

To: Department of Treasury and Finance

Re: Mineral Royalty Scheme Review – Consultation Paper

4 August 2023

Introduction

AMEC appreciates the opportunity to provide industry feedback on the Mineral Royalty Scheme Review – Consultation Paper released by the Department of Treasury and Finance.

AMEC supports the royalty reform put forward by the Mineral Development Taskforce and the delivery of an ad valorem model of royalty discussed in the consultation paper. This reform will define how the Territory achieves the targeted growth by 2030.

AMEC greatly appreciates the patience of the Treasury with the delay in presenting our submission.

About AMEC

The Association of Mining and Exploration Companies (AMEC) is a national peak industry body representing over 530 mining and mineral exploration companies across Australia. Our members are mineral explorers, emerging miners, producers, and a wide range of businesses working in and for the industry. Collectively, AMEC's member companies account for over \$100 billion of the mineral exploration and mining sector's capital value.

Mineral exploration and mining make a critical contribution to Australia's economy, directly employing over 274,000 people. In 2021/22 Industry generated a record high \$413 billion in resources exports, invested \$3.86 billion in exploration expenditure to discover the mines of the future, and collectively paid over \$63 billion in royalties and taxes.

General Remarks

AMEC has called for royalty reform in the Northern Territory (NT) since the 2017 review of the royalty regime, and commends the Minister, Department, Mineral Development Taskforce, and all involved with bringing this reform to fruition. The successful implementation of an ad valorem royalty scheme will be a decisive moment for the mining and exploration industry in the NT. It will transform the economics of financing a project and should be a driving factor in increasing exploration investment within the Territory.

A clearer, more competitive royalty scheme should greatly incentivise companies looking to invest in the Territory. Helping the Territory work towards the \$40 billion economy by 2030 it is aiming for by ensuring the mines of the future.

In this submission, AMEC details our preferred model and then answers the questions in the paper. An appendices is attached that details the royalty regimes of other jurisdictions.

AMEC's preferred model

It is our preference that the Government adopt an ad valorem royalty model that has:

- Fixed rate royalties for minerals, calculated on the contract price for minerals.
- A contract is one with a genuine purchaser 'at arms length': a transaction between two independent parties in which both parties are acting in their own self-interest. Both the person liable to pay royalty and the purchaser are independent (unrelated), possess equal bargaining power, are not under pressure or duress from the opposing party, and are acting in their own self-interest to attain the most beneficial deal.
- Royalties that are tiered based on processing and beneficiation. Similar to Western Australia: 7.5% for bulks, 5% for beneficiation (nickel/copper), and 2.5% for metal (gold);
- Battery chemical royalties' mirror the Western Australian feedstock model for lithium.
- Industrial minerals, such as sand and gravel, have a quantity-based fixed price royalty;
- The first 2,500 ounces of gold produced per financial year is exempt from royalties
- Simple and clear deductions:
 - Transportation of minerals to port;
 - Packaging.
- An optional, once off, two-year deferral for royalty payments from the start of mining enabled via Treasurer's Instructions;
- Ministerial discretion to grant a concession in exceptional circumstances, a concession that is tabled in Parliament and must have a fixed period.

The Territory has several assets that have agreements that reference the previous royalty regime.

We consider the Government should:

- Incentivise mines to come out of care and maintenance by a rapid transition from their existing royalty arrangement to a new one;
- Discuss with operating mines an appropriate grandfathering regime that incentivises further investment.

The Discussion Paper does not address royalty rates, explicitly discussing only the regime. However, we consider there are royalty rates the Government should adopt:

- 2.50% for gold in final metallic form;
- 5.00% for diamonds;
- Limit the 5% royalty which was payable on all 'Lithium Minerals' to only lithium 'concentrate' at the first point of sale.

QUESTIONS

Q1. Should a fixed or a variable royalty rate be used in an ad valorem scheme (or both)? Why?

AMEC considers that a fixed royalty rate should be implemented under the new ad valorem scheme for all minerals. A fixed royalty rate would provide greater certainty for new and emerging miners in the NT and for the Government. A variable royalty rate can result in exponential increases in royalty payments, which in turn could make a mining operation economically unviable.

It also has the benefit that a fixed rate makes calculating the future royalty receipts simpler for Government. A fixed rate has the added benefit in reducing the degree of volatility in royalties received.

Q2. What factors should be taken into account in selecting a fixed royalty rate?

AMEC believes the increased simplicity of a fixed royalty rate outweighs the potential drawbacks outlined in the discussion paper, for both government and proponents. The regime change should look for possibilities for increased simplicity.

