

Goldletter INTERNATIONAL

the international independent information and advice bulletin for gold and related investments

INVESTMENT ALERT – August 19, 2020

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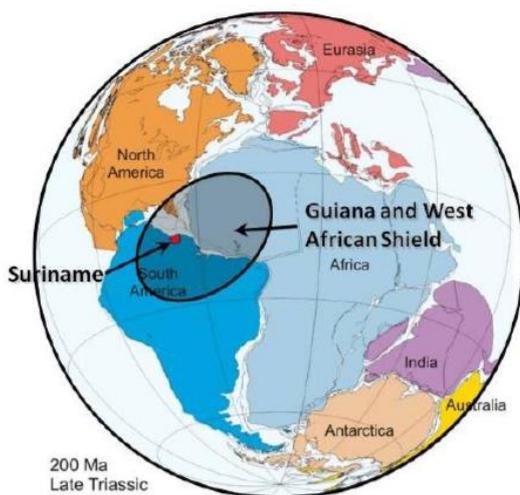
79 North. (C\$ 0.17)

CSE	: JQ
H + L prices (12 months)	: C\$ 0.25 – 0.13
Net shares issued	: 85.9 million
Fully diluted shares	: 140.8 million
Market Capitalization	: C\$ 14.6 million

2020 price target: C\$ 0.50

INVESTMENT ALERT

- ▶ **Gold Exploration** has commenced at the **Nassau Gold Project**, Sipalwini District in northern Suriname, South America



