

Element79 Gold Enters into Definitive Agreement for Acquisition of High-Grade Peruvian Gold Portfolio

Historic production averaging up to 19 g/t Au Equivalent, Recent sampling returned up to 116 g/t Au Equivalent, Includes one of the highest-grade underground mines in Peru's history

VANCOUVER, BC / June 20, 2022 / Element79 Gold Corp. (CSE:ELEM)(OTC PINK:ELMGF)(FSE:7YS) ("**Element79 Gold**", or the "**Company**") today announced that it has entered into a definitive share purchase agreement dated June 19, 2022 (the "**Agreement**") for the acquisition (the "**Acquisition**") of all of the issued and outstanding common shares of Calipuy Resources Inc. ("**Calipuy**") which, through its subsidiaries, holds 100% interest in two past producing high-grade gold-silver mines: the Lucero mine ("**Lucero**"), one of the highest-grade underground mines in Peru's history⁽¹⁾ at grades averaging 19.0 g/t Au Equivalent ("**Au Eq**") (14.0 g/t gold and 373 g/t silver),⁽²⁾ as well as the Machacala Project ("**Machacala**", and together with Lucero, the "**Properties**") which averaged production grades of 10.5 g/t Au Eq (6.0 g/t gold and 340 g/t silver).⁽³⁾ Operations were suspended in 2005 at Lucero and 1991 at Machacala due to the persistence of low gold and silver prices at the time.



Terms of the Agreement

Pursuant to the Agreement, the Company will acquire all of the issued and outstanding securities of Calipuy (the "**Acquisition**"). Calipuy is a private British Columbia corporation which, through its subsidiaries in Peru, holds a 100% interest in the Lucero property and Machacala property, subject to certain royalties, encumbrances and other interests, as more particularly described in the Agreement.

On closing of the Acquisition (the "**Closing**"), the USD\$15 million purchase price for the shares of Calipuy will be paid by the issuance on a pro rata basis to the shareholders of Calipuy (the "**Calipuy Shareholders**") of (i) an aggregate of 19,165,486 common shares of the Company at an issue price of CAD\$1.00 per share (the "**Consideration Shares**") and (ii) performance bonus warrants to acquire an aggregate of 3,833,085 common shares of the Company (the "**Performance Bonus Warrants**"). Each Performance Bonus Warrant is exercisable into one common share of the Company at an exercise price of CAD\$2.00 per share for a period of three years from Exercise Eligibility Date (as defined herein), subject to achievement of the Bonus Performance Target (as defined herein), the policies of the Canadian Securities Exchange (the

"Exchange") and the terms of warrant certificates to be issued to the Calipuy Shareholders in respect thereof. The Company may accelerate expiry of the Performance Bonus Warrants if the common shares of the Company have a closing price greater than CAD\$3.50 per share for a period of ten consecutive trading days on the Exchange at any time after Closing. The holders of the Performance Bonus Warrants will not have the right to exercise the Performance Bonus Warrants until projects carried out on the Properties have cumulatively reached a minimum production target of 9,000 tons of ore yielding a minimum of 1,500 oz Au within a 30 day production period (the "**Bonus Performance Target**") and the Company provides notice of achievement of the Bonus Performance Target via news release (the "**Exercise Eligibility Date**"). All issuances of Consideration Shares will be paid in CAD denominated shares at the agreed exchange rate of CAD\$1.2777 to USD\$1.00. An aggregate of 12,971,503 Consideration Shares and 2,594,298 Performance Bonus Warrants will be subject to a lock-up agreement, whereby 50% will be released from lock-up 6 months from Closing and the remaining 50% will be released 12 months from Closing. The balance of the Consideration Shares, other than those held by U.S. persons, are not subject to any resale restrictions under applicable securities laws.