While a fixed royalty rate does not account for fluctuations in mineral market value it ensures a strong level of both consistency and clarity for proponents. It is not hard to work out what the royalty is by looking at it.

The Northern Territory is not operating in isolation. Mineral exploration companies have a choice of where they will invest. While the Territory is competing globally, and does have attractive world-class geology, the fiercest competition is from neighbouring States in Western Australia and Queensland. When determining the royalty regime, and the rates, the Government must consider Western Australia in particular. This is because roughly 60% of Australia's mineral exploration expenditure has consistently been invested in WA for the past decade, year on year.

To discover the mines of the future, there needs to be active exploration. There is a direct correlation between the scale of mineral exploration that occurs and the number of mines. WA has 60% of Australia's mineral exploration expenditure and has approximately 130 operating mines¹.

The Northern Territory hosts the world's most attractive geological opportunities according to the Fraser Institute² ("best practice minerals potential"). The NT is ranked number one. Western Australia is third. The Fraser Institute's investment attractiveness measure ranks NT 6th this year, where as WA was first. This measure in part explains the difference in the number of mines.

The Northern Territory should look west and mirror the royalty structure.

Western Australia applies a "net-back principle" that incentivises investment in downstream processing of primary production. In 1981, the WA Government detailed how that principle would

¹ <https://www.dmp.wa.gov.au/About-Us-Careers/Latest-Resources-Investment-4083.aspx#:~:text=WA%27s%20mining%20industry%20consisted%20of,from%20125%20in%202020%2D21.>

² Page 23, Fraser institute: <https://www.fraserinstitute.org/sites/default/files/annual-survey-of-mining-companies-2022.pdf>

apply³, incentivising value adding from a 10% 'mine head value', to 7.5% for bulks, 5% beneficiated, and 2.5% for a metallic final form. This "net-back principle" provides an intellectual underpinning to rationalise the different rates applied to minerals. The Run of Mine (RoM) pad has been considered the mine head and the State incentivises investment from onward. No minerals in Western Australia are charged a royalty rate equivalent to the State's benchmark return of 10%. The crushing and screen of bulks is incentivised and offered a 7.5% rate.

As already discussed, the Western Australian model does not include a tier for battery chemicals. It should do so and the Northern Territory could lead Australia by having an attractive regime that incentivises downstream development of battery minerals to the chemical and precursor phase. Western Australia has a 5% feedstock royalty rate for lithium hydroxide and lithium carbonate.

The changes were introduced by the *Mining Amendment Regulations (No. 3) 2020 (Amending Regulation)*, published in the WA Government Gazette on 27 March 2020. This regulation limits the 5% royalty which was payable on all 'Lithium Minerals' to only lithium 'concentrate' at the first point of sale ('concentrate' is a defined term in the Mining Regulations, and captures spodumene, the primary lithium product produced in Australia that is the feedstock for other valued-added lithium).

AMEC has discussed with Industry at length whether there is a single percentage ad valorem tier that could be introduced for battery chemicals. Defining that number is difficult. There are concerns amongst industry that proposed operations would be of a smaller scale than the operations of its WA competitors. This lack of scale results in higher unit costs. A higher NT royalty rate would exacerbate this cost disadvantage, so further work would need to be done to model an appropriate rate. Furthermore, by the point of developing into battery chemicals, the activity being undertaken is no longer the extraction and mining of the Territory's minerals. It is the complex chemistry of taking that extracted mineral and converting it into a chemical. For that reason, we suggest the WA lithium model of levying the royalty on feedstock prices being adopted.

Q3. What factors should be taken into account in selecting a variable royalty rate?

AMEC does not support a variable royalty rate, however, below note flaws with this regime.

A major factor that should be considered is that this model needs an established market to determine mineral prices. This is not true for all minerals. Established commoditised minerals such as iron ore and gold have well established markets driven by market forces with transparent prices. It is simpler to find a reliable market price in the deeply liquid markets for minerals such as gold and silver. A useful benchmark is the London Metals Exchange (LME) which lists most minerals. However, some emerging minerals don't have an established market or are sold via offset agreements and long term contracts. For example, lithium has only recently listed on the LME in 2021. As noted by the International Energy Agency in 2021, "*Some energy transition minerals with smaller markets have low pricing transparency and liquidity, making it difficult to manage price risks and affecting investment*

³ Department of Mines and Petroleum, (2015), *Mineral Royalty Rate Analysis*:
<https://parliament.wa.gov.au/Test/Tables.nsf/cb90e76c8317b92048257da9002f0d4c/ad06a775b4735f5948257e14002d559b?OpenDocument>

*decisions.*⁴ The opacity of long-term contracts makes referencing a rate for non-commoditised minerals difficult.

