

MAGNA GOLD CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED JUNE 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 August 28, 2020, and relates to the financial condition and results of operations for the three months ended June 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 months ended June 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 June 30, 2020 and 2019, are also referred to as "Q1 2021" and "Q1 2020", respectively. All amounts are presented in United States dollars, the Company's presentation currency, unless otherwise stated. References to "C\$" and "MXP" 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 and additional GAAP Measures*" section of this document.

Additional information relating to the Company is on SEDAR at www.sedar.com.

Q1 2021 OPERATIONAL OVERVIEW AND RECENT DEVELOPMENTS

San Francisco Mine Highlights

- Produced 5,091 ounces of gold at cash cost and site all-in sustaining cost ("Site AISC") per gold ounce sold ⁽¹⁾ of \$1,348 and \$1,348, respectively, during the three months ended June 30, 2020.
- Sales of 4,935 ounces of gold at an average realized price of \$1,712 per ounce.

Corporate

San Francisco Mine Acquisition

On May 6, 2020, 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.

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

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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 \$0.28 (C\$0.40) per Consideration Share; and (ii) \$5.0 million 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.

The Consideration Shares are subject to a lock up agreement until the earlier of (i) May 6, 2021; and (ii) the date on which Timmins and its affiliates collectively hold less than 9.9% of the issued and outstanding common shares in the capital of the Company ("Common Shares") on an undiluted basis. In the event that Timmins wishes to sell any or all of its Common Shares, Magna will have the option to arrange the purchaser of such shares until Timmins and its affiliates collectively hold less than 9.9% of the issued and outstanding Common Shares on an undiluted basis.

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 \$1.7 million.

In connection with the Acquisition, Medalist Capital Ltd. and Trinity Advisors Corporation received advisory fees consisting of an aggregate of \$0.2 million in cash and the issuance of an aggregate of 1,029,999 Common Shares (the "Compensation Shares") at a fair value of \$0.28 (C\$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.

May 6, 2020 Private Placement

On May 6, 2020, 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 \$0.25 (C\$0.35) per Offered Share for aggregate gross proceeds of approximately \$1.4 million (C\$2.0 million). 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 C\$0.1 million 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 fair value of \$0.25 (C\$0.35) per Common 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 \$0.25 (C\$0.35) per Common Share until May 6, 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 September 7, 2020.

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.

June 1, 2020 Private Placement

On June 1, 2020, Magna closed a non-brokered private placement of 17,075,000 Common Shares (the "Offered Securities") at a price of \$0.30 (C\$0.41) per Offered Security for aggregate gross proceeds of \$5.4 million (C\$7.0 million) (the "Financing"). The Financing was fully subscribed and included lead investments by Eric Sprott and two mining industry participants.

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The net proceeds from the Financing will be used for working capital purposes in connection with the Company's existing projects.

In connection with the Financing, the Company has: (i) issued an aggregate of 759,570 Common Shares (the "Finder's Shares II") to Canaccord Genuity Corp. and Medalist Capital Ltd. at a fair value of C\$0.41 per Finder's Share II in lieu of cash finder's fees, representing 6% of the gross proceeds of the Offered Securities that were sold to subscribers introduced by such parties; and (ii) issued an aggregate of 632,975 non-transferable warrants (the "Finder's Warrants II") to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the Offered Securities that were sold to subscribers introduced by such parties, with each Finder's Warrant II being exercisable for one Common Share (the "Finder's Warrant Shares II") at a price of C\$0.41 per Finder's Warrant II Share until June 1, 2022. The securities issued in connection with the Financing are subject to a hold period in accordance with applicable Canadian securities laws which will expire on October 2, 2020.

Peal Settlement

On June 30, 2020, the Company's subsidiary, Molimentales, entered into a definitive agreement with Peal de Mexico, S.A. de C.V. ("Peal") to settle the existing arbitration proceedings between Peal and Molimentales in relation to the Company's San Francisco gold mine located in Sonora, Mexico (the "Settlement"). Pursuant to the terms of the definitive agreement, Peal has agreed to the Settlement in exchange for aggregate consideration of approximately \$6.4 million (plus value added taxes) (the "Consideration"). In satisfaction of the Consideration, the Company issued 11,000,000 Common Shares (the "Settlement Shares") to Peal at a fair value of \$2.9 million and Molimentales has agreed to pay approximately \$3.5 million (plus value added taxes) in cash to Peal by December 30, 2021.

The Settlement Shares are subject to a lock up agreement until the earlier of (i) June 30, 2021 and (ii) the date on which Peal and its affiliates collectively hold less than 9.9% of the outstanding Common Shares. In the event that Peal or any of its affiliates wishes to sell or transfer any or all of the Settlement Shares, the Company will have the option to arrange the purchaser of such shares until the date on which Peal and its affiliates collectively hold less than 9.9% of the issued and outstanding Common Shares. Until the date on which Peal holds less than 10% of the issued and outstanding Common Shares, Peal will have the right to participate in any future share issuance made by the Company on a pro rata basis in proportion to, and to maintain, its percentage interest in the issued and outstanding Common Shares immediately prior to the applicable issuance or sale (up to a maximum percentage interest of 19%) on the same terms that such securities are offered for issuance or sale to other purchasers, subject to certain customary exceptions.

The Settlement Shares are subject to resale restrictions pursuant to the policies of the TSX Venture Exchange (the "Exchange") which will expire on October 31, 2020.

Los Muertos Project Acquisition

On August 11, 2020, the Company announced that it has 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.

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 VAT in five annual installments commencing on the effective date of the Agreement, August 3, 2020 (the "Effective Date"), and ending on the 48th month from the Effective Date.

Stock Option Plan

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 C\$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.

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

The Company also announced that it has 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 is subject to 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.

COVID-19

On March 31, 2020, the Mexican federal government had issued an executive order for the immediate suspension of all non-essential businesses until April 30, 2020 in response to the COVID-19 pandemic, impacting the mining, crushing and stacking activities. The suspension was then extended to the end of May 2020.

As the leaching activities were not required to be suspended, the production at the San Francisco Mine has continued as per schedule. However, the field work scheduled to be performed at the exploration properties have been postponed by a couple of months.

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.

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 (the "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 registered head office address is The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

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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 the operation, development and exploration of gold mines. 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 operations currently consist of processing the low-grade stockpile and residual leaching. The mining activity restarted late in June 2020, but it has not yet reached its steady rate.

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 Project; (ii) the San Judas Project; (iii) the Las Marias Property; and (iv) the Los Muertos 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 mine site. 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 June 30, 2020, the spot gold price fluctuated between a low of \$1,577 per ounce and a high of \$1,772 per ounce. The average spot gold price for the quarter was \$1,712 per ounce, an increase of 31% from the comparative prior year period of \$1,309 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.

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, "C\$" and "MXP"; 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 which were lifted on May 18, 2020.

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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.

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.

Operations review

The San Francisco Mine was in residual leaching for the most part of the quarter. Mining and crushing activities were reintiated late in June 2020. 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:

	May 7 - June 30, 2020
MINING	
Ore mined (dry kt)	80
Average ore mined grade (g/t Au)	0.44
Waste mined (kt)	270
Total mined (kt)	350
Strip ratio	3.38
Average total mined (t/d)	6,370
Cost per tonne mined ⁽¹⁾	\$ 1.01
CRUSHING AND PROCESSING	
Ore processed (kt)	111
Average ore processed grade (g/t Au)	0.35
Ore from stockpile processed (kt)	26
Average ore stockpiled grade (g/t Au)	0.23
Average ore processed per day (t/d)	2,016
Cost per tonne processed	\$ 26.44
Gold deposited on pad (ozs)	1,248
Cost per tonne - administration	\$ 4.60
Total cost per tonne processed	\$ 34.22
PRODUCTION	
Gold sold (ozs)	4,935
Gold produced (ozs)	5,091
Silver produced (ozs)	2,456
COSTS	
Cash cost per gold ounce on a by-product basis	\$ 1,348
Site AISC per gold ounce on a by-product basis ⁽²⁾	\$ 1,348
TOTAL DAYS IN PERIOD	55

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

⁽²⁾ Site AISC excludes corporate and administrative expenses and accretion for site reclamation and closure.

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Acquisition

The acquisition of Molimentales was accounted for as a business combination. 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 (000's)	
Estimated purchase price allocation	
Common shares (9,740,000 at \$0.28)	\$ 2,758
Additional payment:	
\$5.0 million 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	4,671
Working capital differences	2,499
Peal settlement – cash portion	4,213
Peal settlement – non-cash portion	2,860
VAT payable to seller	570
Total estimated consideration	\$ 17,571
Estimated price purchase allocation	
Cash	\$ 1,465
Trade and other receivables	1,934
Inventories	16,259
Advances and prepaid expenses	484
Mineral properties and plant and equipment	5,196
Trade payables and accrued liabilities	(4,397)
Other provisions	(1,420)
Provision for site reclamation and closure	(4,847)
Intangible assets and goodwill	2,897
Total estimated consideration	\$ 17,571

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 unaudited condensed interim consolidated 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 12 months after the acquisition date.

