

The Crown Mineral Royalty Regulations

being

[Chapter C-50.2 Reg 29](#) (effective January 1, 2013) as amended by an [Errata Notice](#) published in Part II of the Gazette on February 14, 2014); and by [Saskatchewan Regulations 42/2016](#) and [63/2017](#).

NOTE:

This consolidation is not official. Amendments have been incorporated for convenience of reference and the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. In order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

Table of Contents

	PART I		DIVISION 2
	Preliminary Matters		Commercial Production, Valuation and Other Matters
1	Title		31.2 Beginning of commercial production
2	Interpretation		31.21 Valuation of diamonds
3	Application		31.3 Output of a production unit
4	Royalties		31.4 Removal or sale of diamonds
5	Power of minister to determine royalty payable		31.5 Each mine to form separate production unit
6	Value may be determined by minister		
7	Production unit continues		DIVISION 3
8	Disposal of interest in production unit		Calculation of Royalty
9	Calculation of gross revenue		31.6 Calculation of royalty
	PART II		31.7 Basic royalty
	Crown Mineral Royalties		31.8 Profit royalty
	DIVISION 1		31.9 Gross value of the output
	Interpretation and Application of Part		31.91 Net value of the output
10	Interpretation of Part		31.92 Deductions and allowances
11	Application of Part		31.93 Fair market value
	DIVISION 2		PART IV
	Calculation of Royalty		Payment of Royalties, Records, Assessments and Refunds
12	Each mine to form separate production unit		DIVISION 1
13	Rate of royalty		Payment of Royalties
14	Calculation of net profit		32 Royalty payments
15	Fair market value		33 Basic royalty payment – uranium and diamonds
16	Determining costs and allocating expenses		34 Estimated profit royalty payment
	PART III		35 Return to accompany payment
	Crown Uranium Royalties		36 Annual return
	DIVISION 1		DIVISION 2
	Interpretation and Application of Part		Records
17	Interpretation of Part		37 Copy of mineral sales contract to minister
18	Application of Part		38 Copy of documentation to minister
	DIVISION 2		39 Royalty payer to keep books of account at or near production unit
	Calculation of Royalty		40 Record retention
19	Calculation of royalty		DIVISION 3
20	Basic royalty		Assessments and Refunds
21	Profit royalty		41 Assessments
22	Calculation of net profit		42 Refunds
23	Capital bank		PART V
24	Exploration bank		Penalty, Interest and Recovery of Royalty
25	Capital addition		43 Repealed
26	Production cost		43.1 Penalty on audit assessments
27	Fair market value		43.2 Interest on audit assessments
28	Value assigned to uranium loaned or sold		44 Interest on refunds
	DIVISION 3		45 Lien
	Credits and other Exemptions		46 Action for recovery
29	Saskatchewan resource credit		47 Injunction, etc.
30	Exemption from profit royalties		48 Distress
31	Effective date of transfer		49 Deduction or set-off
	PART III.1		PART VI
	Crown Diamond Royalties		Repeal and Coming into Force
	DIVISION 1		50 Saskatchewan Regulations 30/86 repealed
	Interpretation and Application of Part		51 Coming into force
31.1	Interpretation of Part		
31.11	Application of Part		

CHAPTER C-50.2 REG 29

The Crown Minerals Act

PART I

Preliminary Matters

Title

1 These regulations may be cited as *The Crown Mineral Royalty Regulations*.

Interpretation

2(1) In these regulations:

- (a) **“Act”** means *The Crown Minerals Act*;
- (b) **“affiliate”** means an affiliated body corporate within the meaning of subsection 2(2) of *The Business Corporations Act*, but does not include an organization designated by the minister as an industry sales organization that would otherwise be an affiliate within the meaning of this clause;
- (c) **“approved remote asset”** means a capital asset that:
 - (i) is located outside Saskatchewan;
 - (ii) is owned by a royalty payer or an affiliate of the royalty payer;
 - (iii) is used or intended to be used in the royalty payer’s Saskatchewan mining operations; and
 - (iv) is approved as a remote asset in writing by the minister;
- (d) **“capital asset”** means any real or personal property, whether tangible or intangible, including any plant or equipment, that:
 - (i) is held for use in the production or supply of goods or services; and
 - (ii) is expected to be used during more than one year;

but does not include:

- (iii) any interest in land or mineral rights;
- (iv) any property that, in the opinion of the minister, is properly referable to the production of any product other than the mineral for which the royalty payer is reporting; or
- (v) spare parts and servicing equipment unless the royalty payer expects to use them during more than one year and the parts or servicing equipment are only used in conjunction with an item of property, plant or equipment;

- (e) **“capital cost”** means the total of the following:
- (i) if:
 - (A) a capital asset is acquired from a person dealing at arm’s length with the royalty payer, the purchase price of the capital asset;
 - (B) a capital asset is acquired from an affiliate or from a person not dealing at arm’s length with the royalty payer, the lesser of:
 - (I) if the affiliate or person purchased the asset in an arm’s-length transaction, the purchase price of the capital asset paid by the affiliate or person, or, if the affiliate or person constructed the asset, the cost of construction; and
 - (II) the carrying value of the asset on the financial statements of the affiliate or person on the day on which the royalty payer acquires title to the asset;
 - (C) a capital asset is constructed by the royalty payer, the cost of construction; or
 - (D) a capital asset is approved as an approved remote asset subsequent to its acquisition, the least of:
 - (I) if the capital asset was acquired from a person dealing at arm’s length with the royalty payer and its affiliates, the amount that would be determined pursuant to paragraph (A);
 - (II) if a capital asset was acquired from an affiliate or from a person not dealing at arm’s length with the royalty payer, the amount that would be determined pursuant to paragraph (B); and
 - (III) the carrying value of the capital asset on the financial statements of the royalty payer or its affiliates at the time of the approval; and
 - (ii) all freight costs, installation charges and other costs incurred by the royalty payer and its affiliates for the purpose of putting the asset in place for the royalty payer, including:
 - (A) the cost of employee wages and benefits arising from the construction or acquisition of the asset;
 - (B) the costs of site preparation;
 - (C) initial delivery and handling costs;
 - (D) assembly costs;
 - (E) the costs of testing the asset; and
 - (F) the cost of services to provide health, safety and security during installation;

but does not include:

- (iii) any profit, gain, commission or overhead to an affiliate providing a capital asset to a royalty payer;
 - (iv) except for approved remote assets, the cost of any capital asset that is not located in Saskatchewan;
 - (v) except for approved remote assets, the cost of any capital asset that is not used exclusively with respect to a mineral produced from a mine;
 - (vi) the cost of feasibility studies, except those related to exploration, new mines and expansions;
 - (vii) interest;
 - (viii) operating costs, operating losses or deficits;
 - (ix) administrative and corporate expenditures;
 - (x) fees or expenses for legal or accounting services; or
 - (xi) the cost of directly or indirectly acquiring, from a person who is not dealing at arm's length with the royalty payer, any interest or right under or in relation to any patent, copyright, trademark, industrial design or other form of intellectual property or similar intangible;
- (f) **“consideration”** means money paid or agreed to be paid, property delivered or exchanged or agreed to be delivered or exchanged or any other form of compensation with respect to the sale of a mineral;
- (g) **“cost of construction”**, with respect to a capital asset, includes:
- (i) the costs of employee wages and benefits arising from the construction of the asset;
 - (ii) direct material costs attributed to the construction of the asset;
 - (iii) the costs of site preparation attributed to the construction of the asset;
 - (iv) initial delivery and handling costs of parts and materials related to the construction of the asset;
 - (v) the net costs of testing the asset;
 - (vi) indirect construction costs that are required for the construction of the asset but that cannot be individually traced to the constructed asset, including power, supplies, materials, construction labour and project management;
 - (vi.1) costs that have been incurred during development of a production unit or asset that would normally be considered to be operating costs after production has occurred;
 - (vii) construction insurance;
 - (viii) the costs of services to provide health, safety and security during the construction of the asset;

(ix) the costs of design, engineering, procurement and construction management services related to the construction of the asset; and

(x) the cost of contractors, subcontractors, trades and subtrades directly attributable to the construction of the asset;

but does not include:

(xi) any profit, gain, commission or overhead to an affiliate providing capital assets to a royalty payer;

(xii) the cost of any asset, other than new mines or expansions, until that asset is in use;

(xiii) the cost of feasibility studies, except those related to approved new mines and expansions;

(xiv) interest costs;

(xv) operating costs, operating losses or deficits;

(xvi) administrative and corporate expenditures;

(xvii) fees or expenses for legal or accounting services; or

(xviii) the cost of directly or indirectly acquiring from a person who is not dealing with the royalty payer at arm's length any interest or right under or in relation to any patent, copyright, trademark, industrial design or other form of intellectual property or similar intangible;

(h) **“decommissioning”** means the removal or permanent retirement from service of all or part of a production unit, and includes actions directly associated with the removal or retirement;

(h.1) **“directly related to the operations of the production unit”** means those activities that must be undertaken in order to get the minerals to the point that they are in a producible or saleable form;

(i) **“disposal”** includes:

(i) any transaction or event entitling a royalty payer to the price or proceeds, or part of the price or proceeds, of assets sold or contributed; and

(ii) compensation for assets taken, destroyed, injuriously affected, damaged or otherwise removed from the royalty payer's possession or control;

but does not include:

(iii) any transfer of assets for the purpose only of securing a debt or a loan; or

(iv) any transfer of assets by virtue of which there is a change in the legal ownership of the asset without any change in the beneficial ownership;

(j) “**exploration expenses**” means the costs and expenses that are incurred by the royalty payer during the year for the purposes of determining the existence, location, quantity or grade of a mineral deposit under Crown mineral lands and includes expenses incurred in the course of:

- (i) prospecting;
- (ii) carrying out geological, geophysical or geochemical surveys;
- (iii) drilling; and
- (iv) trenching, digging test pits, and preliminary sampling;

but does not include:

- (v) interest expenditures;
- (vi) acquisition costs of land or mineral rights;
- (vii) any payment made or any royalty or overriding royalty paid to any person for the purchase or acquisition of, or the acquisition of an option to purchase or a right of first refusal for, mineral rights, any interest in mineral rights or the right to mine any mineral; or
- (viii) any portion of expenses covered by a grant or subsidy or other third party contribution;

(k) “**gross revenue**” means the total amount determined in accordance with section 9;

(l) “**mineral disposition**” means a mineral disposition as defined in *The Mineral Tenure Registry Regulations*;

(m) “**mineral disposition lands**” means mineral disposition lands as defined in *The Mineral Tenure Registry Regulations*;

(n) “**mining operations**” means the extraction, recovery or production of minerals from mineral disposition lands and the transportation of those minerals to the point at which processing operations begin, but does not include any processing operations;

(o) “**operating costs**” means the costs incurred at the royalty payer’s production unit to mine, refine and produce minerals in a saleable form, and includes:

- (i) salary payroll;
- (ii) direct labour;
- (iii) maintenance labour;
- (iv) other payroll;
- (v) employee benefits and payroll taxes;
- (vi) operating supplies consumed;
- (vii) repair materials consumed;

