



**Mining Royalties
and Statistics
in
New South Wales
1999**

Guidelines for Compliance

MINING ROYALTIES
and STATISTICS
IN NEW SOUTH WALES

"GUIDELINES FOR COMPLIANCE"



NSW DEPARTMENT OF MINERAL RESOURCES
JUNE 1999

FOR FURTHER INFORMATION

TYPE OF ENQUIRY	CONTACT OFFICER
Due dates	
General enquiries	
Lease enquiries	
Refunds	
Royalty rates	
Underpayments (debts)	Royalty Clerk: Telephone (02) 9901 8723
Mineral ownership	
Title searches	Royalty Clerk: Telephone (02) 9901 8724
Quarries	
Statistics	Statistics Officer: Telephone (02) 9901 8721
Coal enquiries	
Gold and silver enquiries	
Inspections	Royalty Officer: Telephone (02) 9901 8725
Profit-based royalties	
Objections to re-assessments	
Methane drainage enquiries	Royalty Officer: Telephone (02) 9901 8870
General administrative matters	
Policy matters	Manager: Telephone (02) 9901 8722

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Acknowledgements

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Cadia gold mine, near Orange, which commenced production in mid 1998

Introduction

The collection of mining statistics has now been incorporated with the royalty return. The additional information required consists of employment at the end of the period; value of minerals sold, used, purchased and stockpiled and where applicable the quantity and value of mineral concentrates produced and capital expenditure.

It will no longer be necessary to complete a separate statistical return.

Under the Mining and Petroleum Acts, the New South Wales Department of Mineral Resources issues leases for the right to mine and dispose of minerals including coal and petroleum. When leaseholders enter into mining lease agreements with the Department of Mineral Resources they undertake to abide by certain conditions, among them the payment of royalties and prompt lodgement of royalty returns on their lease areas. This booklet explains the royalty requirements of laws governing mining of minerals, including coal mining and petroleum in New South Wales and sets out leaseholders' obligations in this regard. It also points out the penalties they can incur for not fulfilling royalty obligations.

This information is intended to help leaseholders complete and lodge royalty and statistics returns. It also explains the basis of royalty assessment and gives examples of how to calculate the different royalties applicable to minerals, coal and petroleum.

In setting royalty rates the need to encourage present and future exploration and development of mineral resources is considered. 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 in New South Wales.

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 leaseholder.

Each year the Royalty Branch of the Department of Mineral Resources issues every leaseholder with a Return of Royalty form which provides details of all leases they held for the year ended 30th June.

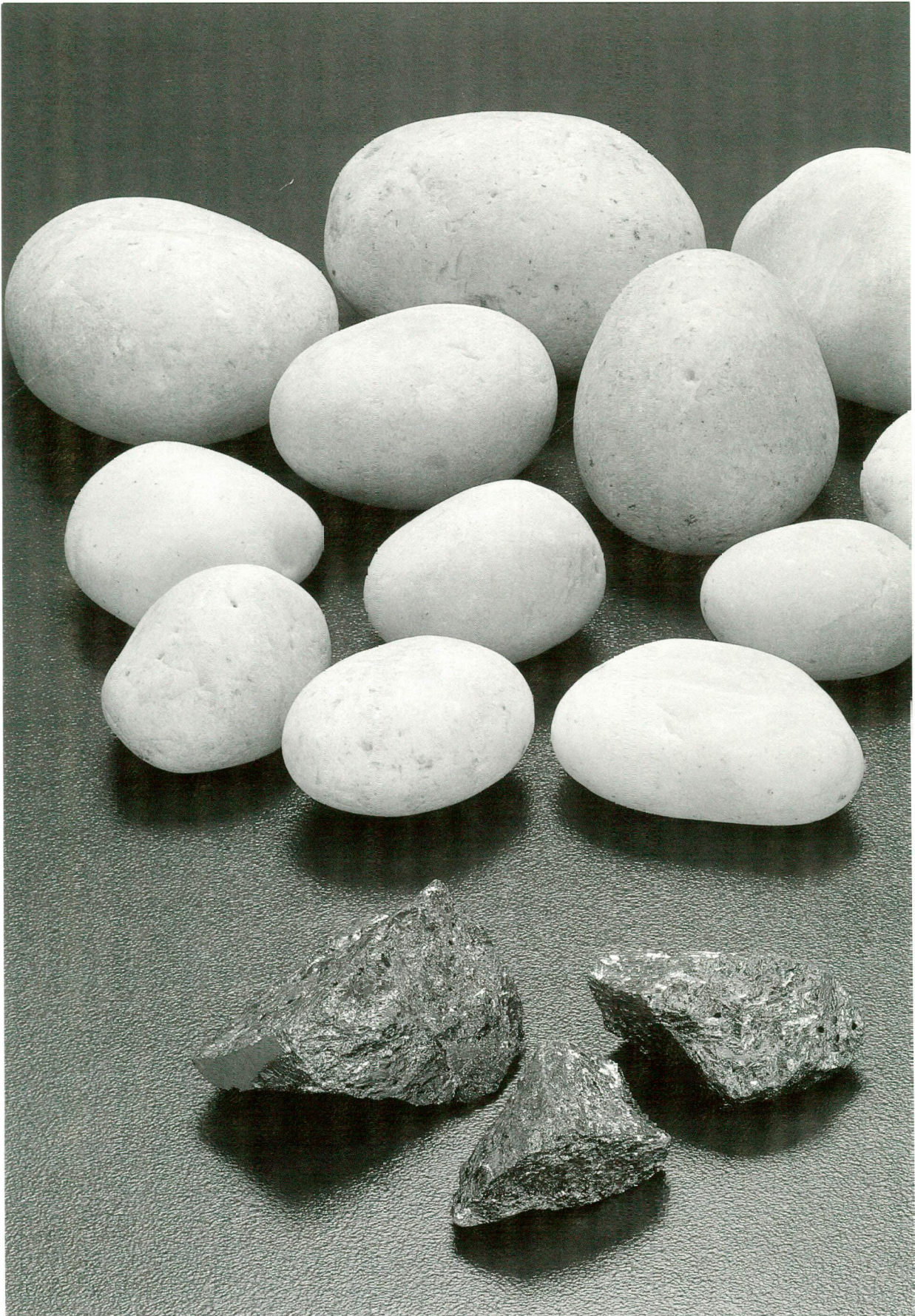
This information is intended to guide leaseholders in determining the royalty payable on leases worked by or for them during the year under review.

The lease information shown on the Return of Royalty is based on information provided at the time the lease was granted and possible later transfer. Whilst every effort is made to ensure that this information is accurate, final responsibility for providing complete and up-to-date information about lease areas and minerals being mined rests with individual leaseholders.

Failure of the leaseholder to receive this form for any reason does not in any way reduce the obligation of the leaseholder to correctly complete and lodge royalty returns on time. Royalty return forms are available on request.

Any alterations or additions to lease information should be made on the Return of Royalty form and be notified to the Department of Mineral Resources as soon as possible.

If you require assistance or further information on any aspect of the mineral royalty scheme or your obligations as a mining leaseholder, please write to or telephone the appropriate Royalty Branch contact officer listed on the back of the title page of this booklet.



High quality quartz pebbles from Cowra, which can be used to make silicon metal

Explanation of Different Mining Royalties

Mining royalties in New South Wales are payable on minerals including coal and petroleum. These are divided into non-coal royalties and coal royalties.

NON-COAL ROYALTIES

In the case of non-coal royalties, three separate types of royalty exist:

- * quantum royalty;
- * ad valorem royalty; and
- * profit-based royalty.

