

Goldletter INTERNATIONAL

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

Special Situation – June 2020

www.79north.ca



12 Exploration Inc. (C\$ 0.20)

CSE	: TWLV
H + L prices (12 months)	: C\$ 0.21 – 0.16
Net shares issued	: 85.9 million
Fully diluted shares	: 137.3 million
Market Capitalization	: C\$ 17.2 million

2020 price target: C\$ 0.50

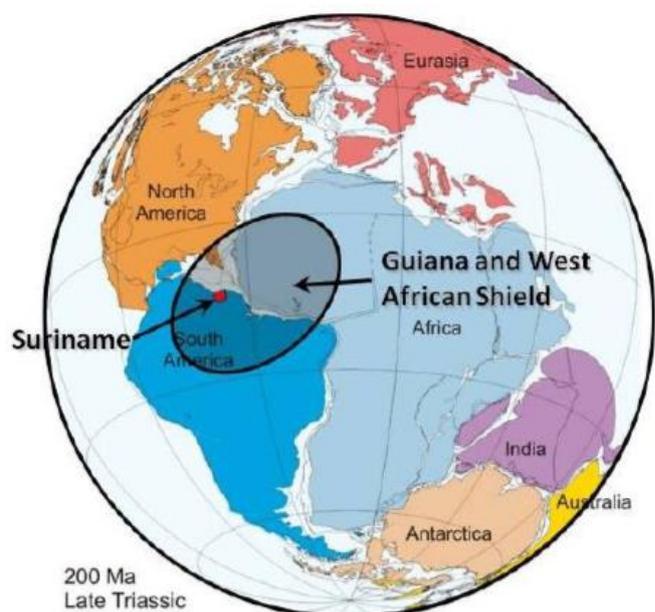
Company profile

On June 12, 2020, **12 Exploration Inc. (“12Ex”)** announced that they had completed a previously announced business combination, pursuant to which it acquired all of the issued and outstanding shares of **79North**. The shares commence trading on the Canadian Securities Exchange (the “CSE”) on June 16, 2020.

79North as the exploration company and a subsidiary of **12 Exploration**, has a track record of discoveries and exits in **South America** and globally and currently holds on indirect interests in mineral concessions in northern **Suriname** (formerly Dutch Guiana). The Company’s mission is to become the premier junior exploration company in the underexplored district of the prolific **Guiana Shield**.

The Company’s growing portfolio of high-quality targets which have not undergone modern exploration or drilling, have a long history of artisanal mining and are strategically located in proximity to the modern, producing, gold mines of **IAMGOLD** and **Newmont Gold**.

12Ex’s flagship project is the **Nassau Project**, strategically located near **IAMGOLD**’s **Rosebel Mine** and **Newmont**’s **Merian Mine** in **Suriname**, part of the **Guiana Shield**.



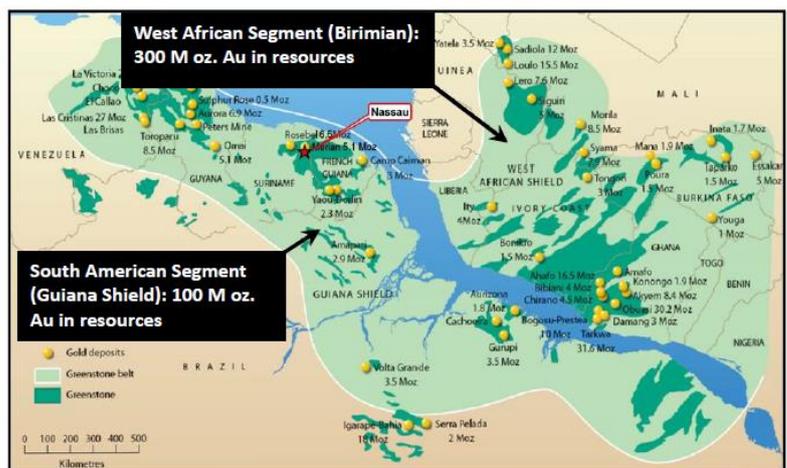
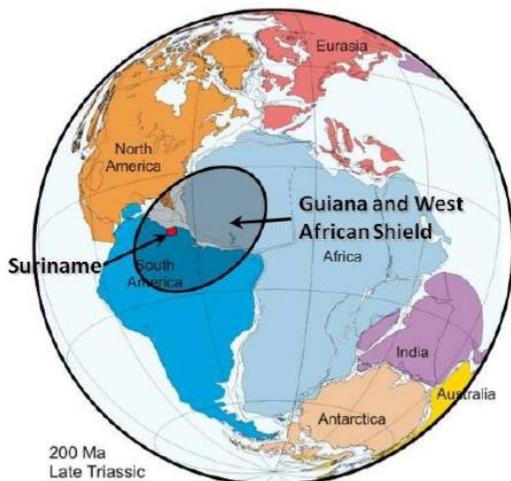
Suriname: An Emerging Gold Producer



