



# MAGNAGOLD

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE THREE AND SIX MONTHS ENDED  
SEPTEMBER 30, 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	September 30, 2020	Restated - Note 3 March 31, 2020	April 1, 2019
<b>ASSETS</b>				
<b>Current</b>				
Cash		\$ 11,111	\$ 161	\$ 1,213
Funds held in escrow		-	710	1,985
Trade and other receivables	8	5,656	5	4
Inventories	9	12,099	-	-
Advances and prepaid expenses		504	32	-
<b>Total current assets</b>		<b>29,370</b>	<b>908</b>	<b>3,202</b>
Mineral properties, plant and equipment	10	10,173	-	-
Intangible assets and goodwill	5	1,748	-	-
<b>Total assets</b>		<b>\$ 41,291</b>	<b>\$ 908</b>	<b>\$ 3,202</b>
<b>LIABILITIES</b>				
<b>Current</b>				
Trade payables and accrued liabilities	11	\$ 13,166	\$ 148	\$ 69
Other payables	12	11,093	-	5
<b>Total current liabilities</b>		<b>24,259</b>	<b>148</b>	<b>74</b>
Other provisions		1,061	-	-
Provision for site reclamation and closure	13	4,977	-	-
<b>Total liabilities</b>		<b>30,297</b>	<b>148</b>	<b>74</b>
<b>EQUITY</b>				
Issued capital	14	16,928	4,805	3,932
Shares to be issued		-	710	-
Share-based payment reserve		3,429	11	11
Accumulated other comprehensive loss		(145)	(148)	(101)
(Deficit) retained earnings		(9,218)	(4,618)	(714)
<b>Total equity</b>		<b>10,994</b>	<b>760</b>	<b>3,128</b>
<b>Total liabilities and equity</b>		<b>\$ 41,291</b>	<b>\$ 908</b>	<b>\$ 3,202</b>

Nature of operations (note 1)

Events after the reporting period (note 21)

Approved on behalf of the Board:

/s/ "Arturo Bonillas"

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 Arturo Bonillas  
 Director

/s/ "Alex Tsakumis"

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 Alex Tsakumis  
 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)

	Note	Three months ended September 30,		Six months ended September 30,	
		2020	2019	2020	2019
Metal revenues	19	\$ 13,964	\$ -	\$ 22,427	\$ -
Cost of sales	6a)	12,766	-	19,660	-
<b>Income from mine operations</b>		<b>1,198</b>	<b>-</b>	<b>2,767</b>	<b>-</b>
Corporate and administrative expenses	6b)	3,092	595	5,068	977
Exploration expenses	7	1,064	727	1,165	1,342
Acquisition transaction costs		(26)	-	730	-
<b>Loss from operations</b>		<b>(2,932)</b>	<b>(1,322)</b>	<b>(4,196)</b>	<b>(2,319)</b>
Other income, net		466	-	545	-
Finance expenses	6c)	(327)	-	(452)	-
Foreign exchange (loss) gain		(639)	6	64	(31)
Gain (loss) on derivative contracts	17	102	-	(88)	-
<b>Net loss before income taxes</b>		<b>(3,330)</b>	<b>(1,316)</b>	<b>(4,127)</b>	<b>(2,350)</b>
<b>Income taxes</b>					
Income tax expense		292	-	473	-
<b>Loss for the period</b>		<b>(3,622)</b>	<b>(1,316)</b>	<b>(4,600)</b>	<b>(2,350)</b>
<b>Other comprehensive loss</b>					
Foreign exchange gain (loss)		237	(7)	3	(40)
<b>Net comprehensive loss for the period</b>		<b>\$ (3,385)</b>	<b>\$ (1,323)</b>	<b>\$ (4,597)</b>	<b>\$ (2,390)</b>
<b>Basic and diluted net loss per share</b>	15	<b>\$ (0.04)</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>	<b>\$ (0.06)</b>
<b>Basic and diluted comprehensive loss per share</b>	15	<b>\$ (0.04)</b>	<b>\$ (0.03)</b>	<b>\$ (0.06)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common share outstanding</b>		<b>84,557,906</b>	<b>38,748,146</b>	<b>73,004,652</b>	<b>37,405,174</b>

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)

