



MAGNAGOLD

MAGNA GOLD CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS
ENDED MARCH 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)
(UNAUDITED)

Magna Gold Corp.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in thousands of United States Dollars)

(Unaudited)

	Note	March 31, 2021	December 31, 2020
ASSETS			
Current			
Cash		\$ 5,909	\$ 7,056
Trade and other receivables	6	8,119	7,579
Inventories	7	13,101	11,882
Advances and prepaid expenses		725	746
Total current assets		27,854	27,263
Mineral properties and plant and equipment	8	23,954	16,861
Exploration and evaluation	8	9,831	9,610
Deferred tax assets		2,531	772
Total assets		\$ 64,170	\$ 54,506
LIABILITIES			
Current			
Trade payables and accrued liabilities	9	\$ 25,399	\$ 17,899
Other payables	10	11,475	11,285
Auramet deferred revenue	11	4,000	-
Sandstorm deferred revenue	12	615	632
Total current liabilities		41,489	29,816
Sandstorm deferred revenue	12	2,252	2,463
Other provisions	13	1,216	1,200
Provision for site reclamation and closure	14	5,639	5,567
Deferred tax liabilities		1,367	589
Total liabilities		51,963	39,635
EQUITY			
Issued capital	15	21,298	21,285
Share-based payment reserve	16	3,423	3,429
Cumulative translation reserve		(525)	(1,233)
Deficit		(11,989)	(8,610)
Total equity		12,207	14,871
Total liabilities and equity		\$ 64,170	\$ 54,506

Nature of operations (note 1)

Going concern (note 2)

Commitments and contingencies (note 22)

Events after the reporting period (note 24)

Approved on behalf of the Board:

/s/ "Arturo Bonillas"Arturo Bonillas
Director/s/ "Colin Sutherland"Colin Sutherland
Director

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Magna Gold Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in thousands of United States Dollars, except number of common shares and per share amounts)

(Unaudited)

			Three months ended March 31, 2021	Restated - Note 3 Three months ended March 31, 2020
	Note			
Metal revenues	17	\$	15,319	\$ -
Cost of sales	18a)		16,852	-
Loss from mine operations			(1,533)	-
Corporate and administrative expenses	18b)		1,269	410
Exploration expenses	18c)		463	-
Loss from operations			(3,265)	(410)
Other income, net			7	-
Finance expenses	18d)		(420)	-
Foreign exchange loss			(722)	(459)
Gain on derivative contracts	21		40	-
Net loss before income taxes			(4,360)	(869)
Income taxes				
Deferred tax recovery			(981)	-
Net loss for the period			(3,379)	(869)
Other comprehensive (loss) income				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange gain			708	466
Net and comprehensive loss for the period		\$	(2,671)	\$ (403)
Basic and diluted net loss per share	19	\$	(0.04)	\$ (0.02)
Weighted average number of common shares outstanding			89,451,455	39,204,791

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Magna Gold Corp.
Condensed Interim Consolidated Statements of Cash Flows
(In thousands of United States Dollars)
(Unaudited)

		Three months ended March 31, 2021	Restated - Note 3 Three months ended March 31, 2020
	Note		
Operating activities			
Net loss		\$ (3,379)	\$ (869)
Items not affecting cash:			
Depletion and depreciation	18a)	1,279	-
Finance expenses	18d)	420	-
Gold delivery to Sandstorm	12	(370)	-
Income tax recovery		(981)	-
Unrealized foreign exchange loss		824	482
		(2,207)	(387)
Changes in non-cash working capital items:			
Trade and other receivables		(764)	31
Inventories		(964)	-
Advances and prepaid expenses		21	(14)
Trade payables and accrued liabilities		8,602	70
Cash provided by (used in) operating activities		4,688	(300)
Investing activities			
Expenditures on mineral properties and plant and equipment		(9,591)	-
Expenditures on exploration and evaluation		(166)	(277)
Cash used in investing activities		(9,757)	(277)
Financing activities			
Proceeds from Auramet agreement, net of transaction costs	11	3,940	-
Exercise of warrants	16b)	7	-
Cash provided by financing activities		3,947	-
Effects of exchange rate changes on the balance of cash held in foreign currencies		(25)	(27)
Decrease in cash		(1,147)	(604)
Cash, beginning of period		7,056	768
Cash, end of period		\$ 5,909	\$ 164

Supplementary disclosure with respect to cash flows (note 20)

Magna Gold Corp.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in thousands of United States Dollars, except for number of common shares)

(Unaudited)

	Note	Number of common shares	Share capital	Shares to be issued	Share- based payment reserve	Cumulative translation reserve	Deficit	Total
Balance, January 1, 2021		89,432,813	\$ 21,285	\$ -	\$ 3,429	\$ (1,233)	\$ (8,610)	\$ 14,871
Warrants exercise	16b)	27,061	13	-	(6)	-	-	7
Net and comprehensive loss for the period		-	-	-	-	708	(3,379)	(2,671)
Balance, March 31, 2021		89,459,874	\$ 21,298	\$ -	\$ 3,423	\$ (525)	\$ (11,989)	\$ 12,207
Balance, January 1, 2020 (restated - note 3)		39,204,791	\$ 4,805	\$ -	\$ 11	\$ (101)	\$ (2,016)	\$ 2,699
Shares to be issued		-	-	710	-	-	-	710
Net and comprehensive loss for the period		-	-	-	-	466	(869)	(403)
Balance, March 31, 2020 (restated - note 3)		39,204,791	\$ 4,805	\$ 710	\$ 11	\$ 365	\$ (2,885)	\$ 3,006

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Magna Gold Corp.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 and 2020

(Expressed in thousands of United States Dollars, except where noted)

(Unaudited)

1. NATURE OF OPERATIONS

Magna Gold Corp. (the "Company" or "Magna") was incorporated pursuant to the provisions of the Business Corporations Act of Ontario on January 9, 2018. Its shares have been listed on the TSX Venture Exchange (the "Exchange") under the symbol "MGR" since June 10, 2019. In addition, the Company's shares also trade on the OTCQB Venture Market, a U.S. trading platform that is operated by OTC Markets Group in New York, under the symbol "MGLQF". The Company's address is 18 King Street East, Suite 902, Toronto, Ontario, M5C 1C4.

