

MAGNA GOLD CORP.

18 King Street East, Suite 902
Toronto, Ontario M5C 1C4

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "**Meeting**") of the shareholders of Magna Gold Corp. (the "**Corporation**") will be held at the offices of Bennett Jones LLP, One First Canadian Place, Suite 3400, 100 King Street West, Toronto, Ontario, M5X 1A4, at 11:00 a.m. (Toronto time) on Tuesday, September 15, 2020.

To proactively deal with the unprecedented public health impact of coronavirus disease 2019, also known as COVID-19, and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, shareholders are encouraged to participate in the Meeting by dialing in to the Corporation's conference line at: 1-866-365-4406 (North American Toll Free) or 647-723-3984 (Outside North America), followed by Conference ID 8487744. We encourage you to participate in the Meeting by dialing in to the conference line should you have any concerns about attending in person. Participants should dial in 5-10 minutes prior to the scheduled start time of the Meeting and ask to join the call. Shareholders are encouraged to complete proxies where possible or appropriate before considering attending the Meeting in person.

The Meeting will be held for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended March 31, 2020 together with the report of the auditor thereon;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint the auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix the remuneration of the auditor;
4. to consider and, if deemed advisable, to pass, with or without variation, a resolution confirming and approving the new rolling stock option plan of the Corporation;
5. to consider and, if deemed advisable, to pass, with or without variation, a resolution of disinterested shareholders of the Corporation confirming and approving the grant of options pursuant to the new rolling stock option plan of the Corporation; and
6. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Particulars of the foregoing matters are set forth in the accompanying management information circular (the "**Circular**"). Please review the Circular carefully and in full prior to voting in relation to the matters set out above as the Circular has been prepared to help you make an informed decision on such matters.

The directors of the Corporation have fixed the close of business on August 11, 2020 as the record date (the "**Record Date**") for the determination of shareholders entitled to receive notice of, and to vote at, the Meeting. Only shareholders whose names have been entered in the register of shareholders as of the close of business on the Record Date will be entitled to receive notice of, and to vote at, the Meeting.

Shareholders are entitled to vote at the Meeting either in person or by proxy, as described in the Circular under the heading "General Proxy Information". Only registered shareholders of the Corporation, or the

persons they appoint as their proxies, are entitled to attend and vote at the Meeting. For information with respect to shareholders who own their Common Shares through an intermediary, see "*General Proxy Information – Non-Registered Shareholders*" in the Circular.

Whether or not you are able to attend the Meeting in person, you are encouraged to provide voting instructions on the enclosed form of proxy as soon as possible. To be included at the Meeting, your completed and executed form of proxy must be received by Capital Transfer Agency ULC by mail at 390 Bay Street, Suite 920, Toronto, Ontario, M5H 2Y2, by facsimile at (416) 350-5008 or by email at info@capitaltransferagency.com, no later than 11:00 a.m. (Toronto time) on Friday, September 11, 2020 (or no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to any reconvened Meeting in the event of an adjournment of the Meeting) or deposited with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof. Voting instructions may also be provided by internet by following the instructions on the form of proxy.

DATED this 14th day of August, 2020.

BY ORDER OF THE BOARD

(Signed) "*Arturo Bonillas*"

President, Chief Executive Officer and Chairman

MAGNA GOLD CORP.

MANAGEMENT INFORMATION CIRCULAR

AUGUST 14, 2020

GENERAL PROXY INFORMATION

Solicitation of Proxies

This management information circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of Magna Gold Corp. ("Magna" or the "Corporation") for use at the annual and special meeting (the "Meeting") of the shareholders of the Corporation to be held at the offices of Bennett Jones LLP, One First Canadian Place, Suite 3400, 100 King Street West, Toronto, Ontario, M5X 1A4, at 11:00 a.m. (Toronto time) on Tuesday, September 15, 2020 and at all adjournments thereof for the purposes set forth in the accompanying notice of meeting (the "Notice of Meeting").

To proactively deal with the unprecedented public health impact of coronavirus disease 2019, also known as COVID-19, and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, shareholders are encouraged to participate in the Meeting by dialing in to the Corporation's conference line at: 1-866-365-4406 (North American Toll Free) or 647-723-3984 (Outside North America), followed by Conference ID 8487744. We encourage you to participate in the Meeting by dialing in to the conference line should you have any concerns about attending in person. Participants should dial in 5-10 minutes prior to the scheduled start time of the Meeting and ask to join the call. Shareholders are encouraged to complete proxies where possible or appropriate before considering attending the Meeting in person.

The solicitation of proxies will be made primarily by mail and may be supplemented by telephone or other personal contact by the directors, officers and employees of the Corporation. Directors, officers and employees of the Corporation will not receive any extra compensation for such activities. The Corporation may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the shareholders of the Corporation in favour of the matters set forth in the Notice of Meeting. The Corporation may pay brokers or other persons holding common shares of the Corporation ("**Common Shares**") in their own names, or in the names of nominees, for their reasonable expenses for sending forms of proxy and this Circular to beneficial owners of Common Shares and obtaining proxies therefrom. The cost of any such solicitation will be borne by the Corporation.

No person is authorized to give any information or to make any representation other than those contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Corporation. The delivery of this Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date hereof.

Appointment of Proxies

A registered shareholder of the Corporation may vote in person at the Meeting or may appoint another person to represent such shareholder as proxy and to vote the Common Shares of such shareholder at the Meeting. In order to appoint another person as proxy, such shareholder must complete, execute and deliver the form of proxy accompanying this Circular, or another proper form of proxy, in the manner specified in the Notice of Meeting.

The persons named in the form of proxy accompanying this Circular are officers and/or directors of the Corporation. A shareholder of the Corporation has the right to appoint a person or company (who need not

be a shareholder of the Corporation), other than the persons designated in the form of proxy, to represent such shareholder at the Meeting and at any adjournment thereof. Such right may be exercised by either striking out the names of the persons designated in the form of proxy and inserting the name of the person to be appointed in the blank space provided in the form of proxy, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to Capital Transfer Agency ULC by mail at 390 Bay Street, Suite 920, Toronto, Ontario, M5H 2Y2, by facsimile at (416) 350-5008 or by email at info@capitaltransferagency.com, no later than 11:00 a.m. (Toronto time) on Friday, September 11, 2020 (or no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to any reconvened Meeting in the event of an adjournment of the Meeting) or depositing the completed and executed form of proxy with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof. Voting instructions may also be provided by internet by following the instructions on the form of proxy.

Revocation of Proxies

A registered shareholder of the Corporation who has given a proxy may revoke the proxy at any time prior to use by: (a) depositing an instrument in writing, including another completed form of proxy, executed by such registered shareholder or by his or her attorney who is authorized by a document that is executed in writing or by electronic signature or, if the registered shareholder is a corporation, by an authorized officer or attorney thereof, or transmitting, by telephonic or electronic means, a revocation signed, subject to the *Business Corporations Act* (Ontario) (the "OBCA"), by electronic signature, to (i) the registered office of the Corporation, located at 18 King Street East, Suite 902, Toronto, Ontario, M5C 1C4, at any time prior to 5:00 p.m. (Toronto time) on the last business day preceding the day of the Meeting or any adjournment thereof, or (ii) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof; or (b) in any other manner permitted by law.

Exercise of Discretion by Proxies

The Common Shares represented by an appropriate form of proxy will be voted or withheld from voting on any ballot that may be called for at the Meeting, or at any adjournment thereof, in accordance with the instructions of the shareholder of the Corporation contained on the form of proxy and, if the shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. **In the absence of instructions, such Common Shares will be voted in favour of each of the matters described in the Notice of Meeting.**

The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters described in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment thereof. At the date hereof, management of the Corporation knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matter which is not now known to management of the Corporation should properly be brought before the Meeting, or any adjournment thereof, the Common Shares represented by such proxy will be voted on such matter in accordance with the judgment of the person named as proxy thereon.

Signing of Proxy

The form of proxy must be signed by the shareholder of the Corporation or the duly appointed attorney thereof authorized in writing or, if the shareholder of the Corporation is a corporation, by an authorized officer of such corporation. A form of proxy signed by the person acting as attorney of the shareholder of the Corporation or in some other representative capacity, including an officer of a corporation which is a shareholder of the Corporation, should indicate the capacity in which such person is signing. A shareholder of the Corporation or his or her attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by

electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of his or her attorney, as the case may be.

Non-Registered Shareholders

Only registered shareholders of the Corporation, or the persons they appoint as their proxy, are entitled to attend and vote at the Meeting. The Common Shares of a non-registered shareholder (a "**Non-Registered Shareholder**") who beneficially owns Common Shares will generally be registered in the name of either:

- (a) an intermediary (an "**Intermediary**") with whom the Non-Registered Shareholder deals in respect of the Common Shares (including, among others, banks, trust companies, securities dealers or brokers, trustees or administrators of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan and similar plans); or
- (b) a clearing agency (such as CDS Clearing and Depository Services Inc. or The Depository Trust Company) of which the Intermediary is a participant.

With respect to Non-Registered Shareholders, in accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice of Meeting, this Circular and the accompanying form of proxy (collectively, the "**Meeting Materials**") to the Intermediaries for onward distribution to Non-Registered Shareholders. Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless the Non-Registered Shareholders have waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will be given either:

- (a) a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the voting instruction form to validly constitute a form of proxy, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (b) a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with Capital Transfer Agency ULC, 390 Bay Street, Suite 920, Toronto, Ontario, M5H 2Y2.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives either a voting instruction form or a form of proxy wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the names of the persons named in the form of proxy and insert the Non-Registered Shareholder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the directions indicated on the form. **Non-Registered Shareholders should carefully follow the instructions of their Intermediaries and their service companies, including those instructions regarding when and where the voting instruction form or the form of proxy is to be delivered.**

A Non-Registered Shareholder who has submitted a voting instruction form or form of proxy may revoke it by contacting the Intermediary through which the Common Shares of such Non-Registered Shareholder are held and following the instructions of the Intermediary respecting the revocation of proxies.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The directors of the Corporation have fixed August 11, 2020 as the record date for the determination of the shareholders of the Corporation entitled to receive notice of the Meeting. Shareholders of the Corporation of record at the close of business on August 11, 2020 will be entitled to vote at the Meeting and at all adjournments thereof.

As at August 11, 2020, there were 84,557,906 Common Shares outstanding. Each Common Share entitles the holder of record thereof to one vote at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as at August 11, 2020, no person or company beneficially owned, or controlled or directed, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation except as stated below.

Name	Number of Common Shares Beneficially Owned, Controlled or Directed	Percentage of Outstanding Common Shares Beneficially Owned, Controlled or Directed
Timmins GoldCorp Mexico S.A. de C.V.	9,740,000 ⁽¹⁾	11.52%
Peal Mexico S.A. de C.V.	14,266,618 ⁽²⁾	16.87%

Notes:

- (1) Reflects Common Shares held by Timmins GoldCorp Mexico S.A. de C.V. as at May 6, 2020 according to an early warning report dated May 6, 2020 filed under Part 3 of National Instrument 62-103 - *The Early Warning System and Related Take-over Bid and Insider Reporting Issues* filed on SEDAR at www.sedar.com.
- (2) Reflects Common Shares held by Peal Mexico S.A. de C.V. as at June 30, 2020 according to an early warning report dated July 17, 2020 filed under Part 3 of National Instrument 62-103 – *The Early Warning System and Related Take-over Bid and Insider Reporting Issues* filed on SEDAR at www.sedar.com.

BUSINESS OF THE MEETING

Receiving the Financial Statements

The audited consolidated financial statements of the Corporation for the financial year ended March 31, 2020 have been mailed to the Corporation's registered and beneficial shareholders who requested to receive them. The financial statements are also available on SEDAR at www.sedar.com. At the Meeting, shareholders and proxy holders will be given an opportunity to discuss the financial results with management.

Election of Directors

The Corporation currently has three directors, the term for all of whom ends at the close of the Meeting. The board of directors of the Corporation (the "**Board**") has fixed the number of directors to be elected at the Meeting at six. Accordingly, at the Meeting, shareholders of the Corporation will be asked to elect six directors for the ensuing year. Each director elected will hold office until the close of the first annual meeting of the shareholders of the Corporation following his or her election unless his or her office is earlier vacated in accordance with the by-laws of the Corporation.

