



MAGNAGOLD

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020

(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 wholly owned subsidiaries ("Magna" or the "Company") is prepared as of November 30, 2020, and relates to the financial condition and results of operations for the three and six months ended September 30, 2020 and 2019. 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 six months ended September 30, 2020 and 2019, 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 years ended March 31, 2020 and 2019 ("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, 2020 and 2019, are also referred to as "Q2 2021" and "Q2 2020", respectively. The six months ended September 30, 2020 and 2019, are also referred to as "YTD 2021" and "YTD 2020", respectively. All amounts are presented in United States dollars, the Company's presentation currency, unless otherwise stated. References to "C\$" and "MX\$" 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 is on SEDAR at www.sedar.com.

Q2 2021 OPERATIONAL OVERVIEW AND RECENT DEVELOPMENTS

San Francisco Mine Highlights

- Produced 6,719 ounces of gold at cash cost and site all-in sustaining cost ("Site AISC") per gold ounce sold ⁽¹⁾ of \$1,660 and \$2,171, respectively, during the three months ended September 30, 2020.
- Sales of 7,473 ounces of gold at an average realized price of \$1,855 per ounce.

Corporate

Los Muertos Project Acquisition

On August 11, 2020, the Company announced that it had entered into an option agreement with a private party to acquire a 100% undivided interest in the Los Muertos silver-gold project (the "Los Muertos Project") located in the municipality of La Colorada, Sonora, Mexico. The Los Muertos Project is comprised of two claims (Los Muertos concession and Los Muertos 1 concession), covering 1,756 hectares.

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

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Under the terms of the option agreement the Company can earn a 100% undivided interest in the Los Muertos Project by paying an aggregate amount of \$0.4 million plus value added tax ("VAT") in five annual installments commencing on the effective date of the option agreement, August 3, 2020 (the "Effective Date"), and ending on the 48th month from the Effective Date.

Stock Option Plan

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

The Company also announced that it had granted a total of 2,350,000 incentive stock options to purchase common shares to certain directors, officers, employees, and consultants of the Company pursuant to the Plan. The options are exercisable at a price of C\$1.53 per common share for a period of five years. The grant of stock options was subject to, and subsequently received, the approval of disinterested shareholders of the Company at the Meeting in accordance with the policies of the Exchange. The common shares issuable upon exercise of the options are subject to a four-month hold period pursuant to the policies of the Exchange which will expire on December 14, 2020.

Pre-Feasibility Study on the San Francisco Mine

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

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

Full details of the PFS and the current estimates of mineral reserves and resources can be found in the technical report entitled "*NI 43-101 F1 Technical Report Pre-Feasibility Study for the San Francisco Gold Project, Sonora, Mexico*" dated August 28, 2020.

Margarita Silver Project Acquisition

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

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Margarita is 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. Margarita lies 15 kilometers northwest on strike with Sunshine Silver Corp.'s Los Gatos Mine.

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

- (i) C\$3.5 million in common shares of the Company, being 3,219,278 common shares at C\$1.0872 per common share (the "Issue Price"), representing the volume weighted average price of the common shares on the TSX Venture Exchange for the fifteen trading days prior to the date of the Agreement;
- (ii) C\$1.5 million in cash; and,
- (iii) C\$0.8 million in cash representing Mexican 16% VAT on the full consideration of the Margarita Acquisition.

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

- (iv) C\$1.8 million in common shares of the Company, being 1,655,629 common shares at the Issue Price;
- (v) C\$0.5 million in cash; and,
- (vi) C\$0.4 million in cash representing Mexican 16% VAT on the full consideration of the Option Exercise.

The common shares issued in connection with the Acquisition and the Option Exercise are subject to a four-month hold period from the date of issuance in accordance with applicable Canadian securities laws which will expire on March 18, 2021.

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

Change of fiscal year-end

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

COVID-19

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

During the three months ended September 30, 2020, the production at the San Francisco Mine has continued as per schedule. Even though the Company has not incurred material impacts to date from the COVID-19 pandemic, the duration and impact of the COVID-19 outbreak is undetermined. As a result, it is not possible to reliably estimate the impact on the financial results and condition of the Company and its sites in future periods.

OVERVIEW OF THE BUSINESS

Magna was incorporated on January 9, 2018, under the *Business Corporations Act* (Ontario) under the name Magna Gold Corp. The authorized share capital of the Company consists of an unlimited number of common shares, without nominal or par value. Its shares have been listed on the TSX Venture Exchange under the symbol MGR since June 10, 2019. In addition, Magna's shares trade on the OTCQB Venture Market, a U.S. trading platform that is operated by OTC Markets Group in New York, under the symbol "MGLQF". The Company's address is 18 King Street East, Suite 902, Toronto, Ontario, M5C 1C4.

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

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

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

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

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

TRENDS AND ECONOMIC CONDITIONS

During the three months ended September 30, 2020, the spot gold price fluctuated between a low of \$1,771 per ounce and a high of \$2,067 per ounce. The average spot gold price for the quarter was \$1,909 per ounce, an increase of 30% from the comparative prior year period of \$1,472 per ounce.

During the six months ended September 30, 2020, the spot gold price fluctuated between a low of \$1,577 per ounce and a high of \$2,067 per ounce. The average spot gold price for the period was \$1,814 per ounce, an increase of 30% from the comparative prior year period of \$1,394 per ounce.

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

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

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

At the date of this MD&A, the Canadian federal government and the provincial government of Ontario have not introduced measures that have directly impeded the operational activities of Magna in Canada. The Mexican government had imposed restrictions on mining activities in March 2020, which were lifted on May 18, 2020.

However, it is not possible to reliably estimate the length and severity of these 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. There are two different mineral deposits, the San Francisco pit and the La Chicharra pit.