Quantum royalty

Quantum royalties are levied on a production basis, ie a flat rate royalty is charged per unit of mineral recovered. Specific rates apply for particular minerals, as follows:

- * Chlorite, marine aggregate, pyrophyllite, soapstone, steatite, syenite and talc85 cents per tonne
- * Alum, alumina, alunite, bentonite, fullers earth, magnesite, mineral pigments, peat ... 70 cents per tonne
- * Barytes, diatomaceous earth, dolomite, felspar, fireclay, fluorspar, granite, kaolin, marble, phosphate, pipe clay, pottery clay, serpentine, wollastonite 50 cents per tonne
- * Quartzite, reef quartz ... 45 cents per tonne
- * Bauxite, borates, calcite, gypsum, halite, iron, iron ore, ironstone, laterite, limestone, oxide of iron, perlite, shale ash 35 cents per tonne
- * Brick clay, bloating clay, chert, clay shale 25 cents per tonne

Ad valorem royalty

Ad valorem royalties are levied as a percentage of the total value of minerals recovered, as follows:

- * Mineral Sands -
Rutile, zircon, ilmenite, monazite...4% of free-on-board (FOB) value of production
- * All other minerals except coal, mineral sands and quantum royalty minerals (eg gold, silver, lead, zinc and copper 4% of 'ex-mine value' of production.

*"Ex-mine value" refers to the value of the mineral once it is mined and brought to the surface. Where hard-rock ore is processed or treated to produce a saleable product, the costs associated with the processing or treatment are allowable deductions and should be taken into account when calculating ex-mine production value. However, the costs associated with exploration, development and mining of the ore body and rehabilitation of the site are **not** allowable deductions. See Appendix 1.*

Profit-based royalty

Profit-based royalties apply only to certain mining operations located at Broken Hill (line of lode mines) and are a part of lease conditions. Royalty profit is substantially different from corporate profit or tax profit. Negotiations between miners and the Department of Mineral Resources have evolved mutually agreed administrative arrangements for profits-based royalty. Provisions have been made to encourage efficient mining, to support mining of otherwise marginal grades and promote exploration and provision of amenities in remote areas. The provisions associated with profit-based royalties are too comprehensive to discuss here, however further information may be obtained by contacting the Department's Royalty Branch (*see back of the title page of this booklet*).

COAL ROYALTIES

Royalties are levied on all coal recovered in New South Wales, and two types of coal royalties apply:

- * prescribed royalty, and
- * 'super' royalty.

Prescribed royalty

The prescribed royalty is \$1.70 per tonne, payable monthly (in arrears) on coal recovered. However, payment of the prescribed royalty is deferred until such time as the coal is disposed of or sold. For the purpose of the monthly prescribed royalty payment, the tonnage of coal is reduced by a moisture allowance. Coal mines in the southern coalfield are subject to a 7% moisture allowance, while all other coalfields are subject to a 5.5% moisture allowance.

'Super' royalty

Some coal leases mining coal by open-cut methods attract an additional 'super' royalty at the rate of 50 cents per tonne. This 'super' royalty is additional to the prescribed coal royalty and is calculated on the same basis.

Coal Reject

Royalty is payable on coal in coal reject if the coal reject is used or disposed of

for the purpose of producing energy.

Coal reject is defined as the by-product of the mining or processing of coal that has energy value of less than 16 gigajoules per dry tonne or contains more than 35% ash by dry weight. The rate of royalty on the coal in coal reject is determined by the Minister on application.

PETROLEUM ROYALTIES

The only petroleum royalties presently applicable in New South Wales are on methane drainage and gas utilisation plants at a number of collieries on the southern coalfields, where electricity generated by gas turbine units is linked to the electricity supply grid.

Currently, the royalty is payable at the rate of 10% of the 'well-head value' [#] of the petroleum.

For titles granted after 21 August 1992, under the Petroleum (Onshore) Act 1991, the rate of royalty for the first five years of commercial production is nil; for the sixth year 6%, rising by 1% each year up to 10% of the well head value in the tenth year.

[#] *The well head is the point where the methane reaches the surface and the 'well-head value' is the revenue and/or savings from the generation of electricity after deducting costs incurred downstream of the well head.*

How to Complete Royalty and Statistics Returns (Non-Coal)

The date of lodgement of annual returns and payment of royalty for all non-coal minerals is 31 July for the preceding financial year. In certain cases, a different lodgement date may apply. Quarterly royalty returns for non-coal mineral producers with an anticipated royalty liability of more than \$50,000 for the 12 month period are being introduced. The quarterly returns will be sent to lease holders by the Department of Mineral Resources prior to the end of the quarter and are to be completed and returned with payment as follows:

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

Leaseholders are responsible for ensuring that:

- * information relating to their leases supplied by the Department of Mineral Resources is accurate and up-to-date.
- * completed and signed royalty returns in respect of all leases held are lodged with the Department, together with the royalty payment when due.
- * details and maps of areas of extraction and a breakdown of mineral recovered from different land portions are kept (if applicable).

The completed return must be signed by the leaseholder or public officer certifying the information contained within the Return is correct and complete.

As in the past it will be necessary to complete the reverse side of the return for each mineral recovered during the period.

ADDITIONAL STATISTICAL INFORMATION

Employment and Capital Expenditure

Show all personnel employed as at the end of the period, including working managers, partners, employees, contractors, etc. If there were no persons employed at the end of the period write Nil.

Show capital expenditure for the period split between mining of mineral and treatment of mineral.

The Employment and Capital Expenditure table (table 1) should be completed even if submitting a Nil return. Returns received with table 1 not completed will be sent back for completion.

Mineral concentrates

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

Calculating the value of mineral recovered

Use the first arm's length sale that receives market value (typically the invoiced value) for both disposals and purchases. Where no invoice is rendered use an average value per tonne.

For finished stockpiled material use the value which closely reflects the realisable value (eg last sale price or ruling spot price).

**CALCULATING THE QUANTITY
OF MINERAL RECOVERED -
APPLICABLE TO ALL
NON-COAL ROYALTY
(REGULATION 39 (3))**

When determining your royalty liability, the following calculation shows you how to calculate the tonnage of minerals you have recovered:

mineral sold or otherwise disposed of
minus mineral purchased
equals net disposals
plus closing stock
minus opening stock
equals mineral recovered.

For example,

mineral sold or otherwise disposed of		10,000
mineral purchased	-	<u>1,500</u>
net disposals	=	<u>8,500</u>
closing stock	+	5,000
opening stock	-	<u>2,500</u>
mineral recovered		
(in tonnes)	=	<u>11,000</u>

(See **blue** coloured completed royalty return form - figure 1.1 and 1.2 - on pages 13 & 14)

CALCULATING THE VALUE OF MINERAL RECOVERED

Mineral sands - 'free on board' (FOB) value

The following example shows you how to calculate the FOB value of mineral sands:

	RUTILE	ZIRCON
total value of sand sold on an FOB (or equivalent) basis	4,280,750	6,987,500
<i>less</i> allowable costs (e.g. pallets, bagging and invoiced commission)	<u>-80,750</u>	<u>-187,500</u>
net free on board value	\$ 4,200,000	\$ 6,800,000
<i>divide by</i> total tonnes sold FOB (or equivalent)	7,500	20,000
<i>equals</i> average FOB value per tonne	\$ 560	\$ 340
<i>multiply by</i> tonnes of mineral recovered	11,000	30,000
<i>equals</i> Ex mine value	6,160,000	10,200,000
amount of royalty payable (at 4%)	\$ 246,400	\$ 408,000

(See **sand** coloured completed royalty return form - figure 2.1 and 2.2 - on pages 15 & 16)

CALCULATING ROYALTY PAYABLE

1. Quantum Royalty

This applies to all minerals listed in Table A on the reverse side of the royalty return. Multiply the quantity of minerals recovered **1** (using whole tonnes only) by the royalty rate from Table A, see figure 1.2 on page 14.

The quantity and value of the mineral recovered must be calculated and shown in table 2. The royalty payable calculated in table 3. Do not complete table 4.

2. Ad Valorem Royalty

For all minerals not listed in Table A.

Calculate the Ex Mine Value by deducting allowable expenditures **3** (table 4) from the value of mineral recovered **2** (table 2).

Calculate the royalty payable by multiplying the ex mine value **4** by 4%, see figure 3.2 on page 18.

