \$72.0 million compared to \$34.2 million during the nine months ended December 31, 2020.

A total of 26.1 million tonnes were mined at the San Francisco Mine during the year ended December 31, 2021, compared to 7.2 million tonnes during the nine months ended December 31, 2020. Total mining costs were \$59.2 million, of which deferred stripping and underground development costs of \$22.7 million and \$2.3 million, respectively, were capitalized, resulting in costs of mining of \$34.2 million during the year ended December 31, 2021. This compares with \$22.1 million, of which deferred stripping and underground development costs of \$9.9 million and \$2.1 million, respectively, were capitalized, resulting in costs of mining of \$10.1 million during the nine months ended December 31, 2020.

Crushing and gold recovery costs were \$34.4 million during the year ended December 31, 2021, compared to \$16.9 million during the nine months ended December 31, 2020. A total of 5.5 million tonnes were processed at the San Francisco Mine during the year ended December 31, 2021, compared to 1.7 million during the nine months ended December 31, 2020.

Mine site administrative costs were \$4.9 million during the year ended December 31, 2021, compared to \$2.5 million during the nine months ended December 31, 2020. The increase is due to a change in the cost structure as the San Francisco Mine was operating towards and at full-scale production rate during the year ended December 31, 2021, whereas it was in the restart phase during the nine months ended December 31, 2020.

Royalty, transport, and refining costs were \$0.8 million during the year ended December 31, 2021, compared to \$0.3 million during the nine months ended December 31, 2020, as a result of increased sales.

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Change in inventories decreased cost of sales by \$2.3 million during the year ended December 31, 2021, compared to an increase of \$4.4 million during the nine months ended December 31, 2020. During the year ended December 31, 2021, the San Francisco Mine returned to full-scale production and it resulted in an increased number of ounces extracted from the pit. Therefore, there were more recoverable gold ounces deposited onto the pad than ounces recovered from the pad. It resulted in a net increase of the inventory value. During the nine months ended December 31, 2020, the San Francisco Mine was mostly in the restart phase and there were less recoverable gold ounces deposited onto the pad than ounces recovered from the pad. It resulted in a net decrease of the inventory value.

Depletion and depreciation costs form a component of cost of sales and were \$13.1 million during the year ended December 31, 2021, compared to \$0.9 million during the nine months ended December 31, 2020. The increase is due to a larger amount of depreciable assets in operation combined with a higher UOP depreciation rate during the year ended December 31, 2021. This was partially offset by a higher amount of depreciation and depletion costs allocated to inventory.

Corporate and administrative expenses

Corporate and administrative expenses were \$5.7 million during the year ended December 31, 2021, compared to \$3.3 million during the nine months ended December 31, 2020, as a result of the addition of Molimentales in May 2020 and general growth in activities of the Company. The significant components of these expenses include salaries, consulting and professional fees, administrative and other, and business development. Salaries were \$2.3 million during the year ended December 31, 2021, compared to \$1.1 million during the nine months ended December 31, 2020. Consulting and professional fees were \$2.4 million during the year ended December 31, 2021, compared \$1.2 million during the nine months ended December 31, 2020. Business development costs were \$0.4 million during the year ended December 31, 2021, compared to \$0.3 million during the nine months ended December 31, 2020. Administrative and other expenses were \$0.4 million during the year ended December 31, 2021, compared to \$0.1 million during the nine months ended December 31, 2020.

Additionally, the Company expenses the VAT paid by Minera Magna as there is uncertainty on whether it will be refunded by the Mexican tax authority. During the year ended December 31, 2021, due to payment of intercompany charges, the Company applied a VAT payable by Minera Magna to the Mexican tax authority against the period's VAT expense, resulting in a net VAT recovery of \$0.1 million. During the nine months ended December 31, 2020, VAT expense was \$0.3 million.

Share-based compensation

Share-based compensation was \$1.5 million during the year ended December 31, 2021, compared to \$3.2 million during the nine months ended December 31, 2020. There were 3,500,000 options granted to certain directors, officers and employees of the Company during the year ended December 31, 2021, whereas the Company granted options to certain directors, officers, employees, and consultants to purchase 4,600,000 common shares during the nine months ended December 31, 2020.

Exploration expenses

Exploration expenses were \$0.9 million during the year ended December 31, 2021, compared to \$0.5 million during the nine months ended December 31, 2020. Exploration expenses relate to the bi-annual concession payments made in order to keep the mineral concessions in good standing. Refer to the "Exploration Properties" section of this document for further details on the exploration activities.

Other income, net

During the year ended December 31, 2021, the Company had other income of \$4.1 million compared to \$0.1 million during the nine months ended December 31, 2020.

During the year ended December 31, 2021, the Company received a refund of tax instalments of \$3.5 million and interest of \$0.5 million from the Mexican tax authority related to Molimentales' activities during the 2017 calendar year. Additionally, the Company applied tax credits dating from calendar year 2018 to its interim tax reporting for an amount of \$0.5 million. Upon the acquisition of Molimentales on May 6, 2020, the tax credits were not recognized as a receivable as there was uncertainty on whether the Company would be able to apply them against future income tax liabilities. The refund, interest received, and the application of tax credits resulted in gains of \$3.8 million, net of related fees to retrieve the funds. Refer to the "Contingencies" section of this document for further details.

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

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Finance expenses

Finance expenses were \$2.2 million during the year ended December 31, 2021, compared to \$0.8 million during the nine months ended December 31, 2020. The increase is due to accretion on the Sandstorm and Auramet deferred revenue items, which were \$0.6 million and \$0.3 million, respectively, during the year ended December 31, 2021, compared to \$0.1 million and \$nil, respectively, during the nine months ended December 31, 2020. Additionally, interest and accretion on Debentures and interest on vendor loan totaled \$0.5 million during the year ended December 31, 2021, compared to \$nil during the nine months ended December 31, 2020. Accretion on the provisions for site reclamation and the demobilization of the mining contractor were \$0.4 million during the year ended December 31, 2021, compared to \$0.3 million during the nine months ended December 31, 2020. These increases were offset by the accretion on other payables, which was \$0.4 million during the year ended December 31, 2021, compared to \$0.5 million during the nine months ended December 31, 2020.

Income taxes

Current tax

Current tax expense during the year ended December 31, 2021, was \$nil compared to a recovery of \$0.7 million during the nine months ended December 31, 2020. During the nine months ended December 31, 2020, the \$0.7 million provision for the 7.5% special mining duty tax recognized at the time of acquisition of Molimentales was reversed as a result of lower profitability of the San Francisco Mine and resulted in a tax recovery of \$0.7 million.

Deferred tax

Deferred tax expense was \$1.0 million during the year ended December 31, 2021, compared to \$2.1 million during the nine months ended December 31, 2020.

During the year ended December 31, 2021, the deferred tax asset increased by \$0.3 million to \$1.1 million. Molimentales had tax losses during fiscal 2021, therefore increasing the amount of loss carryforwards. This was offset by increased temporary differences between the accounting and tax values of mineral properties, plant and equipment and inventory, resulting in increased deferred tax liabilities offsetting the deferred tax asset. During the nine months ended December 31, 2020, the deferred tax asset decreased by \$1.5 million to \$0.8 million, due to an increase of the accounting value of the mineral properties and plant and equipment, reducing the temporary difference with its tax basis.

During the year ended December 31, 2021, the deferred tax liability related to the 7.5% special mining duty tax increased by \$1.5 million to \$2.1 million. The increase of \$1.5 million was mostly due to deferred stripping costs, which are deductible during the current period, thus increasing future tax liabilities. During the nine months ended December 31, 2020, a deferred tax liability related to the 7.5% special mining duty tax of \$0.6 million was recognized.

Review of derivative contracts for the three months and year ended December 31, 2021, and for the three and nine months ended December 31, 2020*Derivatives*

The Company had no outstanding gold option contracts at December 31, 2020.

During the three months and year ended December 31, 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.

Of these gold option contracts entered into during the three months ended December 31, 2021, contracts covering 7,700 gold ounces expired unexercised and contracts covering 300 gold ounces were exercised.

Of these gold option contracts entered into during the year ended December 31, 2021, contracts covering 20,300 gold ounces expired unexercised and contracts covering 4,000 gold ounces were exercised.

During the three months and year ended December 31, 2021, a gain of \$0.1 million and \$0.1 million, respectively, were recognized on the fair value of the contracts, compared to a gain of \$0.1 million and a loss of \$0.1 million during the three and nine months ended December 31, 2020, respectively.