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

During March 2020, the World Health Organization declared a global pandemic following the emergence of a novel strain of the coronavirus disease, called "COVID-19". This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. At the date of issuance of these unaudited condensed interim consolidated financial statements of the Company as at March 31, 2021, and for the three months ended March 31, 2021 (the "Condensed Interim Consolidated Financial Statements"), mining operations are considered an essential activity in Mexico, and therefore, mining companies are able to continue operations following the safety protocols established. The Company has not interrupted its mining, crushing and leaching processes and doré shipments to its customers, therefore, Company's management has not identified a material impact on its financial position or results of operations during the three months ended March 31, 2021, and the period up to the date of issuance of these Condensed Interim Consolidated Financial Statements. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

On May 6, 2020, the Company closed the acquisition of Molimentales del Noroeste, S.A. de C.V. ("Molimentales") (note 4), which owns a 100% interest in the San Francisco Mine. The San Francisco Mine is an open-pit heap leach operating mine, located approximately 150 kilometers north of Hermosillo and 120 kilometers south of the United States/Mexico border via Highway 15 (Pan-American Highway). The San Francisco Mine was in residual leaching at the time of the acquisition. Mining and crushing activities restarted late in June 2020.

The Company also holds a portfolio of earlier-stage mineral properties located in Mexico. The Company is in the process of exploring these mineral properties and has not yet determined whether they contain mineral reserves where extraction is both technically feasible and commercially viable.

2. GOING CONCERN

These Condensed Interim Consolidated Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred operating losses to date and has limited history of revenue from operations and the certainty of funding future operating and exploration expenditures and availability of sources of additional financing cannot be assured at this time; these events and conditions create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern in the longer term is dependent on successful execution of its business plan and ultimately generating net income and positive cash flow from mining operations. These Condensed Interim Consolidated Financial Statements do not include adjustments to the carrying values and classifications of recorded assets and liabilities which could be material that might be necessary should the Company be unable to continue as a going concern.

3. BASIS OF PREPARATION**a) Statement of compliance**

These Condensed Interim Consolidated Financial Statements of the Company as at March 31, 2021, and for the three months ended March 31, 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and with interpretations of the IFRS Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants of Canada Handbook - Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard 34 - *Interim Financial Reporting*.

Magna Gold Corp.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 and 2020

(Expressed in thousands of United States Dollars, except where noted)

(Unaudited)

The policies applied in the Condensed Interim Consolidated Financial Statements are based on IFRS issued and effective as of May 31, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these Condensed Interim Consolidated Financial Statements as compared to the most recent annual consolidated financial statements as at and for the nine months ended December 31, 2020, ("Annual Financial Statements").

b) Functional currency and presentation currency

These Condensed Interim Consolidated Financial Statements are presented in United States dollars ("US\$"). Effective April 1, 2020, the Company changed its presentation currency from Canadian Dollars ("C\$") to the US\$. The change in presentation currency was to better reflect the Company's business activities. There has been no change to Magna's functional currency or its subsidiaries' functional currencies. In making this change to the US\$ presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21") and has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency.

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. The Company has determined the functional currency of Magna Gold Corp. and 2660170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining Corp, S.A. de C.V. ("LM Mining") and Minera Magna, S.A. de C.V. ("Minera Magna"). The functional currency of Molimentales del Noroeste, S.A. de C.V. was determined to be the US dollar.

c) Basis of consolidation

These Condensed Interim Consolidated Financial Statements include the assets and operations of Magna Gold Corp. and its subsidiaries Molimentales, 2660170 Ontario Ltd., LM Mining and Minera Magna. All intercompany balances and transactions have been eliminated on consolidation.

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

d) Basis of measurement

The Condensed Interim Consolidated Financial Statements have been prepared using the historical cost basis, except for certain financial assets and liabilities, which are measured at fair value, as specified by IFRS as set out in the accounting policies below.

e) Critical judgements

The critical judgements applied in the preparation of these Condensed Interim Consolidated Financial Statements are consistent with those applied and disclosed in note 3(f) of the Annual Financial Statements.

f) Significant estimates and assumptions

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, including the potential impacts of COVID-19, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

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

The significant estimates and assumptions applied in the preparation of the Condensed Interim Consolidated Financial Statements are consistent with those applied and disclosed in note 3(g) of the Annual Financial Statements.

Magna Gold Corp.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 and 2020

(Expressed in thousands of United States Dollars, except where noted)

(Unaudited)

g) Change of year end

During November 2020, the Company changed its fiscal year end from March 31 to December 31 in order to align the fiscal year-end with that of its Mexican subsidiaries, which are required to have fiscal periods for Mexican tax purposes ending on December 31. As a result of this change, these Condensed Interim Consolidated Financial Statements are for the three months ended March 31, 2021, and amounts presented are comparable to the three months ended March 31, 2020, which have not been disclosed prior to these Condensed Interim Consolidated Financial Statements.

h) Capitalization of exploration and evaluation

Effective December 31, 2020, the Company voluntarily adopted a new accounting policy with respect to exploration and evaluation expenditures to reflect the Company's future outlook on its exploration activities. The Company capitalizes exploration and evaluation activities incurred in connection with the exploration and evaluation of mineral resources before technical feasibility and commercial viability of extracting a mineral resource is demonstrable. This change was applied on a retrospective basis.

4. MOLIMENTALES ACQUISITION

On May 6, 2020 (the "Closing Date"), Magna completed 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 on April 24, 2020 (the "Definitive Agreement"), between the Company and Timmins Gold Corp Mexico S.A. de C.V. ("Timmins"), a wholly owned subsidiary of Alio Gold Inc. ("Alio"). Alio was purchased by Argonaut Gold Inc. ("Argonaut") on July 1, 2020.

Commercial production began at the San Francisco Mine in April 2010 and has continued up until and after the Company's acquisition of Molimentales during May 2020.

