MAGNA GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Magna Gold Corp.:

Opinion

We have audited the consolidated financial statements of Magna Gold Corp. and its subsidiaries (together, the "Company"), which comprise the consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.

July 13, 2020

Magna Gold Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars Unless Otherwise Noted)

	March 31, 2020	March 31, 2019
ASSETS		
Current assets		
Cash	$ 228,709	$ 1,620,930
Funds held in escrow (notes 6 and 13(a))	1,006,950	2,652,799
Receivables and other assets (notes 4 and 10)	52,971	5,111
Total assets	$ 1,288,630	$ 4,278,840
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and other liabilities (note 10)	$ 209,722	$ 92,509
Loan payable (note 8)	-	6,172
	209,722	98,681
Equity		
Share capital (note 6)	6,273,973	5,108,629
Shares to be issued (note 13(a))	1,006,950	-
Contributed surplus (note 9)	15,008	15,008
Accumulated other comprehensive loss	(84,537)	(7,622)
Deficit	(6,132,486)	(935,856)
Total equity	1,078,908	4,180,159
Total equity and liabilities	$ 1,288,630	$ 4,278,840

Nature of operations and going concern (note 1)
Commitments (note 12)
Subsequent events (note 13)

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

Approved on behalf of the Board on July 13, 2020:

/s/ "Arturo Bonillas"

Arturo Bonillas
Director

/s/ "Alex Tsakumis"

Alex Tsakumis
Director

Magna Gold Corp.

Consolidated Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian Dollars Unless Otherwise Noted)

Years Ended March 31,	**2020**	**2019**
Expenses		
Exploration and evaluation (note 8)	$ 3,040,514	$ -
Professional fees	475,716	184,516
Administrative	469,960	196,133
VAT expense	339,799	76,034
Salaries and benefits (notes 9 and 10(d))	322,951	15,008
Business development	264,202	-
Investigation costs (note 10(a))	186,420	359,195
Reporting issuer costs	92,151	67,787
Foreign exchange	4,917	10,678
Net loss for the year	5,196,630	909,351
Other comprehensive items		
Amounts that may be reclassified subsequently to profit and loss		
Foreign exchange loss	76,915	7,622
Net loss and comprehensive loss for the year	$ 5,273,545	$ 916,973
Basic and diluted net loss per share (note 7)	$ 0.14	$ 0.04
Weighted average number of common shares outstanding	38,255,232	20,783,087

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

Magna Gold Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars Unless Otherwise Noted)

	Number of common shares	Share capital	Shares to be issued	Contributed Surplus	Accumulated other Comprehensive Loss	Deficit	Total
Balance, March 31, 2018	**25,075,000**	**$ 2,338,824**	**$ -**	**$ -**	**$ -**	**$ (26,505)**	**$ 2,312,319**
Initial public offering (note 6)	2,000,000	200,000	-	-	-	-	200,000
Private placement (note 6)	8,338,184	2,668,219	-	-	-	-	2,668,219
Share issue costs (note 6)	-	(98,414)	-	-	-	-	(98,414)
Share-based compensation (note 9)	-	-	-	15,008	-	-	15,008
Net loss and comprehensive loss for the year	-	-	-	-	(7,622)	(909,351)	(916,973)
Balance, March 31, 2019	**35,413,184**	**5,108,629**	**-**	**15,008**	**(7,622)**	**(935,856)**	**4,180,159**
Shares issued for the Mercedes Property (note 8)	2,442,105	781,474	-	-	-	-	781,474
Shares issued for Las Marias property (note 8)	1,000,000	279,700	-	-	-	-	279,700
Shares for services (note 6)	99,502	25,000	-	-	-	-	25,000
Exercise of stock options (note 9)	250,000	87,210	-	(37,225)	-	-	49,985
Share-based compensation (note 9)	-	-	-	37,225	-	-	37,225
Share issue costs	-	(8,040)	-	-	-	-	(8,040)
Shares to be issued (note 13(a))	-	-	1,006,950	-	-	-	1,006,950
Net loss and comprehensive loss for the year	-	-	-	-	(76,915)	(5,196,630)	(5,273,545)
Balance, March 31, 2020	**39,204,791**	**$ 6,273,973**	**$ 1,006,950**	**$ 15,008**	**$ (84,537)**	**$ (6,132,486)**	**$ 1,078,908**