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REVIEW OF QUARTERLY RESULTS

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

Three months ended	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018
FINANCIAL RESULTS								
Metal revenues ⁽¹⁾	\$ 8,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(Loss) earnings ⁽¹⁾	\$ (1,223)	\$ (705)	\$ (924)	\$ (1,317)	\$ (1,074)	\$ (226)	\$ (211)	\$ (144)
Comprehensive (Loss) earnings ⁽¹⁾	\$ (1,457)	\$ (627)	\$ (933)	\$ (1,323)	\$ (1,027)	\$ (227)	\$ (129)	\$ (158)
(Loss) earnings per share - Basic ⁽²⁾	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ (0.01)
(Loss) earnings per share – Diluted ⁽²⁾	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash provided by (used in) operating activities ⁽¹⁾	\$ 7,819	\$ (3,016)	\$ (2,525)	\$ (1,645)	\$ (597)	\$ (2,602)	\$ (444)	\$ (283)
Cash dividends declared	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Total assets ⁽¹⁾	\$ 37,649	\$ 908	\$ 806	\$ 1,727	\$ 2,717	\$ 3,202	\$ 1,403	\$ 1,829
Total non-current liabilities ⁽¹⁾	\$ 6,818	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
OPERATING RESULTS								
Gold produced (ozs)	5,091	-	-	-	-	-	-	-
Gold sold (ozs)	4,935	-	-	-	-	-	-	-
Silver sold (ozs)	865	-	-	-	-	-	-	-
Average realized gold price (per oz)	\$ 1,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average London PM fix gold price (per oz)	\$ 1,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
By-product cash cost per ounce sold ⁽³⁾	\$ 1,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
By-product AISC per ounce sold ⁽³⁾	\$ 1,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

⁽²⁾ Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

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

Notes

Magna is a gold mining company engaged in the operation, development and exploration of gold mines. On May 6, 2020, Magna closed the acquisition of the San Francisco Mine located in Sonora, Mexico. Prior to this date, Magna's focus was solely on exploration. For the three months ended June 30, 2020, Magna had metal revenues of \$8.5 million for the first time since incorporation. The Company sold 4,935 gold ounces. Issues of seasonality have not had an impact on our results or operations, however, commodity market fluctuations, and fluctuations in the price of gold, in particular, have impacted our development and exploration activities and our ability to grow through acquisition, and may continue to do so in the future. Over the past seven quarters ending March 31, 2020, variations in the quarterly net income (loss) were caused by fluctuations in exploration and evaluation expenditures and general and administrative expense. Stock-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 Q1 2021 compared to Q1 2020

The Company had a net loss of \$1.2 million and a comprehensive loss of \$1.5 million for the three month period ended June 30, 2020, with basic and diluted loss per share of \$0.02 and basic and diluted comprehensive loss per share of \$0.02. This compares with a net loss of \$1.1 million and comprehensive loss of \$1.0 million for the three-month period ended June 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 \$0.1 million was principally because:

Metal revenues

Following the acquisition of the San Francisco Mine during the three months ended June 30, 2020, revenues increased \$8.5 million compared to \$nil during the three months ended June 30, 2019. The Company sold 4,935 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 \$6.7 million compared to \$nil during the three months ended June 30, 2019.

Costs of mining were \$0.4 million during the three months ended June 30, 2020 compared to \$nil during the three months ended June 30, 2019. A total of 350,366 tonnes were mined at the San Francisco Mine during the quarter.

Crushing and gold recovery costs were \$2.9 million during the three months ended June 30, 2020 compared to \$nil during the three months ended June 30, 2019.

Mine site administrative costs were \$0.5 million during the three months ended June 30, 2020 compared to \$nil during the three months ended June 30, 2019.

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

Change in inventories increased cost of sales by \$2.8 million during the three months ended June 30, 2020 compared to \$nil during the three months ended June 30, 2019. As the mining activity at the San Francisco Mine started late June 2020, the site was in residual leaching for most of the quarter.

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Therefore, there were more ounces recovered from the pad than recoverable gold ounces deposited onto 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 \$0.2 million during the three months ended June 30, 2020 compared to \$nil during the three months ended June 30, 2019.

Corporate and administrative expenses

Corporate and administrative expenses increased to \$2.0 million during the three months ended June 30, 2020 compared to \$0.4 million during the three months ended June 30, 2019. The significant cash components of these expenses include salaries, consulting and professional fees, administration and business development. Salaries were \$0.1 million compared to \$nil during the three months ended June 30, 2019. Consulting and professional fees were \$0.2 million during both the three months ended June 30, 2020 and the three months ended June 30, 2019. Administrative and other were \$0.1 million during both the three months ended June 30, 2020 and the three months ended June 30, 2019. The significant non-cash component of these expenses includes stock based compensation, which was \$1.5 million during the three months ended June 30, 2020 compared to \$nil during the three months ended June 30, 2019.

Exploration expenses

Exploration and evaluation expenditures decreased to \$0.1 million for the three months ended June 30, 2020 compared to \$0.7 million during the three months ended June 30, 2019. Refer to the "Exploration Properties" section of this document for further details on the exploration activities.

Acquisition Costs

The Company incurred a one-time cost of \$0.8 million related to the acquisition of Molimentales during the three months ended June 30, 2020 compared to \$nil during the three months ended June 30, 2019.

Gain (loss) on change in valuation of warrants

As of June 30, 2020, there were 729,160 warrants outstanding (March 31, 2020 – nil) and the Company recorded a liability of \$0.5 million (June 30, 2019 - \$nil). The fair value loss on the change in the liability for the three months ended June 30, 2020 of \$0.2 million (June 30, 2019 - \$nil) relates to the fair value change of the warrants granted on May 6, 2020 and June 1, 2020.

Loss (gain) on derivatives

During the three months ended June 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 unrealized loss on the contracts was \$0.2 million during the three months ended June 30, 2020.

The following contracts were unsettled at June 30, 2020:

Contract expiry	Counter party	Ounces	Exercise price
July 29, 2020	Auramet International LLC	400	\$ 1,808
August 27, 2020	Auramet International LLC	1,200	\$ 1,959
September 28, 2020	Auramet International LLC	300	\$ 1,925
Total ounces		1,900	
Weighted average price per ounce			\$ 1,922

EXPLORATION PROPERTIES

The Company has not yet determined whether the Company's Mercedes Property, San Judas Project and Las Marias Property contain an economic mineral reserve. Any activities on these projects thereon will constitute exploratory searches for minerals. Refer to the "Risk Factors" section of this MD&A.

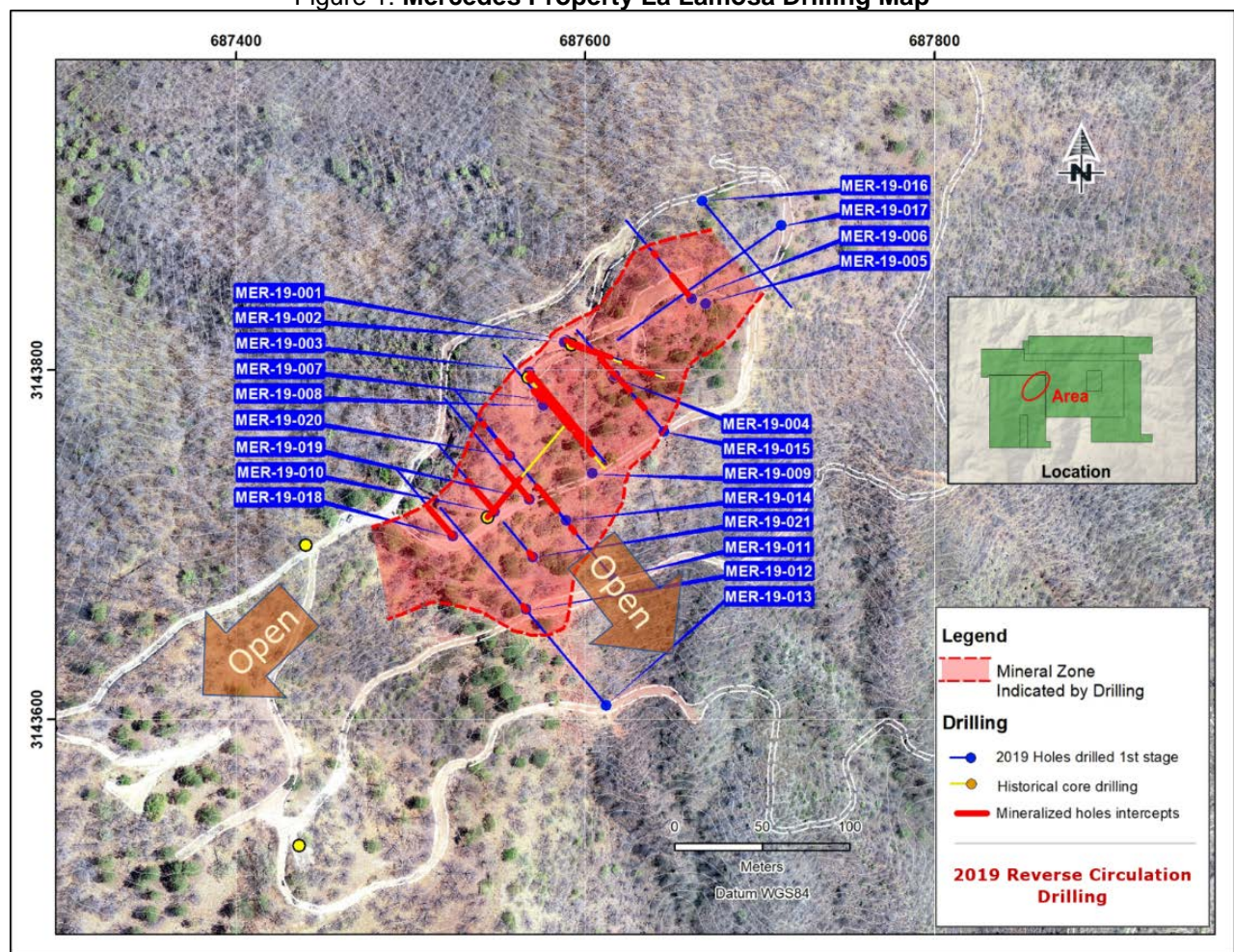
Mercedes Property

Drilling Results

The recommended exploration program concluded in November 2019 totaling 21 Reverse Circulation ("RC") drill holes (2,723 m). Magna is now modelling the drill data and planning an additional work program on the Mercedes Property that will include IP geophysics, surface mapping, and soil sampling. The goal of the work is to prepare additional drill sites on the Mercedes Property for drilling in 2020.

Drilling showed good continuity over 300 meters of strike length with the drilling open at depth and to the southwest (Please see Figure 1).

Figure 1: Mercedes Property La Lamosa Drilling Map



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The results obtained confirm, as suggested by historical drilling, the existence of an oxidized zone of disseminated gold and silver mineralization extending for almost 300 meters and identifying the presence of vuggy silica, coarse grained-sericite indicative of a high sulfidation epithermal system. Results showed that mineralization is closely associated to an intrusive felsic rock and at its contact with the andesitic sequence (see Figures 2, 3 and 4).

