



MAGNAGOLD

MAGNA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS
ENDED SEPTEMBER 30, 2022 AND 2021

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

Magna Gold Corp.

Management's Discussion and Analysis

Three and Nine Months Ended September 30, 2022 and 2021

Discussion dated: November 28, 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 November 28, 2022, and relates to the financial condition and results of operations for the three and nine months ended September 30, 2022 and 2021. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the condensed interim consolidated financial statements ("interim financial statements") and related notes for the three and nine months ended September 30, 2022 and 2021, which have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP"). As such, the interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021, and nine months ended December 31, 2020 ("consolidated financial statements").

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 September 30, 2022 and 2021, are also referred to as "Q3 2022" and "Q3 2021", respectively. The nine months ended September 30, 2022 and 2021, are also referred to as "YTD 2022" and "YTD 2021", 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 any Annual Information Form filed by the Company, is available on SEDAR at www.sedar.com.

QUARTERLY OPERATIONAL OVERVIEW AND RECENT DEVELOPMENTS

San Francisco Mine Highlights

During the three months ended September 30, 2022, the San Francisco Mine produced 9,256 ounces of gold compared to 19,102 ounces of gold during the three months ended September 30, 2021.

During the nine months ended September 30, 2022, the San Francisco Mine produced 31,925 ounces of gold compared to 40,600 ounces of gold during the nine months ended September 30, 2021.

Environmental, Social and Governance ("ESG")

The Company is committed in following good ESG practices and continuously endeavours to operate in a sustainable and socially responsible manner. During Q3 2022, the Company achieved the following:

- One lost time incident at the San Francisco Mine and exploration projects.
- 3,229 hours of training were provided to the employees of the San Francisco Mine.
- No environmental incident.
- Continuous involvement in activities and programs benefiting the local community, such as supporting access to essential health services, maintaining roads, and providing supplies to local organizations, amongst others. Additionally, school bags and supplies were provided to local school children and more than 50 regional plants were donated to a local town on Mexican Tree Day.

Subsequent to the fatal accident that occurred during February 2022, the Company is committed to reinforce its established health and safety protocols and initiated several projects in order to strengthen its practices.

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Corporate Activities

Auramet net smelter return

On August 31, 2022, the Company, through its subsidiary Molimentales del Noroeste, S.A. de C.V. ("Molimentales"), and Auramet International LLC ("Auramet") agreed to extinguish the Auramet extension agreement ("Auramet 2022 Extension"), valued at \$4.5 million, and concurrently the Company signed a net smelter return agreement (the "Auramet NSR Agreement") with Auramet Capital Partners, LP ("ACP"), an entity related to Auramet, also valued at \$4.5 million, in exchange for a 2.0% net smelter return ("NSR") royalty on gold produced from the San Francisco Mine and surrounding mining concessions.

The Auramet 2022 Extension was signed during March 2022. In exchange for compensation of \$4.0 million (\$2.0 million received in September 2021 and \$2.0 million received in March 2022), the Company would deliver six equal payments of 431 gold ounces to Auramet starting July 2022 and ending December 2022.

Prior to the extinguishment, the Company recognized the Auramet 2022 Extension as deferred revenue (the "Auramet deferred revenue").

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

The Auramet NSR Agreement includes a one-time buyback option (the "Buyback Option") whereas the Company retains the right to exercise a repurchase of the full NSR in exchange for \$4.5 million cash. The Buyback Option will be available for exercise after a minimum of 600 gold ounces are delivered to ACP through the normal course of the Auramet NSR Agreement starting on August 31, 2022.

On August 31, 2022, the Company recognized the \$4.5 million as a gain on sale of net smelter return, less deemed sale of assets valued at \$0.9 million and transaction costs of \$0.1 million.

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

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.

On June 20, 2022, the Mexican Ministry of Labor completed a site visit and released its final report on June 28, 2022. No violations of labor regulations were noted and the file was closed.

As of the date of this MD&A, all inspections and administrative procedures undertaken by the State Civil Protection Coordination and the Ministry of Labor have been carried out and completed.

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

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

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

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Delisting from OTCQB Venture Market

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

Notice of commercial claim

On November 23, 2022, the Company, through its subsidiary Molimentales, was notified of a commercial claim from a San Francisco Mine explosives supplier, which relates to overdue payments on products delivered to the mine. The overdue payments and interest up to the date of the claim totaled \$0.1 million and are included in trade payables and accrued liabilities on September 30, 2022.

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

OVERVIEW OF THE BUSINESS

Magna was incorporated on January 9, 2018, pursuant to the *Business Corporations Act* (Ontario) under the name Magna Gold Corp. The authorized share capital of the Company consists of an unlimited number of common shares, without nominal or par value. Its shares have been listed on the TSX Venture Exchange ("TSXV") under the symbol "MGR" since June 10, 2019. 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, which, as 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; and (vii) the Margarita Project. The Company also has title to the Patricia, Norma, Los Carlos and Dulce claims, located in the state of Sonora, Mexico.

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.

Gold price

During the three months ended September 30, 2022, the spot gold price fluctuated between a low of \$1,634 per ounce and a high of \$1,808 per ounce. The average spot gold price for Q3 2022 was \$1,729 per ounce, a decrease of 3% compared to \$1,790 per ounce for Q3 2021.

During the nine months ended September 30, 2022, the spot gold price fluctuated between a low of \$1,634 per ounce and a high of \$2,039 per ounce. The YTD 2022 average spot gold price was \$1,824 per ounce, an increase of 1% compared to YTD 2021 average of \$1,800 per ounce.

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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 8%.

The Company has budgeted significant increases in the cost of its main consumables (diesel and cyanide), as well as labor cost.

Geopolitical situation

Russia's 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.

COVID-19

As the COVID-19 pandemic continues to have effects on the economy worldwide, 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 labor 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.

Since the outbreak of COVID-19, 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 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 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. At the onset of the outbreak, the Company instituted numerous social distancing measures, including working from home, limiting travel, and restricting access to sites. Furthermore, the Company 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.

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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:

| | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 ⁽¹⁾ | Q3 2021 ⁽¹⁾ | Q2 2021 ⁽¹⁾ | Q1 2021 ⁽¹⁾ | October 1 - December 31, 2020 ⁽¹⁾ | YTD 2022 | YTD 2021 |
|--|------------|------------|------------|---------------------------|---------------------------|---------------------------|---------------------------|--|-------------|-------------|
| MINING | | | | | | | | | | |
| Ore mined (dry kt) | 1,267 | 1,295 | 946 | 1,456 | 1,725 | 1,231 | 619 | 427 | 3,508 | 3,575 |
| Average ore mined grade (g/t Au) | 0.37 | 0.31 | 0.32 | 0.44 | 0.46 | 0.43 | 0.34 | 0.30 | 0.34 | 0.43 |
| Waste mined (kt) | 1,943 | 4,558 | 6,369 | 6,497 | 4,522 | 4,880 | 5,195 | 2,954 | 12,870 | 14,597 |
| Total mined (kt) | 3,210 | 5,853 | 7,315 | 7,953 | 6,247 | 6,111 | 5,814 | 3,381 | 16,378 | 18,172 |
| Strip ratio | 1.53 | 3.52 | 6.73 | 4.46 | 2.62 | 3.96 | 8.40 | 6.92 | 3.67 | 4.08 |
| Average total mined per day (t/d) | 34,886 | 64,321 | 81,278 | 86,449 | 67,907 | 67,153 | 64,597 | 36,746 | 59,992 | 66,564 |
| Cost per tonne mined ⁽²⁾ | \$ 2.47 | 2.99 | 2.27 | 2.04 | 1.93 | 2.52 | 2.57 | 3.23 | 2.56 | 2.34 |
| PROCESSING | | | | | | | | | | |
| Ore processed (kt) | 1,086 | 1,446 | 1,416 | 1,688 | 1,759 | 1,347 | 744 | 746 | 3,948 | 3,850 |
| Average ore processed grade (g/t Au) | 0.40 | 0.30 | 0.30 | 0.39 | 0.45 | 0.49 | 0.51 | 0.39 | 0.33 | 0.48 |
| <i>Including:</i> | | | | | | | | | | |
| <i>Ore from underground processed (kt)</i> | 21 | 121 | 37 | - | 5 | 126 | 130 | 87 | 179 | 261 |
| <i>Average ore from underground grade (g/t Au)</i> | 0.42 | 0.65 | 0.59 | - | 1.40 | 0.97 | 1.35 | 1.51 | 0.61 | 1.17 |
| <i>Ore from stockpile processed (kt)</i> | - | - | 462 | 215 | - | - | - | 243 | 462 | - |
| <i>Average ore stockpiled grade (g/t Au)</i> | - | - | 0.31 | 0.26 | - | - | - | 0.23 | 0.31 | - |
| Ore reprocessed (kt) | - | - | - | - | - | 297 | 477 | 168 | - | 774 |
| Average ore reprocessed grade (g/t Au) | - | - | - | - | - | 0.25 | 0.23 | 0.22 | - | 0.24 |
| Average ore processed per day (t/d) | 11,799 | 15,890 | 15,737 | 18,343 | 19,118 | 14,797 | 8,265 | 8,112 | 14,461 | 14,100 |
| Cost per tonne processed | \$ 7.98 | 5.43 | 6.44 | 5.64 | 5.22 | 6.15 | 9.95 | 9.55 | 6.49 | 6.46 |
| Gold deposited on pad (ozs) | 14,073 | 14,127 | 13,613 | 21,209 | 25,663 | 21,094 | 12,177 | 9,411 | 41,813 | 58,934 |
| Cost per tonne - administration | \$ 1.00 | 0.87 | 0.89 | 0.79 | 0.74 | 0.91 | 1.40 | 1.31 | 0.91 | 0.93 |
| Total cost per tonne processed | \$ 16.31 | 18.68 | 19.86 | 16.04 | 12.84 | 18.72 | 31.86 | 25.86 | 18.45 | 18.57 |
| PRODUCTION | | | | | | | | | | |
| Gold sold (ozs) | 9,136 | 11,113 | 12,660 | 16,305 | 18,276 | 11,777 | 8,430 | 7,827 | 32,909 | 38,483 |
| Gold produced (ozs) | 9,256 | 10,795 | 11,874 | 15,499 | 19,102 | 11,713 | 9,785 | 7,485 | 31,925 | 40,600 |
| Silver produced (ozs) | 4,536 | 5,202 | 6,572 | 5,711 | 7,115 | 7,742 | 8,093 | 4,609 | 16,310 | 22,950 |
| COSTS | | | | | | | | | | |
| Cash cost per gold ounce ⁽³⁾ | \$ 2,163 | 2,213 | 1,675 | 1,131 | 1,095 | 1,484 | 1,826 | 1,900 | 1,992 | 1,374 |
| Site AISC per gold ounce ^(3,4) | \$ 2,260 | 2,667 | 2,467 | 1,662 | 1,596 | 2,142 | 3,003 | 2,540 | 2,477 | 2,071 |
| TOTAL DAYS IN PERIOD | 92 | 91 | 90 | 92 | 92 | 91 | 90 | 92 | 273 | 273 |