The Acquisition is a related party transaction pursuant to Multilateral Instrument 61-101 Protection of Minority Shareholders in Special Transactions ("**MI 61-101**"). Antonios Maragakis, who is the CEO and a director of Calipuy, is also a director and the COO of the Company. Mr. Maragakis has disclosed his interest in the Acquisition to the board of directors of each of the Company and Calipuy, and has abstained from voting on approval of the Agreement and the Acquisition. In addition, Shane Williams who has been nominated for election to the board of directors of the Company at the upcoming shareholders meeting scheduled for June 22, 2022 is a director of Calipuy. Prior to Closing, neither Mr. Maragakis nor Mr. Williams holds any common shares of the Company, and following Closing their beneficial direct and indirect shareholdings will increase to 97,688 common shares and 292,509 common shares, respectively. The Acquisition and Agreement were reviewed and considered by the disinterested members of the board of directors of the Company with Mr. Maragakis recusing himself for discussions relating to the same, and the disinterested members of the board unanimously approved entry into the Agreement and completion of the Acquisition on the terms of the Agreement. The Company believes that the Acquisition provides an opportunity to advance the Properties and deliver value to Element79 shareholders. A special committee was not formed for the purpose of reviewing the Acquisition and an independent valuation was not obtained in connection with Closing, each of Mr. Maragakis and Mr. Williams will terminate any and all compensation agreements with Calipuy and will waive any entitlement to severance or change of control payments by Calipuy that would have otherwise been triggered as a result of the Acquisition. In connection with the Acquisition, the Company is relying on (i) the exemption at paragraph 5.5(b) of MI 61-101 from the valuation requirements since the Company is not listed on any of the markets specified therein; and (ii) the exemption at paragraph 5.7(a) of MI 61-101 from the minority approval requirements as the fair market value of the 97,688 Consideration Shares and 19,537 Performance Bonus Warrants issuable to Mr. Maragakis, and the 292,509 Consideration Shares and 58,501 Performance Bonus Warrants issuable to a company controlled by Mr. Williams, on Closing is less than 25% of the market capitalization of the Company.

Completion of the Acquisition is subject to various conditions precedent, certain third-party approvals, and other standard conditions for a transaction of this type. There can be no assurance that the Acquisition will be completed as proposed or at all.

This description of the terms of the Agreement is a summary only and reference should be made to the full text of the Agreement, a copy of which has been filed on SEDAR.

Highlights of the High-Grade Peruvian Gold Portfolio:

- Recent sampling at Lucero returned up to 116.8 g/t Au Eq (78.7g/t Au and 2,856 g/t Ag)⁽⁹⁾; Consistent with historic high grade (19.0 g/t Au Eq (14.0 g/t Au and 373 g/t Ag)) production between 1998 and 2004⁽²⁾; recent historic prospecting indicates potential for additional bulk-tonnage high sulphidation gold-silver deposit
- Most recent drilling at Machacala by Gold Hawk returned up 15.7 g/t Au Eq (13.55 g/t Au and 164 g/t Ag) over 3.15m in the drill hole Ma-04 on the Fragua vein⁽¹⁰⁾; 230,000 tonnes of historical production averaging 10.5 g/t Au Eq (6.0 g/t Au and 340 g/t Ag) from 1979 to 1991⁽³⁾;

"The acquisition of these high-grade Peruvian gold assets offers Element79 Gold the opportunity to harness new avenues for near-term cash-flow and take an accelerated path toward potentially operating multiple production-stage facilities," commented James Tworek, President and CEO of the Company. "Element79 Gold is eager to take immediate action toward initiating development and operations at Lucero and Machacala."

Peru has mining-friendly legislation that allows up to 350 tpd production while larger scale production permitting is underway. Element79 Gold has previously stated that it intends to pursue the opportunities aggressively (see news releases dated March 10, 2022 and March 17, 2022, available on SEDAR).