Operations review

Mining and crushing activities were reinitiated late in June 2020. During the three months ended September 30, 2020, most of the mining activity was related to the stripping of the San Francisco and La Chicharra pits. As a result, unit costs might not be representative of a steady rate of operations. The following is a summary of San Francisco's production statistics:

	July 1 - September 30, 2020	May 7 - June 30, 2020	May 7 - September 30, 2020
MINING			
Ore mined (dry kt)	334	80	414
Average ore mined grade (g/t Au)	0.32	0.44	0.34
Waste mined (kt)	3,091	270	3,361
Total mined (kt)	3,425	350	3,775
Strip ratio	9.26	3.38	8.12
Average total mined (t/d)	37,228	6,370	25,682
Cost per tonne mined ⁽¹⁾	\$ 2.05	\$ 1.01	\$ 1.96
CRUSHING AND PROCESSING			
Ore processed (kt)	871	111	982
Average ore processed grade (g/t Au)	0.29	0.35	0.30
<i>Including:</i>			
Ore from underground processed (kt)	11	-	11
Average ore from underground grade (g/t Au)	2.62	-	2.62
Ore from stockpile processed (kt)	529	26	555
Average ore stockpiled grade (g/t Au)	0.24	0.23	0.24
Average ore processed per day (t/d)	9,468	2,016	6,680
Cost per tonne processed	\$ 7.86	\$ 26.44	\$ 9.96
Gold deposited on pad (ozs)	8,112	1,248	9,360
Cost per tonne - administration	\$ 1.13	\$ 4.60	\$ 1.52
Total cost per tonne processed	\$ 17.06	\$ 34.22	\$ 19.00
PRODUCTION			
Gold sold (ozs)	7,473	4,935	12,408
Gold produced (ozs)	6,719	5,091	11,810
Silver produced (ozs)	3,211	2,456	5,667
COSTS			
Cash cost per gold ounce ⁽²⁾	\$ 1,660	\$ 1,348	\$ 1,536
Site AISC per gold ounce ^(2,3)	\$ 2,171	\$ 1,348	\$ 1,844
TOTAL DAYS IN PERIOD	92	55	147

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

⁽²⁾ Refer to the "Non-GAAP Measures" section of the MD&A.

⁽³⁾ Site AISC excludes corporate and administrative expenses and accretion for site reclamation and closure.

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Acquisition

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

Amounts recognized at acquisition date (thousands of US Dollars)	
Estimated purchase price allocation	
Common shares	\$ 2,758
\$5.0 million in cash or a 1% net smelter return royalty	4,671
Working capital difference	2,499
VAT payable to seller	570
Total estimated consideration	\$ 10,498
Estimated purchase price allocation	
Cash	\$ 1,465
Trade and other receivables	2,954
Inventories	16,259
Advances and prepaid expenses	483
Mineral properties, plant and equipment	5,197
Intangible assets and goodwill	1,748
Trade payables and accrued liabilities	(4,401)
Other payables	(6,940)
Other provisions	(1,420)
Provision for site reclamation and closure	(4,847)
Net assets	\$ 10,498

The above amounts included in the purchase price allocation are preliminary. The purchase price and the fair value of the net assets acquired are estimates, which were made by management at the time of the preparation of the interim financial statements based on available information. Amendments may be made to these amounts as well as the identification of intangible assets and the allocation of identifiable intangible assets between indefinite life and finite lives. Values based on estimates are subject to changes during the period ending twelve months after the acquisition date.

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REVIEW OF QUARTERLY RESULTS

Magna is a gold mining company engaged in operations, development, exploration and acquisitions in Mexico. Issues of seasonality have not had an impact on results or operations, however, commodity market fluctuations, and fluctuations in the price of gold, in particular, have impacted activities and ability to grow through acquisition or other means, and may continue to do so in the future.

Three months ended	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018
FINANCIAL RESULTS								
Metal revenues ⁽¹⁾	\$ 13,964	\$ 8,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(Loss) earnings ^(1,2)	\$ (3,622)	\$ (978)	\$ (705)	\$ (924)	\$ (1,316)	\$ (1,074)	\$ (226)	\$ (211)
Comprehensive (Loss) earnings ^(1,2)	\$ (3,385)	\$ (1,212)	\$ (627)	\$ (933)	\$ (1,323)	\$ (1,027)	\$ (227)	\$ (129)
(Loss) earnings per share - Basic ^(3,4)	\$ (0.04)	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.01)	\$ (0.01)
(Loss) earnings per share – Diluted ^(3,4)	\$ (0.04)	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.01)	\$ (0.01)
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Total assets ⁽¹⁾	\$ 41,291	\$ 37,649	\$ 908	\$ 806	\$ 1,727	\$ 2,717	\$ 3,202	\$ 1,403
Total non-current liabilities ⁽¹⁾	\$ 6,038	\$ 6,818	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
OPERATING RESULTS								
Gold produced (ozs)	6,719	5,091	-	-	-	-	-	-
Gold sold (ozs)	7,473	4,935	-	-	-	-	-	-
Silver sold (ozs)	4,567	865	-	-	-	-	-	-
Average realized gold price (per oz)	\$ 1,855	\$ 1,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average London PM fix gold price (per oz)	\$ 1,909	\$ 1,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
By-product cash cost per ounce sold ⁽⁵⁾	\$ 1,660	\$ 1,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
By-product AISC per ounce sold ⁽⁵⁾	\$ 2,596	\$ 1,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

⁽²⁾ Loss and comprehensive loss for the three months ended June 30, 2020, are restated as a result of the reclassification of warrants to equity. In the MD&A for the three months ended June 30, 2020, loss and comprehensive loss were \$1,223 and \$1,457, respectively.

⁽³⁾ Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

⁽⁴⁾ For the three months ended September 30, 2019, loss per share basic and diluted are presented in US Dollars to conform with the presentation of the MD&A.

⁽⁵⁾ Refer to the "Non-GAAP Measures" section of the MD&A.

