Metallic/Industrial Minerals Crown Royalty

Metallic/Industrial Minerals Information Circular

Issue Date: April 2021

Governing Legislation:

Acts: *The Crown Minerals Act*
The Mineral Taxation Act, 1983

Regulations: *The Crown Mineral Royalty Regulations*

Introduction

This summary has been prepared by the Ministry of Energy and Resources to assist users in their understanding of the regulations that govern the calculation of precious and base metal royalties. For an exact statement of regulation regarding precious and base metal royalties, reference should be made to *The Crown Mineral Royalty Regulations*. In the case of conflict between this summary and the provisions of the Regulations, the Regulations will apply.

Calculation of the Royalty Payment

Precious and base metal mines beginning commercial production after 2002 are subject to a 10- year royalty holiday. Once the holiday period has ended, royalties are calculated as below:

- 5% of the royalty payer's net profit for:
  - sales of precious metals less than or equal to 1,000,000 troy ounces of cumulative sales; and
  - sales of all minerals less than or equal to 1,000,000 metric tonnes of cumulative sales; or
- 10% of the royalty payer's net profit for:
  - sales of precious metals greater than 1,000,000 troy ounces of cumulative sales; and
  - sales of all minerals greater than 1,000,000 metric tonnes of cumulative sales.

Calculation of Operating Profits During Commercial Production

Gross value of mineral sales, less:

- actual mining and milling costs;
- general and administrative expenses;
- developing new or expanding markets;
- insurance;
- municipal and school taxes;
- current year exploration expense;
- depreciation of assets;
- pre-production expenses;
- reclamation and decommissioning expenses;
- financial assurance fund costs;
- transportation costs; and
- loss carry-forward.

The balance is the operating profit subject to royalty.

Capital Recovery

- Royalty is not payable until after the royalty payer has recovered 150% of its initial costs of exploration and development;
- The allocated pre-production expenses are reduced by the sales of minerals produced prior to the start of commercial production and the proceeds from disposal of assets; and
- Pre-production expenses eligible for inclusion in the capital recovery bank include: ◦exploration expenditures in the 10-year period prior to commercial production;
    - expenditures on the design, development and construction of the production unit; and

   - expenditures on the design, development and construction of new mining operations in an existing production unit that do not share a common point of access.

Additional incentives include:

- a remission of fuel tax for off-road fuel use in mineral explorations;
- a remission of fuel tax for fuel use in power generation at mineral sites in remote areas; and
- all precious and base metal production are exempt from the Corporate Capital Resource Surcharge.

FOR FURTHER INFORMATION, PLEASE CONTACT:
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