# MINING ROYALTIES

# AND STATISTICS

# IN NSW

# GUIDELINES FOR COMPLIANCE

# NON COAL

# CONTENTS

# Introduction

NSW Department of Industry issues titles for the right to mine and dispose of minerals and petroleum. When titleholders obtain a title they undertake to abide by the conditions of the authority, including the payment of royalties and prompt lodgement of royalty returns on their titles. These guidelines explain the royalty requirements and sets out titleholders' obligations in this regard. It also highlights the penalties that can be incurred.

Royalty is the payment to the State for the right to extract and use the State's mineral resources. The collection of mining statistics is incorporated with the royalty return. The information required consists of employment at the end of each period; value of minerals sold, used, purchased and stockpiled; and where applicable the quantity and value of mineral concentrates produced as well as capital expenditure.

Royalty rates are set to encourage present and future exploration and development of mineral resources. At the same time, the NSW Government aims to ensure that the State receives a fair and equitable return for the use of non-renewable resources.

The collection of mining royalties is based on 'self-assessment'. Therefore responsibility for calculating the amount to be paid and prompt lodgement of royalty returns and payment rests with the titleholder.

# Royalties

Royalty on minerals, other than coal, are either charged on a quantum or ad valorem basis.

### Quantum Royalty

Quantum royalties are levied on a production basis (i.e. a flat rate royalty is charged per unit of mineral recovered). Please refer to Appendix 2 for the rate applicable to each specific mineral. These rates may change through an amendment to the regulations.

### Ad Valorem Royalty

Ad valorem royalties are levied at 4% of the total value of minerals recovered, or the ex-mine value.

The ex-mine value refers to the value of the mineral once it is mined and brought to the surface. In some cases the costs associated with the processing or treatment may be allowable deductions. However, the costs associated with exploration, development and mining of the ore body and the rehabilitation of the site are not allowable deductions. Appendix 1 provides more details on assessable income and allowable deductions..

# Completion of Royalty and Statistics Returns

The lodgement date for annual returns and payment of royalty for non-coal minerals for the preceding financial year is 31 July. In certain cases, different lodgement dates may apply.

Quarterly royalty returns are required for titleholders with an anticipated royalty liability of more than $50,000 for the 12-month period. Quarterly returns are in the same format as the annual returns and are due at the following times:

| Period | Return and payment due |
|---|---|
| 1 January - 31 March | 30 April |
| 1 April - 30 June | 31 July |
| 1 July - 30 September | 31 October |
| 1 October - 31 December | 31 January |

Titleholders are responsible for ensuring that:

- information relating to their titles is accurate and up-to-date;
- completed and signed royalty returns in respect of all titles held are lodged with the Department, together with the royalty payment when due; and
- details and maps are kept of areas of extraction and a breakdown of mineral recovered from different land portions.

## *Calculating the Quantity and Value of Mineral Recovered*

The return will provide a separate sheet for each mineral available to be mined by the leaseholder and the applicable royalty rate (see Appendix 2 for the current rates).

The royalty will be calculated on the minerals recovered during the period, which includes stock movements.

The value of minerals sold will be the first arm's-length sale that receives market value (typically the invoiced value less offsite processing costs). Where no invoice is rendered the value should reflect spot prices at the time of disposal. The closing stock should be valued at the net realisable value, while opening stock will reflect the value reported during the previous period.

## *Calculating Royalty Payable*

### Quantum Royalty

Calculate the royalty payable in Table 3, by multiplying the quantity of minerals recovered, using **whole tonnes**, by the rate prescribed.

Do not complete Table 4, as this relates to the ad valorem royalty.

An example of the calculations required for a quantum-based mineral follows:

GYPSUM

| | | Quantity Tonnes | Amount $ |
|---|---|---|---|
| Export Sales | | 0 | 0 |
| Local Sales or other disposals | | 7,500 | 150,000 |
| **Total value of disposals** | | **7,500** | **150,000** |
| Plus | value of closing stock (finished product at last sale price or ruling spot price, whichever more closely reflects the realisable value of the stock) | 300 @ $20 | 6,000 |
| Less | value of opening stock (as per previous return) | 500 @ $15 | 7,500 |
| **Gross value of mineral recovered** | | **7,300** | **148,500** |
| **Amount of royalty payable (at 35 cents per tonne)** | | | **2,555** |

## Ad Valorem Royalty

The ex-mine value of minerals recovered will be determined by subtracting total deductions from (Table 4) from the value of mineral recovered (Table 2). Please refer to Appendix 1 for details of assessable income and allowable deductions.