Under the terms of the Definitive Agreement, Magna acquired ownership of Alio's indirect wholly owned subsidiary, Molimentales, which owns a 100% interest in the San Francisco Mine, in exchange for:

- (i) Issuance to Timmins of 9,740,000 common shares of the Company at their fair value of C\$0.40 (\$0.28) per common share; and,
- (ii) \$5,000 in cash, on or before May 6, 2021. Should the Company not pay this amount the Company will in lieu grant a 1% net smelter return royalty in respect of the San Francisco Mine.

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(Unaudited)

The acquisition of Molimentales was accounted for as a business combination. The purchase price has been allocated to the assets acquired and liabilities assumed based on their fair values as follows:

Amounts recognized May 6, 2020		Final purchase price allocation
Purchase price allocation	Note	
Common shares of Magna		\$ 2,758
\$5,000 cash or 1% Net Smelter Royalty ("NSR") ⁽¹⁾	10	4,671
Working capital difference ⁽²⁾	10	2,499
Value added tax ("VAT") payable to seller ⁽³⁾		570
		\$ 10,498
Purchase price allocation		
Cash		\$ 1,465
Trade and other receivables		2,954
Inventories		16,298
Advances and prepaid expenses		483
Mineral properties and plant and equipment	8	5,244
Deferred tax assets		2,328
Trade payables and accrued liabilities		(5,077)
Other payables	10	(6,940)
Other provisions	13	(1,410)
Provision for site reclamation and closure	14	(4,847)
Net assets		\$ 10,498

(1) The \$5,000 was discounted over a one-year period using a rate of 6.86%.

(2) On May 6, 2020, the working capital of Molimentales exceeded the target working capital as defined within the Definitive Agreement. The Company is required to pay Timmins the base cash amount plus such surplus amount (the "Working Capital Difference") in one installment on or before the one-year anniversary of the Closing Date. The undiscounted Working Capital Difference was determined and agreed between both parties to be \$2,675 at May 6, 2020. The \$2,675 was discounted over a one-year period using a rate of 6.86%.

(3) During June 2020, per the Definitive Agreement, the Company paid \$570 to Timmins relating to January and February 2020 value added tax recoverable that was received by the Company after the Closing Date.

On May 5, 2021, the Company paid \$5,000 in cash to Timmins before the May 6, 2021, deadline as stipulated in the Definitive Agreement.

On May 6, 2021, the Company, through its subsidiary Minera Magna, entered into a promissory note arrangement (the "Promissory Note") with Timmins whereby the Company agreed to pay Timmins the Working Capital Difference of \$2,675 in four equal principal instalments, plus interest, on July 6, August 6, September 6, and October 6, 2021. The Promissory Note bears un compounded interest at a rate of 5.0% per annum.

5. MARGARITA ACQUISITION

Effective November 17, 2020, the Company and Molimentales (the "Purchaser") closed the acquisition (the "Margarita Acquisition") of the option (the "Option") to acquire a 100% undivided interest in the mining concessions comprising the Margarita Silver Project ("Margarita" or the "Margarita Project") pursuant to a definitive option acquisition agreement (the "Agreement") with Sable Resources Ltd. ("Sable") and Exploraciones Sable, S. de R.L. de C.V. (the "Vendor"), a wholly-owned subsidiary of Sable.

Margarita is comprised of two mining concessions, covering 125.625 hectares, located within the Sierra Madre Gold Belt, 88 kilometers south of the state capital of Chihuahua in the Municipality of Satevo, State of Chihuahua, Mexico.

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

- (i) 3,219,278 common shares of the Company at their fair value of \$2,877 issued at C\$1.17 (\$0.89) per common share;
- (ii) \$1,165 in cash; and,
- (iii) \$621 in cash representing Mexican VAT on the full consideration of the Margarita Acquisition.

Magna Gold Corp.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 and 2020

(Expressed in thousands of United States Dollars, except where noted)

(Unaudited)

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

- (i) 1,655,629 common shares of the Company at their fair value of \$1,480 issued at C\$1.17 (\$0.89) per common share;
- (ii) \$388 in cash; and,
- (iii) \$286 in cash representing Mexican VAT on the full consideration of the Option Exercise.

In addition, the Company paid \$40 to the landowner of the property in relation to a prior contractual arrangement between the landowner and the titleholders of Margarita.

Total VAT of \$907 was fully refundable from the Mexican tax authority and was received during the three months ended March 31, 2021.

The Margarita Acquisition did not meet the definition of a business combination and therefore was accounted for as an asset acquisition. The acquisition and exercise of the Option, landowner payment, and related transaction costs, are included in these Condensed Interim Consolidated Financial Statements as an exploration and evaluation asset (note 8).

Concurrent with the Option Exercise, in accordance with the terms of an amended and restated royalty purchase agreement dated October 13, 2020, between Osisko Gold Royalties Ltd ("Osisko"), Sable, the Vendor and certain affiliates of Sable and the Vendor, the Purchaser entered into a royalty agreement with Osisko, pursuant to which the Purchaser will pay Osisko a 2% net smelter returns royalty on all products mined and produced from Margarita.

6. TRADE AND OTHER RECEIVABLES

	March 31, 2021	December 31, 2020
Trade receivable	\$ 777	\$ 349
VAT receivable ⁽¹⁾	7,221	7,109
Other receivables	121	121
	\$ 8,119	\$ 7,579

⁽¹⁾ VAT receivable is value added tax payments made by the Company, which in Mexico and Canada are refundable. Mexican VAT refunds are typically expected within two to three months after the associated monthly filing with the Mexican tax authority, whereas Canadian VAT refunds are expected within one to two months after each quarterly filing to the Canadian tax authority.