- (viii) production materials consumed;
 - (ix) electricity consumed;
 - (x) natural gas consumed;
 - (xi) other utility costs;
 - (xii) insurance premiums;
 - (xiii) purchased services; and
 - (xiv) any other costs that, in the opinion of the minister, are directly attributable to mining, refining and producing minerals in a saleable form;
 - (xiv) any other costs incurred at the royalty payer's production unit that, in the opinion of the minister, are directly related to the operations of the production unit;
- (p) **“person”** includes a natural person, corporation, company, government, governmental agency, Crown corporation, syndicate, trust, firm, partnership, co-owner or party and includes the successors, heirs, executors, administrators or other legal representatives of a person;
- (q) **“processing operations”** means any form of:
- (i) crushing, grinding, beneficiation, concentrating, smelting, leaching, milling, roasting, floatation, recrystallization or refining of the royalty payer's share of minerals extracted, recovered or produced from, or allocated pursuant to a unitization agreement to, the production unit of the royalty payer; and
 - (ii) cleaning and sorting the output mentioned in subclause (i);
- (r) **“production unit”** means, subject to sections 12 and 31.5:
- (i) the royalty payer's processing facility to the extent used to process minerals produced from:
 - (A) the mineral disposition;
 - (B) any mineral disposition of which the royalty payer is named as lessee and from which minerals are, were, or will be processed at the processing facility; and
 - (C) any mine located on the mineral disposition lands; or
 - (ii) any:
 - (A) mineral disposition in which the royalty payer is named as lessee; and
 - (B) mine located on the mineral disposition lands;
- from which minerals are, were, or will be processed at a processing facility in which the royalty payer has no interest;

- (s) **“production unit of the royalty payer”** means, subject to sections 12 and 31.5:
- (i) the royalty payer’s interest in the mineral disposition, as registered in the registry, forming part of the production unit; and
 - (ii) the portion of the royalty payer’s interest in a processing facility used to process the royalty payer’s minerals produced from the production unit;
- (t) **“qualifying environmental assurance”** means a trust, guarantee, irrevocable letter of credit, irrevocable letter of guarantee, performance bond, surety bond, or security interest that would constitute a financial assurance fund for decommissioning and reclamation pursuant to *The Mineral Industry Environmental Protection Regulations, 1996*;
- (u) **“reclamation”** means the rehabilitation, before, during or after decommissioning, of all or part of the land, water or watercourses used or disturbed by the construction or operation of the production unit;
- (v) **“registry”** means the registry as defined for the purposes of Part VII of the Act;
- (w) **“royalty payer”** means:
- (i) every holder of a mineral disposition to the extent of the holder’s interest in the mineral disposition as registered in the registry;
 - (ii) if a partnership is a holder of a mineral disposition, each partner to the extent of its interest in the partnership; and
 - (iii) if a joint venture has been entered into in relation to the mining of Crown minerals, each joint venture participant to the extent of its interest in the joint venture;
- (x) **“royalty payer’s processing facility”** means any facility:
- (i) in which the royalty payer:
 - (A) has an interest, whether or not the royalty payer is also the owner of the land on which the facility is situated; and
 - (B) is a lessee named in the mineral disposition forming part of the production unit; and
 - (ii) that is, or may reasonably be expected to be, used for processing the minerals produced from the production unit;
- and includes all assets used in processing operations, including waste management facilities, to the extent that they are used for processing minerals produced from the production unit;
- (y) **“unitization agreement”** means an agreement for the unit operation of a mine;
- (z) **“weighted average sale price”** means, with respect to a group of sales, the sum of all gross revenue associated with those sales divided by the total volume of those sales, expressed in dollars per unit of weight.

- (2) For the purposes of these regulations:
- (a) related persons, as determined in accordance with the *Income Tax Act* (Canada), are deemed not to deal with each other at arm's length; and
 - (b) it is a question of fact whether persons not related to each other, as determined in accordance with the *Income Tax Act* (Canada), were at a particular time dealing with each other at arm's length.

3 Jan 2014 cC-50.2 Reg 29 s2; 17 Jne 2016 SR 42/2016 s3.

Application

3(1) Subject to sections 11, 18 and 31.11, these regulations apply to all Crown minerals other than any Crown minerals that are subject to:

- (a) The Helium and Associated Gases Regulations, 1964, being Saskatchewan Regulations 559/64;
 - (b) *The Coal Disposition Regulations, 1988*;
 - (c) The Quarrying Regulations, 1957, being Saskatchewan Regulations 553/67;
 - (d) The Subsurface Mineral Regulations, 1960, being Saskatchewan Regulations 541/67;
 - (e) The Oil Shale Regulations, 1964, being Saskatchewan Regulations 555/64;
 - (f) "The Petroleum and Natural Gas Regulations, 1969", being Saskatchewan Regulations 8/69; or
 - (g) the "Alkali Mining Regulations", being Saskatchewan Regulations 444/67.
- (2) These regulations do not apply to palaeontological objects as defined in *The Heritage Property Act*.

3 Jan 2014 cC-50.2 Reg 29 s3; 17 Jne 2016 SR 42/2016 s4.

Royalties

4 The royalty reserved and excepted and the payments to be made under a mineral disposition of Crown mineral lands on or with respect to all minerals produced, saved or recovered from, or allocated pursuant to a unitization agreement to any Crown mineral lands must be calculated and paid in accordance with these regulations.

3 Jan 2014 cC-50.2 Reg 29 s4.

Power of minister to determine royalty payable

5(1) If the minister considers it appropriate, the minister may determine any questions that may arise in determining the amount of the royalty payable pursuant to a mineral disposition in any particular case, including the amount allowable as deductions for the purpose of determining the income derived from mining operations, gross revenue or net profits.

(2) The minister shall provide written notice to a royalty payer of any determination made pursuant to subsection (1).

3 Jan 2014 cC-50.2 Reg 29 s5.

Value may be determined by minister

6(1) Notwithstanding sections 15, 27 and 31.93, if, in the minister's opinion, the consideration to be included in the calculation of the gross revenue of the royalty payer does not accurately reflect the fair market value, and it is not possible to determine the fair market value in accordance with section 15, 27 or 31.93, the minister may deem a value that, in the minister's opinion, accurately reflects the fair market value.

(2) Before the minister deems a fair market value in accordance with subsection (1), the minister shall provide the royalty payer affected with:

(a) written notice of the minister's intended action and the reasons for that intended action; and

(b) an opportunity to make written representations to the minister, within 60 days after the date of receipt of the notice provided pursuant to clause (a), as to why the intended action should not be taken and why the royalty payer's consideration is fair market value for that sale.

(3) The minister is not required to give an oral hearing to any person to whom a notice has been provided pursuant to subsection (2).

(4) After considering the representations mentioned in subsection (2), the minister shall issue a written decision on the fair market value of the minerals sold or consumed and shall serve a copy of the decision on the royalty payer.

3 Jan 2014 cC-50.2 Reg 29 s6; 17 Jne 2016 SR
42/2016 s5.

Production unit continues

7 A production unit is deemed to continue in existence after mining is discontinued or after the mineral disposition is terminated until:

(a) decommissioning and reclamation have been completed;

(b) the disposition issued by the Crown for the surface lands has been surrendered or terminated; and

(c) all minerals produced from the production unit have been:

(i) disposed of or consumed; and

(ii) included in determining the royalties payable.

3 Jan 2014 cC-50.2 Reg 29 s8.

Disposal of interest in production unit

8(1) In this section:

(a) **“beneficial interest”** means, with respect to a production unit, a right to production from the production unit or a right to proceeds from production from the production unit;

(b) **“production unit capital bank”** means:

(i) in the case of minerals to which Part II applies, the allocated base and precious metals pre-production expenses as defined in section 10;

- (ii) in the case of uranium, the production unit capital bank balance; and
 - (iii) in the case of diamonds, the undeducted balance as defined in section 31.1;
 - (c) **“purchaser”** means a person who is purchasing, leasing, renting or otherwise acquiring a beneficial interest in a production unit;
 - (d) **“vendor”** means a royalty payer who is selling, leasing, offering for rent or otherwise transferring a beneficial interest in a production unit.
- (2) Subject to subsections (3) to (7), if a vendor transfers a beneficial interest in a production unit to another person who, as purchaser of that beneficial interest, is or becomes a royalty payer, the opening production unit capital bank of the purchaser of that beneficial interest is the production unit capital bank of the vendor with respect to that beneficial interest on the day preceding the day of disposal.
- (3) If, with respect to a vendor or a purchaser of a beneficial interest, a year is less than 365 days, the production unit capital bank for that year must be reduced to an amount A calculated in accordance with the following formula:

$$A = B \times \frac{Y}{365}$$

where:

B is the production unit capital bank transferred from the vendor to the purchaser of that beneficial interest; and

Y is the number of days in the vendor’s or purchaser’s year.

- (4) If a vendor disposes of part of a beneficial interest in a production unit, the production unit capital bank of the vendor with respect to the part of the beneficial interest that has been disposed of is the amount A calculated in accordance with the following formula:

$$A = B \times \frac{C}{D}$$

where:

B is the vendor’s production unit capital bank with respect to that part of the beneficial interest immediately before the transfer;

C is the vendor’s percentage interest in production in the production unit that corresponds to the part of the beneficial interest that has been disposed of; and

D is the vendor’s percentage interest in production in the production unit that corresponds to the part of the beneficial interest immediately before the transfer.

- (5) For the purposes of this section, a royalty payer with beneficial interests in more than one production unit shall keep a separate account of the production unit capital bank for each beneficial interest.
- (6) On the transfer of a beneficial interest in a production unit, the production unit capital bank is to be transferred from the vendor to the purchaser by an amount agreed on between the vendor and purchaser to a maximum of the amount calculated pursuant to subsections (3) and (4).
- (7) The minister may determine, for the purposes of this section, when a vendor has disposed of a beneficial interest in a production unit to another person.

3 Jan 2014 cC-50.2 Reg 29 s8; 17 Jne 2016 SR
42/2016 s6.

Calculation of gross revenue

9(1) Subject to subsections (2) to (4), the royalty payer's gross revenue for a year is the total, without duplication, of the following amounts:

- (a) the consideration that is received or is receivable by the royalty payer in a transaction with a non-related person;
- (b) an amount deemed to have been received equal to the fair market value of all minerals in a transaction with a related or non-related person;

on account of or in lieu of payment of, or in satisfaction of, revenue from the sale, disposal or transfer by the royalty payer of all minerals extracted, recovered or produced from, or allocated pursuant to a unitization agreement to, any mineral disposition lands forming part of the production unit of the royalty payer.

(2) For the purposes of determining the gross revenue of a royalty payer:

- (a) a sale of a mineral occurs:
 - (i) when the mineral changes ownership by any transfer, exchange, barter or lease, whether conditional or otherwise, or by any other means, for consideration; or
 - (ii) when any other transaction involving the mineral has taken place and the minister, on the application of a royalty payer, has approved using that transaction as the change of ownership for the purposes of subclause (i); and
- (b) the consideration received for the mineral is equal to the fair market value less any of the following that have been approved by the minister:
 - (i) the cost of transporting the mineral from the royalty payer's mill or the mill that processed the royalty payer's mineral to the first point of sale;
 - (ii) expenses incurred by the royalty payer for the conversion of the mineral concentrate to a form further refined than the compound produced at the mill;
 - (iii) any other sale deductions the minister considers appropriate in the circumstances.

- (3) The minister shall not approve a deduction for any surcharge imposed by a converter or refiner because the mineral concentrate did not meet the required specifications or standards as set out in the sales contract.
- (4) In determining the gross revenue of minerals, sales of the following minerals must not be included:
- (a) any mineral that was received as a payment for custom milling;
 - (b) any mineral that was not produced by the royalty payer but was purchased from another person.