Where hard-rock ore is processed or treated to produce a saleable product, this sample equation provides a guide for calculating the value of mineral recovered:

GOLD		
Export Sales	4,500	\$ 2,600,000
Local Sales or other disposals	3,500	\$ 2,000,000
Total value of disposals	8,000 oz	\$ 4,600,000
<i>plus</i> value of closing stock (finished product at last sale price or ruling spot price, whichever more closely reflects the realisable value of the stock) 250 oz @ \$550		
		\$ 137,500
<i>less</i> value of opening stock(as per previous return) 500 oz @ \$625		\$ 312,500
gross value of mineral won	7,750 oz	\$ 4,425,000
<i>less</i> allowable deductions -		
◦ direct treatment expenses		\$ 1,500,000
◦ realisation expenses		\$ 50,000
◦ one-third of on-site administration expenses		\$ 65,000
depreciation of assets at 11.25% #		
◦ 100% of treatment plant	\$ 885,223	
appropriate proportion of:		
◦ workshop	\$ 3,938	
◦ motor vehicles	\$ 15,541	
◦ buildings	\$ 15,101	
straight-line depreciation for tailings dams	\$ 148,833	\$ 1,068,636
total allowable** deductions		\$ 2,683,636
ex mine value		\$ 1,741,364
amount of royalty payable (at 4%)		\$ 69,654.56

Alluvial mining 'ex-mine' value

In the case of alluvial mining the 'ex-mine' value of mineral recovered is determined as follows:

total value of disposals	8,000 oz	\$ 4,600,000
plus closing stock	250 oz	\$ 137,000
less opening stock	<u>500 oz</u>	<u>\$ 312,000</u>
	7,750 oz	\$ 4,425,000
less allowable deductions:		
° realisation expenses		<u>\$ 50,000</u>
value for royalty		<u>\$ 4,375,000</u>
therefore amount of royalty payable (at 4%)		\$ 175,000

* See 'Depreciation Schedule' section on page 19. Asset registers must be maintained by leaseholders and a depreciation schedule of these assets must accompany your royalty return.

** non-allowable costs, for the purpose of claiming a deduction, cover:

- ° exploration, development and mining costs;
- ° rehabilitation and environmental expenses;
- ° rates;
- ° DMR costs (eg rent, charges, royalty, fees);
- ° legal expenses;
- ° fringe benefits tax (FBT);
- ° employees' rent and accommodation;
- ° salary 'packages' (beyond salary) and
- ° interest and financing charges.

See also Appendix 1

See Blue coloured completed royalty form - figure 3.1 and 3.2 - on pages 17 and 18.

ADDITIONAL INFORMATION FOR CALCULATING YOUR ROYALTY LIABILITY

Gold loans

Gold loan repayments will be valued at ruling spot price regardless of 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 for the purpose of royalty calculation.

Speculation

Any speculative transaction or purchase of mineral will not effect the value of mineral recovered for the purpose of royalty calculation.

Depreciation schedule

A depreciation schedule and asset register, showing written-down value of depreciable royalty assets, must be kept by the leaseholder.



RETURN OF ROYALTY AND STATISTICS

Clause 40(1) of the Mining (General) Regulation 1992

Form RB 300 000

NSW Department of Mineral Resources
 PO Box 536, St. Leonards NSW 1590
 29 - 57 Christie Street, St. Leonards NSW 2065
 Telephone: (02) 9901 8723 or 9901 8725
 Facsimile: (02) 9901 8427

Company: *Blue Flame Mining Pty Ltd*

Period: *1 - 7 - 98 to 30 - 6 - 99*

MINE ID: *309991*

Lease No.	Locality		Portion	Mineral Won	Quantity or Value of Mineral Won	Royalty Rate	Royalty Payable
	Parish	County					
<i>ML 696 (73)</i>	<i>Norioopta</i>	<i>Burton</i>	<i>ML6</i>	<i>Limestone</i>	<i>11,000</i>	<i>\$0.35</i>	<i>\$3,850.00</i>

Total Payable : *\$3,850.00*

Section 289 (3) of the Mining Act 1992 provides that any registered holder of a mining lease who knowingly furnishes a return which is false or misleading in a material particular is guilty of an offence.
 Penalty: \$5500.00

Clause 40 (1) of the Mining (General) Regulation provides that a return must be lodged with the Minister before 31 July each year. Refusing or failing to provide a return by that date constitutes an offence under section 289 (3) of the Mining Act 1992.
 Penalty: \$5500.00

I certify that the information contained herein is complete and accurate

A J Bugner

Signature of Registered Holder, Agent or Public Officer

A J Bugner

Registered Holder

22/7/99

Print Name

Position

Date

Figure 1.1 - Form RB 300 000 (Front)



STATISTICAL COLLECTION & CALCULATION OF ROYALTY PAYABLE UPON MINERALS WON

Form RB 300 000

Regulation 39 (1) & 39 (3) of the Mining Act 1992

Name of mine or operation Burning Plains Period 1.7.98 to 30.6.99 Mineral Limestone

(Complete a separate sheet for each different mineral - photocopy sheet if necessary)

1. Employment & Capital Expenditure (please complete even if NIL return)

Number of personnel employed at end of period. <small>(Working Directors; Managers; Partners; Employees; Contractors etc.)</small>	12
Capital Expenditure during Period - Mining	\$ 10,000
- Processing	\$ 15,000

2. Stock Reconciliation (please complete even if NIL return)

Ore Produced	NIL	tonnes	
Concentrates Produced	NIL	oz/carats/tonnes	
		Quantity of Contained Mineral (Rounded to nearest whole no.)	\$ Value of Contained Mineral
Export Sales	-	oz/carats/tonnes	\$ -
Local Sales or Other Disposals	10,000	oz/carats/tonnes	\$ 85,500
Minus Purchases	1,500	oz/carats/tonnes	\$ 10,750
= Net Disposals	8,500	oz/carats/tonnes	\$ 74,750
Plus Closing Stock	5,000	oz/carats/tonnes	\$ 40,000
Minus Opening Stock	2,500	oz/carats/tonnes	\$ 20,000
= Mineral Recovered	11,000 ¹	oz/carats/tonnes	\$ 94,750 ²

* Depreciation

Please note that for **Ad Valorem Royalty**, a Depreciation Schedule must be provided with this return if claiming depreciation as a deduction. Allowable depreciation on the Written Down Value of assets allowed is - Treatment Plant @ 100%; Administration Facilities @ 33.3%; Other claims to be substantiated. Tailings dam @ 100% using straight line method over the life of the dam.

** Table A (for Quantum Royalty only)

Mineral	Rate	Mineral	Rate	Mineral	Rate	Mineral	Rate	Mineral	Rate	Mineral	Rate
Alum	70c/tonne	Brickclay	25c/tonne	Fireclay	50c/tonne	Ironstone	35c/tonne	Oxide of Iron	35c/tonne	Reef Quartz	45c/tonne
Alumina	70c/tonne	Calcite	35c/tonne	Fluorspar	50c/tonne	Kaolin	50c/tonne	Peat	70c/tonne	Serpentine	50c/tonne
Alunite	70c/tonne	Chert	25c/tonne	Fuller's Earth	70c/tonne	Laterite	35c/tonne	Perlite	35c/tonne	Shale Ash	35c/tonne
Barytes	50c/tonne	Chlorite	85c/tonne	Granite	50c/tonne	Limestone	35c/tonne	Phosphates	50c/tonne	Soapstone	85c/tonne
Bauxite	35c/tonne	Clayshale	25c/tonne	Gypsum	35c/tonne	Magnesite	70c/tonne	Pipeclay	50c/tonne	Steatite	85c/tonne
Bentonite	70c/tonne	Diatomaceous Earth	50c/tonne	Hallite	35c/tonne	Marble	50c/tonne	Pottery Clay	50c/tonne	Syenite	85c/tonne
Bloating Clay	25c/tonne	Dolomite	50c/tonne	Iron	35c/tonne	Marine Aggregate	85c/tonne	Pyrophyllite	85c/tonne	Talc	85c/tonne
Borates	35c/tonne	Felspar	50c/tonne	Iron Ore	35c/tonne	Mineral Pigments	70c/tonne	Quartzite	45c/tonne	Wollastonite	50c/tonne