Notes to quarterly results

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

Review of operations for Q2 2021 compared to Q2 2020

The Company had a net loss of \$3.6 million and a comprehensive loss of \$3.4 million during the three months ended September 30, 2020, with basic and diluted loss per share of \$0.04 and basic and diluted comprehensive loss per share of \$0.04. This compares with a net loss of \$1.3 million and comprehensive loss of \$1.3 million during the three months ended September 30, 2019, with basic and diluted loss per share of \$0.03 and basic and diluted comprehensive loss per share of \$0.03. The increase in net loss of \$2.3 million was principally because:

Metal revenues

During the three months ended September 30, 2020, revenues were \$14.0 million compared to \$nil during the three months ended September 30, 2019. The Company sold 7,473 gold ounces.

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 \$12.5 million compared to \$nil during the three months ended September 30, 2019.

Costs of mining were \$3.6 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019. Capitalization of deferred stripping costs totaled \$3.5 million during the three months ended September 30, 2020. A total of 3.4 million tonnes were mined at the San Francisco Mine during the quarter.

Crushing and gold recovery costs were \$6.8 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019.

Mine site administrative costs were \$1.0 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019.

Royalty, transport, and refining costs were \$0.1 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019.

Change in inventories increased cost of sales by \$1.0 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019. The mining activity at the San Francisco Mine was mostly focused on overburden removal and a low number of ounces have been extracted from the pit. Therefore, there were less recoverable gold ounces deposited onto the pad than ounces recovered from the pad. It resulted in a decrease of the inventory value on the leach pads.

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Depletion and depreciation costs form a component of cost of sales and were \$0.2 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019.

Corporate and administrative expenses

Corporate and administrative expenses were \$3.1 million during the three months ended September 30, 2020, compared to \$0.6 million during the three months ended September 30, 2019. The significant cash components of these expenses include salaries, consulting and professional fees and business development. Salaries were \$0.6 million during the three months ended September 30, 2020, compared to \$0.1 million during the three months ended September 30, 2019. Consulting and professional fees were \$0.4 million during the three months ended September 30, 2020, compared \$0.2 million during the three months ended September 30, 2019. Business development expenses were \$0.2 million during the three months ended September 30, 2020, compared to \$0.1 million during the three months ended September 30, 2019. The significant non-cash component of these expenses includes share-based compensation, which was \$1.7 million during the three months ended September 30, 2020, compared to \$0.1 million during the three months ended September 30, 2019.

Exploration expenses

Exploration expenses were \$1.1 million for the three months ended September 30, 2020, compared to \$0.7 million during the three months ended September 30, 2019. Refer to the "Exploration Properties" section of this document for further details on the exploration activities.

Other income, net

Other income, net was \$0.5 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019. It is mostly due to a \$0.4 million revaluation of the provision for the demobilization of the mining contractor during the three months ended September 30, 2020.

Finance expenses

Finance expenses were \$0.3 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019. It is due to the accretion on the other payables, which was \$0.2 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019. Additionally, accretions on the provision for site reclamation and on the provision for the demobilization of the mining contractor were \$0.1 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019.

Gain (loss) on derivatives

During the three months ended September 30, 2020, the Company entered into gold option contracts whereby the Company sold the right to a third party to purchase a number of the Company's gold ounces at a set price. The carrying value of the derivative liability is based on the valuation of the outstanding gold option contracts using Level 2 inputs and valuation techniques. The realized gain on the contracts was \$0.1 million during the three months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019.

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The following contracts were unsettled at September 30, 2020:

Contract expiry	Counter party	Ounces	Exercise price
October 28, 2020	Auramet International LLC	300	\$ 1,925
November 26, 2020	Auramet International LLC	300	\$ 1,975
November 26, 2020	Auramet International LLC	300	\$ 2,050
December 28, 2020	Auramet International LLC	300	\$ 2,050
December 28, 2020	Auramet International LLC	300	\$ 2,100
Total ounces		1,500	
Weighted average price per ounce			\$ 2,020

Subsequent to September 30, 2020, the Company entered into the following contracts:

Contract expiry	Counter party	Ounces	Exercise price
October 28, 2020	Auramet International LLC	300	\$ 1,950
October 28, 2020	Auramet International LLC	300	\$ 1,975
November 25, 2020	Auramet International LLC	300	\$ 2,000
November 25, 2020	Auramet International LLC	300	\$ 2,050
November 30, 2020	Auramet International LLC	300	\$ 1,975
December 28, 2020	Auramet International LLC	300	\$ 2,075
December 29, 2020	Auramet International LLC	300	\$ 2,050
December 29, 2020	Auramet International LLC	300	\$ 2,040
Total ounces		2,400	
Weighted average price per ounce			\$ 2,014

Review of operations for YTD 2021 compared to YTD 2020

The Company had a net loss of \$4.6 million and a comprehensive loss of \$4.6 million during the six months ended September 30, 2020, with basic and diluted loss per share of \$0.06 and basic and diluted comprehensive loss per share of \$0.06. This compares with a net loss of \$2.4 million and comprehensive loss of \$2.4 million for the six months ended September 30, 2019, with basic and diluted loss per share of \$0.06 and basic and diluted comprehensive loss per share of \$0.06. The increase in net loss of \$2.2 million was principally because:

Metal revenues

During the six months ended September 30, 2020, revenues were \$22.4 million compared to \$nil during the six months ended September 30, 2019. The Company sold 12,408 gold ounces.

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 \$19.2 million compared to \$nil during the six months ended September 30, 2019.

Costs of mining were \$3.9 million during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019. Capitalization of deferred stripping costs totaled \$3.5 million during the six months ended September 30, 2020. A total of 3.8 million tonnes were mined at the San Francisco Mine during the six months ended September 30, 2020.

Crushing and gold recovery costs were \$9.8 million during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019.