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

Magna Gold Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars Unless Otherwise Noted)

Years Ended March 31,	2020	2019
Operating activities		
Net loss for the year	$ (5,196,630)	$ (909,351)
Adjustment for:		
Share-based compensation	37,225	15,008
Shares for exploration and evaluation costs	1,061,174	-
Shares for services	25,000	-
Non-cash working capital items:		
Receivables and other assets	(47,860)	(5,111)
Accounts payable and other liabilities	117,213	55,081
Net cash used in operating activities	(4,003,878)	(844,373)
Financing activities		
Exercise of stock options	49,985	-
Private placements	-	2,868,219
Funds in escrow	1,645,849	(2,652,799)
Share issue costs	(8,040)	(98,414)
Shares to be issued	1,006,950	-
Net cash provided by financing activities	2,694,744	117,006
Investing activities		
Loan payable	(6,172)	6,172
Net cash provided by investing activities	(6,172)	6,172
Effect of exchange rate changes on cash held in foreign currency	(76,915)	(7,622)
Net change in cash	(1,392,221)	(728,817)
Cash, beginning of the year	1,620,930	2,349,747
Cash, end of the year	$ 228,709	$ 1,620,930
Supplemental cash flow information		
Income taxes paid	$ -	$ -
Interest paid	-	-
Supplemental cash flow information	$ -	$ -

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

1. Nature of operations and going concern

Magna Gold Corp. ("the Company" or "Magna") was incorporated pursuant to the provisions of the Business Corporations Act of Ontario on January 9, 2018. Its shares have been listed on the TSX Venture Exchange (the "Exchange") under the symbol "MGR" since June 10, 2019. In addition, the Company's shares also trade on the OTCQB Venture Market, a U.S. trading platform that is operated by OTC Markets Group in New York, under the symbol “MGLQF”. The Company’s registered head office address is The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

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

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

At March 31, 2020, the Company is in the exploration stage and as is common with many exploration companies, it raises financing for its exploration and acquisition activities. The Company has incurred losses in previous periods, with a current net loss of $5,196,630 for the year ended March 31, 2020 (year ended March 31, 2019 - loss of $909,351) and has an accumulated deficit of $6,132,486 as at March 31, 2020 (March 31, 2019 - $935,856). The Company had working capital of $1,078,908 at March 31, 2020 (March 31, 2019 - $4,180,159).

However, the existing funds may not be sufficient to explore potential exploration project acquisitions and in due course, further funding will be required (see note 13). In the event that the Company is unable to secure further financing it may not be able to complete the development of its projects.

Due to continuing operating losses and limited working capital, the Company's ability to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore, evaluate and develop mineral projects and ultimately, to achieve profitable operations. The success of these endeavours cannot be predicted at this time. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not reflect adjustments to the carrying amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainty.

2. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB") and the interpretations issued by the IFRS Interpretations Committee ("IFRIC").

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss ("FVTPL") or other comprehensive income ("FVTOCI"), which are measured at fair value. The accounting policies have been applied consistently throughout the entire period presented in these consolidated financial statements. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Basis of consolidation

These consolidated financial statements include the assets and operations of Magna Gold Corp. and its wholly owned subsidiaries 266170 Ontario Ltd., LM Mining SA de CV and Minera Magna, S.A. De C.V. 266170 Ontario Ltd. and LM Mining SA de CV are inactive subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

On August 28, 2018, Arturo Bonillas, a corporate officer of the Company assigned 98 shares of Minera Magna, S.A.De C.V. (and a non-related party transferred 1 share) to the Company. As a result, Minera Magna, S.A. De C.V. is a wholly controlled subsidiary of the Company and is consolidated within these financial statements. Arturo holds 1 share in the subsidiary in trust for Magna.