- Gold-producing, developing country on the Guiana Shield of South America
- Amongst several gold producing countries including Venezuela, Guiana, French Guiana and Brazil that collectively account for more than 100 million ounces of gold reserves and historical production
- The gold mining industry of Suriname is in the early, rapid discovery phase, in which well capitalized companies can acquire exploration permits and rapidly make valuable gold discoveries for shareholders
- The country is a parliamentary democratic republic based on a 1987 Constitution
- Suriname is a safe country to work in and it is the early stages of industrial development
- Large scale gold mining began in 2002 and since then the economy is based on gold mining, logging, agricultural products, fishing and a small amount of oil production
- The business case histories of the Rosebel and Merian gold mines indicate that the business environment is acceptable to large, multinational companies

The Guiana and West African Shields

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



Guiana Shield	West African Shield
Gold Production & Reserves: 100 million ounces	Gold Production & Reserves: 300 million ounces

**Significantly less exploration performed to date*



Guiana Shield gold rush – in resource-rich Suriname

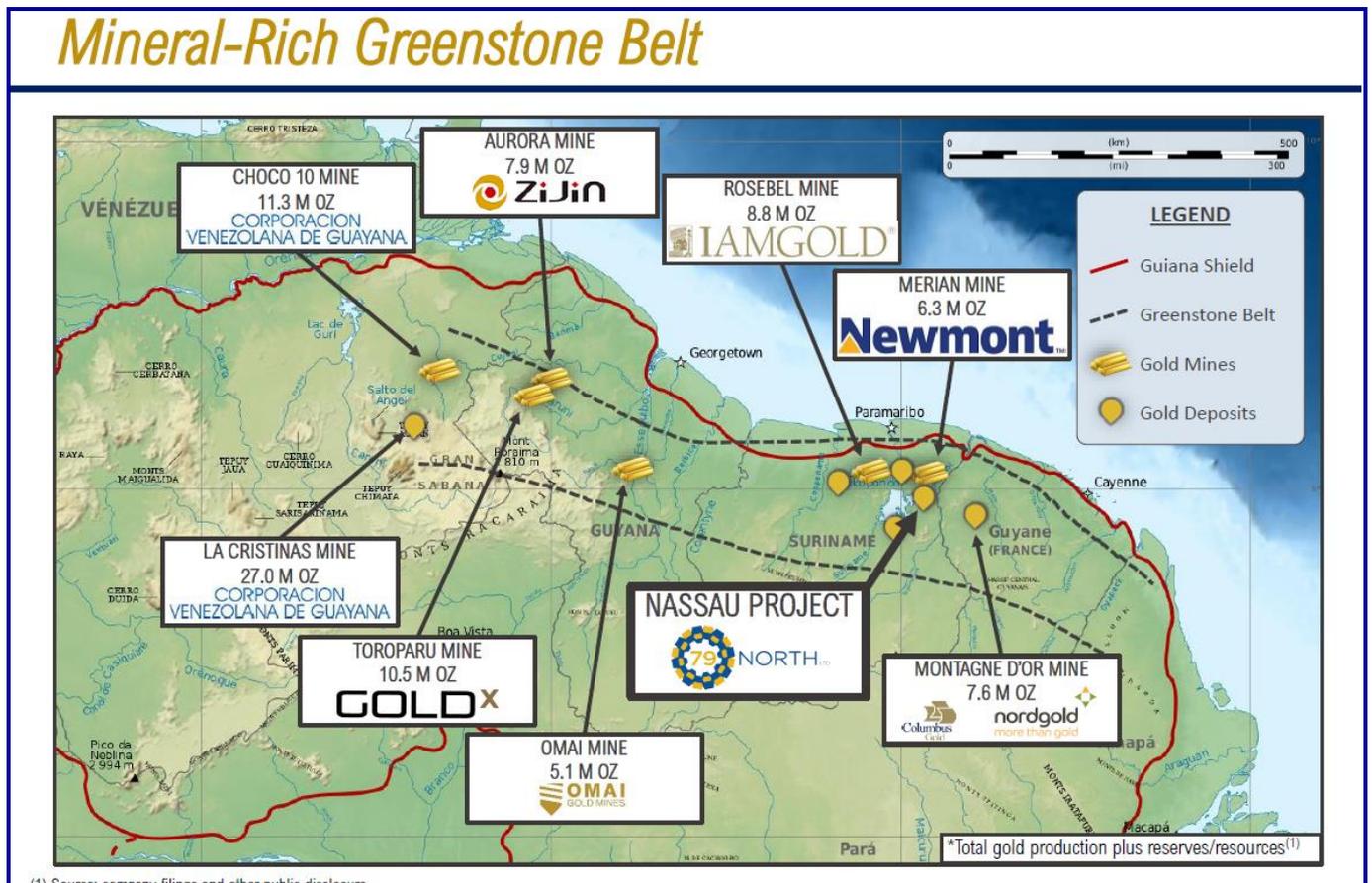
Until 2015, when a major US aluminium company, ALCOA, discontinued its mining operations after 99 years, **Suriname** was a leading producer of alumina and bauxite globally. According to 2017 data, the country's total export value was estimated to be \$ 2.69 billion, and gold and petroleum contribute to nearly 67% of Suriname's total exports.

