



**INSTRUCTIONS FOR FILING
PROPERTY TAX FORM
FOR COPPER MINES**

TAX YEAR 2016

STATE OF ARIZONA, DEPARTMENT OF REVENUE
Property Tax Division
Centrally Valued Property Unit
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INSTRUCTIONS, PAGE A1

Please note the report form due dates and the penalty provisions.

MINING COMPANY PROPRIETARY DATA, PAGE A2

This section provides background information relating to ownership, contact persons, type of mining operation, and the specific commodities produced.

ORE RESERVE DATA, PAGE A3

Reported ore reserves should include all ore types from all sources. Ore is mineralized rock which, under appropriate conditions of time, space, technology, economics, and politics, can be mined, processed, and made to yield saleable metal or other mineral products at a profit. The ore reserve amount should be stated as mineable and recoverable material after any anticipated losses arising from either current or proposed mining operations. Protore is a term referring to low grade leachable material that cannot be classified as ore under current conditions. However, it can be segregated during mining and placed on heap or dump leach pads to recover metal during current or future mining operations. The designation of ore bodies and mineral rights as Federal, Private, State, or Indian refers to type of ownership or control. Federal mineral rights include unpatented mining claims and mineral leases. Private mineral rights include fee simple surface and mineral rights including patented mining claims. State or Indian mineral lease rights refer to the respective leasing authority. The life of the mine shall be determined by the size of the ore reserves and the estimated mine production per year. Ore grade should be reported in percent (%) for base metal ores and in troy ounces per ton for precious metal ores. Grade of molybdenum metal--**not MoS₂**--is to be reported.

PROPERTY LIST - OPERATING LAND, PAGE A4

List all land which is being used for production or future development. The outer perimeter shall be one claim beyond the producing claims or claims anticipated to be producing in the future. This pertains to land containing all ore reserves; all mine, mill, leach, refining, smelting, and other metal or mineral production facilities associated with each separate geographical mine unit subject to taxation under ARS § 42-14051; ultimate pit or subsidence limits; all waste, storage, leach, dump and tailings dam sites; water facilities

used for production; right-of-way land used for mine-operated railway lines, conveyor lines, water supply lines, and utility supply lines. The schedule on page A4 should contain only the parcels that have been added or acquired during the year ended January 1, 2015 or that are not included in the computer printout (PS1220-12) accompanying this form. Any deletions and/or changes should be made directly to the computer printout and one copy must be returned to the Department along with Form 82061-A.

List the land by county, by parcel number (from county assessor's parcel map), by tax area code, name of claim or legal description, and acreage. Indicate type of land, e.g., patented mining claims, fee simple owned land, unpatented mining claims, severed mineral rights, etc. according to instructions. County numbers are as follows:

(01) Apache	(05) Graham	(09) Navajo	(13) Yavapai
(02) Cochise	(06) Greenlee	(10) Pima	(14) Yuma
(03) Coconino	(07) Maricopa	(11) Pinal	(15) La Paz
(04) Gila	(08) Mohave	(12) Santa Cruz	

Land associated with property qualifying under ARS § 41-1514.02 (environmental technology manufacturers, producers, and processors) should also be reported on page A4. Attach additional schedules as necessary. Attach copy of Department of Commerce certification for this type property. 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 page A22 in the Leased Land Schedule.

THE FOLLOWING SHOULD BE LISTED ON PAGE A23:

- 1) Non-producing mining claims currently not being used, or not anticipated to be used in mining operations.
- 2) Surface rights not connected with mining operations.
- 3) Houses, buildings, structures, etc., not used with the producing mine.
- 4) Lots, other land, water rights, ranches, mill sites, and personal property not used with the producing mine.

The Department will request maps showing mining claims and land, with identifying parcel numbers indicating whether they are classified as producing or non-producing. When new land is added or land is reclassified, an updated map must be supplied to the Department along with the completed report for the current tax year.