On August 11, 2020, **79North** announced that gold exploration has commenced at the **Nassau Gold Project**, which consists of two mineral exploitation concessions in the Sipalwini District in northern Suriname.

The **Nassau Project** is a 20,000-hectare underexplored property located 20 kilometres south of **Newmont's Merian** gold mine and 60 kilometres east of **IAMGOLD's Rosebel** gold mine.

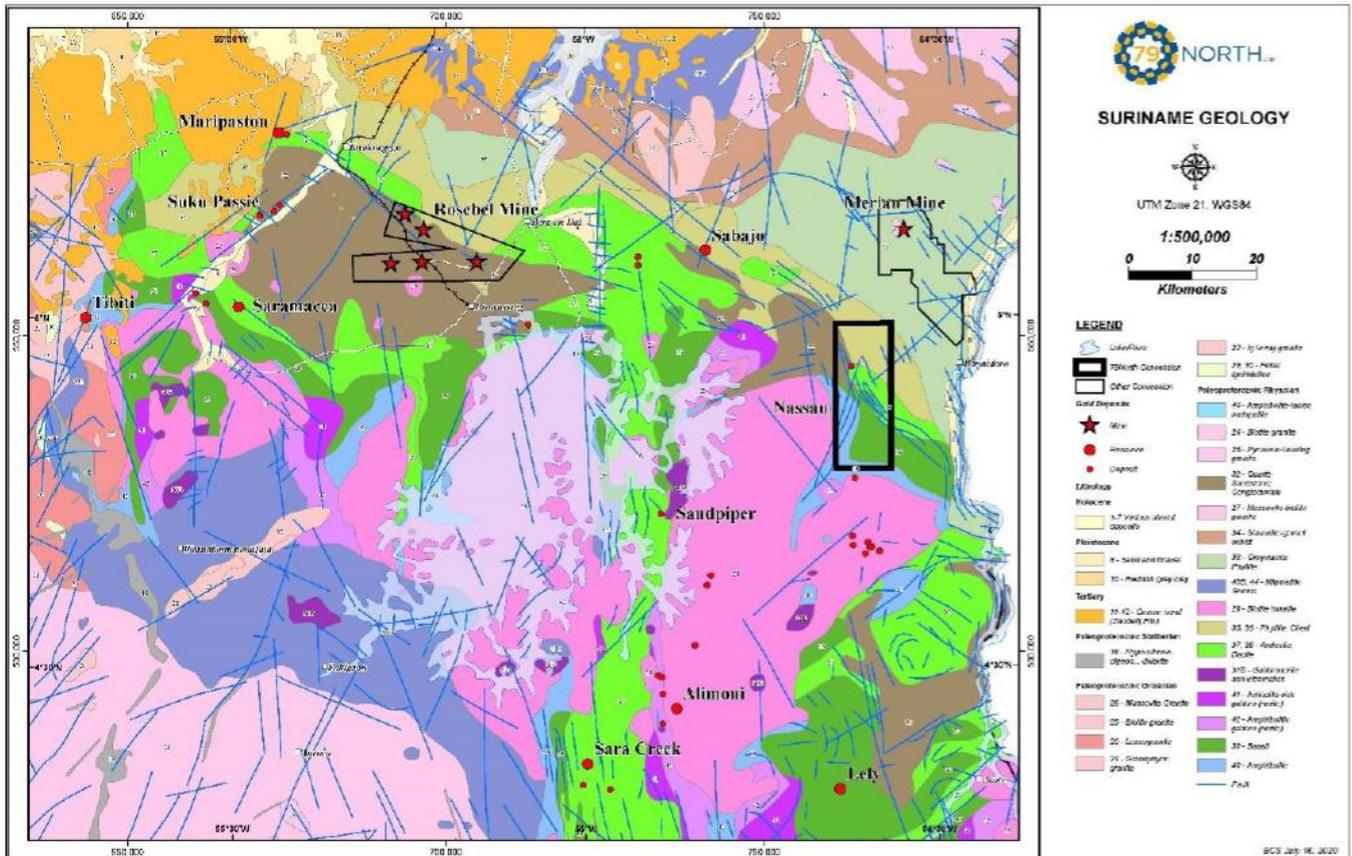
The **Nassau Project** shares the same stratigraphy and structures as both the **Merian** and **Rosebel** operating gold mines, which in 2019 produced **524,000 ounces at all-in sustaining cost of US\$ 689/ounce** and **264,000 ounces at all-in sustaining cost of U\$ 1165/ounce**, respectively.

