Volumetric Production Payments

Non-Dilutive Commodity Finance

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How Volumetric Production Payments ("VPP") Work

- Investor makes an initial up-front payment in order to receive a percentage of the commodity produced at a specific project for the life of mine
- Investor makes a subsequent fixed payment for each measure (i.e. ounce) of produced commodity (i.e. gold) upon delivery from the mine

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Benefits of a VPP Deal

- VPP funding is a very attractive form of financing (cheaper than equity and safer than debt)
- Debt financing is risky and unpopular with shareholders, especially in a risk-averse market environment
- Minimize equity dilution
    - Cost of equity can be very expensive and too dilutive
- Very flexible in application
- VPPs generally have tax benefits

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Why VPP is Superior to Equity

- **CAPACITY** :: Sufficient equity financing can be difficult to obtain for companies with limited liquidity especially prior to production.
- **DILUTION** :: VPPs avoid heavy equity dilution in a poor market.
- **BEFORE FINANCING** :: Market rumours of large equity issuances result in share price being driven down. This does not occur with a VPP.
- **AFTER FINANCING** :: The number of shares issued will result in a supply of shares being sold, driving down the share price. This does not occur with a VPP.
- **WARRANTS** :: Most equity offerings are issued with warrants, creating a perceived overhang in the market after closing. No such warrants are required in a VPP financing.

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Why VPP is Superior to Debt

- **TIMING** :: Debt can take 4 to 12 months or more to complete before funding. A VPP funding can only take 8-12 weeks before funding (including all technical and legal due diligence).
- **COVENANTS** :: Debt has tight financial covenants, the violation of which can result in the banks seizing the financed mine. A VPP has no such covenant.
- **FEES** :: Investor does not charge “upfront fees” in a VPP financing.
- **INVESTORS** :: In a risk averse market environment, investors are focusing on debt free companies. A number of debt free producing gold companies are still trading at NAV multiples.

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VPP Partners

These companies have all successfully financed themselves using VPPs by selling the following percentages of their production:

Company	Production %	Up-Front Payment (USD)
Goldcorp (2 VPPs)	29%	$997M
Lundin Mining (2 VPPs)	20%	$162M
Glencore Int. AG	28%	$285M
European Goldfields	27%	$58M
Farallon Resources	15%	$80M
Aurcana Corporation	30%	$25M
Alexco Resources	25%	$50M
FNX Mining	20%	$400M
Redcorp Ventures	15%	$90M
First Uranium Corp.	13%	$125M
Silvercrest Mines	20%	$12M
Luna Gold Corp.	17%	$17.8M

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Contact Us

To learn more about VPP and how it could work for your project contact us.

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