The following table sets forth certain information regarding each person proposed to be nominated for election as a director, including their name, position, province or state and country of residence, principal occupation, business or employment during the last five years, the date on which they became a director of the Corporation and the approximate number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, by them as of August 11, 2020:

Name, Position, Province or State and Country of Residence	Principal Occupation, Business or Employment ⁽²⁾	Date Became Director	Common Shares Owned or Controlled or Directed ⁽²⁾
Francisco Arturo Bonillas ⁽¹⁾ <i>Sonora, Mexico</i> President, Chief Executive Officer, Chairman of the Board and Director	President and Chief Executive Officer of the Corporation (January 2018 – present); President of Alio Gold Inc./Timmins Gold Corp. (June 2006 – May 2017)	January 9, 2018	5,095,714
Alexander Peter Tsakumis ⁽¹⁾ <i>British Columbia, Canada</i> Director	Vice President Investor Relations of Prime Mining Corp. (August 2020 – present); Vice President Corporate Development of Dolly Varden Silver Corp. (June 2017 – February 2020), Barsele Minerals Inc., Orex Minerals Inc. and Silver Viper Minerals Corp. (June 2017 – July 2020); Vice President Corporate Development of Alio Gold Inc./Timmins Gold Corp. (November 2009 – April 2017)	January 9, 2018	300,000
Colin Sutherland ⁽¹⁾ <i>Nova Scotia, Canada</i> Director	Chief Financial Officer and Director of NQ Minerals Plc (May 2017 – present); President of McEwen Mining Inc. (January 2016 – November 2016); Managing Director of Archipelago Resources PLC (March 2012 – December 2015)	November 23, 2018	312,500
Miguel Bonilla <i>Sonora, Mexico</i> Nominee	Country Manager of the Corporation (July 2020 – present); Vice President Finance (November 2009 – February 2017) and Country Manager (March 2017 – July 2020) of Alio Gold Inc./Timmins Gold Corp.	N/A	400,000
Laura Christina Diaz <i>Mexico City, Mexico</i> Nominee	Partner of the Law Firm DBR Abogados S.C. (January 1995 – 2018; June 2020 – present); Non-Executive Director of Magna Gold Corp. (January 2018 – November 2018); Non-Executive Director of Goldplay Exploration Ltd. (March 2018 – November 2018); General Director of Mines, within the Ministry of the Economy (December 2018 – June 2019)	N/A	Nil

Name, Position, Province or State and Country of Residence	Principal Occupation, Business or Employment ⁽²⁾	Date Became Director	Common Shares Owned or Controlled or Directed ⁽²⁾
Parviz Farsangi <i>Ontario, Canada</i> Nominee	President of PF Mining & Metals Consulting (September 2009 – present)	N/A	280,000

Notes:

(1) Member of the Audit Committee.

(2) Information about principal occupation, business or employment and number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of the Corporation, has been furnished by the respective nominee.

The election of Miguel Bonilla, Laura Cristina Diaz and Parviz Farsangi as directors of the Corporation is subject to the approval of the TSX Venture Exchange (the "TSXV").

None of the persons proposed to be nominated for election as a director of the Corporation is, as at the date hereof, or has been, within the ten years prior to the date hereof, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied such company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days and that was issued while that person was acting in such capacity or that was issued after that person ceased to act in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

None of the persons proposed to be nominated for election as a director of the Corporation is, as at the date hereof, or has been, within the ten years prior to the date hereof, a director or executive officer of any company that, while that person was acting in such capacity, or within a year of that person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the persons proposed to be nominated for election as a director of the Corporation has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the persons proposed to be nominated for election as a director of the Corporation has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a person proposed to be nominated for election as a director of the Corporation.

The persons named in the form of proxy accompanying this Circular intend to vote FOR the election of each of the nominees whose names are set forth above, unless the shareholder of the Corporation who has given such proxy has directed that the Common Shares represented by such proxy be withheld from voting in respect of the election of each such nominee. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as a director of the Corporation for the ensuing year, however, if that should occur for any reason at or prior to the Meeting or any adjournment thereof, the persons named in the

form of proxy accompanying this Circular have the right to vote for the election of the remaining nominees and may vote for the election of a substitute nominee in their discretion.

Appointment of Auditor

It is proposed that Baker Tilly WM LLP ("**Baker Tilly**") be appointed as the auditor of the Corporation to hold office until the close of the next annual meeting of the shareholders of the Corporation and that the Board be authorized to set the auditor's remuneration. Baker Tilly is currently the auditor of the Corporation and has been the auditor of the Corporation since April 3, 2018.

The persons named in the form of proxy accompanying this Circular intend to vote FOR the appointment of Baker Tilly as the auditor of the Corporation until the close of the next annual meeting of the shareholders of the Corporation or until its successor is appointed and the authorization of the directors of the Corporation to fix the remuneration of Baker Tilly, unless the shareholder of the Corporation who has given such proxy has directed that the Common Shares represented by such proxy be withheld from voting in respect of the appointment of the auditor of the Corporation.

Approval of the New Rolling Stock Option Plan

Following a review by the Board of the Corporation's existing fixed stock option plan (the "**Prior Stock Option Plan**"), the Board concluded that it was advisable to replace the Prior Stock Option Plan, subject to the approval of shareholders and the TSXV, with a new "rolling" stock option plan (the "**Proposed Stock Option Plan**").

The Proposed Stock Option Plan is a "rolling" stock option plan that sets the maximum number of Common Shares reserved for issuance pursuant to the exercise of options ("**Options**") granted thereunder, together with the number of Common Shares reserved for issuance pursuant to any other security based compensation arrangement of the Corporation, at 10% of the number of Common Shares issued and outstanding on a non-diluted basis at the time of any grant. As of the date of this Circular, there are 2,450,000 Options outstanding under the Prior Stock Option Plan and 2,350,000 Options have been granted under the Proposed Stock Option Plan to certain employees, officers, directors and consultants of the Corporation, representing in the aggregate approximately 5.68% of the issued and outstanding Common Shares, leaving approximately 3,655,790 Common Shares available to be reserved for issuance pursuant to new grants of Options under the Proposed Stock Option Plan. The grant of 2,350,000 Options is subject to the approval of the disinterested shareholders of the Corporation, please see "*Business of the Meeting – Approval of the Grant of Options*" for more information.

Subject to the approval of the Proposed Stock Option Plan, the Prior Stock Option Plan will be terminated and, in accordance with the terms thereof, any outstanding Options granted thereunder shall remain in effect in accordance with the terms and conditions of the Prior Stock Option Plan.

Pursuant to the policies of the TSXV, the Corporation is required to obtain shareholder approval of the Proposed Stock Option Plan in connection with the implementation thereof and subsequently at each annual meeting of the shareholders. Accordingly, at the Meeting, shareholders will be asked to approve an ordinary resolution to approve the Proposed Stock Option Plan.

Summary of the Proposed Stock Option Plan

The following is a summary of the key provisions of the Proposed Stock Option Plan. The following summary is qualified in all respects by the full text of the Proposed Stock Option Plan, a copy of which is attached hereto as Schedule A.

Purpose

The purpose of the Proposed Stock Option Plan is to advance the interests of the Corporation through the motivation, attraction and retention of key employees, officers, directors and consultants of the Corporation and designated affiliates of the Corporation and to secure for the Corporation and the shareholders of the Corporation the benefits inherent in the ownership of Common Shares by key employees, officers, directors and consultants of the Corporation and designated affiliates of the Corporation, it being generally recognized that stock option plans aid in attracting, retaining and encouraging employees, officers, directors and consultants due to the opportunity offered to them to acquire a proprietary interest in the Corporation.

Administration

The Proposed Stock Option Plan will be administered by the Board, or a committee designated by the Board, and the Board or committee will have full authority to administer the Proposed Stock Option Plan including the authority to interpret and construe any provision of the Proposed Stock Option Plan and to adopt, amend and rescind such rules and regulations for administration as the Board, or a committee designated by the Board, may deem necessary or desirable in order to comply with the requirements of the Proposed Stock Option Plan, subject in all cases to compliance with regulatory requirements. All actions taken and all interpretations and determinations made by the Board, or a committee designated by the Board, in good faith will be final and conclusive and will be binding on the persons eligible to participate in the Proposed Stock Option Plan and the Corporation. No member of the Board, or a committee designated by the Board, will be personally liable for any action taken or determination or interpretation made in good faith in connection with the Proposed Stock Option Plan and all such members will, in addition to their rights as directors of the Corporation, be fully protected, indemnified and held harmless by the Corporation with respect to any such action taken or determination or interpretation made. All costs incurred in connection with the Proposed Stock Option Plan shall be for the account of the Corporation.

Participants

The Board, or a committee designated by the Board, will from time to time determine those persons, each of whom must be an employee, officer, director, management company employee or consultant of the Corporation or a designated affiliate of the Corporation (each, a "**Participant**") who may participate in the Proposed Stock Option Plan. The Board, or a committee designated by the Board, may from time to time determine the Participants to whom Options may be granted, the number of Common Shares to be made subject to and the expiry date of each Option granted to each Participant and the other terms of each Option granted to each Participant, all such determinations to be made in accordance with the provisions of the Proposed Stock Option Plan, and the Board, or a committee designated by the Board, may take into consideration the present and potential contributions of, and the services rendered by, the particular Participant to the success of the Corporation and any other factors which the Board, or a committee designated by the Board, deems appropriate and relevant.

Maximum Number of Common Shares

The number of Common Shares reserved for issuance pursuant to the exercise of Options granted under the Proposed Stock Option Plan will be determined from time to time by the Board, or a committee designated by the Board, but, in any case, will not, together with the number of Common Shares reserved for issuance pursuant to any other security based compensation arrangement of the Corporation, exceed 10% of the number of Common Shares issued and outstanding on a non-diluted basis at the time of the proposed grant of the applicable Option.

Exercise Price, Term and Limits on Exercise

The exercise price at which any Common Share which is the subject of an Option may be purchased shall be determined by the Board, or a committee designated by the Board, at the time the Option is granted, provided that such exercise price shall be not less than the closing price of the Common Shares on the TSXV on the last trading day immediately preceding the date of the grant of such Option, less any discount permitted by the TSXV.

The period of time during which a particular Option may be exercised (the "**Option Period**") will be such period of time as determined by the Board, or a committee designated by the Board, at the time the Option is granted, subject to amendment by an employment contract, provided that, subject to certain extensions of the Option Period provided for in the Proposed Stock Option Plan, in no event shall an Option Period exceed ten years. If the expiry date of an Option falls within a period during which the Corporation prohibits a Participant to whom an Option has been granted pursuant to the Proposed Stock Option Plan (each, an "**Optionee**") from exercising their Options which is formally imposed by the Corporation pursuant to its internal trading policies as a result of the *bona fide* existence of undisclosed Material Information (as such term is defined in section 1.2 of Policy 1.1 – *Interpretation* of the Corporate Finance Manual of the TSXV), and which period expires upon the general disclosure of the undisclosed Material Information (the "**Blackout Period Expiry Date**"), the expiry date of the Option will be the date which is ten business days after the Blackout Period Expiry Date.

Except as otherwise specifically provided in any employment contract or if there is a take-over bid (within the meaning of the *Securities Act* (Ontario)) made for all or a portion of the outstanding Common Shares, Options may be exercised (in each case to the nearest full share) during the Option Period only in accordance with the vesting schedule, if any, determined by the Board, or a committee designated by the Board, in its sole and absolute discretion, at the time the Option is granted, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Board, or a committee designated by the Board, from time to time with respect to a particular Option. If the Board, or a committee designated by the Board, does not determine a vesting schedule at the time of the grant of any particular Option, such Option shall be exercisable in whole at any time, or in part from time to time, during the Option Period. Notwithstanding the foregoing, Options granted to persons retained to provide Investor Relations Activities (as such term is defined in section 1.2 of Policy 1.1 – *Interpretation* of the Corporate Finance Manual of the TSXV) must vest in stages over a period of not less than 12 months with no more than one-quarter (1/4) of the Options vesting in any three month period. No acceleration of the vesting provisions of Options granted to persons retained to provide Investor Relations Activities is allowed without the prior acceptance of the TSXV.