7. INVENTORIES

	March 31, 2021	December 31, 2020
Ore in process	\$ 7,784	\$ 8,566
Finished metal inventory	3,534	1,375
Supplies	1,783	1,941
	\$ 13,101	\$ 11,882

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Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 and 2020

(Expressed in thousands of United States Dollars, except where noted)

(Unaudited)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT, AND EXPLORATION AND EVALUATION

	Mineral properties ⁽¹⁾	Plant and equipment	Exploration and evaluation	Total
Cost				
At January 1, 2021	\$ 14,374	\$ 3,393	\$ 9,610	\$ 27,377
Additions	7,200	1,448	221	8,869
At March 31, 2021	21,574	4,841	9,831	36,246
Accumulated depreciation				
At January 1, 2021	847	59	-	906
Depreciation and depletion	1,517	38	-	1,555
At March 31, 2021	2,364	97	-	2,461
Carrying amount at March 31, 2021	\$ 19,210	\$ 4,744	\$ 9,831	\$ 33,785

	Note	Mineral properties ⁽¹⁾	Plant and equipment	Exploration and evaluation	Total
Cost					
At April 1, 2020		\$ -	\$ 14	\$ 2,240	\$ 2,254
Acquisitions	4,5	3,852	1,392	6,073	11,317
Additions		10,013	1,987	1,297	13,297
Asset retirement obligation remeasurement		509	-	-	509
At December 31, 2020		14,374	3,393	9,610	27,377
Accumulated depreciation					
At April 1, 2020		-	1	-	1
Depreciation and depletion		847	58	-	905
At December 31, 2020		847	59	-	906
Carrying amount at December 31, 2020		\$ 13,527	\$ 3,334	\$ 9,610	\$ 26,471

⁽¹⁾ At March 31, 2021, mineral properties included deferred stripping costs with a carrying amount of \$12,561 (December 31, 2020 - \$7,739) and underground development costs of \$2,344 (December 31, 2020 - \$1,502).

All non-current assets are located in Mexico.

Mineral properties

The San Francisco Mine is located in Santa Ana, Sonora, Mexico, which is formed by several adjacent claims. Commercial production began at the San Francisco Mine in April 2010 and has continued up until and after the Company's acquisition of Molimentales during May 2020.

Exploration and evaluation

The Company is in the exploration stage with respect to its investment in the Mercedes Property, the Las Marias Property, the San Judas Project, Los Muertos Project, Cuproros Project, Margarita Project, and the La Pima Project. Through the Molimentales Acquisition (note 4), in addition to the San Francisco Mine, the Company acquired title to the Patricia, Norma, Los Carlos, La Pima, TMC, and Dulce claims located in the state of Sonora, Mexico. Through the Margarita Acquisition (note 5), the Company acquired the Margarita Project consisting of two mining concessions located in the state of Chihuahua, Mexico.

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(Expressed in thousands of United States Dollars, except where noted)

(Unaudited)

The Company capitalizes all costs relating to the acquisition and exploration of mineral rights with the exception of concession payments. Such costs include, among others, option payments, geological, geophysical studies, exploratory drilling and sampling, feasibility studies and technical reports. Exploration and evaluation balances are as follows:

	March 31, 2021	December 31, 2020
Margarita Project	\$ 6,095	\$ 6,077
Mercedes Property	2,425	2,275
La Pima Project	481	481
Las Marias Property	410	410
San Judas Project	336	292
Los Muertos Project	48	44
Cuproros Project	36	31
	\$ 9,831	\$ 9,610

Margarita Project

On November 17, 2020, the Company closed the Margarita Acquisition (note 5). Margarita is comprised of two mining concessions, covering 125.625 hectares, located within the Sierra Madre Gold Belt, 88 kilometers south of the state capital of Chihuahua in the Municipality of Satevo, State of Chihuahua, Mexico.

Mercedes Property

On June 6, 2019, the Company completed its qualifying transaction consisting of an option agreement dated September 25, 2018, pursuant to which the Company acquired an option to acquire a 100% undivided interest in two mining claims (the "Mercedes Property") located in the municipality of Yécora, Sonora, Mexico, for a four-year period. The Mercedes Property consists of two contiguous claims covering an aggregate area of approximately 345 hectares located approximately 250 kilometers east-southeast along the Federal Highway 16 from the state capital, Hermosillo.

In consideration of the grant of the option agreement, Magna will: (i) pay to the optionor an aggregate of \$1,340 plus VAT of 16%, paid in installments up to forty-eight months from the Effective Date, with the last instalment being \$750; (ii) issue to the optionor a 3% net smelter return royalty, capped at \$3,500 and subject to the right of the Company to acquire all 3% of the NSR at a price of \$500 per percentage point, within the first three years of commercial production of the Mercedes Property; and (iii) issue 2,442,105 common shares valued at \$584. The common shares were issued on June 6, 2019.

As at March 31, 2021, the Company has paid \$260 of the \$1,340 option installments.

La Pima Project

On May 6, 2020, through the acquisition of Molimentales, the Company acquired the La Pima Project ("La Pima") located in the state of Sonora, Mexico. La Pima is an early-stage exploration project which is located approximately 25 kilometers north of the San Francisco Mine.

Las Marias Property

On August 16, 2019, the Company closed the acquisition of 2660170 Ontario Ltd. and its 99% owned subsidiary LM Mining. LM Mining holds the Las Marias Property, which consists of seven mining concessions covering 646 hectares adjacent to the Mercedes Property and the Las Cabanas mineral claims ("Las Cabanas Property" and together with the Las Marias Property the "Claims"), which consists of two claims covering 248 hectares located approximately 10 km south-west of the Mercedes Property. The total consideration for the Claims consisted of 1,000,000 common shares valued at \$210 and cash of \$188.

San Judas Project

On December 17, 2019, the Company entered into an exploration and option agreement for a 100% undivided interest in two mining claims (the "San Judas Project") for a five-year period. The San Judas Project consists of two contiguous claims covering an aggregate area of approximately 2,806 hectares located approximately 240 kilometers north-west along the Federal Highway 16 from the state capital, Hermosillo. In consideration, the Company shall (i) pay to the optionors of the San Judas Project an aggregate of \$1,680 plus VAT of 16% paid in annual installments commencing on December 17, 2019, and ending on the sixtieth month thereafter; and (ii) issue to the optionors a 1.5% NSR, capped at \$1,500, and subject to the right of the Company to acquire all 1.5% of the NSR, at a price of \$500 per 0.5% of the NSR, at any time.

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(Unaudited)

As at March 31, 2021, the Company has paid \$94 of the \$1,680 option installments.