AMEC is also concerned that with non-commoditised minerals the choice of markets as reference points could be crucial. The demand and supply of certain minerals are controlled by single countries. Meaning the price for these minerals can fluctuate drastically month to month, sale to sale, making a variable royalty rate complex in nature.

Industry has also noted that if tiers were included in a variable royalty rate they can become obsolete. With the thresholds established either irrelevant or detrimental to the Territory's interests in developing mines. This can result in royalties being locked at the highest level of the royalty rate, essentially creating an increased fixed royalty rate.

Queensland has a variable royalty rate for certain minerals between 2.50% and 5.00% (varying in 0.02% increments) of value, depending on average metal prices. For example, to receive a 2.50% royalty, the gold price would have to be at or below A\$600 each troy ounce; for the 5.00% at A\$890 per troy ounce.

The gold price has not been below A\$1,000 since September 2008⁵ – locking the Queensland gold royalty for the last 15 years at the highest level, 5.00%. However, since 2008 the underlying cost structures for mining have increased due to inflationary and supply chain issues. Rendering the flexibility built into the system and its policy intention ineffective. It is also at a rate that is double Western Australia's royalty rate of 2.50%.

Q4. Should different royalty rates apply to different minerals? Why and for what minerals?

All minerals should have different royalty rates applied to them depending on the level of processing before sale, as suggested in question five. This establishes a clear system and understanding for proponents and regulators. A tiered approach incentives downstream investment which brings more technical jobs and high value products.

As detailed above, the cost structures for processing and markets for minerals are all different. A royalty is the return to the community for the value of a mineral.

Q5. Should different royalty rates apply to different minerals depending on the level they are processed before being sold? Why and what level of processing should it be?

As outlined in detail in Question 1, AMEC is highly supportive of the WA royalty scheme which tiers the royalty rates into, bulk at 7.5%, concentrate/beneficiation at 5% and metallic from at 2.5%. As has been suggested, a fourth tier for a final battery chemical at the feedstock rate.

This tiering approach mirrors Western Australia and removes questions regarding the competitiveness of the Northern Territory. A third of all Australian mineral exploration expenditure is

⁴ The role of Critical Minerals in clean energy transitions.

<https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions/executive-summary>

⁵ <https://abcbullion.com.au/products-pricing/gold>

invested in exploring for gold, it is important that the Territory mitigates the Western Australian competitive advantage via 2.5% ad valorem for gold in metallic form.

This scheme gives the regulator four categories to clearly attribute different minerals to certain processing levels.

As has been outlined above issues arise with the Western Australian model when categorising new and emerging processing techniques for critical and battery minerals. This is because when the WA model was established in 1981 the prominence of battery and critical minerals had not risen.

No other jurisdiction has a clear battery mineral chemical rate. The setting of a battery mineral chemical rate is an opportunity for the Territory to set itself apart as an investment destination of choice.

The NT government needs to heavily consider how these royalties will be handled, for example, rare earth elements have a confusing royalty calculation in the WA mining regulations.

Q6. Are there other rate types or structures that you believe should be considered and what are they?

The Northern Territory government should focus on implementing an ad valorem structure for the new royalty system. While our submission has focussed on Western Australia, it must be noted that every single mineral royalty in Australia outside of the Territory is an ad valorem royalty. Proponents and industry professionals have the most experience with this system.

The extractive industry in many jurisdictions have a specific rate for extractive minerals (sands, clays, cut stone etc). This Industry is not within AMEC's membership, but AMEC is supportive of a specific rate operating in parallel to the ad valorem system.

Q7. Are there other factors that should be considered in setting an appropriate royalty rate and what are they?

A royalty should be paid for every single mineral mined. AMEC considers it important for the "social licence to operate" that the community receives a return for each of their minerals mined. However, the Government must hold firmly in their perspective that royalties are not the only monetary return a mine brings to a community. Offering a tiered royalty that incentivises greater downstream investment will draw greater technical expertise, higher income workers and greater investment. In short a tiered royalty is not a loss for the Territory. One of the often unspoken benefits of mining to jurisdictions compared to other industries is that a company has to mine the mineral where it is. Mining is on country and cannot be done 'online'.