Acceleration on Take-Over Bid

If there is a take-over bid (within the meaning of the *Securities Act* (Ontario)) made for all or a portion of the outstanding Common Shares, then the Board, or a committee designated by the Board, may, by resolution, permit all Options outstanding to become immediately exercisable, notwithstanding any vesting schedule or any term or condition of any Option, in order to permit Common Shares issuable under such Options to be tendered to such bid.

Effect of Death

If a Participant or, in the case of a consultant which is not an individual, the primary individual providing services to the Corporation or Designated Affiliate on behalf of the consultant (in either case, the "**deceased**") dies, any Option held by such Participant or consultant at the date of such death will become immediately exercisable notwithstanding any vesting schedule or any term or condition of such Option, and shall be exercisable in whole or in part only by the person or persons to whom the rights of the Optionee under the Option shall pass by the

will of the deceased or the laws of descent and distribution until the earlier of: (i) 12 months from the date of the deceased's death; and (ii) the expiration of the Option Period in respect of such Option (or such shorter period of time as is otherwise provided in an employment contract or the terms and conditions of any Option), but only to the extent that such Optionee was entitled to exercise the Option at the date of the deceased's death in accordance with the Proposed Stock Option Plan.

Effect of Termination of Employment or Services

If a Participant:

- (a) ceases to be a director of the Corporation and of the designated affiliates of the Corporation (and is not or does not continue to be an employee thereof) for any reason (other than death); or
- (b) ceases to be employed by, or provide services to, the Corporation or the designated affiliates of the Corporation (and is not or does not continue to be a director or officer thereof), or any company engaged to provide services to the Corporation or the designated affiliates of the Corporation, for any reason (other than death) or receives notice from the Corporation or any designated affiliate of the termination of his or her employment contract;

(such cessation, or the earlier of such cessation or receipt of a notice of termination, as the case may be, being referred to as a "**Termination**"), except as otherwise provided in any employment contract or the terms and conditions of any Option,

- (c) in situations of Termination not for cause, such Participant may exercise his or her Options until the earlier of (i) 120 days from the date of termination of employment or the date of termination of a contract for services set out in a notice of termination given by the Corporation or a designated affiliate of the Corporation (the "**Date of Termination**") (or date of Termination as applicable); and (ii) the expiration of the respective Option Periods in respect of such Options, in each case, to the extent that such Participant was entitled to exercise such Options at the date of Termination, or, in the case where there is no Date of Termination, at the date of Termination, and
- (d) in situations other than a termination not for cause, such Participant may exercise his or her Options until the earlier of (i) 10 days following Termination, and (ii) the expiration of the respective Option Periods in respect of such Options, in each case, to the extent that such Participant was entitled to exercise such Options at the date of Termination.

Notwithstanding the foregoing or any employment contract, in no event shall such right extend beyond the earlier of the Option Period and 12 months from the date of Termination.

Certain Limits on Issuances

- (a) The aggregate number of Options granted to any one person (and companies wholly-owned by that person) in any 12 month period shall not exceed 5% of the number of Common Shares issued and outstanding on a non-diluted basis, calculated at the date an Option is granted to the person, unless the Corporation has obtained the requisite disinterested shareholder approval.
- (b) The aggregate number of Options granted to any one consultant in any 12 month period shall not exceed 2% of the number of Common Shares issued and outstanding on a non-diluted basis, calculated at the date an Option is granted to the consultant.

- (c) The aggregate number of Options granted to all persons retained to provide Investor Relations Activities shall not exceed 2% of the number of Common Shares issued and outstanding on a non-diluted basis in any 12 month period, calculated at the date an Option is granted to any such person.
- (d) For greater certainty, in no event shall any security based compensation arrangement of the Corporation, together with all other previously established and proposed security based compensation arrangements of the Corporation, permit at any time:
 - (i) the aggregate number of Common Shares reserved for issuance under stock options granted to Insiders (as such term is defined in section 1.2 of Policy 1.1 – Interpretation of the Corporate Finance Manual of the TSXV) (as a group) at any point in time exceeding 10% of the number of Common Shares issued and outstanding on a non-diluted basis; or
 - (ii) the grant to Insiders (as a group), within any 12 month period, of an aggregate number of options exceeding 10% of the number of Common Shares issued and outstanding on a non-diluted basis, calculated at the date an option is granted to any Insider,

unless the Corporation has obtained the requisite disinterested shareholder approval.

Suspension, Termination or Amendments

The Board, or a committee designated by the Board, will have the right:

- (a) without the approval of the shareholders of the Corporation, to:
 - (i) suspend or terminate (and to re-instate) the Proposed Stock Option Plan, and
 - (ii) subject to the limitation noted in paragraph (b) below, make the following amendments to the Proposed Stock Option Plan:
 - (A) any amendment of a "housekeeping" nature, including, without limitation, amending the wording of any provision of the Proposed Stock Option Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Proposed Stock Option Plan that is inconsistent with any other provision of the Proposed Stock Option Plan, correcting grammatical or typographical errors and amending the definitions contained within the Proposed Stock Option Plan,
 - (B) any amendment to comply with the rules, policies, instruments and notices of any regulatory authority to which the Corporation is subject, including the TSXV, or to otherwise comply with any applicable law or regulation,
 - (C) other than changes to the exercise price and the expiry date of an Option as described in paragraph (b) below, any amendment, with the consent of the Optionee, to the terms of any Option previously granted to such Optionee under the Proposed Stock Option Plan, and
 - (D) any amendment respecting the administration or implementation of the Proposed Stock Option Plan;

- (b) with the approval of the shareholders of the Corporation by ordinary resolution, including, if required by the TSXV, disinterested shareholder approval, to make any amendment to the Proposed Stock Option Plan not contemplated by paragraph (a) above, including, but not limited to:
- (i) any amendment to the maximum percentage of Common Shares that may be reserved for issuance pursuant to the exercise of Options granted under the Proposed Stock Option Plan, including an increase to the fixed maximum percentage of Common Shares or a change from a fixed maximum percentage of Common Shares to a fixed maximum number, other than adjustments pursuant to the Proposed Stock Option Plan,
 - (ii) any amendment which reduces the exercise price of any Option, other than adjustments pursuant to the Proposed Stock Option Plan,
 - (iii) any amendment which extends the expiry date of any Option, other than as then permitted under the Proposed Stock Option Plan,
 - (iv) any amendment which cancels any Option and replaces such Option with an Option which has a lower exercise price, other than adjustments pursuant to the Proposed Stock Option Plan,
 - (v) any amendment which would permit Options granted under the Proposed Stock Option Plan to be transferable or assignable other than for normal estate settlement purposes as allowed by the Proposed Stock Option Plan, and
 - (vi) any amendment to the suspension, termination and amendment provisions contained in the Proposed Stock Option Plan.

Notwithstanding the foregoing, any amendment to the Proposed Stock Option Plan shall be subject to the receipt of all required regulatory approvals including, without limitation, the approval of the TSXV.

Non-Assignable

No rights under the Proposed Stock Option Plan and no Option awarded pursuant to the provisions of the Proposed Stock Option Plan are assignable or transferable by any Participant other than pursuant to a will or by the laws of descent and distribution.

Consolidation, Merger, etc.

If there is a consolidation, merger or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities or a transfer of all or substantially all of the assets of the Corporation to another entity, upon the exercise of an Option under the Proposed Stock Option Plan, the holder thereof will be entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had exercised the Option immediately prior to the effective time of such event, unless the Board, or a committee designated by the Board, otherwise determines the basis upon which such Option will be exercisable.

Securities Exchange Take-over Bid

In the event that the Corporation becomes the subject of a take-over bid (within the meaning of the *Securities Act* (Ontario)) pursuant to which 100% of the outstanding Common Shares are acquired by the offeror either directly or as a result of the compulsory acquisition provisions of the OBCA, and where consideration is paid in

whole or in part in equity securities of the offeror, the Board, or a committee designated by the Board, may send notice to all Optionees requiring them to surrender their Options within 10 days of the mailing of such notice, and the Optionees will be deemed to have surrendered such Options on the tenth day after the mailing of such notice without further formality, provided that:

- (a) the Board, or a committee designated by the Board, delivers with such notice an irrevocable and unconditional offer by the offeror to grant replacement options to the Optionees on the equity securities offered as consideration;
- (b) the Board, or a committee designated by the Board, has determined, in good faith, that such replacement options have substantially the same economic value as the Options being surrendered; and
- (c) the surrender of Options and the granting of replacement options can be effected on a tax free rollover basis under the *Income Tax Act* (Canada).

Shareholder Approval of the Proposed Stock Option Plan

At the Meeting, shareholders of the Corporation will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the "**Stock Option Plan Resolution**") confirming and approving the Proposed Stock Option Plan. The full text of the Stock Option Plan Resolution is set out in Schedule B attached hereto.

In order to be passed, the Stock Option Plan Resolution requires the approval of a majority of the votes cast thereon by shareholders of the Corporation present in person or represented by proxy at the Meeting. The directors of the Corporation unanimously recommend that shareholders vote in favour of the Stock Option Plan Resolution. **The persons named in the form of proxy accompanying this Circular intend to vote FOR the Stock Option Plan Resolution, unless the shareholder of the Corporation who has given such proxy has directed that the Common Shares represented by such proxy be voted against the Stock Option Plan Resolution.**

Approval of the Grant of Options

On August 13, 2020, the Corporation granted an aggregate of 2,350,000 Options at an exercise price of \$1.53 per Common Share and expiring on August 13, 2025 to certain directors, officers, employees and consultants of the Corporation (the "**Grantees**") pursuant to the Proposed Stock Option Plan, including to the following insiders of the Corporation:

Name	Number of Options
Arturo Bonillas	500,000
Miguel Bonilla	200,000
Raul Elizalde	200,000
Miguel Soto	200,000
Alexander Tsakumis	150,000
Colin Sutherland	150,000
Laura Diaz	200,000
Parviz Farsangi	200,000

Since the Options were granted prior to the requisite shareholder approval for the Proposed Stock Option Plan having been obtained, the policies of the TSXV require that the Corporation obtain disinterested shareholder

approval for the grant of Options. In addition, such Options may not be exercised until disinterested shareholder approval for the grant of Options is obtained. For this purpose, disinterested shareholders will include all shareholders of the Corporation other than the Grantees and each of their respective associates.

At the Meeting, the disinterested shareholders of the Corporation will be asked to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution (the "**Option Grant Resolution**") confirming and approving the grant of an aggregate of 2,350,000 Options pursuant to the Proposed Stock Option Plan to the Grantees. The full text of the Option Grant Resolution is set out in Schedule C attached hereto.

In order to be passed, the Option Grant Resolution requires the approval of a majority of the votes cast thereon by shareholders of the Corporation present in person or represented by proxy at the Meeting, excluding any votes attaching to shares beneficially owned by the Grantees and each of their respective associates. The directors of the Corporation unanimously recommend that shareholders vote in favour of the Option Grant Resolution. **The persons named in the form of proxy accompanying this Circular intend to vote FOR the Option Grant Resolution, unless the shareholder of the Corporation who has given such proxy has directed that the Common Shares represented by such proxy be voted against the Option Grant Resolution.**

OTHER BUSINESS

Management is not aware of any matter to come before the Meeting other than those set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as set forth herein, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or an executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, any person who is a proposed nominee for election as a director of the Corporation, or of any associate or affiliate of any such persons, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

STATEMENT OF EXECUTIVE COMPENSATION

The purpose of this section is to describe the compensation of the "Named Executive Officers" of the Corporation and the directors of the Corporation in accordance with Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* of the Canadian Securities Administrators. "Named Executive Officer" refers to each individual who, during any part of the most recently completed financial year, served as chief executive officer, each individual who, during any part of the most recently completed financial year, served as chief financial officer, and the most highly compensated executive officer, other than the chief executive officer and chief financial officer, at the end of the most recently completed financial year whose total compensation was more than \$150,000 for that financial year. The Named Executive Officers of the Corporation for the financial year ended March 31, 2020 were Arturo Bonillas, the President, Chief Executive Officer and a director of the Corporation, and Carmelo Marrelli, the Chief Financial Officer of the Corporation. No other executive officer of the Corporation received total compensation, including salary, bonus and all other compensation, from the Corporation aggregating in excess of \$150,000 for the financial year of the Corporation ended March 31, 2020.