Of these gold options contracts entered into during the year ended December 31, 2021, none were outstanding at December 31, 2021, and therefore no derivative asset or liability was recognized.

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Subsequent to December 31, 2021, the Company entered into additional contracts with one counterparty, being Auramet. The following describes the Company's position on these subsequent contracts at the date of this MD&A:

Contract type	Buy/sell	Contract expiry date	Ounces	Average exercise price	Exercised	Expired unexercised	Outstanding
Call	Sell	February 24, 2022	2,500	\$ 1,865	2,500	-	-
Call	Sell	March 29, 2022	2,300	\$ 1,952	-	2,300	-
Call	Sell	June 28, 2022	500	\$ 2,000	-	-	500
Total ounces covered			5,300	\$ 1,915	2,500	2,300	500

Additionally, subsequent to December 31, 2021, the Company entered into gold option contracts whereby the Company purchased the option to sell gold ounces at a set price and concurrently sold the right to a third party to purchase gold ounces at a set price.

Contract type	Buy/sell	Contract expiry date	Ounces	Average exercise price	Exercised	Expired unexercised	Outstanding
Put	Buy	March 29, 2022	1,000	\$ 1,800	-	1,000	-
Call	Sell	March 29, 2022	1,000	\$ 1,875	1,000	-	-
Put	Buy	March 29, 2022	500	\$ 1,900	500	-	-
Call	Sell	March 29, 2022	500	\$ 2,020	-	500	-
Put	Buy	June 28, 2022	1,000	\$ 1,825	-	-	1,000
Call	Sell	June 28, 2022	1,000	\$ 1,905	-	-	1,000
Total Puts			2,500	\$ 1,830	500	1,000	1,000
Total Calls			2,500	\$ 1,916	1,000	500	1,000

Derivatives in relation to the Auramet Agreement

During the year ended December 31, 2021, and in conjunction with an agreement with Auramet, the Company granted the following contracts:

Contract type	Buy/sell	Contract expiry date range	Ounces	Average exercise price	Exercised	Expired unexercised	Outstanding
Call ⁽¹⁾	Sell	August 31, 2021 to May 31, 2022	3,000	\$ 2,000	-	1,500	1,500
Call ⁽²⁾	Sell	May 28, 2021 to January 31, 2022	13,000	\$ 2,011	-	11,000	2,000
Put ⁽³⁾	Buy	May 28, 2021 to January 31, 2022	13,000	\$ 1,700	-	12,500	500
Call ⁽⁴⁾	Buy	May 26, 2021 to September 28, 2021	5,000	\$ 1,900	-	5,000	-
Forward ⁽⁵⁾	Sell	May 26, 2021 to September 28, 2021	5,000	\$ 1,700	5,000	-	-

⁽¹⁾ During the three months ended December 31, 2021, gain on the fair value of the outstanding contracts was \$0.1 million compared to \$nil during the three months ended December 31, 2020. During the year ended December 31, 2021, loss on the fair value of the outstanding contracts was \$0.1 million compared to \$nil during the nine months ended December 31, 2020. A \$0.1 million derivative liability was recognized at December 31, 2021.

⁽²⁾ During the three months ended December 31, 2021, gain on the fair value of the outstanding contracts was \$0.1 million compared to \$nil during the three months ended December 31, 2020. During the year ended December 31, 2021, loss on the fair value of the outstanding contracts was \$0.1 million compared to \$nil during the nine months ended December 31, 2020. A \$0.1 million derivative liability was recognized at December 31, 2021.

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- (3) During the three months ended December 31, 2021, loss on the fair value of the outstanding contracts was \$0.1 million compared to \$nil during the three months ended December 31, 2020. During the year ended December 31, 2021, gain on the fair value of the outstanding contracts was \$0.1 million compared to \$nil during the nine months ended December 31, 2020. A \$0.1 million derivative asset was recognized at December 31, 2021.
- (4) During the year ended December 31, 2021 and the nine months ended December 31, 2020, gain (loss) on the fair value of the outstanding contracts was \$nil. No derivative asset or liability was recognized at December 31, 2021.
- (5) During the year ended December 31, 2021, forward contracts covering 5,000 ounces were exercised.

During the year ended December 31, 2021, loss of \$0.5 million was recognized on the fair value of the contracts, compared to \$nil during the nine months ended December 31, 2020, respectively.

All derivative assets and liabilities are presented on a net basis on the consolidated statements of financial position. At December 31, 2021, derivative liabilities, net of derivative assets, was \$0.1 million, compared to \$nil at December 31, 2020.

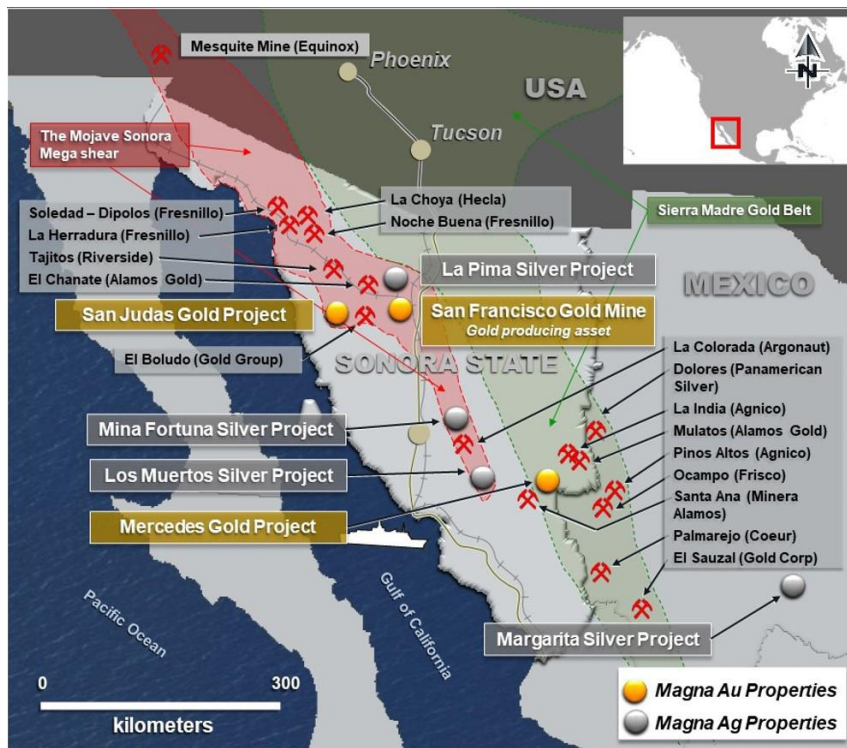
Subsequent to December 31, 2021, in relation to the Auramet 2022 Extension, the Company entered into gold option contracts whereby the Company purchased the option to sell 10,000 gold ounces at a weighted exercise price of \$1,822 per gold ounce and concurrently sold the right to a third party to purchase 10,000 gold ounces at a weighted exercise price of \$2,038 per gold ounce. These contracts have expiry dates ranging from July 27 to November 28, 2022. Of these contracts, all were outstanding.

Subsequent to December 31, 2021, in relation to the Auramet 2022 Extension, 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 have expiry dates ranging from May 25 to June 28, 2022. Of these contracts, all were outstanding.

EXPLORATION PROPERTIES

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

Figure 1: Location of Magna’s exploration properties



Exploration expenditures by property (in thousands of US Dollars)	Actual expenditures for the year ended December 31, 2021	Revised planned expenditures for 2021	Planned expenditures for 2022
San Francisco Mine	\$ 1,199	\$ 1,360	\$ 6,390
Margarita Project	850	1,200	1,750
Mercedes Property	488	499	607
San Judas Project	202	259	301
La Pima Project	100	120	181
Los Muertos Project	86	146	82
La Fortuna Project ⁽¹⁾	45	53	64
Las Marias Property	13	14	11
Total	\$ 2,983	\$ 3,651	\$ 9,386

⁽¹⁾ Previously described as the Cuproros Project.

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The San Francisco Mine*Planned activities*

The Company will continue the infill drilling program started during fiscal 2020 and continued throughout fiscal 2021.

The following table summarizes the Company's planned activities and actual and planned expenditures for fiscal 2021 at the San Francisco Mine (amounts in thousands of US Dollars):

Plans for the project during 2021	Actual expenditures for the year ended December 31, 2021	Revised planned expenditures for 2021	Original planned expenditures for 2021
<ul style="list-style-type: none"> 2,706 meters of reverse circulation ("RC") drilling on the north-western portion of the San Francisco ore body Other costs (concession payments, other geological and administrative costs) 	\$1,199 ⁽¹⁾	\$1,360	\$4,895

⁽¹⁾ The amount of \$1,199 was allocated as follows during the year ended December 31, 2021:

- \$466 capitalized in mineral properties; and,
- \$733 in exploration expenses.