Calculate the royalty payable by multiplying the ex-mine value by the rate prescribed for the mineral.

An example of the calculations required for an ad valorem-based mineral follows:

GOLD

| | | **Quantity Oz** | **Amount $** |
|---|---|---|---|
| Export Sales | | 4,500 | 2,600,000 |
| Local Sales or other disposals | | 3,500 | 2,000,000 |
| **Total value of disposals** | | **8,000** | **4,600,000** |
| Plus | value of closing stock | 250 | 137,500 |
| | (finished product at last sale price or ruling spot price, whichever more closely reflects the realisable value of the stock) | @ $550 | |
| Less | value of opening stock | 500 | 312,500 |
| | (as per previous return) | @ $625 | |
| **Gross value of mineral recovered** | | **7,750** | **4,425,000** |
| Less | Allowable deductions - | | |
| | • Onsite treatment expenses | | 1,500,000 |
| | • Realisation expenses | | 50,000 |
| | • one-third of onsite administration expenses | | 65,000 |
| | • Depreciation | | |
| | ▪ Treatment Plant | 885,223 | |
| | ▪ Tailings Dams | 148,833 | |
| | ▪ Component of asset attributable to treatment and realisation: | | |
| | o Workshop | 3,938 | |
| | o Motor vehicles | 15,541 | |
| | o Buildings | 15,101 | 1,068,636 |
| **Total allowable deductions** | | | **2,683,636** |
| **Ex-mine value** | | | **1,741,364** |
| **Amount of royalty payable (at 4%)** | | | **69,654.56** |

## *Additional Statistical Information*

### Employment and Capital Expenditure

You must show all personnel employed as at the end of the period, including working managers, partners, employees, contractors, etc.  If there was no person employed at the end of the period write 'NIL'.

Show capital expenditure on plant and equipment for the period split between mining of mineral and treatment of mineral. The employment and capital expenditure details (Table 1) should be completed even if submitting a NIL return.

### Mineral Concentrates

Where applicable enter the quantity of ore and mineral concentrates produced during the period.

## *Additional Information for Calculating a Royalty Liability*

### Gold loans

Gold loan repayments will be valued at the ruling spot price regardless of the valuation at draw down.

### Forward sales

Any transaction which is designed to protect the future value of a mineral will be taken into account in determining the value of mineral recovered.

### Speculation

Any speculative transaction or purchase of mineral will not be considered in the value of mineral recovered.

### Depreciation

Depreciation allowable for royalty purposes is restricted to the proportion of the assets' utilisation that contributes directly to upgrading the mineral from the first stockpile to disposal. Full depreciation schedules and assets registers must support all claims for deductions.

- All assets (except tailings dams) are to be depreciated using the reducing balance method at the rate of 11.25% per annum.
- Tailings dams can be depreciated using the straight-line method, over the life of the dam while additional earthworks for the dams may be included in the depreciation schedule or treated as a deduction in the year of expenditure.
- Depreciation of assets only applies to the period during which production is underway.
- Additions are to be depreciated for part year including the month the expense was incurred.
- Disposals are to be depreciated for part year excluding the month of disposal.
- A balancing charge applies to disposal of depreciated assets.
- For royalty purposes, transfer of assets upon sale to another operation or miner will be at the written down value WDV.
- Upon closure of an operation, part- year allowance will be made for depreciation of assets. Refund claims may be accepted in the royalty return for the period following the closure. This specifically addresses the problem of whether the balancing charge is to be written off or disposed of after closure.
- If the mine is placed on a care and maintenance basis, a part-year allowance will be made for the current year and the WDV will apply when the mine reopens.

# Records

## *Keeping Accurate Records*

Titleholders are required to maintain proper and accurate account books relating to minerals recovered.  Any officer of the Department must be permitted access to account books, documents and other records relating to the production, treatment and disposal of minerals by the titleholder.  If necessary, the Minister will direct the titleholder to make such records available for an officer of the Department to inspect.  Examples of the types of records a titleholder should keep are set out in Appendix 3.

## *Privacy and Confidentiality*

The information, including personal information, collected by the Department for the purposes of royalty is collected under the requirements of the Mining Act 1992.  The information is necessary in order to administer the mining laws of the State.