PLANT OPERATIONS RECORD, PAGES A5-A8

Production and employment data on Form 82061-A will be reported in eight major categories. These are (1) **Mine Production**, (2) **Mill Production**, (3) **Smelter/Refinery Production**, (4) **Personnel Levels**, (5) **Heap/Silicate/Vat Leach Production**, (6) **Low Grade Dump Leach Production**, (7) **In-Situ Leach Production**, and (8) **Concentrate Pressure Leach/Slag Production**. Pages A5 and A7 should be used to report the historical operating production record for the past five years. Pages A6 and A8 should be used to report the projected future operating production forecast for the property. Do not report low grade leaching material as waste. Waste dump leaching material will be reported as low grade leach (protore). Tons of mill or leach ore mined will include both processed and stockpiled ores. Stockpiles must be described on a separate schedule in the **Additional Information Section** on page A24. Stockpiles are to be reported with the grade of all recoverable products contained, the amount of material (tons) stockpiled, and the nature of the processing involved, such as milling or leaching. Stripping ratio is to be calculated by adding the tons of waste and low grade leach (protore) material and dividing by tons of mill and leach ores.

Under **Smelter/Refinery Production**, separately report the amount of concentrates or anodes treated from various sources by the smelter or refinery associated with the producing mine unit. The term **NMBM** refers to new metal bearing material. The line item **Tons NMBM Mine Cons** should be restricted to only that production derived from the associated producing mine land as defined in Rule 15-4-202(B)(2). Concentrates shipped from intercompany operations should be listed under the heading **Tons NMBM Toll Cons** along with any other third party concentrates treated under tolling contracts. Toll processed concentrates and anodes should be reported separately. The term **Tons ER Copper** refers to electrorefined copper plated as cathode. The term **Tons EW Copper Pltd** refers to electrowon copper plated as cathode. Production of roasted molybdenum concentrates from the mine and for intercompany and third party sources should be reported on the line item **Lbs MoS₂ Roasted**.

The final projection of the mine and plant production over projected future mine life may be revised by the Department after reviewing the company's projections. Annual personnel levels based on average monthly levels should be reported in the appropriate category for operating areas of the producing mine. Both hourly and salaried employees should be reported in this section.

Leaching production is divided into three categories for reporting purposes. Solution grades for leaching should be reported in terms of grams of copper contained per liter of leach solution. Volumes of leach solution should be reported in terms of gallons of solution circulated per minute. The heap/silicate/vat leach production section should report production from mine-for-leach ore. Low grade dump leach production should report by-product protore leaching production. In-situ leach production should report output from in-place ore or protore zones. Under the leaching production categories, total recovery to date of copper emplaced in dumps is the total pounds of copper recovered to date divided by the total pounds of copper originally added or contained within the heap, dump or in-situ body. Percent recovery per year of copper added during the year is the pounds of copper recovered for the year divided by the pounds of copper added to the heap for the year. If actual operating data is not available, an estimate of leach recoveries should be reported.

METAL/MINERAL PRODUCTION RECORD, PAGES A9-A10

Report the quantity of each commodity produced from mining operations and from processing plants and the sales price and value for each commodity derived from the producing property in this section.

The historical average selling price per operating mine unit should be computed by dividing the sales revenues for the particular year by the units of metal sold. This selling price will be multiplied by the quantity of mine output or production to yield the historical gross value of production for the year.

EXAMPLE:	$\frac{\text{Sales revenue for copper}}{\text{Pounds of copper sold for the year}}$	x	Pounds of copper = produced during the year, or mine output	VALUE OF COPPER PRODUCED DURING THE YEAR
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No adjustment should be made for year-end sales inventory of metal or mineral products. The value of commodities on Form 82061-A for molybdenum, silver, gold, acid, and other products or by-products should be computed in the same manner as used for copper production. Other saleable products or by-products include turquoise, selenium, rhenium, etc. Itemize revenues from these by-products on page A24 in the **Additional Information Section** or on a separate schedule. Where two or more mines of common ownership are

supplying ore, concentrates, cathode or anode copper, etc., to a smelter or processing plant owned by the same company, actual incomes received on a sale of products from the individual mine unit must be reported as income.

Revenues and expenses from toll/custom smelting and refining and custom molybdenite treatment operations should be separately stated in the Production Revenues section of the report. The allowable cost of smelting or processing for non-mine products is the average cost per unit treated for all products, as experienced by the smelter/refiner or custom treatment operator. These costs should be itemized in the **Additional Information Section** on page A24, or on a separate schedule. Each individual mine unit which forms a separate geographical entity shall be separately valued and assessed even if concentrates are supplied to a single commonly owned facility for further processing.