	Note	Three months ended September 30,		Six months ended September 30,	
		2020	2019	2020	2019
<b>Operating activities</b>					
Net loss		\$ (3,622)	\$ (1,316)	\$ (4,600)	\$ (2,350)
Items not affecting cash:					
Share-based compensation		1,712	28	3,163	28
Depletion and depreciation	6a)	242	-	469	-
Finance expenses	6c)	327	-	452	-
Income tax expense		292	-	473	-
Other provision revaluation		(380)	-	(380)	-
Unrealized loss on derivative contracts	17	(190)	-	-	-
Shares for exploration and evaluation		-	211	-	795
Foreign exchange (gain) loss		125	171	(183)	62
		<b>(1,494)</b>	<b>(906)</b>	<b>(606)</b>	<b>(1,465)</b>
Changes in non-cash working capital items:					
Trade and other receivables		(2,877)	(28)	(2,531)	(98)
Inventories		900	-	3,838	-
Advances and prepaid expenses		(83)	-	11	-
Trade payables and accrued liabilities		4,382	16	6,884	(20)
Net cash provided by (used in) operating activities		<b>828</b>	<b>(918)</b>	<b>7,596</b>	<b>(1,583)</b>
<b>Investing activities</b>					
Cash acquired in connection with Molimentales	5	-	-	1,465	-
Amounts paid to the seller of Molimentales	5	-	-	(570)	-
Expenditures on mineral properties, plant and equipment		(4,118)	-	(4,118)	-
Net cash provided by investing activities		<b>(4,118)</b>	<b>-</b>	<b>(3,223)</b>	<b>-</b>
<b>Financing activities</b>					
Proceeds from private placements, net of transaction costs		-	-	6,469	-
Funds released from escrow		-	-	-	1,985
Share issuance costs		-	-	-	(6)
Exercise of stock options		-	38	-	38
Net cash provided by financing activities		<b>-</b>	<b>38</b>	<b>6,469</b>	<b>2,017</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		115	(44)	108	(34)
(Decrease) increase in cash		<b>(3,175)</b>	<b>(924)</b>	<b>10,950</b>	<b>400</b>
<b>Cash, beginning of period</b>		<b>14,286</b>	<b>2,537</b>	<b>161</b>	<b>1,213</b>
<b>Cash, end of period</b>		<b>\$ 11,111</b>	<b>\$ 1,613</b>	<b>\$ 11,111</b>	<b>\$ 1,613</b>
<b>Non-cash investing and financing activities</b>					
Shares issued for acquisition	5	\$ -	\$ 211	\$ 2,758	\$ 795
Shares issued to Peal	14	-	-	2,860	-
Compensation shares issued	14	-	-	239	-
Warrants issued	16b)	-	-	255	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**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	Accumulated other comprehensive loss	Deficit	Total
<b>Balance at March 31, 2020</b>		<b>39,204,791</b>	<b>\$ 4,805</b>	<b>\$ 710</b>	<b>\$ 11</b>	<b>\$ (148)</b>	<b>\$ (4,618)</b>	<b>\$ 760</b>
Private placements	14, 16b)	23,583,116	6,835	(710)	255	-	-	6,380
Shares issued for acquisition	5, 14	10,769,999	3,049	-	-	-	-	3,049
Shares issued to Peal	14	11,000,000	2,860	-	-	-	-	2,860
Share issuance costs	14	-	(621)	-	-	-	-	(621)
Share-based compensation	16a)	-	-	-	3,163	-	-	3,163
Net comprehensive loss for the period		-	-	-	-	3	(4,600)	(4,597)
<b>Balance, September 30, 2020</b>		<b>84,557,906</b>	<b>\$ 16,928</b>	<b>\$ -</b>	<b>\$ 3,429</b>	<b>\$ (145)</b>	<b>\$ (9,218)</b>	<b>\$ 10,994</b>
<b>Balance at March 31, 2019</b>		<b>35,413,184</b>	<b>\$ 3,932</b>	<b>\$ -</b>	<b>\$ 11</b>	<b>\$ (101)</b>	<b>\$ (714)</b>	<b>\$ 3,128</b>
Shares issued for properties	14	3,442,105	794	-	-	-	-	794
Options granted		-	-	-	28	-	-	28
Options exercised		250,000	66	-	(28)	-	-	38
Share issuance costs		-	(6)	-	-	-	-	(6)
Net comprehensive loss for the period		-	-	-	-	(40)	(2,350)	(2,390)
<b>Balance, September 30, 2019</b>		<b>39,105,289</b>	<b>\$ 4,786</b>	<b>\$ -</b>	<b>\$ 11</b>	<b>\$ (141)</b>	<b>\$ (3,064)</b>	<b>\$ 1,592</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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**Magna Gold Corp.**

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2020 and 2019

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

(Unaudited)

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**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 coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. At the date of issuance of these financial statements, mining operations have been considered as 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 customer, therefore, Company's management has not identified a material impact on its financial position or results of operations. 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. (note 5), 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 unaudited 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 a cash balance of \$11,111 and positive working capital that, when combined, the Company believes are sufficient to current operations and business objectives for the next twelve months. However, 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 and milling operations. These unaudited 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 unaudited condensed interim consolidated financial statements of the Company as at September 30, 2020, and for the three and six months ended September 30, 2020 (the "Interim Financial Statements"), 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*.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 30, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these Interim Financial Statements as compared with the most recent annual financial statements as at and for the year ended March 31, 2020, except as disclosed in note 4.

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**Magna Gold Corp.**

Notes to Condensed Interim Consolidated Financial Statements

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

(Unaudited)

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The Company does not believe that any accounting standards that have been recently issued, but which are not yet effective, would have a material effect on these Interim Financial Statements if such accounting standards were currently adopted.

**b) Basis of measurement**

The unaudited 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 for each type of asset, liability, income and expense as set out in the accounting policies below.

**c) Functional currency and presentation currency**

These unaudited condensed interim consolidated financial statements are presented in United States dollars ("US\$"). This represents a change in accounting policy and is the second interim period the Company has used US\$ as the presentation currency. Effective April 1, 2020, the Company changed its presentation currency from Canadian Dollars ("C\$") to the US\$. The change in presentation currency is 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.

In accordance with IAS 21, the financial statements for all periods presented have been translated to the new US\$ presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the US\$ presentation currency using the closing current exchange rate at the date of each statement of financial position;
- Income and expenses for each statement of loss and comprehensive loss presented have been retranslated at average exchange rates prevailing during each reporting period;
- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and,
- All resulting exchange differences have been recognized in other comprehensive income or loss and accumulated as a separate component of equity (cumulative translation adjustment listed as Accumulated Other Comprehensive Loss on the statement of financial position).

In addition to the comparative financial statements, the Company has presented a third statement of financial position as at April 1, 2019, as required by IFRS upon application of a voluntary change in accounting policy.

**d) Judgements**

The critical judgements made by management of the Company's in the application of the accounting policies that are presented in note 4 and have the most significant effect on the amounts recognized in these unaudited condensed interim consolidated financial statements are as follows:

*i. Functional currency*

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

*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.

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**Magna Gold Corp.**

Notes to Condensed Interim Consolidated Financial Statements

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*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 September 30, 2020, there were no indicators of impairment.

*iv. Revenue recognition*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.

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 (note 5). 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*.

**e) 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.



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**Magna Gold Corp.**

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

Changes in the proven and probable reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of mineral properties, plant and equipment (note 10); provision for site reclamation and closure (note 13); recognition of deferred tax amounts; and depreciation and depletion (note 10).