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Mine site administrative costs were \$1.5 million during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019.

Royalty, transport, and refining costs were \$0.2 million during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019.

Change in inventories increased cost of sales by \$3.8 million during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019. The mining activity at the San Francisco Mine was mostly focused on overburden removal and a low number of ounces have been extracted from the pit. Therefore, there were less recoverable gold ounces deposited onto the pad than ounces recovered from the pad. It resulted in a decrease of the inventory value on the leach pads.

Depletion and depreciation costs form a component of cost of sales and were \$0.5 million during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019.

Corporate and administrative expenses

Corporate and administrative expenses were \$5.1 million during the six months ended September 30, 2020 compared to \$1.0 million during the six months ended September 30, 2019. The significant cash components of these expenses include salaries, consulting and professional fees and business development. Salaries were \$0.7 million during the six months ended September 30, 2020, compared to \$0.1 million during the six months ended September 30, 2019. Consulting and professional fees were \$0.6 million during the six months ended September 30, 2020, compared to \$0.3 million during the six months ended September 30, 2019. Business development expenses were \$0.2 million during the six months ended September 30, 2020, compared to \$0.1 million during the six months ended September 30, 2019. The significant non-cash component of these expenses includes share-based compensation, which was \$3.2 million during the six months ended September 30, 2020, compared to \$0.1 million during the six months ended September 30, 2019.

Exploration expenses

Exploration expenses were \$1.2 million for the six months ended September 30, 2020, compared to \$1.3 million during the six months ended September 30, 2019. Refer to the "Exploration Properties" section of this document for further details on the exploration activities.

Acquisition Costs

The Company incurred costs of \$0.7 million related to the acquisition of Molimentales during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019.

Other income, net

Other income, net was \$0.5 million during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019. It is mostly due to a \$0.4 million revaluation of the provision for the demobilization of the mining contractor during the six months ended September 30, 2020.

Finance expenses

Finance expenses were \$0.5 million during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019. It is due to the accretion on the other payables, which was \$0.3 million during the six months ended September 30, 2020, compared to \$nil during the three months ended September 30, 2019. Additionally, accretions on the provision for site reclamation and on the provision for the demobilization of the mining contractor were \$0.2 million during the six months ended September 30, 2020 compared to \$nil during the six months ended September 30, 2019.

Loss (gain) on derivatives

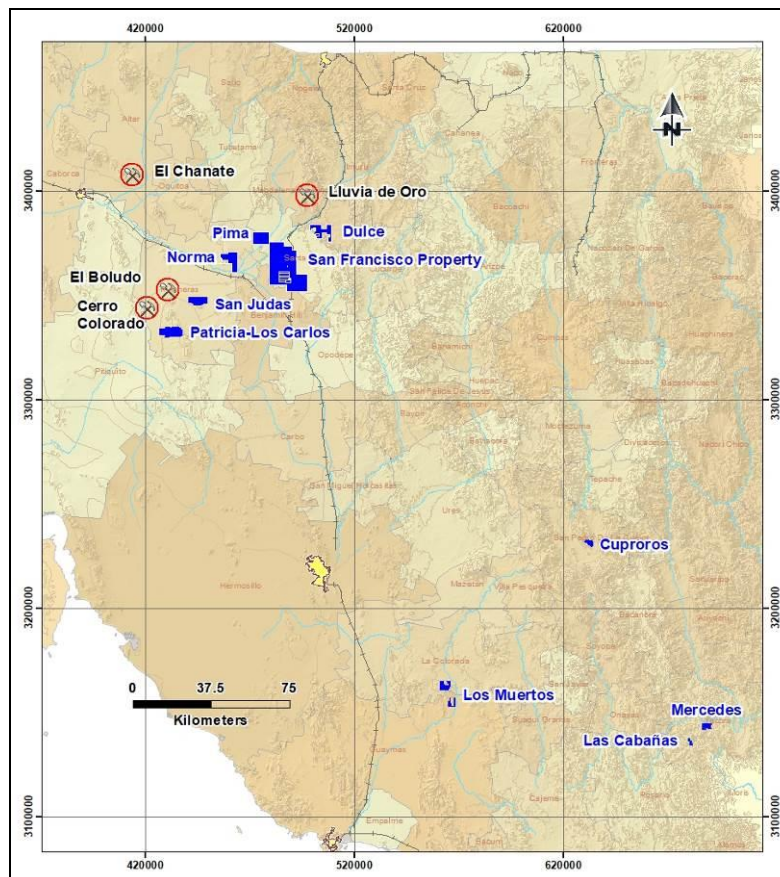
During the six months ended September 30, 2020, the Company entered into gold option contracts whereby the Company sold the right to a third party to purchase a number of the Company's gold ounces at a set price. The carrying value of the derivative liability is based on the valuation of the outstanding gold option contracts using Level 2 inputs and valuation techniques. The realized loss on the contracts was \$0.1 million during the six months ended September 30, 2020, compared to \$nil during the six months ended September 30, 2019.

Please refer to the "*Review of operations for Q2 2021 compared to Q2 2020*" section of this document for further details on unsettled contracts at September 30, 2020, and subsequent contracts.

EXPLORATION PROPERTIES

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

Figure 1: Location of Magna's mining concessions



Mercedes Property

Overview

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

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Current Activities

The following table summarizes the Company's current plans at the Mercedes Property, the planned expenditures and the YTD expenditures for the current fiscal year (amounts in thousands of US Dollars).