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

(d) Acquisitions

Acquisitions that do not meet the definition of a business combination are accounted for as an asset acquisition. Consideration paid for an asset acquisition includes the purchase price, and those transaction costs direct and incremental to complete the asset acquisition, such as finders fees. The consideration is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

(e) Functional and presentation currency

The functional currency of Magna Gold Corp. and 266170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining SA de CV and Minera Magna, S.A. De C.V., as determined by management. All amounts in these consolidated financial statements are presented in Canadian dollars. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Significant accounting policies (continued)

(e) Functional and presentation currency (continued)

The results and financial position of all of the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities at each statement of financial position date presented are translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each income statement are translated at average exchange rates; and
(c) all resulting exchange differences are recognised in other comprehensive income (loss).

(f) Cash

Cash includes cash on hand with a Canadian chartered bank.

(g) Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

2. Significant accounting policies (continued)

(g) Financial instruments (continued)

Classification and Measurement (continued)

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial assets consist of cash and funds held in escrow, which are classified and subsequently measured at amortized cost. The Company's financial liabilities consist of accounts payable and other liabilities and loan payable, which are classified and measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

(h) Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(i) Share-based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. If and when the share options are exercised, the applicable fair value of the share options reserve is transferred to share capital. Any consideration paid on the exercise of the share options is credited to share capital. For those share options that expire unexercised on maturity, the applicable fair value is transferred to deficit.

2. Significant accounting policies (continued)

(i) Share-based payment transactions (continued)

For equity-settled share-based payment transactions with non-employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless the fair value cannot be estimated reliably, in which case, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The fair value of broker warrants are valued using the Black-Scholes option pricing model and are recorded in the broker warrants reserve. If and when the warrants are exercised, the applicable fair value of the broker warrant reserve is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire unexercised on maturity, the applicable fair value is transferred to deficit.

(j) Income taxes

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(k) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares, except where the effect of including those dilutive instruments would be ant-dilutive. Common shares which are contingently returnable are not included in the calculation.

(l) Share issuance costs

Professional fees, consulting fees and other costs that are directly attributable to financing transactions are charged to share capital when the related shares are issued.

2. Significant accounting policies (continued)

(m) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to the following:

- the provision for income taxes which is included in the consolidated statements of net loss and comprehensive loss and recognition of deferred income tax assets and liabilities included in the consolidated statements of financial position.

- Management has to apply judgment relating to acquisitions with respect to whether the acquisition was a business combination or an asset acquisition. Management applies a three element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs to each acquisition in order to reach a conclusion.

(n) New accounting polices

Leases and right of use assets

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16" – effective January 1, 2019), replacing IAS 17 Leases ("IAS 17"). IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position. At April 1, 2019, the Company adopted IFRS 16 which resulted in no material impact on the consolidated financial statements.

All leases are accounted for by recognizing a right of use asset and a lease liability except for:

- Leases of low value assets;
- Leases with a duration of twelve months or less; and
- Leases to explore for minerals, oil, natural gas, or similar non regenerative resources.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

2. Significant accounting policies (continued)

(n) New accounting polices (continued)

Leases and right of use assets (continued)

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to exercise that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right of use assets are amortized on a straight line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

IFRIC 23 – Uncertainty over Income Tax Treatments

The Company adopted IFRIC 23, Uncertainty over Income Tax Treatments (“IFRIC 23”) on April 1, 2019 with retrospective application. IFRIC 23 clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. The effect of uncertain tax treatments is recognized at the most likely amount or expected value. The adoption of IFRIC 23 had no impact on the consolidated financial statements.

3. Capital risk management

The Company includes equity, comprised of issued share capital, contributed surplus, accumulated other comprehensive loss and deficit, in the definition of capital.

The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its activities relating to identifying and evaluating qualifying transactions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity.

There has been no change with respect to the overall capital risk management strategy during the year ended March 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars unless otherwise noted)

4. Receivables and other assets

	March 31, 2020	March 31, 2019
Prepaid expenses	$ 45,161	$ 5,111
Sales tax receivable	7,810	-
	$ 52,971	$ 5,111

5. Financial instruments and risk factors

The carrying values of the Company's financial instruments, consisting of cash, funds held in escrow, accounts payable and other liabilities and loan payable, approximate their fair values due to the relatively short term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

As at March 31, 2020, the Company had working capital of $1,078,908 (2019 - $4,180,159) and is not exposed to any significant liquidity risk.

The Company holds balances in foreign currencies which creates foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rates against the Canadian Dollar would have affected the reported loss and comprehensive loss by approximately $13,000 (2019 - $12,000).