*ii. Depreciation and depletion (note 10)*

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 (note 10)*

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 (note 9)*

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

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

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

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

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**Magna Gold Corp.**

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

(Unaudited)

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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 (note 3(d)(iii)), 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 (note 13)*

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

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

vii. *Current and deferred taxes*

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

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

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

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

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**Magna Gold Corp.**

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2020 and 2019

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(Unaudited)

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*viii. Equity settled share-based compensation (note 16a)*

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

*ix. Contingencies (note 18)*

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.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in note 2 to the annual financial statements as at and for the year ended March 31, 2020, with the exception of the following:

**a) Basis of consolidation**

These unaudited condensed interim consolidated financial statements include the assets and operations of Magna Gold Corp. and its wholly owned subsidiaries Molimentales del Noroeste, S.A. de C.V., 2660170 Ontario Ltd., LM Mining S.A. de C.V. and Minera Magna, S.A. de C.V. 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.

**b) Revenue**

The Company's primary product is gold. Other metals, such as silver, produced as part of the extraction process are considered to be by-products arising from the production of gold. Revenue relating to the sale of metals is recognized when control of the metal is transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for the metal.

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When considering whether the Company has satisfied its performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the metal; the Company has transferred physical possession of the metal to the customer; and the customer has the significant risks and rewards of ownership of the metal.

**c) Inventories**

The Company predominantly produces gold and silver by-product. Inventories consist of ore in process, finished metal inventory (doré), and operational supplies. Doré represents a bar containing predominantly gold by value which must be refined into its saleable metals.

These inventories are valued at the lower of cost and NRV after consideration of additional processing, refining and transportation costs. NRV represents the estimated future sales price of the product based on prevailing and long-term metals prices, less the estimated costs to complete production and bring the product to saleable form.

Write-downs of inventory are recognized in earnings or loss from operations as incurred. The Company reverses write-downs in the event that there is a subsequent increase in NRV.

*i. Ore in process*

The recovery of gold and silver from the ore is achieved through heap leaching processes. Costs are added to ore on leach pads based on current mining and processing costs, including applicable overhead, depletion and depreciation relating to mining operations. Costs are removed from ore on leach pads as ounces are recovered, based on the average cost per ounce of recoverable gold in ore in process inventory.

*ii. Finished metal inventory*

Finished metal inventory consists of doré bars containing gold and silver.

*iii. Supplies*

Supplies include consumables used in operations such as fuel, grinding material, chemicals, and spare parts. NRV is estimated as replacement cost.

Major spare parts and standby equipment are included in plant and equipment when they meet the definition of property, plant and equipment.

**d) Mineral properties, plant and equipment, exploration and evaluation***i. Mineral property development costs*

Mineral property development costs are stated at cost less accumulated depletion and accumulated impairment losses. Costs associated with the commissioning of new assets, net of incidental revenues, are capitalized as mineral property costs in the period before they are operating in the manner intended by management.

Costs of producing properties are amortized using the UOP method based on estimated proven and probable reserves forecast to be extracted over the life of the mine and the costs of abandoned properties are written off in the period in which that decision is made by management.

Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in earnings or loss as incurred. Write-offs due to impairment in value are charged to earnings or loss as incurred.

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body. Stripping costs incurred prior to commercial production are capitalized and deferred as part of the cost of constructing the mine.

Mining costs associated with stripping activities during the production phase of a mine are variable production costs that are included in the costs of the inventory during the period that the stripping costs are incurred, unless the stripping activity can be shown to represent future benefits to the mineral property, in which case stripping costs are capitalized.

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Future benefits to the mineral property are demonstrated when stripping activity results in either immediate usable ore to produce finished gold doré bar inventory or improved access to sources of gold reserves that will be produced in future periods that would otherwise not have been accessible. Stripping activity occurs on separately identifiable components of the open pit and the amount capitalized is calculated by multiplying the tonnes removed for stripping purposes from each identifiable component during the period by the mining cost per tonne.

The Company includes stripping costs in its production costs using a strip ratio based on tonnes of material removed compared to the estimated strip ratio per each separately identifiable component. Periods where the actual strip ratio for the identifiable component exceeded the average life of phase strip ratio for that component resulted in deferral of the excess stripping costs as an asset recorded within mineral properties (note 10).

*ii. Plant and equipment*

Plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase price, any costs directly attributable to bringing plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated site reclamation and closure costs associated with removing the asset, and, where applicable, borrowing costs.

Upon sale or abandonment of any plant and equipment, the cost and related accumulated depreciation and impairment losses are written off and any gains or losses thereon are recognized in earnings or loss for the period. When the parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of replacing or overhauling a component of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. Maintenance and repairs of a routine nature are charged to earnings or loss as incurred.

*iii. Exploration and evaluation costs*

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

*iv. Depletion and depreciation*

Mineral property costs, including deferred stripping costs, are depreciated when commercial production begins using the UOP method based on estimated proven and probable reserves.

Plant and equipment, including major components, are depreciated using the following depreciation methods and rates:

Computer equipment	30% straight line method
Leasehold improvements	20% straight line method
Office furniture and equipment	10% straight line method
Vehicles	25% straight line method or straight-line method over expected life
Mine equipment and buildings	UOP method or straight-line method over expected life (2-7 years)
Plant and equipment	UOP method

Depreciation commences on the date the asset is available for use.

**e) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

- By an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and,
- As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are reduced by actual expenditures for which the provision was originally recognized. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The accretion of the discount is charged to earnings or loss for the period.

*Provision for site reclamation and closure*

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company records the fair value of a provision for site reclamation and closure as a liability in the period in which it has incurred a legal or constructive obligation associated with the reclamation of the mine site and the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets.

The obligation is measured initially at present value based on estimated future cash flows derived using internal information and/or third-party reports. The estimated cost is capitalized and included in the carrying value of the related mineral properties and is depreciated using either the straight-line method or UOP method, as appropriate.