3. Quantum Royalty ** (obtain royalty rate from Table A)

1 Quantity of Mineral Recovered X \$ Table A rate (See Below) = \$ Royalty Payable		
11,000	x \$ 0.35	= \$ 3,850

OR

4. Ad Valorem Royalty (minerals not in table A)

Gross Invoice Value of Contained Mineral	\$	
Less Invoiced Offsite Concentrate Treatment Charges	\$	
Value Minerals Recovered (Must be equal to mineral recovered in Table 2)	\$	2
Direct Onsite Treatment Expenses	\$	
Realisation Expenses	\$	
On-Site Administration (33.3%)	\$	
Depreciation @ 11.25% of WDV*	\$	
Total Deductions	\$	3
Ex Mine Value	\$	2 - 3
ROYALTY PAYABLE @ 4%	\$	4
		c



RETURN OF ROYALTY AND STATISTICS

Clause 40(1) of the Mining (General) Regulation 1992

Form RB 309 000

NSW Department of Mineral Resources
 PO Box 536, St. Leonards NSW 1590
 29 - 57 Christie Street, St. Leonards NSW 2065
 Telephone: (02) 9901 8723 or 9901 8725
 Facsimile: (02) 9901 8427

Company: *Cardigan Club Ltd*

Period: *1 - 7 - 98 to 30 - 6 - 99*

MINE ID: *309992*

Lease No.	Locality		Portion	Mineral Won	Quantity or Value of Mineral Won	Royalty Rate	Royalty Payable
	Parish	County					
<i>SL 10011 (06)</i>	<i>Ulladulla</i>	<i>South Coast</i>	<i>ML 24</i>	<i>Rutile</i>	<i>\$4,000,000</i>	<i>4%</i>	<i>\$160,000</i>
				<i>Zircon</i>	<i>\$10,000,000</i>	<i>4%</i>	<i>\$400,000</i>
				<i>Ilmenite</i>			
				<i>Monazite</i>			
<i>SL 10012 (06)</i>	<i>Ulladulla</i>	<i>South Coast</i>	<i>Pt Por 24</i>	<i>Rutile</i>	<i>\$2,160,000</i>	<i>4%</i>	<i>\$86,400</i>
				<i>Zircon</i>	<i>\$200,000</i>	<i>4%</i>	<i>\$8,000</i>
				<i>Ilmenite</i>			
				<i>Monazite</i>			

Total Payable : *\$654,400*

Section 289 (3) of the Mining Act 1992 provides that any registered holder of a mining lease who knowingly furnishes a return which is false or misleading in a material particular is guilty of an offence.
 Penalty: \$5500.00

Clause 40 (1) of the Mining (General) Regulation provides that a return must be lodged with the Minister before 31 July each year. Refusing or failing to provide a return by that date constitutes an offence under section 289 (3) of the Mining Act 1992.
 Penalty: \$5500.00

I certify that the information contained herein is complete and accurate

K Keegan

Signature of Registered Holder, Agent or Public Officer

K Keegan Registered Holder **22/7/99**

Print Name Position Date

Figure 2.1 - Form RB 309 000 (Front)

CALCULATION OF ROYALTY PAYABLE UPON MINERAL SANDS WON

Form RB 309 000

Regulation 39 (1) 7 39 (3) of the Mining Act 1992

Rutile		Zircon		Ilmenite		Monazite	
Tonnes	Value	Tonnes	Value	Tonnes	Value	Tonnes	Value

Table 1 Calculation of minerals recovered

Export Sales	8,400	\$ 4,887,500	30,000	\$ 11,880,000		\$		\$
Local sales or other disposals	+ 1,600	\$ +640,000	+7,500	\$ +3,462,000		\$		\$
+/- Transfers (In)/Out	- 1,500	\$ - 840,000	-1,000	\$ - 340,000		\$		\$
Less: Purchases	0	\$ 0	-500	\$ -250,000		\$		\$
= Net Sales of Disposals	= 8,500	\$ = 4,687,500	= 36,000	\$ = 14,752,000		\$		\$
Plus Closing Stock	+5,000	\$ + 2,250,000	+9,000	\$ + 3,600,000		\$		\$
Less Opening Stock	- 2,500	\$ - 1,250,000	- 15,000	\$ - 5,750,000		\$		\$
= Mineral Recovered	= 11,000 1	\$ = 5,687,000	= 30,000 1	\$ = 12,602,000		1 \$		1 \$

Table 2: Calculation of Free on Board Value of Sand

Export Sales :	Bulk Sand	5,070	\$ 2,839,200	13,300	\$ 4,522,000		\$		\$
	Bagged Sand	+ 2,430	\$ + 1,441,550	+ 6,700	\$ + 2,465,500		\$		\$
= Total FOB Sales Sand		= 7,500 2	\$ = 4,280,750	= 20,000 2	\$ = 6,987,500		2 \$		2 \$
Less:	Bagging Costs (include \$/mt)	\$25.00/mt	\$ - 60,750	\$25.00/mt	\$ - 167,500		\$		\$
	Commission		\$ - 12,000		\$ - 12,000		\$		\$
	Freight		\$ - 8,000		\$ - 8,000		\$		\$
= Value of Sand Sales			\$ = 4,200,000		\$ = 6,800,000		\$		\$
Plus/Minus Foreign Exchange			\$		\$		\$		\$
Nett Free on Board Value			\$ = 4,200,000 3		\$ = 6,800,000 3		3 \$		3 \$
Free on Board Price / tonne	3 ÷ 2		\$ 560 4		\$ 340 4		4 \$		4 \$

Table 3: Calculation of Royalty Payable

Mineral Recovered	1	11,000		30,000					
x Free on Board Price /tonne	4		\$ 560		\$ 340		\$		\$
= Ex Mine Value	1 x 4		\$ 6,160,000 5		\$ 10,200,000 5		5 \$		5 \$
Royalty at 4%	5 x 4 ÷ 100		\$ 246,400		\$ 408,000		\$		\$

Table 4: Employment

Number of personnel employed at end of period. (Working Directors; Managers; Partners; Employees; Contractors etc.)	75
--	----



RETURN OF ROYALTY AND STATISTICS

Clause 40(1) of the Mining (General) Regulation 1992

Form RB 300 000

NSW Department of Mineral Resources
 PO Box 536, St. Leonards NSW 1590
 29 - 57 Christie Street, St. Leonards NSW 2065
 Telephone: (02) 9901 8723 or 9901 8725
 Facsimile: (02) 9901 8427

Company: *Pranger Exploration NL*

Period: *1 - 7 - 98 to 30 - 6 - 99*

MINE ID: *309993*

Lease No.	Locality		Portion	Mineral Won	Quantity or Value of Mineral Won	Royalty Rate	Royalty Payable
	Parish	County					
<i>GL 1953</i>	<i>Lithgow</i>	<i>Burton</i>	<i>15</i>	<i>Gold</i>	<i>\$780,864</i>	<i>4%</i>	<i>\$31,234.56</i>

Total Payable : *\$31,234.56*

Section 289 (3) of the Mining Act 1992 provides that any registered holder of a mining lease who knowingly furnishes a return which is false or misleading in a material particular is guilty of an offence.
 Penalty: \$5500.00

Clause 40 (1) of the Mining (General) Regulation provides that a return must be lodged with the Minister before 31 July each year. Refusing or failing to provide a return by that date constitutes an offence under section 289 (3) of the Mining Act 1992.
 Penalty: \$5500.00

I certify that the information contained herein is complete and accurate

E Pranger

Signature of Registered Holder, Agent or Public Officer

E Pranger Registered Holder *22/7/99*

Print Name Position Date

Figure 3.1 - Form RB 300 000 (Front)

STATISTICAL COLLECTION & CALCULATION OF ROYALTY PAYABLE UPON MINERALS WON

Regulation 39 (1) & 39 (3) of the Mining Act 1992

 Name of mine or operation Snoods Jolly Period 1.7.98 to 30.6.99 Mineral Gold

(Complete a separate sheet for each different mineral - photocopy sheet if necessary)