Plans for the project during fiscal 2021	Planned Expenditures for fiscal 2021	YTD Expenditures for fiscal 2021
<ul style="list-style-type: none"> • Complete geology mapping and sampling on SW extension of La Lamosa and La Cueva targets. • Reverse circulation ("RC") drill program on Mina del Oro. • IP-R along the Quartz/Tourmaline breccias (4 kilometers) and along La Lamosa-Mina del Oro (2 kilometers). • Compile and review data to generate a RC drill program on La Lamosa south extension, still open (1,000 meters). • Compile and review data to generate a core drill program on the Quartz/tourmaline breccias. • Review interpretation of the drilling results and decide future exploration works, follow step and infill drilling. • Other costs (option/concession/land payments, other geological and administrative costs). 	\$500	\$389

San Judas Project

Overview

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

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

Current activities

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

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The following table summarizes the Company's current plans at the San Judas Project, the planned expenditures and the YTD expenditures for the current fiscal year (amounts in thousands of US Dollars).

Plans for the project during fiscal 2021	Planned Expenditures for fiscal 2021	YTD Expenditures for fiscal 2021
<ul style="list-style-type: none"> • Develop a structural model based on the ongoing geological mapping and the gold mineralization in sampling work. • Identify which geophysical method adapts best to this part of the Megashear to support drill targets. • Execute a RC drill program along the Santa Lucia-Palomas-San Martin trend as well as on the Represo Seco target. • Interpretation of Drilling Phase 1. • Identify phase 2 infill drill targets. • Other costs (option/concession/land payments, other geological and administrative costs). 	\$300	\$115

Las Marias Property

Overview

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

Current activities

The following table summarizes the Company's current plans at the Las Marias Property, the planned expenditures and the YTD expenditures for the current fiscal year (amounts in thousands of US Dollars).

Plans for the project during fiscal 2021	Planned Expenditures for fiscal 2021	YTD Expenditures for fiscal 2021
<ul style="list-style-type: none"> • Extend geophysical works • Other costs (concession payments, other geological and administrative costs). 	\$100	\$nil

La Pima Project

Overview

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

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Current activities

The Company has proposed conducting additional exploration at the La Pima Project that includes a geophysical survey using either IP-R or CSAMT and a core drilling program. The geophysical survey will initially consist of two lines. Depending on the initial results additional lines could be required to assist with designing the drill plan.

The Company is in the process of scheduling a core drilling program of 3,000 meters distributed across different targets within the Project area.

The following table summarizes the Company's current plans at the La Pima Project, the planned expenditures and the YTD expenditures for the current fiscal year (amounts in thousands of US Dollars).

Plans for the project during fiscal 2021	Planned Expenditures for fiscal 2021	YTD Expenditures for fiscal 2021
<ul style="list-style-type: none"> • Geophysical survey • Exploration Drilling 3,000 meters • Other costs (concession/land payments, other geological and administrative costs). 	\$600	\$259

Los Muertos Project

Overview

On August 3, 2020, the Company entered into an option agreement with a private party to acquire a 100% undivided interest in the Los Muertos silver-gold project. The Los Muertos Project is located in central Sonora, 75 kilometers southeast of the city of Hermosillo, within the La Colorada municipality, and 31 kilometers southeast of the La Colorada gold mine, owned by Argonaut Gold Inc.

Current activities

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

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

The following table summarizes the Company's current plans at the Los Muertos Project, the planned expenditures and the YTD expenditures for the current fiscal year (amounts in thousands of US Dollars).

Plans for the project during fiscal 2021	Planned Expenditures for fiscal 2021	YTD Expenditures for fiscal 2021
<ul style="list-style-type: none"> • Interpretation of historical database • Prospecting the property • Other costs (option/concession/land payments, other geological and administrative costs). 	\$100	\$58

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Cuproros Project

Overview

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

Current activities

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

The following table summarizes the Company's current plans at the Cuproros Project, the planned expenditures and the YTD expenditures for the current fiscal year (amounts in thousands of US Dollars).

Plans for the project during fiscal 2021	Planned Expenditures for fiscal 2021	YTD Expenditures for fiscal 2021
<ul style="list-style-type: none"> • Prospecting the property • Other costs (option/concession/land payments, other geological and administrative costs). 	\$50	\$30

The San Francisco Mine

Current activities

110 drill holes were drilled at the San Francisco Mine from June to September 2020 for a total of 9,561 meters of RC drilling distributed as follows:

Location	Drill Holes	Meters Drilled	Objective
La Chicharra Northwest ("NW")	57	5,338	Test extensions of the mineral zones in dippers at \$1,500/ounce of gold
San Francisco Underground Drill from Surface	9	861	Confirm and explore continuity of veins 1 and 2 in areas without data, due to lack of drilling
San Francisco Pit	33	2,556	Test measured resource to make it immediately available for the operation
Support to the Operation	11	806	Drill holes to construct a ventilation shaft for underground development
Total	110	9,561	

La Chicharra NW

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

There was a total of 57 RC drill holes at an average depth of 97 meters. Significant gold values were intercepted, and the update of the mineral resource is in progress, adding this information to the existing database.

An update of the resource estimation on the drilled area is in process and should be concluded by the end of the calendar year.

San Francisco underground

An infill surface drill program is currently in progress. From July to September 2020, a total of 865 meters distributed in nine RC holes were drilled. This is part of a drill program designed to infill spaces with poor or no information on vein 1 and vein 2 between the elevations 600 and 680 meters above sea level, and longitudinally of the section 980W to 1160W, a block 80 meters high and 180 meters long, with a focus on testing continuity at specific sites on vein 1 and continuity at least within that same block from vein 2 and slays at the hanging and footwall of both veins.

The results to date confirm the continuity of vein 1 and in some cases of vein 2. This drill program concluded in October 2020 and will be followed by an additional drill program along and across the lower blocks to confirm the longitudinal extension of some indicated high-grade gold lenses. There are some historical holes that confirm the presence of high-grade intervals on which is based the development of a crosscut.

San Francisco pit

Another drill program comprised of 33 drill holes for 2,556 meters of reverse circulation was performed on several sites of the San Francisco pit. Initially, 16 holes were drilled in the Las Barajitas section, at the southeast border of the San Francisco pit. The objective was to test an indicated and inferred shallow resource shown by the historical drilling to include it in the mine plan.

