



Government of **Western Australia**
Department of **Mines and Petroleum**

**IRON ORE FINANCIAL ASSISTANCE
DEPARTMENT OF MINES AND PETROLEUM
WESTERN AUSTRALIA**

**Guidelines for Applicants
December 2014**

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Guidelines will be updated in response to new issues as they may emerge.

1. INTRODUCTION

The Premier of Western Australia announced on 19 December 2014 that the State Government would provide financial assistance for small iron ore (hematite) miners that meet the assistance criteria.

The assistance will be provided as a rebate of 50 per cent of royalty payments on eligible hematite iron ore projects. This assistance is to occur through a rebate after the Department of Mines and Petroleum (DMP) receives actual quarterly royalty payments. The royalty will continue to be paid under applicable legislation.

The rebate will be available for a period commencing with the royalty payment for the December 2014 quarter and concluding with the September 2015 quarter.

The rebate must be repaid by 31 December 2017.

The Minister is now receiving applications for Iron Ore Financial Assistance.

2. DEFINITIONS

“**Applicant**” means the applicant, institution or individual submitting an application.

“**Department**” means the Department of Mines and Petroleum (DMP).

“**Director General**” means the Director General of the Department of Mines and Petroleum.

“**Initial Application**” means the application to the Minister for Iron Ore Financial Assistance.

“**Iron Ore Financial Assistance**” means the financial assistance announced by the Premier of Western Australia on 19 December 2014.

“**Minister**” means the Minister for Mines and Petroleum.

“**Royalty Rebate**” means the rebate of 50per cent of the relevant royalty payment after the receipt of each quarterly royalty payment by the Department.

3. TIMELINES AND IMPORTANT DATES

Important dates for Iron Ore Financial Assistance:

23 January 2015	Closing date for Initial Application to the Minister for Financial Assistance
15 May 2015	Due date for application for Royalty Rebate <u>for December 2014 and March 2015 quarter</u>
14 August 2015	Due date for application for Royalty Rebate for June 2015 quarter
13 November 2015	Due date for application for Royalty Rebate for September 2015 quarter

It is the applicant’s responsibility to ensure applications are lodged by the specified time. All applications will be acknowledged using the contact details provided on the Application.

4. ROYALTY PAYMENT

Royalty payments are not impacted by the iron ore financial assistance. Royalties must continue to be paid in accordance with the legislation. The amount of financial assistance is based on 50 per cent of the actual iron ore royalty payments that are received by the Department (net of any prior period adjustments).

5. HOW TO APPLY FOR IRON ORE FINANCIAL ASSISTANCE

An Initial Application for consideration for Iron Ore Financial Assistance must be made to the Minister addressing:

1. information requirements specified in the Department's Guidance Note "Requests for Financial Assistance: Evaluation / Information Requirements" (the Guidance Note); and
2. additional information requirements specified in section 6, "Assessment Criteria".

Completed applications must be certified by an external auditor appointed by the Applicant. The certification will provide assurance the information submitted in the Initial Application to the Minister is correct.

6. ASSESSMENT CRITERIA

Iron Ore Financial Assistance is available to mining projects with a commissioned iron ore production capacity of less than 20 million tonnes per annum.

Applicants must be in compliance with all State and Commonwealth legislative requirements including ASX Listing Rules for continuous disclosure under listing rule 3.1.

An Initial Application must include the information specified in the Guidance Note. In addition, the following should be provided:

- Full financial projections based on reasonable assumptions demonstrating long-term project viability against a broad range of economic and market conditions.
- Detailed evidence to demonstrate firm and binding funding support involving adequate sources of debt and equity capital in order to establish the project and sustain it through commissioning to full operations.
- Details of corporate structure demonstrating extent to which project viability can be supported.
- Details of committed market arrangements, adequate to satisfy the requirements of all project funders.
- Details of commitments to local regional communities, including employment and training undertakings, provision of community facilities and ongoing community support and contributions pledged by the proponent.
- Specific financial data comprising:
 - Up to date financials (balance sheet, cash flow statement, profit and loss and forecasts of up to 31 December 2017). Please note that annual reports are insufficient as more up to date information is required.
 - Detailed, itemised costs per tonne (general cost lines e.g. "mining" and "processing" are insufficient).