6. Share capital

a) Authorized share capital

At March 31, 2020 and 2019, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

2019

(1) On August 15, 2018, the Company completed its initial public offering (the "Offering") of 2,000,000 common shares at a purchase price of $0.10 per common shares for aggregate gross proceeds of $200,000. M Partners Inc. (the "Agent") acted as agent for the initial public offering. In connection with the Offering, the Agent received a cash commission equal to 10% of the aggregate gross proceeds from the sale of the common shares and was paid for legal expense, a corporate finance fee and other disbursements totalling $83,339.

(2) On February 27, 2019 and March 13, 2019, the Company completed a non-brokered private placement of common shares at a price of $0.32 per common share comprising the concurrent financing (the "Concurrent Financing") to the Company's proposed qualifying transaction (the "Proposed Transaction"). The Concurrent Financing consisted of the sale of 8,338,184 common shares for gross proceeds of $2,668,219. Share issue costs of $15,075 were incurred in connection with this private placement. Net proceeds of $2,652,799 were held in escrow as at March 31, 2019.

6. Share capital (continued)

b) Common shares issued (continued)

2020

(3) Refer to note 8.

(4) On June 11, 2019, the Company announced that it had entered into a shares-for-services agreement (the "Agreement") with VRIFY pursuant to the provisions of Exchange Policy 4.3. Pursuant to the Agreement, VRIFY, which provided technology services (the "Services") to the Company, was to receive its fees by way of the issuance of common shares (the "Shares") of the Company. On October 22, 2019, the Company paid the fees to VRIFY, composed of 99,502 shares at a deemed price of $0.25125 per Share.

(5) As of March 31, 2020, the Company had 39,204,791 (March 31, 2019 - 35,413,184) common shares and 150,000 (March 31, 2019 – 200,000) options to purchase common shares held in escrow.

7. Net loss per share

The calculation of basic and diluted loss per share for the year ended March 31, 2020 was based on the loss attributable to common shareholders of $5,196,630 (2019 - $909,351) and the weighted average number of common shares outstanding of 38,255,232 (2019 - 20,783,087). Stock options were excluded as they were anti-dilutive.

8. Exploration and evaluation

On June 6, 2019 (the “Closing Date”), the Company completed its Qualifying Transaction pursuant to Exchange Policy 2.4 – Capital Pool Companies, consisting of an arm’s length option agreement dated September 25, 2018 (the “Effective Date”) with Beatriz Delia Yepiz Fong (the “Seller”), an individual resident in the Sonora State of Mexico, pursuant to which the Company acquired from the Seller an option (“Option”) to acquire a 100% undivided interest in two mining claims (the “Mercedes Property”) located in the municipality of Yecora, Sonora, Mexica, for a four-year period. In consideration of the grant of the Option, Magna will: (i) pay to the Seller an aggregate of USD$1,340,000 plus VAT of 16%, paid in installments comprised of one USD$50,000 payment on the later of the Closing Date and the sixth month from the Effective date, and thirty-six monthly payments of USD$15,000 starting on the twelfth month from the Effective Date, and one USD$750,000 payment on the forty-eighth month from the Effective Date; (ii) issue to the Seller a 3% net smelter returns (“NSR”), capped at USD$3,500,000 and subject to the right of the Company to acquire all 3 percentage points of the NSR at a price of USD$500,000 per percentage point, within the first three (3) years of commercial production of the Mercedes Property; and (iii) issue 2,442,105 common shares (“Common Shares”) of the Company to the Seller (the “Consideration Shares”) (valued at $781,474). As of the date hereof, the Company has made the following payments to the Seller of US$110,000 plus VAT of 16% and issued the Consideration Shares. The Mercedes Property consists of two contiguous claims covering an aggregate area of approximately 345 hectares located approximately 250 kilometers east-southeast along the Federal Highway 16 from the state capital, Hermosillo.

In addition, as a result of the Qualifying Transaction, the Company consented to an unrelated party providing a loan to the Mercedes Property landowner in the amount of USD$160,000 plus VAT (USD$25,600), bearing no interest, resulting from the Mercedes Property landowner requiring funds. The loan proceeds were received by the Company during the period and the Company is obligated to disburse the funds to the Mercedes Property landowner on behalf of the unrelated party. As at March 31, 2020, the remaining loan payable was $nil (March 31, 2019 - USD$4,652 ($6,172)).

