

Option Agreements: Advancing your Property

Please Note:

An Option Agreement is a legal document. These notes are intended for background information only. It is always advisable to obtain professional legal advice before signing any such agreement.

PROSPECTING FOR PROFIT

- There are three ways prospectors can earn income:
 - ❖ work for exploration company
 - ❖ option properties
 - ❖ sell properties
- Ore deposits are very difficult to find
- Advanced mineral exploration is expensive
- Therefore, if you have a property of merit, make a deal with a company to explore it for you, for mutual benefit

❖ This is called an **Option Agreement**

WHAT IS AN OPTION AGREEMENT?

In layman's terms, it is a legal agreement made between a mineral rights holder and a second party, which allows that party to earn an interest in the mineral property in exchange for certain benefits granted to the license holder

WHY MAKE AN OPTION AGREEMENT?

- To enable exploration of your property by a qualified company with resources to conduct a major exploration program
- To benefit from the value of your property by receipt of cash payments and/or shares and/or work with a company
- To reap rewards in the long term if a significant discovery is made leading to an operating mine

OTHER OPTION AGREEMENT BENEFITS

- The company may stake more claims, enlarging the property and, therefore, potential future benefit in your interest
- The company will keep your property in good standing, during the option agreement, with respect to government requirements
- Upon termination of the option, the company will return the property to you with sufficient assessment credits for the following year (if in the contract)

WHERE TO START – PRIOR TO OPTION

- To be in the market for an Option, you must have mineral claims
- If you have a partner, make a prospector's agreement first and file it with the Mineral Claims Recorder's office
- If it's a new mineral discovery, compile assays and previous work
- If it's an historic occurrence, resample/assay to confirm mineralization type, extent, etc.

WHERE TO START – PRIOR TO OPTION

- Write a summary about known mineralization – this will strengthen your negotiating position for the option agreement
- Make a poster detailing highlights of the property - get help from The Matty Mitchell Room – (709) 729 2120
- Use the poster (pdf) to promote your property through emails
- Attend Mining Industry trade shows, develop and maintain contacts in industry

PROPERTY PROMOTION POSTER

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NEWFOUNDLAND & LABRADOR

Explore The Opportunities

Little Joanna - Gold



Map 1. Property Location Map

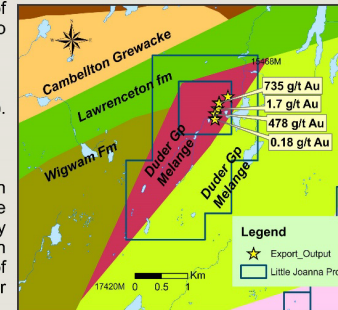
The Little Joanna Au Property is located on NTS 2E/2, approximately 25 km NE of Glenwood. Forestry access roads originating at Glenwood and Birchy Bay can be used to access most of the property.

Regional Geology

The property is located in the eastern portion of the Exploits Subzone (Dunnage Zone). The Dunnage Zone represents the vestiges of the proto Atlantic Iapetus Ocean.

Local Geology

The western edge of the property is underlain by the Ordovician Wigwam Formation (Botwood Group), which consists predominantly of subaerial volcanic rock, sandstone and conglomerate that is overlain conformably by a terrestrial volcano-sedimentary sequence of mafic to more dominant felsic flows and associated pyroclastics. The eastern part of the property is underlain by the early Ordovician to early Silurian Duder Complex. The complex consists of boudined and brecciated mafic to felsic volcanic, trondhjemite and siliciclastic blocks in a black shale or mudstone matrix.



Map 2. Claims Location and Geology Map

Previous Work and Mineralization

Highlights:

- New high grade lode gold discovery
- Grabs up to 23 ozs/per ton
- Mineralized quartz veins up to 25 cm across
- Excellent grassroots property with economic potential

The Little Joanna property is a new high-grade gold discovery in an area with no known exploration. The original showing was a 10-12 inch compact quartz vein within a highly altered, carbonated sedimentary mélange of shale, conglomerate and siltstone. Hand trenching had exposed the vein for a couple of meters. Fine visible gold is found throughout the vein. Selected grabs have assayed up to **23 ozs per ton** but average of the quartz vein material is approximately **5.9 ozs per ton**.