Los Muertos Project

On August 3, 2020, the Company entered into an option agreement to acquire a 100% undivided interest in the Los Muertos Project located in the municipality of La Colorada, Sonora, Mexico. The Los Muertos silver-gold properties 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 \$425 plus VAT of 16% in five annual installments commencing on the effective date of the option agreement, August 3, 2020, and ending forty-eight months thereafter.

As at March 31, 2021, the Company has paid \$25 of the \$425 option installments.

Cuproros Project

On September 8, 2020, the Company entered into an exploration and option agreement to acquire an option for a 100% undivided interest in three mining claims (the "Cuproros Project") for a four-year period. The Cuproros Project consists of three contiguous claims covering an aggregate area of approximately 196 hectares located approximately 150 kilometers east from the Sonora state capital, Hermosillo. In consideration of the grant of the option, the Company shall pay to the optionors of the Cuproros Project an aggregate of \$480 plus VAT of 16%, paid in installments commencing on the effective date of the exploration and option agreement and ending forty-eight months thereafter.

As at March 31, 2021, the Company has paid \$35 of the \$480 option installments.

9. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
Trade payables ⁽¹⁾	\$ 20,385	\$ 13,468
Accrued taxes	472	586
Accrued liabilities	542	971
Advances	2,275	1,149
Vendor loan ⁽²⁾	1,725	1,725
	\$ 25,399	\$ 17,899

(1) At March 31, 2021, \$1,001 related to investing activities (December 31, 2020 - \$1,916).

(2) Molimentales is party to an ongoing amparo suit with respect to an amount of \$1,725.

10. OTHER PAYABLES

	Note	March 31, 2021	December 31, 2020
\$5,000 or San Francisco Mine NSR	4	\$ 4,966	\$ 4,884
Working capital difference	4	2,657	2,613
Peal settlement		3,852	3,788
		\$ 11,475	\$ 11,285

In relation to the Molimentales Acquisition (note 4), the Company recognized the following liabilities:

- a) The Company agreed to pay Timmins \$5,000 in cash on or before May 6, 2021. Should the Company not pay this amount the Company will in lieu grant a 1% net smelter return royalty in respect of the San Francisco Mine. The \$5,000 was discounted over a one-year period using a rate of 6.86% to determine a discounted payable of \$4,671 on May 6, 2020. During the three months ended March 31, 2021, accretion expense was \$82 (three months ended March 31, 2020 - \$nil).

On May 5, 2021, the Company paid \$5,000 in cash to Timmins.

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- b) The Company agreed to pay Timmins \$2,675 in cash in respect to Working Capital Difference available on the Closing Date of the Acquisition due on or before May 6, 2021. The \$2,675 was discounted over a one-year period using a rate of 6.86% to determine a discounted payable of \$2,499 on May 6, 2020. During the three months ended March 31, 2021, accretion related to the obligation was \$44 (three months ended March 31, 2020 - \$nil).

On May 6, 2021, the Company, through its subsidiary Minera Magna, entered into a promissory note arrangement with Timmins whereby the Company agreed to pay Timmins \$2,675 in four equal principal instalments, plus interest, on July 6, August 6, September 6, and October 6, 2021. The Promissory note bears un compounded interest at a rate of 5.0% per annum.

- c) Concurrently with the Acquisition, the Company signed a binding letter of intent on April 6, 2020, with Peal de Mexico, S.A. de C.V. ("Peal"), the mining contractor for the San Francisco Mine, to settle pre-existing arbitration proceedings between Peal and Molimentales for aggregate consideration of \$6,355 plus VAT of 16%. This amount is to be satisfied by (1) the issuance of 11,000,000 common shares at the settlement amount of \$2,860 and (2) undiscounted cash flows of \$3,495 plus VAT of 16% to be paid in cash within a period of eighteen months from the date of the final settlement agreement.

On June 30, 2020, the Company finalized the settlement agreement and issued 11,000,000 common shares to Peal valued at \$2,860. VAT of \$457 was paid in cash during the nine months ended December 31, 2020. The Company recognized an undiscounted liability of \$2,860 at May 6, 2020, as the \$2,860 in common shares was payable immediately upon finalization of the settlement agreement.

The \$3,495 plus VAT of 16%, a total of \$4,054, was discounted over an eighteen-month period using a discount rate of 6.86% to determine a discounted payable of \$3,623 on May 6, 2020. During the three months ended March 31, 2021, accretion related to the obligation was \$64 (three months ended March 31, 2020 - \$nil).

11. AURAMET DEFERRED REVENUE

During February 2021, the Company, through its subsidiary Molimentales, and Auramet International LLC ("Auramet") signed an agreement (the "Auramet Agreement") whereas the Company would receive \$4,000 in exchange for nine equal payments of 270 gold ounces to be delivered to Auramet starting May 31, 2021, and ending on January 31, 2022. On February 12, 2021, the Company received \$3,940 representing \$4,000 less transaction costs of \$20, an upfront 1% fee of \$40, and applicable banking charges.

The Company recognized the \$4,000 as deferred revenue ("Auramet deferred revenue") which will be recognized into revenue as monthly gold delivery obligations are met over the nine-month payment period. A financing component will also be recognized starting in May 2021 and is determined as the difference between the advance received and prevailing gold prices.

On March 31, 2021, the Auramet deferred revenue consists of \$4,000 representing the advanced consideration received from Auramet.

12. SANDSTORM DEFERRED REVENUE

Opening, April 1, 2020	\$	-
Advance consideration received		3,000
Accretion on financing component		95
Balance at December 31, 2020		3,095
Accretion on financing component		142
Gold delivery to Sandstorm per agreement		(370)
	\$	2,867
Current portion		615
Non-current portion		2,252
Balance at March 31, 2021	\$	2,867

During November 2020, the Company, through its subsidiaries, Molimentales and Minera Magna, and SA Targeted Investing Corp., a subsidiary of Sandstorm Gold Ltd. ("Sandstorm") completed a royalty agreement arrangement (the "Sandstorm Agreement") whereby, the Company received \$3,000 in exchange for:

- (i) Gold Delivery. Commencing November 2020 and for the first twelve months, the Company will deliver 50 gold ounces per month to Sandstorm, and from the thirteenth to forty-eighth month thereafter, deliver 75 gold ounces per month; and,

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- (ii) Net Smelter Royalty. Commencing on the forty-ninth month, the Company will pay to Sandstorm a 1% NSR on each of the following mining concessions: San Francisco, Patricia, Norma, La Pima, Dulce, and San Judas. At the option of the Company, 0.5% of each NSR can be bought back for \$1,000 on the San Francisco mining concession, and \$500 each on the other concessions, all subject to a 10% annual escalation, compounded annually.