It must be considered that royalties have a material impact on production parameters of a mine such as cut off grade, and mine life. A royalty is a cost that must be accounted for thus will influence production parameters. If the royalty rate is too onerous, this could result in the life of the mine being reduced, or the mine never being built.

The realities of how the Northern Territory's royalty regime has impacted investment have been acknowledged by the Mineral Development Taskforce. It is important that this reform presents a sufficient change to reposition the investment attractiveness of the Territory.

Q8. What factors should be prioritised when setting an appropriate royalty rate?

There are three key principles: competitiveness, simplicity and equity.

Competitiveness: the most important factor when determining an appropriate royalty rate for the Northern Territory. The Northern Territory is without a doubt competing with other Australian jurisdictions as an exploration location. Because of this competitive nature from industry the royalty rates have to at least match those of other states (i.e. Western Australia), to become a more competitive jurisdiction. If the Territory is to grow it needs to be realistic about facing the competitiveness of neighbouring jurisdictions.

Simplicity: the Territory has a byzantine hybrid royalty regime currently, the new regime has to be the opposite. It needs a simple ad valorem, tiered to incentivise downstream investment. The regime needs to be simple enough that when companies are seeking to attract investment explaining the royalty requirements to would be investors is cursory rather than complicated.

Equity: Mining and exploration companies understand the importance of paying a royalty to give back to the local community in which they operate. So each mineral mined needs to pay a royalty.

Each of these principles needs to be weighed. The community needs a return, however, that royalty has to be competitive so that the mineral is mined and the jobs and growth unlocked. It must be simple enough that it does not become the focus of investment conversations.

Q9. The valuation of minerals extracted and sold under a new mineral royalty scheme will form part of subsequent consultation. However, are there any preliminary issues or technical matters that government should consider?

AMEC looks forward to the future conversation regarding the methodology that will be considered for valuation. There are a number of ways to evaluate the value of minerals, as detailed according to the World Bank⁶. Those being:

- Gross sales price as billed
- Gross market value (many options under this)⁷
- Net market value
- Net smelter return
- Best price available within an agreed-upon range.

Each of the different approaches balances theoretical positive and negatives. However, we consider that the gross sales price as billed provides the simplest and fairest solution for both Government and Industry. The assumption being that a company is incentivised to seek the best price for their product in the market by market forces. The price agreed with a genuine purchaser must be arms length. A

⁶ [World Bank Document](#), Page 56

⁷ Ibid, Page 56

transaction between two independent parties in which both parties are acting in their own self-interest. Both the person liable to pay royalty and the purchaser are independent (unrelated), possess equal bargaining power, are not under pressure or duress from the opposing party, and are acting in their own self-interest to attain the most beneficial deal. Relying on gross market value can be flawed, as certain commodities (as already discussed) are in opaque or illiquid markets that do not have a clearly defined price.

The South Australian Mining Act provides a structured cascade of five different methodologies for valuing minerals for the purposes of levying a royalty:

1. Section 17(5): an arm's length transaction;
2. Section 17(6)(b)(i) defines the use of appropriate market based pricing
3. Section 17(6)(b)(ii) the Treasurer sets the price; or
4. Section 17(6)(b)(iii) a comparable price from a comparable product sold through an arms length transaction
5. Section 17(6)(b)(iv) the liable party estimate their own royalty liability.

If the first methodology is not possible, a South Australian regulator moves onto the second, third, fourth and fifth methods. However, it must be noted that the South Australian royalty regime relies on the sales price from a genuine arms length transaction as the primary measurement. AMEC recommends this method be the priority. However, there is a clear benefit in legislating a hierarchy of methodologies to clarify the pricing of minerals, noting that the third method provides a logical end point (rather than letting a liable royalty holder define their own payments, point 5 above).

While the focus of a future consultation, how the royalties are collected should be considered. We highlight that the Western Australia uses the electronic lodgement system, "Royalties Online", that is based around the input of a Royalty Return. It has been noted by some in Industry that this document is similar to a tax return. The return must be in an approved form, showing where relevant:

- quantity of the product mined or produced
- details of any sale, transfer, shipment, or disposal of the mineral (a deduction in WA)
- royalty value of the mineral (by the invoice price)
- gross invoice value of the mineral, when it was paid, and any allowable deductions for the mineral
- rate of royalty used.

Q10. Should deductions feature in any new mineral royalty scheme? If so, why, and what should they be?

AMEC believe that there should be few deductions featured in the upcoming royalty scheme reforms. While deductions do not reduce overall capital expenditure, it does affect proponents financial modelling and can result in increased certainty for financiers at that early stage of investment.