3 Jan 2014 cC-50.2 Reg 29 s9.

PART II Crown Mineral Royalties

DIVISION 1 Interpretation and Application of Part

Interpretation of Part

10 In this Part:

- (a) **“allocated base and precious metals exploration expenses”**, with respect to a production unit for the year, means exploration expenses that have been allocated to the production unit less all amounts deducted by the royalty payer as allocated exploration expenses for the year for all other production units of the royalty payer, but does not include expenditures incurred on Crown mineral lands other than mineral disposition lands;
- (b) **“allocated base and precious metals historical exploration expenses”**, with respect to a production unit of a royalty payer, means the exploration expenses that:
 - (i) have been incurred by the royalty payer during the 10-year period ending with the beginning of commercial production;
 - (ii) have been allocated to that production unit before the beginning of commercial production; and
 - (iii) have not been allocated to any other production unit;

but does not include:

- (iv) expenditures incurred on Crown mineral lands other than mineral disposition lands;

(c) **“allocated base and precious metals pre-production expenses”**, with respect to a production unit of a royalty payer, means the total of:

- (i) the allocated base and precious metals historical exploration expenses; and
- (ii) expenditures incurred by the royalty payer on the design, development and construction of:
 - (A) the production unit before the beginning of commercial production from the production unit; and
 - (B) new mining operations in a production unit in commercial production that do not share a common point of access with other mining operations in the production unit;

that were necessary for the production of minerals from the production unit, other than:

- (C) expenditures incurred on a processing facility that is part of a separate production unit of the royalty payer other than those expenditures necessary to allow minerals from the production unit under development to be processed at the processing facility;
- (D) expenditures previously allocated to another production unit of the royalty payer; and
- (E) expenditures by the royalty payer on the design, development and construction of new mining operations that are claimed by the royalty payer before production of minerals from those new mining operations;

less the total of:

- (iii) the royalty payer’s gross revenues of minerals produced before the beginning of commercial production from the royalty payer’s production unit;
- (iv) the proceeds of any disposal, before the beginning of commercial production, of an asset the cost of which was included wholly or in part as a pre-production expense; and
- (v) the proceeds of any disposal, after the beginning of commercial production, of an asset, the cost of which was included wholly or in part as a pre-production expense, to the extent that the proceeds are less than or equal to the value of the allocated pre-production expenses less all amounts deducted in previous years pursuant to section 14;

(d) **“beginning of commercial production”** means:

- (i) the first day of the first month in which production equalled or exceeded 60% or more of the production unit’s planned productive capacity, as communicated to the minister, over a period of 90 days; or
- (ii) the first day of any month in which, in the opinion of the minister, production begins in reasonable commercial quantities;

- (e) **“capital recovery factor”** means a factor equal to 1.5;
- (f) **“precious metals”** means the following minerals:
 - (i) gold;
 - (ii) silver;
 - (iii) platinum;
 - (iv) palladium;
 - (v) rhodium;
 - (vi) ruthenium;
 - (vii) osmium;
 - (viii) iridium;
- (g) **“production costs”**, with respect to a production unit of the royalty payer, means the total of:
 - (i) operating costs;
 - (ii) the custom milling fees paid by the royalty payer if the mineral ore from the production unit is processed by a custom miller and:
 - (A) the custom milling fees are paid in money, not in kind; and
 - (B) the custom miller is deemed to deal at arm’s length with the royalty payer; and
 - (iii) the production costs of the custom miller in providing the custom milling if the mineral ore from the production unit is processed by a custom miller and:
 - (A) the custom milling fees are paid in kind; or
 - (B) the custom miller is not deemed to deal at arm’s length with the royalty payer;
- (h) **“year of termination”** means, unless otherwise determined by the minister, the year in which the royalty payer’s processing facility or the facility that last custom mills minerals from the royalty payer’s production unit ceases, other than temporarily, to process minerals from the production unit.

3 Jan 2014 cC-50.2 Reg 29 s10.

Application of Part

11 This Part applies to the calculation of royalties for all minerals, other than uranium and diamonds, extracted, recovered or produced from, or allocated pursuant to a unitization agreement to, any Crown mineral lands on or after January 1, 2013.

3 Jan 2014 cC-50.2 Reg 29 s11; 17 Jne 2016 SR
42/2016 s7.

DIVISION 2
Calculation of Royalty

Each mine to form separate production unit

12(1) If a royalty payer shares in the production from more than one mine, each mine forms a separate production unit for the purpose of calculating the royalty payable by the royalty payer.

(2) Notwithstanding subsection (1) but subject to subsection (3), if a royalty payer owns two or more mines and the mines share a common processing facility, and the royalty payer owns the same percentage ownership interest in both the mines and the processing facility, or in any other circumstances the minister may determine, the mines form a single production unit for the purpose of calculating the royalty.

(3) For the purposes of subsection (2):

(a) a royalty payer may apply to the minister in a form and manner approved by the minister to request that the mines be considered one production unit; and

(b) the minister may approve the application made pursuant to clause (a) if the minister is satisfied that the mines comply with the requirements mentioned in subsection (2).

(4) For the purposes of these regulations, if any mine associated with a production unit formed pursuant to these regulations was in commercial production before January 1, 2013, the production unit is deemed to be in commercial production as of the date of the beginning of commercial production at that mine.

3 Jan 2014 cC-50.2 Reg 29 s12.

Rate of royalty

13(1) The royalty payment to be made pursuant to Part IV for the production unit of the royalty payer for all minerals is:

(a) 5% of the royalty payer's net profit related to the production unit of the royalty payer for the year for:

(i) those sales or other disposals of precious metals from the production unit that, when added to the cumulative sales or other disposals of precious metals in previous years, are less than or equal to 1,000,000 troy ounces of precious metals; and

(ii) those sales or other disposals of all minerals from the production unit that, when added to the cumulative sales or other disposals of all minerals in previous years, are less than or equal to 1,000,000 metric tonnes; and

(b) 10% of the royalty payer's net profit related to the production unit of the royalty payer for the year for:

(i) those sales or other disposals of precious metals from the production unit that, when added to the cumulative sales or other disposals of precious metals in previous years, are greater than 1,000,000 troy ounces of precious metals; or

(ii) those sales or other disposals of all minerals from the production unit that, when added to the cumulative sales or other disposals of all minerals in previous years, are greater than 1,000,000 metric tonnes.

(2) If, in making a calculation for the purposes of this section, any amount is less than zero, the amount to be used in the calculation is zero.

3 Jan 2014 cC-50.2 Reg 29 s13.

Calculation of net profit

14(1) In this Part, “**net profit**” is the amount NP calculated in accordance with the following formula:

$$NP = A + B - C$$

where:

A is the royalty payer’s gross revenue, if any, for the year that has been derived from the royalty payer’s share of the minerals extracted, recovered or produced from, or allocated pursuant to a unitization agreement to, the production unit;

B is the proceeds from the disposal of any asset during the year, the cost of which was:

- (a) included in whole or in part in the allocated base and precious metals pre-production expenses to the extent that the proceeds exceed the unclaimed balance of allocated base and precious metals pre-production expenses; or
- (b) deducted as a production cost, if the disposal of an interest in a production unit is not to be construed as a disposal of an asset for the purposes of this clause; and

C is equal to the lesser of the sum, for the year, of the following and that portion of the following that would result in the royalty payer reporting zero net profit:

- (a) all costs, charges and expenses incurred by the royalty payer that are directly related to the operations of the production unit, less the proceeds from insurance on assets owned by the royalty payer in the year in which those proceeds were received;
- (b) costs for the operation of residential or community services or facilities at the production unit or at a location that, in the opinion of the minister, is near the production unit for the use of persons who normally work at the production unit;
- (c) administrative and corporate expenditures not incurred at the production unit and directly attributable to the production unit of the royalty payer;

- (d) all costs and expenses incurred by the royalty payer for the purpose of developing new markets or expanding existing markets for minerals produced in Saskatchewan;
 - (e) the cost of insurance associated with the royalty payer's share of:
 - (i) assets used in the production of minerals from the production unit; and
 - (ii) assets used to provide residential or community services or facilities in the vicinity of the production unit for the use of persons who normally work at the production unit;
 - (f) municipal and school taxes for which the royalty payer is liable for the production unit;
 - (g) allocated base and precious metals exploration expenses incurred by the royalty payer during the year and the amount by which the total of allocated base and precious metals exploration expenses from previous years exceeds the total of the allocated base and precious metals exploration expenses previously deducted by the royalty payer pursuant to this clause;
 - (h) a depreciation allowance with respect to capital assets installed after the beginning of commercial production and:
 - (i) used in the production of minerals from the production unit; or
 - (ii) used to provide residential or community services or facilities in the vicinity of the production unit for the use of persons who normally work at the production unit;
- in an amount not exceeding the undeducted balance of the cost of those capital assets at the end of the year;
- (i) with respect to the production unit of the royalty payer and subject to section 16, an amount not exceeding the allocated base and precious metals pre-production expenses less the total of any amounts previously deducted by the royalty payer as allocated pre-production expenses in any previous year with respect to that production unit, multiplied by the capital recovery factor;
 - (j) reclamation and decommissioning expenses for the production unit of the royalty payer that have not been, or will not be, reimbursed from a fund, the contributions to which were previously deducted pursuant to subclause (k)(ii) and that are approved by the minister;
 - (k) the cost of providing, or of contributions to:
 - (i) a qualifying environmental assurance; and
 - (ii) any other assurance fund required pursuant to *The Mineral Industry Environmental Protection Regulations, 1996*, with the written approval of the minister;

- (l) in the case of a sale other than a sale free on board the production unit, the transportation costs that have been approved by the minister, the payment of which is the responsibility of the royalty payer;
 - (m) the net losses in previous years, calculated as the amounts, if any, by which the total of the items in clauses (c) to (l) exceeds the net profit for previous years less the amounts previously deducted by the royalty payer pursuant to this clause.
- (2) In making calculations pursuant to subsection (1), no deduction shall be made for:
- (a) depletion in the value of any mineral reserve by reason of exhaustion or partial exhaustion of that reserve;
 - (b) interest or other financing costs;
 - (c) expenses incurred for exploration on mineral lands other than mineral disposition lands;
 - (d) taxes on profits, income or capital;
 - (e) royalties;
 - (f) dividends or any distribution of surplus or capital;
 - (g) any expenditure that has been reimbursed in whole or in part by way of subsidy, grant or other reimbursement to the extent of the reimbursement;
 - (h) any expenditure incurred in purchasing or acquiring the right to produce minerals or an option to purchase or acquire that right; or
 - (i) reserves or provisions for reclamation or decommissioning other than contributions to an assurance fund required pursuant to *The Mineral Industry Environmental Protection Regulations, 1996*.
- (3) For the purpose of calculating net profit, the royalty payer must deduct at least the portion of the C amount mentioned in subsection (1) that would result in the royalty payer reporting zero net profit.
- (4) If the total amount in the assurance fund mentioned in clause (k) of the C amount mentioned in subsection (1) exceeds the cost of the royalty payer's share of decommissioning and reclamation costs for the production unit, for the purpose of calculating the net profit:
- (a) a royalty payer shall carry back and apply to operating profits of the year of termination the excess amount; and
 - (b) the amount calculated pursuant to clause (a), when carried back, must be adjusted by an appropriate rate of discount determined by the minister.

- (5) Notwithstanding any other provision of these regulations, the net profit for a year is deemed to be zero for the purposes of this Part if:
- (a) the beginning of commercial production for the production unit of a royalty payer or its affiliates that first reaches commercial production has occurred in a year that is:
 - (i) after 2002; and
 - (ii) less than 10 years before the year for which net profit is being calculated; and
 - (b) the actual net profit from those operations for the year is greater than zero.

3 Jan 2014 cC-50.2 Reg 29 s14; 14 Feb 2014
Errata Notice; 17 Jne 2016 SR 42/2016 s8.

Fair market value

- 15(1)** Subject to subsection (2), the fair market value for an arm's-length sale of a mineral pursuant to this Part is the price paid by the purchaser to the royalty payer for the mineral.
- (2) If a mineral is sold for consideration other than money, the value of the sale is the greater of the fair market value of the consideration and the fair market value of the mineral.
- (3) Subject to subsection (5), the fair market value for a sale of a mineral that is not at arm's length is deemed to be:
- (a) the weighted average sale price of all arm's-length sales of minerals in the current year;
 - (b) in the case of a mineral that is resold in an arm's-length sale, the sale price of the mineral in the first arm's-length sale; and
 - (c) in the case of a mineral that is sold and subsequently consumed, the weighted average sale price for all sales of minerals from the royalty payer to arm's-length purchasers in the current year.
- (4) For the purposes of calculating the gross revenues of the royalty payer in the current year, an estimated weighted average sale price must be used as an interim value of sales until the gross revenues have been determined for the current year.
- (5) The minister may approve a sale price of a mineral that is agreed on by a royalty payer and a purchaser who are not dealing with each other at arm's length.