The **Nassau Project** and contains three large placer gold deposits plus an area of high grade surface rock samples that surround a central plateau where gold has been mined from alluvium for at least a century.

79North has narrowed down for exploration targets at **Nassau** to focus initial exploration on gold deposit-sized geological, geochemical and geophysical anomalies, which is relatively easy to do with so much prospective geology as the Nassau Gold Project.

Such a large property in such highly prospective terrane will undoubtedly reveal additional targets as the Company commences exploration and complete a property-wide LiDAR survey, according to **79North** CEO Jon North.

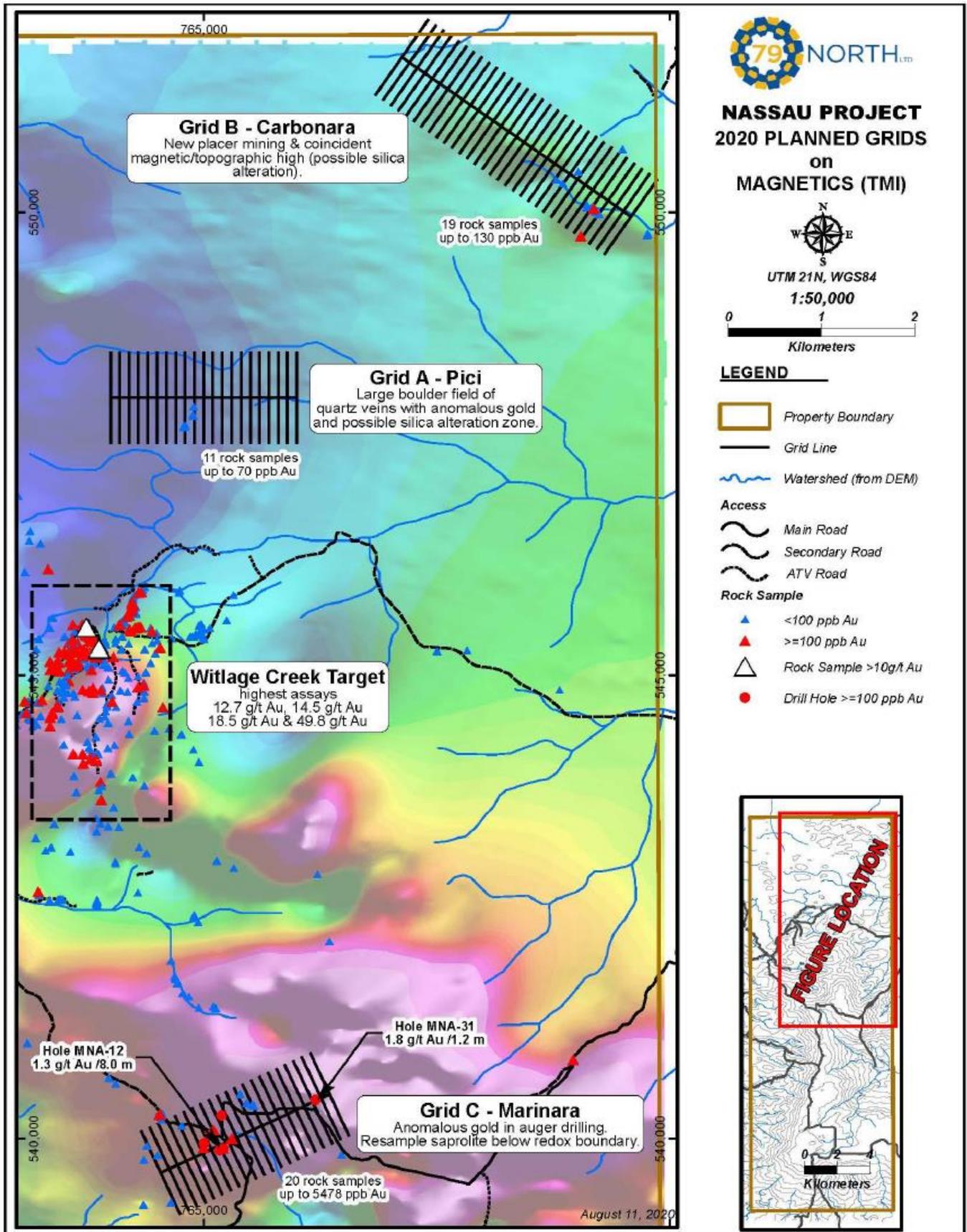
Exhibit 1 - Geological context and location of the Nassau gold project relative to the Rosebel and Merian gold deposits, Suriname



79North's 2020 Preliminary Exploration Program includes:

- 86 kilometres of baseline and cross line geological mapping, prospecting, and geochemical surveying covering approximately 900 hectares across four target areas
- 1,500 metres of auger drilling at the Marinara target with additional drilling on three targets to be evaluated pending geochemical survey results
- A LiDAR (“Light Detection and Ranging”) survey employing an airborne laser transmitter and receiver) covering the entire Nassau property
- Diamond drilling to quickly follow up on targets generated by preliminary exploration

