

# Guide to completing the Interim Royalty Statement

IS  
Guide

## What is interim royalty and an interim royalty statement?

The interim royalty statement form (IS) is an optional form which can be used to provide the Chief Executive of the Ministry of Economic Development with details of the calculation of any interim royalty payments to the Crown. It is forwarded to mining permit holders for completion every six months, to determine if interim royalty is payable.

You are required to pay interim royalty if during the period covered by the interim statement the average monthly net sales revenues (value of production sold, disposed or used) from your permit or the production unit your permit is in were \$8,333 or more.

The interim royalty payable is 1% of the net sales revenues from the permit. Any interim payments made are offset against the annual royalty liability.

## Do I have to complete an interim royalty statement form if the requirement to pay royalty does not apply?

Use of the form is optional. If you are not liable to pay interim royalty, you do not need to file an interim royalty statement. However, it would help us to know if there is nil production or there is no interim payment due on your permit so we do not have to contact you and ask for this information. Write nil on Box 6C, page 2 of the statement. Sign the Declaration and send the form to us by the due date.

If interim royalty is payable and you want to use your own advice form or other means, this is possible.

The interim royalty statement form is available on disk. The disk version (Excel 97) contains formulas for royalty calculation. A copy of the disk is available on request.

## Further information

If you want to know more about the royalty regime, refer to your permit conditions or Chapter 15 of the Minerals Programme for either Coal or Minerals. You can also contact Crown Minerals Finance Unit.

## Filling out the interim royalty statement form

Fill in the form using black or blue ball point pen. Please use capital letters.

Please enter all costs, prices and sales figures excluding GST. These may be rounded to the nearest whole dollar.

We send you two copies of the statement. You may wish to complete both forms so that you can have a copy for your files.

## Information printed on page one of the interim statement

The front page of the interim royalty statement form contains information which helps us contact you. If any of the details are incorrect, draw a line across and write the correct information or notify us by accompanying letter.

### Permit number

This is the unique reference number given to your mining permit when it was granted.

### Statement number

Our computer system allocates a unique number to each statement printed. We use this number to keep track of the statements sent to permit holders.

### Customer code

This is your customer account code that we use when processing royalty returns, payments and invoices.

### Operation name

Some permit holders prefer to identify their permit area or mining project by a name rather than the permit number. If you have advised of the operation name, then this will be printed in the statement. If you want to specify a name or change this, please notify us in writing.

### Permit holder details

If any of the details have changed, let us know so we can update our records.

### Contact person details

The contact person should be the one you would like us to contact if we have queries about the payments or interim royalty statement. It should preferably be the person who actually completes the statement.

### Period covered by the statement

This shows the start and end date of the period covered by the statement. This will either be the first six months or the second six months of the reporting period you have nominated.

### Statement and payment due by date

This is the last day by which we expect to receive the interim royalty statement and payment due. If you are forwarding by mail, you should ensure it is posted before the due date to allow sufficient time for mail delivery.

Enquiries to: Finance Unit, Crown Minerals, Ministry of Economic Development, 33 Bowen St, PO Box 1473, Wellington, New Zealand. Phone: +64 4 472 0030, Fax: +64 4 499 0968. Email: crown.minerals@med.govt.nz www.crownminerals.govt.nz

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## Number of whole months in the period

The interim royalty statement covers a period of six months. The exception would be in the first year and last year of operations. In the first year we will send you only one interim royalty statement and this will cover the period from the day of the grant of the permit up to the last day of the permit's reporting period. This period may be more or less than six months.

## Point of valuation

The point of valuation is the term we use to refer to the point in the permit operations where a value is established for purposes of calculating royalty for the minerals or coal sold or otherwise used.

## Steps to complete the interim royalty statement

### Number 1

As noted, if you have nil production, draw two lines across both pages of the statement, write nil on each page, and sign the declaration.

### Number 2: Details of production, sales or disposal

The following details are required:

#### Product type

You need to write each type of product mined from your permit in a separate column, for example, gold, silver.

If there are more than three products obtained from the permit, you should photocopy page one of the statement and use that copy for reporting details of the other products. Attach this copy to the interim royalty statement.

#### Unit of measure

We prefer that you use kilograms for gold and silver, cubic metres for peat and tonnes for coal and other minerals. (1 kilogram = 32.15 troy ounces.)

#### Opening stock (Box 2A)

This is the balance at the start of the period (this will be the closing stock from the previous period).

For example: You have produced 100 tonnes for the first half of the period (say 1 January to 30 June) and have sold 80 tonnes in that period. For the interim royalty statement covering the second half of the period (1 July to 30 December) the opening stock, therefore, is 20 tonnes.

Note: For purposes of royalty calculation, stock means mined or processed products being held for future sale.

#### Quantity produced (Box 2B)

This is your production for the period.

#### Quantity available (Box 2C)

This is opening stock added to production over the period of the interim royalty statement.

#### Quantity sold (Box 2D)

This is your sales for the period.

#### Quantity used in production (this does not apply to gold) (Box 2E)

Sometimes coal or minerals are used in the production process, for example, coal may be used as a fuel to operate water heating systems on the production site; aggregates may be used for roading purposes. If you have production used in this way, enter the amount here.

## Quantity gifted/exchanged/removed (Box 2F)

This refers to the quantity of coal or minerals you may have gifted or given away, exchanged or bartered or removed from the permit area without sale, for example, coal gifted to workers as part of an employment agreement.