3 Jan 2014 cC-50.2 Reg 29 s15.

Determining costs and allocating expenses

- 16(1)** Subject to section 8, for the purpose of determining the cost of assets of a royalty payer, the cost is the cost to the royalty payer of acquiring the assets.
- (2) If there is more than one royalty payer associated with a production unit, the royalty payers may, with the prior written consent of the minister, allocate their expenses and deductions mentioned in section 10 amongst themselves in the manner approved by the minister.

3 Jan 2014 cC-50.2 Reg 29 s16.

PART III
Crown Uranium Royalties

DIVISION 1
Interpretation and Application of Part

Interpretation of Part

17(1) In this Part:

- (a) **“allocated uranium exploration expenses”**, with respect to a royalty payer, means exploration expenses that have been allocated to the royalty payer, but does not include expenditures incurred on Crown mineral lands other than mineral disposition lands;
- (b) **“allocated uranium historical exploration expenses”**, with respect to a royalty payer or a person who becomes a royalty payer, means the exploration expenditures that:
 - (i) with respect to a person who becomes a royalty payer, have been incurred by the person who becomes a royalty payer during the 15-year period ending with the person becoming a royalty payer;
 - (ii) with respect to a royalty payer who has purchased a production unit, have been incurred with respect to the purchased production unit during the 15-year period ending with the beginning of production; and
 - (iii) have been incurred after January 1, 2013;but does not include:
 - (iv) those expenditures incurred on Crown mineral lands other than mineral disposition lands; and
 - (v) those expenditures claimed in a previous year by the royalty payer or any other royalty payer;
- (c) **“basic royalty”** means the basic royalty described in section 20;
- (d) **“beginning of production”**, for a facility, means the first day of the first month in which a sale has been made of uranium produced or processed at that production unit;
- (e) **“capital addition”** means the capital addition determined in accordance with section 25;
- (f) **“capital bank”** means the capital bank determined in accordance with section 23;
- (g) **“exploration bank”** means the exploration bank calculated in accordance with section 24;

(h) “**index value**” means the amount A calculated in accordance with the following formula:

$$A = \frac{B}{C}$$

where:

B is the price index for the previous year; and

C is the price index for 2012;

(i) “**kilograms of U₃O₈**” means the weight of uranium, in any chemical form, that is expressed in terms of the equivalent weight in kilograms of natural uranium concentrates of triuranium octoxide, also known as U₃O₈;

(j) “**mill**” means a mill located in Saskatchewan and used in the processing of uranium;

(k) “**new mine**” means a mine that begins to produce uranium and is located on a production unit where no uranium production has occurred;

(l) “**price index**” means:

(i) the implicit price index for a year published by the Bank of Canada as the gross domestic product at market value; or

(ii) if the Bank of Canada does not publish an implicit price index for a year, the implicit price index as determined by the minister;

(m) “**production cost**” means the production cost determined in accordance with section 26;

(n) “**profit royalty**” means the profit royalty determined in accordance with section 21;

(o) “**Saskatchewan resource credit**” means the Saskatchewan resource credit described in section 29;

(p) “**uranium**” means either or both of the following produced from Crown mineral lands in Saskatchewan:

(i) uranium ore;

(ii) uranium concentrate;

(q) “**uranium concentrate**” means:

(i) the substance containing U₂₃₅ or U₂₃₈ resulting from the concentration of uranium ore; and

(ii) any substance or mineral extracted from uranium ore;

(r) “**uranium ore**” means any substance found in nature that contains commercially recoverable amounts of U₂₃₅ or U₂₃₈, with or without other minerals.

(2) A royalty payer continues to be a royalty payer until all facilities in which the royalty payer has an interest cease to continue in existence in accordance with section 7.

(3) For the purposes of this Part, the minister may designate two or more mines as one production unit if the mines are the subject of:

- (a) the same mineral disposition; or
- (b) separate mineral dispositions with the same royalty payers.

3 Jan 2014 cC-50.2 Reg 29 s17; 17 Jne 2016 SR 42/2016 s9.

Application of Part

18 This Part applies to the calculation of royalties with respect to uranium sold or consumed on and after January 1, 2013, whether or not the uranium was produced in Saskatchewan from Crown mineral lands before that date.

3 Jan 2014 cC-50.2 Reg 29 s18.

DIVISION 2 Calculation of Royalty

Calculation of royalty

19 The royalty payment to be made pursuant to Part IV by the royalty payer is the amount A calculated in accordance with the following formula:

$$A = B + C - D$$

where:

- B is the basic royalty payable;
- C is the profit royalty payable; and
- D is the Saskatchewan resource credit.

3 Jan 2014 cC-50.2 Reg 29 s19.

Basic royalty

20 The basic royalty is 5% of the royalty payer's gross revenue.

3 Jan 2014 cC-50.2 Reg 29 s20.

Profit royalty

21 The profit royalty is the sum of:

- (a) 10% of the royalty payer's net profit for net profit up to and including the product of:
 - (i) \$22.00 per kilogram of U₃O₈ sold; and
 - (ii) the index value; and

- (b) 15% of the royalty payer's net profit for net profit in excess of the product of:
- (i) \$22.00 per kilogram of U_3O_8 sold; and
 - (ii) the index value.

3 Jan 2014 cC-50.2 Reg 29 s21; 17 Jne 2016 SR
42/2016 s10.

Calculation of net profit

22 In this Part, "**net profit**" is the amount NP calculated in accordance with the following formula:

$$NP = A + B - C - D - E - F$$

where:

A is the royalty payer's gross revenue, if any, for the year that has been derived from the royalty payer's share of the uranium extracted, recovered or produced from, or allocated pursuant to a unitization agreement to, the royalty payer's production units;

B is the proceeds from the disposal of any asset during the year the cost of which was:

- (a) included in whole or in part in the capital bank to the extent that the proceeds exceed the unclaimed balance of the capital bank; or
- (b) deducted as a production cost, if the disposal of an interest in a production unit is not to be construed as a disposal of an asset for the purposes of this clause;

C is the capital bank or the portion of the capital bank claimed by the royalty payer;

D is the production cost;

E is the exploration bank or the portion of the exploration bank claimed by the royalty payer; and

F is the sum of:

- (a) the sum of all decommissioning and reclamation costs incurred in the year; and
- (b) for the year of termination of production and the two years preceding the year of termination of production, that portion of decommissioning and reclamation costs incurred in the three-year period immediately following the year of termination of production required to reduce the net profit to zero, to a total maximum value claimed against net profit in the year of termination of production and the two years preceding the year of termination of production of the total decommissioning and reclamation costs incurred in the three-year period immediately following the year of termination of production.

3 Jan 2014 cC-50.2 Reg 29 s22.

Capital bank

23 For the purposes of this Part, the capital bank of a royalty payer at the end of a year is the amount A calculated in accordance with the following formula:

$$A = B + C - D + E - F$$

where:

B is the amount in the capital bank at the end of the previous year;

C is the capital addition;

D is the total capital bank claimed for the year;

E is the total production unit capital bank transferred into the capital bank as determined in accordance with section 8; and

F is the total production unit capital bank transferred out of the capital bank as determined in accordance with section 8.

17 Jne 2016 SR 42/2016 s11.

Exploration bank

24 For the purposes of this Part, the exploration bank of a royalty payer at the end of a year is the amount A calculated in accordance with the following formula:

$$A = B + C - D$$

where:

B is the amount in the exploration bank at the end of the previous year;

C is the sum of the allocated uranium exploration expenses and allocated uranium historical exploration expenses; and

D is the total exploration bank claimed for the year.

3 Jan 2014 cC-50.2 Reg 29 s24.

Capital addition

25(1) Subject to subsections (2) to (4), the capital addition is the sum of all capital costs in the year with respect to the royalty payer's production units.

(2) Subject to subsection (3), the capital additions for:

(a) the years 2013, 2014 and 2015 is 50% of the royalty payer's capital costs for the year with respect to the royalty payer's production units; and

(b) the year 2016 is the sum of:

(i) all the royalty payer's capital costs in 2016 with respect to the royalty payer's production units; and

(ii) with respect to each of the years 2013, 2014 and 2015, 50% of the product of:

(A) the royalty payer's capital costs with respect to the royalty payer's production units in each year; and

(B) the index value for 2016 divided by the index value for the year in which the capital costs were incurred.

- (3) In the case of the Cigar Lake production unit, the capital addition for the year 2016 is the sum of:
- (a) the amounts mentioned in subclauses (2)(b)(i) and (ii); and
 - (b) the capital addition for the Cigar Lake production unit, as approved by the minister, that was effective on January 1, 2013 multiplied by the index value for 2016.
- (4) All capital costs that are incurred with respect to a royalty payer's production unit on or after January 1, 2016 that were not included in the capital addition by the royalty payer or any other royalty payer in a previous year are considered to be a capital cost in the first year minerals are sold or consumed by the royalty payer from the royalty payer's production unit.

3 Jan 2014 cC-50.2 Reg 29 s25; 17 Jne 2016 SR
42/2016 s12.

Production cost

- 26(1)** The production cost for a year is the sum of all of the following in the year:
- (a) operating costs;
 - (b) the custom milling fees paid by the royalty payer if the uranium ore from the production unit is processed by a custom miller and:
 - (i) the custom milling fees are paid in money, not in kind; and
 - (ii) the custom miller is deemed to deal at arm's length with the royalty payer;
 - (c) the production costs of the custom miller in providing the custom milling if the uranium ore from the production unit is processed by a custom miller and:
 - (i) the custom milling fees are paid in kind; or
 - (ii) the custom miller is not deemed to deal at arm's length with the royalty payer;
 - (d) storage costs incurred respecting uranium stored off-site;
 - (e) transportation costs for the year;
 - (f) all taxes, rates, assessments, fees and duties levied or imposed with respect to the production unit of the royalty payer, including:
 - (i) school taxes;
 - (ii) municipal taxes;
 - (iii) business taxes;
 - (iv) sales taxes for non-capital items; and
 - (v) annual disposition rentals;

but not including:

- (vi) any mineral rights taxes; or
 - (vii) any tax measured by reference to the income or the capital of the royalty payer;
 - (g) the costs of providing, or of contributions to:
 - (i) a qualifying environmental assurance; and
 - (ii) any other assurance fund as required pursuant to *The Mineral Industry Environmental Protection Regulations, 1996*, with the written approval of the minister;
 - (h) if the consideration for the sale or other disposition of uranium that was purchased from another royalty payer who is dealing with the royalty payer at arm's length at the time of the purchase is included in the gross revenue of the royalty payer for the year, the actual cost of that uranium;
 - (i) marketing costs;
 - (j) mine research and development costs;
 - (k) donations to religious, charitable, educational or similar non-profit organizations in Saskatchewan;
 - (l) subject to subsection (3), any portion of the total of the amounts, if any, by which profits in any of the 10 preceding years were less than zero, to the extent that the portion has not been deducted from profits in previous years; and
 - (m) administrative and corporate expenditures not incurred at the production unit and directly attributable to the production and sale of uranium produced in Saskatchewan.
- (2) In making calculations in accordance with subsection (1), no deduction shall be made for:
- (a) depletion in the value of any mineral reserve by reason of exhaustion or partial exhaustion of that reserve;
 - (b) interest or other financing costs;
 - (c) taxes on profits, income or capital;
 - (d) royalties;
 - (e) dividends or any distribution of surplus or capital;
 - (f) any expenditure that has been reimbursed in whole or in part by way of subsidy, grant or other reimbursement to the extent of the reimbursement;
 - (g) any expenditure incurred in purchasing or acquiring the right to produce minerals or an option to purchase or acquire that right;

- (h) reserves or provisions for reclamation or decommissioning other than contributions to an assurance fund required pursuant to *The Mineral Industry Environmental Protection Regulations, 1996*;
 - (i) subject to subsection (1), the amount of any deduction mentioned in subsection (1) that could have been taken in a previous year but was not; or
 - (j) any costs incurred in the current or previous royalty years for which the royalty payer or its affiliates have received monies:
 - (i) as compensation for damage or pursuant to a policy of insurance with respect to damage to property or assets of the royalty payer used in connection with the production of uranium if the costs of repairing that damage are within the scope of subsection (1); or
 - (ii) pursuant to a policy of insurance with respect to maintaining ongoing mining operations after an insurable loss occurs.
- (3) For the purposes of clause (1)(l), **“the 10 preceding years”** does not include any year before 2013.