Director and Named Executive Officer Compensation, Excluding Compensation Securities

The following table sets forth information concerning all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Corporation, or a subsidiary of the Corporation, to each Named Executive Officer and director, other than stock options and other compensation securities, for each of the two most recently completed financial years.

Table of compensation excluding compensation securities						
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)
Arturo Bonillas ⁽¹⁾						
President, Chief Executive Officer and Director	2020	179,964	-	-	-	-
	2019	-	-	-	-	-
Carmelo Marrelli ⁽²⁾						
Chief Financial Officer	2020	15,000	-	-	-	-
	2019	-	-	-	-	-
Alexander Tsakumis						
Director	2020	-	-	-	-	-
	2019	-	-	-	-	-
Colin Sutherland						
Director	2020	-	-	-	-	-
	2019	-	-	-	-	-

Notes:

(1) Mr. Bonillas does not receive any compensation for his role as a director of the Corporation.

(2) Compensation earned through the Marrelli Consulting Agreement. See "Employment, Consulting and Management Agreements".

Stock Options and Other Compensation Securities

The following table sets forth certain information in respect of all compensation securities granted or issued to each Named Executive Officer and director by the Corporation or one of its subsidiaries in the financial year of the Corporation ended March 31, 2020 for services provided or to be provided, directly or indirectly, to the Corporation or any of its subsidiaries.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Arturo Bonillas ⁽¹⁾ <i>President, Chief Executive Officer and Director</i>	Options	N/A	N/A	N/A	N/A	N/A	N/A
Carmelo Marrelli <i>Chief Financial Officer</i>	Options	N/A	N/A	N/A	N/A	N/A	N/A
Alexander Tsakumis <i>Director</i>	Options	N/A	N/A	N/A	N/A	N/A	N/A
Colin Sutherland <i>Director</i>	Options	N/A	N/A	N/A	N/A	N/A	N/A

Note:

(1) As at March 31, 2020, Mr. Bonillas held 200,000 Options, exercisable for 200,000 Common Shares.

On June 29, 2020, the Corporation granted: (i) Mr. Bonillas 500,000 Options, exercisable for 500,000 Common Shares; (ii) Mr. Tsakumis 150,000 Options, exercisable for 150,000 Common Shares; and (iii) Mr. Sutherland 150,000 Options, exercisable for 150,000 Common Shares, in each case pursuant to the Prior Stock Option Plan.

On August 13, 2020, the Corporation granted an aggregate of 2,350,000 Options pursuant to the Proposed Stock Option Plan, subject to disinterested shareholder approval. Please see "*Business of the Meeting – Approval of the Grant of Options*" for more information.

The following table discloses each exercise by a Named Executive Officer or director of compensation securities during the financial year of the Corporation ended March 31, 2020.

Exercise of Compensation Securities by Directors and Named Executive Officers							
Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
Arturo Bonillas <i>President, Chief</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Exercise of Compensation Securities by Directors and Named Executive Officers							
Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
<i>Executive Officer and Director</i>							
Carmelo Marrelli							
<i>Chief Financial Officer</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alexander Tsakumis	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Director</i>							
Colin Sutherland	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Director</i>							

Stock Option Plans and Other Incentive Plans

A description of the material terms of the Proposed Stock Option Plan can be found under the heading "*Business of the Meeting – Approval of the New Rolling Stock Option Plan*". The Corporation's Prior Stock Option Plan was a fixed stock option plan that set the number of Common Shares issuable thereunder at 2,707,500.

The Prior Stock Option Plan provided that the Board may from time to time, in its discretion, grant Options to directors, officers, employees and consultants of the Corporation. There are 2,450,000 Options outstanding under the Prior Stock Option Plan. The price at which a participant under the Prior Stock Option Plan (a "**Prior Participant**") is entitled to acquire Common Shares was determined by the Board, provided that such price was no less than the greater of (i) the initial public offering Common Share price and (ii) the last closing sales price for the Common Shares as quoted on the TSXV for the market trading day immediately prior to the date of grant of the Option, less any discount permitted by the policies of the TSXV.

Except as otherwise provided elsewhere in the Prior Stock Option Plan, Options granted under the Prior Stock Option Plan are exercisable for a period, or in percentage installments over a period, which was determined in each instance by the Board, not exceeding five years from the date of grant of such Options. Any Options granted pursuant to the Prior Stock Option Plan will terminate on the 90th day after the Prior Participant ceases to be an Eligible Person (as such term is defined in the Prior Stock Option Plan) pursuant to the terms of the Prior Stock Option Plan for any reason other than death, disability or cause. If such cessation is on account of disability or death, such Options terminate on the first anniversary of such cessation, and if it is on account of termination of employment with cause, such Options terminate immediately. The Prior Stock Option Plan also provides for adjustments to outstanding Options granted under the Prior Stock Option Plan in the event of any consolidation, subdivision, conversion or exchange of the Common Shares.

Employment, Consulting and Management Agreements

The following is a description of the material terms of each agreement or arrangement under which compensation was provided during the year ended March 31, 2020 or is payable in respect of services provided to the Corporation or any of its subsidiaries that were performed by a director or NEO.

Arturo Bonillas

The Corporation entered into an executive employment agreement dated June 6, 2019 (the "**Bonillas Employment Agreement**") with Arturo Bonillas in respect of his position as President and Chief Executive Officer for an unspecified term on an "at will" basis.

Mr. Bonillas is entitled to compensation in the amount of \$240,000 per annum, paid semi-monthly, is eligible to receive an annual bonus award of up to 50% of his base salary, to be determined by the Board on or around January 31st of the applicable fiscal year and Option grants on a reasonable basis, consistent with the grant of Options to other grantees.

Mr. Bonillas may be terminated at any time for any conduct that would constitute just cause under applicable law, without receiving severance or termination entitlement except as required under the *Employment Standards Act*, 2000 (Ontario). Mr. Bonillas is entitled to receive a termination payment if his employment is terminated within 12 months of a change of control if any of the following events occur: (a) Mr. Bonillas is terminated without notice and without cause; (b) the Corporation reduces Mr. Bonillas' gross base salary by 5% or more; (c) a breach by the Corporation of any material provisions of the Bonillas Employment Agreement without being remedied within 30 days; or (d) Mr. Bonillas is constructively dismissed within the meaning of the common law.

Mr. Bonillas is entitled to receive a termination payment based on one year of salary plus an amount for his annual bonus calculated as the average of his bonus for the past three years or such shorter period, as applicable. Mr. Bonillas is also entitled to the continuation of group insurance benefits for 12 months or a payment in lieu of continuing benefits coverage.

Carmelo Marrelli

The Corporation entered into a consulting agreement (the "**Marrelli Consulting Agreement**") with Carmelo Marrelli and Marrelli Support Services Inc. ("**MSSI**"), a private company, to provide the services of Mr. Marrelli as Chief Financial Officer of the Corporation. The term of the Marrelli Consulting Agreement commenced on June 6, 2019, and shall continue until terminated by either Mr. Marrelli or the Corporation upon 30 days' written notice. However, if the Corporation wishes to terminate prior to thirty days' written notice, a termination fee in the amount of \$2,000 will be paid to Mr. Marrelli. Notwithstanding the foregoing, the Corporation may not terminate the Marrelli Consulting Agreement within the first two calendar years following the effective date. Pursuant to the Marrelli Consulting Agreement, Mr. Marrelli is entitled to receive monthly compensation of \$1,500 per month, plus any disbursements and Option grants on a reasonable basis, consistent with the grant of Options to other grantees. Mr. Marrelli is the President of MSSI, and is not an employee of the Corporation. Other than what is provided for in this Circular, Mr. Marrelli received no other compensation from the Corporation.

The Corporation is also party to an agreement with DSA Corporate Services ("**DSA**"), which provides corporate secretarial and filing services to the Corporation. DSA is controlled by Mr. Marrelli, who is the sole shareholder of DSA. During the year ended March 31, 2020, the Corporation incurred \$16,568 under its contract with DSA.

Other than as disclosed in this Circular, there are no management functions of the Corporation which are to any substantial degree performed by a person or a company other than the directors or executive officers of the Corporation.

Oversight and Description of Director and Named Executive Officer Compensation

The Corporation expects that compensation will play an important role in achieving short and long-term business objectives that ultimately drive business success. The Corporation's compensation philosophy is to foster entrepreneurship at all levels of the organization through, among other things, the granting of Options, which may be a significant component of executive compensation. This approach is based on the assumption that the performance of the Corporation's Common Share price over the long term is an important indicator of long-term performance.

The Corporation's compensation philosophy is based on the following fundamental principles:

- Compensation programs align with shareholder interests – the Corporation aligns the goals of executives with maximizing long-term shareholder value;
- Performance sensitive – compensation for executive officers should be linked to operating and market performance of the Corporation and fluctuate with the performance; and
- Offer market competitive compensation to attract and retain talent – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest caliber.

The objectives of the compensation program in compensating all NEOs are developed based on the above-mentioned compensation philosophy and are as follows:

- to attract and retain highly qualified executive officers;
- to align the interests of executive officers with shareholders' interests and with the execution of the Corporation's business strategy;
- to evaluate executive performance on the basis of key measurements that correlate to long-term shareholder value; and
- to tie compensation directly to those measurements and rewards based on achieving and exceeding predetermined objectives.

The Corporation believes that transparent, objective and easily verified corporate goals, combined with individual performance goals, play an important role in creating and maintaining an effective compensation strategy for NEOs. The Corporation's objective is to establish benchmarks and targets for its NEOs that will enhance shareholder value if achieved.

Aggregate compensation for each NEO is designed to be competitive. Once formed, it is anticipated that the compensation committee of the Corporation (the "**Compensation Committee**") will review from time to time the compensation practices of similarly situated companies when considering the Corporation's executive compensation practices. The Compensation Committee will review each element of compensation for market competitiveness, and although it may weigh a particular element more heavily based on the NEO's role within

the Corporation, it is primarily focused on remaining competitive in the market with respect to total compensation.

From time to time, on an ad hoc basis, the Compensation Committee will also review data related to compensation levels and programs of various companies that are similar in size to the Corporation and operate within the mining exploration and development industry. The Compensation Committee will also rely on the experience of its members as officers and/or directors at other companies in similar lines of business as the Corporation in assessing compensation levels.

Compensation Governance

The Board is responsible for ensuring that the Corporation has in place an appropriate plan for executive compensation. The Board ensures that total compensation paid to all NEOs is fair, reasonable and consistent with the Corporation's compensation philosophy.

A combination of fixed and variable compensation is used to motivate executive officers to achieve overall corporate goals. The two basic components of the Corporation's executive officer compensation program are:

- base salary; and
- annual incentive (bonus) payments.

Base salaries are paid in cash, and constitute the fixed portion of the total compensation paid to executive officers. Annual incentives comprise the remainder, and represent compensation that is "at risk" and thus may or may not be paid to the respective executive officer depending on: (i) whether the executive officer is able to meet or exceed his or her applicable performance targets; and (ii) market performance of the Common Shares. To date, no specific formula has been developed to assign a specific weighting to each of these components. Instead, the Board considers each performance target and the Corporation's performance and assigns compensation based on this assessment.

Base Salary

The Board approves the salary ranges for the NEOs. The base salary review for each NEO is based on assessment of factors such as current competitive market conditions, compensation levels and practices of similarly situated companies and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. The Corporation may consider comparative data for the Corporation's peer group, which are accumulated from a number of external sources including independent consultants. The Corporation's policy for determining salary for executive officers will be consistent with the administration of salaries for all other employees.

Annual Incentive (Cash Bonus) Payments

Cash annual incentive awards are based on various personal and company-wide achievements. Performance goals for annual incentive payments are subjective and include achieving individual and corporate targets and objectives, as well as general performance in day-to-day corporate activities.

