

June 24, 2002

**COAL AND MINERAL DEVELOPMENT INFORMATION BULLETIN 2002-04**

**SUBJECT: METALLIC AND INDUSTRIAL MINERALS ROYALTY REGULATION  
REVIEW**

The *Metallic and Industrial Minerals Royalty Regulation A.R. 350/93* is being reviewed to ensure it is appropriate in the current and emerging business environment.

At an initial presentation and discussion held April 24, 2001 in Edmonton, the Department invited input from lessees and other selected industry stakeholders, and we thank those individuals who provided comments. In addition to industry input, consideration has also been given to royalty principles, mineral royalty regimes in related jurisdictions, royalty regimes for other mineral commodities in Alberta, and general market conditions.

The Department encourages you to review and comment on proposed substantive changes to the regulation, summarized in the enclosed table. Please submit your feedback by **July 19, 2002**. Our goal is to have proposed amendments in place by January 2003.

The current regulation is on the Internet at:

[http://www.qp.gov.ab.ca/documents/regs/1993\\_350.cfm](http://www.qp.gov.ab.ca/documents/regs/1993_350.cfm)

For additional information, please refer to the background paper available on the Department of Energy Website at:

<http://www.energy.gov.ab.ca/com/Coal+and+Minerals/Reg+Review/default.htm>

If you have comments or questions, please contact:

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Sincerely,

*[Original signed]*

Brian Hudson  
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**Proposed Changes:  
Metallic and Industrial Minerals Royalty Regulation A.R. 350/93**

Current	Proposed	Comments/Reasons
<p><b>Royalty Reporting</b> Quarterly reporting and payment.</p>	<p>Minister will have the discretion to vary the frequency of royalty reporting and payment.</p>	<p>Allows for less frequent filing where warranted. E.g., annual declaration of non-production.  Provides opportunity to increase filing frequency where there is a revenue benefit to the Crown.</p>
<p><b>Penalties</b> For not filing a return, after notification: Up to \$10,000 on the first day. Up to \$1,000 on additional days.</p>	<p>Reduce penalty to: \$500.00 per month. Up to a maximum of \$2,500.00.  Applies even if no royalty owing.  Minister may waive the penalty if circumstances warrant.</p>	<p>More fair and predictable.  For client and Crown, monthly penalty is easier to administer and reconcile than a daily penalty.  Lower maximum because of the proposed interest on unpaid royalties.  Waiver is consistent with other royalty regulations under the Act<sup>1</sup>.</p>
<p><b>Interest on royalty</b> New. On late unpaid royalty, default to 3% simple interest in Mines &amp; Minerals Administration Regulation.</p>	<p>Simple yearly rate, 1% greater than Alberta Treasury prime lending rate.  Minister may waive interest if circumstances warrant.</p>	<p>Allows for fair treatment, relative to production value.  Consistent with other royalty regulations under the Act.</p>

<sup>1</sup> The “Act” refers to the Mines and Minerals Act

<b>Current</b>	<b>Proposed</b>	<b>Comments/Reasons</b>
<p><b>Metallic Minerals Royalty – Definition of Gross Revenue</b></p> <p>Currently includes value of production; sale, lease, license or disposition of mine assets and technology; insurance proceeds.</p>	<p>Add to existing gross revenue the proceeds from processing, storage or other handling of substances.</p>	<p>Captures a potential revenue source for calculating revenue-minus-cost metallic royalties, in addition to other revenues.</p> <p>Consistent with royalty regulations in some other jurisdictions.</p>
<p><b>Metallic Minerals Royalty Reporting</b></p> <p>New</p>	<p>Require report of estimates of allowed costs and gross revenue for upcoming production year and other periods specified by the Minister.</p>	<p>Consistent with other revenue-minus-cost royalty regimes under the Act.</p>
<p><b>Metallic Minerals Royalty Reporting</b></p> <p>New</p>	<p>Require an audited financial statement after the end of the production year.</p>	<p>Consistent with other revenue-minus-cost royalty regimes under the Act.</p>
<p><b>Placer Minerals Definition</b></p> <p>Includes precious metals (gold, silver, platinum group metals) and precious stones produced by placer mining, which is working surface materials (e.g., sand and gravel) by surface operation using water.</p>	<p>Define to include any metallic and industrial mineral from placer mining.</p> <p>Modify definition of placer mining so use of water is not definitive of mining method.</p>	<p>Consistent with placer production trend in producing a wider range of minerals (e.g., titanium.)</p> <p>Avoids impractical situation of applying revenue-minus-cost metallic royalty to small quantities of “out of scope” minerals from placer production.</p> <p>Use of water is typical in placer mining, but is not definitive or unique.</p>

Current	Proposed	Comments/Reasons
<p><b>Placer Minerals Royalty</b></p> <p>5% of production</p> <p>For licensed production, royalty exemption on first troy ounce of production per year.</p>	<p>Remain at 5% of production,</p> <p>But no royalty owed by placer licensee if royalty share is \$50.00 or less in a year.</p>	<p>The exemption only applies to placer licenses, which are mainly recreational.</p> <p>Troy ounce is a market standard only applicable to gold, silver and platinum group metals.</p> <p>An exemption based on royalty value applies to any substance.</p>
<p><b>Placer Minerals Royalty Reporting</b></p> <p>Report following those quarters in which a sale or disposition occurred.</p>	<p>Commercial producers (under lease) must also provide year-end reconciliation.</p> <p>Licensed producers (recreational) report annually only if royalty owed.</p> <p>Minister may request placer licensees to declare all sales and dispositions during the period that a license has been held.</p>	<p>Increases Crown assurance that payments are not missed.</p> <p>Annual reporting by licensed producers works better with annual exemption. Minimal revenue expected.</p> <p>Clarifies that the Minister can request declaration.</p> <p>Increases Crown assurance that no report or payment is due.</p>
<p><b>Quarriable Minerals Royalty Rates</b></p> <p>Limestone, shale, granite, slate, gypsum, building stone</p> <p style="padding-left: 40px;">\$0.0441/tonne</p> <p>Bentonite</p> <p style="padding-left: 40px;">\$0.11/tonne</p> <p>Pottery clay and fireclay</p> <p style="padding-left: 40px;">\$0.131/tonne</p> <p>Other clay, marl, volcanic ash</p> <p style="padding-left: 40px;">\$0.0655/m<sup>3</sup></p>	<p>Stone (such as limestone, shale, granite, slate, gypsum, building stone)</p> <p style="padding-left: 40px;">\$0.10/tonne</p> <p>Bentonite</p> <p style="padding-left: 40px;">\$0.13/tonne</p> <p>Pottery clay and fireclay</p> <p style="padding-left: 40px;">\$0.13/tonne</p> <p>Other clay, volcanic ash, clay from shale</p> <p style="padding-left: 40px;">\$0.13/tonne</p>	<p>Rate for “stone” not changed since 1954. Still lowest in western Canada, but more in line with other jurisdictions.</p> <p>Standard rate for clay and clay-like substances avoids royalty based on end use.</p>

Current	Proposed	Comments/Reasons
<p><b>Quarriable Minerals Royalty Discount for Railways</b></p> <p>Railway companies pay half royalty rate on quarriable minerals used for railway bed construction and maintenance.</p>	<p>Remove clause. All producers pay same royalties.</p>	<p>Places all producers on the same royalty, without regard for use of product.</p>