Figure 2: Section NE 025

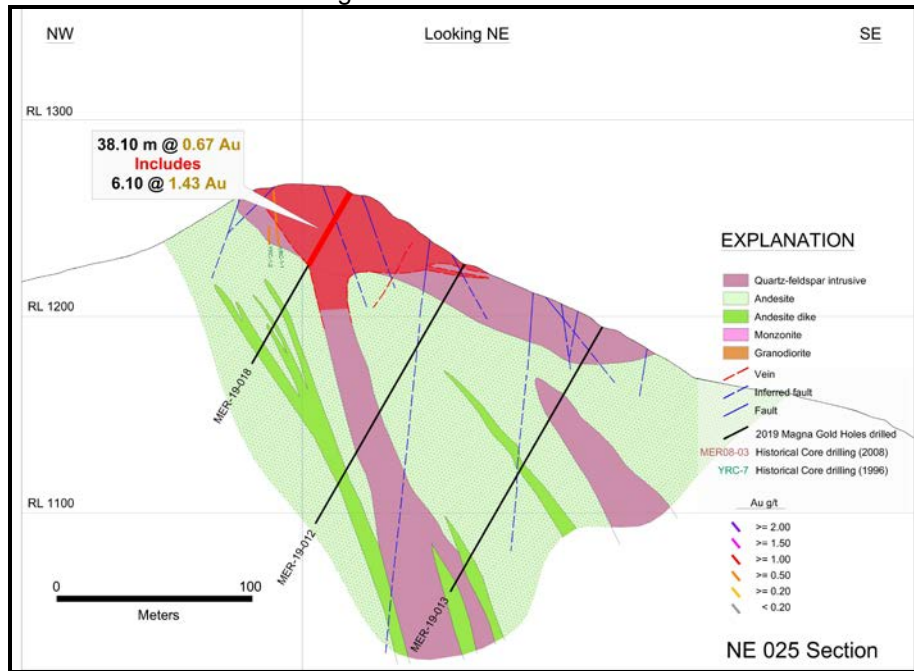


Figure 3: Section NE 050

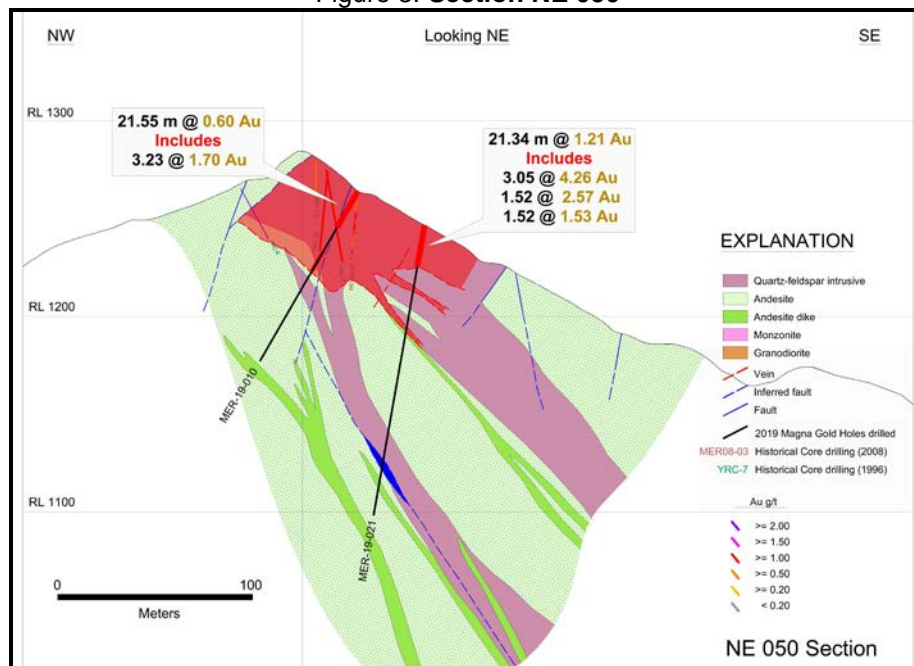


Figure 4: Section NE 075

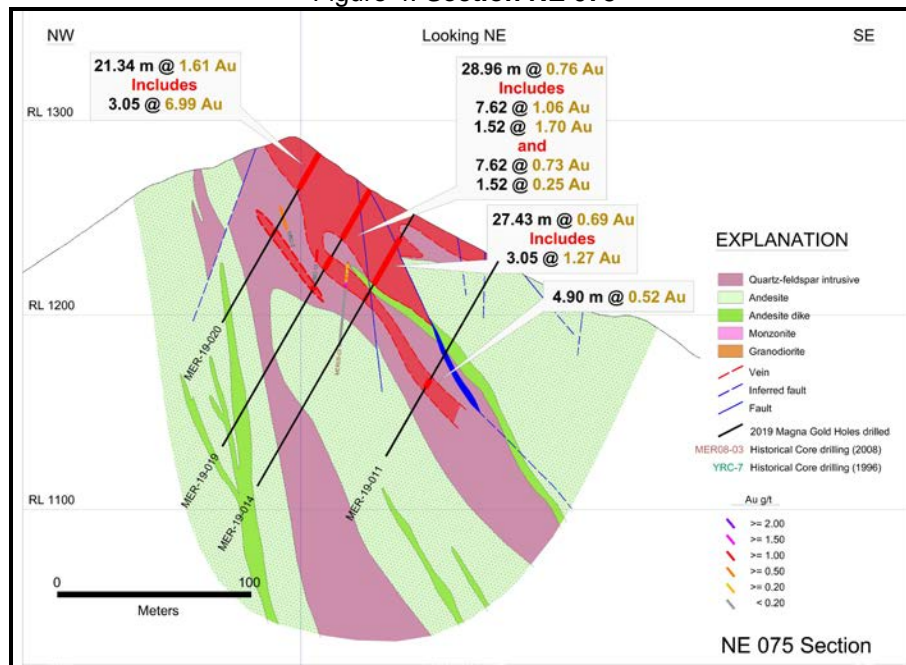


Table 1 below presents a drill intercept summary of the completed holes. Table 2 below presents a summary of location, azimuth, and dip of the drill holes and depth of this first phase of drilling exploration works.

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Table 1: Drill Intercepts Summary

RC Hole No.	Total Length	From (m)	To (m)	Width (m)	True Width ¹ (m)	Au g/t	Ag g/t	AuEq ² g/t	Hole purpose
MER19-001	167.64	0.00	140.21	140.21	Not Available Drilled Down Dip	0.53	8.49	0.64	Twin MER08-001
		0.00	33.53	33.53		0.66	6.13	0.74	
	Include	0.00	13.72	13.72		1.04	3.06	1.08	
And		44.20	48.77	4.57		0.52	1.86	0.54	
And		60.96	97.54	36.58		0.97	9.86	1.09	
	Include	60.96	68.58	7.62		1.54	2.06	1.57	
	Include	71.63	92.96	21.33		1.00	13.12	1.16	
And		128.02	140.21	12.19		0.66	9.81	0.78	
	Include	129.54	135.64	6.10		0.85	14.35	1.03	
MER19-002	152.40	0.00	18.29	18.29	At the footwall	0.55	2.53	0.58	Exploration
	Include	3.05	4.57	1.52		1.33	2.20	1.36	
	Include	7.62	15.24	7.62		0.76	2.96	0.80	
And		111.25	114.30	3.05		0.58	23.50	0.87	
MER19-003	134.11	0.00	120.40	120.40	Not Available Drilled Down Dip	0.54	22.40	0.81	Twin MER08-002
And		24.38	28.96	4.57		0.41	4.86	0.47	
And		32.00	68.58	36.58		0.74	63.88	1.51	
	Include	45.72	64.01	18.29		1.10	106.67	2.40	
And		79.25	120.40	41.15		0.79	5.63	0.85	
	Include	83.82	92.96	9.14		1.24	11.56	1.38	
include	Include	96.01	97.54	1.52		1.73	1.30	1.75	
And		108.20	118.87	10.67		1.09	4.46	1.15	
MER19-004	131.06	0.00	118.87	118.87	59.44	0.46	42.59	0.98	Exploration
And		18.29	44.20	25.91	12.95	0.59	64.23	1.37	
	include	28.96	30.48	1.52	0.76	1.16	48.20	1.75	
	include	33.53	39.62	6.10	3.05	1.14	143.00	2.87	
		44.20	50.29	6.10	3.05	0.12	45.19	0.66	
		50.29	62.45	12.16	6.08	0.32	172.79	2.42	
		62.45	87.77	25.32	12.66	0.27	25.88	0.59	
And		80.77	112.76	31.99	15.99	0.75	13.84	0.92	
	include	80.77	92.96	12.19	6.10	0.78	15.03	0.96	
	Include	100.58	109.73	9.14	4.57	1.26	11.57	1.40	
And		115.82	120.40	4.57	2.29	0.70	5.27	0.77	
MER19-005	91.44	6.10	9.14	3.05	Not available	0.33	0.33	0.34	Exploration
And		30.48	32.00	1.52		0.31	0.31	0.31	
MER19-006	91.44	4.57	27.43	22.86	11.43	0.57	25.23	0.88	Exploration
	Include	18.29	25.91	7.62	3.81	1.09	44.50	1.63	

¹ True widths are an approximation only. There is not yet enough information to calculate them accurately.

² AuEq assays were calculated based on US\$1400/ounce gold and US\$17/ounce silver price.