1. Employment & Capital Expenditure (please complete even if NIL return)

Number of personnel employed at end of period. (Working Directors; Managers; Partners; Employees; Contractors etc.)	12
Capital Expenditure during Period - Mining	\$ 35,000
- Processing	\$ 61,033

2. Stock Reconciliation (please complete even if NIL return)

Ore Produced	<u>N/A</u>	tonnes	
Concentrates Produced	<u>N/A</u>	oz/carats/tonnes	
	Quantity of Contained Mineral (Rounded to nearest whole no.)		\$ Value of Contained Mineral
Export Sales	<u>4,500</u>	oz/carats/tonnes	\$ 2,077,000
Local Sales or Other Disposals	<u>3,500</u>	oz/carats/tonnes	\$ 1,615,000
Minus Purchases	<u>-</u>	oz/carats/tonnes	\$ -
= Net Disposals	<u>8,000</u>	oz/carats/tonnes	\$ 3,692,000
Plus Closing Stock	<u>250</u>	oz/carats/tonnes	\$ 115,000
Minus Opening Stock	<u>500</u>	oz/carats/tonnes	\$ 312,500
= Mineral Recovered	<u>7,750</u> ①	oz/carats/tonnes	\$ 3,494,500 ②

*** Depreciation**

Please note that for **Ad Valorem Royalty**, a Depreciation Schedule must be provided with this return if claiming depreciation as a deduction. Allowable depreciation on the Written Down Value of assets allowed is - Treatment Plant @ 100%; Administration Facilities @ 33.3%; Other claims to be substantiated. Tailings dam @ 100% using straight line method over the life of the dam.

**** Table A** (for Quantum Royalty only)

Mineral	Rate	Mineral	Rate	Mineral	Rate	Mineral	Rate	Mineral	Rate	Mineral	Rate
Alum	70c/tonne	Brickclay	25c/tonne	Fireclay	50c/tonne	Ironstone	35c/tonne	Oxide of Iron	35c/tonne	Reef Quartz	45c/tonne
Alumina	70c/tonne	Calcite	35c/tonne	Fluorspar	50c/tonne	Kaolin	50c/tonne	Peat	70c/tonne	Serpentine	50c/tonne
Alunite	70c/tonne	Chert	25c/tonne	Fuller's Earth	70c/tonne	Laterite	35c/tonne	Perlite	35c/tonne	Shale Ash	35c/tonne
Barytes	50c/tonne	Chlorite	85c/tonne	Granite	50c/tonne	Limestone	35c/tonne	Phosphates	50c/tonne	Soapstone	85c/tonne
Bauxite	35c/tonne	Clayshale	25c/tonne	Gypsum	35c/tonne	Magnesite	70c/tonne	Pipeclay	50c/tonne	Steatite	85c/tonne
Bentonite	70c/tonne	Diatomaceous Earth	50c/tonne	Halite	35c/tonne	Marble	50c/tonne	Pottery Clay	50c/tonne	Syenite	85c/tonne
Bloating Clay	25c/tonne	Dolomite	50c/tonne	Iron	35c/tonne	Marine Aggregate	85c/tonne	Pyrophyllite	85c/tonne	Talc	85c/tonne
Borates	35c/tonne	Felspar	50c/tonne	Iron Ore	35c/tonne	Mineral Pigments	70c/tonne	Quartzite	45c/tonne	Wollastonite	50c/tonne

3. Quantum Royalty** (obtain royalty rate from Table A)

① Quantity of Mineral Recovered X \$ Table A rate (See Below) = \$ Royalty Payable

_____ x \$ _____ = \$ _____

OR
4. Ad Valorem Royalty (minerals not in table A)

Gross Invoice Value of Contained Mineral	\$ 3,494,500
Less Invoiced Offsite Concentrate Treatment Charges	\$ -
Value Minerals Recovered (Must be equal to mineral recovered in Table 2)	\$ 3,494,500 ②
Direct Onsite Treatment Expenses	\$ 1,530,000
Realisation Expenses	\$ 50,000
On-Site Administration (33.3%)	\$ 65,000
Depreciation @ 11.25% of WDV*	\$ 1,068,636
Total Deductions	\$ 2,713,636 ③
Ex Mine Value	\$ 780,864 ④
ROYALTY PAYABLE @ 4%	\$ 31,234 5¢

Example : Depreciation Schedule -Year Ending 30/6/99

Figure 3.3

ASSET	RATE FOR DEPRECIATION	ALLOWABLE PORTION	PURCHASE DATE	PRICE	OPENING WDV	ADDITIONS \$	PROCEEDS ON DISPOSAL \$	EFFECTIVE DATE	DEPRECIATION FOR PERIOD	CLOSING WDV	CLAIMED FOR ROYALTY	PROFIT/(LOSS) ON DISPOSAL	NET CLAIM FOR ROYALTY
					1-Jul-98					30-Jun-99			
TREATMENT PLANT				\$12,664,415	\$7,868,647	\$0	\$0		\$885,223	\$6,983,424	\$885,223	\$0	\$885,223
Original Plant & Equipment (inc. building)	11.25%	100%	Jul-94	12,490,000	7,748,826	0	0		871,743	6,877,083	871,743	0	\$871,743
Additions	11.25%	100%	Jul-95	11,350	0	0	0	Jun - 99	0	0	0	0	\$0
Additions	11.25%	100%	Dec-96	148,000	107,830	0	0		12,131	95,699	12,131	0	\$12,131
Additions	11.25%	100%	Aug-97	15,065	11,991	0	0		1,349	10,642	1,349	0	\$1,349
ENGINEERING				\$184,590	\$114,520	\$0	\$0		\$12,883	\$101,637	\$3,938	\$0	\$3,938
Plant	11.25%	55%	Jul-94	73,000	45,289	0	0		5,095	40,194	2,802	0	\$2,802
Equipment	11.25%	55%	Jul-94	29,590	18,358	0	0		2,065	16,293	1,136	0	\$1,136
Underground	11.25%	0%	Jul-94	82,000	50,873	0	0		5,723	45,150	0	0	0
MOTOR VEHICLES				\$595,560	\$328,186	\$93,000	\$15,000		\$42,538	\$348,648	\$10,541	(\$15,000)	\$15,541
Underground	11.25%	0%	Jul-94	400,000	248,161	0	0		27,918	220,243	0	0	0
Surface	11.25%	90%	Jul-95	63,000	49,157	0	0		5,530	43,627	4,977	0	\$4,977
Staff	11.25%	33.33%	Jul-95	39,560	30,868	0	15,000	Sep-98	868	0	289	(15,000)	\$5,289
Staff	11.25%	33.33%	Sep-98	40,000	0	40,000	0		3,750	36,250	1,250	0	\$1,250
Surface	11.25%	90%	Sep-98	53,000	0	53,000	0		4,969	48,031	4,472	0	\$4,472
BUILDINGS				\$510,770	\$318,388	\$0	\$0		\$35,819	\$282,569	\$15,101	\$0	\$15,101
Bathhouse	11.25%	40%	Jul-94	270,000	167,509	0	0		18,845	148,664	7,538	0	\$7,538
Administration	11.25%	33.33%	Sep-97	114,800	72,727	0	0		8,182	64,545	2,727	0	\$2,727
Workshop Buildings	11.25%	55%	Oct-97	125,970	78,152	0	0		8,792	69,360	4,836	0	\$4,836
TAILINGS DAM				\$428,000	\$270,833	\$0	\$0		\$148,833	\$122,000	\$148,833	\$0	\$148,833
No. 1	3 years	100%	Jul-97	300,000	200,000	0	0		100,000	100,000	\$100,000	0	\$100,000
No. 1 Additions	2 years	100%	May-97	50,000	20,833	0	0		20,833	0	\$20,833	0	20,833
No. 2	3 years	100%	Jul-97	66,000	44,000	0	0		22,000	22,000	\$22,000	0	22,000
No. 2 Additions	2 years	100%	Jul-97	12,000	6,000	0	0		6,000	0	\$6,000	0	6,000
Total				\$14,383,335	\$8,900,574	\$93,000	\$15,000		\$1,125,296	\$7,838,278	\$1,063,636	(\$15,000)	\$1,068,636

ROYALTIES

How to Complete Coal Royalty and Statistics Returns

All coal recovered in New South Wales is subject to payment of a coal royalty. Leaseholders are required to lodge monthly returns on or before the 21st day of the month following extraction of the coal, and annual returns on or before 31 July each year.