The provision is initially discounted using a current market-based pre-tax discount rate and subsequently increased for the unwinding of the discount. The unwinding of the discount is charged to earnings or loss for the period.

At each reporting date, the Company reviews its provision for site reclamation and closure to reflect the current best estimate. The provision for site reclamation and closure is adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or the market-based pre-tax discount rate, with the offsetting amount recorded to the site reclamation and closure asset included in mineral properties which arises at the time of establishing the provision. The site reclamation and closure asset is depreciated on the same basis as the related asset.

**f) Warrants**

Warrants denominated in the same currency as the functional currency of the Company meet the definition of an equity instrument and are included in the share-based payment reserve. The warrants are fair valued on the grant date using the Black-Scholes option pricing model.

**g) Taxes***Mining taxes and royalties*

Mining taxes and certain royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to a form of net income after adjustment for items comprising temporary differences.

**h) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets include the cost of developing mineral properties and constructing new facilities.

Borrowing costs are capitalized at the rate of interest applicable to the specific borrowings financing the assets under construction, or, where financed through general borrowings, at a capitalization rate representing the weighted average interest rate on such borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in earnings or loss in the period in which they are incurred.

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**i) New accounting standards adopted***IFRS 3, Business Combinations ("IFRS 3")*

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

*IAS 1, Presentation of Financial Statements ("IAS 1") and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")*

Amendments to IAS 1 and IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020, and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

**5. 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").

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., 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 a fair value of C\$0.40 (\$0.28) per common share; and,
- (ii) \$5,000 in cash or a 1% net smelter return royalty in respect of the San Francisco Mine, at the election of Magna, on or before May 6, 2021.

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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:

<b>Amounts recognized at acquisition date</b>		
	Note	
Estimated purchase price allocation		
Common shares of Magna		\$ 2,758
\$5,000 cash or 1% NSR at election of Magna <sup>(1)</sup>	12	4,671
Working capital difference <sup>(2)</sup>	12	2,499
Value added tax ("VAT") payable to seller <sup>(3)</sup>		570
		<b>\$ 10,498</b>
<b>Estimated purchase price allocation</b>		
Cash		\$ 1,465
Trade and other receivables		2,954
Inventories		16,259
Advances and prepaid expenses		483
Mineral properties, plant and equipment	10	5,197
Intangible assets and goodwill		1,748
Trade payables and accrued liabilities		(4,401)
Other payables	12	(6,940)
Other provisions		(1,420)
Provision for site reclamation and closure	13	(4,847)
<b>Net assets</b>		<b>\$ 10,498</b>

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

<sup>(2)</sup> 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%.

<sup>(3)</sup> 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.

The above amounts included in the purchase price allocation are preliminary. The purchase price and the fair value of the net assets acquired and liabilities assumed are estimates, which were made by management at the time of the preparation of these unaudited condensed interim consolidated financial statements based on available information. Amendments may be made to these amounts as well as the identification of income tax receivables or payables, and 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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**6. EXPENSES****a) Cost of sales**

	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
Costs of mining	\$ 3,551	\$ -	\$ 3,904	\$ -
Crushing and gold recovery costs	6,849	-	9,780	-
Mine site administration costs	984	-	1,492	-
Transport and refining	56	-	67	-
Royalties	62	-	105	-
Change in inventories	1,022	-	3,843	-
Production costs	12,524	-	19,191	-
Depreciation and depletion	242	-	469	-
<b>Cost of sales</b>	<b>\$ 12,766</b>	<b>\$ -</b>	<b>\$ 19,660</b>	<b>\$ -</b>

**b) Corporate and administrative expenses**

	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
Share-based compensation	\$ 1,712	\$ 28	\$ 3,163	\$ 28
Salaries	564	105	643	146
Consulting and professional fees	421	152	645	324
Business development	154	32	239	30
VAT expense	155	96	217	126
Administrative and other	37	120	96	169
Rent and office costs	24	-	33	-
Reporting issuer costs	25	(1)	32	49
Investigation costs	-	63	-	105
<b>Corporate and administrative expenses</b>	<b>\$ 3,092</b>	<b>\$ 595</b>	<b>\$ 5,068</b>	<b>\$ 977</b>

**c) Finance expenses**

	Note	Three months ended September 30,		Six months ended September 30,	
		2020	2019	2020	2019
Accretion on other payables	12	\$ 226	\$ -	\$ 300	\$ -
Accretion on provision for site reclamation and closure	13	79	-	130	-
Accretion on other provisions		22	-	22	-
<b>Finance expenses</b>		<b>\$ 327</b>	<b>\$ -</b>	<b>\$ 452</b>	<b>\$ -</b>

**7. EXPLORATION EXPENSES**

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, and the Cuproros Project. Through the Acquisition (note 5), 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. The Company is expensing all costs relating to the acquisition and exploration of mineral rights. Such costs include, among others, option payments, concession payments, geological, geophysical studies, exploratory drilling and sampling, feasibility studies and technical reports.

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	Three Months ended September 30,		Six Months ended September 30,	
	2020	2019	2020	2019
Mercedes Property	\$ 316	\$ 504	\$ 389	\$ 1,119
San Francisco Mine	314	-	314	-
La Pima Project	259	-	259	-
San Judas Project	87	-	115	-
Los Muertos Project	58	-	58	-
Cuproros Project	30	-	30	-
Las Marias Property	-	223	-	223
	\$ 1,064	\$ 727	\$ 1,165	\$ 1,342

*Mercedes Property*

On June 6, 2019, the Company completed its qualifying transaction consisting of an option agreement dated September 25, 2018 (the "Effective Date"), 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 Yecora, 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, 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 of the Company valued at \$584. The common shares were issued on June 6, 2019.

As at September 30, 2020, the Company paid \$185 of the \$1,340 option installments.