(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 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.

During Q1 and Q2 2022, stripping activities were required in order to gain access to new ore zones. However, the Company has experienced some difficulties relating to ore sourcing from certain areas of the block model. While several initiatives were undertaken in order to solve the issues, the Company decided to reduce mining rates for Q3 and Q4 2022. Tonnage mined and production for Q4 2022 are expected to be lower than for Q3 2022.

As a result, the re-development of the San Francisco Mine is lagging behind the PFS dated August 28, 2020, in terms of tonnage and grade. To date, kilotonnes of ore and waste mined from the pits were 9,380 and 40,279, respectively, compared to 11,318 and 45,526, respectively, in the PFS. Total tonnes mined are therefore 13% lower than in the PFS. Average ore mined grade is 0.39 g/t compared to 0.44 g/t in the PFS, or 13% lower.

During the life of mine, increased stripping activity will be occasionally required, such as in YTD 2022, resulting in increased unit costs, cash cost per gold ounce and Site AISC per gold ounce. However, 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.

At the date of this MD&A, there has been no impact on the supply chain, workforce and labor 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.

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REVIEW OF QUARTERLY RESULTS

The following table includes quarterly information for each of the eight most recently completed quarters and YTD information for the current and last fiscal years. 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 (loss) earnings per share and cash dividends declared.

| | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 ⁽¹⁾ | Q3 2021 ⁽¹⁾ | Q2 2021 ⁽¹⁾ | Q1 2021 ⁽¹⁾ | Dec. 31, 2020 ⁽¹⁾ | YTD 2022 | YTD 2021 |
|--|------------|------------|------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------------|-------------|-------------|
| FINANCIAL RESULTS | | | | | | | | | | |
| Metal revenues | \$ 15,700 | 20,983 | 23,543 | 29,140 | 32,837 | 21,212 | 15,319 | 14,620 | 60,226 | 69,368 |
| Net (loss) earnings | \$ (9,182) | (9,420) | (3,254) | 2,426 | 3,793 | 2,404 | (3,379) | (2,753) | (21,856) | 2,818 |
| Net and comprehensive (loss) earnings | \$ (9,460) | (9,539) | (3,192) | 2,543 | 3,631 | 2,062 | (2,671) | (4,030) | (22,191) | 3,022 |
| Net (loss) earnings per share – basic and diluted | \$ (0.10) | (0.10) | (0.04) | 0.03 | 0.04 | 0.03 | (0.04) | (0.03) | (0.24) | 0.03 |
| Cash dividends declared | \$ Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Total assets | \$ 77,522 | 88,787 | 90,713 | 83,141 | 77,017 | 71,339 | 64,170 | 54,506 | 77,522 | 77,017 |
| Total non-current liabilities | \$ 11,280 | 18,089 | 18,647 | 17,112 | 16,963 | 11,011 | 10,474 | 9,819 | 11,280 | 16,963 |
| OPERATING RESULTS | | | | | | | | | | |
| Gold produced (ozs) | 9,256 | 10,795 | 11,874 | 15,499 | 19,102 | 11,713 | 9,785 | 7,485 | 31,925 | 40,600 |
| Gold sold (ozs) | 9,136 | 11,113 | 12,660 | 16,305 | 18,276 | 11,777 | 8,430 | 7,827 | 32,909 | 38,483 |
| Silver sold (ozs) | 4,713 | 5,194 | 6,213 | 6,178 | 8,061 | 8,422 | 6,961 | 3,756 | 16,120 | 23,444 |
| Average realized gold price (per oz) | \$ 1,710 | 1,879 | 1,849 | 1,780 | 1,786 | 1,783 | 1,796 | 1,856 | 1,821 | 1,787 |
| Average London PM fix gold price (per oz) | \$ 1,729 | 1,871 | 1,877 | 1,795 | 1,790 | 1,816 | 1,794 | 1,875 | 1,824 | 1,800 |
| Cash cost per gold ounce ⁽²⁾ | \$ 2,163 | 2,213 | 1,675 | 1,131 | 1,095 | 1,484 | 1,826 | 1,900 | 1,992 | 1,374 |
| AISC per gold ounce ⁽²⁾ | \$ 2,409 | 2,823 | 2,586 | 1,828 | 1,717 | 2,242 | 3,162 | 2,714 | 2,617 | 2,194 |

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

Notes to quarterly and YTD results

Since May 6, 2020, when Magna closed the acquisition of the San Francisco Mine located in Sonora, Mexico, variations in the quarterly and annual net earnings and losses are 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 labor 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. Additionally, the cost of the implementation of safety measures at the mine site has not been material.

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Review of consolidated financial information for the three months ended September 30, 2022 and 2021

The Company had net loss of \$9.2 million and net comprehensive loss of \$9.5 million during the three months ended September 30, 2022, with basic and diluted loss per share of \$0.10. This compares with net earnings of \$3.8 million and net comprehensive earnings of \$3.6 million during the three months ended September 30, 2021, with basic and diluted earnings per share of \$0.04. The decrease in net earnings of \$13.0 million was principally due to the following factors:

Metal revenues

During the three months ended September 30, 2022, revenues were \$15.7 million compared to \$32.8 million during the three months ended September 30, 2021. During the three months ended September 30, 2022, the Company sold 9,136 gold ounces at an average realized gold price of \$1,710 per ounce compared to 18,276 gold ounces at an average realized gold price of \$1,786 per ounce during the three months ended September 30, 2021.

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 \$19.8 million compared to \$20.2 million during the three months ended September 30, 2021.

A total of 3.2 million tonnes were mined at the San Francisco Mine during the three months ended September 30, 2022, compared to 6.2 million tonnes during the three months ended September 30, 2021. Total mining costs were \$8.0 million, of which deferred stripping costs of \$0.4 million were capitalized, resulting in costs of mining of \$7.6 million during the three months ended September 30, 2022. This compares with \$12.1 million, of which deferred stripping costs of \$5.1 million were capitalized, resulting in costs of mining of \$7.0 million during the three months ended September 30, 2021. Total mining costs were lower during the three months ended September 30, 2022 due to lower tonnage mined, offset by higher diesel cost per tonne, as a result of increased consumption per tonne and unit cost.

Crushing and gold recovery costs were \$8.7 million during the three months ended September 30, 2022, compared to \$9.2 million during the three months ended September 30, 2021. A total of 1.1 million tonnes were processed at the San Francisco Mine during the three months ended September 30, 2022, compared to 1.8 million tonnes during the three months ended September 30, 2021. Costs were lower during the three months ended September 30, 2022, due to the lower tonnage processed, offset by higher cyanide cost, as a result of increased consumption and unit cost.

Mine site administrative costs were \$1.1 million during the three months ended September 30, 2022, compared to \$1.3 million during the three months ended September 30, 2021.

