

Magna Gold Corp. Closes Acquisition of the San Francisco Mine and Private Placement

07.05.2020 | [GlobeNewswire](#)

TORONTO and NEW YORK, May 06, 2020 - [Magna Gold Corp.](#) (TSXV: MGR, OTCQB: MGLQF) is pleased to announce that it has closed the acquisition of the San Francisco Mine located in Sonora, Mexico (the Acquisition) pursuant to a definitive share purchase agreement dated March 5, 2020, as amended April 24, 2020 (the Definitive Agreement), between Timmins GoldCorp Mexico S.A. de C.V. (Timmins), a wholly-owned subsidiary of Alio Gold Inc. (Alio), and the Company.

Magna is also pleased to announce the following key milestones for the Company (as described herein):

- The closing of a concurrent non-brokered private placement (the Private Placement), providing the Company with gross proceeds of approximately C\$2,000,000.
- A favourable agreement with Peal de Mexico, S.A. de C.V. (Peal), the prior mining contractor for the San Francisco Mine, with respect to the ongoing arbitration process (the Settlement).

Arturo Bonillas, President and Chief Executive Officer of Magna, stated, "With a stronger balance sheet and operating team, we look forward to getting back to the mine to start implementing our plans to re-establish a profitable mining operation. We see several prospects to enhance shareholder value and through a focused operating approach, we believe our team can begin surfacing this value in the near-term. This mine will give us the critical scale to continue building our gold business in Mexico and we look forward to advancing our Company to the benefit of all stakeholders."

San Francisco Mine Acquisition

Under the terms of the Definitive Agreement, Magna acquired ownership of Alio's indirect wholly-owned subsidiary, Molimentales del Noroeste, S.A. de C.V. (Molimentales), in exchange for (i) the issuance to Timmins of 9,740,000 common shares in the capital of the Company (Common Shares) at a deemed price of C\$0.40 per Common Share; and (ii) US\$5,000,000 in cash or a 1% net smelter return royalty in respect of the San Francisco Mine, at the election of Magna, on or before May 6, 2021.

Following completion of the Acquisition and Private Placement, Timmins owns approximately 17.48% of the issued and outstanding Common Shares.

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

Molimentales is party to an ongoing amparo suit with Inmobiliaria y Hotelera Los Algodones, S.A. de C.V. with respect to an amount of US\$1,725,000.

A technical report on the San Francisco Mine prepared in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* will be filed by the Company following completion of a personal inspection by one of the independent qualified persons responsible for preparing the technical

report. The personal inspection has been delayed as a result of travel restrictions due to COVID-19 and will be completed as soon as practicable once the applicable travel restrictions have been lifted.

The Acquisition is subject to the final acceptance of the TSX Venture Exchange (the "Exchange").

Private Placement

Magna has closed its previously announced non-brokered private placement consisting of 5,714,286 Common Shares (the "Offered Shares") at a price of C\$0.35 per Offered Share for aggregate gross proceeds of approximately C\$2,000,000. The net proceeds from the Private Placement will be used for the acquisition of, and for working capital purposes in connection with, the San Francisco Mine.

In connection with the Private Placement, the Company has: (i) paid approximately C\$28,400 in cash finder's fees to Canaccord Genuity Corp. and issued 34,260 Common Shares (the "Finder's Shares") to Medalist Capital Ltd. at a deemed price of C\$0.35 per Common Share in lieu of cash finder's fees, representing 6% of the gross proceeds of the Offered Shares that were sold to subscribers introduced by such parties; and (ii) issued an aggregate of 96,185 non-transferable warrants (the "Finder's Warrants") to Canaccord Genuity Corp. and Medalist Capital Ltd., representing 5% of the Offered Shares that were sold to subscribers introduced by such parties, with each Finder's Warrant being exercisable for one Common Share at a price of C\$0.35 per Common Share until May 6, 2022.

The securities issued in connection with the Private Placement are subject to a hold period in accordance with applicable Canadian securities laws which will expire on September 7, 2020. The Private Placement is subject to the final acceptance of the Exchange.

Arturo Bonillas, an officer and a director of the Company, and Medalist Capital Ltd., an insider of the Company, subscribed for an aggregate of 485,714 Offered Shares under the Private Placement on the same terms as arm's length investors. Medalist Capital Ltd. also received 34,260 Finder's Shares and 28,550 Finder's Warrants in connection with the Private Placement. The participation of Mr. Bonillas and Medalist Capital Ltd. in the Private Placement and the issuance of the Finder's Shares and Finder's Warrants to Medalist Capital Ltd. constitutes a related party transaction for the purposes of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (MI 61-101). The Company is exempt from the requirements to obtain a formal valuation or minority shareholder approval in connection with the Private Placement in reliance on sections 5.5(b) and 5.7(1)(a), respectively, of MI 61-101, as no securities of the Company are listed or quoted on the specified markets and neither the fair market value of the securities issued to Mr. Bonillas and Medalist Capital Ltd. nor the fair market value of the consideration for the securities issued to Mr. Bonillas and Medalist Capital Ltd. exceeds 25% of the Company's market capitalization as calculated in accordance with MI 61-101. The Company did not file a material change report containing all of the disclosure required by MI 61-101 more than 21 days before the expected closing date of the Private Placement as the aforementioned insider participation had not been confirmed at that time and the Company wished to close the Private Placement as expeditiously as possible.

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.

Peal Settlement

Magna has entered into a binding letter of intent with Peal, the prior mining contractor for the San Francisco Mine, pursuant to which Peal will provide a full and final release in favour of Molimentales to conclude the ongoing arbitration process between Peal and Molimentales. For further details regarding the Settlement, please refer to the Company's news release dated April 24, 2020.

Advisors and Counsel

Medalist Capital Ltd. and Trinity Advisors Corporation acted as financial advisors to the Company and Bennett Jones LLP acted as legal advisor to the Company. In connection with the Acquisition, Medalist Capital Ltd. and Trinity Advisors Corporation received advisory fees consisting of an aggregate of C\$240,000 in cash and the issuance of an aggregate of 1,029,999 Common Shares (the "Compensation Shares") at a deemed price of C\$0.40 per Compensation Share. The Compensation Shares are subject to a hold period in accordance with applicable Canadian securities laws which will expire on September 7, 2020.

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 or contact Francisco Arturo Bonillas Zepeda, the Chief Executive Officer, Corporate Secretary and a Director of the Company.

Francisco Arturo Bonillas Zepeda
CEO, Corporate Secretary and Director
E: abonillas@magnagoldcorp.com
T: 647.259.1790

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 use of proceeds of the Private Placement, the structure and terms of the Settlement, timing and completion of the Settlement, timing for receipt of required regulatory approvals, including the final acceptance of the Exchange, the ability of the Company to complete the Settlement 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 receive required regulatory approvals, including the final acceptance of the Exchange, 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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Die URL für diesen Artikel lautet:

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