The following table summarizes the Company's planned activities and planned expenditures for fiscal 2022 at the San Francisco Mine (amounts in thousands of US Dollars):

Plans for the project during 2022	Planned expenditures for 2022
<ul style="list-style-type: none"> 47,000 meters of RC drilling and 6,000 meters of core drilling of infill and exploration drilling on the northern, northwestern and eastern portions of the San Francisco pit, over mineral indications of historical drill holes 1,500 meters of RC drilling on the Vetatierra target to confirm mineralization Other costs (concession payments, other geological and administrative costs) 	\$6,390

Margarita Project*Overview*

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

Planned activities

The Company intends to carry out a resource definition and a PEA upon completion of the drill program. The maiden resource estimate is expected to be completed by early in Q2 2022 and will be followed by a PEA shortly after. The estimated total cost until completion of the PEA is approximately \$2.0 million, of which \$0.9 million was incurred during fiscal 2021.

On March 8, 2022, the Company reported preliminary drilling results from the first 22 of 43 drill holes completed. The overall drilling program up to the PEA totals 8,500 meters in 43 core holes, of which 3,105 meters were drilled from October to December 2021.

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The following table summarizes the Company's planned activities and actual and planned expenditures for fiscal 2021 at the Margarita Project (amounts in thousands of US Dollars):

Plans for the project during 2021	Actual expenditures for the year ended December 31, 2021	Revised planned expenditures for 2021	Original planned expenditures for 2021
<ul style="list-style-type: none"> • Review historical drilling data • Re-log drill core, re-sample and sample vein and vein extensions • Topographic survey of the drill holes and topographic map to support the construction of new cross and long sections to support the following drill program • Drill program of 3,105 meters of core and RC drilling to test continuity of mineral interceptions and explore at depth • Other costs (concession/land payments, other geological and administrative costs) 	\$850 ⁽¹⁾	\$1,200	\$2,241

⁽¹⁾ The amount of \$850 was allocated as follows during the year ended December 31, 2021:

- \$848 capitalized in exploration and evaluation assets; and,
- \$2 in exploration expenses.

The following table summarizes the Company's planned activities and planned expenditures for fiscal 2022 at the Margarita Project (amounts in thousands of US Dollars):

Plans for the project during 2022	Planned expenditures for 2022
<ul style="list-style-type: none"> • Remaining 5,395 meters of core and RC drilling to complete maiden resource estimate • Completion of PEA • Other costs (concession/land payments, other geological and administrative costs) 	\$1,750

The above-mentioned planned expenditures for fiscal 2022 are up to the completion of a PEA. Further exploration activities and expenditures are not determined yet as they are dependent on the results of the current drilling program.

Mercedes Property*Overview*

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

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Planned activities

The following table summarizes the Company's planned activities and actual and planned expenditures for fiscal 2021 at the Mercedes Property (amounts in thousands of US Dollars):

Plans for the project during 2021	Actual expenditures for the year ended December 31, 2021	Revised planned expenditures for 2021	Original planned expenditures for 2021
<ul style="list-style-type: none"> • Geotechnical study for the pit design of the La Lamosa pit • IP-R to test the quartz/tourmaline breccias at depth, including five targets located in a geological environment of epithermal high sulphidation copper porphyry targets ^(2,3) • Compile and review the data to generate a RC drill program on the quartz/tourmaline breccias ^(2,3) • Hydrological study and completion of the IP-R two lines ⁽³⁾ • Other costs (option/concession/land payments, other geological and administrative costs) 	\$488 ⁽¹⁾	\$499	\$802

⁽¹⁾ The amount of \$488 was allocated as follows during the year ended December 31, 2021:

- \$482 capitalized in exploration and evaluation assets; and,
- \$6 in exploration expenses.

⁽²⁾ The Las Marias concessions cover the eastern portion of the Mercedes property where lies the quartz/tourmaline breccias system.

⁽³⁾ Activities not carried out during fiscal 2021 and rescheduled for fiscal 2022. Original planned expenditures for fiscal 2021 included other activities which have been deferred to a further date.

The following table summarizes the Company's planned activities and planned expenditures for fiscal 2022 at the Mercedes Property (amounts in thousands of US Dollars):

Plans for the project during 2022	Planned expenditures for 2022
<ul style="list-style-type: none"> • 1,500 meters of RC drilling in five drill holes distributed along the Mina del Oro and Mina Vieja mineral trends to explore the gold and silver mineralization in both veins • IP-R to test the quartz/tourmaline breccias at depth, including five targets located in a geological environment of epithermal high sulphidation copper porphyry targets • Compile and review the data to generate a RC drill program on the quartz/tourmaline breccias • Hydrological study and completion of the IP-R two lines • Other costs (option/concession/land payments, other geological and administrative costs) 	\$607

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

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San Judas Project*Overview*

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

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

Planned activities

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

The following table summarizes the Company's planned activities and actual and planned expenditures for fiscal 2021 at the San Judas Project (amounts in thousands of US Dollars):

Plans for the project during 2021	Actual expenditures for the year ended December 31, 2021	Revised planned expenditures for 2021	Original planned expenditures for 2021
<ul style="list-style-type: none"> • Detailed mapping on surface to collect structural measurements to validate the selection of drill targets ⁽²⁾ • Interpretation of the structural field mapping to define the best sites for drilling on the four targets and extend the exploration to the rest of the property where gold anomalies occur ⁽²⁾ • Other costs (option/concession/land payments, other geological and administrative costs) 	\$202 ⁽¹⁾	\$259	\$1,316

⁽¹⁾ The amount of \$202 was allocated as follows during the year ended December 31, 2021:

- \$152 capitalized in exploration and evaluation assets; and,
- \$50 in exploration expenses.

⁽²⁾ Activities not carried out during fiscal 2021 and rescheduled for fiscal 2022. Original planned expenditures for fiscal 2021 included other activities which have been deferred to a further date.

The following table summarizes the Company's planned activities and planned expenditures for fiscal 2022 at the San Judas Project (amounts in thousands of US Dollars):

Plans for the project during 2022	Planned expenditures for 2022
<ul style="list-style-type: none"> • Detailed mapping on surface to collect structural measurements to validate the selection of drill targets • Interpretation of the structural field mapping to define the best sites for drilling on the four targets and extend the exploration to the rest of the property where gold anomalies occur • Other costs (option/concession/land payments, other geological and administrative costs) 	\$301

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La Pima Project*Overview*

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

Planned activities

The following table summarizes the Company's planned activities and actual and planned expenditures for fiscal 2021 at the La Pima Project (amounts in thousands of US Dollars):

Plans for the project during 2021	Actual expenditures for the year ended December 31, 2021	Revised planned expenditures for 2021	Original planned expenditures for 2021
<ul style="list-style-type: none"> • Review interpretation of the historical drilling results and decide future exploration works, follow step and infill drilling ⁽²⁾ 	\$100 ⁽¹⁾	\$120	\$455
<ul style="list-style-type: none"> • Other costs (concession/land payments, other geological and administrative costs) 			

⁽¹⁾ The amount of \$100 was allocated as follows during the year ended December 31, 2021:

- \$13 capitalized in exploration and evaluation assets; and,
- \$87 in exploration expenses.

⁽²⁾ Activities not carried out during fiscal 2021 and rescheduled for fiscal 2022. Original planned expenditures for fiscal 2021 included other activities which have been deferred to a further date.

The following table summarizes the Company's planned activities and planned expenditures for fiscal 2022 at the La Pima Project (amounts in thousands of US Dollars):

Plans for the project during 2022	Planned expenditures for 2022
<ul style="list-style-type: none"> • Review interpretation of the historical drilling results and decide future exploration works, follow step and infill drilling 	\$181
<ul style="list-style-type: none"> • Other costs (concession/land payments, other geological and administrative costs) 	

Los Muertos Project*Overview*

The Los Muertos Project is located in central Sonora, 75 kilometers southeast of the city of Hermosillo, within the La Colorada municipality, and approximately 30 kilometers southeast of the La Colorada gold mine, owned by Argonaut Gold Inc.