The information collected is treated as confidential and specific disclosure provisions are set in Section 365 of the Mining Act 1992, which states:

Information obtained about a titleholder's operations may not be disclosed unless the disclosure is made:

a) with the consent of the person from whom the information was obtained; or

b) in connection with the administration or execution of the Act; or

c) for the purposes of any legal proceedings arising out of the Act or of any report of any such proceedings; or

d) for the purpose of any investigation or inquiry conducted by a Warden under the Act; or

e) with the concurrence of the Minister.

## Payment

Payments of royalty are made to the Office of State Revenue from 1 July 2014.

The preferred method of payment is a direct deposit to the Office of State Revenue

Bank: Westpac

BSB: 032 001

Account number: 205573

Account name: OSR EPS Remitting Account

For more information, please go to the link below

http://www.osr.nsw.gov.au/royalties/mineral

## Penalties

The Mining Act 1992 provides for fines for offences relating to returns, the provision of information and access to records.

If you furnish false or misleading information or fail to lodge a Royalty Return on time the Regulations specify a maximum penalty of $11,000. In addition, a person in charge of premises, where a royalty officer believes records are kept, fails to provide reasonable facilities and assistance may face a penalty of up to $11,000.

These penalties may be imposed by a court of competent jurisdiction.

## Disputes

If you dispute an assessment you may lodge an objection.

If you believe that an incorrect assessment has been issued, action to recover any outstanding debt will be suspended pending investigation of the matter. However, if it is found that the initial assessment is correct, you will be charged continuing interest on the unpaid debt.

If you consider that assessment for royalty liability is based on an invalid application of policy or an inappropriate method of calculation, the objection will not be investigated until full payment has been made. The Minister will determine the claim and you will be notified of the outcome as soon as practicable. Any resultant refund will be made within 14 days.

Titleholders should note that during a period of indebtedness to the Department all matters before it (e.g. lease renewals, transfers, applications for titles etc) will be viewed in light of any outstanding liability.

Under the Mining Act, all disputes are to be investigated by the Minister.

# Appendix 1: Assessable Income and Allowable Deductions

## Income

Includes the revenue realised from the mineral recovered and disposed from the title. This assumes an arm's length transaction, where the Minister is satisfied that it produces a market value.  Speculative activity is not assessable and should be ignored.

| | |
|---|---|
| Sales | The $A value at disposal |
| Foreign exchange gains or losses | The variation in the $A value at settlement. |
| Forward Trading | Where used to protect the value of the mineral. |
| Contangoes | Assessable as premium on price of sale. |
| Offsite refining and treatment | Assessable as a contra to the sale. |
| Foreign exchange trading | Not assessable. |
| Hedging | Not assessable. |
| Interest | Not assessable. |
| Income from housing rental | Not assessable. |
| GST | Not assessable. |

## Deductions

Allowable deductions are confined to the direct costs incurred in upgrading the mineral, after the first stockpile, and bringing it to market.  Income for services provided to external parties should be offset against deductions.

**Onsite Treatment**

| | |
|---|---|
| Transport to first stockpile | Not allowable. |
| Crushing and milling | Allowable after the first stockpile. |
| Concentration | Allowable. |
| Refining | Allowable. |
| Assaying and analysis | Allowable. |

**Realisation**

| | |
|---|---|
| Agents commission | Allowable. |
| Intermediate stockpiling | Allowable. |
| Transport to point of sale | Allowable. |
| Overseas freight | Allowable on Cost of Insurance and Freight (CIF) sales. |

**Depreciation**

Depreciation is at 11.25% per annum on a reducing balance, except for tailing dams. Tailing dams are depreciated on a straight line basis over the life of the dam.

The claim for the depreciation should be adjusted for the allowable proportion of asset usage.

Further definitions are provided in Depreciation section on page 6.

| | |
|---|---|
| Crushing and milling | Allowable after first stockpile. |
| Transport | Allowable after first stockpile. |
| Refining | Allowable. |
| Administration | Allowable at 33.33% of the expense |
| Mining | Not allowable. |
| Environment | Not allowable. |
| Inter- and Intra-company transfers | Transferred at the lower of written down or realisable value. |
| Retirement or disposal | • At value of sale<br>• Profit or loss on disposal schedule to support claims. |

**Onsite Administration**

On site expenses which directly have an effect upon the value of the mineral, or facilitate the upgrade of the mineral. Generally Allowable at 33.33%.

