



# Mineral Royalties in Western Australia Information Sheet

The Department of Mines, Industry Regulation and Safety (DMIRS) is responsible for administering the State's mineral royalties which are collected in accordance with the *Mining Act 1978* and the Mining Regulations 1981, or the various State Agreement Acts<sup>1</sup> that have been negotiated for major resources projects.

## Why are royalties payable?

Under the *Mining Act 1978*, royalties are payable on all minerals obtained from land that is the subject of a mining tenement. However, the definition of 'mineral' (section 8) excludes the following substances where they occur on private land:

- Limestone, rock or gravel;
- Shale, other than oil shale;
- Sand, other than mineral sand, silica sand or garnet sand; or
- Clay, other than kaolin, bentonite, attapulgite, or montmorillonite.

## What are the royalty obligations?

Pursuant to Part V, Division 5 of the Mining Regulations 1981, the holder of, or the applicant for, a mining tenement shall:

- Lodge a production report within 30 days after the end of a quarter (regulation 85A);
- Lodge a royalty return within 30 days after the end of the quarter during which the relevant amount of the mineral was produced or obtained (regulation 85B); and
- Pay royalty within 30 days after the end of the quarter during which the relevant amount of the mineral was produced or obtained.

## What are the royalty rates?

In Western Australia, mineral royalty rates are prescribed under the:

- Mining Regulations 1981; or
- Various State Agreement Acts<sup>2</sup>.

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<sup>1</sup> State Agreements are essentially contracts between the Government of Western Australia and proponents of major resources projects, and are ratified by an Act of Parliament. These Agreements specify the royalty obligations of the proponent. Various State Agreement Acts have been negotiated for major resources projects.

<sup>2</sup> Royalty lodgment compliance clauses vary between each State Agreement. Please refer to individual State Agreement Acts to ascertain the relevant royalty clauses applicable. If a breach of the royalty provisions in an Agreement Act occurs, consequential compliance action is taken in accordance with the provisions of the relevant Agreement Act.

### Note

Please refer the relevant State Agreement Acts, the *Mining Act 1978* or the Mining Regulations 1981 to fully understand royalty compliance obligations.

This information does not in any way affect the powers, rights or obligations of the Minister or any other person under the State Agreement Acts, the *Mining Act 1978* or the Mining Regulations 1981.

The royalty rates for most minerals produced or obtained in Western Australia are provided in a table within regulation 86 of the Mining Regulations 1981. This table also levies royalty on a mineral that is in a form not specifically listed in the table, as well as any other mineral not specifically listed in the table and applies the relevant ad valorem royalty rate.

In some cases, the relevant State Agreement Act contains specific royalty clauses while in other cases, the relevant Act simply refers to the royalty provisions in the *Mining Act 1978*.

There are two systems used to collect mineral royalties:

- Specific rate (amount per tonne according to quantity produced or obtained); or
- Ad valorem (percentage of the royalty value).

### **Specific rate royalty**

Generally, specific rate royalties are used for low value construction and industrial minerals. A specific rate royalty is calculated based on the number of tonnes of the relevant mineral produced or obtained.

Under regulation 86 (Table, column 1), the royalty rates for production between 1 July 2015 and 30 June 2020 are:

- Amount A: 73 cents per tonne
- Amount B: 117 cents per tonne

These rates are indexed every five years to reflect price movements over the preceding five years. The next indexation will produce new royalty rates that will apply from 1 July 2020.

### **Ad valorem royalty**

Ad valorem royalties refers to the system of calculating royalty as a percentage of the total 'royalty value' of the mineral (regulation 85). The components used to calculate the 'royalty value' are defined in regulation 85 of the Mining Regulations 1981.

'Allowable deductions' is defined under regulation 85 to include any reasonable costs incurred in transporting the mineral, in the form it is first sold including packaging materials used in transporting the mineral.

Ad valorem rates are levied on the 'royalty value' relevant to the extent of how the mineral is processed within Western Australia:

- 7.5% of the royalty value if sold as crushed or screened;
- 5.0% of the royalty value if sold as a concentrate; and
- 2.5% of the royalty value if sold in metallic form or equivalent processing.

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In some cases e.g. nickel (regulation 86AB) and iron ore not exported (regulation 86AD), an alternative value applies e.g. London Metal Exchange or Steel Markets Daily/Platts.

### **Rate of royalty in respect of gold**

Under regulation 86AA, the rate of royalty is 2.5% of the royalty value of gold produced.

- No royalty is payable in respect of the first 2,500 ounces per financial year produced by a “gold royalty project”.
- Gold is valued at the price fixed on the London Bullion Market in Australian dollars.

### **What is Royalties Online?**

Royalties Online is the electronic system DMIRS provides to Western Australian mining tenement holders to electronically prepare, lodge and view royalty returns and production reports. To use this system, you or your company must be the relevant mining tenement holder, or be a person who has been authorised by the tenement holder.

Registration via the below web page is required to access Royalties Online.

[https://forms.dmp.wa.gov.au/lfserver/anonymous/Client\\_Registration](https://forms.dmp.wa.gov.au/lfserver/anonymous/Client_Registration)

### **How can Royalty Payments be made?**

DMIRS accepts royalty payments by Electronic Funds Transfer (EFT). All EFT royalty payments must be made within the prescribed time as stated in the respective legislation to the relevant departmental account.

Bank: Commonwealth Bank of Australia

BSB: 066-040

Account: 12000048

### **What are the penalties for royalty non-compliance?**

The Department may initiate compliance action if a royalty obligation is not complied with. This compliance action may be in the form of either forfeiture action on the relevant tenement or a financial penalty in lieu of forfeiture.

A penalty will be imposed for late royalty payments, comprising: A flat penalty plus 20% of the late royalty amount, applied on a daily basis i.e. 0.054%. The penalty must not exceed \$75,000 if the lessee is an individual or \$150,000 if the lessee is a body corporate.

Where royalty return or production report obligations are not complied with, the Minister for Mines and Petroleum may forfeit the relevant mining tenement, or impose a penalty in lieu of forfeiture.

#### **Note**

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### **How can Royalty Payment-related fines be made?**

DMIRS accepts royalty payments by Electronic Funds Transfer (EFT). All EFT royalty related fines must be made within the prescribed time as stated in the respective legislation to the relevant departmental account.

Bank: Commonwealth Bank of Australia  
BSB: 066-040  
Account: 12000013

#### **Note**

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