Royalty, transport, and refining costs were \$0.3 million during the three months ended September 30, 2022 and 2021. This is due to a \$0.1 million Auramet NSR royalty expense during the three months ended September 30, 2022, offset by lower sales volume.

Change in inventories increased cost of sales by \$2.2 million during the three months ended September 30, 2022, compared to \$2.5 million during the three months ended September 30, 2021. During the three months ended September 30, 2022, there were more recoverable gold ounces deposited onto the pad than ounces recovered from the pad. However, the average unit cost per ounce deposited was lower than the average cost per ounce in inventory. This resulted in a decrease of the inventory value. Additionally, an assessment of the value of the inventory was performed on September 30, 2022 and resulted in an inventory write-down of \$1.5 million. During the three months ended September 30, 2021, 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 \$2.5 million during the three months ended September 30, 2022, compared to \$4.9 million during the three months ended September 30, 2021. The decrease is due to a lower units of production ("UOP") depreciation rate used during the three months ended September 30, 2022, than during the three months ended September 30, 2021. This was offset by a larger amount of depreciable assets. Additionally, an assessment of the value of the inventory was performed at September 30, 2022, and resulted in a \$0.2 million write-down of the depletion cost capitalized in inventory.

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Corporate and administrative expenses

Corporate and administrative expenses were \$1.3 million during the three months ended September 30, 2022, compared to \$1.6 million during the three months ended September 30, 2021. The significant components of these expenses include salaries, consulting and professional fees, and administrative and other. Salaries were \$0.6 million during the three months ended September 30, 2022, compared to \$0.7 million during the three months ended September 30, 2021. Consulting and professional fees were \$0.5 million during the three months ended September 30, 2022 and 2021. Administrative and other expenses were \$0.1 million during the three months ended September 30, 2022 and 2021.

Impairment

During the three months ended September 30, 2022, impairment of underground development costs, capitalized in mineral properties, resulted in an expense of \$4.6 million, compared to \$nil during the three months ended September 30, 2021.

Exploration expenses

Exploration expenses were \$0.5 million for the three months ended September 30, 2022, compared to \$0.4 million during the three months ended September 30, 2021. 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.

Gain on sale of net smelter return

Gain on sale of net smelter return was \$3.5 million during the three months ended September 30, 2022, compared to \$nil during the three months ended September 30, 2021. During the three months ended September 30, 2022, the Company recognized a gain on sale of net smelter return of \$4.5 million, less deemed sale of assets valued at \$0.9 million and transaction costs of \$0.1 million.

Other expense, net

Other expense was \$0.1 million during the three months ended September 30, 2022, compared to other income of \$0.5 million during the three months ended September 30, 2021. During the three months ended September 30, 2022, other expense mostly related to interest paid on late invoice payments, offset by interest received on VAT refunds. During the three months ended September 30, 2021, 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. Therefore, the Company recognized a gain of \$0.5 million in relation to the application of these tax credits.

Finance expenses

Finance expenses were \$0.8 million during the three months ended September 30, 2022, compared to \$0.6 million during the three months ended September 30, 2021. Interest and accretion on Debentures was \$0.2 million during the three months ended September 30, 2022, compared to \$0.1 million during the three months ended September 30, 2021. Accretion on the Auramet deferred revenue was \$0.2 million during the three months ended September 30, 2022, compared to \$0.1 million during the three months ended September 30, 2021. During the three months ended September 30, 2022, accretion on the Sandstorm deferred revenue item was \$0.2 million compared to \$0.1 million during the three months ended September 30, 2021. Accretion on the provisions for site reclamation and the demobilization of the mining contractor were \$0.1 million during the three months ended September 30, 2022 and 2021. Additionally, interest on the vendor loan and equipment loan totaled \$0.1 million during the three months ended September 30, 2022 and 2021. These increases were offset by the accretion on other payables and interest on promissory note, which were each \$nil during the three months ended September 30, 2022, compared to \$0.1 million each during the three months ended September 30, 2021.

*Income taxes*Current tax

Current tax expense was \$nil during the three months ended September 30, 2022, compared to \$0.6 million during the three months ended September 30, 2021. During the three months ended September 30, 2021, increased profitability of the San Francisco Mine resulted in required cash payments following its interim tax filings.

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Deferred tax

Deferred tax recovery was \$0.1 million during the three months ended September 30, 2022, compared to an expense of \$0.8 million during the three months ended September 30, 2021.

During the three months ended September 30, 2022, the deferred tax asset decreased by \$0.1 million to \$1.1 million due to a decrease in the level of recognition of some deferred tax assets, offset by an increase in loss carryforwards. Additionally, the deferred tax liability decreased by \$0.1 million to \$3.0 million due to decreased temporary differences caused by deferred stripping costs.

During the three months ended September 30, 2021, the deferred tax asset decreased by \$1.3 million to \$1.7 million. Increased profitability of the San Francisco Mine was expected to result in the use of existing recognized loss carryforwards. Additionally, the deferred tax liability related to the 7.5% special mining duty tax decreased by \$0.5 million to \$1.5 million. The decrease was mostly due to an increase in deferred revenue items, resulting in an increase of the amount of deferred tax assets offsetting the deferred tax liabilities.

Review of consolidated financial information for the nine months ended September 30, 2022 and 2021

The Company had net loss of \$21.9 million and net comprehensive loss of \$22.2 million during the nine months ended September 30, 2022, with basic and diluted loss per share of \$0.24. This compares with net earnings of \$2.8 million and net comprehensive earnings of \$3.0 million during the nine months ended September 30, 2021, with basic and diluted earnings per share of \$0.03. The increase in net loss of \$24.7 million was principally due to the following factors:

Metal revenues

During the nine months ended September 30, 2022, revenues were \$60.2 million compared to \$69.4 million during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, the Company sold 32,909 gold ounces at an average realized gold price of \$1,821 per ounce compared to 38,483 gold ounces at an average realized gold price of \$1,787 per ounce during the nine months ended September 30, 2021.

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 \$65.9 million compared to \$53.5 million during the nine months ended September 30, 2021.

A total of 16.4 million tonnes were mined at the San Francisco Mine during the nine months ended September 30, 2022, compared to 18.2 million tonnes during the nine months ended September 30, 2021. Total mining costs were \$43.6 million, of which deferred stripping and underground development costs of \$11.7 million and \$2.1 million, respectively, were capitalized, resulting in costs of mining of \$29.8 million during the nine months ended September 30, 2022. This compares with \$43.0 million, of which deferred stripping and underground development costs of \$15.7 million and \$2.3 million, respectively, were capitalized, resulting in costs of mining of \$25.0 million during the nine months ended September 30, 2021. Diesel costs increased by \$2.0 million compared to the nine months ended September 30, 2021, as a result of increased consumption and unit costs.

Crushing and gold recovery costs were \$25.6 million during the nine months ended September 30, 2022, compared to \$24.9 million during the nine months ended September 30, 2021. A total of 3.9 million tonnes were processed at the San Francisco Mine during the nine months ended September 30, 2022 and 2021. Costs were higher during the nine months ended September 30, 2022 due to greater cyanide costs, as a result of increased consumption and unit costs.

Mine site administrative costs were \$3.6 million during the nine months ended September 30, 2022 and 2021.

Royalty, transport, and refining costs were \$0.6 million during the nine months ended September 30, 2022 and 2021. This is due to a \$0.1 million Auramet NSR royalty expense during the three months ended September 30, 2022, offset by lower sales volume.

Change in inventories increased cost of sales by \$6.2 million during the nine months ended September 30, 2022, compared to a decrease of \$0.6 million during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, there were less recoverable gold ounces deposited onto the pad than ounces recovered from the pad. This resulted in a decrease of the inventory value. Additionally, an assessment of the value of the inventory was performed at September 30, 2022 and resulted in an inventory write-down of \$1.5 million. During the nine months ended September 30, 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.

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Depletion and depreciation costs form a component of cost of sales and were \$8.2 million during the nine months ended September 30, 2022, compared to \$8.6 million during the nine months ended September 30, 2021. The decrease is due to a lower UOP depreciation rate used during the nine months ended September 30, 2022, than during the nine months ended September 30, 2021. This was offset by a larger amount of depreciable assets combined with a higher amount of depreciation and depletion costs from inventory. Additionally, an assessment of the value of the inventory was performed at September 30, 2022, and resulted in a \$0.2 million write-down of the depletion cost capitalized in inventory.

Corporate and administrative expenses

Corporate and administrative expenses were \$4.3 million during the nine months ended September 30, 2022, compared to \$4.0 million during the nine months ended September 30, 2021. The significant components of these expenses include salaries, consulting and professional fees, and administrative and other. Salaries were \$1.9 million during the nine months ended September 30, 2022, compared to \$1.7 million during the nine months ended September 30, 2021. Consulting and professional fees were \$1.7 million during the nine months ended September 30, 2022, compared to \$1.6 million during the nine months ended September 30, 2021. Administrative and other expenses were \$0.3 million during the nine months ended September 30, 2022 and 2021.