3 Jan 2014 cC-50.2 Reg 29 s26; 17 Jne 2016 SR
42/2016 s13.

Fair market value

- 27(1)** Subject to subsection (2), the fair market value for an arm’s-length sale of uranium is the price paid by the purchaser to the royalty payer for the uranium.
- (2) Subject to section 28, if uranium is sold for consideration other than money, the value of the sale is the greater of the fair market value of the consideration and the fair market value of the uranium.
- (3) Subject to section 6 and subsection (5), the fair market value for a sale of uranium that is not at arm’s length is deemed to be:
- (a) in the case of uranium that enters into a pooled inventory, the weighted average sale price of all arm’s-length sales of uranium from that pooled inventory in the current royalty year;
 - (b) in the case of uranium that is resold in an arm’s-length sale without entering a pooled inventory, the sale price of the uranium in the first arm’s-length sale; and
 - (c) in the case of uranium that is sold and subsequently consumed, the weighted average sale price for all sales of uranium from the royalty payer to arm’s-length purchasers in the current royalty year.
- (4) For the purposes of calculating the gross revenues of the royalty payer in the current royalty year, a weighted estimated average sale price must be used as an interim value of sales until the gross revenues have been determined for the current year.
- (5) The minister may approve a sale price of uranium that is agreed on by a royalty payer and a purchaser who are not dealing with each other at arm’s length.

3 Jan 2014 cC-50.2 Reg 29 s27.

Value assigned to uranium loaned or sold

28(1) If uranium is loaned or sold by a royalty payer, and any consideration for the loan or sale includes the right of the royalty payer to receive uranium, whether or not the uranium received was produced in Saskatchewan:

(a) the value of any part of the consideration that is not uranium must be included in calculating the gross revenue of the royalty payer for the month in which the consideration is received; and

(b) subject to sections 6 and 27, the proceeds of any sale of the uranium received by the royalty payer as consideration must be included in calculating the gross revenue of the royalty payer for the month in which that uranium is sold.

(2) If uranium is loaned or sold to a royalty payer, whether or not the uranium was produced in Saskatchewan, and any of the consideration for the loan or sale is the obligation of the royalty payer to deliver uranium at a future time, the royalty payer must include, in calculating the gross revenue of the royalty payer, the value of the uranium for the month in which it is delivered.

(3) Subject to sections 6 and 27, the value of the uranium delivered in accordance with subsection (2) is deemed to be the value received by the royalty payer with respect to the sale or consumption of the uranium loaned or sold to the royalty payer.

3 Jan 2014 cC-50.2 Reg 29 s28.

DIVISION 3**Credits and other Exemptions****Saskatchewan resource credit**

29 The Saskatchewan resource credit is:

(a) for the year 2013:

(i) 1% of the royalty payer's gross revenue before April 1; and

(ii) 0.75% of the royalty payer's gross revenue on or after April 1; and

(b) for the year 2014 and all subsequent years, 0.75% of the royalty payer's gross revenue.

3 Jan 2014 cC-50.2 Reg 29 s29.

Exemption from profit royalties

30 Sales of uranium are not subject to profit royalties if:

(a) the sales are from a secondary source of previously processed material; or

(b) the uranium that is sold is uranium that was produced before January 1, 2011.

3 Jan 2014 cC-50.2 Reg 29 s30.

Effective date of transfer

31(1) Notwithstanding section 84 of *The Mineral Tenure Registry Regulations*, and subject to subsection (2), for the purposes of this Part, the minister may recognize an effective date for the transfer of an interest in a mineral disposition that is not the date on which the transfer was recorded in the registry.

(2) The minister shall not recognize an effective date in accordance with subsection (1) unless the minister is requested to do so by the vendor and the purchaser.

3 Jan 2014 cC-50.2 Reg 29 s31.

PART III.1
Crown Diamond Royalties

DIVISION 1
Interpretation and Application of Part

Interpretation of Part**31.1** In this Part:

- (a) **“basic royalty”** means the basic royalty determined in accordance with section 31.7;
- (b) **“beginning of commercial production”** means the beginning of commercial production determined in accordance with section 31.2;
- (c) **“diamond royalty valuer”** means a person acting on the minister’s behalf for the purpose of ascertaining the value of diamonds produced as part of the output of a production unit;
- (d) **“fair market value”** means the fair market value determined in accordance with section 31.93;
- (e) **“processing assets”** means tailings disposal facilities and capital assets located in Saskatchewan that are used directly and exclusively in processing;
- (f) **“profit royalty”** means the profit royalty determined in accordance with section 31.8;
- (g) **“satisfactory evidence”**, with respect to a sale of diamonds, means evidence satisfactory to the minister with respect to the diamonds sold and the circumstances of the sale, including:
 - (i) the number and quality of diamonds sold;
 - (ii) the amount of the proceeds from the sale;
 - (iii) the date of the sale; and

- (iv) whether the royalty payer and the person to whom the diamonds are sold are related or not;
- (h) **“undeducted balance”** means:
- (i) with respect to capital assets, the amount of the original cost of the capital assets:
- (A) less the sum of all depreciation allowances claimed with respect to those assets for previous years and the amount of all reductions, if any, required to be made for previous years pursuant to clause 31.92(4)(a), 31.92 (7)(d) or 31.92 (8)(e) or subsection 31.92(9); and
- (B) plus all amounts, if any, required to be added pursuant to subsection 31.92(9) for previous years;
- (ii) with respect to costs incurred before the beginning of commercial production, the amount of the costs eligible for a development allowance pursuant to clause 31.92(1)(h):
- (A) less the sum of all development allowances claimed for previous years and all reductions, if any, made for previous years pursuant to clause 31.92(1)(c) or (d) or required to be made pursuant to subsection 31.92(9); and
- (B) plus all amounts, if any, required to be added pursuant to subsection 31.92(9) for previous years; and
- (iii) with respect to a qualifying environmental assurance contribution allowance, the amount, if any, by which the total of all contributions made to the qualifying environmental assurance exceeds the total of all qualifying environmental assurance contribution allowances claimed for previous years.

17 Jne 2016 SR 42/2016 s14.

Application of Part

31.11 This Part applies to the calculation of royalties with respect to diamonds sold or consumed on and after January 1, 2016, whether or not diamonds were produced in Saskatchewan from Crown mineral lands before that date.

17 Jne 2016 SR 42/2016 s14.

DIVISION 2
Commercial Production, Valuation and Other Matters

Beginning of commercial production

31.2 For the purposes of this Part, a production unit begins commercial production on the earlier of:

- (a) the first day of the first month in the 90-day period during which the mill or concentrator operates at or above an average of 60% of its planned productive capacity, as communicated to the minister; and
- (b) the first day of any month in which, in the opinion of the minister, production begins in reasonable commercial quantities.

17 Jne 2016 SR 42/2016 s14.

Valuation of diamonds

31.21 The valuation of diamonds shall be done in accordance with the following rules:

- (a) the royalty payer of the production unit shall present the diamonds to a diamond royalty valuer for valuation as soon as they have been processed into a saleable form, but before they have been cut and polished;
- (b) no royalty payer shall present any diamonds to the diamond royalty valuer until the royalty payer has cleaned the diamonds so as to remove all substances from the diamonds that are not part of the diamonds;
- (c) the royalty payer of the production unit shall provide a diamond royalty valuer and any other person designated by the minister the use, free of charge, of those facilities and equipment, other than computer equipment, that are necessary for the diamond royalty valuer to value any diamonds produced as part of the output of the production unit;
- (d) the facilities and equipment mentioned in clause (c) must be located in Saskatchewan;
- (e) if the royalty payer of the production unit transfers or sells diamonds to persons who are not related to the royalty payer, the royalty payer shall present to the diamond royalty valuer:
 - (i) all diamonds that are to be transferred or sold to a person related to the royalty payer, for separate valuation before the transfer or sale; and
 - (ii) all diamonds that are to be cut or polished by the royalty payer or any related person, for separate valuation before the diamonds are cut or polished;

- (f) unless otherwise agreed on by the royalty payer and the diamond royalty valuer, a royalty payer shall present the diamonds to the diamond royalty valuer:
- (i) with respect to diamonds with a weight of 10.8 carats or more, individually, together with a record of the weight of each diamond;
 - (ii) with respect to diamonds with a weight of 2.8 to 10.79 carats, in lots separated according to weight in carats, together with a record of the number of diamonds in each lot;
 - (iii) with respect to diamonds with a weight of three to 10 grainers, in lots separated according to weight in grainers, from which a sample that accurately represents the composition of the lot has been randomly selected; and
 - (iv) with respect to diamonds with a weight of less than three grainers, in lots separated according to industry standard Diamond Trading Company sieve size fractions, from which a sample that accurately represents the composition of the lot has been randomly selected;
- (g) at the time the diamonds are presented in accordance with clause (f), the royalty payer shall provide to the minister:
- (i) a written statement containing a description of each diamond or lot, and the royalty payer's estimate of the fair market value of each diamond or lot; and
 - (ii) the royalty payer's solemn oath or affirmation, or if the royalty payer is a corporation, the solemn oath or affirmation of an officer of the corporation that the statement is true and complete to the best of the royalty payer's knowledge and belief.

17 Jne 2016 SR 42/2016 s14.

Output of a production unit

31.3(1) A diamond is considered to be produced as part of the output of a production unit if the diamond is in a saleable form or has been removed from the production unit.

(2) Diamonds produced from the reprocessing of tailings, waste rock, stockpiles of ore or other materials obtained from a production unit are part of the output of the production unit.

17 Jne 2016 SR 42/2016 s14.

Removal or sale of diamonds

31.4(1) Every royalty payer shall ensure that no diamond produced at the production unit is removed from the production unit or sold unless:

- (a) the diamond has been presented to a diamond royalty valuer for valuation in accordance with this Part; and
- (b) the value and weight of the diamond has been entered in the books of account mentioned in section 39.

(2) Subsection (1) does not apply to diamonds removed from a production unit for the purposes of bulk sampling pursuant to *The Mineral Tenure Registry Regulations*.

(3) Facilities provided by a royalty payer for the purposes of diamond valuation are deemed to be part of the production unit for the purposes of these regulations, and a transfer of diamonds from one part of a production unit to another for the purposes of diamond valuation does not constitute removal of the diamonds from the production unit.

17 Jne 2016 SR 42/2016 s14.

Each mine to form separate production unit

31.5(1) If a royalty payer shares in the production from more than one mine, each mine forms a separate production unit for the purpose of calculating the royalty payable by the royalty payer.

(2) Notwithstanding subsection (1) but subject to subsection (3), if a royalty payer owns two or more mines and the mines share a common processing facility, and the royalty payer owns the same percentage ownership interest in both the mines and the processing facility, or in any other circumstances the minister may determine, the mines form a single production unit for the purpose of calculating the royalty.

(3) For the purposes of subsection (2):

(a) the royalty payer may apply to the minister in a form and manner approved by the minister to request that the mines be considered one production unit; and

(b) the minister may approve the application made pursuant to clause (a) if the minister is satisfied that the mines comply with the requirements mentioned in subsection (2).

