

Magna Gold Corp. Provides Mine Performance and Operational Update as at September 30, 2020

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TORONTO, Nov. 2, 2020 - [Magna Gold Corp.](#) (TSXV: MGR) (OTCQB: MGLQF) ("Magna" or the "Company") is pleased to provide the results of its operating activities at the San Francisco Mine located in Sonora, Mexico ("San Francisco") for the period between August 1, 2020 and September 30, 2020, in addition to an update on its ongoing mine development and optimization efforts.

Magna remains focused on its stated strategy of establishing San Francisco as a stable and profitable operation, while protecting the Company's balance sheet as it advances the mine towards production targets outlined in the Pre-Feasibility Study ("PFS") recently completed and dated August 28, 2020. Since acquiring the mine in May 2020, Magna has been pre-stripping the San Francisco and La Chicharra open pits. In parallel, the Company has also been processing lower grade stockpile material and, more recently, fresh ore from the open pits, and has generated operating profit that has been used sparingly to both fund development activities and limit equity dilution to its shareholders.

Despite the challenged past at San Francisco during 2018 to 2020, the Company acquired the asset given (i) the geological potential across the property, (ii) management's successful track record at the mine in the past and (iii) management's confidence in its ability to remedy prior operational missteps. Magna's goal is to unlock the inherent value of San Francisco through an aggressive yet disciplined program of drilling and mine optimization that will establish a mine generating cash flow that can be re-invested into the property to support future growth.

Magna remains on track to bring the San Francisco mine to full-scale operations in 2021.

Arturo Bonillas, President and Chief Executive Officer of Magna stated, "Mining, development and processing activities at San Francisco are progressing well and initial mine performance has exceeded expectations. With pre-stripping activities in progress, we are poised for an exciting and profitable 2021 as the mine ramps up to full-scale operations. During this period, the balance sheet has remained intact as the mine has self-funded all development and exploration activities. We remain confident in our team's ability to execute on our stated goals and we appreciate the patience of all our stakeholders as we progress through the ramp-up phase. I would also like to extend my appreciation to the Magna team that has continued to show great dedication in making the San Francisco mine a success, particularly in the midst of the challenges posed by the COVID-19 pandemic."

Progress and Highlights⁽¹⁾:

- Gold ounces sold of 12,408 ozs since acquiring San Francisco, including 7,473 ozs during the quarter ended September 30, 2020.
- Cash operating costs⁽²⁾ of \$15.1M or US\$1,218/oz sold since the acquisition of the mine, which includes non-recurring costs such as the pre-strip at the open pits and costs needed to rehabilitate the process facilities and infrastructure. Magna anticipates cash costs to materially decline as the ramp-up continues to be realized.
- Revenues of US\$22.4M and cash operating margin of US\$7.3M since acquiring the San Francisco mine.
- 30% completion of pre-stripping activities at the La Chicharra and San Francisco open pits at the end of October 2020.
- Commencement of mining and processing of fresh ore from the La Chicharra and San Francisco open pits in August 2020, along with the processing of low-grade stockpile, has resulted in approximately 9,400 tpd of ore currently being processed through heap leach pads. Full installed crushing capacity at the San Francisco mine is of 22,000 tpd.
- Gold production from fresh ore to be realized in Q1 2021, in accordance with the San Francisco mine gold recovery study.
- Advancement of an underground decline below the San Francisco pit, which is anticipated to reach a higher-grade zone by the end of the year and has also provided incremental ore to be processed.
- Average gold recoveries ranging between 68% and 72%, projected from prepared composites from ore placed on heap leach pads and tested at our metallurgical test lab.
- Exploration drilling around the existing pits and at depth is expanding the mineralized envelope for the open pits and has the potential to delineate a higher-grade underground Mineral Resource.
- Cash position as at September 30, 2020 of US\$7.3M at the site level, after having reinvested \$5.8M back in the mine. Consolidated cash position at Company level was of US\$11.2M.

Mine Re-Invigoration Progress

Operating profit generated from San Francisco since the acquisition has been re-invested into the mine in a disciplined address the lack of past maintenance and oversight. Since acquiring San Francisco, Magna has completed the following prepare for full ramp-up in 2021:

- \$1.8M of restart costs including urgent plant repairs and major refurbishments;
- \$3.5M of open pit pre-stripping costs; and
- \$0.5M of underground mine development.

Operational Optimization Progress

The PFS outlined an initial eight-year operation producing approximately 69 kcozs per year from open pit ore only, at an all-in sustaining cost of US\$1,204 per ounce. There are no major development capital requirements to achieve the forecasted production profile set out in the PFS. At a gold price of US\$1,900 per ounce, the net present value of the mine is US\$2.5 billion at a 5% discount rate.

Magna is continuing to optimize the PFS and the Company has identified several areas that are anticipated to improve operations and economics of the mine:

- **Expansion of Mineral Reserves:** The Mineral Reserves estimated in the PFS were based on Mineral Resources of Alio Gold Inc. at the time of the acquisition. Since then, Magna has employed an aggressive exploration program at the periphery of the existing open pits and at depth, and the Company anticipates increasing Mineral Reserves and Mineral Resources by Q1 2021, which could provide the opportunity to both extend the mine life and increase annual production.
- **Expansion of Production Scale:** The PFS is solely based on open pit production. With the recent exploratory work identifying underground potential under the San Francisco open pit, Magna believes an underground mine could be developed to add a modest higher-grade production scale to the overall operation. In addition to this, the Company has been evaluating the potential to exploit satellite sources of ore, such as Mercedes and Vetatierra, that could utilize existing infrastructure to reduce future capital outlays and provide for additional low-cost production in the near-term.
- **Reduction of Operating Costs:** Based on mining and processing activities to date, Magna has identified certain areas that provide the potential to reduce the operating costs estimated in the PFS. Such opportunities for potential future cost reductions include the underground mine, the Mercedes pilot test project, and economies of scale to be provided by a potential expansion of process capacity.
- **Metallurgy:** Metallurgical test work to date has identified the opportunity to increase capacity and improve metallurgical recoveries from an upgrade of the crushing and leaching operations. Specifically, the reduction in crush size is expected to increase gold recoveries by 5% to 10%.

Magna intends to provide an update to its operational plans in early 2021 once further drilling and engineering have been completed. In the interim, the Company will continue to provide its shareholders with updates on ramp-up progress at the mine in addition to its findings with respect to the abovementioned optimization efforts.

Qualified Person

James Baughman (P. Geo.), Consulting Geologist and a Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects, has approved the scientific and technical information in this news release.

About Magna Gold Corp.

[Magna Gold Corp.](#) is a Canadian gold company engaged in operations, development, exploration and acquisitions in Mexico. Magna's primary asset is the San Francisco gold mine in Sonora, Mexico and exploration stage projects include San Juan, Pima and Mercedes.

The Company's shares trade on the TSXV under the trading symbol "MGR" and OTCQB under the trading symbol "MG". 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.

(1) Preliminary non-GAAP financial numbers.

(2) The cash operating costs does not include change in gold inventories, Government royalty nor transport and refining costs.

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 timing of the technical studies and the results of pilot projects and operations, the Company's objectives, goals or future plans, exploration results, potential mineralization, the estimation of mineral reserves and 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, 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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