Leaseholders are responsible for ensuring that:

- Information relating to their leases supplied by the Department of Mineral Resources is accurate and up-to-date;
- Coal recovered by each operation is calculated in accordance with Regulation 39 (4) & (5) of the Mining Act, 1992 (see *'monthly calculation of coal recovered and royalty demand'* on page 23), and correctly attributed to each coal lease worked during the month or year;
- The completed annual return must be signed by the leaseholder or public officer certifying the information contained within the Return is correct and complete;
- They apply the appropriate prescribed royalty and 'super' royalty rate, and accurately calculate the royalty payable for coal recovered; and
- Royalty returns on all coal leases held, are lodged with the Department, together with royalty payment, on or before the specified date; and
- Royalty payments may be deposited directly into the Department's Remitting Account with the ANZ Bank.

Account details are:

BSB 012112

Account No. 837014199

Note if using the Direct Deposit, advise details by facsimile on (02) 9901 8427 or by letter immediately.

MONTHLY CALCULATION OF COAL RECOVERED AND ROYALTY REQUIRED

Regulation 39 (4)& (5) and Section 283 (4)

You will find a worked example of a typical monthly coal royalty return form on pages 23 and 24. The example shown there is based on the following:

- * Total sales (before moisture penalties) of 86,050 tonnes;
- * Total purchases from various sources of 13,750 tonnes (before moisture penalties);
- * 71,680 tonnes of coal recovered from a sub-lease area (payable by the sub-lessor) reduced by 5.5% moisture allowance to 67,738 tonnes;
- * 5,500 tonnes of coal was recovered from a sub-lease area* (payable by the miner, ie sub-lessee) reduced by 5.5% moisture allowance to 5198 tonnes.

** For the purposes of royalty calculations, all coal recovered from sub-leased areas is treated as first coal sold each period.*

*(See **white** completed royalty return form - figure 4.1 and 4.2 - on pages 22 & 23)*

ANNUAL CALCULATION OF COAL RECOVERED AND STATISTICS

EMPLOYMENT

Show all personnel employed as at the end of the period, including working directors, managers, partners, employees, contractors, etc in Table 1 even if submitting a NIL return.

Please show opencut and underground tonnages separately in both Table 2 and Table 3.

If the stock figures in table 2 are adjusted to a washed stock equivalent please show the adjusted stock figures in the spaces provided at points **9** and **6** in Table 3.

Please also supply a list of export shipments by ship and port of embarkation. It is not necessary to supply values for individual shipments.

CALCULATING THE VALUE OF COAL RECOVERED

Use the arm's length sale that receives market value (typically the invoiced value) for both disposals and purchases. Please use \$A values. Where no invoice is rendered use an average market value per tonne.

For finished stockpiled material use the value which closely reflects the realistic value (eg last sale price or ruling spot price).

COAL SOLD/PURCHASED OR LOANED/BORROWED TO/ FROM OTHER COLLIERIES

List all coal sales to other collieries in table 4. "Total" should agree to point **1** in table 2.

List all coal loaned to other collieries in table 4. "Total" should agree to point **2** in table 2.

List all coal purchased and borrowed in table 5. "Total" purchases should agree to point **3** in table 2 and total borrowed coal should agree to point **4** in table 2.

*(See **green** coloured completed royalty return form - figure 4.3 and 4.4 - on pages 24 & 25)*



Calculation of Monthly Coal Royalty

Regulation 39 (4) & 39 (5) Mining Act 1992

Colliery: *Siamrock*

Mine ID: *200999*
Month: *January*

A. COAL PRODUCTION (Royalty Payable)

Invoiced sales	
* Export Customers	68,050
* Domestic Customers	11,000
* Other collieries	5,000
Loan sales	2,000
Other	-
= TOTAL DISPOSALS	86,050
Less purchases	
* Invoiced	12,200
* Borrow	1,550
= Net disposals	72,300
Plus closing stock	153,450
Less opening stock	97,215
= Saleable output	128,535
Less moisture allowance at 5.5%	7,069
= Net royalty tonnes	121,466

B. ROYALTY PAYMENT

Net disposals (see above)	72,300
Less moisture allowance at 5.5%	3,977
= Tonnage for royalty	68,323
Prescribed royalty payable at \$1.70	\$116,149.10
Super royalty payable (where applicable)	-
Royalty demanded	\$116,149.10

I certify that royalty on coal stockpiled and unpaid amounts to *153,450*
(i.e. closing stock less moisture allowance) : *8,440*
(plus super royalty if applicable) *145,010* \times 1.70 *\$246,517.00*

I certify that the information contained herein is complete and accurate

G Grannell

Signature of Registered Holder, Agent or Public Officer

G Grannell

Registered Holder

22/7/99

Print Name

Position

Date

Figure 4.1 - Form RB 200 000 M (Front)



Monthly Return of Royalty

Clause 40(1) of the Mining (General)
Regulation 1992.

Name *TSL Collieries Ltd*
 Address *PO Box 9999*
 (of Registered *Lithgow*
 Holder)

Month ended: *January* 1999

No. of coal lease	Locality		Portion	Quantity of coal won	Royalty Rate	Royalty Payable
	Parish	County				
<i>CL 444</i> <i>(73)</i>	<i>Nooriopta</i>	<i>Lithgow</i>	<i>101</i>	<i>48,530</i>	<i>1.70</i>	<i>82,501.00</i>
<i>CL 445</i> <i>(73)</i>	<i>Nooriopta</i>	<i>Lithgow</i>	<i>102</i>	<i>67,738</i>	<i>1.70</i>	<i>115,154.60</i>
<i>(Note: Payable by Legend Mining Ltd)</i> <i>CL 446</i>	<i>Nooriopta</i>	<i>Lithgow</i>	<i>103</i>	<i>5,198</i>	<i>1.70</i>	<i>8,836.60</i>
				<i>121,466*</i>		

Royalty payable *206,492.20*

I certify that the information contained herein is complete and accurate

G Grannell

Signature of Registered Holder, Agent or Public Officer

G Grannell

Registered Holder

22/7/99

Print Name

Position

Date

* *Net Royalty Tonnes from Fig 4.1*

Figure 4.2 - Form RB 200 000 M (Back)

Annual Return of Coal Royalty and Statistics

NSW Department of Mineral Resources
PO Box 536
St. Leonards NSW 1590
29 - 57 Christie Street
St. Leonards NSW 2065
Telephone: (02) 9901 8723 or 9901 8725
Facsimile: (02) 9901 8427



Colliery: *TSL Collieries Ltd Shamrock* Period from: *1 - 7 - 93 to 30 - 6 - 99* Mine ID: *200999*

Lease No.	Locality			Coal or Mineral with Mined Coal		Royalty Rate	Royalty Payable
	Parish	County	Portion	Name	Quantity or Value		
<i>CL 444 (73)</i>	<i>Nocriopta</i>	<i>Lithgow</i>	<i>101</i>	<i>Coal</i>	<i>600,000</i>	<i>£1.70</i>	<i>1,020,000</i>
<i>CL 445 (73)</i>	<i>Nocriopta</i>	<i>Lithgow</i>	<i>102</i>	<i>Coal</i>	<i>183,272</i>	<i>£1.70</i>	<i>311,562.40</i>
<i>Sub-leased from Legend Mining Ltd</i>							
<i>CL 446 (73)</i>	<i>Nocriopta</i>	<i>Lithgow</i>	<i>103</i>	<i>Coal</i>	<i>11,000</i>	<i>£1.70</i>	<i>Paid by Sloop Uij Ltd</i>
<i>Sub-leased to Sloop Under Ground Ltd</i>							

Total Payable : *\$ 1,331,562.40*

Section 239 (3) of the Mining Act 1992 provides that any registered holder of a coal lease who knowingly furnishes a return which is false or misleading in a material particular is guilty of an offence.
Penalty: \$5,000.00