Although the vein is narrow, the grade of gold is highly significant. With little exploration, the possibility that many other similar or larger veins occur within the property is excellent.

Recent trenching with a CanDig exposed the vein for approximately 15 m: the vein is covered by overburden on the northern end and is flooded on its southern end. Additional trenching 200 m NW of the vein of identical quartz rubble was unable to reach bedrock. Significantly larger, highly angular and identical looking quartz blocks but with visible arsenic mineralization and lower grades were exposed while trenching. Coarse nugget gold was

Produced By:



Revised February, 2018

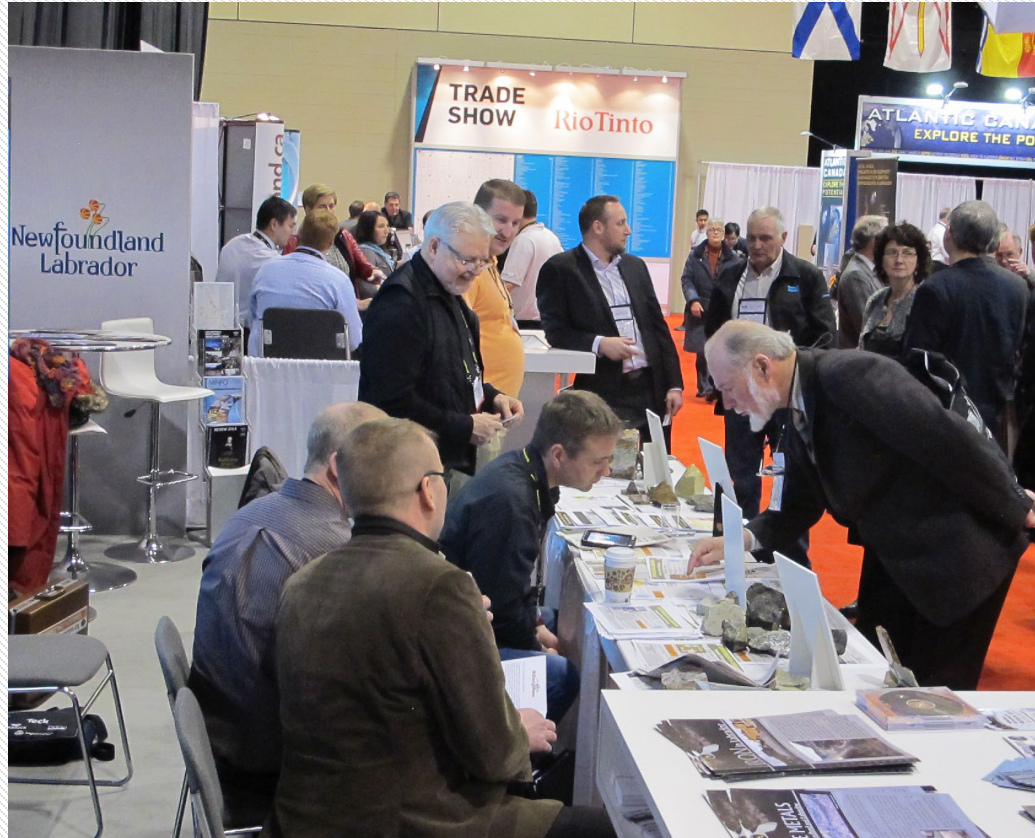
FOR MORE INFORMATION CONTACT:

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E-mail: rquinlan@persona.ca

panned from quartz rubble and altered wallrock approx 130 m to the NE of the exposed high grade vein. It now appears that there are two types of veining within the property: Arsenic-rich with low gold grades and arsenic-poor with bonanza grades. Other vein systems are thought to occur along strike in the contact zone of this melange package. The property is wide open and has had little previous work.