The Board approves target annual incentive amounts for each NEO at the beginning of each financial year. The Board determines target amounts based on a number of factors, including comparable compensation of similar companies. Funding of the annual incentive awards is capped at the company level and the distribution of funds to the executive officers is at the discretion of the Board. Each NEO may receive partial or full payment of the target annual incentive amount set by the Board at the beginning of each financial year, depending on

the number of the predetermined targets met, and the assessment of such NEO's overall performance by the Board.

In order to determine annual incentive payments, the Board assesses NEO performance subjectively, considering each NEO's respective success in achieving his or her individual objectives, contributions to the achievement of the Corporation's goals, and contributions to meeting the needs of the Corporation that arise on a day-to-day basis. The Board reserves ultimate discretion in determining whether each NEO has met his or her targets.

Option-Based Compensation

Options may be granted to directors, officers, employees and certain service providers as long-term incentives to align the individual's interests with those of the Corporation. Options are awarded to directors and employees, including NEOs, at the Board's discretion. Decisions with respect to Options granted are based upon the individual's level of responsibility and their contribution towards the Corporation's goals and objectives, and additionally may be awarded in recognition of the achievement of a particular goal or extraordinary service. The Board considers outstanding Options granted and held by management in determining whether to make any new grants of Options, and the quantum or terms of any Option grant.

Pension disclosure

The Corporation does not provide a pension to any director or NEO.

Directors and Officers Liability Insurance

The Corporation has directors' and officers' liability insurance for the benefit of the directors and officers of the Corporation which provides coverage in the aggregate of \$10,000,000 in each policy year.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth, as of March 31, 2020, information concerning securities authorized for issuance under equity compensation plans of the Corporation.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by securityholders	200,000	\$0.10	2,257,500
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	200,000	\$0.10	2,257,500

Subsequent to March 31, 2020, the Corporation adopted the Proposed Stock Option Plan, subject to the approval of shareholders and the TSXV. Pursuant to the policies of the TSXV, the Corporation is required to obtain shareholder approval of the Proposed Stock Option Plan at the time of implementation and in each subsequent year because the Proposed Stock Option Plan is a "rolling" stock option plan that sets the maximum number of Common shares reserved for issuance pursuant to the exercise of Options granted thereunder, together with the number of Common Shares reserved for issuance pursuant to other any other security based

compensation arrangement of the Corporation, at 10% of the number of Common Shares issued and outstanding on a non-diluted basis at the time of any grant. A description of the Proposed Stock Option Plan can be found under the heading "*Business of the Meeting – Approval of the New Rolling Stock Option Plan*". The Corporation also granted an additional 2,250,000 Options under the Prior Stock Option Plan to eligible directors, officers, employees and consultants on June 29, 2020. The Corporation also granted an additional 2,350,000 Options under the Proposed Stock Option Plan to eligible directors, officers, employees and consultants on August 13, 2020, subject to disinterested shareholder approval, see "*Business of the Meeting – Approval of the Grant of Options*" for more information.

AUDIT COMMITTEE DISCLOSURE

Audit Committee

The Audit Committee's role is to act in an objective, independent capacity as a liaison between the auditors, management and the Board and to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

Audit Committee Charter

The text of the Audit Committee Charter is attached as Schedule D to this Circular.

Composition, Education and Experience

The current members of the Audit Committee are Messrs. Bonillas (Chair), Tsakumis and Sutherland. Messrs. Tsakumis and Sutherland are independent of the Corporation. Mr. Bonillas is not independent as he is the President and Chief Executive Officer of the Corporation. All of the members of the Audit Committee are considered financially literate for the purposes of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("**NI 52-110**"). Following the Meeting, it is expected that the Audit Committee will be reconstituted.

Each member of the Audit Committee has adequate education and experience in dealing with financial statements, accounting issues, internal control and other related matters relating to public resource-based companies through the significant experience they have had as directors and officers of other companies, including mining companies, and, in particular, the requisite education and experience that have provided the member with:

- (a) an understanding of the accounting principles used by the Corporation to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements or experience actively supervising individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

The relevant education and experience of each of the members of the Audit Committee is as follows:

Member	Education and Experience
Arturo Bonillas	Mr. Bonillas has over 40 years of experience in Mexican mining and exploration. He is currently Chairman of the Advisory Board of Discovery Metals Corp., a Mexican-focused base metals exploration company whose securities are listed on the TSXV. He is the former President and co-founder of Alio Gold Inc., formerly Timmins Gold Corp. During his ten year tenure with Timmins Gold Corp., he oversaw its transition from exploration and development to mid-tier gold producer, and guided it to several years of positive reserve and resource growth, throughput and production. Prior to his involvement with Timmins Gold Corp., Mr. Bonillas co-founded Silvermex Resources Inc., where he served as President for three years. He managed the Latin America market for Continuum Resources Ltd., where he oversaw the development of the San Jose del Progreso project in Oaxaca, Mexico, later sold to Fortuna Silver Mines Inc. He directed full bankable feasibility studies for the Mulatos gold project in Sonora, and the San Felipe gold project in Baja California. He has held leadership positions in financial planning and strategic development with Compañía Minera de Cananea (now owned by Grupo Mexico) and Minera de Real de Angeles (Placer Dome Inc. / Empresas Frisco joint venture). In 2017, Mr. Bonillas was awarded the Ostotakani Award, given to distinguished leaders in the Mexican mining industry. Mr. Bonillas holds a B.Sc. degree in Industrial Engineering from the University of Arizona. Mr. Bonillas is fluent in both Spanish and English.
Alexander Tsakumis	Mr. Tsakumis has over twenty-five years of investment experience with private and public companies. Mr. Tsakumis is currently the Vice President Investor Relations of Prime Mining Corp. Prior to his current position, Mr. Tsakumis was the Vice President Corporate Development of Dolly Varden Silver Corp., Silver Viper Minerals, Orex Minerals and Barsele Minerals for three years and the Vice President of Corporate Development of Alio Gold Inc. for nine years, where he played a pivotal role in the development of the corporation from a junior exploration company to a production company. He has also acted as Director and Vice President of Corporate Development for various publicly traded companies, one of which has its securities traded on the New York Stock Exchange, for over 10 years. He is a graduate of the University of British Columbia with a Bachelor's degree in Economics.
Colin Sutherland	Mr. Sutherland has been a Chartered Professional Accountant since 1997. He was the President of McEwen Mining Inc., a mining company listed on the Toronto Stock Exchange and the New York Stock Exchange, from January 2016 to November 2016, Managing Director and Chief Executive Officer of Archipelago Resources Plc, a company listed on the London Stock Exchange from March 2012 to December 2015. He has held senior financial and executive roles with Timmins Gold Corp. (later Alio Gold Inc.), Capital Gold Corporation, Nayarit Gold Inc. and Aurico Gold Inc. Mr. Sutherland holds a Bachelor's degree in business administration from St. Francis Xavier University.

Audit Committee Oversight

At no time since the commencement of the most recently completed financial year of the Corporation was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the most recently completed financial year of the Corporation has the Corporation relied on the exemption in section 2.4 of NI 52-110 (*De Minimis Non-Audit Services*), subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*), subsection 6.1.1(5) (*Events Outside Control of Member*), 6.1.1(6) (*Death, Incapacity or Resignation*), or an exemption from the application of NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*).

Pre-Approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by, as applicable, the Board and the Audit Committee, on a case by case basis.

External Auditor Service Fees (By Category)

The aggregate fees billed by the external auditor of the Corporation in each of the last two financial years of the Corporation are as follows:

Year Ending	Audit Fees ⁽¹⁾	Audit Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
March 31, 2020	\$24,625	-	-	-
March 31, 2019	\$7,896	\$13,000	-	\$564

Notes:

- (1) Represents aggregate fees billed by the Corporation's external auditor for audit fees.
- (2) Represents aggregate fees billed for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under "Audit Fees".
- (3) Represents aggregate fees billed for professional services rendered by the Corporation's external auditor for tax compliance, tax advice and tax planning.
- (4) Represents aggregate fees billed for products and services provided by the Corporation's external auditor, other than the services reported under "Audit Fees", "Audit Related Fees" and "Tax Fees".

Exemption

Pursuant to section 6.1 of NI 52-110, the Corporation is exempt from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110 by virtue of it being a venture issuer.

CORPORATE GOVERNANCE DISCLOSURE

Board of Directors

The Corporation currently has three directors, a majority of whom are considered independent. Messrs. Tsakumis and Sutherland are considered to be independent of the Corporation for the purposes of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). Mr. Bonillas is the President and Chief Executive Officer of the Corporation, and, accordingly, is not considered to be independent of the Corporation for the purposes of NI 58-101. Following the Meeting, it is expected that four of the six directors (namely, Messrs. Tsakumis, Sutherland and Farsangi and Ms. Diaz) will be considered to be independent of the Corporation and two of the six directors (namely, Messrs. Bonillas and Bonilla) will not be considered to be independent of the Corporation for the purposes of NI 58-101 (assuming the election of the nominees). Mr. Bonilla is a senior officer of the Corporation, and, accordingly will not be considered to be independent for the purposes of NI 58-101.

The Board facilitates its exercise of independent supervision over management by causing the independent directors to take a lead role in ensuring that the Corporation is acting in its best interests. Further, the non-independent directors defer to the judgment of the independent directors with respect to matters pertaining to corporate governance.

The independent directors of the Corporation meet on an informal basis without members of management present in order to discuss the business of the Corporation.

Directorships

The following directors of the Corporation and nominees for election as directors of the Corporation are presently directors of the following other reporting issuers (or the equivalent in a foreign jurisdiction):

Name of Director or Nominee	Other Reporting Issuers
Alexander Tsakumis	Letho Resources Corp.
Colin Sutherland	Amarillo Gold Corporation NQ Minerals PLC Arizona Metals Corp.
Parviz Farsangi (Nominee)	INV Metals Inc. Wallbridge Mining Company Limited Gowest Gold Ltd.

Messrs. Bonillas and Bonilla and Ms. Diaz are not directors of any other reporting issuers (or the equivalent in a foreign jurisdiction).

Orientation and Continuing Education

The Board is responsible for providing a comprehensive orientation and education program for new directors which fully sets out:

- the role of the Board and its committees;
- the nature and operation of the business of the Corporation; and
- the contribution which individual directors are expected to make to the Board in terms of both time and resource commitments.

In addition, the Board is also responsible for providing continuing education opportunities to existing directors so that individual directors can maintain and enhance their abilities and ensure that their knowledge of the business of the Corporation remains current.

Ethical Business Conduct

The fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest will ensure that the Board operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors and proposed directors of the Corporation also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the OBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest.

Any interested director will be required to declare the nature and extent of his or her interest, and will not be entitled to vote at meetings of directors at which matters that give rise to such a conflict of interest are considered.

Nomination of Directors

In accordance with the Board's written mandate, the Board as a whole reviews the composition of the Board and its committees and recommends changes, if appropriate, when evaluating potential candidates and proposing nominees.

Compensation

The Board conducts reviews with regard to directors' compensation once a year. To make its recommendation on directors' compensation, the Board takes into account the types of compensation and the amounts paid to directors of comparable publicly traded Canadian companies and aligns the interests of Directors with the return to shareholders. The Board decides the compensation of the Corporation's officers, based on industry standards and the Corporation's financial situation.

Other Board Committees

The Board has no committees other than the Audit Committee. It is anticipated that a Compensation Committee and a Technical Committee will be formed following the Meeting.

Assessments

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No person who is, or at any time during the most recently completed financial year was, a director or executive officer of the Corporation, no person proposed to be nominated for election as a director of the Corporation, nor any associate of any such director, executive officer or proposed nominee, is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries, or indebted to another entity, where such indebtedness is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, pursuant to a security purchase program of the Corporation or otherwise.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no informed person (as that term is defined in NI 51-102) of the Corporation, no person proposed to be nominated for election as a director of the Corporation, nor any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction since April 1, 2019 or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Corporation or any of its subsidiaries.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com. Further financial information is provided in the comparative financial statements and the management's discussion and analysis

of the Corporation for its most recently completed financial year ended March 31, 2020 which have been filed on SEDAR. Shareholders may also obtain these documents, without charge, upon request to the Secretary of the Corporation or on the Corporation's website at www.magnagoldcorp.com.