I certify that the information contained herein is complete and accurate

G Grannell

Signature of Registered Holder, Agent or Public Officer

G Grannell

Registered Holder

22/7/99

Print Name

Position

Date

Figure 4.3 - Form RB 200 000 (Front)

Table 1

Number of Personnel Employed (as at end of period) (Executive Directors, Managers, Partners, Employees, Contractors etc)	62
---	----

Table 2. Coal produced (Quantity and value) (please complete even if NIL return)

	Underground (tonnes)	Opencut (tonnes)	TOTAL (tonnes)	Value (A\$)
Invoiced Sales				
* Export customers*	600,000		600,000	\$ 27,000,000
* Domestic customers	57,500		57,500	\$ 2,300,000
* Other collieries (see table 4)	30,000		30,000 1	\$ 1,200,000
Loan Sales (see table 4)	20,000		20,000 2	
Other				
= Total disposals	707,500		707,500	
Less purchases				
* Invoiced (see table 5)	45,000		45,000 3	\$ 2,025,000
* Borrow (see table 5)	5,000		5,000 4	
= Net Disposals	657,500		657,500	
Plus Closing Stock 5 or 6 + 7	366,000		366,000	\$ 10,000,000
Less Opening Stock 8 or 9 + 10	183,000		183,000	\$ 7,500,000
= Saleable Output	840,500		840,500	
Less Moisture Allowance	46,228		46,228	
= Nett Royalty Tonnes	794,272		794,272	

* Details of ship and port of embarkation must be supplied with this return.

Table 3 Stock movements (please complete even if NIL return)

	Underground (tonnes)	Opencut (tonnes)	TOTAL (tonnes)	Adjusted ROM to Washed Equivalent
Production- ROM	1,000,000		1,000,000	
Plus Purchases - ROM	0		0	
Less Sales - ROM	50,000		50,000	
Plus Opening Stock - ROM	100,000		100,000 8	83,000 9
Less Closing Stock - ROM	200,000		200,000 5	166,000 6
+/- Adjustments - ROM	(5,000)		(5,000)	
= Input to washery	845,000		845,000	
Less washery reject	125,000		125,000	
= washery output	720,000		720,000	
Plus opening stock washed	100,000		100,000 10	
Less closing stock washed	200,000		200,000	
Plus purchases washed	45,000		45,000	
+/- Loans/borrows washed	(15,000)		(15,000) 7	
+/- Adjustments washed	7,500		7,500	
= Sales - Washed	657,500		657,500	

If you adjust ROM stocks to a washed equivalent please show the adjusted stock figures at point **9** & **6** above

Table 4 Coal Sold to Other Collieries (attach a list if space is insufficient)

Purchaser	Invoiced Sales (tonnes)	Loan Sales (tonnes)
<i>Bug house</i>	30,000	20,000
Total	30,000 1	20,000 2

Table 5 Coal Purchased from Other Collieries (attach a list if space is insufficient)

Supplier	Invoiced Purchases (tonnes)	Borrow Purchases (tonnes)
<i>Bug House</i>	45,000	5,000
Total	45,000 3	5,000 4

Figure 4.4 - Form RB 200 000 (Back)

Keeping Accurate Records About Your Leaseholding

REQUIREMENTS AND OBLIGATIONS

Leaseholders are required to maintain proper and accurate account books relating to minerals and/or coal recovered. Any officer of the Department of Mineral Resources must be permitted access to account books, documents and other records relating to the production, treatment and disposal of coal and/or minerals by the leaseholder. If necessary, the Minister will direct the leaseholder to make such records available for an officer of the Department to inspect.

CONFIDENTIALITY

Under legislation, no information obtained by the Department about a leaseholder's operations may be disclosed without the permission of either the Minister or the person who supplied the information, other than in connection with administration of the Act or for the purpose of legal proceedings.

DEPRECIATION SCHEDULE

The depreciation schedule which is featured in figure 3.3 on page 19 takes into account several requirements of the Income Tax Act, at the same time addressing the specific needs of the State's mining royalty system. There are a number of areas of interest to leaseholders.

- * 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.
- * 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.
- * Depreciation of assets only applies to the period during which production is underway.
- * A balancing charge applies to disposal of depreciated assets.
- * Depreciation allowable for royalty purposes is restricted to the proportion of the assets' utilisation that contributes directly to upgrading of the mineral from pit-head to disposal.
- * Full depreciation schedules and assets registers must support all claims for deductions.
- * If the mine is placed on a care and maintenance basis, a part-year allowance will be made for the current year and the written-down value (WDV) will apply from the re-opening of the mine.
- * For royalty purposes, transfer of assets upon sale to another operation or miner will be at the 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.

DEBTS

Late Payment and Underpayment of Royalty Liability

Unpaid royalty amounts incur an interest charge which is added to the outstanding amount and must be paid. The interest rate is 1.5 times the Colonial State Bank rate published for advances of \$100,000 and over (the reference rate). For example, if the reference rate is 10%, the penalty interest charge will be 15%. The reference rate published on the last Monday of each month forms the basis for the interest charge on debts in the following month.

Interest charges apply in all cases except where exceptional circumstances can be demonstrated by the leaseholder to the satisfaction of the Minister. Postal delays and misdirected courier deliveries do not constitute exceptional circumstances.

The effective date of payment is taken as the date of lodgement with the Department's cashier or direct deposit

into the Department's remitting account. Further information is available from the Royalty Branch contact officer listed on the back of the title page of this booklet.

To recover outstanding royalty amounts, the Royalty Branch issues each leaseholder with a statement showing the debt. This must be paid immediately. The unpaid royalty amount accrues interest from the date it was originally due and this interest is noted on the statement.

Interest forms the first charge, ie any repayment is applied against the interest first, then the oldest debt and progressively to the last debt. If the leaseholder does not pay the outstanding amount, the Department will commence legal action to recover the amount outstanding and cancellation of the lease may follow.

PENALTIES

Penalties for Failing to Honour Your Royalty Obligation

In addition to interest penalty on unpaid royalty, the legislation provides for fines of up to \$5,500 for offences relating to returns and provision of information and access to records. For example, if you include false or misleading information on the royalty return or if you fail to comply with a request for inspection of relevant records, you will face a fine of up to \$5,500.

If royalty returns are not lodged on time, a fine of up to \$5,500, may be imposed.

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

DISPUTES

What to Do if You Dispute Your Royalty Obligation

The Department will give fair consideration to any objections to assessment, in terms of the legislation. If an objection is substantiated, the leaseholders royalty record will be amended accordingly.

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

If a leaseholder considers 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 the leaseholder will be notified of the outcome as soon as practicable. Any resultant refund will be made within 14 days.

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

REFUNDS

Royalty Refunds

Generally, royalty refunds occur for two reasons - overpayment of royalty amounts and refunds to private owners of minerals.

Overpaid royalties

Overpayments are generally identified during audit inspections of leaseholders' royalty returns. Refunds are made as soon as possible after approval to vary the assessment has been granted.

Refunds to private owners of minerals

Private owners of minerals are entitled to seven eighths of the royalty collected. Extensive investigations are undertaken by the Royalty Branch to determine ownership of all minerals mined in New South Wales each year. The Branch also carries out verification of the amount of privately owned minerals recovered. The Branch endeavours to have full refunds to private owners by 30th November each year except for those to be inspected. These will receive up to 90% of the refund and upon inspection, either an additional refund or adjustment to future refunds will be made.