If a smelter or processing plant is Class 1 property and custom or toll treatment is being done at the property (including treatment of intercompany products), the net revenues from that operation must be reported as toll or custom revenue (**Total Toll/Custom Rev \$**) on pages A9-A10 and the expense reported as toll or custom expense (**Total Toll/Custom Exp \$**) also on pages A9-A10 or on a separate schedule provided on page A24. The price charged for outside toll smelting is **NOT** necessarily the cost of treating company-owned material. The line items for **Other Toll/Custom Rev\$** or **Other Toll/Custom Exp** should be used for reporting revenues and expenses for molybdenum roasting operations.

Miscellaneous revenues from the producing mine operation such as a sale of power, water, services, custom milling, and other incidental revenue, must be reported under **Misc. Revenues-\$** as part of the **Production Revenues** section of pages A9-A10 (Form 82061-A).

A separate Statement must be provided showing the sources and amounts comprising the total miscellaneous revenue to arrive at the amount per pound of copper. Where credit balances exist on exchanges, services, materials, and mine products between separate producing mine units within the State of Arizona, a separate itemized listing must be provided showing estimated incomes and costs to arrive at profit or loss.

For purposes of reporting **Production Revenues**, the total value of by-products should include revenues from molybdenum, silver, gold, acid, and other products or by-products. Toll/custom revenues and expenses for smelting, refining and other operations should be separately stated in this section. **Gross Product Value-\$** includes the sum of revenue from copper, all by-products, gross profit from toll/custom smelting and refining and miscellaneous revenues. For reporting by-product value on Form 82061-A, include all by-products for this computation.

OPERATING COST RECORD, PAGES A11-A12

On Form 82061-A, costs should be reported on pages A11 and A12 in dollars (\$) per pound of copper to four decimal places (i.e., as 0.1521 for 15.21 cents per pound). Costs reported in the **Annual Historical Mine Operating Cost Record** section on page A11 should be based on taxpayer historical cost records for the property. Costs reported in the **Future Projections Mine Operating Cost Record** section on page A12 should be based on taxpayer budget or business plan forecasts for future operating phases for the mine property. All future operating costs (including production, overhead and environmental / reclamation costs) should be included within the cost line items on page A12.

Provide details for royalties, rents, overhead, and other costs on a separate schedule or on page A24 in the **Additional Information Section**. Future costs should be reported in real or constant dollar terms. The report form may be considered incomplete and subject to penalties if this section is not completed. Mineral royalties or rents paid to private

parties are **NOT** allowable costs, unless the royalty recipient is paying property taxes as a separate producing mine taxpayer. A company may expense all costs incurred in operating a hospital or health care facility for the benefit of employees of the producing mine.

Property taxes and severance taxes are to be listed separately. Other taxes, such as excise, sales, payroll, etc., are to be included in the line item titled **Other Costs** in the **Operating Costs**. An itemized listing of corporate overhead, other overhead, and other costs should be provided on page A24 in the **Additional Information Section** or a separate schedule.

Expenses for smelting and/or refining will be calculated on a market basis if the material is processed out-of-state or at a location which is locally assessed and not includable in the geographical boundary of the producing mine unit from which the material was extracted. Inter-company charges between centrally assessed producing mine units within the State will be calculated at actual cost.

The **Sum Operating Cost** line on pages A11 and A12 should include the total of all of the above operating cash costs including mining and all other costs. This subtotal does not include income taxes or capital costs. If depreciation, depletion or amortization charges are included within operating costs, these costs should be listed in the **Operating Cost Detail** section of the report.

Federal and State income taxes are to be computed as if the unit were a separate taxable entity. Income tax expense for purposes of this report only will be based on revenues reported on pages A9-A10 less all cash operating expenses included in the **Sum Operating Cost** line on pages A11-A12 associated with the production, administration, distribution, development, and marketing functions of the operation on the basis of generally accepted accounting principles (GAAP) and the expenses associated with the miscellaneous revenue. Income tax expense for purposes of this report is not determined by applying statutory rates of tax to taxable income as defined by income tax regulations. As a result, interest charges, depreciation, depletion, amortization, and other non-cash charges shall not be included as expenses in the determination of taxable income. The allowances for these factors are included in the effective tax rate applied to operating cash flow which is the difference between **Gross Product Value** and **Sum Operating Cost**.

Income Tax Expense shall be calculated separately for each year of the 5-year historic margin period. In this respect, the following shall apply:

- (i) Negative as well as positive tax liabilities shall be determined; and,
- (ii) No provision is made for the carry back or carry forward of losses or credits.