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 nine months ended September 30, 2022, VAT expense was \$0.1 million. During the nine months ended September 30, 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 \$0.2 million.

Impairment

During the nine months ended September 30, 2022, impairment of underground development costs, capitalized in mineral properties, resulted in an expense of \$4.6 million, compared to \$nil during the nine months ended September 30, 2021.

Exploration expenses

Exploration expenses were \$1.0 million for the nine months ended September 30, 2022, compared to \$0.9 million during the nine months ended September 30, 2021. 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.

Gain on sale of net smelter return

Gain on sale of net smelter return was \$3.5 million during the nine months ended September 30, 2022, compared to \$nil during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, the Company recognized a gain on sale of net smelter return of \$4.5 million, less deemed sale of assets valued at \$0.9 million and transaction costs of \$0.1 million.

Other income, net

Other income was \$0.1 million during the nine months ended September 30, 2022, compared to \$4.0 million during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, other income mostly related to interest received on VAT refunds, offset by interest paid on late invoice payments. During the nine months ended September 30, 2021, the Company received a tax refund 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.

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Finance expenses

Finance expenses were \$2.6 million during the nine months ended September 30, 2022, compared to \$1.5 million during the nine months ended September 30, 2021. The increase is mainly due to interest and accretion on Debentures of \$0.8 million during the nine months ended September 30, 2022, compared to \$0.1 million during the nine months ended September 30, 2021. Accretion on the Auramet deferred revenue was \$0.5 million during the nine months ended September 30, 2022, compared to \$0.2 million during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, accretion on the Sandstorm deferred revenue item was \$0.6 million compared to \$0.4 million during the nine months ended September 30, 2021. Accretion on the provisions for site reclamation and the demobilization of the mining contractor were \$0.4 million during the nine months ended September 30, 2022, compared to \$0.3 million during the nine months ended September 30, 2021. Additionally, interest on the vendor loan and equipment loan totaled \$0.1 million during the nine months ended September 30, 2022 and 2021. Finance expense on the warrants issued to Auramet in relation to the Auramet 2022 Extension was \$0.2 million during the nine months ended September 30, 2022, compared to \$nil during the nine months ended September 30, 2021. These increases were offset by the accretion on other payables and interest on promissory note, which were \$nil during the nine months ended September 30, 2022, compared to \$0.4 million during the nine months ended September 30, 2021.

*Income taxes*Current tax

Current tax expense was \$nil during the nine months ended September 30, 2022, compared to \$0.6 million during the nine months ended September 30, 2021. During the nine months ended September 30, 2021, increased profitability of the San Francisco Mine resulted in required cash payments following its interim tax filings.

Deferred tax

Deferred tax expense was \$0.8 million during the nine months ended September 30, 2022, compared to \$0.1 million during the nine months ended September 30, 2021.

During the nine months ended September 30, 2022, the deferred tax asset increased by \$0.1 million to \$1.1 million due to an increase in loss carryforwards, offset by a decrease in the level of recognition of some deferred tax assets. Additionally, the deferred tax liability increased by \$0.9 million to \$3.0 million due to increased temporary differences caused by deferred stripping cost.

During the nine months ended September 30, 2021, the deferred tax asset increased by \$0.9 million to \$1.7 million due to an increase of loss carryforwards and recognition of a temporary difference related to the Auramet deferred revenue. These increases were offset by a reduction of the tax value of inventory, increasing the temporary difference with its accounting basis. Additionally, the deferred tax liability related to the 7.5% special mining duty tax increased by \$0.9 million to \$1.5 million. The increase was mostly due to deferred stripping costs, which are deductible during the current period, thus increasing future tax liabilities.

Review of derivative contracts for the three and nine months ended September 30, 2022 and 2021

All derivative assets and liabilities are presented on a net basis on the consolidated statements of financial position. At September 30, 2022, derivative liabilities, net of derivative assets, was \$0.01 million, compared to derivative assets, net of derivative liabilities, of \$0.02 million at September 30, 2021, and derivative liabilities, net of derivative assets, of \$0.01 million at December 31, 2021.

Derivatives contracts entered

The Company had no outstanding gold option contracts which were entered into at December 31, 2021.

During the nine months ended September 30, 2022, 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 nine months ended September 30, 2022, contracts covering 8,100 gold ounces expired unexercised, contracts covering 2,500 gold ounces were exercised and nil contracts were outstanding.

During the three and nine months ended September 30, 2022, a loss of \$nil 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 September 30, 2021, respectively.

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The Company did not enter into gold option contracts during the three months ended September 30, 2022. Therefore, there was no outstanding gold option contracts at September 30, 2022, and no derivative asset or liability was recognized.

Subsequent to September 30, 2022, the Company entered into gold option contracts covering 2,100 gold ounces.

Zero-cost collars

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

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

During the three and nine months ended September 30, 2022, a loss of \$nil and \$0.1 million, respectively, were recognized on the fair value of the contracts, compared to \$nil and \$nil during the three and nine months ended September 30, 2021, respectively.

On September 30, 2022, no derivative asset or liability was recognized.

Derivatives in relation to the initial 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 | - | 3,000 | - |
| Call ⁽²⁾ | Sell | May 28, 2021 to January 31, 2022 | 13,000 | \$ 2,011 | - | 13,000 | - |
| Put ⁽³⁾ | Buy | May 28, 2021 to January 31, 2022 | 13,000 | \$ 1,700 | - | 13,000 | - |
| Call ⁽⁴⁾ | Buy | May 26, 2021 to September 28, 2021 | 5,000 | \$ 1,900 | - | 5,000 | - |
| Forward ⁽⁴⁾ | Sell | May 26, 2021 to September 28, 2021 | 5,000 | \$ 1,700 | 5,000 | - | - |

⁽¹⁾ During the three and nine months ended September 30, 2022, gain of \$nil and \$0.1 million, respectively, were recognized on the fair value of the outstanding contracts, compared to gain of \$0.1 million and loss of \$0.1 million during the three and nine months ended September 30, 2021, respectively. No derivative asset or liability was recognized at September 30, 2022.

⁽²⁾ During the three and nine months ended September 30, 2022, no gain or loss was recognized on the fair value of these contracts, compared to gain of \$0.1 million and loss of \$0.1 million during the three and nine months ended September 30, 2021, respectively. No derivative asset or liability was recognized at September 30, 2022.

⁽³⁾ During the three and nine months ended September 30, 2022, no gain or loss was recognized on the fair value of these contracts, compared to loss of \$0.2 million and gain of \$0.1 million during the three and nine months ended September 30, 2021, respectively. No derivative asset or liability was recognized at September 30, 2022.

⁽⁴⁾ All the contracts were exercised or expired during the year ended December 31, 2021, and no derivative asset or liability was recognized at December 31, 2021.

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Derivatives in relation to the Auramet 2022 Extension

During the nine months ended September 30, 2022, in relation to the Auramet 2022 Extension, the Company granted the following contracts:

| Contract type | Buy/sell | Contract expiry date range | Ounces | Average exercise price | Exercised | Expired unexercised | Outstanding | Contracts Sold |
|---------------------|----------|-------------------------------------|--------|------------------------|-----------|---------------------|-------------|----------------|
| Call ⁽¹⁾ | Sell | July 27, 2022, to November 28, 2022 | 10,000 | \$ 2,038 | - | 6,000 | 4,000 | - |
| Put ⁽²⁾ | Buy | July 27, 2022, to November 28, 2022 | 10,000 | \$ 1,822 | 2,000 | - | - | 8,000 |
| Call ⁽³⁾ | Buy | May 25, 2022, to June 28, 2022 | 2,000 | \$ 2,025 | - | 2,000 | - | - |

⁽¹⁾ During the three and nine months ended September 30, 2022, gain and loss on the fair value of the outstanding contracts were \$0.1 million and \$0.1 million, respectively, compared to \$nil during the three and nine months ended September 30, 2021. A \$0.01 million derivative liability was recognized at September 30, 2022.

⁽²⁾ During the three and nine months ended September 30, 2022, gain on the fair value of the outstanding contracts were \$0.3 million and \$0.9 million, respectively, compared to \$nil during the three and nine months ended September 30, 2021. No derivative asset or liability was recognized at September 30, 2022.

During September 2022, in relation to the extinguishment of the Auramet 2022 Extension agreement between Auramet and the Company, contracts covering 2,000 gold ounces were exercised for cash proceeds of \$0.2 million and contracts covering 8,000 gold ounces were sold for cash proceeds of \$0.7 million.

⁽³⁾ During the three and nine months ended September 30, 2022, no gain or loss was recognized on the fair value of these contracts, compared to \$nil during the three and nine months ended September 30, 2021. No derivative asset or liability was recognized at September 30, 2022.

