INSTRUCTIONS FOR FILING
PROPERTY TAX FORM
FOR SMALL SCALE MINES
TAX YEAR 2014

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INSTRUCTIONS, PAGE A1

Refer to the instructions on page A1 for information related to the filing due date, extensions for filing, and penalties for failure to file Form 82061-C.

MINING COMPANY PROPRIETARY DATA; ORE RESERVES, PAGE A2

Fill out the MINING COMPANY PROPRIETARY DATA section for general information concerning the property. Ore reserve data should be entered on this page under the ORE RESERVE DATA section. For example, if the property consists of an open pit silica flux mine containing payable silver with an ore reserve of 200,000 tons and a grade of 6 ounces per ton located on unpatented mining claims, then the tonnage should be listed under the Federal column as 200,000 tons of open pit ore. Since, in this example, only silver is paid for by the smelter, the 6 ounce per ton grade should be entered in the Federal column under the Ore Grade-Main Product line. The corresponding waste tonnage, stripping ratio, and mine life should be entered in the ORE RESERVE DATA section. The column titled State in the ore reserve section refers to mineral reserves held by authority of a state mineral lease. The title Indian refers to land held by authority of a mineral lease with an Indian governmental unit.

PROPERTY LIST – OPERATING LAND, PAGE A3

Report land used with the producing mine in the section titled PROPERTY LIST - OPERATING LAND. Book, map and parcel numbers (such as 301-28-005) should be available from prior property tax bills. The tax area code refers to an identifying number listing the taxing authorities for the property. For example, a typical tax area code number would be 4100. Attach an additional schedule, as needed, so that all producing land is listed. This schedule should include only lands associated with the mine as of January 1, 2013.

HISTORICAL PRODUCTION RECORD, PAGE A4

Historical production, revenue, and cost information for the past five years should be entered on page A4. This information may be used to derive an income approach valuation for the property. If the property was not active during any of the past five years, enter 'NOT OPERATING' in the appropriate column.

For example, if the property commenced shipping silica flux in 2008 and shipped 25,000 tons per year from 2008 through 2012 from an open pit mine, then these amounts should be entered in the appropriate year's column of the HISTORICAL PRODUCTION RECORD section. The corresponding amount of waste tonnage removed to produce the ore should

be listed on the line titled **Tons Waste Mined/Year**. The names of the main product and other products should be listed along with the corresponding ore grade.

Operating revenues in dollars should be entered in the **INCOME SUMMARY-REVENUES & EXPENSES** section. For example, if in 2012 twenty five thousand tons of flux ore containing 6 ounces of silver per ton of flux with a value of $7.00 per ounce of silver payable at 85% recovery from a smelter were produced, then a revenue of $892,500 would be entered under the 2012 column on the line titled **Revenues from Main Product**. The **Gross Value of Products** should include all main product and other product revenues.

Operating costs should be listed on the appropriate line as provided. Cost should be reported on a cash basis in constant dollar terms and should be based on budget or business plan forecasts in the **Operating Cost in Dollars** section. Interest and leased equipment expense and royalties paid to state, municipal or Indian authorities should not be included within the operating expenses. If any depreciation, depletion or amortization charges are included within **Subtotal Operating Cost**, these amounts should be listed as depreciation expense in the **Detail of Interest & Depreciation Expenses included in Operating Costs** section of the Report.

The allowance for payment of Federal and State income taxes should be computed by applying an effective tax rate to operating cash flow which is the difference between production based revenues and cash operating costs. For the current tax year, the default effective tax rate will be 20% (preliminary estimate-subject to revision) for properties subject to percentage depletion at a 15% rate. The income tax rate will be modified depending on the commodity and the depletion rate. The effective income tax rate is multiplied by pre-income tax operating cash flow to determine income tax expense. For example, with a gross value of products of $892,500 and a subtotal of operating costs of $592,500, the operating cash flow is $300,000. The income tax charge for 2012 based on the effective income tax rate applicable to operating cash flow would be $54,000.