Planned activities

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

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The following table summarizes the Company's planned activities and actual and planned expenditures for fiscal 2021 at the Los Muertos Project (amounts in thousands of US Dollars):

Plans for the project during 2021	Actual expenditures for the year ended December 31, 2021	Revised planned expenditures for 2021	Original planned expenditures for 2021
<ul style="list-style-type: none"> • Soil and rock chip sampling to confirm the results of previous sampling campaigns ⁽²⁾ • Geology mapping ⁽²⁾ • Review and validation of the IP-R survey and, if positive, extend the lines to the north and east targets ⁽²⁾ • Other costs (option/concession/land payments, other geological and administrative costs) 	\$86 ⁽¹⁾	\$146	\$560

⁽¹⁾ The amount of \$86 was allocated as follows during the year ended December 31, 2021:

- \$55 capitalized in exploration and evaluation assets; and,
- \$31 in exploration expenses.

⁽²⁾ Activities not carried out during fiscal 2021 and rescheduled for fiscal 2022. Original planned expenditures for fiscal 2021 included other activities which have been deferred to a further date.

The following table summarizes the Company's planned activities and planned expenditures for fiscal 2022 at the Los Muertos Project (amounts in thousands of US Dollars):

Plans for the project during 2022	Planned expenditures for 2022
<ul style="list-style-type: none"> • Soil and rock chip sampling to confirm the results of previous sampling campaigns • Geology mapping • Review and validation of the IP-R survey and, if positive, extend the lines to the north and east targets • Other costs (option/concession/land payments, other geological and administrative costs) 	\$82

La Fortuna Project*Overview*

The La Fortuna Project, previously described as the Cuproros Project, consists of three contiguous claims covering an aggregate area of approximately 196 hectares located approximately 150 kilometers east from the Sonora state capital, Hermosillo.

Planned activities

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

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The following table summarizes the Company's planned activities and actual and planned expenditures for fiscal 2021 at the La Fortuna Project (amounts in thousands of US Dollars):

Plans for the project during 2021	Actual expenditures for the year ended December 31, 2021	Revised planned expenditures for 2021	Original planned expenditures for 2021
<ul style="list-style-type: none"> • Survey of the mining concessions ⁽²⁾ • Chip rock sampling ⁽²⁾ • Consider an IP-R survey to identify sulfide rich mineral shoots below surface ⁽²⁾ • Other costs (option/land payments, other geological and administrative costs) 	\$45 ⁽¹⁾	\$53	\$238

⁽¹⁾ The amount of \$45 was allocated as follows during the year ended December 31, 2021:

- \$42 capitalized in exploration and evaluation assets; and,
- \$3 in exploration expenses.

⁽²⁾ Activities not carried out during fiscal 2021 and rescheduled for fiscal 2022. Original planned expenditures for fiscal 2021 included other activities which have been deferred to a further date.

The following table summarizes the Company's planned activities and planned expenditures for fiscal 2022 at the La Fortuna Project (amounts in thousands of US Dollars):

Plans for the project during 2022	Planned expenditures for 2022
<ul style="list-style-type: none"> • Survey of the mining concessions • Chip rock sampling • Consider an IP-R survey to identify sulfide rich mineral shoots below surface • Other costs (option/land payments, other geological and administrative costs) 	\$64

Las Marías Property*Overview*

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

Planned Activities

The following table summarizes the Company's planned activities and actual and planned expenditures for fiscal 2021 at the Las Marias Property (amounts in thousands of US Dollars):

Plans for the project during 2021	Actual expenditures for the year ended December 31, 2021	Revised planned expenditures for 2021	Original planned expenditures for 2021
<ul style="list-style-type: none"> • The Las Marias concessions cover the eastern portion of the Mercedes property where lies the quartz/tourmaline breccias system with exploration works included in the Mercedes property (IP-R; drilling and review and interpretation of results) • Other costs (concession/land payments, other geological and administrative costs) 	\$13 ⁽¹⁾	\$14	\$11

⁽¹⁾ The amount of \$13 was allocated in exploration expenses during the year ended December 31, 2021.

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The following table summarizes the Company's planned activities and planned expenditures for fiscal 2022 at the Las Marias Property (amounts in thousands of US Dollars):

Plans for the project during 2022	Planned expenditures for 2022
<ul style="list-style-type: none">• The Las Marias concessions cover the eastern portion of the Mercedes property with exploration works included in the Mercedes property	\$11
<ul style="list-style-type: none">• Other costs (concession/land payments, other geological and administrative costs)	

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

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

OUTLOOK

Since acquiring the San Francisco Mine in May 2020, the Company has been focusing on pre-stripping both the San Francisco and La Chicharra open pits. The Company has reinvested approximately \$45.0 million towards pre-stripping of the pits, plant and equipment refurbishing, leach pad construction, infill drilling to increase resources, and underground mine exploration and development. The full ramp-up of the San Francisco Mine was completed during June 2021 and it is now operating at a full-scale and steady rate of production.

With the return of the San Francisco Mine to a steady rate of production, the goal of the Company is to successfully execute the PFS operating plan and to establish stable and low-cost production. This will help strengthen the financial position of the Company and will allow the creation of additional value through the advancement of its exploration projects and the pursuit of external growth opportunities. The Company remains committed to the protection of health, safety and environment and will continue to operate in a sustainable and socially responsible manner.

The Company expects the San Francisco Mine to produce between 65,000 to 75,000 ounces during 2022. The expected cash generated by the operation will help strengthen the financial condition and support the execution of the Company's exploration strategy in and around the existing open pits of the San Francisco Mine and across its extensive portfolio of gold and silver projects.

The Company has over 45,000 hectares of highly prospective ground, a gold operation with increasing production rates, several promising gold and silver projects - all in two of the most mining-friendly states in Mexico. The Company has a well-defined exploration program for 2022 and details of the on-going activities are described in the "Exploration Properties" section of this document.

LIQUIDITY, CONTINGENCIES AND CASH FLOWS

Liquidity

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

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

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At December 31, 2021, the Company had negative net working capital of \$9.2 million. The Company had cash of \$2.1 million, trade and other receivables of \$13.0 million, inventories of \$17.7 million, advances and prepaid expenses of \$1.2 million, trade payables and accrued liabilities of \$35.7 million, other payables of \$4.1 million and current deferred revenue liabilities of \$3.3 million. The working capital deficiency is expected to be remedied by the generation of cash flows from operations and, if not sufficient, by raising additional capital.

During the year ended December 31, 2021, the Company closed a non-brokered private placement of C\$10.0 million convertible debentures with funds managed by Delbrook. The Debentures are currently unsecured obligations of the Company and bear interest at a rate of 8.5% per annum until the date that the security contemplated by the Debentures is delivered to Delbrook. Following such delivery, if applicable, the Debentures will bear interest at a rate of 6.5% per annum. The funds were received on August 19, 2021, and will go towards meeting the Company's working capital obligations and supporting its exploration programs. As at the date of this MD&A, the interest rate of the Debentures remained at 8.5% per annum and the Company had made the scheduled interest payments in cash.

During the year ended December 31, 2021, the Company entered into an agreement and an extension with Auramet, pursuant to which the Company received a total of \$6.0 million in exchange for payments in gold ounces to be delivered to Auramet starting May 31, 2021, and ending on May 31, 2022. Subsequent to December 31, 2021, the Company entered into another extension agreement with Auramet whereby the Company received an additional \$2.0 million in exchange for additional payments in gold ounces starting July 29, 2022, and ending on December 29, 2022. The funds are not restricted for use and are budgeted for operational activities at the San Francisco Mine. In conjunction with the agreements, the Company is required to maintain a minimum consolidated cash balance of \$1.0 million. As at December 31, 2021, the Company had made the scheduled gold deliveries and maintained the minimum cash balance required, and therefore was in compliance with the agreement. Subsequent to December 31, 2021, the Company agreed to maintain a minimum consolidated cash balance to \$1.5 million and will be required to do so until the gold delivery obligation is fulfilled on December 29, 2022.

During the year ended December 31, 2021, the Company made the four scheduled payments of the promissory note of \$2.7 million corresponding to the working capital difference due to Timmins in relation with the Molimentales acquisition, thereby satisfying the promissory note obligations with Timmins.

During the year ended December 31, 2021, the Company made the scheduled principal and interest payments in relation with the settlement agreement entered into by Molimentales and Inmobiliaria y Hotelera Los Algodones, S.A. de C.V. ("Algodones") regarding their amparo suit with respect to an amount of \$1.7 million.

The deferred revenue liability with Sandstorm is met through the monthly deliveries of gold ounces and as at the date of this MD&A, the Company has made all scheduled deliveries.