Review of financial position at September 30, 2022

Total assets at September 30, 2022, were \$77.5 million compared to \$83.1 million at December 31, 2021. The decrease in total assets of \$5.6 million was primarily due to a \$8.9 million decrease of the value of inventories, as a result of less recoverable ounces being deposited onto the leach pads than ounces recovered from the pads and write-down of \$1.7 million of ore in process and finished metal inventories. Additionally, the impairment of capitalized underground development costs decreased assets by \$4.6 million and deemed sale of mineral properties and plant and equipment in relation to the Auramet NSR Agreement decreased assets by \$0.9 million. This was offset by net additions of plant and equipment of \$2.5 million and mineral properties additions of \$9.1 million, which include capitalized deferred stripping costs of \$11.7 million. Additionally, VAT receivable decreased by \$1.6 million during the nine months ended September 30, 2022. Finally, cash decreased by \$2.0 million during the nine months ended September 30, 2022, due to investing activities and decreased profitability.

Total liabilities at September 30, 2022, were \$75.5 million compared to \$60.2 million at December 31, 2021. The increase in total liabilities of \$15.4 million was primarily due to trade payables and accrued liabilities, which increased by \$18.2 million during the nine months ended September 30, 2022. This increase was offset by the gold deliveries made under the Sandstorm and Auramet agreements and the extinguishment of the Auramet 2022 Extension, which decreased the deferred revenue items by \$3.1 million during the nine months ended September 30, 2022.

Total equity at September 30, 2022, was \$2.0 million compared to \$23.0 million at December 31, 2021. The decrease of \$21.0 million was mostly due to net comprehensive loss of \$22.2 million for the nine months ended September 30, 2022, offset by share issuance and warrants grant of \$1.0 million and \$0.2 million, respectively.

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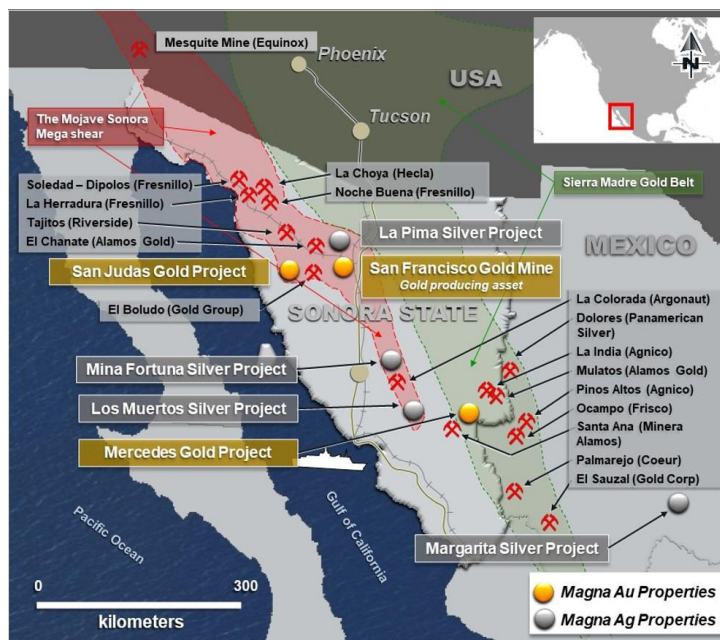
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EXPLORATION PROPERTIES

The Company has not yet determined whether the Company’s exploration properties (Mercedes, San Judas, Las Marias, La Pima, Los Muertos, La Fortuna, 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 the MD&A for the year ended December 31, 2021, and nine months ended December 31, 2020, for a detailed description of the risks related to mineral exploration.

Figure 1: Location of Magna’s exploration properties



The Company reviewed and revised its planned expenditures for fiscal year 2022 to focus its available capital resources towards exploration activities at the Margarita Project and the San Francisco Mine.

| Exploration expenditures by property (in thousands of US Dollars) | Actual expenditures for the nine months ended September 30, 2022 | | Revised planned expenditures for 2022 | | Original planned expenditures for 2022 | |
|--|---|--------------|--|--------------|---|--------------|
| San Francisco Mine | \$ | 1,396 | \$ | 1,523 | \$ | 6,390 |
| Margarita Project | | 1,765 | | 2,102 | | 1,750 |
| Mercedes Property | | 284 | | 501 | | 607 |
| San Judas Project | | 60 | | 301 | | 301 |
| La Pima Project | | 90 | | 90 | | 181 |
| Los Muertos Project | | 81 | | 82 | | 82 |
| La Fortuna Project | | 63 | | 64 | | 64 |
| Las Marias Property | | 11 | | 11 | | 11 |
| Total | \$ | 3,750 | \$ | 4,674 | \$ | 9,386 |

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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 the current fiscal year at the San Francisco Mine (amounts in thousands of US Dollars):

| Plans for the project during 2022 | Actual expenditures for the nine months ended September 30, 2022 | Revised planned expenditures for 2022 | Original planned expenditures for 2022 |
|---|--|---------------------------------------|--|
| <ul style="list-style-type: none">9,512 meters of RC drilling of infill and exploration drilling on the northern and northeastern portions of the San Francisco pit, over mineral indications of historical drill holes | \$1,396 ⁽¹⁾ | \$1,523 | \$6,390 |
| <ul style="list-style-type: none">Other costs (concession payments, other geological and administrative costs) | | | |

⁽¹⁾ The amount of \$1,396 was allocated as follows during the nine months ended September 30, 2022:

- \$633 capitalized in mineral properties; and
- \$763 in exploration expenses.

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

On June 1, 2022, the Company announced the filing of an independent technical report entitled "*NI 43-101 Technical Report Initial Mineral Resource Estimate for the Margarita Silver Project Chihuahua, Mexico*" and dated May 24, 2022, with an effective date of April 8, 2022 (the "Margarita Technical Report"). The Margarita Technical Report was prepared by Richard M. Gowans, P.Eng., William J. Lewis, P.Geo., Chitrali Sarkar, M.Sc., P.Geo., and Ing. Alan J. San Martin, MAusIMM (CP) of Micon International Limited, and Rodrigo Calles-Montijo, CPG, of Servicios Geológicos IMEx, S.C. A copy of the Margarita Technical Report is available under Magna's profile on SEDAR at www.sedar.com.

Indicated mineral resources are estimated to be 1.854 million tonnes ("Mt") at 204.9 g/t Ag and inferred mineral resources are estimated to be 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. A Preliminary Economic Assessment ("PEA"), based on this maiden mineral resource estimate, will follow.

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

| Plans for the project during 2022 | Actual expenditures for the nine months ended September 30, 2022 | Revised planned expenditures for 2022 | Original planned expenditures for 2022 |
|--|---|--|---|
| <ul style="list-style-type: none"> • Remaining 5,193 meters of core and RC drilling to complete maiden resource estimate • Advancement toward completion of PEA • Other costs (concession/land payments, other geological and administrative costs) | \$1,765 ⁽¹⁾ | \$2,102 | \$1,750 |

⁽¹⁾ The amount of \$1,765 was allocated as follows during the nine months ended September 30, 2022:

- \$1,763 capitalized in exploration and evaluation assets; and,
- \$2 in exploration expenses.

The above-mentioned planned expenditures for fiscal 2022 include the completion of the maiden mineral resource estimate and advancement toward the completion of a PEA. Further exploration activities and expenditures have not been determined at the date of this MD&A.

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.

Planned activities

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

| Plans for the project during 2022 | Actual expenditures for the nine months ended September 30, 2022 | Revised planned expenditures for 2022 | Original planned expenditures for 2022 |
|--|---|--|---|
| <ul style="list-style-type: none"> • 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) | \$284 ⁽¹⁾ | \$501 | \$607 |

⁽¹⁾ The amount of \$284 was allocated as follows during the nine months ended September 30, 2022:

- \$278 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.

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- (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.

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.

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 the current fiscal year at the San Judas Project (amounts in thousands of US Dollars):

| Plans for the project during 2022 | Actual expenditures for the nine months ended September 30, 2022 | Revised planned expenditures for 2022 | Original 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 ⁽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) | \$60 ⁽¹⁾ | \$301 | \$301 |

- (1) The amount of \$60 was allocated as follows during the nine months ended September 30, 2022:

- \$10 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.

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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 the current fiscal year at the La Pima Project (amounts in thousands of US Dollars):

| Plans for the project during 2022 | Actual expenditures for the nine months ended September 30, 2022 | Revised planned expenditures for 2022 | Original 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 ⁽²⁾ | \$90 ⁽¹⁾ | \$90 | \$181 |
| <ul style="list-style-type: none"> Other costs (concession/land payments, other geological and administrative costs) | | | |

⁽¹⁾ The amount of \$90 was allocated in exploration expenses during the nine months ended September 30, 2022.

⁽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.

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.

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

| Plans for the project during 2022 | Actual expenditures for the nine months ended September 30, 2022 | Revised planned expenditures for 2022 | Original planned expenditures for 2022 |
|--|---|--|---|
| <ul style="list-style-type: none"> Soil and rock chip sampling to confirm the results of previous sampling campaigns ⁽²⁾ Geology mapping ⁽²⁾ | | | |
| <ul style="list-style-type: none"> Review and validation of the IP-R survey and, if positive, extend the lines to the north and east targets ⁽²⁾ | \$81 ⁽¹⁾ | \$82 | \$82 |
| <ul style="list-style-type: none"> Other costs (option/concession/land payments, other geological and administrative costs) | | | |

⁽¹⁾ The amount of \$81 was allocated as follows during the nine months ended September 30, 2022:

- \$50 capitalized in exploration and evaluation assets; and,
- \$31 in exploration expenses.

