

# Magna Gold Corp. Announces Acquisition Of The San Francisco Mine And Private Placement

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TORONTO and NEW YORK, March 06, 2020 - [Magna Gold Corp.](#) (TSXV: MGR, OTCQB: MGLQF) ("Magna" or the "Company") is pleased to announce that it has entered into a definitive purchase agreement (the "Definitive Agreement") with Timmins GoldCorp Mexico S.A. de C.V. ("Timmins"), a wholly-owned subsidiary of [Alio Gold Inc.](#) ("Alio"), to acquire the San Francisco Mine (defined below) located in Sonora, Mexico (the "Acquisition").

Arturo Bonillas, President and Chief Executive Officer of Magna, stated, "The acquisition of the San Francisco Mine is a pivotal moment in Magna's evolution to become a growing gold producer in Mexico. Our team has a long history with the operation, and we are confident in our ability to re-establish the San Francisco Mine as a profitable mine. Our focus remains to generate value for our shareholders and this acquisition underpins our ability to do so in the immediate and long-term".

## Overview of Historical Results from the San Francisco Mine

The San Francisco property is situated in the north central portion of the state of Sonora, Mexico, approximately 150 kilometres north of the state capital, Hermosillo. The property consists of 21 contiguous mining concessions totaling an area of 47,395 hectares (the "San Francisco Mine"). The operation is comprised of two previously mined open pits (San Francisco and La Chicharra), together with heap leach processing facilities and associated infrastructure located close to the San Francisco pit.

During July 2011, Alio expanded the crushing system to 15,000 tonnes per day ("tpd"). In December 2012, a new additional 5,000 tpd crushing circuit was installed and in August 2013, an expansion was made to the crushing circuit to bring total capacity of the new circuit to 7,000 tpd. Total crushing capacity at the mine is currently 22,000 tpd. The gold recovery operation comprises two adsorption-desorption-recovery ("ADR") plants with a total of three parallel sets of carbon columns. In the first quarter of 2017, a new stripping circuit and an additional carbon tank was added to the circuit and Alio implemented several operational changes to improve overall gold recovery.

Since declaration of commercial production in April 2010, the operation has produced over 820,000 ounces of gold and between 2013 and 2017, the mine produced over 100,000 ounces of gold per year on average. In 2020, the mine entered into a period of residual leaching and Alio expects to recover between 12,500 to 15,000 ounces of gold.

## Historical Estimate

In a news release dated August 10, 2018, Alio reported the following Mineral Reserves and Mineral Resources as of July 1, 2018 for the San Francisco Mine:

Category	Tonnes	Au (g/t)	Gold (ozs)
Proven	23,085,826	0.489	363,230
Probable	25,195,005	0.532	431,043
Total	48,280,831	0.512	794,272
Low Grade Stockpile	7,199,000	0.260	60,200

Category	Tonnes
Measured	39,715,871
Indicated	44,505,325
Measured and Indicated	84,221,196
Inferred	1,947,846

1. All historical Mineral Reserves and Mineral Resources were calculated in accordance with the standards of the C
2. All historical Mineral Resources were reported inclusive of Mineral Reserves.
3. Historical Mineral Resources which were not Mineral Reserves do not have demonstrated economic viability.
4. Historical Mineral Reserves were estimated using appropriate recovery rates and US\$ commodity prices of \$1,23
5. Historical Mineral Resources were estimated using US\$ commodity prices of \$1,350 per ounce of gold.

The Mineral Reserves and Mineral Resources estimates were reported by Alio in its news release dated August 10, 2018, available under Alio's SEDAR profile at [www.sedar.com](http://www.sedar.com). Mineral Reserves and Mineral Resources were prepared by Alio in accordance with National Instrument 43-101 &ndash; *Standards of Disclosure for Mineral Projects* (&ldquo;NI 43-101&rdquo;) under the supervision of a qualified person. The most recent NI 43-101 technical report on the San Francisco Mine was filed by Alio on May 25, 2017, with an effective date of April 1, 2017, and is available under Alio's SEDAR profile at [www.sedar.com](http://www.sedar.com). The Mineral Reserves and Mineral Resources noted above are historical estimates and a qualified person has not done sufficient work on behalf of Magna to classify the historical estimate as current Mineral Resources or Mineral Reserves. Although Magna is not treating this information as current estimates, it believes Alio's work is reliable and that the information, which was made publicly available by Alio, may be of assistance to investors. The Company intends to review all project data, validate data quality, create a new geological model and then make an updated resource estimate in the upcoming months. As well, the Company will be reviewing metallurgical information and key economic parameters in order to evaluate the potential economics of an open pit gold mine and heap leach extraction facility.

### **Operational Improvement Plan**

Following closing of the Acquisition, Magna intends to execute a mine operational improvement plan that will include a full review and update to (i) the mine design and production plan, (ii) metallurgy and processing, (iii) workforce management, and (iv) local and regional exploration. Based on Magna's review to date, the Company believes it can re-commence mining operations in the near term with the goal of establishing profitable mining operations.

Magna will provide additional details with respect to the mine operational improvement plan following the closing of the Acquisition. The mine operational improvement plan will be supported by a preliminary economic assessment, pre-feasibility study or feasibility study.