For all properties, including those that produce copper through leaching or solvent-extraction electrowinning and are subject to a 15% depletion rate, the default federal and state income tax liabilities are calculated using a 20% (preliminary estimate-subject to revision) tax rate applicable to operating cash flow. For other copper concentrate producing properties with greater than 10% of revenues from byproducts, the income tax rate will be set at 27% (preliminary estimate subject to revision) of operating cash flow. The income tax rate will be modified depending on the commodity and the depletion rate. The effective income tax rate will be multiplied by the pre-income tax operating cash flow for the property. Pre-income tax operating cash flow is determined by subtracting **Sum Operating Cost** on pages A11-A12 from **Gross Product Value** derived from pages A9-A10 in the **Production Revenues** section. Pre-income tax operating cash flow is not equivalent to taxable income for purposes of reporting.

For purposes of this report, capital expenditures shall be classified as follows:

1. Original capital investment (original land acquisition, initial plant construction, pre-development, pre-stripping, exploration, etc.).
2. Expansion capital (plant construction to increase plant capacity, pre-stripping, additional equipment used to increase production).
3. Replacement capital (replacement of worn-out equipment, portions of plant or truck fleet necessary to maintain present production level).
4. Environmental protection capital (acid plants, pollution control equipment, gas collection systems, etc.).

Original capital investment and expansion capital expenditures are **NOT** to be listed as capital **EXPENSES** on the cost pages of Form 82061-A. Capital expenditures for replacement and environmental protection **SHOULD** appear as amortized capital expense amounts. Amortization should be computed on a ten-year basis or life of mine, whichever is less. For example, if \$12,000,000 of capital has been expended for replacement or environmental purposes in one of the preceding 10 years, then the allowable charge to be reported in the **Capital Costs** section would be \$1,200,000 per year divided by production in that year and carried forward over a ten-year period.

No expense related to any type of leased equipment should be reported in the Operating Costs section of pages A11 or A12. If leased equipment is used for replacement or environmental purposes, an amortized expense may be included in the Capital Costs section on pages A11 or A12. These expenses will be determined by applying the rules for computing amortized capital expenses. The amortized expense should be based on the acquisition cost of the equipment (excluding any lease financing or interest charges) divided by a ten year period or the remaining life of the mine if less than 10 years.

If any interest expenses are included in operating costs on pages A11 or A12, they must be itemized on the line titled **Interest Exp. in Cost** provided in the **Operating Cost Detail** section. All depreciation, amortization, and depletion included in **Operating Costs** or **Capital Costs** must be reported on the **Depreciation in Cost** line. Any amortized capital replacement or environmental charges should also be included on this line. Expenses for leased equipment that are included in Operating Costs on pages A11 or A12 should be reported on the **Lease Exp in Cost** line. All costs in this section should be stated in terms of dollars per pound of copper expressed to four decimal places.

REVENUE AND EXPENSE RECORD, PAGES A13-A14

Report details of purchased concentrate operations in the **Detail of Toll Revenue & Purchased Concentrate Production** section. Report the sum of operating revenues less operating expenses separately in this section for toll smelting and toll refining operations. If concentrates from internal and external sources (geographical separate locations owned by the same company or third party entities) are processed by the same smelter/refinery or other toll treatment plant, then the costs of operating the smelter/refinery/treatment plant should be allocated between the different sources of material. The allocated cost for external sources (other intercompany and third party concentrates, etc.) should be reported on the line item **Toll/Custom Exp \$/lb**.

The information in the sections titled **Production Value in \$/Lb**, **Production Cost \$/Lb**, and **Profit Margin in \$/Lb** on pages A13-A14 should be reported in terms of dollars per pound of copper to four decimal places. The **Profit Margin in \$** section should be reported in terms of whole dollars.

SCHEDULE OF DEPRECIABLE ASSETS, PAGES A15, A16 & A17

The capital costs for facilities and equipment located within the State necessary to the producing mine unit for operation, including mine plants, concentrators, solvent extraction-electrowinning plants, smelters, refineries, chemical plants and all auxiliary facilities used in the producing property should be reported in this section. The facilities should be reported in association with the geographical mine unit as defined in Rule 15-4-202(B) (2). Do not report licensed motor vehicles since an in-lieu tax is paid on such property.