Exhibit 2 - Location of exploration targets of the Nassau gold project, Suriname



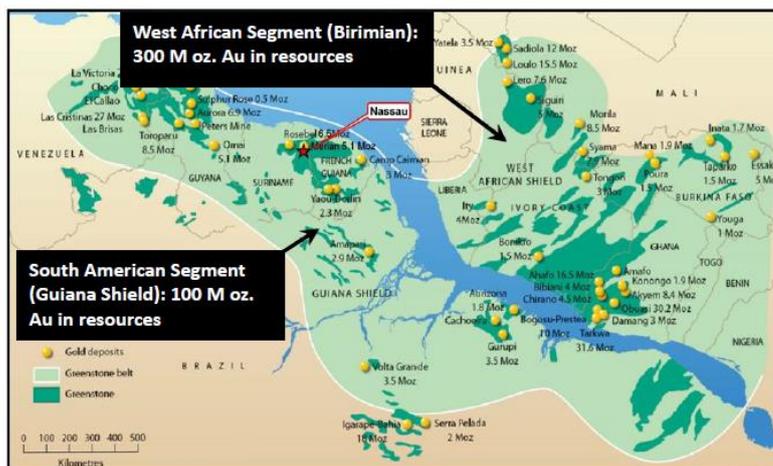
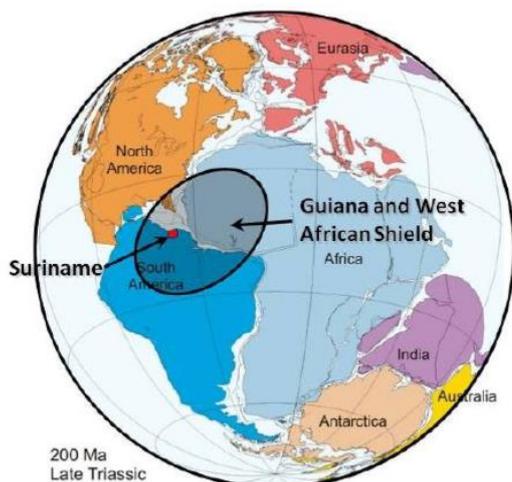
► **Guiana Shield** in northern South America has the potential to emerge to the world's new prospective destination for the development of rich gold resources

The **West African** and the **Guiana Shields** were adjacent prior to break-up of the super continent **Pangea**. The two shields are estimated to hold aggregate gold production and reserves of 400 million ounces, of which 300 million ounces apply to the **West African Shield** and 100 million ounces to the **Guiana Shield**, but the latter significantly less exploration performed to date.

The **Guiana Shield** includes **Guyana, Suriname, French Guyana** and the north and northeast region of **Brazil**.

The Guiana and West African Shields

The Guiana and West African Shields were adjacent prior to breakup of the supercontinent Pangea



Guiana Shield

Gold Production & Reserves: 100 million ounces

West African Shield

Gold Production & Reserves: 300 million ounces

**Significantly less exploration performed to date*

In **Guyana** two large gold mines are active: the **Aurora Mine** operated by **Guyana Goldfields** and the **Karouni Mine** operated by **Troy Resources**.

In **Suriname** two world-class gold producers are represented: **Newmont Gold**, operating the **Merian Mine** and **IAMGOLD** operating the **Rosebel Mine**.

Staatsolie facilitates Suriname’s gold licencing process and is engaged directly in trading partnerships

► Suriname Gold Project C.V.

In November 2014, **Staatsolie** entered as a limited partner with an interest of 25% into the partnership **Suriname Gold project C.V.. Newmont Suriname LCC**, a subsidiary of **Newmont Corporation**, the world’s largest gold producer with a market valuation of US\$ 51.276 billion, is the managing partner with a 75% partnership.

The **Suriname Gold Project** encompasses the exploration, development and exploitation of the **Merian gold mine**, which is a gold deposit located in the eastern part of **Suriname** close to the French Guyana border. The Project commenced commercial gold production in 2016 and achieved a gold production of 524,000 ounces in 2019.

The **Suriname Gold Project** partnership is financed through monthly cash calls (operational and capital contribution) which is the mechanism to fund approved operating costs and capital expenditures. Each partner is responsible for funding the partnership based on its participating interest.

In 2019, Revenues of the **Suriname Gold Project** amounted to US\$ 734 million and profits before tax US\$ 297.8 million. The Group’s share of the profit for the year amounted to US\$ 74.7 million.

As at year-end 2019 the partnership capital amounted to US\$ 1.5 billion of which the Group’s ownership (25%) carrying an amount of the investment of approximately US\$ 264 million.

On April 22, 2020, **IAMGOLD/Rosebel Gold Mines (“RGM”)** signed an agreement with **Staatsolie** on the establishment of a trading partnership under the Dutch name VOF, related to the concession areas within the common existing mineral agreement among which the **Saramacca mine** concession.

The existing **Gross Rosebel mine** concession, 95% owned by **Rosebel Gold Mines** and 5% by **Staatsolie** of **Suriname**, is not included in this agreement.