(Expressed in Canadian Dollars unless otherwise noted)

8. Exploration and evaluation (continued)

On August 16, 2019 the Company announced it has closed the acquisition of 266170 Ontario Ltd. ("266") and its 99% owned subsidiary LM Mining SA de CV ("LM Mining"). LM Mining holds the Las Marias Property ("Las Marias Property"), which consists of 7 mining concessions covering 646 hectares adjacent to the Mercedes Property and the Las Cabanas mineral claims ("Las Cabanas Property" and together with the Las Marias Property the "Claims"), which consists of 2 claims covering 248 hectares located approximately 10 km south-west of the Mercedes Property. The total purchase price for the Claims consisted of: (i) cash of $250,000 (ii) 1,000,000 common shares (fair value of $279,700) of the Company.

The acquisition constitutes an asset acquisition as the acquired assets did not meet the definition of a business, as defined in IFRS 3, Business Combinations.

The allocation of consideration transferred is summarized as follows:

Cash	$	250,000
1,000,000 common shares		279,700
Las Marias property	**$**	**529,700**

On September 10, 2019, and agreement dated December 17, 2019, the Company announced that it had entered into an exploration and option agreement to acquire an option (the "San Judas Option") for a 100% undivided interest in two mining claims (the "San Judas Project") for a five-year period. The San Judas Project consists of two contiguous claims covering an aggregate area of approximately 2,806 hectares located approximately 240 kilometers north-west along the Federal Highway 16 from the state capital, Hermosillo. In consideration of the grant of the San Judas Option, the Company shall (i) pay to the optionors of the San Judas Project an aggregate of USD$1,680,000 plus VAT of 16%, paid in installments commencing on the effective date of the Agreement (the "Effective Date") (paid as at March 31, 2020 - USD$58,000, which includes VAT) and ending on the 60th month from the Effective Date; and (ii) issue to the Concessionaires a 1.5% net smelter returns ("NSR"), capped at USD$1,500,000 and subject to the right of the Company to acquire all 1.5 percentage points of the NSR at a price of USD$500,000 per half (1/2) percentage point, at any time.

The Company is in the exploration stage with respect to its investment in mineral properties and expensing all costs relating to the acquisition and exploration of mineral rights. Such costs include, among others, geological, geophysical studies, exploratory drilling and sampling, feasibility studies and technical reports.

A summary of exploration costs is summarized below:

Years ended March 31,		**2020**		**2019**
Mercedes Property				
Geological costs	**$**	**1,046,345**	$	-
Acquisition costs		**927,542**		-
Sampling		**167,629**		-
Administrative		**21,118**		-
Equipment		**20,633**		-
Rental		**20,080**		-
Environmental		**15,189**		-
Professional fees		**12,357**		-
	$	**2,230,893**	$	-

(Expressed in Canadian Dollars unless otherwise noted)

8. Exploration and evaluation (continued)

A summary of exploration costs is summarized below (continued):

Years ended March 31,	2020	2019
Las Marias Property		
Acquisition costs	**$ 529,700**	$ -
Environmental	**15,190**	-
	$ 544,890	$ -
Judas Project		
Geological costs	**$ 163,744**	$ -
Acquisition costs	**61,552**	-
Sampling	**25,902**	-
Professional fees	**7,603**	-
Administrative	**5,930**	-
	$ 264,731	$ -
	$ 3,040,514	$ -

9. Stock options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX-V (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares. The maximum number of common shares reserved for issuance under the Stock Option Plan shall not exceed 2,707,500. The options will be exercisable for a period of up to ten (10) years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors will determine the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX-V.

The following table reflects the continuity of stock options for the year ended March 31, 2020:

	Number of stock options	Weighted average exercise price ($)
Balance, March 31, 2018	-	0.00
Granted (1)	200,000	0.10
Balance, March 31, 2019	200,000	0.10
Granted (2)	250,000	0.20
Exercised	(250,000)	0.20
Balance, March 31, 2020	200,000	0.10

(1) On August 15, 2018, the Company granted options to one director to purchase 200,000 common shares. The options are exercisable at $0.10 per share and expire on August 15, 2023. The options vest immediately. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 2.16%; and (iv) expected life of 5 years. The fair market value was determined to be $15,008. For the year ended March 31, 2019, $15,008 was expensed as share-based compensation. The Company has assumed no forfeiture rate. The weighted average grant date fair value of the options issued is $0.07504 per option.