### **Summary of the Acquisition**

Under the terms of the Definitive Agreement, Magna will acquire 100% of Alio's indirect wholly-owned subsidiary Molimentales del Noroeste, S.A. de C.V., which owns a 100% interest in the San Francisco Mine and the surrounding mineral concessions, in exchange for:

- On Closing: The issuance of 9,740,000 common shares in the capital of the Company ("Common Shares"), representing approximately 19.9% of the issued and outstanding Common Shares upon closing of the Acquisition (the &ldquo;Consideration Shares&rdquo;).
- 12 Months from Closing: US\$5 million in cash or a 1% net smelter return royalty on a portion of the San Francisco Mine, at the election of Magna.

The Consideration Shares will be subject to a lock-up agreement until the earlier of (i) the date that is 12 months from the closing of the Acquisition and (ii) the date on which Timmins and its affiliates collectively hold less than 9.9% of the Common Shares on an undiluted basis. In the event that Timmins wishes to sell any or all of the Consideration Shares, Magna will have the option to arrange the purchaser of such shares until Timmins and its affiliates collectively hold less than 9.9% of the Common Shares on an undiluted basis.

Magna expects to conclude an ongoing arbitration process with a prior mining contractor that is related to operations at the San Francisco Mine. Discussions between Magna and the contractor have been meaningfully advanced, and the Company expects to come to a positive resolution in the near term.

Completion of the Acquisition is subject to a number of customary conditions, including receipt of all regulatory approvals and the acceptance of the TSX Venture Exchange.

The Acquisition is expected to close at the end of March.

## **Private Placement**

The Company intends to complete a non-brokered private placement (the "Offering") of up to approximately 17,150,000 Common Shares (the "Offered Shares") at a price of \$0.35 per Offered Share for aggregate gross proceeds of up to approximately \$6,000,000.

The net proceeds from the Offering will be used for general and working capital purposes in connection with the San Francisco Mine.

In connection with the Offering, certain arm's length parties may receive warrants (the "Finder's Warrants") to purchase that number of Common Shares equal to 5% of the Offered Shares that are sold to subscribers introduced by such parties, with each Finder's Warrant being exercisable for one Common Share at a price of \$0.35 per Common Share for a period of three years from the date of the closing of the Offering. The Finder's Warrants are subject to the approval of, and will be issued in accordance with, the rules of the TSX Venture Exchange.

The securities issued in connection with the Offering will be subject to a four month hold period from the date of issuance in accordance with applicable Canadian securities laws. The Offering is subject to the receipt of all required regulatory approvals, including the acceptance of the TSX Venture Exchange.

We expect the Offering to be completed following the closing of the Acquisition, subject to customary closing conditions.

The Offered Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold or delivered, directly or indirectly, within the United States, or to or for the account or benefit of U.S. persons unless the Offered Shares are registered under the Securities Act or pursuant to an applicable exemption from the registration requirements of the Securities Act. This news release does not constitute an offer to sell, nor is it a solicitation of an offer to buy securities, nor shall there be any sale of securities in any state in the United States in which such offer, solicitation or sale would be unlawful.

## **Advisors and Counsel**

Magna has retained Medalist Capital Ltd. and Trinity Advisors Corporation as financial advisors and Bennett Jones LLP as legal advisor.

## **Qualified Person**

James Baughman (P. Geo.), Consulting Geologist and a Qualified Person as defined by NI 43-101, has approved the scientific and technical information in this news release.

## **About Magna Gold Corp.**

[Magna Gold Corp.](#) is a mineral exploration company focused on acquiring, exploring and developing quality precious metals properties in Mexico. Primary strength of the Company is the team of highly experienced mining professionals with a proven track record of developing properties in Mexico from discovery to production on budget and on time.

The Company's shares trade on the TSXV under the trading symbol "MGR" and OTCQB under the trading symbol "MGLQF". Magna takes social license seriously and employ local community members and services in its operations.

For more information, please visit [www.magnagoldcorp.com](http://www.magnagoldcorp.com) or contact Francisco Arturo Bonillas Zepeda, the Chief Executive Officer, Corporate Secretary and a Director of the Company.

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*This news release includes certain "forward-looking statements" which are not comprised of historical facts. Forward-looking statements include estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Although these statements are based on information currently available to the Company, the Company provides no assurance that actual results will meet management's expectations. Risks, uncertainties and other factors involved with forward-looking information could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward looking information in this news release includes, but is not limited to, information about the structure and terms of the Acquisition, timing for completion of the Acquisition, the structure and terms of the Offering, the use of proceeds of the Offering, timing and completion of the Offering, timing for receipt of required regulatory approvals, including the acceptance of the TSX Venture Exchange, the ability of the Company to complete the Acquisition on the terms announced, the Company's objectives, goals or future plans, statements, exploration results, potential mineralization, the estimation of mineral resources, exploration and mine development plans, timing of the commencement of operations and estimates of market conditions. Factors that could cause actual results to differ materially from such forward-looking information include, but are not limited to the inability to satisfy the conditions required to complete the Acquisition, the inability to receive required regulatory approvals, including the acceptance of the TSX Venture Exchange, termination of the Definitive Agreement failure to identify mineral resources, failure to convert estimated mineral resources to reserves, the inability to complete a feasibility study which recommends a production decision, the preliminary nature of metallurgical test results, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, political risks, inability to fulfill the duty to accommodate First Nations and other indigenous peoples, uncertainties relating to the availability and costs of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, capital and operating costs varying significantly from estimates and the other risks involved in the mineral exploration and development industry, and those risks set out in the Company's public documents filed on SEDAR. Although the Company believes that the assumptions and factors used in preparing the forward-looking information in this news release are reasonable, undue reliance should not be placed on such information, which only applies as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.*

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