MERIAN MINE⁽²⁾ 	ROSEBEL MINE⁽²⁾ 
Construction commenced in August 2014, and commercial production was achieved on October 1, 2016, with the project on schedule and US\$150 million under budget.	Began commercial production in 2004 and has since produced over 5.3 million ounces of gold. In 2019 initial production of ore from the Saramacca expansion 25 km away began.
Mine Type: Open Pit (2 pits) 2019 Gold Production: 524,000 ounces 2019 All-In Sustaining Cost: US\$689/ounce Recovery: 92% Gold Reserves: 4.64 million ounces Grade: 1.01 grams/tonne Estimated Mine Life: 12-14 years	Mine Type: Open Pit (8 pits to date) 2019 Gold Production: 264,000 ounces 2019 All-In Sustaining Cost: US\$1,165/ounce Recovery: 95% Gold Reserves: 3.52 million ounces Grade: 0.93 grams/tonne Estimated Mine Life: 15 years

Grassalco, a state owned company, owns mining rights in three areas: **Maripaston**, **Lelygebergte** and **Goliathberg**.

The Company uses since 2014 in **Maripaston** gravity concentration plant for gold.

Staatsolie Maatschappij Suriname N.V. is a **fully integrated oil company, wholly owned by the Republic of Suriname (“the State”)**. It was founded on December 13, 1980, initially to promote and manage the petroleum potential of Suriname.

Staatsolie is a commercial entity, but pursuant to its bylaws also has an institutional function. Commercially **Staatsolie** is involved in exploration, drilling, production, refining, marketing, sales, transport of crude and refined products and generation of electricity.

In its institutional function Staatsolie functions on behalf of the State in assessing Suriname’s offshore hydrocarbon potential attracting qualified international gold companies negotiating petroleum contracts and monitoring the execution of these contracts.

Open blocks are made available through competitive bidding rounds. International companies operating in **Suriname offshore** currently include **Apache Corporation, Kosmos Energy, Tidlow Oil, Statoil, Petronas** and **Exxon Mobile**.

On April 20, 2020, **Apache** announced that **Sapakara West-1** provides further confirmation of geological model with 79 metres of net oil and gas condensable pay. The third and fourth exploration wells locations in **Block 58** have been identified. **Apache’s** CEO and President John J. Christmann stated that “importantly the Company’s data indicate that the **Sapakara West-1** well encountered a distinct fen system is separate from the **Maka Central-1** discovery, which **Apache** announced in January.

On July 29, 2020, **Apache** announced the third consecutive discovery which confirms a world-class hydrocarbon resource. The **Kwaskwasi-1 well** encountered 278 metres (912 feet) of net oil and volatile oil/gas condensate pay.

The fourth exploration prospect in Block 58 Keskesi East-1 will be drilled immediately following conclusion of operations at Kwaskwasi.

According to the **Apache** CEO and President, the third well is the best well the Company has drilled in the basin to date, with the highest net pay in the best quality reservoirs and added that the quality and magnitude of the discovery merits a pace of evaluation that enables the option to accelerate first production.

Block 58 comprises 1.4 million acres and offers significant potential beyond the discoveries at **Kwaskwasi, Sapakara West** and **Maka Central**.

Apache identified at least 7 distinct play types and more than 50 prospects within the thermally mature play fairway.



► **Suriname’s** development of rich gold resources to be driven by economic strategy of new elected democratic parliament for the 5-year period of 2020 – 2025

► Apart from **IAMGOLD** and **Newmont**, as world-class gold producers, settled successfully in Suriname, **79 North (CSE – TQ)** is the only listed exploration company focused on Suriname

Suriname’s economy is dominated by the mining industry, with exports of oil and gold accounting for approximately 85% of exports and 27% of government revenues.

Oil and gold Suriname's strong pillars to sustain future economic growth

The worldwide drop in international commodity prices and the cessation of Alcoa aluminium mining by November 2015, Suriname significantly reduced government revenues and national income. Suriname began institutional macro adjustments between September 2015 and 2016; these included a 20% currency devaluation in November 2015.