An example of is the Western Australian *Mining Regulations 1981*, use the term allowable deductions, which states:

- The amount, in Australian currency, of any reasonable costs incurred in transporting the mineral, in the form which it is first sold, where those costs

- Are incurred after the shipment date by the person liable to pay the royalty for the mineral; and
- Relate to transport of the mineral by a person other than the person liable to pay the royalty for the mineral; and
- The price, in Australian currency, paid or to be paid by the person liable to pay the royalty for the mineral, for packaging materials used in transporting the mineral, in the form in which it is first sold.

Similarly, the South Australian Regulation 11(1) of the *Mining Regulations 2020 (SA)* prescribes transport costs. The packaging and transportation of minerals are reasonable deductions to get goods to market. In the Territory, the distances of mines to market can be considerable. These deductions are also simple.

Q11. Should thresholds be included? If so, why and at what level?

AMEC is supportive of the implementation of thresholds for a pre-determined list of minerals. In terms of gold thresholds, Western Australia, Queensland, and Victoria all have some form of threshold.

- In WA and Victoria, the first 2,500 ounces of gold produced per financial year is exempt from royalties.
- Queensland, the first 100kg is exempt (~3,500 ounces).

AMEC believes it is especially important for gold to be included with a threshold. The majority of our members explore for gold in the Northern Territory and by providing a threshold it would create further certainty for proponents and investors. Matching the Western Australian rate, or being close to it, would underscore the NT's intent to compete for investment.

Q12. Should a standard threshold apply to all minerals regardless of type, or should specific minerals have their own thresholds, and if so for which, and why?

AMEC is supportive of a specific minerals threshold for certain minerals, as detailed above gold is a clear example.

Q13. Are there other factors that you believe should be considered when determining deduction and threshold settings?

The Northern Territory uniquely has the *Aboriginal Lands Rights (Northern Territory) Act 1976*, a Commonwealth legislative framework that grants inalienable freehold title that is managed via Land Councils. While the rights to the minerals are still held by the Northern Territory Government, access to the land above is through agreement with the Land Councils. Accessing the land, undertaking exploration, and developing a mine will attract a range of costs, fees, charges, and royalties.

The price of land access on ALRA land is bound by commercial confidentiality, but is more costly. The Territory Government needs to realistically consider the impact of these costs on the reality of investing in the Territory.

Q14. What factors should be taken into account by government when considering the appropriateness or application of these options?

A two to five year deferral of royalty payments provides the proponent with an opportunity to pay down capital faster.

Another factor that should be considered is the overall revenue of the proponent trying to get the mine up and running. If the mine is to be operated by the big multinational mining companies that have the revenue and resources to get a project operational regardless of royalty payments then AMEC believes early year discounts and holidays would be inappropriate. However, if the proponent has a single asset, this is their first project, then early year discounts would be appropriate to help incentivise investment.

This rate could be set via Treasurer instructions in the Government Gazette. As per Section 17A (1) of the South Australian *Mining Act 1971*⁸

The Treasurer may, after consultation with the Minister and on the application of a person liable to pay royalty (other than on extractive minerals), by notice in the Gazette, declare that a mine will be taken to be a new mine for the purposes of this section.

In South Australia, a new mine rate commences on the date that first royalty is due and payable. The reduced royalty rate applies for a maximum period of ten consecutive 6-month returns.

The reduced royalty for a new mine is currently set at a rate of 2.0 per cent of the value of the minerals. The reduced royalty rate for new mines is not available for extractive mineral production. AMEC would be supportive of the introduction of a similar model.

Q15. If considered appropriate, how many years should a lower rate or repayment holiday apply for and why? What considerations are important in deciding the length of time?

The first two to five years of a mine being operational is used to offset the large upfront capital expenditure that is needed to construct the facilities needed for a mine site. It is not uncommon for a mine to only become profitable after this period. This is because a company will have to pay down debt, and there can be unexpected expenditure finalising commissioning of plant and equipment.

Due to this AMEC believes that a period from two to five years would be appropriate for early year deferral.

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https://www.legislation.sa.gov.au/__legislation/lz/c/a/mining%20act%201971/current/1971.109.auth.pdf

Q16. If early year royalty discounts are considered appropriate, what should government consider in deciding how much the royalty rate is to be lowered in the early years?

The key consideration for how to lower the royalty rate in the first years of operation is that a proponent will be repaying debt. This debt and financing will come with obligations and expectations of when that debt will be fully repaid. This will vary between proponents.