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RC Hole No.	Total Length	From (m)	To (m)	Width (m)	True Width ¹ (m)	Au g/t	Ag g/t	AuEq ² g/t	Hole purpose
And		50.29	53.34	3.05	1.52	0.86	8.35	0.96	
MER19-007	131.06	0.00	27.43	27.43	17.83	0.45	10.15	0.57	Exploration
	Include	3.05	9.14	6.10	3.96	0.80	15.44	0.99	
	Include	22.86	24.38	1.52	0.99	1.11	7.60	1.20	
MER19-008	140.20	0.00	62.48	62.48	40.16	0.36	12.44	0.52	Exploration
And		28.96	47.24	18.29	11.76	0.55	17.94	0.76	
MER19-009	91.44	0.00	10.67	10.67	6.86	0.35	0.35	0.36	Exploration
And		51.82	56.39	4.57	2.94	1.23	1.23	1.25	
	include	53.34	54.86	1.52	0.00	2.65	2.65	2.68	
And		76.20	77.72	1.52	0.00	0.40	0.40	0.41	
MER19-010	100.58	0.00	30.48	30.48	21.55	0.60	15.85	0.80	Exploration
	include	7.62	12.19	4.57	3.23	1.74	69.00	2.58	
	include	19.81	25.91	6.10	4.31	0.69	6.68	0.78	
	And	35.05	47.24	12.19	8.62	0.31	0.31	0.31	
MER19-011	115.82	68.58	76.20	7.62	4.90	0.52	20.04	0.77	Exploration
	include	68.58	70.10	1.52	0.98	1.36	24.60	1.66	
MER19-012	152.40	0.00	1.52	1.52	1.52	0.39	0.39	0.39	Exploration
And		4.57	6.10	1.52	1.52	0.49	0.49	0.50	
MER19-013	No significant results								
MER19-014	161.54	15.24	42.67	27.43	27.43	0.69	9.32	0.80	Exploration
	Include	15.24	22.86	7.62	7.62	0.83	11.06	0.96	
	Include	25.91	28.96	3.05	3.05	1.27	32.75	1.67	
	Include	32.00	38.10	6.10	6.10	0.74	1.20	0.76	
And		47.24	51.82	4.57	4.57	0.37	8.70	0.48	
MER19-015	128.02	50.29	67.06	16.76	8.38	0.77	7.10	0.86	Exploration
And		88.39	114.30	25.91	12.95	0.38	24.86	0.69	
	Include	106.68	114.30	9.14	4.57	0.92	15.14	1.10	
MER19-018	100.58	0.00	38.10	38.10	Not available	0.67	13.2	0.83	Exploration
	Include	21.34	27.43	6.10		1.43	42.9	1.95	
MER19-017	No significant results								
MER19-018	No significant results								
MER19-019	152.40	0.00	28.96	28.96	Not available	0.76	8.9	0.87	Exploration
	Include	0.00	7.62	7.62		1.06	9.3	1.17	
	Include	12.19	13.72	1.52		1.70	64.8	2.49	
And		39.62	47.24	7.62		0.73	14.9	0.91	
And		57.91	59.44	1.52		0.25	75.4	1.17	
MER19-020	100.58	0.00	21.34	21.34	Not available	1.61	2.2	1.64	Exploration
	Include	4.57	7.62	3.05		6.99	3.9	7.03	
MER19-021	150.88	0.00	21.34	21.34	Not available	1.21	11.8	1.36	Exploration
	Include	0.00	3.05	3.05		4.26	15.4	4.44	
	Include	6.10	7.62	1.52		2.57	19.0	2.80	
	Include	13.72	15.24	1.52		1.53	41.5	2.04	

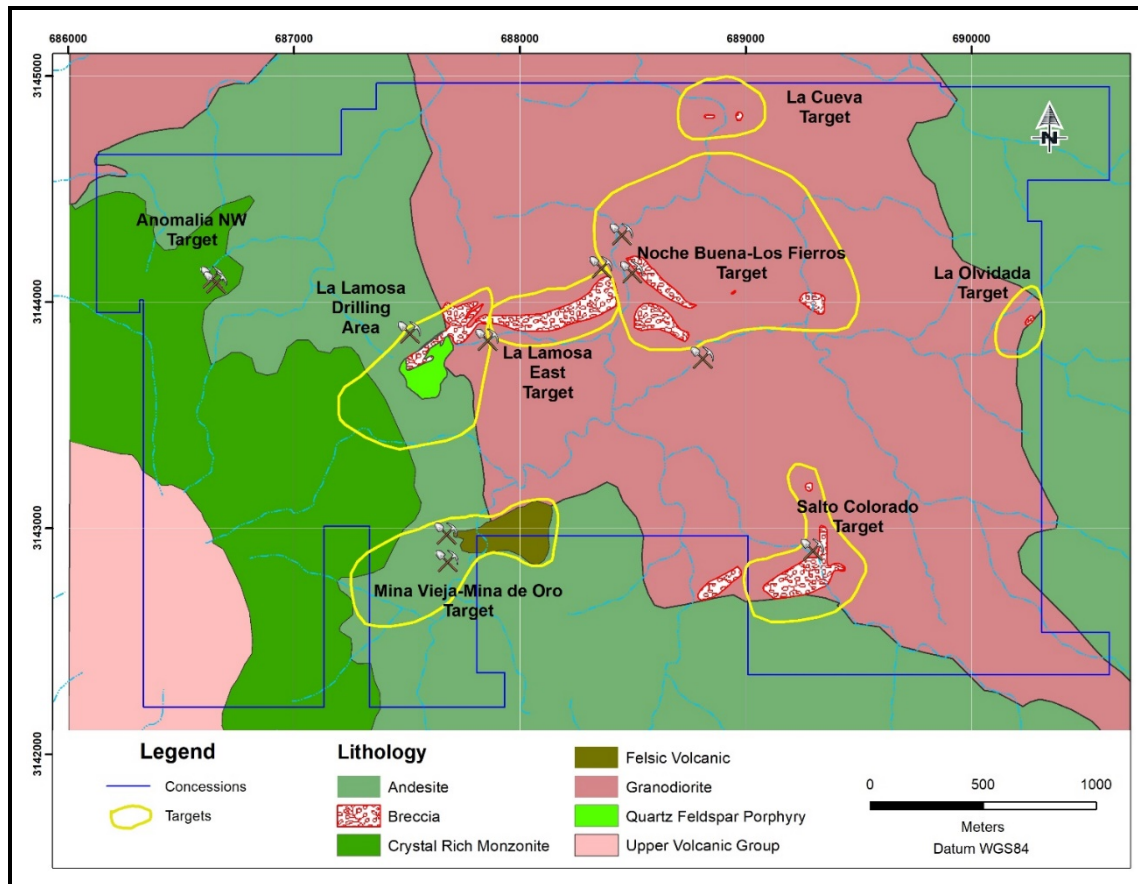
Table 2: Summary of 2019 Reverse Circulation Collars

HOLE_ID	East WGS84 Z12	North WGS84 Z12	Elevation (m)	Azimuth	Dip	Total Depth (m)
MER19-001	687590	3143815	1330	110	-70	168
MER19-002	687589	3143815	1330	0	-90	152
MER19-003	687564	3143797	1331	140	-60	134
MER19-004	687618	3143791	1323	320	-80	131
MER19-005	687658	3143836	1340	0	-90	91
MER19-006	687659	3143837	1340	320	-50	91
MER19-007	687575	3143780	1324	320	-75	131
MER19-008	687576	3143780	1324	0	-90	140
MER19-009	687601	3143739	1294	0	-90	91
MER19-010	687546	3143718	1291	320	-60	101
MER19-011	687617	3143681	1255	320	-60	116
MER19-012	687567	3143663	1254	320	-60	152
MER19-013	687610	3143607	1221	320	-60	155
MER19-014	687586	3143712	1278	320	-60	162
MER19-015	687645	3143764	1299	320	-70	128
MER19-016	687665	3143897	1314	140	-45	113
MER19-017	687713	3143884	1306	235	-45	162
MER19-018	687524	3143705	1290	320	-60	101
MER19-019	687568	3143726	1291	320	-60	152
MER19-020	687557	3143751	1300	320	-60	101
MER19-021	687570	3143693	1275	320	-80	151
Total (m)						2,723

Mapping and Sampling Results on Mercedes Property's Targets

Reconnaissance work extending to over 700 hectares has revealed at least seven significant exploration targets within the property (see Figure 5). Some of these targets are related to a well identified contact zone between an intrusive batholith and volcanic sequence which extends for more than 3 kilometers within the claims (La Lamosa, Mina Vieja- Mina de Oro, El Salto). Other targets are related to a structurally controlled system of quartz tourmaline breccias within the mentioned intrusive (La Lamosa NE extension, Noche Buena, La Cueva, and Olvidada). All the targets were accessed and sampled.

Figure 5: Mercedes Property Simplified Geology Map and Selected Targets



Reconnaissance Works Highlights:

- La Lamosa -** Drilling at La Lamosa by Magna confirmed oxide gold mineralization hosted in an altered andesite. Magna is contemplating a follow up drill program to test the southeast dip to the mineralization and to drill the extent of the zone to the north of La Lamosa hill. This second round of drilling at La Lamosa hill will be a follow-up program that is expected to increase the oxide tonnage for the La Lamosa resource.
- Mina de Oro -** Gold occurs at Mina de Oro on fractures in a silicified dacite intrusive rock. To date, Magna geologists have collected numerous rock samples defining a belt 330 m long and 150 m wide gold zone that is open to further mapping. Locally the silicification is very strong and is accompanied by sericite, disseminated pyrite and local tourmaline. Historic workings are present within this area, exploiting partially oxidized structurally complex sulfide bearing veins. 318 rock samples have been collected with 88 over 0.1 ppm Au and 11 over 1 ppm Au. The three highest chip samples assayed **1.2 m @ 8.6 g/t Au, 0.3 m @ 11.1 g/t Au and 1.2 m @ 63.2 g/t Au.**
- The Mina de Oro area is a high-quality bulk mining target and Magna is designing a drill program for the area in 2021.

Below is a plan map of the geology of the Mina de Oro area with two cross sections showing geology and alterations. A drill target is being considered for the south end of Section B-B' targeting gold in the Rhyodacite unit.

Figure 6: Geology Map on the Mina de Oro Target.

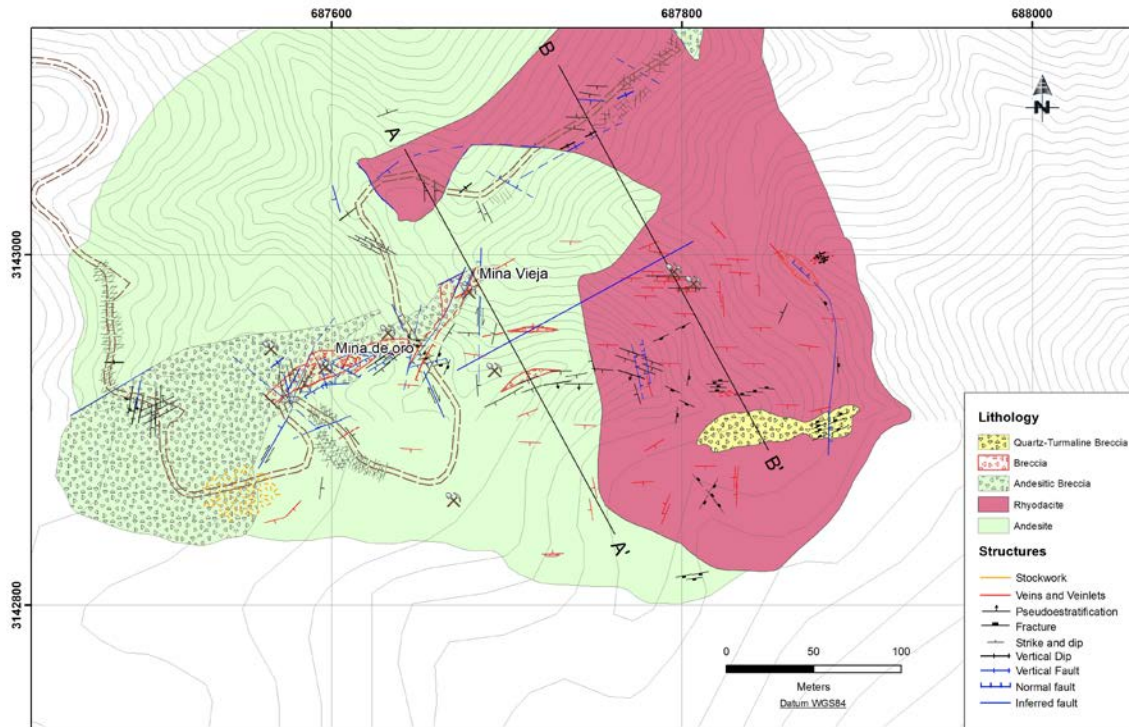


Figure 7: Cross Section A-A'