In relation to the settlement agreed upon with Peal during fiscal 2020, Molimentales had agreed to pay \$3.5 million in cash, plus value added taxes of 16%, to Peal by December 31, 2021. Subsequent to December 31, 2021, the Company and Peal amended the timing and payment terms of the amount of \$4.1 million. The amended terms included issuance of 1,660,132 common shares to Peal to extinguish \$1.0 million on April 19, 2022. In addition, the Company will pay Peal six monthly cash payments of \$0.2 million starting on July 31, 2022, and six monthly cash payments of \$0.3 million starting on January 31, 2023.

The Company holds, directly or through option contracts, a total of 38 mineral concessions and must pay bi-annual fees in order to keep them in good standing. The amount of concession payments for fiscal 2021 was \$0.9 million and is expected to be similar for fiscal 2022. Additionally, the Company is party to four option agreements to acquire mineral concessions (Mercedes, San Judas, Los Muertos and La Fortuna). The amount of option payments for fiscal 2021 was \$0.3 million and \$0.1 million was deferred to fiscal 2022. The expected amount of option payments for fiscal 2022 is \$0.6 million.

With the San Francisco Mine now operating on a full-scale and steady rate of production and the other financial resources described above, the Company believes it is in a position to fund its operating and corporate costs and its exploration plans for fiscal 2022 of \$9.4 million at the San Francisco Mine and its other projects, while meeting its contractual obligations in relation to the Sandstorm and Auramet deferred revenue items, Debentures interest, other payables, and settlement payments related to the amparo suit. However, the Company may prioritize expenditures in the short term and may require additional financing in order to fulfill its financial commitments and carry out its operational activities.

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

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

A summary of undiscounted liabilities and future operating commitments, in thousands of US Dollars, at December 31, 2021, are as follows:

	Total	Within 1 year	1 - 3 years	4 - 5 years	Greater than 5 years
Maturity analysis of financial liabilities					
Trade payables and accrued liabilities	\$ 35,734	\$ 35,375	\$ 359	\$ -	\$ -
Other payables ⁽¹⁾	4,164	4,054	-	-	110
Debentures ⁽²⁾	7,888	-	7,888	-	-
Interest payments on Debentures ⁽²⁾	1,095	670	425	-	-
	48,881	40,099	8,672	-	110
Commitments					
Option payments on exploration and evaluation properties	3,290	555	2,735	-	-
Other provisions ⁽³⁾	1,732	-	-	-	1,732
Provision for site reclamation and closure ⁽⁴⁾	7,201	-	-	-	7,201
Total financial liabilities and commitments	\$ 61,104	\$ 40,654	\$ 11,407	\$ -	\$ 9,043

(1) Other payables include the undiscounted considerations of \$4.1 million due to Peal and \$0.1 for seniority premiums.

(2) Debentures represent the undiscounted and non-componentized obligation to the debenture holders of C\$10.0 million twenty-four months from the issuance date. Interest payments on the Debentures are the estimated future payments of C\$1.4 million on December 31, 2021, assuming an interest rate of 8.5% throughout the term of the Debentures.

(3) Other provisions represent the undiscounted amount of the demobilization costs related to the mining contractor, whereby the Company is responsible for demobilization costs payable one month prior to the end of the mining contract. This obligation has been recorded at an annualized discount rate of 7.79%, reflecting the implied interest rate, and calculated according to the formula stipulated in the contract. The undiscounted amount is \$1.7 million. At December 31, 2021, the discounted obligation was determined to be \$1.1 million.

(4) 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. This obligation has been recorded at an annualized discount rate of 7.79%, reflecting the implied interest rate. The undiscounted amount is \$7.2 million. At December 31, 2021, the discounted obligation was determined to be \$5.6 million.

Contingencies

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

Molimentales refund of tax instalments

At the time of the acquisition of Molimentales from Alio Gold on May 6, 2020, Molimentales had a refund receivable that was the result of prior cash tax instalment payments made during the 2017 and 2018 calendar years. The refund receivable was represented as a credit held at the Mexican tax authority. Interim tax reporting is a Mexican regulatory requirement for which cash payments are required if an entity is profitable during a reporting period, assuming no credit is held at the Mexican tax authority that could be applied to reduce such payments.

Prior to the Acquisition, refund of the 2017 and 2018 tax instalments was deemed uncollectible by Alio Gold due to unsuccessful retrieval attempts. Magna reached a similar conclusion and assigned a \$nil value to the tax instalments refund in the Molimentales purchase price allocation.

During April 2021, Molimentales was made aware that tax instalments from the 2017 calendar year were to be refunded by the Mexican tax authority. On April 29, 2021, the 2017 tax instalments were refunded for \$3.5 million, with additional \$0.5 million representing interest. For the three months and year ended December 31, 2021, other income included a net gain of \$nil and \$3.3 million, respectively, in relation to the refund of tax instalments, inclusive of related fees to retrieve the funds.

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During August and September 2021, due to positive earnings at Molimentales, the Company applied the remaining 2018 credits to its interim tax reporting, thereby reducing the Company's cash obligation to the Mexican tax authority. During the three months and year ended December 31, 2021, other income included a non-cash gain of \$nil and \$0.5 million, respectively, in relation to the application of these remaining tax credits.

Liens and pledges

As at December 31, 2021, the Company had liens and pledges on the following assets:

- Prior to the settlement agreement entered into by Molimentales and Algodones, liens were put in place on several of the San Francisco mining concessions;
- Prior to the settlement agreement with Peal, liens were put in place on several of the San Francisco mining concessions;
- 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; and,
- In relation to the Auramet Agreement, shares of Molimentales owned by Minera Magna and shares of Minera Magna owned by Magna Gold Corp. are pledged as collateral.

As at the date of this MD&A, the liens and pledges are still in place.

Cash Flows*Three months ended December 31, 2021 and 2020*

At December 31, 2021, the Company had cash of \$2.1 million compared to \$6.9 million at September 30, 2021. The three-month decrease in cash was primarily due to significant investment of \$9.0 million in deferred stripping and infrastructure at the San Francisco Mine. This was partially offset by cash flow from operations of \$5.5 million. At December 31, 2020, the Company had cash of \$7.1 million compared to \$11.1 million at September 30, 2020. The decrease was mostly due to investing activities of \$8.2 million, offset by cash flow from operations of \$1.0 million and financing activities of \$3.0 million.

Net earnings for the three months ended December 31, 2021, were \$2.4 million compared to a loss of \$2.8 million for the three months ended December 31, 2020. For the three months ended December 31, 2021, items not affecting cash totaled \$4.9 million, including depletion and depreciation of \$4.4 million, share-based compensation of \$0.9 million, finance expenses of \$0.8 million, income tax expense of \$0.4 million, unrealized foreign exchange loss of \$0.2 million and unrealized loss on derivative contracts of \$0.1 million. This was offset by non-cash gold delivery to satisfy the Sandstorm and Auramet deferred revenue agreements of \$0.3 million and \$1.5 million, respectively, and other income of \$0.2 million. For the three months ended December 31, 2020, items not affecting cash totaled \$0.9 million, including income tax expense of \$1.7 million, depletion and depreciation of \$0.5 million, finance expenses of \$0.4 million and loss on revaluation of other provision of \$0.2 million, offset by unrealized foreign exchange gain of \$1.8 million.

Change in non-cash working capital balances decreased cash by \$1.7 million during the three months ended December 31, 2021, compared to an increase of \$2.9 million during the three months ended December 31, 2020. During the three months ended December 31, 2021, movements in trade payables and accrued liabilities increased cash by \$2.6 million. This was offset by movements in inventories, trade and other receivables and advances and prepaid expenses, which decreased cash by \$2.4 million, \$1.4 million and \$0.5 million, respectively. During the three months ended December 31, 2020, movements in trade payables and accrued liabilities and inventories increased cash by \$3.9 million and \$0.5 million, respectively. Movements in trade and other receivables and advances and prepaid expenses decreased cash by \$1.3 million and \$0.2 million, respectively.

Cash used in investing activities was \$10.2 million during the three months ended December 31, 2021, compared to \$8.2 million during the three months ended December 31, 2020. During the three months ended December 31, 2021, investing activities included \$7.0 million related to deferred stripping costs. \$2.0 million was spent on property, plant and equipment and mineral properties at the San Francisco Mine, mostly for the expansion of the leaching pads and the refurbishment of the crushing circuits. Additionally, payment of \$0.7 million was made to Timmins in relation with the Molimentales acquisition. Finally, \$0.5 million was spent on exploration and evaluation projects. During the three months ended December 31, 2020, cash used in investing activities included \$5.0 million of deferred stripping and underground development costs. \$1.1 million spent on property, plant and equipment and mineral properties at the San Francisco. Additionally, \$0.6 million and \$1.6 million were spent on exploration and evaluation expenditures and on the Margarita acquisition, respectively.