APPROVAL

The contents of this Circular and the sending thereof to the shareholders of the Corporation have been approved by the directors of the Corporation.

DATED this 14th day of August, 2020.

BY ORDER OF THE BOARD

(Signed) *"Arturo Bonillas"*

President, Chief Executive Officer and Chairman

SCHEDULE A

Proposed Stock Option Plan

MAGNA GOLD CORP.

STOCK OPTION PLAN

ARTICLE 1

DEFINITIONS AND INTERPRETATION

1.1 Definitions.

For purposes of the Plan, unless such word or term is otherwise defined herein or the context in which such word or term is used herein otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the following meanings:

- (a) "**Act**" means the *Business Corporations Act* (Ontario) or its successor, as amended from time to time;
- (b) "**Blackout Period**" means a period during which the Corporation prohibits Optionees from exercising their Options which is formally imposed by the Corporation pursuant to its internal trading policies as a result of the *bona fide* existence of undisclosed Material Information, and which period expires upon the general disclosure of the undisclosed Material Information;
- (c) "**Blackout Period Expiry Date**" means the date on which the applicable Blackout Period expires;
- (d) "**Board**" means the board of directors of the Corporation from time to time;
- (e) "**Business Day**" means any day on which the Stock Exchange is open for trading;
- (f) "**Committee**" means the Board or, if the Board so determines in accordance with Section 2.3 of the Plan, the committee of the Board authorized to administer the Plan;
- (g) "**Common Shares**" means the common shares in the capital of the Corporation, as adjusted in accordance with the provisions of Article 5 of the Plan from time to time;
- (h) "**Consultant**" means an individual (other than an Employee, a Director or a Management Company Employee) or company that: (i) is engaged to provide on an ongoing *bona fide* basis, consulting, technical, management or other services to the Corporation or to a Designated Affiliate, other than services provided in relation to a distribution; (ii) provides the services under a written contract between the Corporation or the Designated Affiliate and the individual or company, as the case may be; (c) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Designated Affiliate; and (d) has a relationship with the Corporation or a Designated Affiliate that enables the individual to be knowledgeable about the business and affairs of the Corporation;

- (i) **"Corporation"** means Magna Gold Corp., a corporation incorporated under the Act, and any successor thereto;
- (j) **"Date of Termination"** means the date of termination of employment or the date of termination of a contract for services set out in a notice of termination given by the Corporation or a Designated Affiliate and for greater certainty does not include, or mean the expiry date of, any period of time following such date of termination during which the Participant is in receipt of, or is entitled to be in receipt of, compensation in lieu of notice of termination or severance compensation;
- (k) **"Designated Affiliates"** means the affiliates of the Corporation designated by the Committee for purposes of the Plan from time to time;
- (l) **"Director"** means a director of the Corporation or any Designated Affiliate from time to time;
- (m) **"Employee"** means an employee and/or officer, whether full-time or part-time, of the Corporation or any Designated Affiliate;
- (n) **"Employment Contract"** means any contract between the Corporation or any Designated Affiliate and any Employee, Director, Management Company or Consultant relating to, or entered into in connection with, the employment of the Employee, the appointment or election of the Director, the engagement of the Management Company or the engagement of the Consultant or any other agreement to which the Corporation or a Designated Affiliate is a party with respect to the rights of a Participant in respect of a change in control of the Corporation or the termination of employment, appointment, election or engagement of a Participant;
- (o) **"Insider"** has the meaning ascribed to such term in section 1.2 of Policy 1.1 – *Interpretation* of the Corporate Finance Manual of the TSX Venture Exchange;
- (p) **"Investor Relations Activities"** has the meaning ascribed to such term in section 1.2 of Policy 1.1 – *Interpretation* of the Corporate Finance Manual of the TSX Venture Exchange;
- (q) **"Management Company"** means a person providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a person engaged in Investor Relations Activities;
- (r) **"Management Company Employee"** means an individual employed by a Management Company that is providing management services to the Corporation on behalf of the Management Company;
- (s) **"Material Information"** has the meaning ascribed to such term in section 1.2 of Policy 1.1 – *Interpretation* of the Corporate Finance Manual of the TSX Venture Exchange;
- (t) **"Option"** means an option to purchase Common Shares granted pursuant to, or governed by, the Plan;

- (u) **"Option Period"** means the period of time during which the particular Option may be exercised, including as extended in accordance with Section 3.13 of the Plan;
- (v) **"Optionee"** means a Participant to whom an Option has been granted pursuant to the Plan;
- (w) **"Participant"** means each Employee, Director, Management Company Employee and Consultant;
- (x) **"Plan"** means this stock option plan, as amended or amended and restated from time to time;
- (y) **"Stock Exchange"** means the TSX Venture Exchange, or, if the Common Shares are not then traded on the TSX Venture Exchange, such other principal market upon which the Common Shares are traded as designated by the Committee from time to time;
- (z) **"United States"** or **"U.S."** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and
- (aa) **"U.S. Participant"** means a Participant who is a U.S. citizen or a U.S. resident, in each case as defined in Section 7701(a)(30)(A) and Section 7701(b)(1)(A) of the United States Internal Revenue Code and any other Participant who, with respect to an Option, is subject to taxation under the applicable U.S. tax laws.

1.2 Securities Definitions.

In the Plan, the terms "affiliate" and "distribution" shall have the meaning given to such terms in the *Securities Act* (Ontario).

1.3 Headings.

The headings of all articles, sections and paragraphs in the Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of the Plan.

1.4 Context, Construction.

Whenever the singular or masculine are used in the Plan, the same shall be construed as being the plural or feminine or neuter or *vice versa* where the context so requires.

1.5 References to this Plan.

The words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to the Plan as a whole and not to any particular article, section, paragraph or other part hereof.

1.6 Canadian Funds.

Unless otherwise specifically provided, all references to dollar amounts in the Plan are references to lawful money of Canada.

ARTICLE 2
PURPOSE AND ADMINISTRATION OF THE PLAN

2.1 Purpose of the Plan.

The Plan provides for the acquisition of Common Shares by Participants for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of key employees, officers, directors and consultants of the Corporation and Designated Affiliates and to secure for the Corporation and the shareholders of the Corporation the benefits inherent in the ownership of Common Shares by key employees, officers, directors and consultants of the Corporation and Designated Affiliates, it being generally recognized that stock option plans aid in attracting, retaining and encouraging employees, officers, directors and consultants due to the opportunity offered to them to acquire a proprietary interest in the Corporation.

2.2 Administration of the Plan.

The Plan shall be administered by the Committee and the Committee shall have full authority to administer the Plan including the authority to interpret and construe any provision of the Plan and to adopt, amend and rescind such rules and regulations for administering the Plan as the Committee may deem necessary or desirable in order to comply with the requirements of the Plan, subject in all cases to compliance with regulatory requirements. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Participants and the Corporation. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with the Plan and all members of the Committee shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Corporation with respect to any such action taken or determination or interpretation made. The appropriate officers of the Corporation are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary or desirable for the implementation of the Plan and of the rules and regulations established for administering the Plan. All costs incurred in connection with the Plan shall be for the account of the Corporation.

2.3 Delegation to Committee.

All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and as determined by resolution of the Board, be exercised by a committee of the Board comprised of not less than three Directors.

2.4 Record Keeping.

The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Optionee;
- (b) the number of Common Shares subject to Options granted to each Optionee; and
- (c) the aggregate number of Common Shares subject to Options.

2.5 Determination of Participants.

The Committee shall from time to time determine the Participants who may participate in the Plan. The Committee may from time to time determine the Participants to whom Options may be granted, the number

of Common Shares to be made subject to and the expiry date of each Option granted to each Participant and the other terms of each Option granted to each Participant, all such determinations to be made in accordance with the provisions of the Plan, and the Committee may take into consideration the present and potential contributions of, and the services rendered by, the particular Participant to the success of the Corporation and any other factors which the Committee deems appropriate and relevant. For Options granted to Employees, Management Company Employees and Consultants, the Corporation and the Optionee are responsible for ensuring and confirming that the Optionee is a *bona fide* Employee, Consultant or Management Company Employee (as such terms are defined in section 1.2 of Policy 4.4 – *Incentive Stock Options* of the Corporate Finance Manual of the TSX Venture Exchange), as the case may be.

2.6 Maximum Number of Common Shares.

The number of Common Shares reserved for issuance pursuant to the exercise of Options granted under the Plan shall be determined from time to time by the Committee but, in any case, shall not, together with the number of Common Shares reserved for issuance pursuant to any other security based compensation arrangement of the Corporation, exceed 10% of the number of Common Shares issued and outstanding on a non-diluted basis at the time of the proposed grant of the applicable Option.

ARTICLE 3

STOCK OPTION PLAN

3.1 Plan and Participants.

The Plan is hereby established for Employees, Directors, Management Company Employees and Consultants.

3.2 Option Notice or Agreement.

Each Option granted to a Participant shall be evidenced by a stock option notice or stock option agreement setting out terms and conditions consistent with the provisions of the Plan, which terms and conditions need not be the same in each case and which terms and conditions may be changed from time to time.

3.3 Exercise Price.

The exercise price at which any Common Share which is the subject of an Option may be purchased shall be determined by the Committee at the time the Option is granted, provided that such exercise price shall be not less than the closing price of the Common Shares on the Stock Exchange on the last trading day immediately preceding the date of the grant of such Option, less any discount permitted by the Stock Exchange. A minimum exercise price cannot be established unless the Options are allocated to particular Participants.

3.4 Term of Option.

The Option Period for each Option shall be such period of time as shall be determined by the Committee at the time the Option is granted, subject to amendment by an Employment Contract, provided that, subject to Section 3.13 of the Plan, in no event shall an Option Period exceed ten years.

3.5 Lapsed Options.

If Options granted under the Plan are surrendered, terminate or expire without being exercised in whole or in part, new Options may be granted covering the Common Shares not purchased under such lapsed Options.

3.6 Limit on Options to be Exercised.

Except as otherwise specifically provided in any Employment Contract or in Section 3.9 of the Plan, Options may be exercised (in each case to the nearest full share) during the Option Period only in accordance with the vesting schedule, if any, determined by the Committee, in its sole and absolute discretion, at the time the Option is granted, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Committee from time to time with respect to a particular Option. If the Committee does not determine a vesting schedule at the time of the grant of any particular Option, such Option shall be exercisable in whole at any time, or in part from time to time, during the Option Period. Notwithstanding the foregoing, Options granted to persons retained to provide Investor Relations Activities must vest in stages over a period of not less than 12 months with no more than one-quarter (1/4) of the Options vesting in any three month period. No acceleration of the vesting provisions of Options granted to persons retained to provide Investor Relations Activities is allowed without the prior acceptance of the Stock Exchange.

3.7 Eligible Participants on Exercise.

Subject to Section 3.6 of the Plan, an Option may be exercised by the Optionee in whole at any time, or in part from time to time, during the Option Period, provided however that, except as otherwise specifically provided in Section 3.10 or Section 3.11 of the Plan or in any Employment Contract, no Option may be exercised unless the Optionee at the time of exercise thereof is:

- (a) in the case of an Employee, an officer of the Corporation or a Designated Affiliate or in the employment of the Corporation or a Designated Affiliate and has been continuously an officer or so employed since the date of the grant of such Option, provided however that a leave of absence with the approval of the Corporation or such Designated Affiliate shall not be considered an interruption of employment for purposes of the Plan;
- (b) in the case of a Director who is not also an Employee, a director of the Corporation or a Designated Affiliate and has been continuously a director since the date of the grant of such Option;
- (c) in the case of a Management Company Employee, in the employment of the Management Company, has been continuously so employed since the date of the grant of such Option and has been continuously providing management services to the Corporation on behalf of the Management Company since the date of the grant of such Option; and
- (d) in the case of a Consultant, engaged, directly or indirectly, in providing ongoing consulting, technical, management or other services to the Corporation or to a Designated Affiliate and has been continuously so engaged since the date of the grant of such Option.