	Three Months ended September 30,		Six Months ended September 30,	
	2020	2019	2020	2019
Environmental	\$ 158	\$ 12	\$ 158	\$ 12
Option payments	50	36	74	51
Land Payments	69	-	69	-
Geological costs	9	348	50	347
Professional fees	19	-	22	-
Concession payments	8	6	8	6
Sampling	3	81	8	82
Acquisition costs	-	-	-	584
Administrative	-	11	-	22
Rental	-	10	-	15
	\$ 316	\$ 504	\$ 389	\$ 1,119

*San Francisco Mine*

The following table describes exploration expenses in relation to the San Francisco Mine and its exploration properties being the Patricia, Norma, Los Carlos, TMC, and Dulce claims.

	Three Months ended September 30,		Six Months ended September 30,	
	2020	2019	2020	2019
Concession payments	\$ 309	\$ -	\$ 309	\$ -
Geological costs	5	-	5	-
	\$ 314	\$ -	\$ 314	\$ -

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*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.

	Three Months ended September 30,		Six Months ended September 30,	
	2020	2019	2020	2019
Geological costs	\$ 179	\$ -	\$ 179	\$ -
Concession payments	38	-	38	-
Drilling	29	-	29	-
Environmental	8	-	8	-
Professional fees	3	-	3	-
Administrative	2	-	2	-
	\$ 259	\$ -	\$ 259	\$ -

*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 the 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.

As at September 30, 2020, the Company paid \$50 of the \$1,680 option installments.

	Three Months ended September 30,		Six Months ended September 30,	
	2020	2019	2020	2019
Concession payments	\$ 45	\$ -	\$ 45	\$ -
Geological costs	14	-	32	-
Land payments	20	-	20	-
Option payments	-	-	10	-
Professional fees	7	-	7	-
Administrative	1	-	1	-
	\$ 87	\$ -	\$ 115	\$ -

*Los Muertos Project*

On August 3, 2020, the Company entered into an option agreement with a private party to acquire a 100% undivided interest in the Los Muertos silver-gold project located in the municipality of La Colorada, Sonora, Mexico. The Los Muertos silver-gold projects 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 September 30, 2020, the Company paid \$25 of the \$425 option installments.

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	Three Months ended September 30,		Six Months ended September 30,	
	2020	2019	2020	2019
Concession payments	\$ 30	\$ -	\$ 30	\$ -
Geological costs	17	-	17	-
Option Payments	10	-	10	-
Professional fees	1	-	1	-
	\$ 58	\$ -	\$ 58	\$ -

*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 September 30, 2020, the Company paid \$30 of the \$480 option installments.

	Three Months ended September 30,		Six Months ended September 30,	
	2020	2019	2020	2019
Option payments	\$ 30	\$ -	\$ 30	\$ -
	\$ 30	\$ -	\$ 30	\$ -

*Las Marias Property*

On August 16, 2019, the Company closed the acquisition of 2660170 Ontario Ltd. and its 99% owned subsidiary LM Mining SA de CV ("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.

	Three Months ended September 30,		Six Months ended September 30,	
	2020	2019	2020	2019
Acquisition costs	\$ -	\$ 211	\$ -	\$ 211
Environmental costs	-	12	-	12
	\$ -	\$ 223	\$ -	\$ 223

**8. TRADE AND OTHER RECEIVABLES**

	September 30, 2020	March 31, 2020	April 1, 2019
Trade receivable	\$ 806	\$ -	\$ -
VAT receivable <sup>(1)</sup>	4,727	5	4
Other receivables	123	-	-
	\$ 5,656	\$ 5	\$ 4

<sup>(1)</sup> VAT receivable is value added tax payments made by the Company, which in Mexico and Canada are refundable.

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**9. INVENTORIES**

	September 30, 2020	March 31, 2020	April 1, 2019
Ore in process	\$ 8,440	\$ -	-
Finished metal inventory	1,736	-	-
Supplies	1,923	-	-
	<b>\$ 12,099</b>	<b>\$ -</b>	<b>-</b>

**10. MINERAL PROPERTIES, PLANT AND EQUIPMENT**

	Note	Mineral properties <sup>(1)</sup>	Plant and equipment	Total
<b>Cost</b>				
At March 31, 2020		-	-	-
Acquisition	5	3,805	1,392	5,197
Additions		4,078	1,045	5,123
<b>At September 30, 2020</b>		<b>7,883</b>	<b>2,437</b>	<b>10,320</b>
<b>Accumulated depreciation</b>				
At March 31, 2020		-	-	-
Depreciation and depletion		117	30	147
<b>At September 30, 2020</b>		<b>117</b>	<b>30</b>	<b>147</b>
<b>Carrying amount at September 30, 2020</b>		<b>\$ 7,766</b>	<b>\$ 2,407</b>	<b>\$ 10,173</b>

<sup>(1)</sup> At September 30, 2020, mineral properties included deferred stripping costs with a carrying value of \$4,969 (March 31, 2020 - \$nil).

*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.

**11. TRADE PAYABLES AND ACCRUED LIABILITIES**

	September 30, 2020	March 31, 2020	April 1, 2019
Trade payables	\$ 8,355	\$ 148	\$ 69
Accrued taxes	870	-	-
Accrued liabilities	1,256	-	-
Deferred revenue	960	-	-
Vendor loan <sup>(1)</sup>	1,725	-	-
	<b>\$ 13,166</b>	<b>\$ 148</b>	<b>\$ 69</b>

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

**12. OTHER PAYABLES**

	Note	September 30, 2020	March 31, 2020	April 1, 2019
\$5,000 or San Francisco Mine NSR	5	\$ 4,801	-	-
Working capital difference	5	2,568	-	-
Peal settlement	5	3,724	-	-
Mercedes Property land owner		-	-	5
		<b>\$ 11,093</b>	<b>\$ -</b>	<b>\$ 5</b>

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In relation to the Acquisition (note 5), the Company recognized the following liabilities:

- a) The Company agreed to pay Timmins \$5,000 in cash, or a 1% net smelter return royalty in respect of the San Francisco Mine, at the election of Magna, on or before May 6, 2021. 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 and six months ended September 30, 2020, accretion expense was \$82 and \$130, respectively.
- 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 and six months ended September 30, 2020, accretion related to the obligation was \$44 and \$69, respectively.
- 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% to be satisfied by (1) the issuance of 11,000,000 common shares at a fair value 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 three months ended September 30, 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 and six months ended September 30, 2020, accretion related to the obligation was \$101 and \$101, respectively.