Depreciation for capital cost reporting purposes in this report should be separated into the following categories: original cost capital, expansion capital, replacement capital, and environmental capital. Original cost capital includes depreciation on all items of equipment and improvements which were initially constructed at the mine at the time of acquisition or commencement of production for commercial purposes. For example, if a property began shipping silica flux in 2012, then all equipment and improvements acquired in 2012 and prior years should be considered original cost capital. Expansion capital refers to amounts expended to increase output and production from the property. Original cost capital and expansion capital are not deductible expenses for this report. Replacement capital refers to amounts expended for equipment replacements to maintain production levels. Environmental capital refers to amounts expended to satisfy regulatory mandates relating to operations.

For purposes of this report, only charges for environmental and replacement capital are allowable deductions for purposes of determining profitability. These allowable capital costs should be amortized over a ten-year period, or the life of the mine if it is less than ten years. For example, if in 2012 a new compressor was purchased for $100,000 to replace a worn out compressor, then a charge expressed either as $10,000 per year or in $ per year per unit of product should be entered on the line titled **Replacement Expense** for 2008. 2009, 2010, 2011 and 2012. This charge would also carryforward for 5 additional years, until 2017.

FUTURE PRODUCTION RECORD, PAGE A5

This page should be used to make future projections for production, profitability, and cash flow from the property. This information should be based on budget or forecast data prepared by the taxpayer and used for internal or corporate cash flow analysis or forecasting purposes. All future operating costs (including overhead and environmental/reclamation) should be included within the cost line items on Page 5. Costs

should be reported in constant dollar terms. This data may be considered in determining an income approach valuation. The report form may be considered incomplete and subject to penalties if this section is not completed.

SCHEDULE OF DEPRECIABLE ASSETS, PAGES A6-A7

Report the cost of equipment and improvements at the property on the **SCHEDULE OF DEPRECIABLE EQUIPMENT AND ASSETS** section. List assets by the year of acquisition and the original cost at the time of acquisition. All operating property including owned and leased equipment should be reported such as mining, milling, smelting, refining, environmental equipment, and other assets used in the producing or formerly producing mine property. This information may be used to derive a cost approach valuation for the property.

SUPPLIES INVENTORY and CONSTRUCTION IN PROGRESS, PAGE A8

Use the **SUPPLIES INVENTORY** section to report the cost of spare parts and consumables (such as fuel, reagents). Use the **CONSTRUCTION WORK IN PROGRESS SCHEDULE** section to report the cost of ongoing projects located at the mine site.

LEASED LAND AND LEASED EQUIPMENT SCHEDULE, PAGE A9

Land which is used with centrally valued mine property and held under mineral leases from State, Indian or other governmental entities should be reported on this page in the space provided. Leased personal property and other equipment that is used in the operation of the unit should be itemized on this page and included with the original cost of assets reported on the **Schedule of Depreciable Equipment & Assets** on pages A6 and A7.

NON-OPERATING LAND, IMPROVEMENTS AND PERSONAL PROPERTY, PAGE A10

List all non-operating land, improvements and personal property owned by the taxpayer and not included as operating property either on page A3, **Property List – Operating Land**, or on pages A6 and A7, **Schedule of Depreciable Equipment & Assets.** Enter the assessor's parcel number associated with this property, a description of the property and the full cash value according to the local county assessor's tax rolls.

ADDITIONAL INFORMATION, PAGE A11

The section titled **ADDITIONAL INFORMATION** should be used to report conditions that should be considered during the process of determining a value for the property. For example, if the mineral treatment plant is not operating at design rated capacity because of a design defect, this situation should be reported under this section.

Use additional schedules if more space is needed to describe specific conditions at the property. Also, if the property has sold or transferred ownership within the past 12 months, provide a schedule describing the sale/change of ownership including the names of parties involved and the terms and conditions of sale or lease of the property.

VERIFICATION, PAGE A12

Sign, date, and have the form notarized as required. Return report and all applicable schedules to the Department of Revenue by April 1.