3.8 Payment of Exercise Price.

The issue of Common Shares on exercise of any Option shall be contingent upon receipt by the Corporation of payment of the aggregate exercise price for the Common Shares in respect of which the Option has been exercised by cash, certified cheque or wire transfer delivered to the Corporation together with a validly completed notice of exercise. No Optionee or legal representative, legatee or distributee of any Optionee will be, or will be deemed to be, a holder of any Common Shares with respect to which such Optionee was granted an Option, unless and until a certificate for such Common Shares is issued to such Optionee, or them, under

the terms of the Plan. Subject to Section 3.12 of the Plan, upon an Optionee exercising an Option and paying the Corporation the aggregate exercise price for the Common Shares in respect of which the Option has been exercised, the Corporation shall as soon as practicable issue and deliver a certificate representing the Common Shares so purchased.

3.9 Acceleration on Take-over Bid.

If there is a take-over bid (within the meaning of the *Securities Act* (Ontario)) made for all or a portion of the outstanding Common Shares, then the Committee may, by resolution, permit all Options outstanding to become immediately exercisable, notwithstanding Section 3.6 of the Plan or any term or condition of any Option, in order to permit Common Shares issuable under such Options to be tendered to such bid.

3.10 Effect of Death.

If a Participant or, in the case of a Consultant which is not an individual, the primary individual providing services to the Corporation or Designated Affiliate on behalf of the Consultant (in either case, for the purposes of this Section 3.10, the "**deceased**") shall die, any Option held by such Participant or Consultant at the date of such death shall become immediately exercisable notwithstanding Section 3.6 of the Plan or any term or condition of such Option, and shall be exercisable in whole or in part only by the person or persons to whom the rights of the Optionee under the Option shall pass by the will of the deceased or the laws of descent and distribution until the earlier of: (i) 12 months from the date of the deceased's death; and (ii) the expiration of the Option Period in respect of such Option (or such shorter period of time as is otherwise provided in an Employment Contract or the terms and conditions of any Option), but only to the extent that such Optionee was entitled to exercise the Option at the date of the deceased's death in accordance with Sections 3.7 and 3.11 of the Plan.

3.11 Effect of Termination of Employment or Services.

If a Participant shall:

- (a) cease to be a director of the Corporation and of the Designated Affiliates (and is not or does not continue to be an employee thereof) for any reason (other than death); or
- (b) cease to be employed by, or provide services to, the Corporation or the Designated Affiliates (and is not or does not continue to be a director or officer thereof), or any company engaged to provide services to the Corporation or the Designated Affiliates, for any reason (other than death) or shall receive notice from the Corporation or any Designated Affiliate of the termination of his or her Employment Contract;

(such cessation, or the earlier of such cessation or receipt of a notice of termination, as the case may be, being referred to as a "**Termination**"), except as otherwise provided in any Employment Contract or the terms and conditions of any Option,

- (c) in situations of termination not for cause, such Participant may exercise his or her Options until the earlier of (i) 120 days from the Date of Termination (or date of Termination as applicable); and (ii) the expiration of the respective Option Periods in respect of such Options, in each case, to the extent that such Participant was entitled to exercise such Options at the Date of Termination, or, in the case where there is no Date of Termination, at the date of Termination, and

- (d) in situations other than a termination not for cause, such Participant may exercise his or her Options until the earlier of (i) 10 days following Termination, and (ii) the expiration of the respective Options Periods in respect of such Options, in each case, to the extent that such Participant was entitled to exercise such Options at the date of Termination.

Notwithstanding the foregoing or any Employment Contract, in no event shall such right extend beyond the earlier of the Option Period and 12 months from the date of Termination.

3.12 Necessary Approvals.

The obligation of the Corporation to issue and deliver any Common Shares in accordance with the Plan shall be subject to any necessary approval of any stock exchange or regulatory authority having jurisdiction over the securities of the Corporation. If any Common Shares cannot be issued to any Participant upon the exercise of an Option for whatever reason, the obligation of the Corporation to issue such Common Shares shall terminate and any exercise price paid to the Corporation in respect of the exercise of such Option shall be returned to the Participant.

3.13 Extension of Option Period.

Notwithstanding Section 3.4 of the Plan but subject to Section 3.7 and Section 3.11 of the Plan, the expiry date of an Option will be the date determined by the Committee, subject to amendment by an Employment Contract and receipt of any required Stock Exchange and shareholder approvals, unless such expiry date falls within a Blackout Period, in which case the expiry date of the Option will be the date which is ten Business Days after the Blackout Period Expiry Date.

ARTICLE 4

WITHHOLDING TAXES AND SECURITIES LAWS OF THE UNITED STATES

4.1 Withholding Taxes.

The Corporation or any Designated Affiliate may take such steps as are considered necessary or appropriate for the withholding of any taxes which the Corporation or any Designated Affiliate is required by any law or regulation of any governmental authority whatsoever to withhold in connection with any Option or Common Share or other benefit under the Plan including, without limiting the generality of the foregoing, the withholding of all or any portion of any payment or the withholding of the issue of Common Shares to be issued upon the exercise of any Option, until such time as the Participant has paid the Corporation or any Designated Affiliate any amount which the Corporation or the Designated Affiliate is required to withhold with respect to such taxes.

4.2 Options Granted to U.S. Participants

Notwithstanding any provision of this Plan, the Board may from time to time establish one or more sub-plans or forms of option agreements for U.S. Participants under the Plan for purposes of satisfying applicable blue sky, securities or tax laws of the United States or other various jurisdictions. The Board shall establish such sub-plans by adopting supplements to this Plan containing (a) such limitations on the Board's discretion under the Plan as the Board deems necessary or desirable or (b) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. In lieu of a sub-plan, the Board may also establish a form of option agreement for use with U.S. Participants containing such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply

only to Participants within the affected jurisdiction and the Corporation shall not be required to provide copies of any supplement to Participants in any jurisdiction which is not the subject of such supplement.

4.3 Securities Laws of the United States.

Neither the Options which may be granted pursuant to the provisions of the Plan nor the Common Shares which may be issued pursuant to the exercise of Options have been registered under the United States *Securities Act of 1933*, as amended (the "**U.S. Act**"), or under any securities law of any state of the United States. Accordingly, any Participant who is granted an Option or issued Common Shares in a transaction which is subject to the U.S. Act or the securities laws of any state of the United States may be required to represent, warrant, acknowledge and agree that:

- (a) the Participant is acquiring the Option and/or any Common Shares as principal and for the account of the Participant;
- (b) in granting the Option and/or issuing the Common Shares to the Participant, the Corporation is relying on the representations and warranties of the Participant to support the conclusion of the Corporation that the granting of the Option and/or the issue of Common Shares do not require registration under the U.S. Act or to be qualified under the securities laws of any state of the United States;
- (c) each certificate representing Common Shares so issued may be required to have the following legends:

"THE COMMON SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), AND MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (C) WITH THE PRIOR WRITTEN CONSENT OF THE CORPORATION, PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS."

"THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT GOOD DELIVERY OF THE COMMON SHARES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE. A CERTIFICATE WITHOUT A LEGEND MAY BE OBTAINED FROM THE REGISTRAR AND TRANSFER AGENT FOR THE COMMON SHARES OF THE CORPORATION IN CONNECTION WITH A SALE OF THE COMMON SHARES REPRESENTED HEREBY UPON DELIVERY OF THIS CERTIFICATE AND AN EXECUTED DECLARATION BY THE SELLER, IN A FORM SATISFACTORY TO THE REGISTRAR AND TRANSFER AGENT AND THE CORPORATION, TO THE EFFECT THAT SUCH SALE IS BEING MADE IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT.";

provided that if such Common Shares are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S under the U.S. Act the foregoing legends may be removed by providing a written declaration by the holder to the registrar and transfer agent for the Common Shares to the following effect:

"The undersigned (a) represents and warrants that the sale of the securities of Magna Gold Corp. (the "**Corporation**") to which this declaration relates is being made in compliance with

Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and (b) certifies that (1) the undersigned is not an affiliate of the Corporation as that term is defined in the U.S. Securities Act, (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the undersigned and any person acting on behalf of the undersigned reasonably believe that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of a stock exchange and neither the undersigned nor any person acting on behalf of the undersigned knows that the transaction has been prearranged with a buyer in the United States, and (3) neither the undersigned nor any affiliate of the undersigned nor any person acting on any of their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.";

- (d) other than as contemplated by Section 4.3(c) hereof, prior to making any disposition of any Common Shares acquired pursuant to the Plan which might be subject to the requirements of the U.S. Act, the Participant shall give written notice to the Corporation describing the manner of the proposed disposition and containing such other information as is necessary to enable counsel for the Corporation to determine whether registration under the U.S. Act or qualification under any securities laws of any state of the United States is required in connection with the proposed disposition and whether the proposed disposition is otherwise in compliance with such legislation and the regulations thereto;
- (e) other than as contemplated by Section 4.3(c) hereof, the Participant will not attempt to effect any disposition of the Common Shares owned by the Participant and acquired pursuant to the Plan or of any interest therein which might be subject to the requirements of the U.S. Act in the absence of an effective registration statement relating thereto under the U.S. Act or an opinion of counsel satisfactory in form and substance to counsel for the Corporation that such disposition would not constitute a violation of the U.S. Act and then will only dispose of such Common Shares in the manner so proposed;
- (f) the Corporation may place a notation on the records of the Corporation to the effect that none of the Common Shares acquired by the Participant pursuant to the Plan shall be transferred unless the provisions of the Plan have been complied with; and
- (g) the effect of these restrictions on the disposition of the Common Shares acquired by the Participant pursuant to the Plan is such that the Participant may not be able to sell or otherwise dispose of such Common Shares for a considerable length of time in a transaction which is subject to the provisions of the U.S. Act other than as contemplated by Section 4.3(c) hereof.

ARTICLE 5

GENERAL

5.1 Effective Time of Plan.

The Plan shall become effective upon a date to be determined by the Board.

5.2 Certain Limits on Issuances.

- (a) The aggregate number of Options granted to any one person (and companies wholly-owned by that person) in any 12 month period shall not exceed 5% of the number of Common Shares issued and outstanding on a non-diluted basis, calculated at the date an Option is granted to the person, unless the Corporation has obtained the requisite disinterested shareholder approval.
- (b) The aggregate number of Options granted to any one Consultant in any 12 month period shall not exceed 2% of the number of Common Shares issued and outstanding on a non-diluted basis, calculated at the date an Option is granted to the Consultant.
- (c) The aggregate number of Options granted to all persons retained to provide Investor Relations Activities shall not exceed 2% of the number of Common Shares issued and outstanding on a non-diluted basis in any 12 month period, calculated at the date an Option is granted to any such person.
- (d) For greater certainty, in no event shall any security based compensation arrangement of the Corporation, together with all other previously established and proposed security based compensation arrangements of the Corporation, permit at any time:
 - (i) the aggregate number of Common Shares reserved for issuance under stock options granted to Insiders (as a group) at any point in time exceeding 10% of the number of Common Shares issued and outstanding on a non-diluted basis; or
 - (ii) the grant to Insiders (as a group), within any 12 month period, of an aggregate number of options exceeding 10% of the number of Common Shares issued and outstanding on a non-diluted basis, calculated at the date an option is granted to any Insider,

unless the Corporation has obtained the requisite disinterested shareholder approval.

5.3 Suspension, Termination or Amendments.

The Committee shall have the right:

- (a) without the approval of the shareholders of the Corporation, to:
 - (i) suspend or terminate (and to re-instate) the Plan, and
 - (ii) subject to Section 5.3(b) of the Plan, make the following amendments to the Plan:
 - (A) any amendment of a "housekeeping" nature, including, without limitation, amending the wording of any provision of the Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan, correcting grammatical or typographical errors and amending the definitions contained within the Plan,

- (B) any amendment to comply with the rules, policies, instruments and notices of any regulatory authority to which the Corporation is subject, including the Stock Exchange, or to otherwise comply with any applicable law or regulation,
- (C) other than changes to the exercise price and the expiry date of an Option as described in Section 5.3(b)(ii) and Section 5.3(b)(iii) of the Plan, any amendment, with the consent of the Optionee, to the terms of any Option previously granted to such Optionee under the Plan, and
- (D) any amendment respecting the administration or implementation of the Plan;

and

- (b) with the approval of the shareholders of the Corporation by ordinary resolution, including, if required by the applicable Stock Exchange, disinterested shareholder approval, to make any amendment to the Plan not contemplated by Section 5.3(a) of the Plan, including, but not limited to:
 - (i) any amendment to the maximum percentage of Common Shares that may be reserved for issuance pursuant to the exercise of Options granted under the Plan, including an increase to the fixed maximum percentage of Common Shares or a change from a fixed maximum percentage of Common Shares to a fixed maximum number, other than an adjustment pursuant to Section 5.8 of the Plan,
 - (ii) any amendment which reduces the exercise price of any Option, other than an adjustment pursuant to Section 5.8 of the Plan,
 - (iii) any amendment which extends the expiry date of any Option, other than as then permitted under the Plan,
 - (iv) any amendment which cancels any Option and replaces such Option with an Option which has a lower exercise price, other than an adjustment pursuant to Section 5.8 of the Plan,
 - (v) any amendment which would permit Options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes as allowed by Section 5.4 of the Plan, and
 - (vi) any amendment to this Section 5.3 of the Plan.

