



EARTHWORKS

EARTHWORKS FACT SHEET

## HR 2262's MINING ROYALTY: INDUSTRY CHARGES ITSELF HIGHER RATES

As HR 2262, the Hardrock Mining and Reclamation Act of 2007, comes to a vote this week, mining industry advocates are claiming that HR 2262's 8% gross royalty would be the highest in the world.<sup>1</sup>

This is untrue.

### **INDUSTRY CHARGES ROYALTIES HIGHER THAN 8%**

In fact, some mining companies pay higher royalties than 8% to one another. Royalty interests are profitable enough that some companies in the mining industry don't mine at all. Instead their revenue originates solely from royalty interests in properties that other companies mine.

For example:

- Au Mining, Inc. pays a 10% net smelter royalty on its interests in the Golden Wonder Mine in Colorado.<sup>2</sup>
- Barrick (the world's largest gold producer) is paying a 9% gross royalty at its Pipeline mine in Nevada.<sup>3</sup>
- High River Gold will pay a 15% gross royalty at its Taparko-Boroum mine in Burkina-Faso.<sup>4</sup>
- Newmont (the world's second largest gold producer) pays the equivalent of an 18% gross royalty on its Gold Quarry property in Nevada.<sup>5</sup>

### **METAL PRICES ARE SKYROCKETING – EXISTING MINES CAN AFFORD AN 8% ROYALTY**

Gold traded near \$270 per ounce in 2001, when most existing U.S. mines were either already operating or in the planning stages. As of October 2007, gold is trading at \$760 per ounce – their revenues have more than doubled on pre-existing investment. According to many analysts, gold will soon exceed \$1000 per ounce – almost four times its price five years ago.<sup>6</sup> Over the same period, U.S. consumer prices have increased 13%.<sup>7</sup>

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Or visit [www.miningreform.org](http://www.miningreform.org).*

<sup>1</sup> Time Magazine, *Making Gold Miners Pay* by Pat Dawson. 10/23/2007.

<http://www.time.com/time/health/article/0,8599,1674700,00.html>

<sup>2</sup> Business Wire, 2/14/07, <http://www.encyclopedia.com/doc/1G1-159283688.html>

<sup>3</sup> *Royalty Portfolio for Calendar 2007*. <http://www.royalgold.com>. This is a sliding scale royalty ranging from 0.72 to 9%.

Whenever the price of gold exceeds \$470/oz, the 9% royalty is paid. Gold is currently trading at \$767/oz, has exceeded \$470/oz since 2005, and is projected to soon exceed \$1000/oz by respected analysts including JP Morgan and Merrill Lynch.

<sup>4</sup> *Royalty Portfolio for Calendar 2007*. <http://www.royalgold.com>

<sup>5</sup> Newmont Mining Form 10-K for the period ending December 31, 2006.

<sup>6</sup> *\$1000 Gold Ahead Say Experts: Three dozen economists finally agree on something* by David Bradshaw, 8/9/2007

<http://www.stockhouse.ca/blogs.asp?page=viewpost&blogID=169&postID=25298>.

<sup>7</sup> Consumer Price Index: Bureau of Labor Statistics, <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.txt>