(Expressed in Canadian Dollars unless otherwise noted)

9. Stock options (continued)

(2) On August 6, 2019, Magna entered into a consulting agreement with S2K Capital Corp., (the "Consultant") pursuant to which Magna agreed to grant the Consultant 250,000 stock options, exercisable at $0.20 and pay the Consultant $50,000 for consulting services (the "Services") plus GST, for the performance by the Consultant of the Services, payable upon signing of the agreement. The options vested immediately. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 1.21%; and (iv) expected life of 5 years. The fair market value was determined to be $37,225. For the year ended March 31, 2020, $37,225 (2019 - $nil) was expensed as share-based compensation. The Company has assumed no forfeiture rate. The weighted average grant date fair value of the options issued is $0.1489 per option.

On September 9, 2019, the Consultant provided notice of exercise and on September 13, 2019, the shares underlying the options were issued to the Consultant. The share price on the date of exercise closed at $0.34.

The following table reflects the actual stock options issued and outstanding as of March 31, 2020 and 2019.

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
August 15, 2023	0.10	3.38	200,000	200,000	-

10. 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) During the year ended March 31, 2020, travel expenses of $4,816 (2019 - $63,820) were incurred by Arturo Bonillas, a corporate officer of the Company, in order to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction in accordance with Policy 2.4 section 8.2(b). These expenses were included in investigation costs in the consolidated statements of net loss and comprehensive loss.

(b) Advances of $nil were provided to Arturo Bonillas which were included in prepaid expenses as at March 31, 2020 (2019 - $3,473).

(Expressed in Canadian Dollars unless otherwise noted)

10. Related party transactions (continued)

Key Management Personnel (continued)

(c) From June 6, 2019 to March 31, 2020, the Company paid for compliance services and disbursements of $75,338 to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filling Services Limited, and Marrelli Press Release Services, collectively, the "Marrelli Group":

- Chief Financial Officer ("CFO") services provided by Carmelo Marrelli;
- Bookkeeping services;
- Regulatory filing services;
- Press release services; and
- Corporate secretarial services.

Carmelo Marrelli, who is the CFO of Magna, beneficially controls the Marrelli Group through corporate and family relationships. 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. As at March 31, 2020, the Marrelli Group was owed $4,760 and this amount is included in amounts payable and other liabilities.

(d) During the year ended March 31, 2020, share-based compensation of $nil (March 31, 2019 - $15,008) was attributed to Arturo Bonillas, a corporate officer of the Company.

(e) The Company defines its key management personnel as its Board of Directors, Chief Executive Officer ("CEO") and CFO. Remuneration of Directors and key management personnel of the Company was as follows:

Years Ended March 31,	2020	2019
Salaries and benefits (*)	$ 285,726	$ -

(*) The Board of Directors do not have employment or service contracts with the Company. There were no director fees accrued or paid during the year ended March 31, 2020 and 2019. Salaries and benefits excludes fees paid to the CFO and companies he controls (disclosed in note 10(c)) for each period presented.

11. Income tax

Provision for income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

Years Ended March 31,	2020	2019
Loss for the year	$ 5,196,630	$ 909,351
Expected income tax (recovery)	(1,377,000)	(225,000)
Change in statutory, foreign tax, foreign exchange rates and other	(103,000)	(17,000)
Permanent Difference	10,000	4,000
Share issue cost	(2,000)	(27,000)
Change in unrecognized deductible temporary differences	1,472,000	265,000
	$ -	$ -

(Expressed in Canadian Dollars unless otherwise noted)

11. Income tax (continued)

Deferred income tax balances

The components of the Company's deferred income tax assets are a result of the origination and reversal of temporary differences and are comprised of the following:

March 31,	2020	2019
Non-capital loss carryforwards	$ 6,064,000	$ 881,000
Share issue costs	79,000	99,000
	$ 6,143,000	$ 980,000