Cash used in financing activities was \$0.2 million during the three months ended December 31, 2021, compared to cash provided by financing activities of \$3.0 million during the three months ended December 31, 2020. During the three months ended December 31, 2021, the Company paid \$0.2 million of the Debentures interest. During the three months ended December 31, 2020, proceeds of \$3.0 million were received in conjunction with the agreement with Sandstorm.

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The effects of exchange rate changes on the balance of cash held in foreign currencies increased cash by \$0.1 million during the three months ended December 31, 2021 and 2020.

Year ended December 31, 2021, and nine months ended December 31, 2020

At December 31, 2021, the Company had cash of \$2.1 million compared to \$7.1 million at December 31, 2020. The decrease in cash was primarily due to payments made in relation to the Molimentales acquisition and significant investment in deferred stripping, machinery and infrastructure at the San Francisco Mine, illustrated by cash used in investing activities of \$44.0 million. The investment was partially funded internally with cash flow provided by operating activities of \$25.5 million, as a result of an increase in trade payables and accrued liabilities, and externally with the receipt of a \$4.0 million refund of tax instalments plus interest and with cash provided by financing activities of \$13.3 million. At December 31, 2020, the Company had cash of \$7.1 million compared to \$0.2 million at March 31, 2020. The increase was a result of cash flows from operations of \$9.4 million and cash flow provided by financing activities of \$9.4 million, offset by cash used in investing activities of \$12.2 million.

Net earnings for the year ended December 31, 2021, were \$5.2 million compared to a net loss of \$5.7 million for the nine months ended December 31, 2020. For the year ended December 31, 2021, items not affecting cash totaled \$12.4 million, including depletion and depreciation of \$13.1 million, finance expenses of \$2.2 million, share-based compensation of \$1.5 million, income tax expense of \$1.0 million and unrealized foreign exchange loss of \$0.4 million. This was offset by non-cash gold delivery to satisfy the Sandstorm and Auramet deferred revenue agreements of \$1.2 million and \$3.9 million, respectively, other income of \$0.5 million and gain on other provision of \$0.2 million. For the nine months ended December 31, 2020, items not affecting cash totaled \$3.9 million, including share-based compensation of \$3.2 million, income tax expense of \$1.5 million, depletion and depreciation of \$0.9 million and finance expenses of \$0.8 million, offset by gain on revaluation of other provision of \$0.3 million and unrealized foreign exchange gain of \$2.3 million.

Change in non-cash working capital balances increased cash by \$7.9 million during the year ended December 31, 2021, compared to \$11.2 million during the nine months ended December 31, 2020. During the year ended December 31, 2021, trade payables and accrued liabilities increased cash by \$16.9 million. This was offset by movements in trade and other receivables, inventories and advances and prepaid expenses, which decreased cash by \$5.1 million, \$3.5 million and \$0.4 million, respectively. During the nine months ended December 31, 2020, movements in trade payables and accrued liabilities and inventories increased cash by \$10.9 million and \$4.4 million, respectively. Movements in trade and other receivables and advances and prepaid expenses decreased cash by \$3.8 million and \$0.2 million, respectively.

Cash used in investing activities was \$44.0 million during the year ended December 31, 2021, compared to \$12.2 million during the nine months ended December 31, 2020. During the year ended December 31, 2021, investing activities included \$25.1 million related to deferred stripping and underground development costs. \$10.1 million was spent on property, plant and equipment and mineral properties at the San Francisco Mine, mostly for the expansion of the leaching pads and the refurbishment of the crushing circuits. Additionally, payments of \$7.7 million were made to Timmins in relation with the Molimentales acquisition. Finally, \$1.0 million was spent on exploration and evaluation projects. During the nine months ended December 31, 2020, cash used in investing activities included \$8.5 million of deferred stripping and underground development costs and \$1.7 million spent on property, plant and equipment and mineral properties at the San Francisco Mine. Additionally, \$1.3 million and \$1.6 million were spent on exploration and evaluation expenditures and on the Margarita acquisition, respectively. In relation to the acquisition of the San Francisco Mine, \$0.6 million was paid to Alio Gold, offset by \$1.5 million cash acquired.

Cash provided by financing activities was \$13.3 million during the year ended December 31, 2021. Proceeds of \$7.7 million and \$5.9 million were received from the Debentures, net of transaction costs, and Auramet agreement and its extension, net of transaction costs, respectively. This was offset by Debentures interest payments of \$0.2 million. During the nine months ended December 31, 2020, financing activities included proceeds from private placements of \$6.5 million and proceeds from the Sandstorm deferred liability of \$3.0 million.

The effects of exchange rate changes on the balance of cash held in foreign currencies increased cash by \$0.1 million during the year ended December 31, 2021, and by \$0.3 million during the nine months ended December 31, 2020.

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CAPITAL RESOURCES

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

	December 31, 2021	December 31, 2020
Equity	\$ 22,959	\$ 14,871
Other payables	4,054	11,285
	27,013	26,156
Less: Cash	(2,068)	(7,056)
	\$ 24,945	\$ 19,100

At December 31, 2021, the Company was required to maintain a minimum consolidated cash balance of \$1.0 million relating to the Auramet Agreement. Subsequent to December 31, 2021, the minimum consolidated cash balance increased to \$1.5 million upon finalization of the Auramet 2022 Extension. The Company is required to maintain the minimum consolidated cash balance until all gold delivery obligations in relation to the Auramet 2022 Extension are fulfilled on December 29, 2022.

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

The economic analysis included in the PFS of the San Francisco Mine, dated August 28, 2020, with an effective date of August 8, 2020, indicates that an annual average of \$2.6 million of sustaining capital expenditures will be required to maintain the production capacity over the life of mine. Additionally, the Company estimates, based on the mine plan included in the PFS, to capitalize a total of \$69.0 million of deferred stripping costs over the life of mine. As at December 31, 2021, cumulative deferred costs capitalization totaled \$29.1 million since the restart of mining activities in June 2020. As of the date of this MD&A, both the sustaining capital expenditures and deferred stripping costs are expected to be funded by cash flow from operations.

The Company has planned exploration expenditures of \$9.4 million for fiscal year 2022. Further exploration expenditures cannot be determined at the date of this MD&A as they are dependent on the results of current exploration programs and the financial condition of the Company. Additionally, the Company must pay \$0.9 million in bi-annual fees in order to keep its 38 mineral concessions in good standing. Finally, the Company is party to four option agreements to acquire mineral concessions and has, as of December 31, 2021, remaining payments of \$3.3 million over the course of the next four years.

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"), and Chief Operating Officer ("COO"), and certain officers of the Company. Remuneration of key management personnel of the Company was as follows, in thousands of US Dollars:

	Three months ended		Year ended		Nine months ended
	December 31,		December 31,		December 31,
	2021	2020	2021	2020	2020
Salaries and benefits ⁽¹⁾⁽²⁾⁽³⁾	\$ 251	\$ 168	\$ 944	\$ 488	\$ 488
Share-based compensation ⁽⁴⁾	\$ 559	\$ -	\$ 559	\$ 1,875	\$ 1,875
Director fees ⁽⁵⁾	\$ 24	\$ -	\$ 62	\$ -	\$ -