A proponent will also be finalising the commissioning of processing facilities and mining their initial ore body, which will (hopefully) be meeting their geological expectations.

Q17. If early year royalty discounts are considered appropriate, what benchmark would be appropriate for delayed royalty payments to be indexed to?

AMEC supports indexing any delayed royalty payments by the Australian Treasury Bond rate. The Bond rate reflects the minimum return a financial market participant could expect, and they are reflective of inflation.

Q18. Should there be a limitation or a cap on the amount of royalty that can be delayed or discounted under a potential repayment holiday? What would be appropriate and why?

AMEC does believe that there should be a limitation/cap on the amount of royalty that can be delayed or discounted under a repayment holiday. A deferral would mean that the royalty would be paid in the future.

However, if the Government were to consider a full royalty holiday. Then an example of a royalty holiday limitation, “In Ontario, new mines are offered a three-year tax holiday, subject to a Can\$10 million limit on taxable profits. Remote mines in Ontario are taxed at half the rate of other mines and are given a 10-year tax holiday subject to the same Can\$10 million limit on taxable profits.”⁹

Q19. Are there other ways a royalty scheme can be designed to support a new mine, and what are they?

The NT Government needs to provide a clear definition of what is considered a new mine. This definition is particularly important for a mine coming out of a care and maintenance. Once a mine has changed owners to a nonrelated party must also be considered.

Q20. Should the new mineral royalty scheme provide a quantity-based royalty calculation for some mineral types such as extractives in those circumstances when they are subject to royalty?

AMEC does not represent organisations that mine extractive minerals such as sand and clay. However, AMEC supports a quantity-based royalty for minerals used in construction materials (building stone, clay, gravel, sand).

Both Western Australia and Queensland have a quantity-based royalty per tonne of material, this simplifies the royalty process and administrative burden on companies who extract low value minerals.

⁹ [World Bank Document](#), Page 94



Q21. Are there reasons why administration of a new mineral royalty scheme should not come under the TAA?

AMEC sees no reasons as to why the administration of a new mineral royalty scheme should not be transferred to be under the *Taxation Administration Act* (TAA).

Alongside the new regime, the Northern Territory also has a range of preexisting agreements with companies that set their royalties. Some of these agreements will likely have provisions that differ from the TAA. Transition from these agreements should be negotiated with the appropriate companies. The preexisting agreements may have also become constrictive on the future operation of some mines that are in care and maintenance, so a pathway out of care and maintenance into the new royalty regime needs to be considered.

Q22. Are there any special circumstances unique to the mining industry that would require administrative provisions different to, or in addition to, those of other taxes and royalties?

The Northern Territory is about to transform its royalty regime from profits based to an Ad Valorem. This is an unusual occurrence, and the Government should ensure the community understand that the advantage of the change.

Royalty returns are commercially sensitive transactions. The information provided by a royalty payer as evidence for the calculation of royalties should not be publicly available. A proponent's royalty information should be explicitly excluded from the jurisdiction of the Northern Territory Information Act 2022 and being accessible under a freedom of information search.

However, other than the uniqueness of moving royalty regimes, the provision of detailed guidance regarding deductions and calculating royalties will be needed. Clear guidance that details expectations regarding the information provided and how the NT Treasury anticipates such royalties to be calculated should be made as clear as possible.

Q23. What payment and return frequencies should a new royalty scheme allow for – monthly, quarterly, six-monthly, annual? Under what circumstances should each of these payment periods apply?

While there are differing practices around Australia regarding royalty payment periods, most royalties are either paid monthly or quarterly. In Western Australia royalties are calculated and paid monthly or quarterly, with 30 days remittance periods. There is a self assessment process as to which schedule they pay.

In Queensland, royalties are calculated quarterly but paid monthly¹⁰, quarterly or annually if that has been negotiated with the Government.

In South Australia, the Mining Act 1971 requires royalty payers with an annual royalty liability greater than (or expected to be greater than) \$100,000 to make monthly royalty payments. Coal royalties are collected monthly in New South Wales, while all other mineral royalties for proponents with an annual

¹⁰ [https://qro.qld.gov.au/royalty/lodge-pay/return-period/#:-:text=Quarterly%20return%20periods&text=Though%20your%20return%20period%20is,1%20July%20and%201%20October\).](https://qro.qld.gov.au/royalty/lodge-pay/return-period/#:-:text=Quarterly%20return%20periods&text=Though%20your%20return%20period%20is,1%20July%20and%201%20October).)

royalty liability exceeding \$50,000 are collected quarterly (otherwise an annualised payment is accepted).¹¹

The Commonwealth Government's petroleum resource rent tax is collected quarterly¹².