17 Jne 2016 SR 42/2016 s14.

**DIVISION 3
Calculation of Royalty**

Calculation of royalty

31.6 The royalty payment to be made pursuant to Part IV by the royalty payer is the amount A calculated in accordance with the following formula:

$$A = B + C$$

where:

B is the basic royalty payable; and

C is the profit royalty payable.

17 Jne 2016 SR 42/2016 s14.

Basic royalty

31.7 The basic royalty is:

- (a) for the month in which commercial production begins and the 59 months following that month, zero; and
- (b) for the months subsequent to the period mentioned in clause (a), 1% of the royalty payer's gross value of the output of diamonds as calculated in accordance with section 31.9.

17 Jne 2016 SR 42/2016 s14.

Profit royalty

31.8 The profit royalty is the sum of:

- (a) for a net value of the output of diamonds amounts less than or equal to \$10,000, zero;
- (b) for a net value of the output of diamonds amounts greater than \$10,000 and less than \$20 million, 5% of the royalty payer's net value of the output;
- (c) for a net value of the output of diamonds amounts equal to or greater than \$20 million and less than \$40 million, 7.5% of the royalty payer's net value of the output; and
- (d) for a net value of the output of diamonds amounts equal to or greater than \$40 million, 10% of the royalty payer's net value of the output.

17 Jne 2016 SR 42/2016 s14.

Gross value of the output

31.9(1) The amount of the gross value of the output of diamonds for a year is the amount GV determined in accordance with the following formula:

$$GV = A + B - C$$

where:

A is the total of:

- (a) the proceeds from sales during the year of diamonds produced as part of the output of the production unit to persons not related to the royalty payer, if satisfactory evidence of those sales is provided to the minister; and
- (b) the fair market value of any diamonds produced as part of the output of the production unit that were otherwise sold, removed, consumed or transferred from the production unit during the year;

B is the fair market value as of the end of the year of any inventories of diamonds produced as part of the output of the production unit; and

C is the fair market value as of the beginning of the year of any inventories of diamonds produced as part of the output of the production unit.

(2) In the case of a diamond royalty return for the year of termination of production for a production unit, the royalty payer may, for the purposes of determining the value of B in subsection (1) for that year, elect to use the actual proceeds from the sale of its inventories of diamonds after the end of that year, instead of the fair market value of the inventories of diamonds at the end of that year, but only to the extent that the diamonds were sold to persons not related to the royalty payer and satisfactory evidence of the sales has been provided to the minister.

(3) Any election made pursuant to subsection (2):

(a) must be made and reported at the time the royalty return is due pursuant to section 33 or 34; and

(b) is irrevocable.

(4) If the royalty payer elects to report using the actual proceeds from the sale of its inventories of diamonds after the end of the year of termination of production for the production unit, all diamond royalties due pursuant to that election must be reported and paid within one year following the end of the year of termination of production.

17 Jne 2016 SR 42/2016 s14.

Net value of the output

31.91(1) The amount of the net value of the output of a production unit for a year is the amount NV determined in accordance with the following formula:

$$NV = GV + D + E + F + G + H - I - J + K$$

where:

GV is the gross value of the output of diamonds determined in accordance with section 31.9;

D is the lesser of:

(a) the amount of any payment received during the year that is related to a cost that has been claimed as a deduction or an allowance, other than an amount previously deducted in determining an undeducted balance; and

(b) the amount of the cost mentioned in clause (a);

E is the amount of any excess determined pursuant to clause 31.92(4)(b) for the year;

F is the sum of all amounts, if any, withdrawn during the year from a trust within a qualifying environmental assurance, up to a maximum of the sum of all amounts contributed to that trust;

G is the amount of any proceeds received during the year from insurance on diamonds produced as part of the output of the production unit;

H is the amount of any:

- (a) grants with respect to the production unit that were made to the royalty payer by the Government of Saskatchewan or the Government of Canada during the year; and
- (b) loans to the royalty payer with respect to the production unit that were forgiven by the Government of Saskatchewan or the Government of Canada during the year;

I is, subject to subsection (2), the amount of net losses in the 10 preceding years, if any, less the amounts previously deducted by the royalty payer pursuant to this section;

J is the total of the amounts claimed pursuant to subsection 31.92(1);

K is the sum of:

- (a) the amount by which the sum of the amounts determined pursuant to clauses 31.92(7)(d) and (8)(e) exceeds the undeducted balance of the capital assets eligible for a depreciation allowance at the end of the year; and
- (b) the amount by which the sum of the amounts determined pursuant to clauses 31.92(8)(c) and (d) exceeds the undeducted balance of the development allowance at the end of the year.

(2) For the purposes of the amount “I” mentioned in subsection (1), **“the 10 preceding years”** does not include any year before 2016.

(3) No costs related to the production or valuation of diamonds from any land other than mineral disposition lands shall be taken into account for the purposes of determining the value of D, G or J in subsection (1).

(4) Gains and losses from hedging transactions must not be included in calculating the net value of the output of a production unit.

17 Jne 2016 SR 42/2016 s14.

Deductions and allowances

31.92(1) In calculating the net value of the output of a production unit for a year pursuant to section 31.91, only the following amounts may be deducted with respect to costs incurred by the royalty payer:

- (a) the costs incurred during the year for cleaning, sorting, valuing, marketing and selling diamonds produced as part of the output of the production unit;
- (b) the costs incurred during the year for insurance, storage, handling and transportation of the diamonds produced as part of the output of the production unit to the processing plant or market;
- (c) the costs incurred during the year in mining and processing diamonds from the production unit;

- (d) the costs incurred during the year for repair or maintenance at the production unit or decommissioning and reclamation of the mineral disposition lands of the production unit;
- (e) general and indirect costs incurred during the year for property, employees and operations at the production unit that are not otherwise allocated to operating costs;
- (f) exploration expenses incurred during the year with respect to mineral disposition lands, other than mineral disposition lands of the production unit, if those costs have not been otherwise claimed by the royalty payer as an allowance or deduction pursuant to this section, in an amount not exceeding 10% of the net value of the output of the production unit multiplied by the royalty payer's share of that output, calculated:
 - (i) after deducting the costs mentioned in clauses (1)(a) to (e); and
 - (ii) before deducting any exploration expenses, depreciation allowance, qualifying environmental assurance contribution allowance, development allowance or processing allowance;
- (g) subject to clauses (4)(a), (7)(d) and (8)(e) and subsection (9), a depreciation allowance with respect to the capital assets of the production unit and the capital assets of any facilities in Saskatchewan that are used for processing diamonds produced as part of the output of the production unit, in an amount not exceeding the undeducted balance of the cost of those capital assets at the end of the year;
- (h) a development allowance not exceeding the undeducted balance, at the end of the year, of the sum of:
 - (i) exploration expenses incurred before the beginning of commercial production on the mineral disposition lands as constituted at the beginning of commercial production and not deducted pursuant to clause (f) with respect to any other lands;
 - (ii) all costs incurred before the date of the beginning of commercial production for the purposes of bringing the production unit into production, less the total of:
 - (A) the fair market value of any diamonds produced from the mineral disposition lands of the production unit, as of the date that the diamonds were sold, transferred or removed from the production unit before the beginning of commercial production; and
 - (B) the fair market value of any diamonds produced from the mineral disposition lands of the production unit that are in inventory at the beginning of commercial production;
 - (iii) exploration expenses incurred on the mineral disposition lands of the production unit after the beginning of commercial production; and

- (iv) costs incurred after the beginning of commercial production for workings designed for continuing use, including:
 - (A) the clearing, removing or stripping of overburden from a new deposit at the production unit;
 - (B) the sinking, excavation or extension of a mine shaft, main haulage way or similar underground work;
 - (C) the construction of an adit or other underground entry; and
 - (D) the construction of a road or of a tailings disposal structure at the production unit;
- (i) a trust within a qualifying environmental assurance contribution allowance not exceeding the undeducted balance of the trust at the end of the year;
- (j) if diamonds undergo processing operations by the royalty payer before their sale, transfer or presentation to the diamond royalty valuer for valuation, an annual processing allowance equal to the lesser of:
 - (i) 8% of the original cost of processing assets owned by the royalty payer at the end of the year that were used during the year for the processing of output of the production unit; and
 - (ii) 65% of the net value of the output of the production unit, if only the deductions mentioned in clauses (a) to (i) are deducted in the calculation of the net value of the output of the production unit;
- (k) if diamonds from the production unit undergo processing operations at another production unit in Saskatchewan, or at any other facilities located in Saskatchewan that are owned by the royalty payer or by a person related to the royalty payer, the total of:
 - (i) the amount of the reduction pursuant to clause (7)(b) in the amount of the operating costs of the other production unit or facilities that may be deducted to the extent that the amount of the reduction relates to the processing operations with respect to diamonds produced as part of the output of the production unit;
 - (ii) the amount by which the processing allowance for the other production unit is reduced pursuant to clause (7)(c) to the extent that the reduction relates to the processing operations with respect to diamonds produced as part of the output of the production unit; and
 - (iii) the amount by which the undeducted balance of the original cost of the other production unit's capital assets is reduced pursuant to clause (7)(d) to the extent that the reduction relates to processing operations with respect to diamonds produced as part of the output of the production unit.

- (2) If the royalty payer claims a deduction for costs incurred in a transaction with a related person, the costs allowed as a deduction pursuant to this section must be the amount of the actual costs incurred by the related person, exclusive of any profit, gain or commission to the related person or to any other related person.
- (3) No depreciation allowance is to be claimed with respect to a capital asset before the year in which it is first used in the operations of the production unit.
- (4) If a royalty payer disposes of, or receives insurance proceeds with respect to, assets for which a depreciation allowance has been claimed:
- (a) the undeducted balance of the capital assets must be reduced by the lesser of:
 - (i) the proceeds of disposal or the insurance proceeds, as the case may be; and
 - (ii) the original cost of the asset; and
 - (b) the amount, if any, by which the lesser of the amounts mentioned in subclauses (a)(i) and (ii) exceeds the undeducted balance of the capital assets in the year in which the assets were disposed of must be included in the net value of the output of the production unit for that year.
- (5) For the purposes of subsection (4), if the royalty payer sells an asset for which a depreciation allowance has been claimed by a related person, or removes the asset from the production unit, the proceeds of disposal of the asset is the amount that could be expected to be realized from the sale of the asset to a person at arm's length to the royalty payer.
- (6) If the royalty payer purchases an asset from a related person that is eligible for a depreciation allowance or transfers to the production unit an asset from another production unit owned by the royalty payer, the cost of the asset for the purposes of calculating a depreciation allowance is the amount that the royalty payer could be expected to pay to purchase that asset from a person at arm's length to the royalty payer.
- (7) If, in a particular year, the royalty payer uses the capital assets of the production unit or any processing assets that are used for processing operations with respect to diamonds produced as part of the output of the production unit to undertake processing operations with respect to diamonds other than those produced as part of the output of the production unit:
- (a) the revenue earned from the sale or processing operations of diamonds not produced as part of the output of the production unit shall not be included in the net value of the output of the production unit;
 - (b) the deductions for costs incurred during the year pursuant to clauses (1)(a) to (e) are to be reduced by any costs incurred for the processing operations of diamonds not produced as part of the output of the production unit;

(c) the original cost of the processing assets used to calculate the amount pursuant to subclause (1)(j)(i) for the year is to be reduced by the amount A calculated in accordance with the following formula:

$$A = B \times \frac{C}{D}$$

where:

B is the original cost of the processing assets;

C is the sum of the costs mentioned in clauses (1)(a) to (e) that are incurred during the year in relation to processing operations with respect to diamonds not produced as part of the output of the production unit; and

D is the sum of the costs described mentioned in clauses (1)(a) to (e) that are incurred during the year in processing operations with respect to any diamonds at the production unit; and

(d) the undeducted balance of the original cost of the production unit's capital assets at the end of the year is to be reduced by the amount E calculated in accordance with the following formula:

$$E = F \times \frac{G}{H}$$

where:

F is the original cost of the capital assets used in processing operations with respect to diamonds not produced as part of the output of the production unit;

G is the sum of the costs mentioned in clauses (1)(a) to (e) that are incurred during the year and all previous years in relation to processing operations with respect to diamonds not produced as part of the output of the production unit; and

H is the sum of the costs mentioned in clauses (1)(a) to (e) that are incurred during the year and all previous years in processing operations with respect to any diamonds at the production unit.