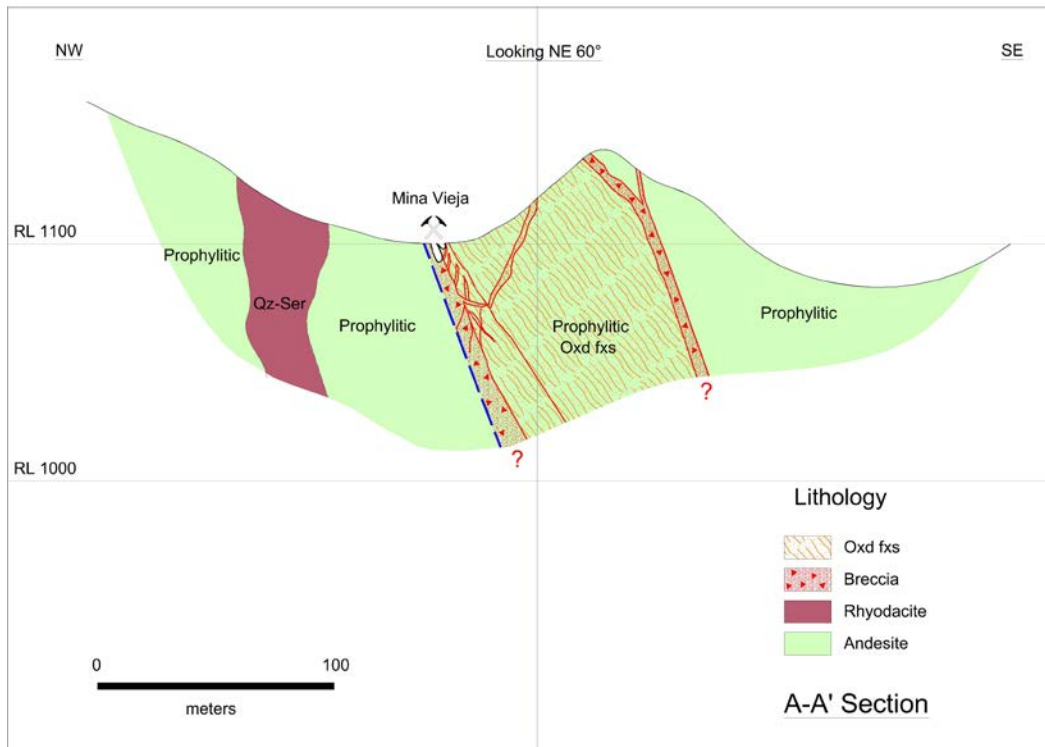
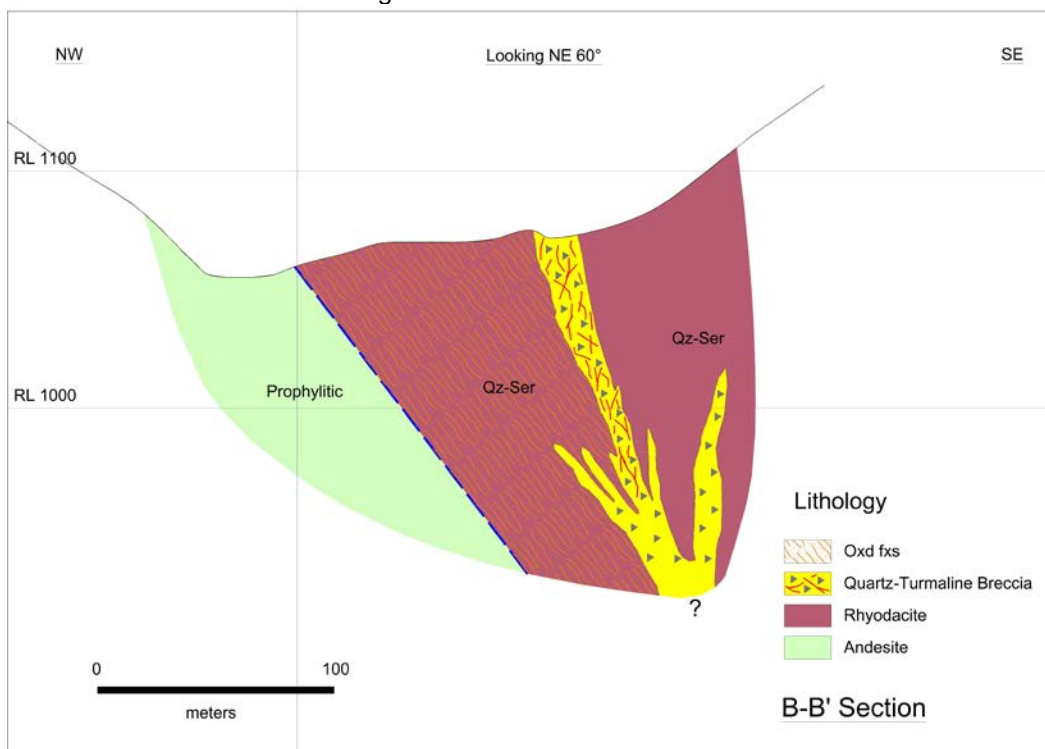


Figure 8: Cross Section B-B'



Salto Colorado - Salto Colorado is a 300-meter-long and 60 x 150 m wide rounded to sub-rounded intrusion matrix-supported breccia in contact with andesitic volcanic rocks; and composed of two lobes that extend out of the main body with the largest one measuring 150 meters in length. 159 samples were collected at this target, with the highest results in a small historic working returning up to **8.52 g/t gold, 460 g/t silver, 4.0% lead and 4.2% copper**. 25 of the samples were over 0.1 ppm Au and 8 samples were over 1 ppm Au.

La Cueva/Noche Buena – Noche Buena is a rounded to sub-rounded intrusion matrix supported breccia, 120 m long and 80 m wide, that has returned assays of 0.76 g/t gold, 80 g/t silver and more than 1% copper. Four contiguous chip samples on minor quartz veining returned 9 m @ 0.13 g/t gold, 10 g/t silver and 0.15% copper, including 3.8 m @ 0.195 g/t gold and 3 m @ 0.4% copper. Los Fierros is located to the west of Noche Buena and is a breccia elongated east-west 700 m by 100 m, with several breccias developed in granodiorite. In the Noche Buena & Los Fierros breccias 152 samples were collected with 11 samples assaying over 0.1 ppm Au.

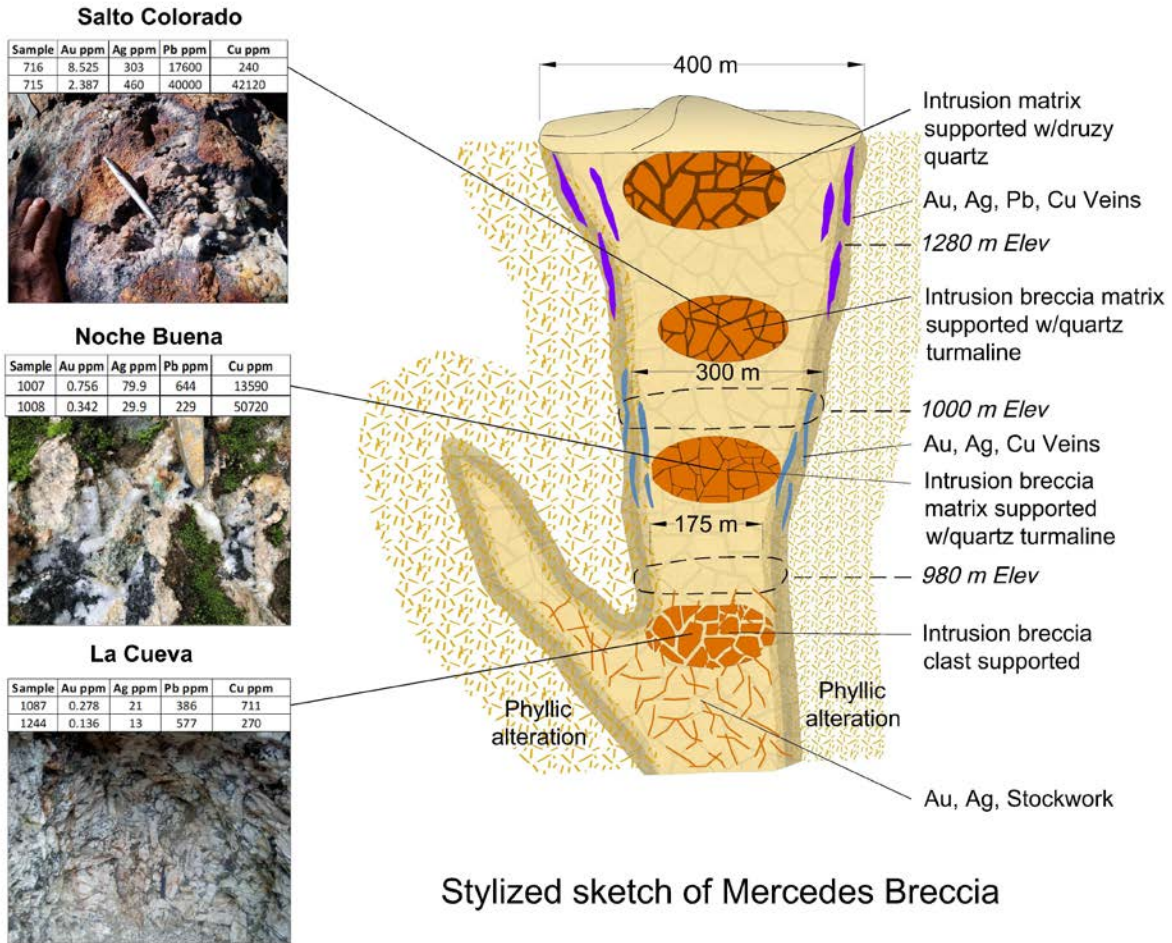
The La Cueva breccia is an angular clast supported breccia 300 m by 10 to 50 m. An eastern limb is a cliff tens of meters high, with a vertical wall towards the stream, is composed mostly by quartz, and only locally bears rock fragments and tourmaline and is stained green from copper minerals. 13 samples have been collected from La Cueva with two samples over 0.1 ppm Au and one sample over 1 ppm Au. Additional sampling is planned at La Cueva.