Gold mining and export is of particular importance to the Suriname economy. The **Rosebel mine** is a major gold mine owned by Canadian company **IAMGOLD**, in partnership with the government of Suriname. The attributable gold production in 2019 amounted to 204,000 ounces at an all-in sustaining cost of US\$ 1,165/ounce. The estimated mine life is 15 years. Gold reserves are 3.52 million ounces.

The **Merian gold mine**, 75% owned by **Newmont Gold**, in which the government of Suriname owns a 25% share, produced 524,000 ounces at an all-in sustaining cost of US\$ 680/ounce in 2019. Gold reserves are 4.64 million ounces.

The Suriname government reports total gold production of 34.3 tonnes (1.1 million ounces) in 2018, which does not include widespread small-scale, informal, artisanal gold mining by local people and some foreigners, mainly from Brazil. In an effort to curb artisanal mining, which may not be environmentally friendly, the government of Suriname in recent years imposed a tax on the foreign and native gold miners.

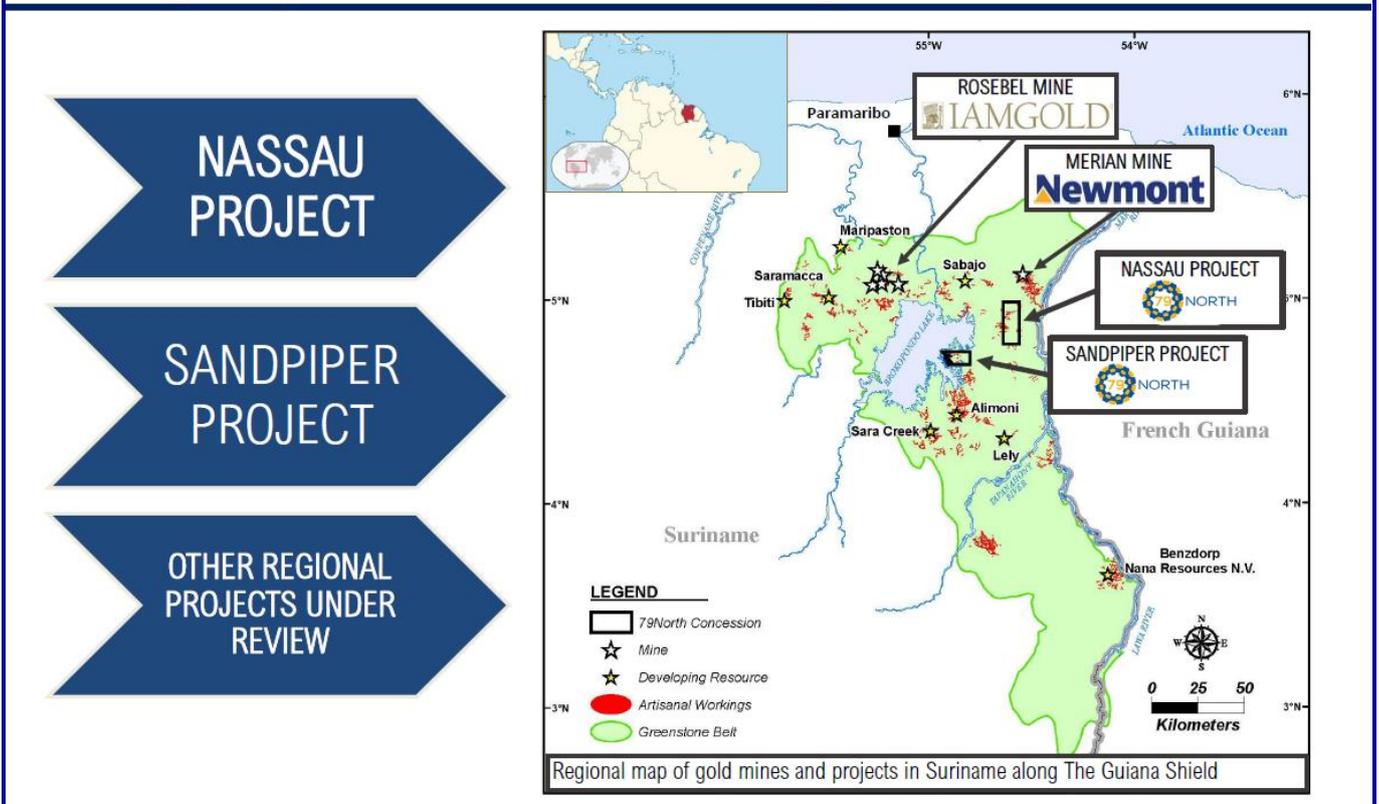
Gold production in **Suriname**, by **IAMGOLD** and **Newmont Gold**, is expected to increase in the coming years thanks to brownfields exploration programs and mine optimization, plus the conversion of exploration and development from small-scale informal, artisanal mining to exploration by well-funded professional gold exploration companies.