With the similar goal of identifying available mineral for extraction in the short term, the Company decided to drill the beds of conglomerate at the east-northeast section of the San Francisco pit. This conglomerate is formed by boulders of different size of rocks of similar composition of those that contain the gold mineralization in the San Francisco pit. There are several identified mineralized zones separated from the existing mineral resource. A total of 14 RC holes were drilled to confirm the grades in the spaces between the existing drilling and to take samples for metallurgical testing. Preliminary results confirm the mineralization, although of low-grade, and the mineral zones were delineated. The preliminary results of the metallurgical tests indicate that the expected extraction of the mineral would be 60%.

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The following table summarizes the Company's current exploration plans at the San Francisco Mine, the planned expenditures and the YTD expenditures for the current fiscal year (amounts in thousands of US Dollars).

Plans for the project during fiscal 2021	Planned Expenditures for fiscal 2021	YTD Expenditures for fiscal 2021
<ul style="list-style-type: none"> • RC drilling La Chicharra NW • RC drilling San Francisco Underground • RC drilling San Francisco Pit • Other costs (concession payments). 	\$2,000	\$964 ⁽¹⁾

- (1) The amount of \$964 was allocated as follows during the six months ended September 30, 2020 (in thousands of US Dollars):
- \$600 in mineral properties;
 - \$314 in exploration expenses; and,
 - \$50 in production costs.

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

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

OUTLOOK

The main focus of the Company is the restart and optimization of the San Francisco Mine and to establish a stable low-cost production. This will help strengthen the financial position of the Company and will enable the Company to pursue external growth opportunities and advance the exploration pipeline.

Since acquiring the San Francisco Mine in May 2020, the Company has been pre-stripping both the San Francisco and La Chicharra open pits. In parallel, the Company has also been processing lower grade stockpile material and, more recently, fresh ore from the open pits. During September 2020, the Company also restarted the underground mining activity in the southern wall of the San Francisco pit, where a system of very continuous high-grade veins has been identified and is currently under development for production late in the year. An ongoing drill program of the underground mine is underway and is extending the measured and indicated mineral reserves. These additional underground reserves will be added to the 2021 production guidance.

Gold production from processing of fresh mineralized material from open pits, underground and stockpile material will underpin production growth starting in late 2020 and offset the steady decline in production levels expected from the residual leach.

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

The Company has identified several near-term resource growth and operational expansion opportunities that have the potential to extend the mine life of San Francisco and further optimize the project parameters and economics outlined in the PFS.

The Company is currently implementing an aggressive exploration strategy in and around the existing open pits and at depth to increase mineral reserves and resources in 2021.

In addition, as part of the operational improvement plan that was implemented shortly after the acquisition of the San Francisco Mine, the Company is in the process of completing an extensive metallurgical test program and evaluating a potential upgrade of the crushing and leaching operation in order to increase capacity and improve metallurgical recoveries.

The Company's overall goal is to establish an operation capable of producing around 100,000 ounces per year for ten years, providing for an approximate 45% increase from production levels outlined in the PFS.

The Company's exploration strategy also extends to various regional targets being evaluated as potential sources of satellite ore, such as the Mercedes Property and La Vetatierra target, that could leverage existing equipment and infrastructure to provide incremental low-cost production in the near-term with minimal capital expenditures. Details of the on-going exploration activities are described in the "Exploration Properties" section of this document.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Liquidity

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

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

At September 30, 2020, the Company had positive net working capital of \$5.1 million. The Company had cash of \$11.1 million, trade and other receivables of \$5.7 million, inventories of \$12.1 million, trade payables and accrued liabilities of \$13.2 million, and other payables of \$11.1 million.

The Company believes it is able to generate sufficient amounts of cash during the fiscal year to fund corporate costs, its acquisition costs and its upcoming exploration and development plans of \$3.2 million at the San Francisco Mine and its other projects, taking into account the May 6, 2020, and June 1, 2020, private placements.

The commitment of \$5.0 million in cash or a 1% net smelter return royalty in respect of the San Francisco Mine, at the election of Magna, and the working capital difference of \$2.7 million are expected to be paid after the end of the fiscal year and before May 6, 2021. In addition, Molimentales has agreed to pay \$3.5 million (plus valued added taxes of 16%) in cash to Peal subsequent to the end of the fiscal year and before December 30, 2021.

The cost of acquisition and work commitments on new acquisitions cannot be accurately estimated.

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

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

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A summary of undiscounted liabilities and future operating commitments, in thousands of US Dollars, at September 30, 2020, are as follows:

	Total	Within 1 year	1 - 3 years	4 - 5 years	Greater than 5 years
Maturity analysis of financial liabilities					
Trade payables and accrued liabilities	\$ 13,166	\$ 13,166	\$ -	\$ -	-
Other payables	11,729	7,675	4,054	-	-
	24,895	20,841	4,054	-	-
Commitments					
Provision for site reclamation and closure ⁽¹⁾	6,104	-	-	-	6,104
Other provisions ⁽²⁾	1,732	-	-	-	1,732
Total financial liabilities and commitments	\$ 32,731	\$ 20,841	\$ 4,054	\$ -	\$ 7,836

(1) Provision for site reclamation and closure represents the undiscounted amount of the estimated cash flows required to settle the retirement obligations of the San Francisco Mine. The undiscounted amount is \$6.1 million. At September 30, 2020, this discounted obligation was determined to be \$5.0 million.

(2) Other provisions represent the undiscounted amount of the demobilization costs related to the mining contractor, whereby the Company is responsible for demobilization costs payable one month prior to the end of the mining contract. This obligation has been recorded at an annualized discount rate of 6.84%, 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, 2020, this discounted obligation was determined to be \$1.1 million.