Mining equipment should be separated into three categories: - 1) small scale, 2) large scale, and 3) shovels and/or draglines. Large scale equipment includes haulage trucks over 35-ton capacity, blast hole drills, and cranes. Small scale equipment includes all other items except that defined as large scale equipment and shovels or draglines.

Milling plant includes all concentrators, mills, and miscellaneous metal recovery plants such as for rhenium, etc. Smelter plant includes smelting facilities, doré furnaces, and certain miscellaneous metal recovery plants such as ferromolybdenum and copper concentrate hydrometallurgical smelting plants. Refinery plant includes all electrorefining equipment for production of metals. Solvent extraction-electrowinning plant includes all assets related to leaching and electrolytic production of metal. The column titled **Miscellaneous Buildings and Structures** should be used to report the original cost of improvements. The original cost of all leased equipment used as part of the producing mine should be included on this page and listed in detail on pages A20 & A21 in the **Leased Equipment Schedule**.

The original cost of all depreciable assets, including ARS § 41-1514.02 property, should be reported on pages A15 and A16. The cost of ARS § 41-1514.02 (environmental technology property) should be reported separately on page A17 for each specific category of equipment.

TAX AREA CODE ALLOCATION REPORTING, PAGE A18

Report original cost of equipment by tax area code location on page A18. This information is used to allocate full cash values to school districts, fire districts, etc. The original cost of property qualifying under ARS § 41-1514.02 should also be reported in this section. Attach Department of Commerce certification for this type of property, including the total investment reported to the DOC. Total construction work in progress amounts on page A18 should agree with the total construction work in progress amounts reported on page A19.

SUPPLIES INVENTORY SCHEDULE, PAGE A19

The cost amounts reported for supplies inventory (for both producing mine and environmental technology property) should correspond to the amounts carried on the financial books of the corporation. The supplies inventory cost should be reported before any allowances for depreciation, obsolescence or salvage. The term "Liquid Supplies" refers to readily saleable items which include fuel, lumber, mill balls, sheet steel, reagents, etc. The original cost of supplies inventory property qualifying under ARS § 41-1514.02 should also be reported separately in this section in the indicated space.

CONSTRUCTION WORK IN PROGRESS SCHEDULE, PAGE A19

A separate listing must be provided which designates the types of capital expenditures (expansion, replacement, etc.) for each open appropriation or construction in progress project over \$3,000,000. The cost of construction work in progress for property qualifying under ARS § 41-1514.02 should be reported in the bottom half of this section. All

construction work in progress projects with a separate cost of less than \$3 million may be consolidated in the All Other Projects line. Use an additional schedule or the designated space on page A24 if page A19 is not sufficient.

LEASED EQUIPMENT SCHEDULE, PAGES A20 & A21

All leased equipment in use and located at the mine site as of the valuation date of January 1, should be included within the appropriate asset category and reported on the **Schedule of Depreciable Assets** on pages A15, A16, and A17, **and** on the **Leased Equipment Schedule** on pages A20 & A21. Information relating to leased equipment used as part of the mine property qualifying under ARS § 41-1514.02 (environmental technology) should also be reported in this section.

LEASED LAND SCHEDULE, PAGE A22

Report land used with producing mine property which is held through leases from State, Indian or any other governmental entities on this page in the spaces provided.

NON-OPERATING LAND, IMPROVEMENTS AND PERSONAL PROPERTY, PAGE A23

Report all non-operating land, improvements and personal property owned by the taxpayer that **is associated with the producing unit** on page A23. Do not report property that has been included on the schedule **Property List – Operating Land** on page A4 or on the **Schedule of Depreciable Assets** on pages A15, A16 and A17. Non-operating property would include, for example, fabrication plants and wire rod plants, land held for future development adjacent to the mine site or at some remote site, and any and all personal property, either owned or leased, associated with the unit but not reported on pages A15 through A17. The schedule on page A23 includes columns and sections in which to describe the property, its location and its full cash value according to the local county assessor's tax rolls.

ADDITIONAL INFORMATION, PAGE A24

Describe any additional factors that should be considered in determining a value for this property. Attach additional schedules as warranted.

VERIFICATION, PAGE A25

Sign, date, and have the form notarized as required.

Return the report and all attached schedules by April 1st to the Department of Revenue at the address shown on page 1.