

OPTION AGREEMENTS

A JUNIOR EXPLORATION COMPANY PERSPECTIVE

*Peter Dimmell, P.Geo.
President – Krinor Resources Inc.*



Mick / Steve Stares

*Mineral Resources Review
St. John's, NL. - Nov. 4/15*



Tom Joe Brook - AK



Rambler
Ming West



PDAC – Keats/Stares - Prospectors of the Year - 2005

FORM of AGREEMENT

- ◆ **CASH / SHARES OVER TIME**
 - ◆ Usually increase each year
 - ◆ company earns 100 % interest
- ◆ **WORK COMMITMENTS**
 - ◆ increase over time / staged / additive
- ◆ **RETAINED INTEREST – ie NSR**
 - ◆ buyback of part - usual
 - ◆ Advance Royalty – against NSR
- ◆ **WORK ON PROJECT FOR VENDOR**
 - ◆ gives the vendor work if he/she wants it
- ◆ **AREA OF INFLUENCE (AOI)**
 - ◆ protects both parties re “tie on” claims



Buchans
Lundberg Zone



Pastureland Road



Gold
Brass Buckle



Norm
Peters

GENERAL FORM of AGREEMENT

- ◆ to earn a 100 % interest subject to a 2 % NSR with a 1 % buyback for \$1 M. Advance Royalties of \$15,000 per year payable from 5th anniversary on for 10 years.

Golden Promise

	Cash	Shares	Work
◆ 1 st Yr - On signing:	\$ 5,000	50,000	\$50,000
◆ 2 nd Yr	\$10,000	100,000	\$100,000
◆ 3 rd Yr	\$15,000	150,000	\$150,000
◆ Totals	\$30,000	300,000	\$300,000



Wayne Carroll - NB



LePouviour – AT camp



Lewis Hills – AT camp

WHY DO COMPANIES OPTION

- ◆ new showing
- ◆ new results from a known mineralized area
- ◆ hot area play w/ good geology
- ◆ commodity price increase



20th Brook



Calvin's Landing





Marble Cove
Baie Verte Peninsula



Amanda – Baie Verte Peninsula





Gordex – Millican Lk
Cape Spencer, NB.



Virgin Arm - ASK



Aldina
ON.

OBJECTIVE



Brady

- ◆ **Company**
 - ◆ acquires the rights to the property
 - ◆ time to explore the property with cash / share outlays which increase as results warrant
 - ◆ Ultimate aim – find a minable deposit
 - ◆ can terminate at any time (subject to conditions)
- ◆ **Vendor**
 - ◆ shares in exploration success through
 - continued option payments
 - work if he/she wants it
 - NSR if a mine is found – the “pot of gold”
- ◆ **Should be fair to both parties**



Goldenstar

VALUE OF PROPERTIES

- ◆ Depends on
 - ◆ times
 - ◆ commodity prices
 - ◆ other properties available
 - ◆ location – ie is there an area play ?
 - ◆ quality of property
 - ◆ exploration stage of property
- ◆ don't fall in love with your property

Falls Bk
NB



Brady



Clarence Strm
NB



Goldenstar



Voisey's Bay



Golden Promise

NET SMELTER RETURN (NSR)

- ◆ Based on value of production with deductions for transportation / assaying
- ◆ variable - dependent upon commodity
 - ◆ typically 1-4 %
- ◆ buy backs common – percentage for a fixed sum
 - ◆ usually 1-2 % for \$1 – 2 M
 - ◆ if exercised then remaining interest has significant value
- ◆ advance royalties common
 - ◆ makes the company look at the property each year
 - ◆ has to be a reasonable sum - \$10-15 K / yr
 - ◆ start - a couple of years after option is exercised
- ◆ usually doesn't apply to bulk samples
 - it costs money for the bulk sample ?
- ◆ recent options using AR's as the cash costs

Other Aspects

- ◆ Confidentiality Agreement (CA)
 - some agreements
- ◆ “Success” based option deals
 - usually with a “junior” who options the property to a larger company
 - money / shares can be less upfront
 - share of subsequent option which is usually higher value



Big Easy

Registration

- ◆ Register your option
 - w/ DNR in St. John's
 - establishes your title and the requirements under the option

- ◆ Termination
 - Get a "quit claim" when option is terminated
 - sign off from terminating company
 - register termination w/ DNR
 - alternative is to have the property title in escrow or held by a lawyer subject to completion of the option

THINGS TO REMEMBER

LINEAR



Powderhorn



- ◆ Always try to increase the value of your property by further exploration
- ◆ be adaptable
 - ◆ renegotiate terms if circumstances require
- ◆ work with the company to increase the property value
- ◆ if exploration isn't being done then nothing is being found and therefore the value of the property is not increasing

Prospectors can do almost anything ???

Smart companies take advantage of the opportunities that they provide



Contact Info – Peter Dimmell, P.Geo. Tel: (709) 739-5608
email: pmd.krinator@nf.sympatico.ca