Having been run for ten years by the National Democratic Party (NDP) of Dési Bouterse, four opposition parties closed a political alliance on 15 May 2020, led by the Progressive Reform Party (VHP) of opposition leader and former justice minister Mr. Chan Santokhi. Representing 20 of the 51 government seats, the VHP is by far Suriname's largest party, as a result of which Santokhi was elected as the new President of Suriname.

Ronnie Brunswijk, leader of the ABOP (the General Liberation and Development Party) was elected as Vice-President. Mr. Brunswijk is not only a politician, but also is a businessman who as director of NV Robruns, a gold company which owns six gold mines in areas around the **Saramacca River** and more than 7,000 hectares of exploration rights around the **Marowijn River**, **Sarakreek** and **Tonokreek**.

Finance

On June 12, 2020, **12 Exploration** and **79North** announced the completion of the non-brokered private placement resulting in the sale of an aggregate of 30,481,655 Subscription Receipts at a price of C\$ 0.15 per Subscription Receipt for **aggregate gross proceeds of approximately C\$ 4.57 million**.

Pursuant to the Offering **12Ex** issued an aggregate of ~3.98 million Subscription Receipts and **79North** issued an aggregate of ~26.50 million Subscription Receipts at a price of C\$ 0.15 per Subscription Receipts.

In addition, **12Ex** Announced that it had received conditional approval to list its common shares to be issued in connection with its previously announced acquisition of **79North** on the Canadian Securities Exchange (the "CSE").

Concurrent with the Offering, **79North** (formerly 12Exploration) completed a private placement of ~2.25 million units. Each unit was issued in the Concurrent Private Placement at a price of C\$ 0.15 and consists of one (1) common share purchase warrant of the Company and one (1) common share purchase warrant. Each **79North** warrant entitles the holder thereof to acquire one (1) 79North at a price of C\$ 0.25 per share for a period equal to the earlier of 3 years from the closing of the Transaction and (ii) August 31, 2020.

Based upon the number of issued and outstanding shares in each **12Ex** and **79North** on the date thereof upon the completion of the Transaction, it is expected that 79North has approximately 85,878,941 common shares issued and outstanding (non-diluted) of which the current shareholders of **12Ex** will hold **10.01 12Ex shares**, representing approximately **11.66%**, the former shareholders of **79North** will hold **~45.39 million 12Ex shares**, representing approximately **52.85%**, and the purchases under the Offering will hold **~30.48 million 12Ex shares, representing ~35.49%** (assuming no exercise of any concurrent securities of **12Ex** or **79North** prior to closing of the Transaction).

In addition, upon completion of the Transaction, **12Exploration** will have also outstanding **500,000 stock options, ~44.09 million share purchase warrants, ~1.72 million broker warrants**, each exercisable to acquire one (1) **12Exploration** share and one-half of one share purchase warrant of **79North** and **~2.13 million funded warrants**.

The Company's cash position as at June 12 was \$ 4.5 million.

On August 14, 2020, **12Exploration** announced a name change to **79North** and trading to begin on the CSE on August 19, 2020 under the new symbol JQ.

Investment comments:

79North's mission is to become the premier gold exploration company in **Suriname**, hosting the unexplored district of the prolific **Guiana Shield** in **South America**, which is emerging to one of the world's most prospective new destinations for the development of gold sources.

While the Guiana and West Africa shields were adjacent prior to break up the sup-continent Pangea, the West African segment (Birimian) and South American segment (Guiana Shield) are estimated to host 300 million and 100 million ounces in gold resources, respectively.

79North's flagship **Nassau Project** is strategically located near producing mines, including **Newmont's Merian Mine** (2019 gold production 524,000 ounces) and **IAMGOLD's Rosebel Mine** (2019 gold production 264,000 ounces).

Having completed a private placement for aggregate gross proceeds of C\$ 4.57 million, ahead of the Company getting listed, **79North**'s is in an excellent financial position to fund the planned **Nassau Phase 1 Program** estimated at \$ 500,000 and Part 1 of **Nassau Phase 2 Program**, estimated at \$ 1.0 million, based on which plans **79North**'s offers a high investment leverage.

My 2020 price target remains C\$ 0.50.