

Magna Raises \$18M. Increasing Target Price to \$3/sh

A Significant Cash Injection and a Revaluation of Magna

On January 25, 2023, Magna Mining Inc. (Magna) announced that it has closed an \$18 million private placement financing using a combination of flow through and hard dollars with a weighted average price of \$1.64 per share (the transaction was announced on January 10, 2023). We have made a number of changes to our valuation of Magna including: adding the new shares issued (and options/warrants that are now in the money); updating the cash balance; using discrete multiples for Shakespeare and Crean Hill (0.25x for Shakespeare and 0.75x for Crean Hill compared to 0.5x for both, previously); including a value for the company's exploration upside; and, improving the quality and relevance of the comparable companies we use to value the contained nickel equivalent pounds for Crean Hill. **As a result, we are increasing our target price to \$3.00 per share from \$1.50 per share, previously.**

New Flow to be Driven by Very Active Exploration

The most significant change to our model was changing the EV/tonne of contained nickel equivalent from US\$490/t to US\$1,000/t (\$0.22/lb and \$0.45/lb, respectively). We believe that this value more accurately reflects the quality, size and jurisdiction of Crean Hill relative to comparable companies/deposits. We have also ascribed \$100 million to exploration upside for both Crean Hill and Shakespeare – we believe both projects have excellent exploration potential.

With the injection of \$18 million, we believe that Magna is well positioned to execute an aggressive exploration program for 2023 at both Crean Hill (the focus) and Shakespeare (where there remain many exploration targets).

Looking forward, we expect that Magna will continue to test shallow targets to infill areas of the open-pit resource (and potentially define an area for a bulk sample) and we anticipate that the company will drill deeper holes to test extensions of known mineralization. We also expect Magna will continue to define the known footwall mineralization and test for extensions of these deposits with the hope of finding a large, high-grade footwall deposit. We think the discovery of a large footwall deposit could be a significant inflection point for Magna, much as it was for FNX when it discovered the Levack Footwall – subsequently renamed the Morrison Deposit. The first drill results reported from the Levack Footwall in February 2005 were 10.2 feet grading 26.2% copper, 3.0% nickel, 0.42 oz/ton TPM and 16.4 feet grading 26.2% copper, 3.7% nickel and 0.45 oz/ton TPM.

Magna anticipates completing a pre-feasibility study (PFS) on the Denison project (Crean Hill) in Q2/23. Once that document is published, we will most likely change our valuation methodology to a discounted cash flow (DCF) from the current EV/t metric. It is not clear at this time how that will affect the valuation of the project.

Few Nickel-Focused Companies Out There - We Think Magna is Worthy

There are not many nickel sulphide-focused public companies for investors to consider. That said, we believe that Magna offers investors an excellent vehicle to gain exposure to a large nickel/copper/PGM resource and very exciting exploration potential. **We reiterate our BUY recommendation and our target price is \$3.00 per share** (up from \$1.50 per share, previously).

RATING & TARGET PRICE

Rating	BUY
Price	C\$1.15
Price Target	C\$3.00
Market Cap (\$M)	C\$167.70
Projected Return	160.87%

MARKET DATA

NICU-TSXV	C\$1.15
Average Daily Volume	0.62
52 Week Range	C\$1.49 - C\$0.24
Enterprise Value (\$M)	C\$144.7
Cash (\$M)	C\$23.00
Shares Out. (MM)	145.8
Debt (\$M)	C\$0.00

Cash and Shares Outstanding are pro forma the issuance of \$18M in January 2023.

UPCOMING EVENTS/CATALYSTS

PFS for Crean Hill in Q2/23

ANALYST INFORMATION

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Company Description:

Headquartered in Ontario, Canada, Magna owns the Shakespeare project west of Sudbury, Ontario and the Denison project in the Sudbury basin. The Shakespeare mine is a past producer with a significant resource and the Denison project contains the Crean Hill mine which is also a past producer.

Risks:

Magna's Project is exposed to a variety of business risks, but not limited to, unexpected development or operating issues, permitting factors, and commodity and currency fluctuations. External financing requirements are also key risks, owing to the Company's lack of operating cash flow.

EXPLORATION RISKS | Like all exploration and development companies, Magna must outline sufficient resources and, eventually, reserves, to warrant re-development of its project.

COMMODITY RISKS | Like all mining companies, Magna is subject to fluctuations in commodity prices, specifically nickel and copper. If the price of these metals drops materially, future equity raises may come with higher than anticipated dilution.

CURRENCY RISKS | Magna's functional currency is the Canadian dollar while metals are priced in US Dollars. A strengthening Canadian dollar would reduce the value of its projects in Canadian dollar terms.

FINANCIAL RISKS | Magna is sufficiently financed for its current program.

POLITICAL, SOCIAL AND ENVIRONMENTAL RISKS | Magna operates in the province of Ontario, Canada. Although we consider Ontario to be a top-tier mining jurisdiction, there is no guarantee against unforeseeable issues, such as permitting, relations with First Nations, and changes to applicable mining or environmental laws and/or regulations.

RELEVANT DISCLOSURES APPLICABLE TO COMPANIES UNDER COVERAGE

- 1 • The analyst holds shares in Magna Mining Inc.
- 2 • The analyst has conducted a site visit to this Issuer in the last 12 months. Travel and accommodations were paid by RCC and meals were paid by the Issuer.

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Adam Schatzker has visited Magna Mining Inc. in the past 18 months.

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