Tax loss

As at March 31, 2020, the Company has non-capital losses for income tax purposes of approximately $6,064,000 to offset future taxable income. If not utilized, the non-capital losses will expire as follows:

Canada	$ 2,476,000	Expiry - 2039 - 2040
Mexico	3,588,000	Expiry - 2029-2030
	$ 6,064,000	

12. Commitments

On May 27, 2019, the Company announced the appointment of Carmelo Marrelli as CFO of the Company as of June 6, 2019, replacing Arturo Bonillas. The Company also entered into a consulting agreement, effective as of June 6, 2019, with Mr. Marrelli, pursuant to which the Company has agreed to pay Mr. Marrelli $1,500, plus disbursements, per month for the consulting services. The Company also entered into employment agreements, effective as of June 6, 2019 with (i) Arturo Bonillas to perform the services of president and CEO, pursuant to which he shall receive a base salary of $240,000 per annum, with eligibility to receive an annual bonus of up to 50% of his base salary; and (ii) Miguel Soto to perform the services of Vice-President, Exploration, pursuant to which he shall receive a base salary of $150,000 per annum, with eligibility to receive an annual bonus of up to 50% of his base salary.

Mr. Marrelli's consulting agreement allows the agreement to be terminated by either party, with 30 days notice, and if by the Company to pay Mr. Marrelli a $2,000 termination fee.

Pursuant to an employment agreement with the CEO, in the event of termination without cause, the CEO is entitled to 12 months' notice or pay in lieu, plus continued benefits through that period. In the event of a change of control of the Company, the CEO is entitled to receive a payment equal to 12 months' base salary. In addition, if the CEO leaves, he must provide 4 weeks notice, for any reason.

Pursuant to an employment agreement with Miguel Soto, in the event of termination without cause, Miguel Soto is entitled to 3 months notice per year (or partial year), subject to a minimum of 12 months and a maximum of 18 months, or pay in lieu thereof. In the event of a change of control of the Company, Miguel Soto is entitled to receive a payment equal to 3 months notice per year (or partial year), subject to a minimum of 12 months and a maximum of 18 months, or pay in lieu thereof In addition, if Miguel Soto leaves, he must provide 4 weeks notice, for any reason.

(Expressed in Canadian Dollars unless otherwise noted)

13. Subsequent events

(a) On May 6, 2020, the following transactions were completed:

San Francisco Mine Acquisition

Magna closed the acquisition of the San Francisco Mine located in Sonora, Mexico (the "Acquisition") pursuant to a definitive share purchase agreement dated March 5, 2020, as amended April 24, 2020 (the "Definitive Agreement"), between Timmins GoldCorp Mexico S.A. de C.V. ("Timmins"), a wholly owned subsidiary of Alio Gold Inc. ("Alio"), and the Company.

Under the terms of the Definitive Agreement, Magna acquired ownership of Alio's indirect wholly owned subsidiary, Molimentales del Noroeste, S.A. de C.V. ("Molimentales"), in exchange for (i) the issuance to Timmins of 9,740,000 common shares in the capital of the Company (the "Consideration Shares") at a fair value of $0.35 per Consideration Share; and (ii) US$5,000,000 in cash or a 1% net smelter return royalty in respect of the San Francisco Mine, at the election of Magna, on or before May 6, 2021.

Molimentales is party to an ongoing amparo suit with Inmobiliaria y Hotelera Los Algodones, S.A. de C.V. with respect to an amount of US$1,725,000.

In connection with the Acquisition, Medalist Capital Ltd. and Trinity Advisors Corporation received advisory fees consisting of an aggregate of $240,000 in cash and the issuance of an aggregate of 1,029,999 Common Shares (the "Compensation Shares") at a deemed price of $0.40 per Compensation Share. The Compensation Shares are subject to a hold period in accordance with applicable Canadian securities laws which will expire on September 7, 2020.