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- (1) Of the Board of Directors, the CEO, CFO and COO each have employment contracts with the Company.
 - (2) Salaries and benefits exclude fees paid to the former CFO's associated companies.
 - (3) Includes Arturo Bonillas, CEO and Director; Colin Sutherland, CFO and Director; Miguel Bonilla, COO and Director; and Miguel Soto, VP Exploration.
 - (4) Includes Arturo Bonillas, CEO and Director; Colin Sutherland, CFO and Director; Miguel Bonilla, COO and Director; Miguel Soto, VP Exploration; Parviz Farsangi, Director; Laura Diaz, Director; and Alex Tsakumis, Director.
 - (5) Independent Directors are Parviz Farsangi, Laura Diaz and Alex Tsakumis. Additionally, Colin Sutherland, CFO and Director; and Miguel Bonilla, COO and Director, receive compensation as committee chairs.
- b) On January 27, 2021, the Company entered into an employment agreement with Colin Sutherland. Mr. Sutherland served, and continues to serve, as a member of the Board of Directors prior to the employment agreement. During the three months and year ended December 31, 2021, Mr. Sutherland incurred reimbursable amounts of \$0.01 million (three and nine months ended December 31, 2020 - \$nil) related to corporate and administrative expenses of which \$nil is included in accounts payable and accrued liabilities on December 31, 2021 (December 31, 2020 - \$nil).
- c) On March 31, 2021, the Board of Directors approved recommendations from the Company's compensation committee to increase the base compensation of certain management positions. The compensation increase was effective January 1, 2021, with payment contingent on successful completion of specific corporate objectives.
- d) 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\$0.04 million per annum and each committee chair and board chair will receive annual compensation of C\$0.002 million for each chair position, all effective as of May 1, 2021. During the three months and year ended December 31, 2021, the Company recognized director fees of \$0.02 million and \$0.06 million, respectively, in salaries expense (three and nine months ended December 31, 2020 - \$nil) of which \$nil are included in accounts payable and accrued liabilities at December 31, 2021 (December 31, 2020 - \$nil).
- e) The Company receives legal advisory services through two Mexico-based entities of which Laura Diaz, a Director of the Company, is a partner. Ms. Diaz was first elected to the Board of Directors on September 15, 2020, at the Company's annual and special meeting of shareholders. During the three months and year ended December 31, 2021, legal advisory services of \$0.1 million and \$0.2 million, respectively, were incurred by the Company (three and nine months ended December 31, 2020 - \$0.1 million and \$0.2 million). The cost of the legal advisory services is on market terms.
- As at December 31, 2021, these entities were owed \$nil (December 31, 2020 - \$nil) for these services.
- In addition, Ms. Diaz provided legal advisory consulting services directly to the Company. During the three months and year ended December 31, 2021, the Company incurred legal advisory consulting services of \$nil and \$0.1 million (three and nine months ended December 31, 2020 - \$nil). The cost of the legal advisory services is on market terms.
- As at December 31, 2021, the Director was owed \$nil (December 31, 2020 - \$nil) for these services.
- f) During the three months and year ended December 31, 2021, the CEO incurred reimbursable amounts of \$0.001 million and \$0.009 million (three and nine months ended December 31, 2020 - \$0.002 million and \$0.005 million, respectively) related to corporate and administrative expenses.
- g) During the three months and year ended December 31, 2021, the VP of Exploration incurred reimbursable amounts of \$nil and \$0.002 million (three and nine months ended December 31, 2020 - \$0.001 million) related to corporate and administrative expenses.
- h) During the three months and year ended December 31, 2021, the Company incurred \$nil (three and nine months ended December 31, 2020 - \$nil and \$0.01 million, respectively) for business development advisory fees performed by Alex Tsakumis, a director of the Company. The services related to the preparation and review of the Company's corporate communications material and the cost of these services was on market terms.

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- i) During the three months and year ended December 31, 2021, Carmelo Marrelli, the former CFO of Magna, provided services through entities controlled by Mr. Marrelli for total fees of \$nil and \$0.01 million, respectively, (three and nine months ended December 31, 2020 - \$0.01 million and \$0.05 million, respectively) on terms equivalent to those that prevail with arm's length transactions.

As at December 31, 2021, these entities were owed \$nil (December 31, 2020 - \$0.01 million) for these services.

NON-GAAP MEASURES**Cash cost per gold ounce on a by-product basis**

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

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

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

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

	Three months ended December 31,		Year ended December 31,	Nine months ended December 31,
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Production costs	\$ 18,559	\$ 14,963	\$ 72,041	\$ 34,199
Divided by gold sold (ozs)	16,305	7,827	54,788	20,235
	1,138	1,912	1,315	1,690
Less: by-product silver credits per gold ounce sold ⁽²⁾	(7)	(12)	(13)	(10)
Cash cost per gold ounce sold on a by-product basis	\$ 1,131	\$ 1,900	\$ 1,302	\$ 1,680

⁽¹⁾ Restated due to adjustments relating to the Molimentales acquisition purchase price allocation.

⁽²⁾ Management determined that silver metal revenues, when compared to gold metal revenues, are immaterial and therefore considered a by-product of the production of gold. For the three months and year ended December 31, 2021, total by-product silver credits were \$0.1 million and \$0.7 million, respectively (three and nine months ended December 31, 2020 - \$0.1 million and \$0.2 million, respectively).

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

All-in sustaining cost per gold ounce

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

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

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

	Three months ended December 31,		Year ended December 31,	Nine months ended December 31,
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Production costs	\$ 18,559	\$ 14,963	\$ 72,041	\$ 34,199
Sustaining exploration expenses ⁽²⁾	3	1	733	315
Capital expenditures ^(2,3)	8,992	5,948	35,218	10,055
Less: development expenditures ⁽⁴⁾	(337)	(942)	(466)	(1,542)
Less: by-product silver credits	(120)	(92)	(714)	(211)
Site all-in sustaining costs	27,097	19,878	106,812	42,816
Divided by gold sold (ozs)	16,305	7,827	54,788	20,235
Site AISC per gold ounce sold on a by-product basis	\$ 1,662	\$ 2,540	\$ 1,950	\$ 2,116
Site all-in sustaining costs (per above)	\$ 27,097	\$ 19,878	\$ 106,812	\$ 42,816
Corporate and administrative expenses	1,711	1,287	5,671	3,298
Share-based compensation	930	-	1,485	3,163
Accretion for site reclamation and closure	73	81	291	211
All-in sustaining costs	29,811	21,246	114,259	49,488
Divided by gold sold (ozs)	16,305	7,827	54,788	20,235
AISC per gold ounce sold on a by-product basis	\$ 1,828	\$ 2,714	\$ 2,085	\$ 2,446

(1) Restated due to adjustments relating to the Molimentales acquisition purchase price allocation.

(2) Sustaining exploration expenses and capital expenditures only include expenditures related to the San Francisco Mine.

(3) Sustaining capital expenditures include deferred stripping and underground development costs of \$7.0 million and \$25.1 million for the three months and year ended December 31, 2021, respectively (three and nine months ended December 31, 2020 - \$8.5 million and \$12.0 million, respectively).

(4) Management determined the exploration program costs at the San Francisco Mine to be development capital expenditures.

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

OFF-BALANCE-SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, effective as of December 31, 2021. The Company's significant accounting policies are described in note 4 of the Company's consolidated financial statements for the year ended December 31, 2021, and nine months ended December 31, 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Management has made the following critical judgements and estimates:

Judgements

The critical judgements made by management in the application of the accounting policies that are presented in note 4 of the Company's consolidated financial statements for the year ended December 31, 2021, and nine months ended December 31, 2020, and have the most significant effect on the amounts recognized in the consolidated financial statements, are as follows:

i. Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. The Company has determined the functional currency of Magna Gold Corp. and 2660170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining Corp, S.A. de C.V. and Minera Magna, S.A. de C.V.. The functional currency of Molimentales, S.A. de C.V. was determined to be the US dollar. Such determination involves certain judgements to identify the primary economic environment of each entity. The Company reconsiders the functional currency of each entity if there is a change in events and/or conditions which determine the primary economic environment.

ii. Liquidity risk related to the Company's operations

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

iii. Assessment of indicators of impairment

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or cash generating unit may be impaired, thereby requiring adjustment to the carrying amount. As of December 31, 2021, there were no indicators of impairment.

iv. Revenue recognition

a. Determination of performance obligations

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

b. Transfer of control

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

v. Business combinations versus asset acquisitions

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

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

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

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

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

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

Determination of whether a set of assets acquired and liabilities assumed constitute a business requires the Company to make certain judgements, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders.

Significant estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events, including the potential impacts of COVID-19, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

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

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

i. Mineral reserves

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

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

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

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

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

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ii. Depreciation and depletion

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

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

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

iii. Deferred stripping costs

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

iv. Inventories

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

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

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

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

The allocation of costs to ore in process and finished metal inventory and the determination of NRV involve the use of estimates. There is a high degree of judgement in estimating future costs, future production level, gold prices, and the ultimate estimated recovery for ore in process.

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

Where an indicator of impairment or impairment reversal exists, an estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use.

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

vi. Provision for site reclamation and closure

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

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

vii. Current and deferred taxes

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

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

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

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

viii. Equity-settled share-based compensation

Share-based compensation is measured at fair value. Options and warrants are measured using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant or issuance. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

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

ix. Contingencies

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

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x. Fair value estimates

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

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

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

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

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

The Company follows a 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,

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.

The derivative liability at December 31, 2021, was classified as a Level 2 instrument because the inputs are derived from observable market data.

At December 31, 2021 and 2020, there were no financial assets or liabilities measured and recognized in the statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above.