**13. PROVISION FOR SITE RECLAMATION AND CLOSURE**

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Opening, March 31, 2020	\$	-
Acquisition (note 5)		4,847
Accretion		130
	<b>\$</b>	<b>4,977</b>

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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 September 30, 2020, is \$6,104 (March 31, 2020 - \$nil).

The cash flows have been inflated by a rate of 3.50% (March 31, 2020 - nil%) and discounted using a rate of 6.84% (March 31, 2020 - nil%). The provision for site reclamation and closure is not expected to be paid in the near term and is intended to be funded from cash balances at the time of the mine closure.

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**14. ISSUED CAPITAL***Authorized share capital*

At September 30, 2020, and March 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*

	<b>Number</b>	<b>Amount</b>
Balance, March 31, 2020	39,204,791	\$ 4,805
Shares issued for acquisition <sup>(1)</sup>	10,769,999	3,049
Private placements, net of share issuance costs <sup>(2)(3)</sup>	23,583,116	6,214
Shares issued to Peal <sup>(4)</sup>	11,000,000	2,860
<b>Balance, September 30, 2020</b>	<b>84,557,906</b>	<b>\$ 16,928</b>

- <sup>(1)</sup> On May 6, 2020, Magna closed the acquisition of the San Francisco Mine located in Sonora, Mexico (note 5). As part of the consideration, the Company issued 9,740,000 common shares of the Company at a fair value of C\$0.40 (\$0.28) per common share.

Medalist Capital Ltd. and Trinity Advisors Corporation received advisory fees consisting of \$170 in cash and issuance of an aggregate of 1,029,999 common shares of the Company at a fair value of C\$0.40 (\$0.28) per common share.

- <sup>(2)</sup> On May 6, 2020, Magna closed a non-brokered private placement consisting of 5,714,286 common shares of the Company (the "May 2020 Offered Shares") at a price of C\$0.35 (\$0.25) per share for aggregate gross proceeds of C\$2,000 (\$1,416). The net proceeds from the Private Placement was used for the acquisition of, and for working capital purposes in connection with, the San Francisco Mine (note 5). In connection with the private placement, the Company:
- (i) Paid approximately C\$28 (\$20) in cash finder's fees to Canaccord Genuity Corp. and issued 34,260 common shares of the Company to Medalist Capital Ltd. at a fair value of C\$0.35 (\$0.25) per common share in lieu of cash finder's fees, representing 6% of the gross proceeds of the May 2020 Offered Shares that were sold to subscribers introduced by such parties; and,
  - (ii) Issued an aggregate of 96,185 non-transferable warrants (note 16(b)) to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the May 2020 Offered Shares that were sold to subscribers introduced by such parties.

Arturo Bonillas, an officer and director of the Company subscribed for 285,714 May 2020 Offered Shares under the Private Placement under the same terms as arm's length investors.

Share issuance costs related to the May 6, 2020, private placement were \$118.

- <sup>(3)</sup> On June 1, 2020, Magna closed a non-brokered private placement consisting of 17,075,000 common shares of the Company (the "June 2020 Offered Shares") at a price of C\$0.41 (\$0.30) per share for aggregate gross proceeds of C\$7,001 (\$5,180). In connection with the private placement, the Company:
- (i) Issued an aggregate of 759,570 common shares to Canaccord Genuity Corp. and Medalist Capital Ltd. at a fair value of C\$0.41 (\$0.30) per common share in lieu of cash finder's fees, representing 6% of the gross proceeds of the June 2020 Offered Shares that were sold to subscribers introduced by such parties; and,
  - (ii) Issued an aggregate of 632,975 non-transferable warrants (note 16(b)) to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the June 2020 Offered Shares that were sold to subscribers introduced by such parties.

Share issuance costs related to the June 1, 2020, private placement were \$502.

- <sup>(4)</sup> On June 30, 2020, in connection to a debt and payment agreement with Peal (note 12), the mining contractor for the San Francisco Mine, the Company issued 11,000,000 common shares of the Company at a fair value of C\$0.35 (\$0.26) per common share of the Company.

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	Number	Amount
Balance, March 31, 2019	35,413,184	\$ 3,932
Shares issued for properties, net of share issuance costs <sup>(5)</sup>	2,442,105	578
Shares issued for acquisition <sup>(6)</sup>	1,000,000	210
Shares issued on option exercise	250,000	66
<b>Balance, September 30, 2019</b>	<b>39,105,289</b>	<b>\$ 4,786</b>

<sup>(5)</sup> On June 6, 2019, the Company completed a qualifying transaction consisting of an arm's length option agreement dated September 25, 2018, pursuant to which the Company obtained an option to acquire a 100% undivided interest in two mining claim, the Mercedes Property (note 7). In consideration of the grant of the option agreement, Magna issued 2,442,105 common shares of the Company valued at \$584 with transaction costs of \$6.

<sup>(6)</sup> On August 16, 2019, the Company closed the acquisition of 2660170 Ontario Ltd. and its 99% owned subsidiary LM Mining SA de CV. In consideration of the acquisition, the Company issued 1,000,000 common shares of the Company valued at \$210.