The quartz tourmaline breccias at Mercedes are zoned. Breccias at 1,300 meters in elevation at Salto Colorado are angular intrusion breccia matrix supported with drusy quartz. At 1,280 meters, the drusy quartz grades into quartz tourmaline matrix with rounded intrusion breccia and prominent lead silver veins. Noche Buena is at 1,000 meters in elevation and is a rounded intrusion breccia with a matrix of quartz tourmaline. Veins at Noche Buena are gold, silver and copper. La Cueva is at 980 meters in elevation and is an angular intrusion breccia that is quartz clast supported. Gold mineralization occurs in a stockwork in the angular quartz breccia.

The Company believes there is a possible bulk target at La Cueva in the stockwork of the quartz breccias bounded by moderate to strong phyllic alteration.

The Figure below shows the zoning pattern that has been observed on the Mercedes property. Figure 9 shows the location Salto Colorado, Noche Buena, and La Cueva at Mercedes.

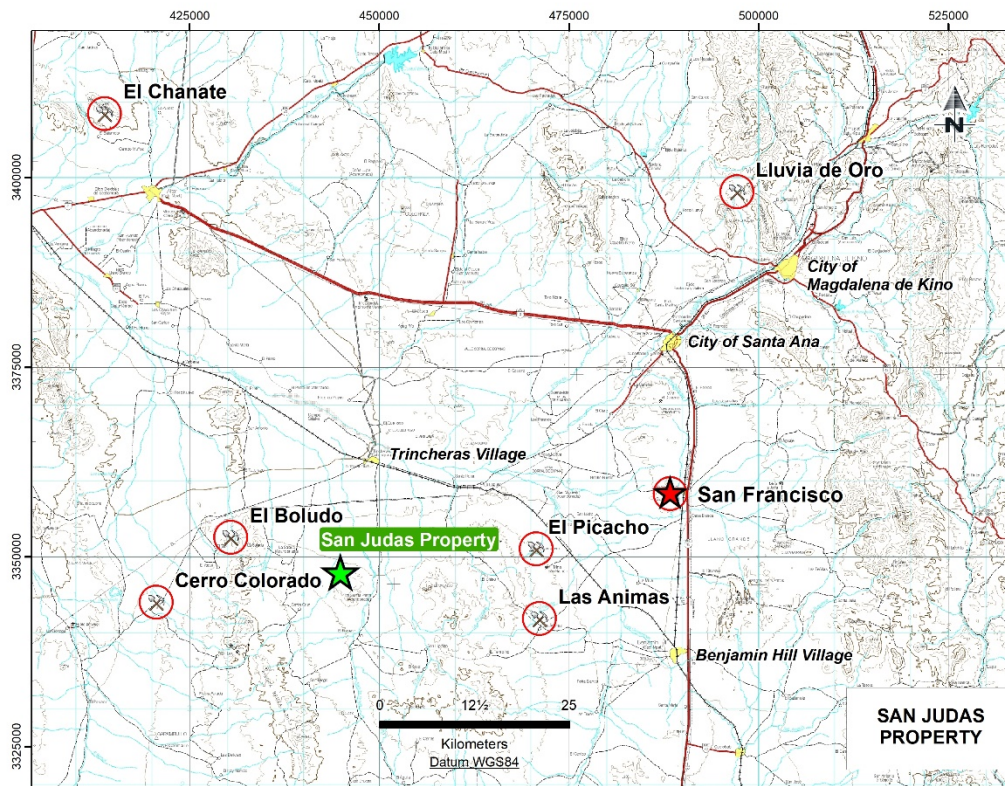
Figure 9: Stylized Sketch of Mercedes Breccia



San Judas Project

The project is located at the southern end of the Caborca Orogenic Gold Belt or Sonora Mojave Mega Shear, a trend known to host multiple orogenic gold-bearing deposits within an area extending from north-western Mexico into the southwestern United States measuring more than 600 km long and 60 to 80 km wide (Figure 10). Of the deposits within the Caborca Orogenic Gold Belt there are a number of large open pit heap leach gold operations such as La Herradura, Soledad-Dipolos and Nochebuena (Fresnillo PLC), the San Francisco Mine, Cerro Colorado (GoldGroup Mining Inc.) and El Chanate (Alamos Gold Inc).

Figure 10: **San Judas project location**



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.

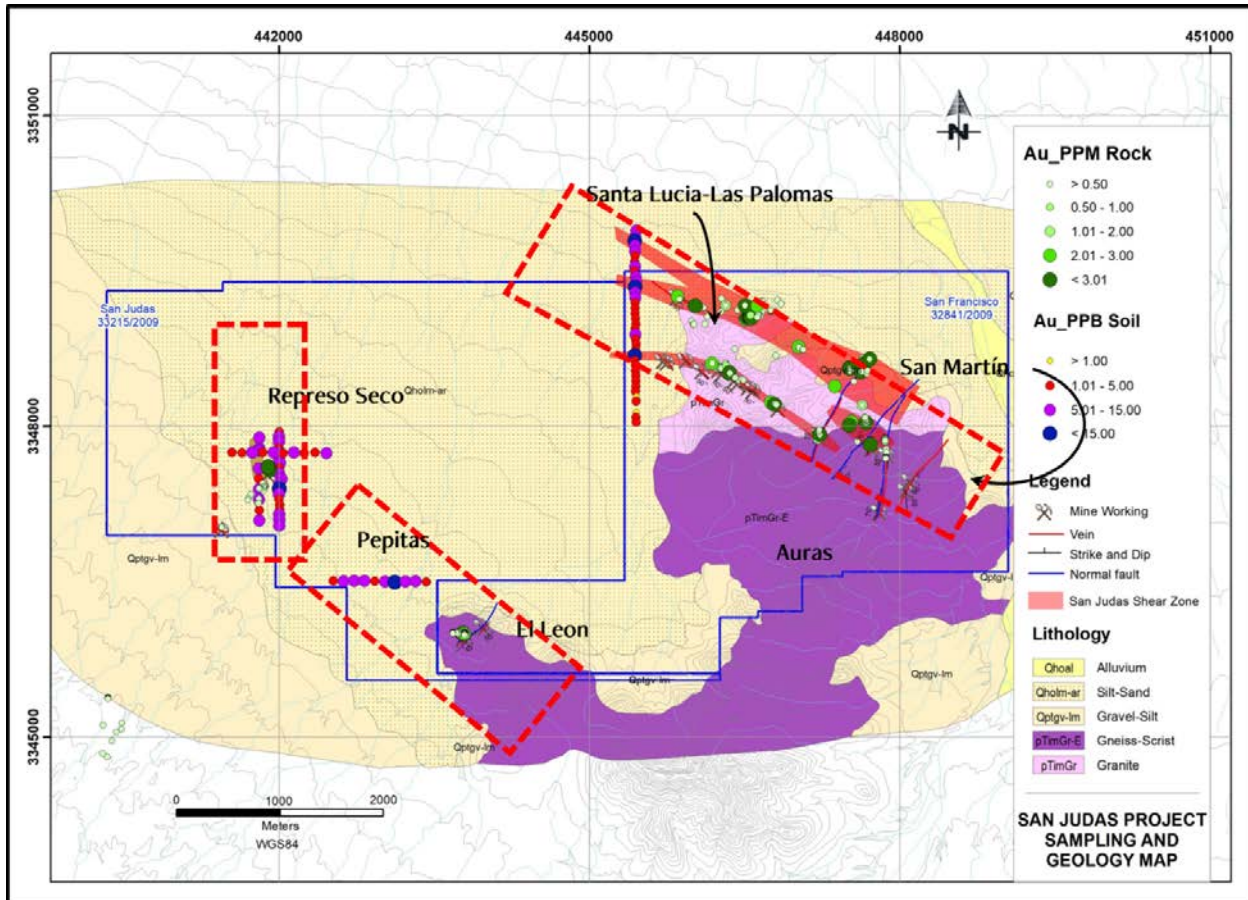
Structural and lithological interpretation of available data suggest the mineralized structures, characterized by gold-bearing quartz veins and mineralized quartz-sericite altered hanging-wall rocks extend under the surface.

Magna 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.

Sampling Works Highlights:

At least four different targets have been identified by historical sampling and confirmed three more, all with proven gold mineralization by recent chip rock and soil sampling. 550 chip rock samples have been taken, of which 126 (23%) have gold grade greater than 0.50 g/t Au. Please see Figure 11.

Figure 11: San Judas Sampling and Geology Map



- Santa Lucia and Las Palomas** are parallel gold bearing structures approximately 500 meters apart with strong hematitic alteration between the structures. Santa Lucia is a bulk mining target and consists of a series of shallow historical mines (trenches and shafts) distributed along a line of over 900 m in length, with a 135-degree azimuth. Most of the historical mines are developed in quartz veins and veinlets hosted in a granoblastic granite showing argillic alteration within a sheared fringe; mapping has identified parallel structures on historical mines in sheared granite with quartz veinlets, oxides, and boxworks of the original sulphides (pyrite, galena, etc.). Immediately north of Santa Lucia is the Las Palomas area, where historical mines were developed on six parallel structures in granoblastic granite, dipping 45 – 50 degrees, 150-degree azimuth, sub-parallel to the Santa Lucia trend. Historical mines tend to be of low angle at depth with high angle fracturing of gray quartz cutting the main structures and foliation in the granite. The best gold values at Las Palomas site are 26.40 g/t Au producing adjacent samples of 14.60 g/t Au, 5.54 g/t Au, 7.30 g/t Au. These samples are strongly oxidized with stockwork veining containing boxworks from sulfides and strong hematite alteration.