NETWORKING AT MINING INDUSTRY TRADE SHOWS

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PROPERTY PROMOTION – CONFIDENTIALITY AGREEMENT

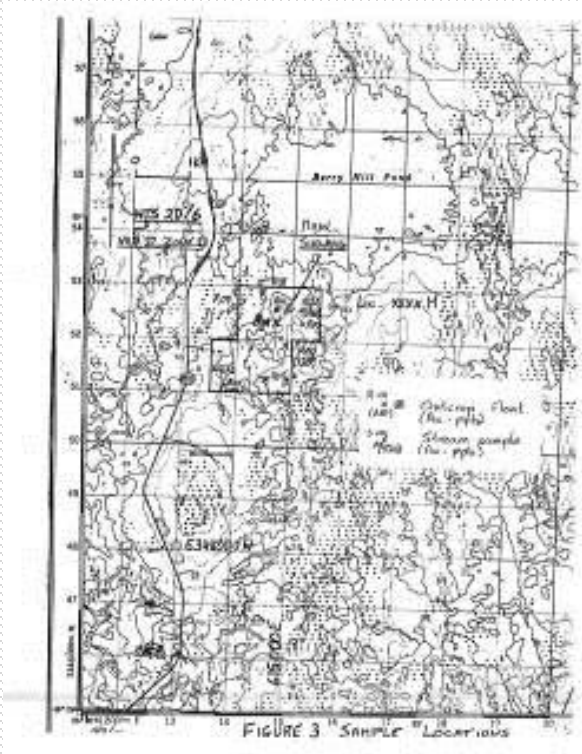
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- Be prepared to show your property to a company geologist
- Request a confidentiality agreement (CA) first
- Any CA should be signed prior to a property visit

PROPERTY PROMOTION

- Technical information shown to the company (e.g., assays) should be confidential for a specified period
- New sample results or other information obtained by the company must be reported to the prospector
- An area of influence can be defined, within which new claims will become part of any future agreement

PROPERTY VISIT



Au Fire Assay/ICP Geochemistry Certificate

Client: Crosshair Exploration & Mining
Geologist: B. Sparkes
Project: SCP
Sample: Rock

Eastern Analytical Limited
P.O. Box 187
Little Bay Road
Springdale, NL
A0J 1T0

Signed by: *[Signature]*

(Concentrations in assay range may cause interferences in associated elements)

DateIn: June 17, 2009
DateOut: June 24, 2009

Phone: 709-673-3909
Fax: 709-673-3405
Email: easternanalytical@nt.abn.com

Sample Number	Au	Ce	Si	Ba	Fe	P	Hg	Mg	As	V	Na	Mo	Al	Ba	Ca	Zn	Cu	Sb	Ag	Pb	Bi	Ti	Cd	Co	Ni	W	La	K	Mn	Sn	Cr
	ppb	ppm	ppm	ppm	%	%	ppm	ppm	ppm	ppm	%	ppm	%	ppm	%	ppm	ppm	ppm	ppm	ppm	ppm	%	ppm	ppm	ppm	ppm	ppm	%	ppm	ppm	ppm
S10001	6778	10	6	10	0.56	0.02	1	0.01	344	2	0.14	8	0.06	0.5	0.05	4	6	5	0.6	25	2	0.01	0.5	2	7	10	10	0.01	255	20	342
S10002	2440	10	7	14	0.98	0.02	1	0.05	630	3	0.16	13	0.19	0.5	0.07	24	7	5	0.2	57	2	0.01	0.5	4	10	10	10	0.03	973	20	423
S10003	5	10	1	10	0.38	0.01	1	0.01	7	2	0.11	9	0.05	0.5	0.01	4	2	5	0.2	2	2	0.01	0.5	2	7	10	10	0.01	221	20	353
S10004	5	30	>220	24	0.85	0.01	1	0.20	5	10	0.19	9	0.55	0.5	3.72	40	6	5	0.2	13	2	0.01	0.5	5	7	10	10	0.05	910	20	345
S10005	5	17	4	10	0.83	0.02	1	0.02	11	4	0.16	11	0.11	0.5	0.04	6	24	5	0.2	5	2	0.01	0.5	2	11	10	10	0.03	341	20	453
S10006	5	10	2	10	0.37	0.01	1	0.01	5	1	0.13	15	0.03	0.5	0.02	2	4	5	0.2	2	2	0.01	0.5	1	8	10	10	0.01	35	20	462
S10007	5	245	3	15	1.34	0.01	1	0.75	5	4	0.20	8	0.96	0.5	0.02	58	3	5	0.2	2	2	0.01	0.5	6	10	10	14	0.02	2653	20	312
S10008	5	10	4	10	0.91	0.02	1	0.02	23	2	0.13	14	0.11	0.5	0.03	6	5	5	0.2	7	2	0.01	0.5	2	9	10	10	0.01	913	20	447
S10009	5	10	2	10	0.52	0.01	1	0.01	39	3	0.18	12	0.07	0.5	0.01	3	3	5	0.2	3	2	0.01	0.5	2	9	10	10	0.01	248	20	449
S10051	5	10	2	10	0.41	0.01	1	0.01	31	2	0.17	14	0.06	0.5	0.01	2	4	5	0.2	2	2	0.01	0.5	1	7	10	10	0.01	108	20	432
S10052	101	10	2	10	0.35	0.01	1	0.01	15	2	0.15	10	0.04	0.5	0.02	1	3	5	0.2	2	2	0.01	0.5	1	8	10	10	0.01	45	20	390
S10053	56	20	10	15	1.70	0.01	1	0.13	331	8	0.16	14	0.32	0.5	0.17	13	28	5	0.2	2	2	0.01	0.5	4	11	10	10	0.03	484	20	467