AMEC recommends that proponents are required to choose to either pay their royalty quarterly or monthly. This should be a discussion between the proponent and the government to determine which of the two options is appropriate.

Q24. Should payment and return periods be based on the quantum of royalties paid by mining companies, i.e. more frequent returns for large payers?

As detailed in answering Question 23, South Australia has a threshold of \$100,000 per annum royalties for a monthly payment cycle. New South Wales has a \$50,000 threshold. These are low per annum thresholds, and effectively reduces the administrative burden for Government of collecting royalties from smaller extractive operations to have longer payment cycles.

Western Australia and Queensland allow companies to negotiate their timeframe of payments. As identified in Question 23, we consider companies should be able to negotiate either monthly or quarterly.

The valuation periods we consider should be kept at a quarterly basis as the administrative burden is disproportionate to the outcome.

Q25. Are there any Australian government tax or royalty payment cycles that Territory mineral royalties should align with, or alternatively, offset against?

The adoption of a monthly royalty payment cycle makes it difficult to not align or offset with most of the tax events throughout the year.

Other issues

AMEC looks forward to future consultations that will, address a range of other matters that are still to be discussed with the royalty regime structure. For example, the processes for:

- Rates
- Royalty compliance and audits
- Late payment and penalty structures
- Appeals
- Confirmation that all will pay for minerals extracted, including Councils extracting from borrow pits.

¹¹ <https://www.revenue.nsw.gov.au/taxes-duties-levies-royalties/royalties/pay>

¹² <https://www.ato.gov.au/Business/Petroleum-resource-rent-tax/PRRT-liabilities-and-instalments/#:~:text=A%20PRRT%20entity%20makes%20four,allow%20further%20time%20to%20lodge.>

Final Remarks

AMEC is appreciative of the ongoing engagement from the Department of Treasury and Finance with industry, to ensure the implementation of a new mineral royalty scheme before the election August 2024. We welcome continued engagement to convey industry views regarding the royalty reforms and looks forward to working collaboratively with the Department and Territory government.

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OTHER JURISDICTIONAL ROYALTIES

Appendix 1:

Mineral	WA	SA	QLD	NSW	VIC
Aggregate	Amount A		2.50%		2.75%
Attapulgite	5%		2.50%		2.75%
Bauxite	7.50%		QLD Bauxite	\$0.35 per tonne	2.75%
Building Stone	Amount B	\$0.52 per tonne	2.50%		2.75%
Chromite (concentrate)	5%		2.50%	4%	2.75%
Clays	Amount A	\$0.52 per tonne	\$0.5 per tonne	\$0.35 per tonne	2.75%
Coal	7.50%	5%	Don't bother		2.75%
Cobalt	7.5%/15%/2.5%	3.50%	Prescribed Mineral Rate	4%	2.75%
Copper	7.5%/15%/2.5%	3.50%	Prescribed Mineral Rate	4%	2.75%
Diamond	5%		2.50%	4%	2.75%
Dolomite	Amount A	3.50%	\$1 per tonne	\$0.40 per tonne	2.75%
Feldspar	5%	3.50%	\$0.75 per tonne		2.75%
Garnet	5%/2.5%	3.50%	2.50%	4%	2.75%
Gems and Precious Stones	7.50%		2.50%		2.75%
Gold	2.50%	3.50%	Prescribed Mineral Rate	4%	2.75%
Gravel	Amount A		2.50%		2.75%
Gypsum	Amount A	3.50%	\$0.5 per tonne	\$0.35 per tonne	2.75%
Ilemenite	5%	3.50%	5%	4%	2.75%
Iron Ore	7.5%/15%	5%	Under \$100 per tonne \$1.25 / Over \$100 per tonne 1.25%	4%	2.75%
Kaolin	5%	3.50%	\$1 per tonne	\$0.7 per tonne	2.75%
Lead	5%/2.5%	3.50%	Prescribed Mineral Rate	4%	2.75%
Leucokene	5%	3.50%	5%	4%	2.75%
Limestone	Amount A/B	\$0.52 per tonne/3.5%	\$0.5 per tonne	\$0.40 per tonne	2.75%
Lithium	5%		2.50%	4%	2.75%
Manganese	7.5%/15%		2.70%	4%	2.75%
Nickel	2.50%		Prescribed Mineral Rate	4%	2.75%
Ochre	5%		2.50%		2.75%
Platinoids	2.50%		2.50%	4%	2.75%
Rare Earth Elements	Formula REE	5%	2.70%	4%	2.75%
Rock	Amount A		\$1 per tonne		2.75%
Rutile	5%	3.50%	5%	4%	2.75%
Salt	Amount A	3.50%	\$1.5 per tonne	\$0.40 per tonne	2.75%
Sand	Amount A	\$0.52 per tonne	\$0.5 per tonne		2.75%
Semi-precious stones	7.50%	3.50%	2.50%		2.75%
Silica	Amount B	3.50%	\$0.9 per tonne		2.75%
Silver	2.50%	3.50%	Prescribed Mineral Rate	4%	2.75%
Spongolite	5%		2.50%		2.75%
Talc	Amount B	3.50%	2.50%	\$0.7 per tonne	2.75%
Tantalum	5%		2.70%	4%	2.75%
Tin	2.50%		2.50%	4%	2.75%
Uranium	5%	5%	\$220 or less 5% / over \$220 formula		2.75%
Vanadium	5%/2.5%		2.50%	4%	2.75%
Zinc	5%/2.5%	3.50%	Prescribed Mineral Rate	4%	2.75%
Zircon	5%	3.50%	5%	4%	2.75%