Note: Coal or minerals removed from the permit and held in a stockpile for future sale do not come into this category. They will be accounted for in the stocks on hand and if the coal or minerals are subsequently sold they are accounted for as Quantity Sold. (You pay royalty if you sell, dispose of or use the coal or minerals produced from the permit, except in the final royalty return, as noted under Closing Stock.)

## Production adjustment (applies to coal only) (Box 2H)

This refers to coal wasted or dumped on the mine site which has no value, for example, the amount of ash and other impurities in the coal that are removed during screening or washing.

## Closing stock (Box 2I)

This is the balance remaining at the end of the period. The Quantity Available (which is the total of opening stock and production) is reduced by the quantity sold, disposed of, used in production and adjustment for coal wasted or dumped. This closing stock will be the opening stock for the next period.

Note: In the final royalty return, a fair value of the unsold stocks is established and taken into account in calculating the royalty liability.

## Sales (Box 2J)

This is the amount of sales (excluding GST) of each product type. If any amount shown in your sales records includes GST you have to deduct the GST by dividing the sales figure by 9. For example, if sales including GST are \$11,700, the GST is \$1,300 (\$11,700/9). The amount to report in the interim statement is \$10,400 (\$11,700 - \$1,300).

Note: If sales include any of the items below you have to apply different rules in calculating gross sales:

- sale of coal or minerals on a forward sales contract
- sale of coal or minerals on a take or pay contract
- repayment of a gold loan with gold produced from the permit
- sale of coal or minerals in a foreign currency
- sale of coal or minerals at a price which is not an arm's length price (see below)

The rules that relate to the above transactions are explained in paragraphs 15.13 (a) to (e) of the Minerals Programmes. If you are unsure about how the rules apply, contact the Crown Minerals Finance Unit and we will explain the rules to you.

## Value otherwise used (Box 2K)

Where a sale has not occurred, as with quantity otherwise used, its value or a notional one has to be determined.

To calculate this figure, multiply the Quantity Otherwise Used by an acceptable arm's length value.

## Arm's length value

This is a value agreed between the permit holder and the Minister of Energy as an appropriate notional price where arm's length transactions have not occurred, as with the use of minerals or coal in production or where gifted.

The Minister will generally accept the average price per unit as the arm's length value. If you wish to use any other value, you must get approval from the Chief Executive of the Ministry of Economic

Development. Contact the Crown Minerals Finance Unit to find out how to obtain approval.

### **Gross sales (Box 2L)**

This is the sum of the sales of all products. For each column add together all figures in line 2(J).

### **Total value otherwise used (Box 2M)**

Add together all entries in line 2(K).

### **Number 3: Netbacks/net forwards**

Netbacks or net forwards are costs incurred between the point of valuation and the point of sale. The point of valuation is agreed to at the time of the grant of the permit. In most instances, the point of valuation is set at the mine gate or permit boundary which is also the point of sale and so netbacks or net forwards will be nil or insignificant.

To find out whether you need to account for netbacks or net forwards, refer to the Point of Valuation box on page one of the statement. We specify in that box whether netbacks or net forwards apply to your permit.

Netbacks or net forwards reported should be excluding GST. If you want to know more about the costs you can claim, refer to the royalty provisions in the Minerals Programmes relating to netbacks and net forwards or contact the Crown Minerals Finance Unit.

### **Number 4: Calculation of Net Sales Revenues**

Add Boxes 2L (Gross Sales) and 2M (Total Value Otherwise Used) and either deduct any netbacks or add any net forwards.

### **Number 5: Determine interim royalty payment**

If the permit is part of a production unit, you have to report the total net sales revenues for the period the statement covers for the other permits or licences in the production unit.

#### **Production unit**

A production unit is where two or more mining permits or a mining permit and a licence are being worked together as a single project and there is common ownership.

If a permit is part of a production unit, the net sales revenues from the other permits or licences making up the production unit are taken into account in determining whether royalty is payable.

The amount of royalty you will pay is calculated on the net sales revenues from the permit, not on the production unit.

### **Number 6: Calculate interim royalty payable**

Follow the steps to calculate any interim royalty payable.

### **Number 7: Payment option**

If paying by direct credit, details as follows should be provided to the bank:

#### **Direct credit details**

Bank/Branch

WestpacTrust Banking Corporation  
New Zealand Government Branch

Account Name

Ministry of Economic Development: Crown Receipts  
Corporate Services Division

Account Number

03-0049-0001311-25

Particulars

Customer Code (copy from top left hand corner on page 1 of the statement)

Code/reference

Royalty CRCMOG

#### **Declaration**

The Declaration must be signed by the permit holder/s or the person/s authorised by the permit holder/s.

### **Forwarding your statement**

Forward your interim royalty statement, with any accompanying cheque:

- in the envelope provided, addressed to:  
Crown Minerals Finance Unit  
Ministry of Economic Development  
PO Box 1473  
Wellington  
New Zealand
- hand delivered to:  
Crown Minerals Finance Unit  
Ministry of Economic Development  
Level 6  
33 Bowen Street  
Wellington  
(between 8.00am and 4.30pm on any business day)
- by facsimile to:  
04 499 0968

If you forward your statement by facsimile you must make sure the original copy is sent to arrive at Crown Minerals within ten business days as we need an original of the permit holder's declaration. You will need to pay any interim royalty due by direct credit.