Have a map

assay results

and samples available...

PROPERTY VISIT

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Be familiar with locations of showings!

PROPERTY VISIT

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- Allow the geologist to take a limited number of samples for assay
- Request copy of assay results
- Request brief summary of property visit to be used for assessment credit





NEGOTIATING AN OPTION AGREEMENT

- Discuss terms with a company representative
- If a verbal agreement is reached, the company will prepare an agreement in writing for both parties to sign
- The written agreement should be based on the terms discussed
- Be sure you agree to the terms before signing
- Always seek legal advice before signing
- Be prepared to wait weeks or months for an offer



TERMS OF AN AGREEMENT

Some benefits you can negotiate:

- ❖ Cash payments and/or shares
- ❖ Net Smelter Return (NSR) and buyback
- ❖ Area of interest
- ❖ Work commitments and assessment reporting
- ❖ Environmental liability
- ❖ Copies of all work reports and results

SAMPLE OPTION AGREEMENT

April 27, 2010 - Bridgewater, NS - Silver Spruce Resources Inc. (TSXV: SSE) reports that it has optioned the Big Easy (BE) property, a Au/Ag property in east central Newfoundland.

The 121 claim property, located near Thorburn Lake in east-central Newfoundland, was optioned from prospectors Alex Turpin and Colin Kendall. The option agreement, to earn a 100% interest subject to a **3% NSR** with a **1.5% buyback for \$1.5M**, is:

	Cash	Shares
On signing	\$20,000	350,000
1st anniversary	\$30,000	400,000
2nd anniversary	\$30,000	500,000
3rd anniversary	\$30,000	350,000
Totals	\$110,000	1,600,000

