Ecology Action Centre

Keeping the "Know" in Nova Scotia:

The facts about mining royalties in Nova Scotia

March 2025

What are royalties?

Royalties refer to the payments mining companies make to governments for the extraction of mineral resources. Royalties are seen as a way to compensate the government and taxpayers for the removal of these non-renewable resources, which are considered public property.

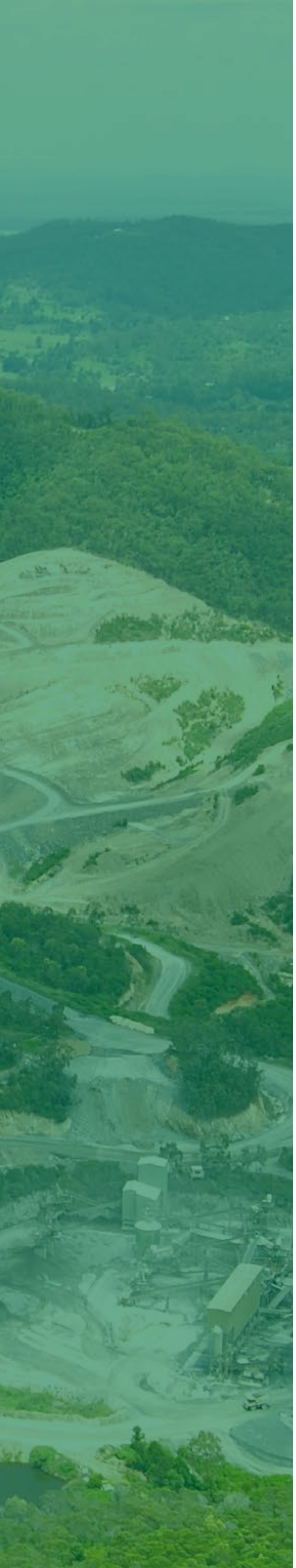
Royalties are separate from reclamation bonds, which are required to help clean up the polluted sites once the mining is finished.

How royalties are calculated

In Canada, provincial governments set royalty rates by tonnage (weight), by the mine's revenues, or both. Royalties are often paid on the tonnage mined when mines produce material that is further refined into a product by the parent company. Other royalties are determined by the mine's (net or gross) revenues, usually in cases where minerals are sold in their 'raw' form. Nova Scotia's current system is a mixture of tonnage and revenue royalties (Nova Scotia Department of Natural Resources and Renewables, 2023).

Canada's royalty rates tend to be on the lower end compared to other mining-heavy countries like Australia, Chile or Zambia (PWC; The World Bank).

Royalties in Canada are generally calculated from the mine's net revenue (profit after the company's costs have been subtracted), instead of its gross revenue (the sum of the money it generates before expenses). This practice is exceedingly rare globally. Most governments around the world calculate royalties based on production volume and the cost of the mineral, which results in higher royalties (The Narwal, 2018).



Mining royalties in Nova Scotia

Like other provinces in Canada, Nova Scotia allows for a variety of deductibles from the royalty rate, which lowers the amount the Province receives. These deductibles include exploration and pre-production development expenses, an allowance for depreciation and processing, salaries and workers' compensation, insurance costs, municipal taxes, charitable donations, and a whole host of other "reasonable operating expenses" (see Section 85 of the Mineral Resources Regulations for the full list) at a rate of 100 per cent for the first three years and 30 per cent thereafter (Nova Scotia Government).

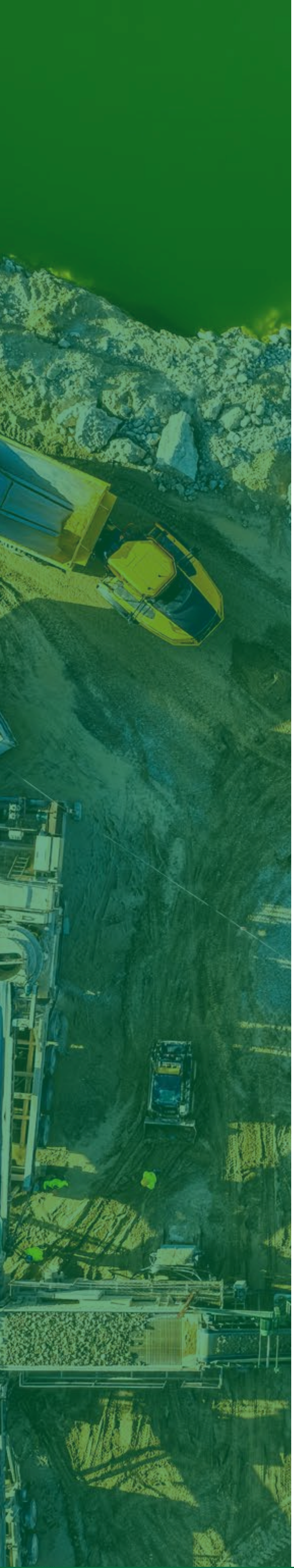
The mining companies can also deduct an eight per cent processing allowance rate for milling, refining, as well as 10 per cent for smelting from the royalty rate (University of Calgary, 2013, 2015).