- Actual price per tonne currently realised on iron ore sales.
 - Itemised other costs: e.g. corporate overheads encapsulating e.g. rent, administration staff etc.
 - Expected costs per tonne for 2015, 2016 and 2017.
 - Staff numbers and grouping (e.g. operations, administration, management)
 - Remaining mine life of all operations.
 - Expected capital expenditure for the next couple of years.
 - Status of expansion plans.
 - Expected exploration budget.
 - Areas under examination to cut costs.
 - Extent of investment in other jurisdictions, i.e. exploration on other projects located outside Western Australia.
 - Ability to repay the Iron Ore Financial Assistance and details of appropriate security for the repayment (e.g. sufficient liquidity and cash reserves).
- Proposed schedule for repayment of the Iron Ore Financial Assistance by 31 December 2017.

The Initial Application must demonstrate that the resource being mined is Western Australian and predominantly hematite iron ore.

If an Initial Application is approved, Applicants must submit further applications each quarter a royalty rebate is sought.

A quarterly application must be submitted by the end of the month following the due date for submitting the relevant royalty return and must include:

- A listing of the free on board prices of the iron ore sold by the applicant and the export sales volume, by shipment, during the relevant royalty quarter.
- A calculation of the weighted average free on board price received by the applicant during the relevant quarter. Conversion to Australian dollars will be consistent with the approach required for royalty returns.
- A calculation of the weighted average cost per tonne of iron ore sold during the quarter.
- The company's cash position at quarter end.
- An update on the progress of cost reduction programs.
- Confirmation of project viability and the company's ability to meet the repayment arrangements agreed with the Minister in the Initial Application.

A quarterly application must be certified by the Applicant's external auditor.

If the free on board price of the iron ore sold by the applicant during the relevant royalty quarter averages below \$A90 per dry metric tonne, the Applicant qualifies for the Royalty Rebate.

The normal royalty payment will be made within 30 days of the end of each quarter, in accordance with legislation. Only royalty payments made after approval by the Minister of the Initial Application will be eligible to receive the Royalty Rebate.

The Royalty Rebate will be paid by the Department after approval by the Director General.

The first Royalty Rebate will be paid in February 2015 in relation to the royalty payment received by the 30 January 2015, relating to the quarter ended 31 December 2014.

7. APPLICATION ASSESSMENT

The Initial Application will be submitted to and assessed by the Minister on a project by project basis. On completion of the assessment process, the Applicant will be notified in writing of the Minister's determination.

The agreed schedule of repayments and Minister's determination will form the basis of a formal repayment agreement between the Applicant and the Government of Western Australia.

It is the responsibility of the Applicant to inform the Minister of any substantial change in factors affecting the accuracy and/or relevance of information supporting the Initial Application.

If the free on board price of the iron ore sold by the Applicant during the relevant royalty quarter averages below \$A90 per dry metric tonne, the Applicant qualifies for the Royalty Rebate.

8. IMPORTANT FINANCIAL ASSISTANCE PAYMENT INFORMATION

Assessment and payment of the Royalty Rebate will be made after:

- the quarterly royalty payment is received by the Department; and
- the application for Royalty Rebate is approved by the Director General.

The Department will calculate the Royalty Rebate and arrange for payment to the Applicant.

The first Royalty Rebate will be paid in February 2015 in relation to the royalty payment received by the 30 January 2015, relating to the quarter ended 31 December 2014.

The Royalty Rebate will only relate to shipments of iron ore in the relevant quarter, adjustments for shipments that took place in previous quarters will not be included.

The Royalty Rebate amount will take into account all audit adjustments for royalty payments relating to shipments within the project financial assistance period.

Royalty payments made by the project in regard to other minerals are not included.