Notwithstanding the foregoing, any amendment to the Plan shall be subject to the receipt of all required regulatory approvals including, without limitation, the approval of the Stock Exchange.

5.4 Non-Assignable.

No rights under the Plan and no Option awarded pursuant to the provisions of the Plan are assignable or transferable by any Participant other than pursuant to a will or by the laws of descent and distribution.

5.5 Rights as a Shareholder.

No Optionee shall have any rights as a shareholder of the Corporation with respect to any Common Shares which are the subject of an Option. No Optionee shall be entitled to receive any dividends, distributions or other rights declared for shareholders of the Corporation for which the record date is prior to the date of issue of certificates representing Common Shares.

5.6 No Contract of Employment.

Nothing contained in the Plan shall confer or be deemed to confer upon any Participant the right to continue in the employment of, or to provide services to, the Corporation or any Designated Affiliate nor interfere or be deemed to interfere in any way with any right of the Corporation or any Designated Affiliate to discharge any Participant at any time for any reason whatsoever, with or without cause. Participation in the Plan by a Participant shall be voluntary.

5.7 Consolidation, Merger, etc.

If there is a consolidation, merger or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities or a transfer of all or substantially all of the assets of the Corporation to another entity, upon the exercise of an Option under the Plan, the holder thereof shall be entitled to receive the securities, property or cash which the holder would have received upon such consolidation, merger, amalgamation, arrangement, separation or transfer if the holder had exercised the Option immediately prior to the effective time of such event, unless the Committee otherwise determines the basis upon which such Option shall be exercisable.

5.8 Adjustment in Number of Shares Subject to the Plan.

In the event there is any change in the Common Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made to the Options granted under the Plan by the Committee, including, without limitation, in:

- (a) the number of Common Shares available under the Plan;
- (b) the number of Common Shares subject to any Option; and
- (c) the exercise price for the Common Shares subject to Options.

If the foregoing adjustment shall result in a fractional Common Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of the Plan.

5.9 Securities Exchange Take-over Bid.

In the event that the Corporation becomes the subject of a take-over bid (within the meaning of the *Securities Act* (Ontario)) pursuant to which 100% of the outstanding Common Shares are acquired by the offeror either directly or as a result of the compulsory acquisition provisions of the Act, and where consideration is paid in

whole or in part in equity securities of the offeror, the Committee may send notice to all Optionees requiring them to surrender their Options within 10 days of the mailing of such notice, and the Optionees shall be deemed to have surrendered such Options on the tenth day after the mailing of such notice without further formality, provided that:

- (a) the Committee delivers with such notice an irrevocable and unconditional offer by the offeror to grant replacement options to the Optionees on the equity securities offered as consideration;
- (b) the Committee has determined, in good faith, that such replacement options have substantially the same economic value as the Options being surrendered; and
- (c) the surrender of Options and the granting of replacement options can be effected on a tax free rollover basis under the *Income Tax Act* (Canada).

5.10 No Representation or Warranty.

The Corporation makes no representation or warranty as to the future market value of any Common Shares issued in accordance with the provisions of the Plan.

5.11 Participation through RRSPs and Holding Companies.

Subject to the approval of the Committee, a Participant may elect, at the time Options are granted under the Plan, to participate in the Plan by holding any Options granted under the Plan in a registered retirement savings plan established by such Participant for the sole benefit of such Participant or, subject to the policies of the Stock Exchange, in a personal holding corporation wholly-owned by such Participant. In the event that a Participant elects to hold the Options granted under the Plan in a registered retirement savings plan or personal holding corporation, the provisions of the Plan shall continue to apply as if the Participant held such Options directly.

5.12 Compliance with Applicable Law.

If any provision of the Plan or any Option contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction over the securities of the Corporation, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

5.13 Interpretation.

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

SCHEDULE B

Stock Option Plan Resolution

"BE IT RESOLVED THAT:

1. the stock option plan of the Corporation attached as Schedule A to the management information circular of the Corporation dated August 14, 2020 be, and the same hereby is, confirmed and approved as the stock option plan of the Corporation."

SCHEDULE C

Option Grant Resolution

"BE IT RESOLVED AS AN ORDINARY RESOLUTION OF DISINTERESTED SHAREHOLDERS THAT:

1. the grant of an aggregate of 2,350,000 stock options, as further described in the management information circular of the Corporation dated August 14, 2020, be, and the same hereby is, ratified, confirmed and approved."

SCHEDULE D

Audit Committee Charter

MAGNA GOLD CORP.

AUDIT COMMITTEE CHARTER

This charter (the "**Charter**") sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Magna Gold Corp. ("**Magna**" or the "**Corporation**").

1.0 MANDATE

1.1 The Committee shall:

- (a) assist the Board in its oversight role with respect to the quality and integrity of the financial information;
- (b) assess the effectiveness of the Corporation's risk management and compliance practices;
- (c) assess the independent auditor's performance, qualifications and independence;
- (d) assess the performance of the Corporation's internal audit function;
- (e) ensure the Corporation's compliance with legal and regulatory requirements; and
- (f) prepare such reports of the Committee required to be included in any Management Information Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

2.0 COMPOSITION AND MEMBERSHIP

2.1 The Committee shall be composed of not less than three members, each of whom shall be a director of the Corporation. If there are more than three directors of the Corporation, a majority of the members of the Committee shall not be an officer or employee of the Corporation. A majority of the members shall satisfy the applicable independence requirements, and all members shall satisfy the experience requirements, of the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.

2.2 Each member of the Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

2.3 Members of the Committee shall be appointed or reappointed at the annual meeting of the Corporation and in the normal course of business will serve a minimum of three years. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a Director. The Board of Directors may fill a vacancy that occurs in the Committee at any time.

2.4 The Board of Directors or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the annual meeting of the Corporation a Chairman among their number. The

Chairman shall not be a former executive Officer of the Corporation. Such Chairman shall serve as a liaison between members and senior management ("Management").

2.5 The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members therefore provided that:

- (a) a quorum for meetings shall be at least three members;
- (b) the Committee shall meet at least quarterly;
- (c) notice of the time and place of every meeting shall be given in writing or by telephone, facsimile, email or other electronic communication to each member of the Committee at least twenty-four (24) hours in advance of such meeting;
- (d) a resolution in writing signed by all directors entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.

2.6 The Committee shall report to the Board of Directors on its activities after each of its meetings. The Committee shall review and assess the adequacy of this charter annually and, where necessary, will recommend changes to the Board of Directors for its approval. The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this charter and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson of the Committee or any other designated member of the Committee.

3.0 DUTIES AND RESPONSIBILITIES

3.1 Oversight of the Independent Auditor

- (a) Sole authority to appoint or replace the independent auditor (subject to shareholder ratification) and responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between Management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.
- (b) Sole authority to pre-approve all audit services as well as non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- (c) Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- (d) Obtain and review a report from the independent auditor at least annually regarding: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; any steps taken to deal

with any such issues; and all relationships between the independent auditor and the Corporation.

- (e) Review and discuss with Management and the independent auditor prior to the annual audit the scope, planning and staffing of the annual audit.
- (f) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- (g) Review, as necessary, policies for the Corporation's hiring of partners, employees or former partners and employees of the independent auditor.

3.2 Financial Reporting

- (a) Review and discuss with Management and the independent auditor the annual audited financial statements prior to the publication of earnings.
- (b) Review and discuss with Management the Corporation's annual and quarterly disclosures made in Management's Discussion and Analysis. The Committee shall approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation.
- (c) Review and discuss, with Management and the independent auditor, Management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation report on Management's assessment.
- (d) Review and discuss with Management the Corporation's quarterly financial statements prior to the publication of earnings.
- (e) Review and discuss with Management and the independent auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies.
- (f) Review and discuss with Management and the independent auditor at least annually reports from the independent auditors on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and Management, such as any management letter or schedule of unadjusted differences.
- (g) Discuss with the independent auditor at least annually any "Management" or "internal control" letters issued or proposed to be issued by the independent auditor to the Corporation.
- (h) Review and discuss with Management and the independent auditor at least annually any significant changes to the Corporation's accounting principles and practices suggested by the independent auditor, internal audit personnel or Management.

- (i) Discuss with Management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (j) Review and discuss with Management and the independent auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
- (k) Review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual filings with applicable securities regulatory authorities.
- (l) Review disclosures made by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process for the annual filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving Management or other employees who have a significant role in the Corporation's internal controls.
- (m) Discuss with the Corporation's General Counsel at least annually any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Corporation or any of its subsidiaries from regulators or governmental agencies.

3.3 Oversight of Risk Management

- (a) Review and approve periodically Management's risk philosophy and risk management policies.
- (b) Review with Management at least annually reports demonstrating compliance with risk management policies.
- (c) Review with Management the quality and competence of Management appointed to administer risk management policies.
- (d) Review reports from the independent auditor at least annually relating to the adequacy of the Corporation's risk management practices together with Management's responses.
- (e) Discuss with Management at least annually the Corporation's major financial risk exposures and the steps Management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.

3.4 Oversight of Regulatory Compliance

- (a) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

- (b) Discuss with Management and the independent auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation's financial statements or accounting.
- (c) Meet with the Corporation's regulators, according to applicable law.
- (d) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

4.0 FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

- 4.1** The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Committee. The Committee shall also have the authority to retain and, at Magna's expense, to set and pay the compensation for such other independent counsel and other advisors as it may from time to time deem necessary or advisable for its purposes. The Committee also has the authority to communicate directly with internal and external auditors.

5.0 PROCEDURES FOR RECEIPT OF COMPLAINTS AND SUBMISSIONS RELATING TO ACCOUNTING MATTERS

- 5.1** The Corporation shall inform employees on the Corporation's intranet, if there is one, or via a newsletter or e-mail that is disseminated to all employees at least annually, of the officer (the "**Complaints Officer**") designated from time to time by the Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters.
- 5.2** The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Committee or the Chair of the Committee.
- 5.3** The Complaints Officer shall be informed that he or she must report to the Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Committee called to approve interim and annual financial statements of the Corporation.
- 5.4** Upon receipt of a report from the Complaints Officer, the Committee shall discuss the report and take such steps as the Committee may deem appropriate.
- 5.5** The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

6.0 PROCEDURES FOR APPROVAL OF NON-AUDIT SERVICES

- 6.1** The Corporation's external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
- (a) bookkeeping or other services related to the Corporation's accounting records or financial statements;
 - (b) financial information systems design and implementation;

- (c) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
- (d) actuarial services;
- (e) internal audit outsourcing services;
- (f) management functions;
- (g) human resources;
- (h) broker or dealer, investment adviser or investment banking services;
- (i) legal services;
- (j) expert services unrelated to the audit; and
- (k) any other service that the Canadian Public Accountability Board determines is impermissible.

6.2 In the event that the Corporation wishes to retain the services of the Corporation's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.

6.3 The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

7.0 REPORTING

The Chairman will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report for inclusion in the Annual Information Form. The Secretary will circulate the minutes of each meeting of the Committee to the members of the Board.

8.0 ACCESS TO INFORMATION AND AUTHORITY

The Committee will be granted unrestricted access to all information regarding Magna that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by members of the Committee.

9.0 REVIEW OF CHARTER

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated: November 24, 2019
Approved by: Audit Committee
Board of Directors