Contingencies

Various tax and legal matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the consolidated financial statements in the period such changes occur.

CASH FLOW

Three months ended September 30, 2020

At September 30, 2020, the Company had cash of \$11.1 million compared to \$14.3 million at June 30, 2020. The decrease in cash of \$3.2 million from the June 30, 2020, cash balance was as a result of cash inflows in operating activities of \$0.8 million and cash used in investing activities of \$4.1 million.

Loss for the three months ended September 30, 2020, was \$3.6 million. Items not affecting cash totaled \$2.1 million, including share-based compensation of \$1.7 million, change in other provision revaluation of \$0.4 million, income tax expense of \$0.3 million, finance expense of \$0.3 million, unrealized loss on derivative contracts of \$0.2 million, and depletion and depreciation of \$0.2 million.

Change in non-cash working capital balances increased cash by \$2.3 million. Decrease in inventories increased cash by \$0.9 million, trade payables and accrued liabilities movements increased cash by \$4.4 million, whereas trade and other receivables movements decreased cash by \$2.9 million.

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Investing activities included \$3.5 million related to the capitalized deferred stripping costs and \$0.6 million spent on property, plant and equipment and mineral properties at the San Francisco Mine.

The effects of exchange rate changes on the balance of cash held in foreign currencies increased cash by \$0.1 million.

Six months ended September 30, 2020

At September 30, 2020, the Company had cash of \$11.1 million compared to \$0.2 million at March 31, 2020. The increase in cash of \$10.9 million from the March 31, 2020, cash balance was as a result of cash provided by operating activities of \$7.6 million, cash used in investing activities of \$3.2 million and cash provided by financing activities of \$6.5 million.

Loss for the six months ended September 30, 2020 was \$4.6 million. Items not affecting cash totaled \$4.0 million, including share-based compensation of \$3.2 million, income tax expense of \$0.5 million, depletion and depreciation of \$0.5 million, finance expense of \$0.5 million, and change in other provision revaluation of \$0.4 million.

Change in non-cash working capital balances increased cash by \$8.2 million. Decrease in inventories increased cash by \$3.8 million, trade payables and accrued liabilities movements increased cash by \$6.9 million, whereas trade and other receivables movements decreased cash by \$2.5 million.

Investing activities included \$3.5 million related to the capitalized deferred stripping costs, \$0.6 million spent on property, plant and equipment and mineral properties at the San Francisco Mine and \$0.6 million paid to Alio Gold Inc., related to the acquisition of the San Francisco Mine. This was offset by a net cash inflow of \$1.5 million received in connection with the acquisition of Molimentales.

Financing activities included proceeds from private placements that occurred during the six months ended September 30, 2020, of \$6.5 million.

The effects of exchange rate changes on the balance of cash held in foreign currencies increased cash by \$0.1 million.

CAPITAL RESOURCES

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

	September 30, 2020	March 31, 2020
Equity	\$ 10,994	\$ 760
Less: Cash	11,111	161
	\$ (117)	\$ 599

At September 30, 2020, and March 31, 2020, the Company was not subject to any externally imposed capital requirements.

RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

The remuneration of directors and other members of key management personnel, were as follows:

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

	Three months ended		Six months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Salaries and benefits ⁽¹⁾⁽²⁾	\$ 263	\$ 76	\$ 331	\$ 99
Share-based compensation	\$ 1,166	\$ -	\$ 1,875	\$ -

(1) The Board of Directors do not have employment or service contracts with the Company. There were no director fees accrued or paid during the three and six months ended September 30, 2020 (three and six months ended September 30, 2019 - \$nil).

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

- b) Carmelo Marrelli, whom is the CFO of Magna, beneficially controls Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filing Services Limited, and Marrelli Press Release Services, collectively, the "Marrelli Group". These services are required by Magna to maintain its reporting issuer status and are made on terms equivalent to those that prevail with arm's length transactions.

During the three and six months ended September 30, 2020, the Company had professional fees and disbursements of \$0.01 million and of \$0.04 million, respectively (three months ended September 30, 2019 - \$0.01 million and \$0.03 million, respectively) related to the following services provided by the Marrelli Group:

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

As at September 30, 2020, the Marrelli Group was owed \$0.01 million (March 31, 2020 - \$0.01 million) and this amount is included in trade payables and other liabilities.

- c) The Company receives legal advisory services through two Mexico-based entities that are related to a newly appointed Director. The Director was elected to the Board of Directors on September 15, 2020, at the Company's annual and special meeting of shareholders. During the three and six months ended September 30, 2020, legal advisory services of \$0.1 million and \$0.1 million, respectively (three and six months ended September 30, 2019 - \$nil), were incurred by the Company.

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- d) During the three and six months ended September 30, 2020, travel expenses of \$nil (three and six months ended September 30, 2019 - \$nil and \$0.01 million) were incurred by Arturo Bonillas, a corporate officer of the Company.

NON-GAAP MEASURES

Cash cost per gold ounce on a by-product basis

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

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

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

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

	Three months ended September 30, 2020		Six months ended	
Production costs	\$	12,524	\$	19,191
Divided by gold sold (ozs)		7,473		12,408
		1,676		1,547
Less: by-product silver credits per gold ounce sold ⁽¹⁾		(16)		(11)
Cash cost per gold ounce sold on a by-product basis	\$	1,660	\$	1,536

- ⁽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 six months ended September 30, 2020, total by-product silver credits were \$0.01 million and \$0.1 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.