Table 3: Assay Results of Chip Rock Samples on Santa Lucia-Las Palomas Targets Above 0.50 g/t Au

AREA	TYPE OF SAMPLE	LENGTH (m)	Au g/t	Ag g/t	Pb PPM	Zn PPM	Cu PPM
Las Palomas	Chip Channel	0.5	26.40	7.7	4,803	95	31
Las Palomas	Chip Channel	1.5	14.60	4.8	2,164	81	59
Las Palomas	Chip Channel	0.7	12.90	2.1	982	950	700
Las Palomas	Chip Channel	0.8	7.30	9.6	1,865	80	23
Las Palomas	Chip Channel	1.0	6.14	6.9	1,694	582	76
Las Palomas	Chip Channel	0.8	5.54	2.9	3,490	358	55
Las Palomas	Chip Channel	1.0	4.43	2.2	1,389	111	116
Las Palomas	Chip Channel	1.2	4.16	4.2	2,256	84	16
Las Palomas	Chip Channel	0.4	4.08	1.1	447	40	52
Santa Lucía	Chip Channel	1.2	3.63	0.9	3,328	996	172
Las Palomas	Chip Channel	1.2	2.83	0.5	829	48	27
Santa Lucía	Dump	--	2.62	8.4	9,755	797	50
Las Palomas	Chip Channel	0.5	2.49	0.7	13	34	8
Las Palomas	Chip Channel	0.5	2.41	2.1	729	17	33
Las Palomas	Dump	--	2.20	0.9	323	390	51
Las Palomas	Chip Channel	1.3	2.01	43.3	9,215	3,518	164
Santa Lucía	Chip Channel	1.0	1.80	2.7	968	429	36
Las Palomas	Chip Channel	1.0	1.48	0.8	254	73	52
Las Palomas	Chip Channel	0.5	1.34	4.3	1,389	964	45
Las Palomas	Chip Channel	1.1	1.22	6.1	3,899	48	184
Las Palomas	Chip Channel	1.5	0.75	7.7	3,673	112	101
Las Palomas	Chip Channel	0.5	0.73	1.3	888	16	536
Santa Lucía	Chip Channel	1.0	0.69	11.7	1,149	644	37
Santa Lucía	Chip Channel	1.0	0.61	7.1	3,008	868	39
Santa Lucía	Chip Channel	0.5	0.59	4.4	2,115	2183	453
Las Palomas	Chip Channel	0.8	0.57	2.3	1,824	47	177

- San Martín** hosts gold in oxidized granite and gneiss pervasive hematite and limonite alteration. Mineralization is quartz stockwork along foliation and cross cutting quartz veinlets. San Martín has a series of historical mines oriented 155- and 180-degrees azimuth, dipping strongly to the West and East in lengths that vary from 150 to 200 meters, over an area of 1,250 meters in length and 750 meters in width. Several historical workings and areas of strong hematite alteration were sampled, and assay results are shown in Table 4. The key take-away of the sampling and geological work to date in the San Martín area is the fact that the historical high-grade small mines are aligned with North-South trending structures with lower grade hematite stockwork in low-angle veining structures in the host rock, opening the possibility of finding high volume bulk deposits.

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Table 4: Assay Results of Chip Rock Samples on San Martin Area Above 0.50 g/t Au

AREA	TYPE OF SAMPLE	LENGTH (m)	Au g/t	Ag g/t	Pb PPM	Zn PPM	Cu PPM
San Martín	Chip Channel	1.5	13.70	0.4	22	77	49
San Martín	Chip Channel	2.0	9.20	1.4	5	37	45
San Martín	Chip Channel	1.0	7.12	3.3	39	24	35
San Martín	Chip Channel	1.0	6.70	1.5	469	30	22
San Martín	Chip Channel	1.0	6.23	1.4	786	303	46
San Martín	Chip Channel	2.0	5.16	0.7	10	47	130
San Martín	Chip Channel	0.8	4.51	4.7	3,285	133	407
San Martín	Chip Channel	1.9	4.09	0.5	20	59	241
San Martín	Chip Channel	0.7	3.37	0.4	201	223	202
San Martín	Chip Channel	1.2	3.13	0.7	44	31	81
San Martín	Chip Channel	2.0	2.84	2.3	290	262	46
San Martín	Chip Channel	1.0	2.70	0.4	152	20	168
San Martín	Chip Channel	1.2	2.59	2.7	1,452	200	81
San Martín	Chip Channel	0.9	2.44	0.5	16	16	26
San Martín	Chip Channel	0.8	1.71	0.2	25	65	15
San Martín	Chip Channel	2.0	1.65	0.2	17	77	49
San Martín	Chip Channel	2.0	1.61	3.3	247	734	36
San Martín	Chip Channel	2.0	1.59	0.3	78	205	28
San Martín	Chip Channel	1.0	1.56	1.4	2,464	1,509	191
San Martín	Chip Channel	2.0	1.27	0.2	10	21	31
San Martín	Chip Channel	2.0	1.21	0.8	153	307	23
San Martín	Chip Channel	2.0	1.12	2.0	151	323	45
San Martín	Chip Channel	1.5	0.93	4.4	3,714	2,053	95
San Martín	Chip Channel	2.0	0.81	1.2	169	27	68
San Martín	Chip Channel	1.5	0.64	0.2	11	55	38
San Martín	Chip Channel	2.0	0.62	0.2	10	18	96
San Martín	Chip Channel	2.0	0.60	0.8	72	67	101
San Martín	Chip Channel	2.0	0.59	0.8	5	43	133
San Martín	Chip Channel	0.4	0.58	0.2	22	42	123
San Martín	Chip Channel	1.3	0.57	0.2	73	124	87
San Martín	Chip Channel	2.0	0.50	0.2	13	42	51

- **Represo Seco** is a high grade sheeted and brecciated vein system with three generations of quartz; white, crystalline quartz and chalcedony-drusy, filling open spaces in granite two meters thick with a strike length of 65 meters at the Represo Seco site and is open ended. Rock chip samples indicate a strong possibility of stacked gold structures along faults in the granite host. Magna collected a trench sample that ran 7 g/t Au at Represo Seco. Mapping and sampling are ongoing to the southwest to the property boundary with outcrops containing stockwork with

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hematite, jarosite, limonite, sericite alteration, clays, chlorite, bands of crackled jasperoid silica, and fine-grained magnetite disseminated in fractures. The host rock is granite. Rock samples have been collected over a strike length of several kilometers and additional assay results will be reported when received.

Table 5: Assay Results of Chip Rock Samples on Represo Seco Area Above 0.50 g/t Au.

AREA	TYPE OF SAMPLE	LENGTH (m)	Au g/t	Ag g/t	Pb PPM	Zn PPM	Cu PPM
Represo Seco	Chip Channel	0.5	7.41	2.8	226	142	153
Represo Seco	Chip Channel	1.9	6.03	2.4	970	76	235
Represo Seco	Chip Channel	1.8	5.08	1.7	576	65	209
Represo Seco	Grab Sample	--	3.25	5.1	2,417	398	190
Represo Seco	Chip Channel	2.3	2.10	0.7	1,312	26	179
Represo Seco	Chip Channel	1.0	1.85	5.5	2,799	128	540
Represo Seco	Chip Channel	1.0	1.52	4.2	1,538	107	177
Represo Seco	Chip Channel	1.0	0.98	54.9	8,102	60	1,203
Represo Seco	Chip Channel	1.5	0.71	10.6	5,299	79	1,255

- Cueva del León** hosts argillic altered intrusive felsic rocks that strike north south and dip 45° generally to the west. Initial assays have been in the 0.59 to 4.99 g/t Au range. Located in the south-central portion of the property, it is an area with gold mineralization that extends in the direction of E-W, being the most notable evidence a series of historical mines occurring in a line of about 100-120 meters, the most important of which is La Cueva del Leon adit, developed along a vein of quartz and stockwork of quartz-hematite in a gneiss sequence. The mineralized area in its projection to the west is lost in the valley under the alluvial cover, towards Represo Seco as described above. It is necessary to extend the exploration in both directions of Cueva del Leon, perpendicular to the general dip of the known structure, to know its relationship with others exposed to the north and south.

Table 6: Assay Results of Chip Rock Samples on Cueva del León Area Above 0.50 g/t Au.

AREA	TYPE OF SAMPLE	LENGTH (m)	Au g/t	Ag g/t	Pb PPM	Zn PPM	Cu PPM
Cueva de León	Chip Channel	1.1	4.99	23.1	14,500	67	641
Cueva de León	Chip Channel	1.0	4.28	4.5	2,409	84	149
Cueva de León	Chip Channel	1.2	2.03	6.5	4,233	40	294
Cueva de León	Chip Channel	1.5	1.90	23.9	6,982	54	318
Cueva de León	Chip Channel	1.0	1.80	3.8	1,094	53	96
Cueva de León	Chip Channel	1.2	1.01	6.4	2,393	27	195
Cueva de León	Chip Channel	2.4	0.99	9.1	4,238	79	50
Cueva de León	Chip Channel	1.8	0.83	2.4	329	66	29
Cueva de León	Chip Channel	2.0	0.73	5.5	3,804	37	88
Cueva de León	Chip Channel	2.0	0.62	4.3	704	53	88
Cueva de León	Chip Channel	1.1	0.59	5.0	1,734	34	113

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Current Activities

Mercedes Property

The following table summarizes the Company's current plans at the Mercedes Property, the total estimated costs, and total expenditures incurred to date (amounts in thousands of USD).

Plans for the projects in 2020/2021	Spent in Fiscal 2020 (approx.)	Planned Expenditures for Fiscal 2021 (approx.)
<ul style="list-style-type: none"> • Complete geology mapping and sampling on SW extension of La Lamosa and La Cueva targets. • Reverse circulation drill program on Mina del Oro. • IP-R along the Quartz/Tourmaline breccias (4km) and along La Lamosa-Mina del Oro (2km). • Compile and review data to generate a reverse circulation drill program on La Lamosa south extension, still open. 1,000m. • 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. 	\$1,677	\$200

San Judas Project

The following table summarizes the Company's current plans at the San Judas Project, the total estimated costs, and total expenditures incurred to date (amounts in thousands of USD).

Plans for the project in 2020/2021	Spent in Fiscal 2020 (approx.)	Planned Expenditures for Fiscal 2021 (approx.)
<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 reverse circulation 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. 	\$199	\$800

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Las Marias Property

The following table summarizes the Company's current plans at the Las Marias Project, the total estimated costs, and total expenditures incurred to date (amounts in thousands of USD).