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- (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.

La Fortuna Project*Overview*

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

Planned activities

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

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

| Plans for the project during 2022 | Actual expenditures for the nine months ended September 30, 2022 | Revised planned expenditures for 2022 | Original planned expenditures for 2022 |
|--|---|--|---|
| • Survey of the mining concessions ⁽²⁾ | | | |
| • Chip rock sampling ⁽²⁾ | | | |
| • Consider an IP-R survey to identify sulfide rich mineral shoots below surface ⁽²⁾ | \$63 ⁽¹⁾ | \$64 | \$64 |
| • Other costs (option/land payments, other geological and administrative costs) | | | |

(1) The amount of \$63 was allocated as follows during the nine months ended September 30, 2022:

- \$60 capitalized in exploration and evaluation assets; and,
- \$3 in exploration expenses.

(1) 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.

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 the current fiscal year at the Las Marias Property (amounts in thousands of US Dollars):

| Plans for the project during 2022 | Actual expenditures for the nine months ended September 30, 2022 | Revised planned expenditures for 2022 | Original planned expenditures for 2022 |
|--|---|--|---|
| • The Las Marias concessions cover the eastern portion of the Mercedes property with exploration works included in the Mercedes property | \$11 ⁽¹⁾ | \$11 | \$11 |
| • Other costs (concession/land payments, other geological and administrative costs) | | | |

(1) The amount of \$11 was allocated in exploration expenses during the nine months ended September 30, 2022.

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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 \$61.0 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 is undertaking a strategic review to preserve and enhance value for shareholders. Currently, management is in active discussions with various counterparties to secure additional financing for its operations. Until such financing is secured, decisions were initiated to reduce mining rates and auxiliary activities near the Mine to preserve capital. Additionally, on an operations level, the operating team is optimizing the existing mine plan, and its sequencing, to effectively maximize value as the San Francisco Mine is advanced. For these reasons, the Company is retracting its previously disclosed fiscal 2022 production guidance which will be revised when accurate estimates from the adjusted throughput rates and sequencing are evaluated.

The Company has over 45,000 hectares of highly prospective ground, a gold mine in operation, 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, 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.

At September 30, 2022, the Company had negative net working capital of \$44.4 million. The Company had cash of \$0.1 million, trade and other receivables of \$10.5 million, inventories of \$8.8 million, advances and prepaid expenses of \$0.6 million, trade payables and accrued liabilities of \$53.9 million, Debentures of \$6.3 million, current other payables of \$3.3 million and current deferred revenue liabilities of \$0.8 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 nine months ended September 30, 2022, the Company collected \$13.5 million of VAT receivable in cash from the Mexican tax authority. As at September 30, 2022, the Company had a VAT receivable balance of \$9.6 million of which \$1.5 million related to outstanding VAT returns in process with the Mexican tax authority. The remaining \$8.1 million will be refundable in the normal course of business when certain conditions are met that allow eligible submission of a VAT return.

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During the nine months ended September 30, 2022, the Company made the last scheduled gold delivery under the initial agreement with Auramet (the "Auramet Agreement"). Subsequent to the Auramet Agreement, the Company entered into two agreement extensions with Auramet, including the Auramet 2022 Extension, pursuant to which the Company received an additional amount of \$4.0 million. On August 31, 2022, the Auramet 2022 Extension was extinguished and replaced by the Auramet NSR agreement, valued at \$4.5 million. The NSR will be paid in gold ounces on a quarterly basis.

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.

During the nine months ended September 30, 2022, the Company paid eight out of the nine principal and interest payments scheduled for fiscal 2022 in relation to the settlement agreement entered into during June 2021 by Molimentales and Inmobiliaria y Hotelera Los Algodones, S.A. de C.V. ("Algodones") regarding their amparo suit with respect to an original amount of \$1.7 million. At September 30, 2022, the remaining principal balance was \$0.7 million.

During the nine months ended September 30, 2022, the Company continued to make the scheduled interest payments in relation to a non-brokered private placement of C\$10.0 million 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. 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. 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.

In relation to the settlement agreed upon with Peal de Mexico, S.A. de C.V. ("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. During the nine months ended September 30, 2022, the Company and Peal amended the timing and payment terms of the amount of \$4.1 million. The amended terms included the issuance of 1,660,132 common shares to Peal to extinguish \$1.0 million on April 19, 2022. In addition, the Company agreed to 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. As at the date of this MD&A, no cash payments have been made.

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 2022 is expected to be \$1.0 million. 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 2022 is expected to be \$0.6 million. As at the date of this MD&A, the Company postponed concession payments totaling \$1.0 million. Additionally, and in agreement with the optionors of the Mercedes, San Judas, Los Muertos, and La Fortuna projects, the Company postponed option payments totaling \$0.3 million. The Company has assessed these payment postponements and determined that at this time the risk is low that the Company will forfeit its rights to acquire and further explore Mercedes, San Judas, Los Muertos, and La Fortuna, and to further operate the San Francisco Mine and its surrounding concessions.

As at the date of this MD&A, the Company is evaluating cost reduction alternatives, as well as focusing on value maximizing activities and in active discussions to secure additional financing in order to carry out its operational activities and fulfill its contractual obligations.

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 any proceeds from financing activities would be employed, or for other purposes, as needs arise. See the "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" sections of this MD&A.

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

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A summary of undiscounted liabilities and future operating commitments, in thousands of US Dollars, at September 30, 2022, is 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 | \$ 53,887 | \$ 53,887 | \$ - | \$ - | \$ - |
| Other payables ⁽¹⁾ | 3,450 | 3,254 | 84 | - | 112 |
| Debentures ⁽²⁾ | 7,296 | 7,296 | - | - | - |
| Interest payments on Debentures ⁽²⁾ | 548 | 548 | - | - | - |
| | 65,181 | 64,985 | 84 | - | 112 |
| Commitments | | | | | |
| Option payments on exploration and evaluation properties | 3,245 | 1,460 | 1,785 | - | - |
| Other provisions ⁽³⁾ | 1,732 | - | - | - | 1,732 |
| Provision for site reclamation and closure ⁽⁴⁾ | 7,201 | - | - | - | 7,201 |
| Total financial liabilities and commitments | \$ 77,359 | \$ 66,445 | \$ 1,869 | \$ - | \$ 9,045 |

⁽¹⁾ Other payables include the undiscounted considerations of \$3.1 million due to Peal, equipment loan principal and accrued interest of \$0.3 million, and \$0.1 million 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\$0.8 million on September 30, 2022, 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 September 30, 2022, the discounted obligation was determined to be \$1.2 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 September 30, 2022, the discounted obligation was determined to be \$5.9 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.

Liens and pledges

As at September 30, 2022, the Company had liens on the following assets:

- In relation to the agreement with Sandstorm, liens were put in place on the regional mining concessions, the San Judas mining concessions, and several of the San Francisco mining concessions;
- Prior to the settlement agreement entered into by Molimentales and Algodones, liens were put in place on several of the San Francisco mining concessions; and,
- Prior to the settlement agreement with Peal, liens were put in place on several of the San Francisco mining concessions.

Subsequent to September 30, 2022, liens in favor of Peal were released. As at the date of this MD&A, the liens in favor of Sandstorm and Algodones are still in place.

In relation to the Auramet Agreement and its extensions, shares of Molimentales owned by Minera Magna and shares of Minera Magna owned by Magna Gold Corp. were pledged as collateral. On August 31, 2022, upon finalization of the Auramet NSR Agreement and extinguishment of the Auramet 2022 Extension, the shares pledged as collateral were released.

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Cash Flows*Three months ended September 30, 2022 and 2021*

At September 30, 2022, the Company had cash of \$0.1 million compared to \$1.4 million at June 30, 2022. The three-month decrease in cash was primarily due to cash flow used in operating activities of \$0.4 million, cash used in investing activities of \$0.7 million and cash used in financing activities of \$0.2 million. At September 30, 2021, the Company had cash of \$6.9 million compared to \$2.1 million at June 30, 2021. The increase was mostly due to the receipt of proceeds from the debentures and the first extension of the Auramet Agreement, for a total of \$9.6 million. Additionally, cash flow from operations was \$6.6 million, offset by investing activities of \$11.5 million.