Lucero Project

Formerly operated as the Shila mine from 1989 to 2005, Lucero consists of 10,805 hectares located in the Shila range of southern Peru, which contains several historic high grade gold-silver mines.⁽¹⁾ Lucero consistently delivered high grades during 16 years of operations, and between 1998 and 2004 reported production averaging approximately 18,800 ounces of gold and 435,000 ounces of silver per year at grades of 19.0 g/t Au Eq (14.0 g/t Au and 373 g/t Ag),⁽²⁾ with recoveries at the ore processing facility averaging 94.5% for gold and 85.5% for silver.⁽¹⁾

A recent NI 43-101 report has been prepared for Calipuy on Lucero by Mining Plus. Samples collected by the Qualified Person (the "QP") returned up to 116.8 g/t Au Eq (78.7g/t Au and 2,856 g/t Ag)⁽⁹⁾. Due to a lack of historical data, the project does not host any resources. However, access to the historic workings is available, and the QP states Lucero is underexplored and has significant exploration potential for extension of known veins, and to discover additional veins.⁽⁹⁾

Lucero is one of many low-sulphidation epithermal Au-Ag deposits hosted in tertiary volcanics of the Central Andes Cordillera of southern Peru. The project hosts 74 recognized epithermal veins, 14 of which have been partially exploited. High grade 'bonanza-style' direct shipping ore was mined in the past from low-to-intermediate-sulphidation quartz-carbonate massive sulphide veins. Prospecting by previous operator Condor Resources Inc. ("Condor") from 2012 to 2020 identified the high-sulphidation epithermal alteration zone with structures that returned peak sample values of 80.1 g/t Au Eq (33.4 g/t Au and 3,500 g/t Ag).⁽¹⁾ This alteration zone, measuring approximately 1,300 metres by 1,400 metres, exhibited no evidence of prior sampling or drilling and is believed to host potential for a bulk tonnage disseminated gold-silver deposit.⁽¹⁾

"Lucero offers a rare opportunity to explore for not only an underground high-grade low sulphidation system but potentially an open pit-able high sulphidation system as well," stated Neil Pettigrew, M.Sc., P.Geo, Director of Element79 Gold "This project has never experienced modern exploration techniques and I am very confident that significant gold-silver resources are to be found."

A 0.5% NSR is retained by Sandstorm Gold Ltd., one of the largest gold royalty companies in the world.⁽²⁾



Figure. 1 Location Map of the Lucero and Machacala Projects.

Machacala Mine

Machacala consists of over 4,000 hectares located in the District of Carabamba, Province of Julcan, Department of La Libertad. In 2004, Gold Hawk Resources, Inc. ("Gold Hawk") estimated a total inferred resource of 420,000 Au Eq ounces hosted within 1,560,000 tonnes, which equates to a gold equivalent grade of 8.4g/t, however individual gold and silver grades were not reported.⁽⁴⁾ This historic estimate is the most recent historic resource estimate relevant to Machacala.. In addition Machacala also includes approximately 200,000 tonnes of tailings, which have historically been estimated in 2004 to grade 1.26 g/t gold and 74 g/t silver⁽⁶⁾. This historical tailings estimate is historic in nature, and non-43-101 compliant. Historical metallurgical studies by Gold Hawk show 87% recoveries of gold and 50%+ recovery of silver in 24 hours of leaching un-milled tailings, with re-milling able to increase recoveries to 90% of gold and 73% of silver in 24 hours of leaching.⁽⁷⁾ **A qualified person has not conducted sufficient work on either the historical Gold Hawk or Tailings estimates required to categorize these resources to the CIM definition of a current mineral resources, which may include the preparation of a new NI 43-101 Technical Report. Element79 Gold is not treating these historic estimates as current mineral resources and a qualified person has not reviewed the work to define the quality of work associated with this historic estimate. While these historical estimates are considered to be relevant to future exploration of the Machacala property they should not be relied upon and there can be no assurance that any of the historical resources, in whole or in part, will ever become economically viable.**