Appendix 2:

Amount A and B:

For the 5 year period beginning on 1 July 2010 and ending on 30 June 2015 and for each succeeding 5 year period (the **relevant period**), the amount calculated under sub regulation (2b) or provided for in sub regulation (2d), as the case requires.

Calculated using the formula $R = C \times (PPI \div X)$

Where – R is the amount; C is – (A) for the purposes of Amount A, 50 cents; (B) for the purposes of Amount B, 80 cents.

PPI is the Non-Metallic Mineral Products Price Index number, for the quarter ending on the last 31 March before the beginning of the relevant period, published by the Australian Bureau of Statistics in Catalogue 6427.0 Producer Price Indexes, Australia.

X is the latest Non-Metallic Mineral Products Price Index number, for the quarter ending on 31 December 2003, published by the ABS in Catalogue 6427.0 Producer Price Indexes, Australia.

Rare Earth Elements

$$(P \div 100) \times (U \times 2.5) \div 100 = \$R \text{ per tonne}$$

P = a representative market value of rare earth oxides (REO), as determined from time to time by the Minister.

U = the number of units per hundred of REO in the rare earth elements – containing products sold.

R = the royalty.

Queensland Royalty Definitions

Average market price, for a prescribed mineral, means the average for a return period of the following price converted to Australian dollars at the hedge settlement rate for each day of the return period.

Reference price 1, for a prescribed mineral (royalty) per tonne

- a) cobalt - \$55,115
- b) copper - \$3,600
- c) gold - \$600 each troy ounce
- d) lead - \$1,100
- e) nickel - \$12,500

f) silver - \$9 each troy ounce

g) zinc - \$1,900

Reference price 2, for a prescribed mineral (royalty) per tonne

a) cobalt - \$83,775

b) copper - \$9,200

c) gold - \$890 each troy ounce

d) lead - \$2,500

e) nickel - \$38,100

f) silver - \$16.50 each troy ounce

g) zinc - \$4,400

The royalty rate for a prescribed mineral (royalty) is –

- a. If the average market price for the mineral is equal to or lower than reference price 1 for the mineral – 2.5% of the value of the prescribed mineral (royalty); or
- b. If the average market price for the mineral is higher than reference price 1 for the mineral but lower than reference price 2 for the mineral – the prescribed percentage of the value of the prescribed mineral (royalty); or
- c. If the average market price for the mineral is equal to or higher than reference price 2 for the mineral – 5% of the value of the prescribed mineral (royalty).

Prescribed percentage means the amount, expressed as a percentage, rounded down to the nearest increment of 0.02%, worked out by using the following formula:

$$PP = 2.5 + ((PD \div RFD) \times 2.5)$$

PP is the prescribed percentage.

PD is the difference between the average market price and reference price 1 for the prescribed mineral.

RFD is the difference between reference price 2 and reference price 1 for the prescribed mineral.

Queensland Bauxite

Outside the State – the higher of the following

- a. 10% of the value of the bauxite
- b. \$2 for each tonne of bauxite; or

Mined for consumption within the State –

- a. For a holder who has also sold, disposed of, or used bauxite in the return period that is mined for consumption outside the State – the higher of the following
 - a. 75% of the amount per tonne of the rate calculated under paragraph
 - b. \$1.5 per tonne of bauxite
- b. Otherwise - \$1.5 per tonne of bauxite.