(8) The following rules apply if the output of a production unit includes diamonds produced from mineral disposition lands and diamonds produced from lands that are not mineral disposition lands:

(a) the deductions for costs incurred during the year pursuant to clauses (1)(a) to (e) must be reduced by any costs incurred for the production or processing operations with respect to diamonds produced from lands that are not mineral disposition lands;

(b) the original cost of the processing assets used to calculate the amount pursuant to subclause (1)(j)(i) for the year is to be reduced by the amount I calculated in accordance with the following formula:

$$I = J \times \frac{K}{L}$$

where:

J is the original cost of the processing assets;

K is the sum of the costs mentioned in clauses (1)(a) to (e) that are incurred during the year in relation to processing operations with respect to diamonds produced from lands that are not mineral disposition lands; and

L is the sum of the costs mentioned in clauses (1)(a) to (e) that are incurred during the year in processing operations with respect to any diamonds at the production unit;

(c) the undeducted balance of the costs eligible for the production unit's development allowance pursuant to clause (1)(h) for the year is to be reduced by an amount M calculated in accordance with the following formula:

$$M = N \times \frac{O}{P}$$

where:

N is the amount of costs eligible for the production unit's development allowance pursuant to subclause (1)(h)(ii);

O is the sum of the costs described in clauses (1)(a) to (e) that are incurred during the year and all previous years in relation to the production or processing operations with respect to diamonds produced from lands that are not mineral disposition lands; and

P is the sum of the costs described in clauses (1)(a) to (e) that are incurred during the year and all previous years in the production and processing operations with respect to any diamonds at the production unit;

(d) the undeducted balance of the costs eligible for the production unit's development allowance pursuant to clause (1)(h) for the year must be reduced by an amount Q determined in accordance with the following formula:

$$Q = R \times \frac{S}{T}$$

where:

R is the amount of costs of the workings eligible for the production unit's development allowance pursuant to subclause (1)(h)(iv) used in the production or processing of diamonds produced from lands that are not mineral disposition lands;

S is the sum of the costs mentioned in clauses (1)(c) to (e) that are incurred during the year and all previous years in relation to the use of those workings in the production or processing of diamonds produced from lands that are not mineral disposition lands; and

T is the sum of the costs mentioned in clauses (1)(c) to (e) that are incurred during the year and all previous years in relation to the use of those workings in the production and processing of diamonds at the production unit;

- (e) the undeducted balance of the original cost of the production unit's capital assets at the end of the year is to be reduced by the amount U calculated in accordance with the following formula:

$$U = V \times \frac{W}{X}$$

where:

V is the original cost of the capital assets used to produce or process diamonds produced from lands that are not mineral disposition lands;

W is the sum of the costs mentioned in clauses (1)(a) to (e) that are incurred during the year and all previous years in relation to the production or processing of diamonds produced from lands that are not mineral disposition lands; and

X is the sum of the costs mentioned in clauses (1)(a) to (e) that are incurred during the year and all previous years in the production and processing of any diamonds at the production unit.

- (9) Each of the adjustments mentioned in clauses (7)(d) and (8)(c) to (e) must be calculated at the end of each year for the production unit and the difference between the amount calculated for a year and the amount calculated for the previous year is to be added or subtracted, as the case may be, in determining the undeducted balance of the capital assets for the year or the undeducted balance of the costs eligible for the development allowance for the year, as the case may be.

- (10) Notwithstanding subsections (1) to (9), no deduction or allowance is to be made or claimed with respect to a production unit with respect to:

- (a) the capital costs of capital assets, other than the amount with respect to capital assets mentioned in clause (1)(g) that may be deducted pursuant to that clause;
- (b) depletion in the value of the production unit or mineral disposition lands by reason of exhaustion of the diamonds;
- (c) if the royalty payer of the production unit is a corporation:
 - (i) remuneration and travel costs of directors;
 - (ii) stock transfer agents' fees;

- (iii) shareholders' meetings or the preparation of shareholders' reports; and
- (iv) legal, accounting and other costs incurred in connection with incorporations, reorganizations, financings or security or stock issues;
- (d) interest on any debt, including an overdraft, loan, mortgage, advance, debenture or bond, that is capitalized or expensed for accounting purposes;
- (e) remuneration of executive officers, administrative and consulting costs or costs with respect to offices not located at the production unit, unless that remuneration and those costs are directly related to the operations of the production unit or to the marketing and selling of diamonds produced as part of the output of the production unit;
- (f) taxes on profits, property or capital, royalties or payments in lieu of the taxes or royalties, and any interest or penalties applicable to them, paid to any level of government or the cost of preparing returns with respect to those taxes, except for customs duties, sales and excise taxes not otherwise refundable to the royalty payer and any taxes related to the employment of employees, and the cost of preparing a return with respect to those taxes;
- (g) royalties paid for the use of mineral disposition lands or royalties calculated on revenue, production or profits of the production unit and the cost of calculating those royalties;
- (h) payments made for the use or lease of, or access to, the surface of the land on which the production unit is located;
- (i) discounts on bonds, debentures, shares or sales of receivables;
- (j) increases in reserves or provisions for contingencies, other than with respect to a qualifying environmental trust;
- (k) dues and memberships for persons other than employees involved in the operation of the production unit;
- (l) insurance premiums that are not applicable to diamonds produced as part of the output of the production unit;
- (m) costs incurred during the year to produce revenue that does not form part of the net value of the output of the production unit;
- (n) the purchase price of a mineral disposition or production unit;
- (o) the purchase price of any financial instrument;
- (p) charitable donations;
- (q) advertising costs not directly identified with the output of the production unit;
- (r) the cost of inventories of fuel, other consumables and spare parts that have not been consumed in the operation of the production unit;

- (s) the costs of staking or recording a claim, or the cost of surveying the claim for the purposes of taking it to lease;
- (t) rent paid for a mineral disposition;
- (u) the cost of preparing financial statements;
- (v) any cost incurred with respect to any diamonds after the last valuation of the diamonds by a diamond royalty valuer if the diamonds:
 - (i) have been sold or transferred to a person related to the royalty payer;
 - (ii) have been sold or transferred to a person not related to the royalty payer and satisfactory evidence of the sale was not provided to the minister; or
 - (iii) were cut and polished before their sale or transfer;
- (w) any costs related to public, community or government relations;
- (x) a fine or penalty imposed pursuant to the law of a country or of a political subdivision of a country, including a state, province and territory, by any person or public body that has authority to impose the fine or penalty; or
- (y) an outlay made or expense incurred for the purpose of doing anything that is an offence pursuant to section 3 of the *Corruption of Foreign Public Officials Act* (Canada) or pursuant to any of sections 119 to 121, 123 to 125, 393 and 426 of the *Criminal Code* or an offence pursuant to section 465 of the *Criminal Code* as it relates to an offence described in any of those sections.

17 Jne 2016 SR 42/2016 s14.

Fair market value

31.93 For the purposes of this Part, the fair market value of diamonds produced from a production unit shall be determined in accordance with the following rules:

- (a) the fair market value shall be based on the value of the diamonds before they are cut and polished;
- (b) if the minister and the royalty payer agree on a value for the diamonds, the fair market value is that agreed value;
- (c) if the minister and the royalty payer do not agree on a value for the diamonds, the fair market value is the maximum amount, as determined by the minister, that could be realized from the sale of the diamonds on the open market after the diamonds are sorted into market assortments;
- (d) if the fair market value is calculated for a purpose other than a purpose for which a date is specified in these regulations, the fair market value must be determined as of the date of the last valuation by a diamond royalty valuer.

17 Jne 2016 SR 42/2016 s14.

PART IV
Payment of Royalties, Records, Assessments and Refunds

DIVISION 1
Payment of Royalties

Royalty payments

32 Every royalty payer shall remit royalty payments in accordance with these regulations for all minerals sold or consumed by the royalty payer.

3 Jan 2014 cC-50.2 Reg 29 s32.

Basic royalty payment - uranium and diamonds

33 On or before the last day of the month following the month in which the royalty payer sold or consumed uranium or diamonds, the royalty payer shall submit to the minister the basic royalty payment calculated in accordance with section 20 or 31.7, as the case may be.

17 Jne 2016 SR 42/2016 s15.

Estimated profit royalty payment

34(1) In this section, “**profit royalty**” means:

- (a) in the case of minerals to which Part II applies, the royalty calculated in accordance with section 13;
 - (b) in the case of uranium, the profit royalty calculated in accordance with section 21; and
 - (c) in the case of diamonds, the profit royalty calculated in accordance with section 31.8.
- (2) On or before the last day of each quarter in any year, every royalty payer shall:
- (a) submit to the minister an estimate of the profit royalties payable for the year in a form and manner approved by the minister; and
 - (b) pay to the minister an instalment of the profit royalties with respect to that quarter, calculated in accordance with subsection (3).
- (3) The instalment of profit royalties payable with respect to:
- (a) the first quarter in a year is 25% of the profit royalties for the year, calculated on the estimate made in the first quarter of that year’s profit royalties;
 - (b) the second quarter in a year is the difference between:
 - (i) 50% of the profit royalties for the year, calculated on the estimate made in the second quarter of that year’s profit royalties; and
 - (ii) the amount paid pursuant to clause (a);

- (c) the third quarter in a year is the difference between:
 - (i) 75% of the profit royalties for the year, calculated on the estimate made in the third quarter of that year's profit royalties; and
 - (ii) the total of the amounts paid pursuant to clauses (a) and (b); and
- (d) the fourth quarter in a year is the difference between:
 - (i) the profit royalties for the year, calculated on the estimate made in the fourth quarter of that year's profit royalties; and
 - (ii) the total of the amounts paid pursuant to clauses (a) to (c).
- (4) If the amount of an instalment calculated pursuant to clause (3)(b), (c) or (d) is a negative amount, the instalment payable for that quarter is zero.
- (5) After the last day of each year, every royalty payer shall determine the amount of the profit royalties payable for that year, based on the actual amount of profits for that year.
- (6) If the amount of the profit royalties determined pursuant to subsection (5) exceeds the total of the instalments paid pursuant to subsection (3), the royalty payer shall pay to the minister the difference between those amounts on or before March 31 of the year following the year for which the determination is made.
- (7) In addition to any other amount that is payable pursuant to this section, every royalty payer shall pay to the minister, on or before March 31 of the following year, the sum of the following amounts of interest at the rate set out in section 43.2 and calculated:
 - (a) for the period commencing on April 1 in the year and ending on June 30 in the year, on the amount, if any, by which 20% of the profit royalties for the year exceeds the amount remitted on March 31 in the year;
 - (b) for the period commencing on July 1 in the year and ending on September 30 in the year, on the amount, if any, by which 42.5% of the profit royalties for the year exceeds the amount remitted on or before June 30 in the year;
 - (c) for the period commencing on October 1 in the year and ending on December 31 in the year, on the amount, if any, by which 67.5% of the profit royalties for the year exceeds the amount remitted on or before September 30 in the year;
 - (d) for the period commencing on January 1 in the year immediately following and ending on the day on which payment is received by the minister, on the amount, if any, by which 95% of the profit royalties for the year exceeds the amount remitted on or before December 31 in the year.