| | |
|---|---|
| Bank Charges | Allowable. |
| Occupational health and safety | Allowable for non mining activities. |
| Contractors and consultants | To be considered on a case by case basis. |
| Fringe benefit tax | Not allowable, unless provided to all employees. |
| Entertainment | Not allowable. |
| Relocation and recruitment | Not allowable. |
| Audit fees | Not allowable. |
| Offsite administration | Not allowable. |
| Housing | Not allowable. |
| Sponsorship and promotions | Not allowable. |
| Overseas travel | Not allowable. |
| Levies and licenses | Not allowable. |
| GST on expenses | Not allowable. |

**Other Not allowable Expenses**

Other not allowable expenses include:

Mining

Exploration

Survey

Rehabilitation

Environmental management

Interest and financing charges

Legal

Overseas travel

Housing

Sponsorship and promotions

Entertainment

Levies and licenses

Relocation and recruitment

Royalty

Rates

## Appendix 2 Royalty Rates

| Mineral | Rate of Royalty |
|---|---|
| Agate | 4% ex-mine value |
| Agricultural lime | 35 cents per tonne |
| Antimony | 4% ex-mine value |
| Apatite | 4% ex-mine value |
| Arsenic | 4% ex-mine value |
| Asbestos | 4% ex-mine value |
| Barite | 70 cents per tonne |
| Bauxite | 35 cents per tonne |
| Bentonite (inc. Fuller's Earth) | 70 cents per tonne |
| Beryllium minerals | 4% ex-mine value |
| Bismuth | 4% ex-mine value |
| Borates | 70 cents per tonne |
| Cadmium | 4% ex-mine value |
| Caesium | 4% ex-mine value |
| Calcite | 40 cents per tonne |
| Chalcedony | 4% ex-mine value |
| Chert | 35 cents per tonne |
| Chlorite | 70 cents per tonne |
| Chromite | 4% ex-mine value |
| Clay/shale | 35 cents per tonne |
| Cobalt | 4% ex-mine value |
| Columbium | 4% ex-mine value |
| Copper | 4% ex-mine value |
| Corundum | 4% ex-mine value |
| Cryolite | 4% ex-mine value |
| Diamond | 4% ex-mine value |
| Diatomite | 70 cents per tonne |
| Dimension stone | 70 cents per tonne |
| Dolomite | 40 cents per tonne |
| Emerald | 4% ex-mine value |
| Emery | 4% ex-mine value |
| Feldspathic materials | 70 cents per tonne |
| Fluorite | 70 cents per tonne |
| Galena | 4% ex-mine value |

| Mineral | Rate of Royalty |
|---|---|
| Garnet | 4% ex-mine value |
| Geothermal substances | 4% ex-mine value |
| Germanium | 4% ex-mine value |
| Gold | 4% ex-mine value |
| Graphite | 4% ex-mine value |
| Gypsum | 35 cents per tonne |
| Halite (inc. solar salt) | 40 cents per tonne |
| Ilmenite | 4% ex-mine value |
| Indium | 4% ex-mine value |
| Iron minerals | 4% ex-mine value |
| Jade | 4% ex-mine value |
| Kaolin | 70 cents per tonne |
| Lead | 4% ex-mine value |
| Leucoxene | 4% ex-mine value |
| Limestone | 40 cents per tonne |
| Lithium | 4% ex-mine value |
| Magnesite | 70 cents per tonne |
| Magnesium salts | 40 cents per tonne |
| Manganese | 4% ex-mine value |
| Marble | 70 cents per tonne |
| Marine aggregate | 4% ex-mine value |
| Mercury | 4% ex-mine value |
| Mica | 70 cents per tonne |
| Mineral pigments | 70 cents per tonne |
| Molybdenite | 4% ex-mine value |
| Monazite | 4% ex-mine value |
| Nephrite | 4% ex-mine value |
| Nickel | 4% ex-mine value |
| Niobium | 4% ex-mine value |
| Oil shale | 4% ex-mine value |
| Olivine | 70 cents per tonne |
| Opal | 4% ex-mine value |
| Ores of silicon | 4% ex-mine value |
| Peat | 70 cents per tonne |