Machacala was first commercially mined in the 1950s before being acquired and operated by Minera Santa Isabel, S.A. from 1979 to 1991 which mined 230,000 metric tonnes averaging 10.5 g/t Au Eq (6.0 g/t Au and 340 g/t Ag) representing 78,000 Au Eq ounces.⁽⁴⁾ Operations were suspended in 1991 due to the persistence of a low gold (\$360/oz) and silver (\$3.81/oz) price. Neighboring concessions include those owned by Fortescue Metals Group (ASX Listed) and by Fresnillo Peru S.A.C., a subsidiary of Fresnillo plc (LSE Listed).^(3,5)

The project was most recently explored by Gold Hawk and Meridian Gold between 1997 and 2004, with a total of 8,500m in 45 core and RC drill holes completed. Highlights of this drilling include 11.6 g/t Au Eq (11.32 g/t Au and 23.6 g/t Ag) over 3.7m in the Casa Fuerza vein, and 15.7 g/t Au Eq (13.55 g/t Au and 164 g/t Ag) over 3.15 in the Fragua vein⁽¹⁰⁾. Machacala hosts multiple low-sulphidation epithermal Au-Ag veins, of which only four have been only modestly exploited.⁽⁵⁾

"Machacala possesses significant historical data, as well as 8,500 meters of recent drilling, which we hope will assist in the definition of NI 43-101 compliant resources by the Company in future," commented Neil Pettigrew, M.Sc., P.Geo, Director of Element79 Gold. "The project is also at a lower elevation and has excellent infrastructure which will facilitate returning the project to production."

All gold Equivalent ("Au Eq") calculations were performed using \$1,650/oz gold, and \$22/oz silver in line with the Company's Maverick Springs 43-101 resource estimate (see news release January 31st, 2022, available on SEDAR).

Qualified Person

The technical information in this release has been reviewed and verified by Neil Pettigrew, M.Sc., P. Geo., Director of Element79 Gold and a "qualified person" as defined by National Instrument 43-101.

About Element79 Gold

Element79 Gold is a mineral exploration company focused on the acquisition, exploration and development of mining properties for gold and associated metals. Element79 Gold has acquired its flagship Maverick Springs Project located in the famous gold mining district of northeastern Nevada, USA, between the Elko and White Pine Counties, where it has recently completed a 43-101-compliant, pit-constrained mineral resource estimate reflecting an Inferred resource of 3.71 million ounces of gold equivalent* "AuEq" at a grade of 0.92 g/t AuEq (0.34 g/t Au and 43.4 g/t Ag) with an effective date of Feb. 4, 2022 (see news release January 31st, 2022, available on SEDAR). The acquisition of the Maverick Springs Project also included a portfolio of 15 properties along the Battle Mountain trend in Nevada, which the Company is analyzing for further merit of exploration, along with the potential for sale or spin-out. In British Columbia, Element79 Gold has executed a Letter of Intent to acquire a private company which holds the option to 100% interest of the Snowbird High-Grade Gold Project, which consists of 10 mineral claims located in Central British Columbia, approximately 20km west of Fort St. James. In Peru, Element79 Gold holds 100% interest in the past producing Lucero Mine, one of the highest-grade underground mines to be commercially mined in Peru's history, as well as the past producing Machacala Mine. The Company also has an option to acquire 100% interest in the Dale Property which consists of 90 unpatented mining claims located approximately 100 km southwest of Timmins, Ontario, Canada in the Timmins Mining Division, Dale Township. For more information about the Company, please visit www.element79.gold or www.element79gold.com

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Technical Disclaimer

This news release and related maps contain information about adjacent properties and properties with similar characteristics on which the Company has no right to explore or mine. Readers are cautioned that mineral deposits on adjacent properties or properties that share similar characteristics are not indicative of mineral deposits on the Company's properties. Readers are

also cautioned that this news release contains historical technical information which is based on prior data prepared by previous property owners. A qualified person has not done sufficient work to confirm such information; significant data compilation, re-drilling, re-sampling and data verification may be required to do so.