Return to accompany payment

35(1) Subject to subsection (2), every royalty payment submitted pursuant to section 33 or 34 must be accompanied by a return in a form and manner approved by the minister.

(2) The minister may, if the minister considers it appropriate, waive the requirements of subsection (1) with respect to one or more payments.

3 Jan 2014 cC-50.2 Reg 29 s35.

Annual return

36(1) On or before March 31 of the year following the end of each year, a royalty payer shall submit to the minister an annual return in a form and manner approved by the minister.

(2) The annual return mentioned in subsection (1) must:

- (a) be accompanied by the financial statements for the production unit or, if the production unit has no financial statements, the financial statements of the royalty payer, and a reconciliation of those financial statements to the return;
- (b) be signed by the royalty payer or, if the royalty payer is a corporation, by an authorized officer of the corporation; and
- (c) include the royalty payer's or officer's solemn oath or affirmation that the financial statements are true and complete to the best of the royalty payer's or officer's knowledge and belief.

3 Jan 2014 cC-50.2 Reg 29 s36.

DIVISION 2

Records

Copy of mineral sales contract to minister

37 With respect to a contract for the sale of a mineral, the minister may request, from any party to the contract:

- (a) in the case of a written contract, a copy of the contract; and
- (b) in the case of an oral contract, a copy of the terms of the contract in writing.

3 Jan 2014 cC-50.2 Reg 29 s37.

Copy of documentation to minister

38(1) Within 30 days after entering into a contract involving a change in a royalty payer's interest in a production unit, the royalty payer shall provide the minister with:

- (a) a copy of the contract; and
- (b) any further supporting documentation that the minister considers appropriate in the circumstances.

(2) When requested to do so by the minister, a royalty payer shall prepare and deliver documentation pertaining to the operations of a production unit and in connection with exploration for minerals, including:

- (a) information with respect to:
 - (i) pre-production;
 - (ii) the production of minerals from mineral disposition lands; and
 - (iii) the refining, sale or consumption of minerals produced from mineral disposition lands;
- (b) any budget or forecast related to anything mentioned in clause (a); and
- (c) any further information or documentation that the minister considers appropriate in the circumstances.

3 Jan 2014 cC-50.2 Reg 29 s38.

Royalty payer to keep books of account at or near production unit

39(1) Every person liable to pay a royalty pursuant to a mineral disposition shall keep at or near each production unit within the mineral disposition lands full, correct and complete books of account of all minerals, mineral ores and mineral-bearing substances taken from the production unit, showing:

- (a) the quantity, weight and other particulars of the minerals, mineral ores and mineral-bearing substances and the value of those minerals, mineral ores and mineral-bearing substances; and
- (b) the returns from processing operations until the weight of those returns and any other facts and circumstances necessary for determining the amount of the royalty payable have been correctly determined and entered in the books of account.

(2) In case of dispute, the minister shall determine the number and kind of books to be kept and the place at which the books shall be kept.

3 Jan 2014 cC-50.2 Reg 29 s39.

Record retention

40(1) Subject to subsection (2), unless otherwise provided, a royalty payer shall retain, for a period of four years after the year with respect to which royalties are paid, or the date of refiling of a royalty return pursuant to subsection 41(5), all records required to calculate the royalties payable pursuant to these regulations.

(2) If the minister considers it appropriate in the circumstances, the minister may provide a royalty payer with written consent to dispose of the records before the four-year period mentioned in subsection (1) has expired.

(3) If a royalty payer does not make the records available at a reasonably accessible location in North America, the royalty payer is responsible to pay all costs associated with:

- (a) an audit by the ministry; or
- (b) if agreed on by the ministry and the royalty payer, the collection of information by the royalty payer through an independent third party for the purposes of an audit by the ministry.

3 Jan 2014 cC-50.2 Reg 29 s40.

DIVISION 3 Assessments and Refunds

Assessments

41(1) The minister may assess or from time to time reassess the amount of any royalties imposed by these regulations, and of any interest, penalties or other amounts that may be payable pursuant to these regulations with respect to those royalties:

- (a) within four years after the day on which those royalties became due and payable; or
- (b) at any time, if the royalty payer:
 - (i) has made any misrepresentation that is attributable to neglect, carelessness or wilful default or has committed any fraud in connection with the calculation or payment of those royalties; or
 - (ii) has filed with the minister a waiver in a form acceptable to the minister within four years after the day on which those royalties became due and payable; or
- (c) within four years after the date on which a royalty return was last filed or refiled by a royalty payer.

(2) The minister shall send notice of any assessment or reassessment pursuant to subsection (1) to the royalty payer.

(3) Every royalty payer shall pay any amount that is assessed or reassessed by the minister pursuant to this section within 30 days after the mailing of the notice of assessment or reassessment, whether or not an appeal of the assessment or reassessment is taken.

(4) Liability for the royalties payable in accordance with these regulations, and for any interest, penalties or other amounts that may be payable pursuant to these regulations with respect to those royalties, is not affected either by an incorrect or incomplete assessment or reassessment pursuant to this section or by the fact that no assessment or reassessment has been made pursuant to this section.

(5) If a royalty payer wishes to refile a royalty return, the royalty payer shall do so within four years after the day on which those royalties became due and payable pursuant to these regulations.

3 Jan 2014 cC-50.2 Reg 29 s41.

Refunds

42(1) Subject to subsections (2) and (3), if a royalty payer has made an overpayment of royalty, the minister:

- (a) shall refund the amount of the overpayment to the royalty payer; and
- (b) may pay interest at the rate and in the manner set out in section 44.

(2) If a royalty payer owes any royalty to the Crown pursuant to the Act or these regulations and has subsequently made an overpayment to the minister:

- (a) the minister shall retain the amount of the overpayment, or as much of the overpayment as is required, and apply it to the royalty owing; and
- (b) the minister shall notify the royalty payer of the set-off.

(3) No refund is payable if the fact of the overpayment did not come to the knowledge of the minister within four years from the date on which the overpayment occurred.

(4) Notwithstanding *The Limitations Act*, no action may be brought to recover an overpayment after the expiration of four years from the date on which the overpayment occurred.

(5) The refund for an overpayment of royalty is to be made in a manner approved by the minister.

3 Jan 2014 cC-50.2 Reg 29 s42.

PART V

Penalty, Interest and Recovery of Royalty

43 Repealed. 7 Jly 2017 SR 63/2017 s4.

Penalty on audit assessments

43.1(1) For the purposes of section 24.1 of the Act, every royalty payer shall pay to the minister a penalty at the rate set out in subsection (2) on any royalty that is not paid or remitted as and when required by the Act or these regulations.

(2) For the purposes of subsection (1), the rate is 10% of the royalty that is not paid or remitted as and when required by the Act or these regulations.

7 Jly 2017 SR 63/2017 s4.

Interest on audit assessments

43.2(1) For the purposes of section 24.1 of the Act, every royalty payer shall pay to the minister interest at the rate set out in subsection (2) on any royalty that is not paid or remitted as and when required by the Act or these regulations, calculated from the day on which that amount should have been paid or remitted to the date on which the amount is received by the minister, as shown in the records of the minister.

- (2) For the purposes of subsection (1), the rate of interest per annum is the rate that is equal to the sum of:
- (a) the prime lending rate of the bank holding the general revenue fund as determined and adjusted in accordance with this section; and
 - (b) 3%.
- (3) The interest rate set out in this section is to be determined on June 15 and December 15 in each year and:
- (a) the interest rate as determined on June 15 applies to any royalty that is not paid or remitted as mentioned in subsection (1) on or after July 1; and
 - (b) the interest rate as determined on December 15 applies to any royalty that is not paid or remitted as mentioned in subsection (1) on or after January 1 of the following year.

7 Jly 2017 SR 63/2017 s4.

Interest on refunds

- 44(1) For the purposes of section 42, the rate of interest per annum with respect to an overpayment of royalty is the rate equal to the prime lending rate of the bank holding Saskatchewan's general revenue fund as determined and adjusted in accordance with this section.
- (2) The interest rate set out in this section is to be determined on June 15 and December 15 in each year and:
- (a) the interest rate as determined on June 15 applies to any royalty that is overpaid on or after July 1; and
 - (b) the interest rate as determined on December 15 applies to any royalty that is overpaid on or after January 1 of the following year.

3 Jan 2014 cC-50.2 Reg 29 s44.

Lien

- 45(1) All royalties, penalties and costs payable pursuant to any mineral disposition or pursuant to these regulations constitutes a first lien, charge and encumbrance in favour of the Crown, in priority over any claim, privilege or encumbrance of any person, whether the right or title of that person has accrued before or accrues after the attaching of the first lien, on:
- (a) any mine or mining property within the mineral disposition lands;
 - (b) all minerals, mineral ores and mineral-bearing substances taken from the mineral disposition lands; and
 - (c) all machinery in, on or connected with any mine or mining operations within the mineral disposition lands.
- (2) The priority of the first lien, charge and encumbrance mentioned in subsection (1) is not lost or impaired by any neglect, omission or error of any official, officer or person, or by want of registration, or by the tender or acceptance of any partial payment of the royalties, interest, penalties or other amounts mentioned in subsection (1).

(3) The first lien, charge and encumbrance mentioned in subsection (1) may be realized by the seizure or the seizure and sale of all or any part of the estate, real and personal, of the person who is liable to pay those royalties and all interest, penalties or other amounts with respect to those royalties.

3 Jan 2014 cC-50.2 Reg 29 s45.

Action for recovery

46(1) If any royalty, interest, penalty or other amount due and owing pursuant to the Act and these regulations is not paid, the minister may bring an action in a court of competent jurisdiction to obtain payment of the royalty, interest, penalty or other amount as a debt due to the Government of Saskatchewan.

(2) The right of action provided in subsection (1) is in addition to all other rights that may be exercised pursuant to the Act.

3 Jan 2014 cC-50.2 Reg 29 s46.

Injunction, etc.

47(1) In addition to any other remedies for the recovery of the royalty payable pursuant to a mineral disposition, the minister may apply to a court of competent jurisdiction for an injunction or order in the nature of an injunction, or the appointment of a receiver with all necessary powers, or any other relief or remedy as may be deemed necessary or expedient for securing payment of the royalty.

(2) On an application pursuant to this section, the court may issue the order requested or any other order that the court considers appropriate on any terms and conditions that the court considers appropriate.

3 Jan 2014 cC-50.2 Reg 29 s47.

Distress

48(1) If default is made in the payment of any royalties, interest, penalties or other amounts due and owing pursuant to the Act and these regulations, the royalties, interest, penalties and other amounts may be levied and collected by distress, together with all costs of distress, on the goods and chattels, wherever found, of the royalty payer under a warrant signed by the minister directed to the sheriff having jurisdiction in the area in which the royalty payer may have any goods or chattels.

(2) The sheriff shall realize the amount directed to be realized by the warrant, together with all incidental costs, by the sale of the goods and chattels distrained or as may be necessary to satisfy the amount directed to be levied by the warrant together with the costs of the distress and sale.

3 Jan 2014 cC-50.2 Reg 29 s48.

Deduction or set-off

49 If any royalties, interest, penalties or other amounts imposed pursuant to the Act and regulations are not paid when due, the minister may require the retention by way of deduction or set-off of any amount that the minister may specify from or out of any amount that is or may become payable by the Crown to the royalty payer or to any other person on behalf or for the benefit of the royalty payer.

3 Jan 2014 cC-50.2 Reg 29 s49.

PART VI**Repeal and Coming into Force****Saskatchewan Regulations 30/86 repealed**

50 *The Mineral Disposition Regulations, 1986*, being Saskatchewan Regulations 30/86, are repealed.

3 Jan 2014 cC-50.2 Reg 29 s50.

Coming into force

51 These regulations come into force on the day on which they are filed with the Registrar of Regulations but are retroactive and are deemed to have been in force on and from January 1, 2013.

3 Jan 2014 cC-50.2 Reg 29 s51.