APPENDIX : 1 ASSESSABLE INCOME AND ALLOWABLE DEDUCTIONS FOR THE PURPOSES OF ASSESSING ROYALTY

Item	Ex-Mine value
Revenue	
General:	
<i>Identify the actual revenue realised from the mineral recovered and disposed from the lease. Assessed at first arms length market value disposal. Arrangements to protect the value of the mineral are assessable and the costs involved are allowable as marketing expenses. Speculative activity is not assessable and should be ignored.</i>	
Foreign Exchange	Included to assess final realised value in \$A
Gains & Losses	Where there is active trading in foreign exchange after realisation of proceeds, this outcome is not to be assessed.
Forward Trading	Included where such contracts are used to protect the value of the Mineral
Hedging	Not included were a speculative element is identified
Interest income	Non Assessable
Income for laboratory services	Assessable as a contra to allowable deductions for metallurgical expenses.
Income from Toll Processing	Assessable as a contra to allowable deductions for milling; grinding etc.
Income from housing rental .	Non Assessable
Sales	
General:	
<i>Assumes arm's length transaction which the Minister is satisfied produces a market value</i>	
Net Realisation	Net Realised Value on Invoice at \$A
Contangos	Assessable as premium on price of sale
Allowable Deductions	
General:	
<i>Allowable deductions are confined to the actual costs incurred in upgrading the mineral from the first stockpile to a marketable state. Disallowable expenses include all mining costs; all financing costs and all costs relating to the mining lease</i>	
Concentration expenses	Allowable
Crushing Expenses	Allowable
Depreciation on Mining Equipment	Disallowed
Depreciation on Plant and Equipment	Allowable to the extent of contribution to upgrading value of mineral
Fuel & Energy	Allowable to the extent of contribution to upgrading value of mineral

Item	Ex-Mine value
Inventory & Supplies	Allowable to the extent of contribution to upgrading value of mineral
Mining Costs	Disallowed
Refining	Allowable
Salaries & On costs	Cash Expenses Allowable. Provisions for future expenditure are disallowed.
Transport to first Stockpile	Disallowed
Treatment Costs	Allowable

Marketing and Realisation Expenses

General

*Allowable costs are confined to the actual costs incurred in bringing the mineral to market
Disallowable costs include off site administration Overseas travel & Accommodation*

Commission to agents	Allowable
Intermediate Stockpiling	Allowable
Overseas Travel	Disallowed
Overseas Freight	Allowable on CIF pricing of export sales.
Transport to Market	Allowable

Financing

General:

Financing charges are generally not allowed for ex mine calculations

Banking Charges	Allowable as Administration expense.
Gold Loan Charges	Disallowed
Interest Charges	Disallowed
Legal Fees	Disallowed

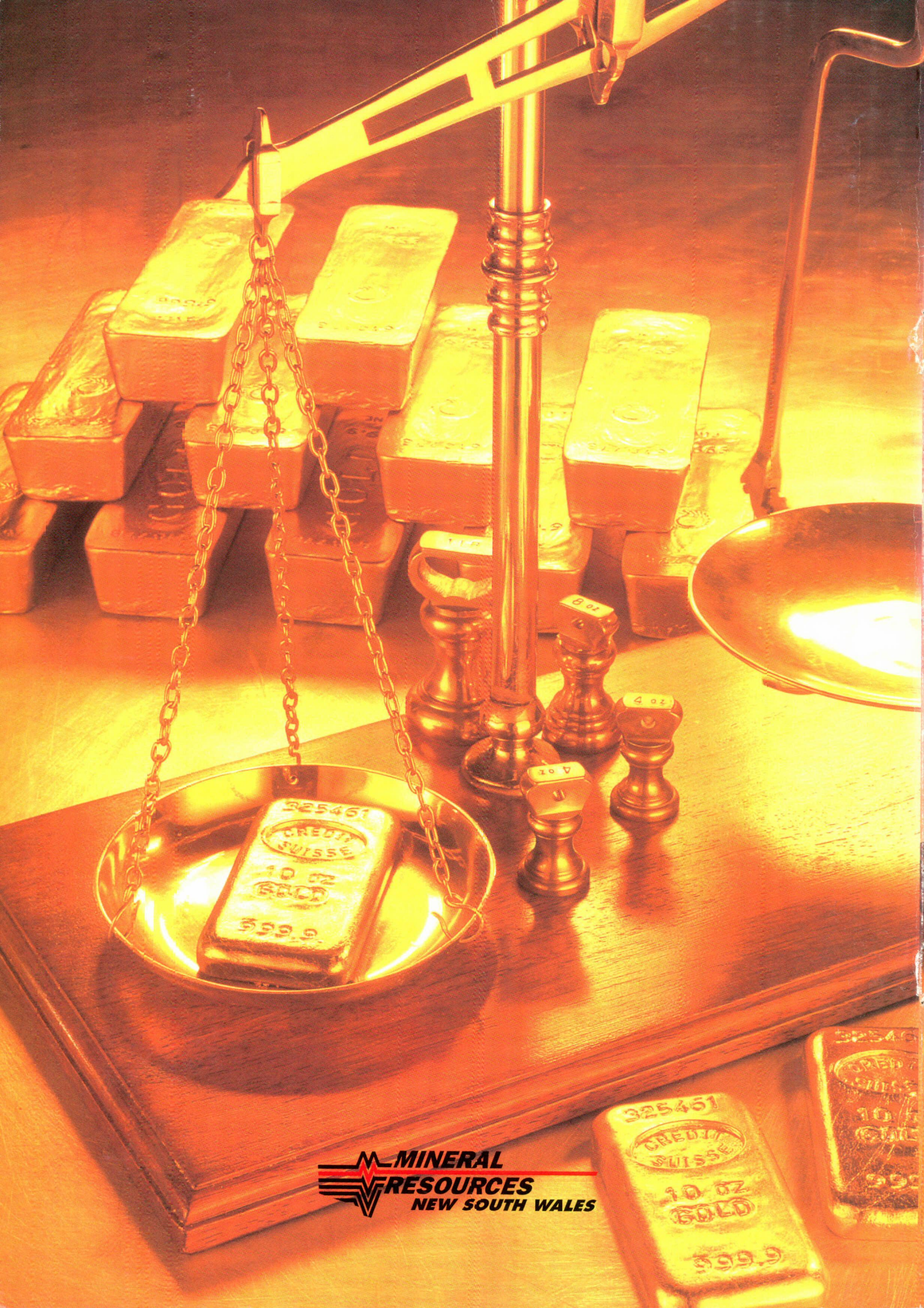
Assets & Depreciation

General :

Assets to be taken up at historic value for arms length purchases. Depreciation at 11.25% from month of purchase. Depreciation is allowable up to the month of disposal or retirement. Appropriate adjustment included as profit or loss on disposal. Depreciation schedule should include full cost depreciation charge. The claim for the depreciation should then adjusted for the allowable proportion of asset usage.

Crushing & Milling	Allowable
Inter & Intra Company Transfers	To be transferred out at Tax WDV and taken up at same value
Mining	Depreciation Disallowed
Refining	Allowable

Item	Ex-Mine value
Retirements or disposals	<ul style="list-style-type: none"> • At value of Sale • Profit or loss on disposal schedule to support Depreciation Claim • Depreciation to be allowed in month of retirement.
Transport	Allowable to the extent contributes to upgrade of mineral.
Research & Development	Not Allowable
Profit & Loss Items	
Prepayments	Disallowed
Provisions for :	Provisions are disallowed
<ul style="list-style-type: none"> • Long Service Leave • Annual Leave • Superannuation 	Change in level of provision (the actual costs) are allowed each year
Administration	
General :	
<i>On site expenses which have direct effect upon the value of the mineral or facilitate the mining and upgrade of the mineral. Generally Allowable at 33.3%</i>	
Audit Fees	Disallowed
Bank Charges	Allowable
Bank Interest	Disallowed
Computing costs	Allowable
FBT	Disallowed
Fringe Benefit	Disallowed
Rehabilitation costs	Disallowed for restitution of mine site.
Safety and Firefighting Equipment	Allowable for all non mining activity.
Salaries	Allowable
Off-site Administration	Disallowed
Housing	Disallowed
Overseas Travel	Disallowed
Geology	
General:	
<i>Generally non allowable expense. Only to the extent that chemistry etc. enhances the recovery rate of the mineral. Any income for external Lab work is used as a contra to expense claimed</i>	
Exploration	Disallowed
Laboratory	Allowable as it applies to Upgrading the mineral
Metallurgy	Allowable in proportion to upgrading mineral
Survey	Disallowed



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