Net loss for the three months ended September 30, 2022, was \$9.2 million compared to earnings of \$3.8 million for the three months ended September 30, 2021. For the three months ended September 30, 2022, items not affecting cash totaled \$3.7 million, including impairment of \$4.6 million, depletion and depreciation of \$2.5 million, finance expenses of \$0.8 million and unrealized loss on derivative contracts of \$0.5 million. This was offset by non-cash gain on sale of net smelter return of \$3.6 million, unrealized foreign exchange gain of \$0.7 million, non-cash gold delivery to satisfy the Sandstorm deferred revenue agreement of \$0.4 million and income tax expense of \$0.1 million. For the three months ended September 30, 2021, items not affecting cash totaled \$4.9 million, including depletion and depreciation of \$4.9 million, income tax expense of \$1.4 million, finance expenses of \$0.6 million and share-based compensation of \$0.6 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, other income of \$0.5 million, unrealized gain on derivative contracts of \$0.2 million and unrealized foreign exchange gain of \$0.1 million.

Change in non-cash working capital balances increased cash by \$5.1 million during the three months ended September 30, 2022, compared to a decrease of \$2.0 million during the three months ended September 30, 2021. During the three months ended September 30, 2022, movements in trade payables and accrued liabilities, inventories, and advances and prepaid expenses increased cash by \$3.1 million, \$2.6 million, and \$0.1 million, respectively. This was offset by movements in trade and other receivables, which decreased cash by \$0.8 million. During the three months ended September 30, 2021, movements in inventories and advances and prepaid expenses increased cash by \$1.9 million and \$0.2 million, respectively. This was offset by movements in trade and other receivables and trade payables and accrued liabilities, which decreased cash by \$2.5 million and \$1.6 million, respectively.

Cash used in investing activities was \$0.7 million during the three months ended September 30, 2022, compared to \$11.5 million during the three months ended September 30, 2021. During the three months ended September 30, 2022, investing activities included \$0.4 million related to deferred stripping costs. \$0.1 million was spent on property, plant and equipment and mineral properties at the San Francisco Mine. Finally, \$0.1 million was spent on exploration and evaluation projects. During the three months ended September 30, 2021, investing activities included \$5.1 million related to deferred stripping costs. \$4.1 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 totaling \$2.1 million were made in relation with the Molimentales acquisition. Finally, \$0.3 million was spent on exploration and evaluation projects.

Cash used in financing activities was \$0.2 million during the three months ended September 30, 2022, compared to cash provided by financing activities of \$9.6 million during the three months ended September 30, 2021. During the three months ended September 30, 2022, the Company paid \$0.2 million of the Debentures interest. During the three months ended September 30, 2021, the Company received proceeds from the Debentures issued, net of transaction costs, of \$7.7 million, and proceeds from the first extension of the Auramet Agreement, net of transaction costs, of \$2.0 million. This was offset by the payment of \$0.1 million of the Debentures interest.

The effects of exchange rate changes on the balance of cash held in foreign currencies decreased cash by \$0.1 million during the three months ended September 30, 2022, compared to an increase in cash of \$0.1 million during the three months ended September 30, 2021.

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Nine months ended September 30, 2022 and 2021

At September 30, 2022, the Company had cash of \$0.1 million compared to \$2.1 million at December 31, 2021. The nine-month decrease in cash was primarily due to significant investment of \$16.7 million in deferred stripping and infrastructure at the San Francisco Mine, offset by cash flow from operations of \$13.2 million and cash provided by financing activities of \$1.5 million. At September 30, 2021, the Company had cash of \$6.9 million compared to \$7.1 million at December 31, 2020. The nine-month decrease in cash was primarily due to payments made in relation to the Molimentales acquisition and significant investments in deferred stripping, machinery and infrastructure at the San Francisco Mine, illustrated by cash used in investing activities of \$33.8 million. The investments were partially funded internally with cash flow provided by operating activities of \$20.0 million, as a result of an increase in trade payables and accrued liabilities, and externally with the receipt of a \$4.0 million income tax refund plus interest and with cash provided by financing activities of \$13.5 million.

Net loss for the nine months ended September 30, 2022, was \$21.9 million compared to earnings of \$2.8 million for the nine months ended September 30, 2021. For the nine months ended September 30, 2022, items not affecting cash totaled \$9.8 million, including depletion and depreciation of \$8.2 million, impairment of \$4.6 million, finance expenses of \$2.6 million and income tax expense of \$0.8 million. This was offset by gain on sale of net smelter return of \$3.6 million, non-cash gold delivery to satisfy the Sandstorm and Auramet deferred revenue agreements of \$1.2 million and \$0.5 million, respectively, unrealized foreign exchange gain of \$1.0 million and unrealized gain on derivative contracts of \$0.1 million. For the nine months ended September 30, 2021, items not affecting cash totaled \$7.6 million, including depletion and depreciation of \$8.6 million, finance expenses of \$1.5 million, income tax expense of \$0.6 million, share-based compensation of \$0.6 million and unrealized foreign exchange loss of \$0.2 million. This was offset by non-cash gold delivery to satisfy the Sandstorm and Auramet deferred revenue agreements of \$0.9 million and \$2.4 million, respectively, other income of \$0.5 million and unrealized gain on derivative contracts of \$0.1 million.

Change in non-cash working capital balances increased cash by \$25.3 million during the nine months ended September 30, 2022, compared to \$9.6 million during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, movements in trade payables and accrued liabilities, inventories, trade and other receivables, and advances and prepaid expenses increased cash by \$15.2 million, \$6.7 million, \$2.7 million, and \$0.6 million, respectively. During the nine months ended September 30, 2021, trade payables and accrued liabilities increased cash by \$14.3 million. This was offset by movements in inventories and trade and other receivables, which decreased cash by \$1.0 million and \$3.7 million, respectively.

Cash used in investing activities was \$16.7 million during the nine months ended September 30, 2022, compared to \$33.8 million during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, investing activities included \$11.7 million and \$2.1 million related to deferred stripping and underground development costs, respectively. \$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. Finally, \$0.8 million was spent on exploration and evaluation projects. During the nine months ended September 30, 2021, investing activities included \$18.0 million related to deferred stripping and underground development costs. \$8.2 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 \$7.1 million were made in relation with the Molimentales acquisition. Finally, \$0.5 million was spent on exploration and evaluation projects.

Cash provided by financing activities was \$1.5 million during the nine months ended September 30, 2022, compared to \$13.5 million during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, proceeds of \$2.0 million, net of transaction costs, were received in relation to the second agreement extension with Auramet. Additionally, the Company paid \$0.5 million of the Debentures interest. During the nine months ended September 30, 2021, proceeds of \$7.7 million and \$5.9 million were received from the Debentures, net of transaction costs, and Auramet Agreement and its first extension, net of transaction costs, respectively. This was offset by the payment of \$0.1 million of the Debentures interest.

The effects of exchange rate changes on the balance of cash held in foreign currencies decreased cash by \$0.1 million during the nine months ended September 30, 2022, compared to an increase in cash of \$0.1 million during the nine months ended September 30, 2021.

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CAPITAL RESOURCES

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

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

At December 31, 2021, the Company was required to maintain a minimum consolidated cash balance of \$1.0 million relating to the Auramet Agreement. On March 1, 2022, the minimum consolidated cash balance was increased to \$1.5 million upon finalization of the Auramet 2022 Extension. On August 31, 2022, in relation to the extinguishment of the Auramet 2022 Extension, the requirement to maintain a minimum consolidated cash balance was withdrawn.

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 September 30, 2022, cumulative deferred costs capitalization totaled \$40.8 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. If cash provided by operating activities were to be insufficient, proceeds from financing activities will be used to cover such deficit.

The Company has planned exploration expenditures of \$4.7 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 \$1.0 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 (Mercedes, San Judas, Los Muertos and La Fortuna) and has, as of September 30, 2022, remaining payments of \$3.2 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"), 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 | | Nine months ended | |
|---|---------------------------|--------|--------------------------|--------|
| | September 30, | | September 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Salaries and benefits ⁽¹⁾⁽²⁾ | \$ 250 | \$ 315 | \$ 748 | \$ 693 |
| Director fees ⁽³⁾ | \$ 28 | \$ 38 | \$ 83 | \$ 38 |

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

(2) Includes Arturo Bonillas, CEO and Director; Colin Sutherland, CFO and Director; Miguel Bonilla, COO and Director; and Miguel Soto, VP Exploration.

(3) 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) At September 30, 2022, salaries owed to the CEO, VP of Exploration, and COO were \$0.21 million, \$0.04 million, and \$0.06 million, respectively (December 31, 2021 - \$0.05 million, \$0.01 million, \$0.01 million, respectively), and are included in accounts payable and accrued liabilities.

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- c) On September 9, 2021, the Board of Directors approved recommendations from the Company's compensation committee whereby independent Directors are to each receive compensation of C\$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.
- d) On May 26, 2022, the Board of Directors approved recommendations from the Company's compensation committee whereby the Director position of board chair be renamed to executive chair and that the related compensation be increased to C\$0.08 million per annum, effective as of April 1, 2022. The compensation increase replaced the per annum C\$0.04 million and C\$0.002 million board chair compensation that the board chair was previously compensated. At September 30, 2022, director fees owed to the executive chair was \$0.01 million (December 31, 2021 - \$nil) and is included in accounts payable and accrued liabilities.
- e) The Company receives legal advisory services through two Mexico-based entities of which 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 and nine months ended September 30, 2022, legal advisory services of \$nil and \$0.01 million were incurred by the Company (three and nine months ended September 30, 2021 - \$0.01 million and \$0.1 million, respectively). The cost of the legal advisory services is on market terms.