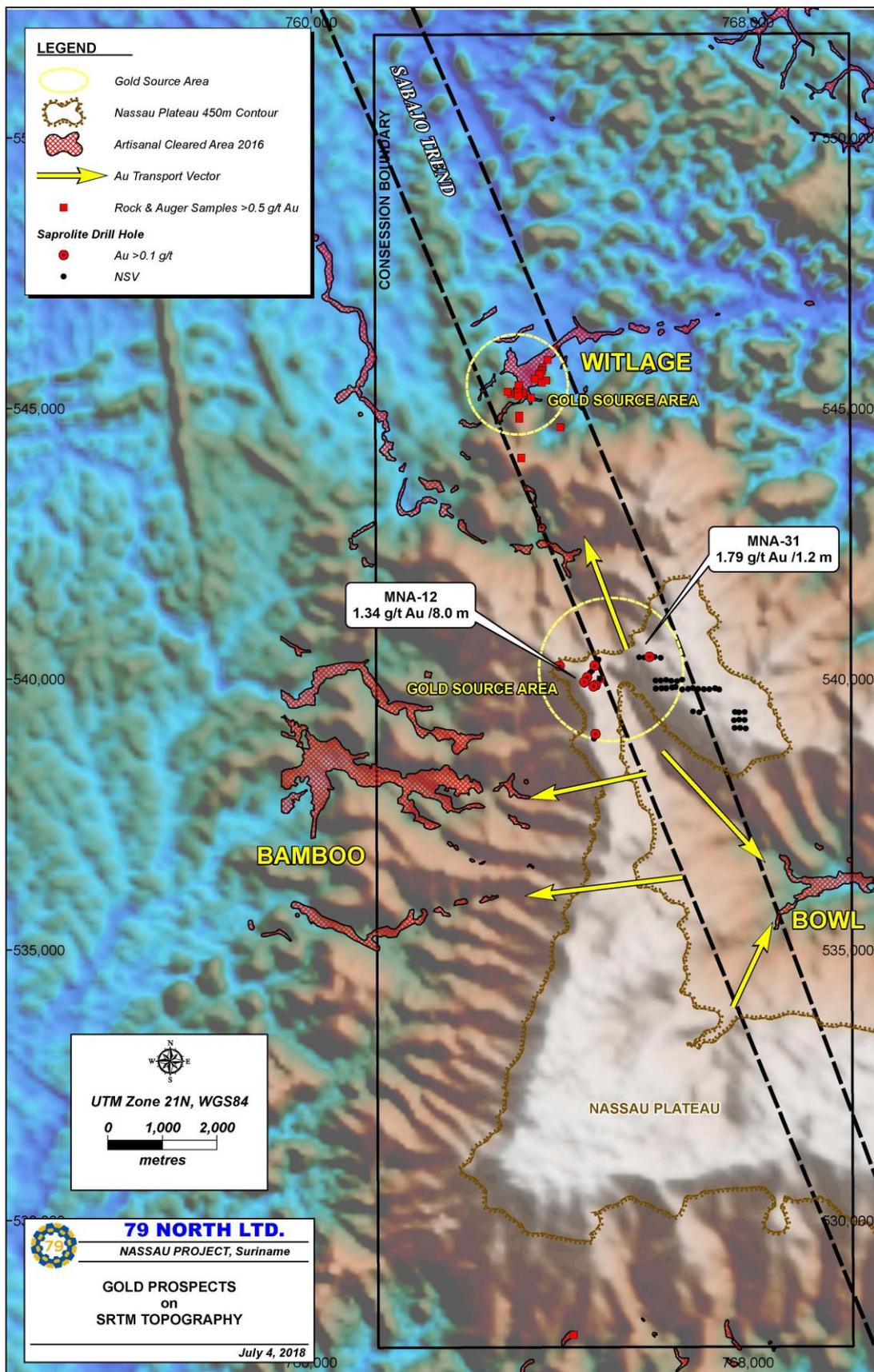


Producing Gold Mines in Close Proximity

MERIAN MINE⁽²⁾ 	ROSEBEL MINE⁽²⁾ 
<p>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.</p>	<p>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.</p>
<p>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</p>	<p>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</p>

Strategically Located Near Producing Mines





Nassau Project – Priority Targets

WITLAGE CREEK

- Over 100 years of artisanal gold mining, from alluvium and saprolite
- Northwest structural zone, similar to Merian and Sabajo (Newmont), at least 6 km long based on rock samples up to 49 grams/tonne gold, small scale gold mining, SRTM, and auger drill holes



BAMBOO CREEK AND BOWL ZONES

- Long history of alluvial mining
- The gold source is from the plateau, and probably from the same structure as Witlage



Management

Jon North, Ph.D., P.Geo. — President, Chief Executive Officer and Chairman of the Board, has more than 30 years of experience in mineral exploration worldwide. He worked with major mining companies such as Western Mining Corporation and BHP until 1997. Since then, he has been the founding director of numerous junior mining companies including North Atlantic Resources that discovered the FT gold deposit in Mali, and most recently, Northquest, that was taken over by Nordgold in 2016 subsequent to the discovery of the Pistol Bay gold deposit in Nunavut, Canada.

Carmelo Marrelli, CA, CPA, CGA, ACIS — Chief Financial Officer, is a chartered professional accountant and is the principal of Marrelli Support Services, a firm that has delivered accounting and regulatory compliance services to listed companies on various exchanges for over twenty years. In addition, He also controls DSA Corporate Services, a firm providing corporate secretarial and regulatory filing services. Mr. Marrelli is a Chartered Professional Accountant.

Elaine Ellingham, P.Geo. — Director, is an experienced mining executive and geologist with over 30 years of experience in the mining industry. She is a consultant providing strategic management services to international mining clients. Ms. Ellingham has held roles as interim CEO for Richmond Mines and Senior Vice President, Investor Relations with Iamgold. She spent eight years with the Toronto Stock Exchange, in a number of capacities including National Leader of Mining, and Manager, Company Listings. Ms. Ellingham has a range of experience in mineral exploration, corporate development and investor relations for mining companies, including Campbell Resources, Rio Algom Exploration, and St. Joe Canada. She is currently a Director of Alamos Gold, Almaden Minerals and Blue Thunder Mining.