The Company has recognized the Gold Delivery portion of the Sandstorm Agreement as deferred revenue ("Sandstorm deferred revenue") which will be recognized into revenue as monthly gold delivery obligations are met over the forty-eight month period. The deferred revenue consists of \$3,000 cash received and a financing component determined as the difference between the advance received and prevailing gold prices.

Accretion expense on the Sandstorm deferred revenue financing component is recognized at the end of each reporting period. During the three months ended March 31, 2021, the Company had accretion expense of \$142 (three months ended March 31, 2020 - \$nil).

Revenue is recognized at the time of delivery and is subject to a 10% withholding tax. During the three months ended March 31, 2021, the Company recognized revenue of \$370 (three months ended March 31, 2020 - \$nil) on 200 gold ounces delivered under the Sandstorm Agreement.

The Company will recognize the NSR portion of the Sandstorm Agreement at the time the royalty is paid. No royalty liability related to the Sandstorm Agreement was recognized at March 31, 2021, and December 31, 2020.

13. OTHER PROVISIONS

Opening, April 1, 2020	\$	-
Molimentales acquisition (note 4)		1,410
Accretion		40
Remeasurement		(250)
Balance at December 31, 2020		1,200
Accretion		16
Balance at March 31, 2021	\$	1,216

Other provisions are the demobilization costs related to the mining contractor, whereby the Company is responsible for demobilization costs payable one month prior to the end of the mining contract.

The total undiscounted amount of estimated cash flows required to settle the other provisions at March 31, 2021, is \$1,732 (December 31, 2020 - \$1,732).

As at March 31, 2021, the cash flows for other provisions were discounted using a rate of 5.25% (December 31, 2020 - 5.25%).

14. PROVISION FOR SITE RECLAMATION AND CLOSURE

Opening, April 1, 2020	\$	-
Molimentales acquisition (note 4)		4,847
Accretion		211
Remeasurement		509
Balance at December 31, 2020		5,567
Accretion		72
Balance at March 31, 2021	\$	5,639

The provision for site reclamation and closure consists of mine closure costs, reclamation and retirement obligations for mine facilities and infrastructure.

The total undiscounted amount of estimated cash flows required to settle the retirement obligations of the San Francisco Mine as at March 31, 2021, is \$6,277 (December 31, 2020 - \$6,277).

As at March 31, 2021, the cash flows were inflated by a rate of 3.50% (December 31, 2020 - 3.50%) and discounted using a rate of 5.25% (December 31, 2020 - 5.25%).

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15. ISSUED CAPITAL*Authorized share capital*

At March 31, 2021, and December 31, 2020, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Common shares issued and outstanding

At March 31, 2021, there were 89,459,874 common shares issued and outstanding (December 31, 2020 - 89,432,813).

During the three months ended March 31, 2021, 27,061 common shares were issued upon exercise of warrants (note 16(b)).

There were no common share transactions during the three months ended March 31, 2020.

16. SHARE-BASED PAYMENT RESERVEa) *Stock options*

On August 12, 2020, the Board of Directors approved the adoption of a new 10% rolling stock option plan (the "Plan") to replace the Company's fixed stock option plan. The Plan was subject to, and subsequently received, the approval of the shareholders of the Company at the annual and special meeting of shareholders held on September 15, 2020, in accordance with the policies of the TSX Venture Exchange, and was subject to, and subsequently received, the final acceptance of the TSX Venture Exchange.

Under the Plan, the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares. The maximum number of common shares reserved for issuance under the Stock Option Plan shall not exceed 10% of the then issued and outstanding common shares of the Company. The options will be exercisable for a period of up to ten years. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent of the issued and outstanding common shares. The Board of Directors will determine the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture Exchange.

The following table reflects the continuity of stock options for the periods indicated:

	Number of stock options	Weighted average exercise price (\$ CAD)
Outstanding at April 1, 2020	200,000	0.10
Granted ⁽¹⁾⁽²⁾	4,600,000	1.26
Outstanding and exercisable at December 31, 2020	4,800,000	1.21
Outstanding and exercisable at March 31, 2021	4,800,000	1.21

⁽¹⁾ On June 29, 2020, the Company granted options to certain directors, officers, employees, and consultants to purchase 2,250,000 common shares. The options are exercisable at C\$0.98 per share and expire on June 29, 2025. The options vested immediately. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.36%; (iv) expected life of 5 years; (v) underlying grant date closing stock price on the TSX Venture Exchange of C\$1.16 per common share outstanding; and (vi) assumption of nil forfeiture rate. The fair value was C\$1,984 (\$1,450). The grant date fair value of the options issued was C\$0.882 (\$0.645) per option.

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- (2) On August 12, 2020, the Company granted options to certain directors, officers, employees, and consultants to purchase 2,350,000 common shares. The options are exercisable at C\$1.53 per share and expire on August 12, 2025. The options vested immediately. The fair value of each option granted has been estimated at the date of shareholder approval on September 15, 2020, using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.36%; (iv) expected life of 4.9 years; (v) underlying grant date closing stock price on the TSX Venture Exchange of C\$1.34 per common share outstanding; and (vi) assumption of nil forfeiture rate. The fair value was determined to be C\$2,256 (\$1,713). The grant date fair value of the options issued was C\$0.960 (\$0.729) per option.