**15. LOSS AND COMPREHENSIVE LOSS PER SHARE***Basic and diluted loss per share*

	Three months ended September 30, 2020			Three months ended September 30, 2019		
	Loss for the period	Weighted average shares outstanding	Loss per share	Loss for the period	Weighted average shares outstanding	Loss per share
<b>Basic LPS</b>	<b>\$ (3,622)</b>	<b>84,557,906</b>	<b>\$ (0.04)</b>	<b>\$ (1,316)</b>	<b>38,748,146</b>	<b>\$ (0.03)</b>
Effect of dilutive securities:						
Stock options	-	-	-	-	-	-
Warrants	-	-	-	-	-	-
<b>Diluted LPS</b>	<b>\$ (3,622)</b>	<b>84,557,906</b>	<b>\$ (0.04)</b>	<b>\$ (1,316)</b>	<b>38,748,146</b>	<b>\$ (0.03)</b>

	Six months ended September 30, 2020			Six months ended September 30, 2019		
	Loss for the period	Weighted average shares outstanding	Loss per share	Loss for the period	Weighted average shares outstanding	Loss per share
<b>Basic LPS</b>	<b>\$ (4,600)</b>	<b>73,004,652</b>	<b>\$ (0.06)</b>	<b>\$ (2,350)</b>	<b>37,405,174</b>	<b>\$ (0.06)</b>
Effect of dilutive securities:						
Stock options	-	-	-	-	-	-
Warrants	-	-	-	-	-	-
<b>Diluted LPS</b>	<b>\$ (4,600)</b>	<b>73,004,652</b>	<b>\$ (0.06)</b>	<b>\$ (2,350)</b>	<b>37,405,174</b>	<b>\$ (0.06)</b>

At September 30, 2020, 4,800,000 (September 30, 2019 - 200,000) stock options were outstanding, all of which were anti-dilutive.

At September 30, 2020, 729,160 (September 30, 2019 - nil) warrants were outstanding, all of which were anti-dilutive.



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*Basic and diluted comprehensive loss per share*

	Three months ended September 30, 2020			Three months ended September 30, 2019		
	Loss for the period	Weighted average shares outstanding	Loss per share	Loss for the period	Weighted average shares outstanding	Loss per share
<b>Basic Comprehensive LPS</b>	\$ (3,385)	84,557,906	\$ (0.04)	\$ (1,323)	38,748,146	\$ (0.03)
Effect of dilutive securities:						
Stock options	-	-	-	-	-	-
Warrants	-	-	-	-	-	-
<b>Diluted Comprehensive LPS</b>	\$ (3,385)	84,557,906	\$ (0.04)	\$ (1,323)	38,748,146	\$ (0.03)

  

	Six months ended September 30, 2020			Six months ended September 30, 2019		
	Loss for the period	Weighted average shares outstanding	Loss per share	Loss for the period	Weighted average shares outstanding	Loss per share
<b>Basic Comprehensive LPS</b>	\$ (4,597)	73,004,652	\$ (0.06)	\$ (2,390)	37,405,174	\$ (0.06)
Effect of dilutive securities:						
Stock options	-	-	-	-	-	-
Warrants	-	-	-	-	-	-
<b>Diluted Comprehensive LPS</b>	\$ (4,597)	73,004,652	\$ (0.06)	\$ (2,390)	37,405,174	\$ (0.06)

At September 30, 2020, 4,800,000 (September 30, 2019 - 200,000) stock options were outstanding, all of which were anti-dilutive.

At September 30, 2020, 729,160 (September 30, 2019 - nil) warrants were outstanding, all of which were anti-dilutive.

**16. SHARE-BASED PAYMENT RESERVE**a) *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 new 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 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.

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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, 2019	200,000	0.10
Granted	250,000	0.20
Exercised	(250,000)	0.20
Outstanding at March 31, 2020	200,000	0.10
Granted <sup>(1)(2)</sup>	4,600,000	1.26
<b>Outstanding and exercisable at September 30, 2020</b>	<b>4,800,000</b>	<b>1.21</b>

<sup>(1)</sup> 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 vest immediately. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.36%; (iv) expected life of 5 years; (v) underlying grant date closing stock price on the TSX Venture Exchange of \$C1.16 per common share outstanding; and (vi) assumption of nil forfeiture rate. The fair market value was determined to be C\$1,984 (\$1,450). The weighted average grant date fair value of the options issued was C\$0.882 (\$0.645) per option.

<sup>(2)</sup> 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 vest immediately and are subject to a four-month holding period ending on December 14, 2020. 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 weighted-average 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 \$C1.34 per common share outstanding; and (vi) assumption of nil forfeiture rate. The fair market value was determined to be C\$2,256 (\$1,712). The weighted average grant date fair value of the options issued was C\$0.960 (\$0.729) per option.

During the three and six months ended September 30, 2020, \$1,712 and \$3,163, respectively, was expensed as share-based compensation.

The following table reflects the stock options outstanding and exercisable as at September 30, 2020:

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	2.87
June 29, 2025	2,250,000	0.98	4.75
August 12, 2025	2,350,000	1.53	4.87
	<b>4,800,000</b>	<b>1.21</b>	<b>4.73</b>

b) *Warrants*

	Number of warrants	Grant date fair value
Balance at April 1, 2019	-	\$ -
Balance at March 31, 2020	-	-
Issued <sup>(1)(2)</sup>	729,160	255
<b>Balance at September 30, 2020</b>	<b>729,160</b>	<b>\$ 255</b>

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- (1) On May 6, 2020, in connection with a non-brokered private placement (note 14) the Company granted and issued 96,185 non-transferable warrants to Canaccord Genuity Corp. and Medalist Capital Ltd., with each warrant being exercisable for one common share of the Company at a price of C\$0.35 per warrant until May 6, 2022. The fair value of each warrant granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.30%; and (iv) expected life of 2 years. The Company assumed no forfeiture rate. The grant date fair value was determined to be C\$26 (\$19).
- (2) On June 1, 2020, in connection with a non-brokered private placement (note 14) the Company granted and issued 632,975 non-transferable warrants to Canaccord Genuity Corp. and Medalist Capital Ltd., with each warrant being exercisable for one common share of the Company at a price of C\$0.41 per warrant until June 1, 2022. The fair value of each warrant granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 0.39%; and (iv) expected life of 2 years. The Company assumed no forfeiture rate. The grant date fair market value was determined to be C\$319 (\$236).