Cautionary Note Regarding Forward Looking Statements

This press contains "forward-looking information" and "forward-looking statements" under applicable securities laws (collectively, "forward-looking statements"). These statements relate to future events or the Company's future performance, business prospects or opportunities that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management made in light of management's experience and perception of historical trends, current conditions and expected future developments. Forward-looking statements include, but are not limited to, statements with respect to: the proposed terms of the Acquisition and the Closing thereof, the perceived benefits of the Acquisition; the Company's plans for the Lucero mine and Machacala Project; the Company's business strategy; future planning processes; exploration activities; the timing and result of exploration activities; capital projects and exploration activities and the possible results thereof; acquisition opportunities; and the impact of acquisitions, if any, on the Company. Assumptions may prove to be incorrect and actual results may differ materially from those anticipated. Consequently, forward-looking statements cannot be guaranteed. As such, investors are cautioned not to place undue reliance upon forward-looking statements as there can be no assurance that the plans, assumptions or expectations upon which they are placed will occur. All statements other than statements of historical fact may be forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "forecast", "potential", "target", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements".

Actual results may vary from forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to materially differ from those expressed or implied by such forward-looking statements, including but not limited to: that the parties may not be able to satisfy the conditions to Closing of the Acquisition, at all or on the terms announced; the duration and effects of the coronavirus and COVID-19; risks related to the integration of acquisitions; actual results of exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; commodity prices; variations in ore reserves, grade or recovery rates; actual performance of plant, equipment or processes relative to specifications and expectations; accidents; labour relations; relations with local communities; changes in national or local governments; changes in applicable legislation or application thereof; delays in obtaining approvals or financing or in the completion of development or construction activities; exchange rate fluctuations; requirements for additional capital; government regulation; environmental risks; reclamation expenses; outcomes of pending litigation; limitations on insurance coverage as well as those factors discussed in the Company's other public disclosure documents, available on www.sedar.com. Although the Company has attempted to identify important factors that could

cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included herein should not be unduly relied upon. These statements speak only as of the date hereof. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws.

Sources

Element 79 Gold makes no warranty as to the completeness, accuracy, verifiability, or suitability of any of the information contained on the following third-party links and expressly undertakes no obligation to update the following links.

1. <https://web.archive.org/web/20220308020414/https://condorresources.com/portfolio/lucero/>
2. <https://web.archive.org/web/20220308020532/https://www.sandstormgold.com/our-royalties/lucero/>
3. https://www.bnamericas.com/en/news/Gold_Hawk_Buys_Machala_Project
4. Gold Hawk Resources Inc News Release, 2004-04-26
5. <https://web.archive.org/web/20220308020657/https://www.affinitygold.com/machacala-highlights>
6. Gold Hawk Resources Inc News Release, 2004-06-28
7. Affinity Gold Corp. Corporate Presentation March 2013
8. <https://web.archive.org/web/20220308020649/https://www.sec.gov/Archives/edgar/data/1397970/000118374013000409/f8k08162013ex99-2.htm>
9. Draft NI 43-101 technical Report, Lucero Property, Arequipa Region, Peru, prepared by Esteban Manrique Zuniga of Mining Plus with an effective date of September 4th 2021. Prepared for Calipuy Resources Inc.
10. Gold Hawk Resources Inc. News Release, 2000-09-19
11. Condor Resources Inc. December 6, 2012 news release <https://condorresources.com/news/archive/2012/condor-acquires-former-producing-gold-silver-concessions-near-arequipa-in-southern-peru/>

Neither the Canadian Securities Exchange nor the Market Regulator (as that term is defined in the policies of the Canadian Securities Exchange) accepts responsibility for the adequacy or accuracy of this release.

SOURCE: Element79 Gold Corp.