There were no transfers between Level 1 and Level 2, during the year ended December 31, 2021, and nine months ended December 31, 2020.

Risk management

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

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i. Credit risk

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

The Company's credit risk is predominantly limited to cash balances held in financial institutions and any gold and silver sales and related receivables and other receivables. The maximum exposure to credit risk is equal to the carrying value of such financial assets. At December 31, 2021 and 2020, the Company expected to recover the full amount of such assets.

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

Cash is only deposited with or held by major financial institutions where the Company conducts its business.

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

ii. Commodity price risks

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

The prices of most commodities are determined in international markets and as such the Company has limited or no ability to control or predict the future level of most commodity prices. In some instances, the Company may have the ability to enter into derivative financial instruments (refer to the "Review of derivative contracts for the three months and year ended December 31, 2021, and for the three and nine months ended December 31, 2020" section of this MD&A) 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 and 2660170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining Corp, S.A. de C.V. 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 Dollar.

The table below summarizes the net monetary assets and liabilities held in foreign currencies, in thousands of US Dollars:

	December 31, 2021	December 31, 2020
Mexican peso net monetary assets	\$ 1,842	\$ 3,920
Canadian dollar net monetary (liabilities) assets	\$ (545)	\$ 547

The effect on earnings (loss) before income tax at December 31, 2021, 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 \$0.2 million (December 31, 2020 - \$0.4 million) assuming that all other variables remained constant.

The effect on comprehensive income (loss) at December 31, 2021, 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 \$0.1 million (December 31, 2020 - \$0.1 million) assuming that all other variables remained constant.

iv. Liquidity risk

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

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

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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.

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 91,720,006 common shares outstanding, with the following held in escrow:

	Common shares	Options
CPC Escrow	937,500	30,000
Value Escrow	46,875	-
Total	984,375	30,000

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

Warrants

Expiry date	Exercise price (C\$)	Warrants outstanding
May 6, 2022	0.35	69,124
June 1, 2022	0.41	632,975
March 18, 2023	0.78	1,500,000
August 19, 2024	1.25	450,000
Total		2,652,099

Options

Expiry date	Exercise price (C\$)	Options outstanding
August 15, 2023	0.10	200,000
June 29, 2025	0.98	2,250,000
August 12, 2025	1.53	2,350,000
September 3, 2026	0.90	1,000,000
December 31, 2026	0.80	2,500,000
Total		8,300,000

Convertible debentures

As at the date of this MD&A, a total of 8,000,000 common shares are reserved for issuance upon the conversion of outstanding Debentures.

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DISCLOSURE OF INTERNAL CONTROLS

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

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

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

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

RISK FACTORS

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

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

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

Nature of Mineral Exploration and Mining

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

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

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

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

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

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

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

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

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

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

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

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

Mineral Resources do not have Demonstrated Economic Viability

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

Revenues and Guidance

The Company has recently returned to full production capacity at the San Francisco Mine. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as costs increase for the personnel, consumables, equipment and consultants associated with advancing exploration, development and production.

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

Additional Funding Requirements

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

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Production Estimates

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

Cost Estimates

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

Option Risk

The Company does not own the Mercedes Project and only has a right to acquire a 100% undivided interest therein pursuant to the qualifying transaction agreement ("QT Agreement"). If the Company does not fulfill its obligations contemplated by the QT Agreement, it will not have any interest in the Mercedes Project.

Additionally, the Company does not own the San Judas Project, Los Muertos Project or Fortuna Project and only has a right to acquire a 100% undivided interest in each of those projects. If the Company does not fulfill its obligations under the applicable agreements, it will not have any interest in the aforementioned projects.

Reliance on Key Persons

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

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

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Fluctuations in the Price of Gold

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

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

Currency Risk

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

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

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

No Assurance of Title

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

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Surface Rights and Access

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

Political Stability and Governmental Regulations in Mexico

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

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

Additional Business and Financial Risks Inherent in Doing Business in Mexico

The Company's principal operations and mineral properties are located in Mexico. There are additional business and financial risks inherent in doing business in Mexico as compared to the United States or Canada. Since 1995, Transparency International has published the Corruption Perceptions Index ("CPI") annually ranking countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys. The CPI ranks countries on a scale from 100 (very clean) to 0 (highly corrupt). In 2021 and out of 180 countries in the world, Canada was ranked 13th with a CPI score of 74, the United States was ranked 27th with a CPI score of 67 and Mexico was ranked 124th with a CPI score of 31. Anything below 50 indicates governments are failing to tackle corruption and it represents a challenge in those countries requiring extra attention by those who conduct business there.

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

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

COVID-19

Since the global outbreak of COVID-19 commenced during March 2020, the virus has had a significant impact on the global economy including that of Canada and Mexico, where the Company operates, through restrictions put in place by the various levels of governments regarding travel, business operations and isolation orders to reduce the rate of spread of new infections. The long-term impacts of COVID-19 are unknown and there are potentially additional significant economic and social impacts that will be caused by this infectious disease, including the inability of the Company's exploration, development and production activities to continue as intended. COVID-19 may continue to have a material impact on the market and could also impact the ability of the Company to obtain financial resources in the future.

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As at the date of this MD&A, COVID-19 has not had a material impact on the operations at the San Francisco Mine nor has it had a material impact on the Company's exploration projects. However, there is no assurance that COVID-19 will not cause disruptions to the Company's business and operational plans, including shortages of employees, unavailability of contractors and subcontractors, interruption of supplies from third parties upon which the Company relies, restrictions that governments impose to address the COVID-19 outbreak, and restrictions that the Company and its contractors and subcontractors impose to ensure the safety of employees and others. At this time, it is not possible to reliably estimate the financial impact of the length or severity of COVID-19 on the business and operations of the Company.

Tax Matters

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

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

Environment Risk

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

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

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

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Availability of Infrastructure, Energy and Other Commodities

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

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

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

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

Insurance and Uninsured Risks

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

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

Health and Safety Risks

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

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Volatility of Current Global Financial and Economic Conditions

Current global financial conditions have been subject to continued volatility. Significant uncertainties in the markets have been caused by numerous factors including the outbreak of COVID-19, geopolitical issues, government debt and the risk of sovereign defaults in many countries. High levels of volatility and market turmoil could adversely impact commodity prices, exchange rates and interest rates and have a detrimental effect on the Company's business. The Company's future performance will be affected by a range of economic, competitive, governmental, operating and other business factors, many of which cannot be controlled, such as general economic and financial conditions in the industry or the economy at large. Many industries, including the mining industry, are impacted by global market conditions. Some of the key impacts of previous financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and metals markets and a lack of market liquidity. A slowdown in the financial markets or other economic conditions, including, but not limited to, reduced consumer spending, increased unemployment rates, deteriorating business conditions, inflation, deflation, volatile fuel and energy costs, increased consumer debt levels, lack of available credit, changes in interest rates and changes in tax rates may adversely affect the Company's growth and profitability potential.

Competition

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

Conflicts of Interest

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

Governmental Regulations

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

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

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

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Compliance with Anti-Corruption Laws

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

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

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

Litigation and Other Proceedings

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

Community Relations and Public Opposition to Mining Activities

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

Unknown Liabilities in Connection with Acquisitions

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

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Acquisitions and Integration

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

Enforcement of Civil Liabilities

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

Dilution and Future Sales or Issuances of Equity Securities

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

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

Volatility of the Trading Price of the Common Shares

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

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

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

No Dividends

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

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global commodity and financial markets and supply chains. Russia's recent invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices, supply chains and global economies more broadly. Volatility in commodity prices and supply chain disruptions may adversely affect the Company's business, financial condition and results of operations. The extent and duration of the current Russia-Ukraine conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified in this MD&A, including those relating to commodity price volatility and global financial conditions. The situation is rapidly changing and unforeseeable impacts, including on our shareholders and counterparties on which we rely and transact with, may materialize and may have an adverse effect on the Company's business, results of operation and financial condition.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Magna Gold Corp.

Management's Discussion and Analysis

Year Ended December 31, 2021 and Nine Months Ended December 31, 2020

Discussion dated: April 29, 2022

(In millions of US Dollars, unless otherwise stated)

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

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

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

QUALIFIED PERSONS AND TECHNICAL REPORTS

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

William J. Lewis (P.Geo.), who works as a Senior Geologist for Micon International Limited and is a Qualified Person as defined by *National Instrument 43-101 - Standards of Disclosure for Mineral Projects*, has approved the scientific and technical information in the MD&A that relates to the mineral resource estimate on the Margarita silver project.

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

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