The following table reflects the stock options outstanding and exercisable as at March 31, 2021:

Expiry date	Number of options outstanding and exercisable	Weighted average exercise price (C\$)	Weighted average remaining life of options (years)
August 15, 2023	200,000	0.10	2.38
June 29, 2025	2,250,000	0.98	4.25
August 12, 2025	2,350,000	1.53	4.37
	4,800,000	1.21	4.23

b) *Warrants*

	Number of warrants	Issuance date fair value
Balance at April 1, 2020	-	\$ -
Issued ⁽¹⁾⁽²⁾	729,160	255
Balance at December 31, 2020	729,160	\$ 255
Exercised ⁽³⁾	(27,061)	(6)
Balance at March 31, 2021	702,099	\$ 249

- (1) On May 6, 2020, in connection with a non-brokered private placement, the Company issued 96,185 non-transferable warrants to Canaccord Genuity Corp. and Medalist Capital Ltd., with each warrant being exercisable for one common share at a price of C\$0.35 per warrant until May 6, 2022. The fair value of each warrant issued was estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.30%; and (iv) expected life of 2 years. The Company assumed no forfeiture rate. The issuance date fair value was determined to be C\$26 (\$19).

- (2) On June 1, 2020, in connection with a non-brokered private placement, the Company issued 632,975 non-transferable warrants to Canaccord Genuity Corp. and Medalist Capital Ltd., with each warrant being exercisable for one common share at a price of C\$0.41 per warrant until June 1, 2022. The fair value of each warrant issued was estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.39%; and (iv) expected life of 2 years. The Company assumed no forfeiture rate. The issuance date fair value was determined to be C\$319 (\$236).

- (3) On January 27, 2021, 27,061 warrants were exercised at C\$0.35 (\$0.27) each for proceeds of C\$9 (\$7).

The following table reflects all warrants issued and outstanding as of March 31, 2021:

Expiry date	Exercise price (C\$)	Warrants outstanding
May 6, 2022	0.35	69,124
June 1, 2022	0.41	632,975
		702,099

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17. METAL REVENUES

During the three months ended March 31, 2021 and 2020, the Company had sales agreements with three customers. The percentage breakdown of metal revenues by customer is as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Customer A	93%	- %
Customer B	5%	- %
Customer C	2%	- %
	100%	- %

Due to the nature of the gold market, the Company is not dependent on any customers to sell finished goods.

The Company's metal revenues from operations, all of which are derived in Mexico, are as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Gold	\$ 15,138	\$ -
Silver	181	-
	\$ 15,319	\$ -

18. EXPENSES**a) Cost of sales**

	Three months ended March 31, 2021	Three months ended March 31, 2020
Costs of mining	\$ 8,091	\$ -
Crushing and gold recovery costs	7,398	-
Mine site administration costs	1,041	-
Transport and refining	60	-
Royalties	83	-
Change in inventories	(1,100)	-
Production costs	15,573	-
Depreciation and depletion	1,555	-
Change in inventories - depreciation and depletion	(276)	-
Cost of sales	\$ 16,852	\$ -

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b) Corporate and administrative expenses

	Three months ended March 31, 2021	Restated - Note 3 Three months ended March 31, 2020
Consulting and professional fees	\$ 517	\$ 110
Salaries	457	149
Administrative and other	101	56
VAT expense	60	70
Business development	47	9
Rent and office costs	42	-
Reporting issuer costs	38	12
Investigation costs	7	4
Corporate and administrative expenses	\$ 1,269	\$ 410

c) Exploration expenses

	Three months ended March 31, 2021	Restated - Note 3 Three months ended March 31, 2020
San Francisco Mine and regional concessions	\$ 366	\$ -
La Pima Project	43	-
San Judas Project	25	-
Los Muertos Project	16	-
Las Marias Property	7	-
Mercedes Property	3	-
Cuproros Project	2	-
Margarita Project	1	-
Exploration expenses	\$ 463	\$ -

d) Finance expenses

	Note	Three months ended March 31, 2021	Three months ended March 31, 2020
Accretion on other payables	10	\$ 190	\$ -
Accretion on Sandstorm deferred revenue	12	142	-
Accretion on provision for site reclamation and closure	14	72	-
Accretion on other provisions	13	16	-
Finance expenses		\$ 420	\$ -

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19. LOSS PER SHARE

	Three months ended March 31, 2021			Restated - Note 3 Three months ended March 31, 2020		
	Loss for the period	Weighted average shares outstanding	Loss per share	Loss for the period	Weighted average shares outstanding	Loss per share
Basic LPS	\$ (3,379)	89,451,455	\$ (0.04)	\$ (869)	39,204,791	\$ (0.02)
Effect of dilutive securities:						
Stock options	-	-	-	-	-	-
Warrants	-	-	-	-	-	-
Diluted LPS	\$ (3,379)	89,451,455	\$ (0.04)	\$ (869)	39,204,791	\$ (0.02)

At March 31, 2021, 4,800,000 (March 31, 2020 - 200,000) stock options were outstanding, all of which were anti-dilutive.

At March 31, 2021, 702,099 (March 31, 2020 - nil) warrants were outstanding, all of which were anti-dilutive.

20. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company had no significant non-cash investing and financing transactions during the three months ended March 31, 2021 and 2020.

At March 31, 2021, the Company had \$1,001 (December 31, 2020 - \$1,916) in trade payables related to investing activities for expenditures on mineral properties, plant and equipment, and exploration and evaluation.

21. 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, and other payables approximate their fair value due to their short-term nature and are classified at amortized cost.

At March 31, 2021, and December 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 March 31, 2021, or for the three months ended March 31, 2020.

Derivatives

During the three months ended March 31, 2021, the Company entered into gold option contracts whereby the Company sold the right to a third party to purchase a number of the Company's gold ounces at a set price. The carrying value of the derivatives are based on the valuation of the outstanding gold option contracts using Level 2 inputs and valuation techniques. During the three months ended March 31, 2021, gain on the contracts was \$40 (three months ended March 31, 2020 - \$nil).

On February 11, 2021, in conjunction with, and to secure, the Auramet Agreement (note 11), the Company entered into a call option agreement with Auramet whereas the Company granted Auramet the right to purchase 3,000 gold ounces, with a weighted average exercise price of \$2,000 per gold ounce, and expiry dates ranging from August 31, 2021, to May 31, 2022.