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All-in sustaining cost per gold ounce

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

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

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

	Three months ended		Six months ended	
	September 30, 2020			
Production costs	\$	12,524	\$	19,191
Sustaining exploration expenses		314		314
Capital expenditures ^(1,2)		4,106		4,106
Less: development expenditures ⁽³⁾		(600)		(600)
Less: by-product silver credits		(118)		(133)
Site all-in sustaining costs		16,226		22,878
Divided by gold sold (ozs)		7,473		12,408
Site AISC per gold ounce sold on a by-product basis	\$	2,171	\$	1,844
Site all-in sustaining costs (per above)	\$	16,226	\$	22,878
Corporate and administrative expenses		3,092		5,068
Accretion for site reclamation and closure		79		130
All-in sustaining costs		19,397		28,076
Divided by gold sold (ozs)		7,473		12,408
AISC per gold ounce sold on a by-product basis	\$	2,596	\$	2,263

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

(2) Sustaining capital expenditures include deferred stripping costs of \$3.5 million for both the three and six months ended September 30, 2020.

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

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

OFF-BALANCE-SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), effective as of September 30, 2020. The Company's significant accounting policies are described in note 4 of the Company's interim financial statements for the three and six months ended September 30, 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.

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

Management has made the following critical judgements and estimates:

Judgements

The critical judgements made by management of the Company in the application of the accounting policies are as follows:

i. Functional currency

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

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ii. Liquidity risk related to the Company's operations

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

iii. Assessment of indicators of impairment

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or cash generating unit may be impaired, thereby requiring adjustment to the carrying value. As of September 30, 2020, there were no indicators of impairment.

iv. Revenue recognition

a. Determination of performance obligations

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

b. Transfer of control

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

v. Business combination

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgements, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders. On May 6, 2020, the Company acquired Molimentales. The Company concluded that the acquired assets and liabilities of Molimentales constituted a business and therefore the transaction was accounted for as a business combination in accordance with IFRS 3 - Business Combinations.

Significant estimates and assumptions

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

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

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

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

i. *Mineral reserves*

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

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

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

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

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

ii. *Depreciation and depletion*

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

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

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

iii. *Deferred stripping costs*

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

iv. Inventories

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

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

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

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

The allocation of costs to ore in process and finished metal inventory and the determination of NRV involve the use of estimates. There is a high degree of judgement in estimating future costs, future production level, gold prices, and the ultimate estimated recovery for ore in process. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

v. Recoverable value of mineral properties, plant and equipment

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

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

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vi. Provision for site reclamation and closure

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

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

vii. Current and deferred taxes

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

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

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

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

viii. Equity-settled share-based compensation

Share-based compensation is measured at fair value. Options are measured using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to earnings or loss from operations over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

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ix. Contingencies

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

x. Fair value estimates

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

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

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

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value measurement of financial assets and liabilities

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and,

Level 3 - inputs for the asset or liability that are not based upon observable market data.

The carrying values of cash, trade and other receivables, trade payables and accrued liabilities, other payables and amounts due to and from related parties approximate their fair value due to their short-term nature, and are classified at amortized cost.

At September 30, 2020, and March 31, 2020, there were no financial assets or liabilities measured and recognized in the statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above.

There were no transfers between Level 1 and Level 2, during the six months ended September 30, 2020, and for the year ended March 31, 2020.

Risk management

The Company's primary business activities consist of the operations, development, exploration and acquisitions 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 corporate finance group 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 equivalent balances held in financial institutions and any gold and silver sales and related receivables and other receivables. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At September 30, 2020, and March 31, 2020, the Company expects 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. In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

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

ii. Commodity price risks

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

The prices of most commodities are determined in international markets and as such the Company has limited or no ability to control or predict the future level of most commodity prices. In some instances, the Company may have the ability to enter into derivative financial instruments to manage the Company's exposure to changes in the price of commodities such as gold, silver, oil and electricity.

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iii. Currency risk

The functional currency of Magna Gold Corp. and 2660170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining, S.A. de C.V. and Minera Magna, S.A. de C.V.. The functional currency of the Molimentales subsidiary was determined to be the US dollar. Therefore, the Company's earnings (loss) and comprehensive income (loss) are impacted by fluctuations in the value of foreign currencies in relation to the US Dollar.

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

	September 30, 2020	March 31, 2020
Mexican peso net monetary assets	\$ 3,981	\$ 363
Canadian dollar net monetary assets (liabilities)	\$ 2,597	\$ (10)

The effect on earnings before income tax at September 30, 2020, of a 10.0% change in the foreign currencies against the US Dollar on the above-mentioned net monetary assets and liabilities of the Company is estimated to be an increase/decrease of \$0.7 million (March 31, 2020 - \$0.1 million, September 30, 2019 - \$0.1 million) assuming that all other variables remained constant.

The calculations above are based on the Company's condensed interim consolidated statement of financial position exposure at September 30, 2020.

iv. Liquidity risk

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

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

v. Interest rate risk

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

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 89,432,813 common shares outstanding, with the following held in escrow:

	As of November 30, 2020
CPC Escrow	3,750,000 common shares 120,000 options
Value Escrow	187,500 common shares
Total	3,937,500 common shares 120,000 options

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

Warrants

Expiry date	Exercise price (C\$)	Warrants outstanding
May 6, 2022	0.35	96,185
June 1, 2022	0.41	632,975
Total		729,160

Options

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

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the 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 unaudited condensed consolidated 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.

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

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

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

RISK FACTORS

There are many risk factors facing companies involved in the mineral exploration and development industry. Risk management is an ongoing exercise upon which the Company spends a substantial amount of time. While it is not possible to eliminate all the risks inherent to the industry, the Company strives to manage these risks, to the greatest extent possible. For a detailed listing of risk factors faced by the Company, please refer to the Company's MD&A for the year ended March 31, 2020.

The risks described in the Company's MD&A for the year ended March 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).

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this MD&A and the documents incorporated by reference 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.

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

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

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

QUALIFIED PERSON AND TECHNICAL REPORTS

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

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

San Francisco Mine	"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
Mercedes Property	"NI 43-101 Technical Report, Mercedes Property, Municipality of Yécora, Sonora State, Mexico" with an effective date of April 30, 2019