A summary of the acquisition of Molimentales is outlined below:

Estimated purchase price allocation		
Common Shares (9,740,000 at $0.35)	$	3,409,000
Additional payment:		
- US$5,000,000 in cash or a 1% net smelter return royalty in respect of the San Francisco Mine, at the election of Magna, on or before May 6, 2021		7,062,000
Total estimated consideration	**$**	**10,471,000**

Estimated allocation of purchase price		
Working capital	$	16,000,716
Fixed assets		12,408,119
Amparao suit		(2,436,390)
Peal liability		(8,700,612)
Asset retirement obligation		(6,800,833)
Total estimated consideration	**$**	**10,471,000**

The purchase price allocation has not been finalized. The Company will finalize the purchase price allocation upon making a final determination of the fair value of the assets acquired and the liabilities assumed. Any future adjustments will be recorded as adjustments to the purchase price allocation.

13. Subsequent events (continued)

(a) On May 6, 2020, the following transactions were completed (continued):

Private Placement

Magna also closed a non brokered private placement (the "Private Placement") consisting of 5,714,286 Common Shares (the "Offered Shares") at a price of $0.35 per Offered Share for aggregate gross proceeds of approximately $2,000,000. The net proceeds from the Private Placement will be used for the acquisition of, and for working capital purposes in connection with, the San Francisco Mine. In connection with the Private Placement, the Company has: (i) paid approximately $28,400 in cash finder's fees to Canaccord Genuity Corp. and issued 34,260 Common Shares (the "Finder's Shares") to Medalist Capital Ltd. at a deemed price of $0.35 per Finder's Share in lieu of cash finder's fees, representing 6% of the gross proceeds of the Offered Shares that were sold to subscribers introduced by such parties; and (ii) issued an aggregate of 96,185 non transferable warrants (the "Finder's Warrants") to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the Offered Shares that were sold to subscribers introduced by such parties, with each Finder's Warrant being exercisable for one Common Share at a price of $0.35 per Common Share until May 6, 2022.

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

As at March 31, 2020, the Company held proceeds of $1,006,950 towards the Private Placement in escrow.

Peal Settlement

In connection with the Acquisition, the Company has also entered into a binding letter of intent with Peal de Mexico, S.A. de C.V. ("Peal"), the prior mining contractor for the San Francisco Mine, to settle the existing arbitration proceedings between Peal and Molimentales, which owns a 100% interest in the San Francisco Mine, for aggregate consideration of approximately US$6,354,783 (plus value added taxes), to be satisfied by the issuance of 11,000,000 Common Shares (the "Settlement Shares") at a deemed price of $0.35 per Settlement Share on the date of settlement and US$3,495,130 (plus valued added taxes) to be paid in cash within a period of 18 months from the date of settlement, with a grace period of six months at the election of the Company (the "Settlement").

The Settlement is subject to a number of conditions customary for a transaction of this nature, including the entering into of definitive documentation and the receipt of all required regulatory approvals, including the acceptance of the Exchange.

(b) On June 2, 2020, Magna announced that it has closed its non-brokered private placement of 17,075,000 common shares in the capital of the Company (the "Securities") at a price of $0.41 per Security for aggregate gross proceeds of $7,000,750 (the "Private Placement").

In connection with the Private Placement, the Company has: (i) issued an aggregate of 759,570 common shares (the "Finder's Shares") to Canaccord Genuity Corp. and Medalist Capital Ltd. at a deemed price of $0.41 per Finder's Share in lieu of cash finder's fees, representing 6% of the gross proceeds of the Offered Shares that were sold to subscribers introduced by such parties; and (ii) issued an aggregate of 632,975 non-transferable warrants (the "Finder's Warrants") to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the Offered Shares that were sold to subscribers introduced by such parties, with each Finder's Warrant being exercisable for one common share in the capital of the Company (the "Finder's Warrant Shares") at a price of $0.41 per Finder's Warrant Share until June 1, 2022.

The securities issued in connection with the Private Placement are subject to a hold period in accordance with applicable Canadian securities laws which will expire on October 2, 2020. The Private Placement is subject to the final acceptance of the Exchange.

13. Subsequent events (continued)

(c) On June 29, 2020, the Company announced that it has granted a total of 2,250,000 incentive stock options to purchase common shares of the Company to certain officers, directors and consultants of the Company pursuant to the Company's stock option incentive plan. Such options are exercisable at a price of $0.98 for a period of five years. The common shares issuable upon exercise of the options are subject to a four-month hold period which will expire on October 30, 2020.