This form of royalty calculation allows mining companies to pay less in royalties than if they were charged a rate based on production or profits alone.

Mineral rates in Nova Scotia

The Mineral Resources Regulations states, "The royalty payable for output is the rate less any rebate, as set out in the following table:

Mineral	Rate	Rebate
Anhydrite	$0.14 per short ton	(none)
Barite	$0.17 per short ton	$0.05 per ton on all barite processed to the extent of pulverization to 200 mesh or finer
Celestite	2% of the net value of concentrates produced	1% of the net value where concentrates are processed in the Province
Coal	$1.15 per short ton	(none)
Dolomite	2% of the net value at the mine	1% of the net value where end use is in the Province
Gold	1% of the net value received by the producer	(none)
Limestone	2% of the net value at the mine	1% of the net value where the end use is in the Province
Salt	$0.22 per short ton	(none)
Silica	$0.12 per short ton	(none)
Silver	1% of the net value received by the producer	(none)



Mineral rates in Nova Scotia (continued)

Amount of royalty

"82 (1) Unless otherwise provided in Section 81 and subsection (2), an operator must pay an annual royalty of the greater of the following:

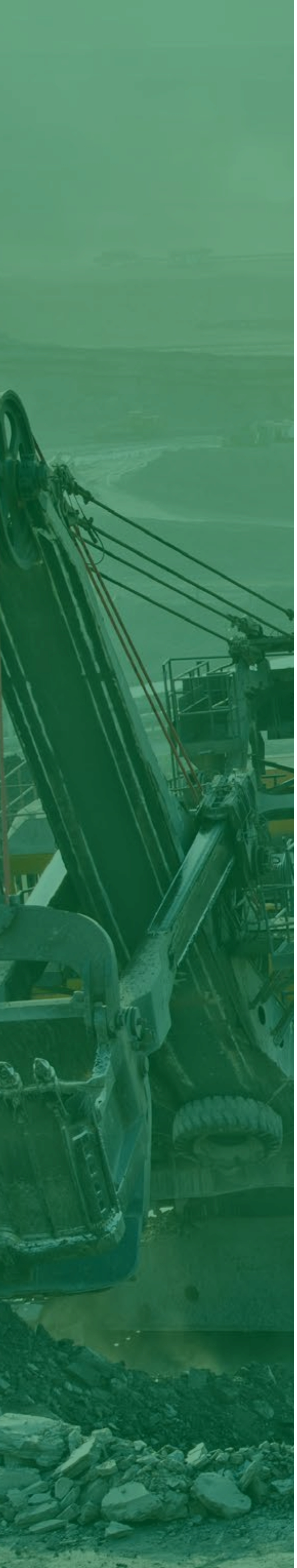
(a) 2% of the net revenue from mining;

(b) 15% of all net income from mining.

(2) If the a review of the royalty determines that the cost of processing will exceed the amount of the royalty otherwise payable, upon written notice from the Mine Assessor, the royalty payable by the operator is 2% of net revenue."

Re-evaluating royalties?

In fall 2023, the Province of Nova Scotia announced that it was in the process of reevaluating the regulations around royalty rates. In this reevaluation, the Province proposed a royalty rate of two per cent of net revenue for all minerals and non-mineral registered materials (Nova Scotia Department of Natural Resources and Renewables, 2023). The most recent publicly available version of the Mineral Resources Regulations does not list these changes; it is unclear if the Province's reevaluation of royalty rates is still ongoing.



Recommendations

- The government of Nova Scotia should substantially increase royalty rates to benefit the public purse for public benefit. This should include the costs to the Province associated with supporting mining projects.
- All environmental remediation and long-term costs for tailings management should be borne by the mining companies, not the public.
- Canada, and Canadian provinces, should make changes to finally be on par with other countries, particularly Australia, which, like Canada, is a major global player in the mining industry — but because of their higher royalty rates, receives substantially more from royalties than we do.
- Nova Scotia should move to a royalty rate of no less than 10 per cent of gross revenue for all minerals and non-mineral registered materials.

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