| Mineral | Rate of Royalty |
|---|---|
| Perlite | 70 cents per tonne |
| Petroleum | 10% of well head value |
| Phosphates | 70 cents per tonne |
| Platinum group minerals | 4% ex-mine value |
| Platinum | 4% ex-mine value |
| Potassium minerals | 70 cents per tonne |
| Potassium salts | 40 cents per tonne |
| Pyrophyllite | 70 cents per tonne |
| Quartz crystal | 4% ex-mine value |
| Quartzite | 70 cents per tonne |
| Rare earth minerals | 4% ex-mine value |
| Reef quartz | 70 cents per tonne |
| Rhodonite | 4% ex-mine value |
| Rubidium | 4% ex-mine value |
| Ruby | 4% ex-mine value |
| Rutile | 4% ex-mine value |
| Sapphire | 4% ex-mine value |
| Scandium and its ores | 4% ex-mine value |
| Selenium | 4% ex-mine value |
| Serpentine | 70 cents per tonne |
| Sillimanite-group minerals | 70 cents per tonne |
| Silver | 4% ex-mine value |
| Sodium salts | 40 cents per tonne |
| Staurolite | 70 cents per tonne |
| Strontium minerals | 4% ex-mine value |
| Structural clay | 35 cents per tonne |
| Sulphur | 4% ex-mine value |
| Talc | 70 cents per tonne |
| Tantalum | 4% ex-mine value |
| Thorium | 4% ex-mine value |
| Tin | 4% ex-mine value |
| Topaz | 4% ex-mine value |
| Tourmaline | 4% ex-mine value |
| Tungsten and its ores | 4% ex-mine value |
| Turquoise | 4% ex-mine value |
| Vanadium | 4% ex-mine value |

| Mineral | Rate of Royalty |
|---|---|
| Vermiculite | 70 cents per tonne |
| Wollastonite | 70 cents per tonne |
| Zeolites | 70 cents per tonne |
| Zinc | 4% ex-mine value |
| Zircon (mineral sand) | 4% ex-mine value |
| Zircon | 4% ex-mine value |
| Zirconia | 4% ex-mine value |

## Appendix 3 Types of Records

Whilst there are basic record-keeping requirements that apply to all titleholders, the extent of records kept depend upon the relative size and nature of mining operations. These may also be dictated by other business reasons.

Examples of the types of records that should be kept are summarised below.

| General record category | Information required | Recommended supporting records |
|---|---|---|
| Disposals (includes all minerals removed from the lease whether for sale, further processing or personal use) | • Quantity of each mineral sold or disposed (including minerals consumed by the leaseholder and/or related parties).<br>• Value of minerals disposed in Australian dollars (ie total consideration received less GST). | • Tax invoice showing transaction date, mineral description, quantity (eg tonnes, ounces, grams, carats, etc), value and customer details.<br>• Weighbridge dockets or receipts from independent transport contractor, showing date of transport and quantity and description of each mineral removed.<br>• Invoice register showing details of sales. |
| Purchases | • Quantity of each mineral acquired (from external sources).<br>• Value of minerals acquired (ie total consideration paid less GST). | • Tax invoice showing transaction date, mineral name, quantity, value and supplier details. |
| Stockpiles | • Quantity of minerals recovered or purchased that have not been sold, disposed or consumed by leaseholder (includes raw and processed minerals stockpiled inside and outside the mine site).<br>• Value of stockpiled minerals based on most recent arm's-length sale. | • Annual stockpile survey undertaken by an independent surveyor.<br>• Working papers showing calculation of closing stock from production, sales and purchase records since last survey date. |

| | | |
|---|---|---|
| Production | • Quantity of minerals recovered from each lease held.<br>• Plans showing the extent of mining activity within each lease. | • Daily records (with monthly and annual summaries) showing the quantity of each type of raw mineral recovered.<br>• Daily records (with monthly and annual summaries) showing the input and output of any processes undertaken to improve the quality of the mineral stockpile.<br>• Surveyed maps and/or sketches showing the location within each lease boundary where mining activity has occurred each year. |
| Expenses | • Actual costs incurred in upgrading the mineral from the first stockpile to a marketable state to the extent allowed. General categories: treatment expenses, marketing, onsite administration and depreciation. (Please note that all mining expenses are Not allowed.)<br>• For guidance on the extent that deductions may be allowable, please refer to Appendix 1. | • Sketches showing the methods employed to mine and process the minerals recovered.<br>• Sketches showing the location of all stockpiles in relation to the mining and processing sites.<br>• Schedules detailing all equipment used at each of the mining, transporting, stockpiling and processing stages.<br>• Tax invoices/receipts.<br>• Other evidence of payments such as bank statements, cheque butts, credit card statements.<br>• Depreciation working papers.<br>• Notes as to how each expense category relates to the schedule of allowable deductions |

If you need any assistance in deciding what records are required for your operation please contact the royalty unit on 02 4931 6436.