As at September 30, 2022, these entities were owed \$nil (December 31, 2021 - \$nil) for these services.

In addition, Ms. Diaz provided legal advisory consulting services directly to the Company. During the three and nine months ended September 30, 2022, the Company incurred legal advisory consulting services of \$nil (three and nine months ended September 30, 2021 - \$nil and \$0.05 million, respectively). The cost of the legal advisory services is on market terms.

As at September 30, 2022, the Director was owed \$nil (December 31, 2021 - \$nil) for these services.

- f) During the three and nine months ended September 30, 2022, the CEO incurred reimbursable amounts of \$0.008 million and \$0.01 million, respectively (three and nine months ended September 30, 2021 - \$0.01 million) related to business development expenses of which \$0.005 million was included in accounts payable and accrued liabilities on September 30, 2022 (December 31, 2021 - \$nil).
- g) During the three and nine months ended September 30, 2022, the CFO incurred reimbursable amounts of \$0.004 million and \$0.01 million, respectively (three and nine months ended September 30, 2021 - \$0.004 million) related to corporate and administrative expenses, of which \$0.01 million was included in accounts payable and accrued liabilities on September 30, 2022 (December 31, 2021 - \$nil).
- h) During the three and nine months ended September 30, 2022, the COO incurred reimbursable amounts of \$nil and \$0.002 million, respectively (three and nine months ended September 30, 2021 - \$0.001 million) related to corporate and administrative expenses of which \$nil was included in accounts payable and accrued liabilities on September 30, 2022 (December 31, 2021 - \$nil).
- i) During the three and nine months ended September 30, 2022, the VP of Exploration incurred reimbursable amounts of \$nil (three and nine months ended September 30, 2021 - \$nil and \$0.002 million, respectively) related to corporate and administrative expenses.

NON-GAAP MEASURES

Cash cost per gold ounce on a by-product basis

Cash cost per gold ounce sold on a by-product basis ("cash cost per gold ounce") 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 sold 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 sold 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.

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The following table provides a reconciliation of the cash cost per gold ounce to the interim financial statements, in thousands of US Dollars:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Production costs | \$ 19,833 | \$ 20,209 | \$ 65,864 | \$ 53,482 |
| Divided by gold sold (ozs) | 9,136 | 18,276 | 32,909 | 38,483 |
| | 2,171 | 1,106 | 2,001 | 1,390 |
| Less: by-product silver credits per gold ounce sold ⁽¹⁾ | (8) | (11) | (9) | (16) |
| Cash cost per gold ounce | \$ 2,163 | \$ 1,095 | \$ 1,992 | \$ 1,374 |
| Adjustments | | | | |
| Less: write-down of inventory | \$ (1,550) | \$ - | \$ (1,550) | \$ - |
| Add back: capitalized underground development cost | - | 2 | 2,153 | 2,343 |
| Total adjustments to production costs | (1,550) | 2 | 603 | 2,343 |
| Total adjustments per gold ounce sold | (170) | - | 18 | 61 |
| Adjusted cash cost per gold ounce | \$ 1,993 | \$ 1,095 | \$ 2,010 | \$ 1,435 |

⁽¹⁾ Management determined that silver metal revenues, when compared to gold metal revenues, are immaterial and therefore considered a by-product of the production of gold. For the three and nine months ended September 30, 2022, total by-product silver credits were \$0.1 million and \$0.3 million, respectively (three and nine months ended September 30, 2021 - \$0.2 million and \$0.6 million, respectively).

For further details on the calculation of production costs, refer to the notes of the interim 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 ("AISC per gold ounce") 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.

Site all-in sustaining cost per ounce on a by-product basis ("Site AISC per gold ounce") calculated for the San Francisco Mine excludes corporate and administrative expenses and accretion for site reclamation and closure.

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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 interim financial statements, in thousands of US Dollars:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Production costs | \$ 19,833 | \$ 20,209 | \$ 65,864 | \$ 53,482 |
| Sustaining exploration expenses ⁽¹⁾ | 376 | 354 | 763 | 730 |
| Capital expenditures ^(1,2) | 514 | 8,897 | 15,831 | 26,228 |
| Less: development expenditures ⁽³⁾ | (3) | (97) | (633) | (129) |
| Less: by-product silver credits | (73) | (193) | (303) | (595) |
| Site all-in sustaining costs | 20,647 | 29,170 | 81,522 | 79,716 |
| Divided by gold sold (ozs) | 9,136 | 18,276 | 32,909 | 38,483 |
| Site AISC per gold ounce | \$ 2,260 | \$ 1,596 | \$ 2,477 | \$ 2,071 |
| Site all-in sustaining costs (per above) | \$ 20,647 | \$ 29,170 | \$ 81,522 | \$ 79,716 |
| Corporate and administrative expenses | 1,252 | 1,587 | 4,279 | 3,960 |
| Share-based compensation | - | 555 | - | 555 |
| Accretion for site reclamation and closure | 110 | 73 | 326 | 218 |
| All-in sustaining costs | 22,009 | 31,385 | 86,127 | 84,449 |
| Divided by gold sold (ozs) | 9,136 | 18,276 | 32,909 | 38,483 |
| AISC per gold ounce | \$ 2,409 | \$ 1,717 | \$ 2,617 | \$ 2,194 |
| Adjustment | | | | |
| Less: write down of inventory | \$ (1,550) | \$ - | \$ (1,550) | \$ - |
| Adjustments per gold ounce sold | (170) | - | (47) | - |
| Adjusted Site AISC per gold ounce | \$ 2,090 | \$ 1,596 | \$ 2,430 | \$ 2,071 |
| Adjusted AISC per gold ounce | \$ 2,239 | \$ 1,717 | \$ 2,570 | \$ 2,194 |

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

(2) Sustaining capital expenditures include deferred stripping and underground development costs of \$0.4 million and \$13.8 million for the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021 - \$5.1 million and \$18.0 million, respectively).

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

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 interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, effective as of September 30, 2022. 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 interim 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.

The critical judgements made by management of the Company in the application of the accounting policies are consistent with those applied and disclosed in note 3 of the Company's consolidated financial statements for the year ended December 31, 2021 and nine months ended December 31, 2020.

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 September 30, 2022, was classified as a Level 2 instrument because the inputs are derived from observable market data.

At September 30, 2022 and December 31, 2021, there were no financial assets or liabilities measured and recognized in the statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above.

There were no transfers between Level 1 and Level 2, during the nine months ended September 30, 2022, and for the nine months ended September 30, 2021.

Risk management

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

i. Credit risk

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

The Company's credit risk is predominantly limited to cash balances held in financial institutions and any gold and silver sales and related receivables and other receivables. The maximum exposure to credit risk is equal to the carrying value of such financial assets. At September 30, 2022 and December 31, 2021, the Company expected to recover the full amount of such assets.

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

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

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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 and nine months ended September 30, 2022 and 2021" 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:

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

The effect on earnings (loss) before income tax at September 30, 2022, of a 10.0% change in the foreign currencies against the US Dollar on the above-mentioned net monetary assets and liabilities is estimated to be an increase/decrease of \$0.6 million (December 31, 2021 - \$0.2 million) assuming that all other variables remained constant.

The effect on comprehensive income (loss) at September 30, 2022, of a 10.0% change in the foreign currencies against the US Dollar on the above-mentioned net monetary assets and liabilities is estimated to be an increase/decrease of \$0.2 million (December 31, 2021 - \$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.

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.

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DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 91,760,580 common shares outstanding. No shares are held in escrow as the final release from escrow occurred on June 6, 2022.

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 |
|--------------------|-----------------------------|-----------------------------|
| March 18, 2023 | 0.78 | 1,500,000 |
| August 19, 2024 | 1.25 | 450,000 |
| Total | | 1,950,000 |

During the nine months ended September 30, 2022, 40,574 warrants were exercised and 40,574 common shares were issued. 661,525 warrants expired unexercised.

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.

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 interim 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 interim financial statements; and (ii) the interim 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 interim financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

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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 the Company's MD&A for the year ended December 31, 2021, and nine months ended December 31, 2020, 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 in the Company's MD&A for the year ended December 31, 2021, and nine months ended December 31, 2020, 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 in the aforementioned document 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

Magna Gold Corp.

Management's Discussion and Analysis

Three and Nine Months Ended September 30, 2022 and 2021

Discussion dated: November 28, 2022

(In millions of US Dollars, unless otherwise stated)

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, labor 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.

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 |
| <i>Margarita Project</i> | "NI 43-101 Technical Report, Initial Mineral Resource Estimate for the Margarita Silver Project Chihuahua, Mexico" dated May 24, 2022, with an effective date of April 8, 2022 |