The following table reflects all warrants issued and outstanding as of September 30, 2020:

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

**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Fair value measurement of financial assets and liabilities**

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

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

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

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

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

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

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

*Derivative liability*

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

On September 30, 2020, gold option contracts giving the holder the right to purchase 1,500 gold ounces were outstanding at a weighted average exercise price of \$2,020 per gold ounce. No derivative asset or liability was recognized as the contract exercise price exceeded the gold market price.

During the three and six months ended September 30, 2020, gain and loss on the contracts was \$102 and \$88, respectively (three and six months ended September 30, 2019 - \$nil).

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**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 equivalent balances held in financial institutions and any gold and silver sales and related receivables and other receivables. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At September 30, 2020, and March 31, 2020, the Company expects to recover the full amount of such assets.

The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Company assesses the quality of its counterparties, taking into account their credit worthiness and reputation, past performance and other factors. Cash is only deposited with or held by major financial institutions where the Company conducts its business. In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

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

*ii. Commodity price risks*

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

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

*iii. Currency risk*

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

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

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

The effect on loss before income tax at September 30, 2020, of a 10.0% change in the foreign currencies against the US dollar on the above-mentioned net monetary assets and liabilities of the Company is estimated to be an increase/decrease of \$658 (March 31, 2020 - \$35, September 30, 2019 - \$59) assuming that all other variables remained constant.

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

*iv. Liquidity risk*

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

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

*v. Interest rate risk*

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

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

**18. CONTINGENCIES**

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

	Note	Total	Less than 1 year	1-3 years	4-5 years	Greater than 5 years
<b>Maturity analysis of financial liabilities</b>						
Trade payables and accrued liabilities	11	\$ 13,166	\$ 13,166	\$ -	\$ -	\$ -
Other payables	12	11,729	7,675	4,054	-	-
		<b>24,895</b>	20,841	4,054	-	-
<b>Commitments</b>						
Provision for site reclamation and closure <sup>(1)</sup>		6,104	-	-	-	6,104
Other provisions <sup>(2)</sup>		1,732	-	-	-	1,732
<b>Total financial liabilities and commitments</b>		<b>\$ 32,731</b>	\$ 20,841	\$ 4,054	\$ -	\$ 7,836

<sup>(1)</sup> 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 September 30, 2020, the undiscounted amount was \$6,104.

<sup>(2)</sup> Other provisions represent the undiscounted amount of the demobilization costs related to the mining contractor, whereby the Company is responsible for demobilization costs payable one month prior to the end of the mining contract. This obligation has been recorded at an annualized discount rate of 6.84%, reflecting the implied interest rate, and calculated according to the formula stipulated in the contract. At September 30, 2020, this obligation was determined to be \$1,732.

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 financial statements in the period such changes occur.

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**19. METAL REVENUES**

During the three and six months ended September 30, 2020 and 2019, the Company had sales agreements with three customers. The percentage breakdown of metal revenues by customer is as follows:

	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
Customer A	83%	- %	87%	- %
Customer B	6%	- %	5%	- %
Customer C	11%	- %	8%	- %
	100%	- %	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, for the three and six months ended September 30, 2020 and 2019, are as follows:

	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
Gold	\$ 13,861	\$ -	\$ 22,309	\$ -
Silver	103	-	118	-
	\$ 13,964	\$ -	\$ 22,427	\$ -

**20. RELATED PARTY TRANSACTIONS***Key Management Personnel*

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

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

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

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

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

(2) Salaries and benefits exclude fees paid to the CFO's associated companies (note 20(b)).

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

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**Magna Gold Corp.**

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2020 and 2019

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

(Unaudited)

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During the three and six months ended September 30, 2020, the Company had professional fees and disbursements of \$15 and \$40, respectively (during the three and six months ended September 30, 2019 - \$14 and \$31, respectively) related to the following services provided by the Marrelli Group:

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

As at September 30, 2020, the Marrelli Group was owed \$4 (March 31, 2020 - \$3) and this amount is included in trade payables and accrued liabilities.

- c) The Company receives legal advisory services through two Mexico-based entities that are related to a newly appointed Director. The Director was elected to the Board of Directors on September 15, 2020, at the Company's annual and special meeting of shareholders. During the three and six months ended September 30, 2020, legal advisory services of \$78 and \$100, respectively (three and six months ended September 30, 2019 - \$nil), were incurred by the Company.
- d) During the three and six months ended September 30, 2020, travel expenses of \$nil (three and six months ended September 30, 2019 - \$nil and \$4) were incurred by Arturo Bonillas, a corporate officer of the Company.

**21. EVENTS AFTER THE REPORTING PERIOD***Margarita Silver Project acquisition*

On November 19, 2020, the Company announced that 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") 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:

- C\$3,500 in common shares of the Company, being 3,219,278 common shares at C\$1.0872 per common share (the "Issue Price"), representing the volume weighted average price of the common shares on the TSX Venture Exchange for the fifteen trading days prior to the date of the Agreement;
- C\$1,500 in cash; and,
- C\$800 in cash representing Mexican 16% VAT on the full consideration of the Margarita Acquisition.

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

- C\$1,800 in common shares of the Company, being 1,655,629 common shares at the Issue Price;
- C\$500 in cash; and,
- C\$368 in cash representing Mexican 16% VAT on the full consideration of the Option Exercise.

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.

*Change of fiscal year-end*

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