Plans for the project in 2020/2021	Spent in Fiscal 2020 (approx.)	Planned Expenditures for Fiscal 2021 (approx.)
<ul style="list-style-type: none">• Extend geophysical works	\$410	\$50

QA/QC Program

The exploration works and their results mentioned 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 were submitted to an umpire laboratory at the end of the drilling program. 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 Lab 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 ("SOP") 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 Company will continue to monitor its spending and will amend its plans based on business opportunities that may arise in the future. The main focus of the Company is the integration and the development of the San Francisco Mine activities.

Gold production during the three months ended June 30, 2020, including pre acquisition production, reached 6,881 ounces. The Company recently mobilized the mining contractor and started to process the low-grade stockpile material. Magna expects to achieve additional gold production starting in late August 2020.

The Company has retained Micon International Limited to complete a Pre-Feasibility Study 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. It is anticipated that the Pre-Feasibility Study will be completed by the end of August 2020, at which time Magna plans to provide formal production and cash cost guidance for the balance of the year.

Magna also expects to start mining and processing fresh mineralized material from both the San Francisco and La Chicharra open pits upon completion of the Pre-Feasibility Study. Initial gold production from processing of fresh mineralized material and stockpile material will underpin production growth starting in late 2020 and offset the steady decline in production levels expected from the residual leach.

Magna will also be initiating a four-month drill program, primarily comprised of infill drilling in and around the San Francisco and La Chicharra open pits, to support the conversion of mineral resources to reserves, a corresponding increase in mine life, and improve the ability of the Company to further optimize the production plan after completion of the Pre-Feasibility Study. This drill program and its

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corresponding optimization studies, including updated metallurgical test work, is expected to be completed by calendar Q4 2020 at an estimated cost of \$1.5 million.

Exploration activities at the other properties continue. The main activity of the Company is to prepare additional drill sites on the Mercedes Property for drilling in 2020. Details of the on-going exploration activities at the Mercedes Property, San Judas Project and Las Marias Property are described in the "Exploration Update" 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 June 30, 2020, the Company had positive net working capital of \$10.9 million. The Company had cash and cash equivalents of \$14.3 million, trade and other receivables of \$1.7 million, inventories of \$13.1 million, trade payables and accrued liabilities of \$7.5 million, and current loan payable of \$11.0 million.

The Company believes it is able to generate sufficient amounts of cash and cash equivalents for the twelve months ended March 31, 2021, to fund corporate costs, its upcoming exploration and development plans of \$1.1 million and its drill program and its corresponding optimization studies for the San Francisco Mine, including updated metallurgical test work at an estimated cost of \$1.5 million, 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, is expected to be paid after March 31, 2021 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 March 31, 2021 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 "*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. Additional measures have been undertaken or are under consideration to further reduce corporate overhead.

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A summary of undiscounted liabilities and future operating commitments (in thousands of US Dollars) at June 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	\$ 7,453	\$ 7,453	\$ -	\$ -	\$ -
Loan payable	12,187	12,187	-	-	-
	19,640	19,640	-	-	-
Commitments					
Provision for site reclamation and closure ⁽¹⁾	6,104	-	-	-	6,104
Other provisions ⁽²⁾	1,420	-	-	-	1,420
Total financial liabilities and commitments	\$ 27,164	\$ 19,640	\$ -	\$ -	\$ 7,524

(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.

(2) Other provisions represent the undiscounted amount of the demobilization costs related to the Peal contract, 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 2.3%, reflecting the implied interest rate, and calculated according to the formula stipulated in the contract. At June 30, 2020, this obligation was determined to be \$1.4 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

At June 30, 2020, the Company had cash of \$14.3 million compared to \$0.2 million at March 31, 2020. The increase in cash of \$14.1 million from the March 31, 2020 cash balance was as a result of cash inflows in operating activities of \$7.8 million, cash inflows from investing activities of \$0.9 million and cash inflows from financing activities of \$6.2 million.

Loss for the three months ended June 30, 2020 was \$1.2 million. Items not affecting cash totaled \$2.9 million, including share-based compensation of \$1.5 million, shares issued as part of transaction costs of \$0.5 million, unrealized loss on derivative contracts of \$0.2 million, change in valuation of warrants of \$0.2 million and depletion and depreciation of \$0.2 million.

Change in non-cash working capital balances increased cash by \$6.1 million. Decrease in inventories increased cash by \$2.9 million. Trade payables and accrued liabilities movements increased cash by \$2.9 million, whereas trade and other receivables movements increased cash by \$0.2 million.

Investing activities included net cash of \$1.5 million received from the acquisition of Molimentales offset by the amount paid to Alio of \$0.6 million.

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Financing activities included proceeds from private placements that occurred during the three months ended June 30, 2020 of \$6.8 million. Share issuance costs during the three months ended June 30, 2020 were \$0.6 million.

CAPITAL RESOURCES

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

	June 30, 2020	March 31, 2020
Equity	\$ 12,188	\$ 760
Less: Cash	14,286	161
	\$ (2,098)	\$ 599

At June 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) During the three months ended June 30, 2020, travel expenses of \$nil (three months ended June 30, 2019 - \$0.01 million) 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) During the three months ended June 30, 2020, the Company paid for compliance services and disbursements of \$0.03 million (three months ended June 30, 2019 - \$0.01 million) to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filing 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 June 30, 2020, the Marrelli Group was owed \$0.02 million (March 31, 2020 - \$0.01 million) and this amount is included in amounts payable and other liabilities.

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(c) During the three months ended June 30, 2020, stock based compensation of \$0.3 million (three months ended June 30, 2019 - \$0.1 million) was attributed to Arturo Bonillas, a corporate officer of the Company.

(d) 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, in thousands of US Dollars:

	Three months ended	
	June 30, 2020	June 30, 2019
Salaries and benefits ⁽¹⁾	\$ 67	\$ 13
Stock based compensation	709	-
	\$ 776	\$ 13

(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 months ended June 30, 2020 and 2019. Salaries and benefits excludes fees paid to the CFO and companies he controls (disclosed above) for each period presented.

NON-GAAP AND ADDITIONAL GAAP MEASURES

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.

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

		Three months ended June 30, 2020
Production costs ⁽¹⁾	\$	6,667
Divided by gold sold (ozs)		4,935
		1,351
Less: by-product silver credits per gold ounce sold ⁽²⁾		(3)
Cash cost per gold ounce sold on a by-product basis	\$	1,348

(1) In thousands of US Dollars.

(2) Management determined that silver metal revenues, when compared to gold metal revenues, are immaterial and therefore considered a by-product of the production of gold. For the three months ended June 30, 2020, total by-product silver credits were \$0.01 million.

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

All-in sustaining cost per gold ounce

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

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

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The following table provides a reconciliation of the site all-in sustaining cost per gold ounce on a by-product basis and of the all-in sustaining cost per gold ounce on a by-product basis to the interim financial statements:

		Three months ended June 30, 2020
Production costs ⁽¹⁾	\$	6,667
Sustaining capital expenditures ⁽¹⁾		-
Less: by-product silver credits ⁽¹⁾		(15)
Site All-in sustaining costs		6,652
Divided by gold sold (ozs)		4,935
Site AISC per gold ounce sold on a by-product basis		1,348
Site All-in sustaining costs (per above)		6,652
Corporate and administrative expenses ⁽¹⁾		1,976
Accretion for site reclamation and closure ⁽¹⁾		51
All-in sustaining costs		8,679
Divided by gold sold (ozs)		4,935
AISC per gold ounce sold on a by-product basis	\$	1,759

⁽¹⁾ In thousands of US Dollars.

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 filing, 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 TRANSACTION

There was no material proposed transaction as of the date of this MD&A.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Management has made the following critical judgements and estimates:

Judgements

The critical judgements made by management 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. to be the Canadian dollar and the functional currency of LM Mining SA de CV and Minera Magna, S.A. de C.V. to be the Mexican Peso. The functional currency of the Molimentales subsidiary was determined to be the US dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

ii. Liquidity risk related to the Company's operations

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

iii. Assessment of indicators of impairment

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or cash generating unit ("CGU") may be impaired, thereby requiring adjustment to the carrying value. As of June 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.

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.

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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.

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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.

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.

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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 stock-based compensation

Stock-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.

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, loan 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.

The foreign currency warrant was determined a Level 2 instrument and valued using the Black Scholes valuation model derived from observable market inputs. The derivative liability was classified as a Level 2 instrument because the inputs are derived from observable market data.

At June 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 three months ended June 30, 2020 or for the year ended March 31, 2020.

Risk management

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

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i. Credit risk

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

The Company's credit risk is predominantly limited to cash equivalent balances held in financial institutions, the recovery of VAT receivable from the Mexican tax authorities, 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 June 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. The Mexican tax authorities with whom the Company holds a VAT receivable balance, are also deemed to be of sound credit worthiness.

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.

iii. Currency risk

The functional currency of Magna Gold Corp. and 266170 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 and comprehensive income 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:

	June 30,		March 31,
	2020		2020
Mexican peso net monetary assets	\$ 9,174	\$	-
Canadian dollar net monetary assets	\$ 309	\$	771

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The effect on earnings before income tax at June 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 \$0.9 million (three months ended June 30, 2019 - \$0.1 million) assuming that all other variables remained constant.

The calculations above are based on the Company's statement of financial position exposure at June 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

The Company's interest revenue earned on cash are exposed to low interest rate risk as they are held in fixed interest rate bank accounts.

As at June 30, 2020, the Company did not hold any loans or liabilities with variable interest rates, and therefore has no significant interest rate risk.

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

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 84,557,906 common shares outstanding, with the following held in escrow:

	As of August 28, 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

- 96,185 non-transferable warrants with each warrant being exercisable for one common share at a price of C\$0.35 per common share until May 6, 2022;
- 632,975 non-transferable warrants with each warrant being exercisable for one common share at a price of C\$0.41 per common share until June 1, 2022.

Options

- 200,000 stock options with each stock option being exercisable for one common share at a price of C\$0.10 per common share until August 15, 2023.
- 2,250,000 stock options with each stock option being exercisable for one common share at a price of C\$0.98 per common share until June 29, 2025.
- 2,350,000 stock options with each stock option being exercisable for one common share at a price of C\$1.53 per common share until August 13, 2025.

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 unaudited condensed consolidated 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 unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

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

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of 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.

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

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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 Technical Report for the San Francisco Gold Project, Sonora, Mexico" dated June 1, 2020 with an effective date of June 1, 2020
Mercedes Property	"NI 43-101 Technical Report, Mercedes Property, Municipality of Yécora, Sonora State, Mexico" with an effective date of April 30, 2019