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On March 31, 2021, gold option contracts giving the holder the right to purchase 3,000 gold ounces were outstanding at a weighted average exercise price of \$2,000 per gold ounce. No derivative asset or liability was recognized as the contract exercise price exceeded the gold market price.

Subsequent to March 31, 2021, the Company entered into gold option contracts whereby the Company sold the right to a third party to purchase 4,800 gold ounces, with a weighted average exercise price of \$1,819 per gold ounce, and expiry dates ranging from April 16 to June 28, 2021. Of these, contracts covering 3,100 gold ounces were exercised and contracts covering 600 gold ounces expired unexercised.

Risk management

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

i. Credit risk

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

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

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

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

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

ii. Commodity price risks

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

The prices of most commodities are determined in international markets and as such the Company has limited or no ability to control or predict the future level of most commodity prices. In some instances, the Company may have the ability to enter into derivative financial instruments (see derivatives section) 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 2660170 Ontario Ltd. is the Canadian dollar and the Mexican Peso for LM Mining and Minera Magna. The functional currency of Molimentales was determined to be the US dollar. Therefore, the Company's loss and comprehensive loss are impacted by fluctuations in the value of foreign currencies in relation to the US\$.

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The table below summarizes the net monetary assets and liabilities held in foreign currencies:

	March 31,	December 31,
	2021	2020
Mexican peso net monetary assets	\$ 2,000	\$ 3,920
Canadian dollar net monetary (liabilities) assets	\$ (356)	\$ 547

The effect on loss before income tax at March 31, 2021, of a 10.0% change in the foreign currencies against the US dollar on the above-mentioned net monetary assets of the Company is estimated to be an increase/decrease of \$164 (December 31, 2020 - \$447) assuming that all other variables remained constant.

iv. Liquidity risk

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

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments.

v. Interest rate risk

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

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

22. COMMITMENTS AND CONTINGENCIES

A summary of undiscounted liabilities and commitments at March 31, 2021, is as follows:

	Note	Total	Less than 1 year	1-3 years	4-5 years	Greater than 5 years
Maturity analysis of financial liabilities						
Trade payables and accrued liabilities	9	\$ 25,399	\$ 25,399	\$ -	\$ -	\$ -
Other payables	10	11,729	11,729	-	-	-
		37,128	37,128	-	-	-
Commitments						
Option payments on exploration and evaluation properties	8	3,511	381	1,645	1,485	-
Other provisions ⁽¹⁾	13	1,732	-	-	-	1,732
Provision for site reclamation and closure ⁽²⁾	14	6,277	-	-	-	6,277
Total financial liabilities and commitments		\$ 48,648	\$ 37,509	\$ 1,645	\$ 1,485	\$ 8,009

⁽¹⁾ Other provisions represent the undiscounted amount of the demobilization costs related to the mining contractor, whereby the Company is responsible for demobilization costs payable one month prior to the end of the mining contract. At March 31, 2021, and December 31, 2020, the undiscounted amount was \$1,732.

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- (2) 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. At March 31, 2021, and December 31, 2020, the undiscounted amount was \$6,277.

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

Molimentales Income Tax Refund

On April 26, 2021, Molimentales was made aware that an income tax refund from the 2017 calendar year was to be refunded by the Mexican tax authority. At the time of the acquisition of Molimentales from Alio Gold on May 6, 2020, (note 4) this receivable was deemed uncollectible.

On April 29, 2021, the full 2017 income tax refund was received by the Company for \$3,534, with an additional \$465 representing interest.

23. 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.

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
Salaries and benefits ⁽¹⁾⁽²⁾	\$ 159	\$ 75

(1) The Board of Directors, with the exception of the CEO, CFO, and COO, do not have employment or service contracts with the Company. There were no director fees accrued or paid during the three months ended March 31, 2021 or 2020.

(2) Salaries and benefits excludes fees paid to the former CFO's associated companies (note 23(c)).

- b) During the three months ended March 31, 2021, the Company entered into an employment agreement with a new CFO. The CFO served, and continues to serve, as a member of the Board of Directors prior to the employment agreement. On March 31, 2021, the CFO was owed \$18 and \$1 relating to salary and expense reimbursement, respectively, and these amounts are included in trade payables and accrued liabilities.
- c) During the three months ended March 31, 2021, the former CFO of Magna provided services through entities controlled by the former CFO for total fees of \$12 (three months ended March 31, 2020 - \$14) on terms equivalent to those that prevail with arm's length transactions.

As at March 31, 2021, these entities were owed \$1 (December 31, 2020 - \$3) and this amount is included in trade payables and accrued liabilities.

- d) The Company receives legal advisory services through two Mexico-based entities of which a Director is a partner. The Director was elected to the Board of Directors on September 15, 2020, at the Company's annual and special meeting of shareholders. During the three months ended March 31, 2021, legal advisory services of \$58 (three months ended March 31, 2020 - \$nil), were incurred by the Company for these legal advisory services.

Magna Gold Corp.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 and 2020

(Expressed in thousands of United States Dollars, except where noted)

(Unaudited)

24. EVENTS AFTER THE REPORTING PERIOD*Debentures*

On May 12, 2021, the Company entered into a non-brokered private placement of C\$10,000 secured convertible debentures (the "Debentures") with Delbrook Capital Advisors Inc. ("Delbrook") on behalf of funds managed by Delbrook. The Debentures mature twenty-four months from issuance and bear interest at a rate of 6.5% per annum. The principal amount of the Debentures is convertible, at the election of Delbrook, into common shares of the Company at a conversion price of C\$1.25 per common share, representing a 35.5% premium to the 10-day volume weighted average price on the TSX Venture Exchange. The interest on the Debentures is convertible at the election of Delbrook into either cash or common shares of the Company based on the closing price on the day prior to the applicable interest payment date and will be paid in full, including in the event of early conversion. The Company will pay Delbrook a 1.25% arrangement fee on closing of the private placement. The private placement, which received approval by the Company's Board of Directors on May 11, 2021, is subject to the approval of the TSX Venture Exchange.