Daryl Hodges, M.Sc. — Director, has been involved in the mining industry for 40 years, beginning in 1977 as a geophysical operator north of Kidd Creek in Timmins, Ontario. He has explored for gold across Canada and has been involved in discoveries of gold (Hoyle Pond, Hammond Reef), Tin-Tungsten (Sisson Brook, New Brunswick), copper-zinc (Snow Lake, Manitoba), nickel-copper (Manitoba), and worked internationally in Russia (Noril'sk), Finland (Keivitsa), Philippines and China in project generation and development. After leaving Falconbridge in 1996, he worked as a mining analyst and investment banker at HSBC and Jennings Capital. As a co-founder, CEO, and Chairman of Jennings Capital, he was instrumental in its growth into a substantial boutique investment dealer. Mr. Hodges is currently President of Ladykirk Capital Advisors, and a Director of HPQ Silicon Resources, and CEO of private company Ancient Strains.

Philip MacDonnell, CA CPA — Director, started in the mining business working underground at Noranda Mines, then diamond drilling in northern Quebec. He participated in the start up of an international investment dealer that expanded to offices across Canada and Europe. Following that, he joined the venture capital business raising capital and acting as an advisor. Mr. MacDonnell sits on many boards including a gold mining company in Africa and a large drilling company in South America and commonly serves as chair of the Audit Committee.

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** 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 **79North** 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 **12Ex** will have 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, **12Ex** 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) **12Ex** share and one-half of one share purchase warrant of **12Ex** and **~2.13 million funded warrants**.

The current cash position of **12Ex** is \$ 4.5 million.

Investment comments:

12Ex'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.

12 Ex'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, **12Ex** 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 **12Ex** offers a high investment leverage.

My first 2020 price target is C\$ 0.50.