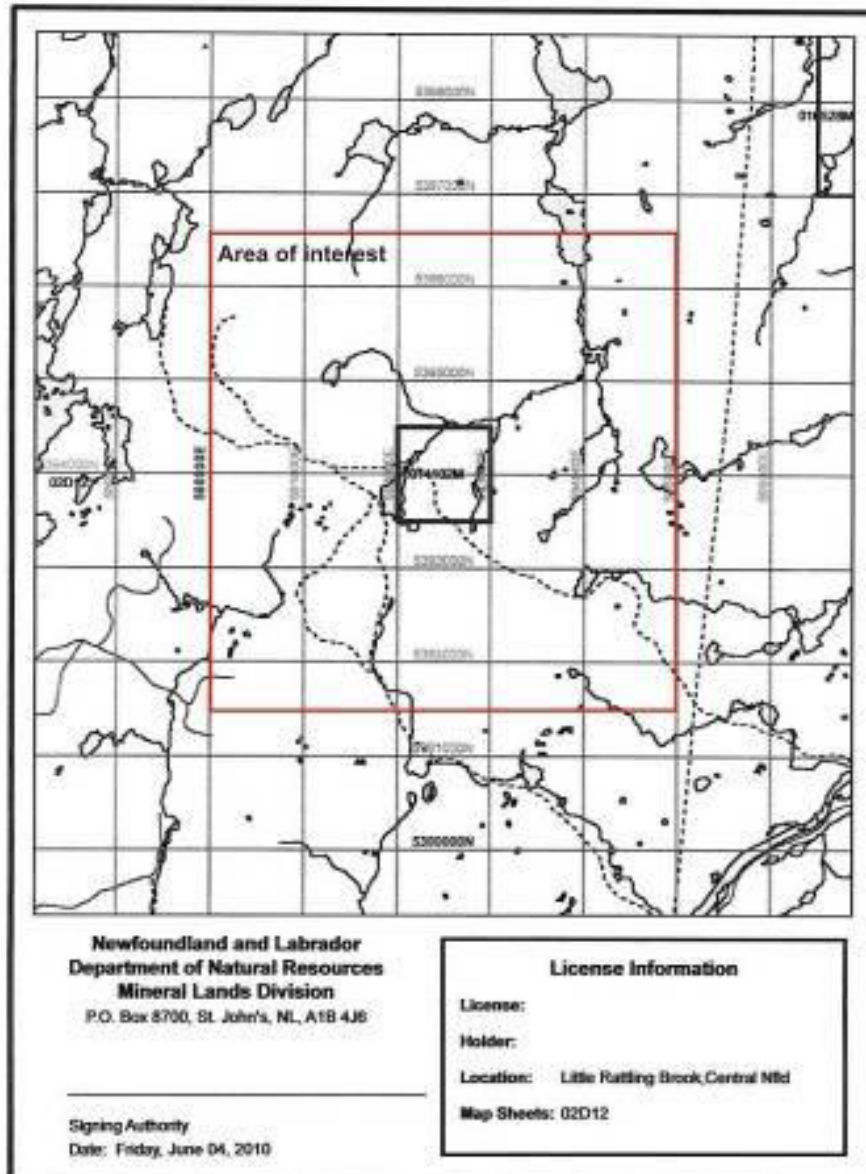
CASH AND / OR SHARES

- Payments are usually made annually, starting on signing, and may last for 3 to 4 years
- Amounts vary, depending on the property but usually start off low and increase
- Some companies may issue shares
- These may change in value fairly quickly
- Seek professional advice

Net Smelter Return (NSR)

- NSR is the net revenue a company receives from mining
- You should retain a small share of this, usually 2 – 3%, in the form of a royalty
- Percentage may seem small but could be worth millions
- You may agree to a partial buyback of the NSR, usually for about \$1,000,000 for each percentage point

AREA OF INTEREST



- The company may stake additional claims to expand the land holding and cover other possible targets
- Any additional claims within a certain area should be included in your agreement

WORK COMMITMENT

- Negotiate a minimum work commitment to ensure that the company actually spends money on your property during the option
- Company should be required to keep property in good standing for assessment purposes
- Property should be returned in good standing for a certain period (e.g., one year)

ENVIRONMENTAL LIABILITY

- You should ensure that the company will accept liability for all environmental damage it may cause during exploration work on the property

RESULTS OF WORK DURING OPTION AGREEMENT

- You should receive copies of all survey results and reports filed for assessment with Dept. of Industry, Energy and Technology
- This helps you track current progress and may be important for future agreements

WHO CAN I MAKE AN AGREEMENT WITH?

- Many companies are exploring in the province
 - ❖ You can get a list mining companies [here](#)
 - ❖ You can get a list of exploration companies [here](#)
- Start with companies who are already working in your area. A representative from the company may look at your property
- Most companies have websites and these provide useful information on where they are working, and who to contact
- Check with other prospectors

DEPARTMENT CONTACTS

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Contact	Position	Phone	Email
Carolina Valverde	Exploration consultant	709 729 6651	CValverdeCardenas@gov.nl.ca
Pat O'Neill	Posters, promotion	709 729 2120	matty@gov.nl.ca
Justin Lake	Claims Manager	709 729 6437	justinwlake@gov.nl.ca
Brad Way	Prospector's grants	855 729 6448	bradway@gov.nl.ca

Industry, Energy, Technology website <http://www.nr.gov.nl.ca/nr/>

Geoscience Resource Atlas <http://gis.geosurv.gov.nl.ca/>

Matty Mitchell Room http://www.nr.gov.nl.ca/nr/mines/prospector/matty_mitchell/index.html