



# Proposed Text for payment of royalties on minerals collected during test mining

December 2024



# NORI's test mining – context



## How many nodules did NORI recover?

- ~3,000 tonnes

## What did NORI do with the nodules?

- NORI is using the nodules for pilot scale metallurgical testing.

## Were any of the nodules sold?

- No

## What is the value of the nodules recovered?

- NORI's ~3,000 tonnes of nodules would generate approximately US\$31,000 in royalties for the ISA

## What was the cost of test mining?

- NORI's test mining campaign was ~US\$175m - US\$200m
- NORI's program today would cost between US\$400m – US\$500m

## What challenges were encountered after collecting 3,000 tonnes of nodules?

- Storing and managing 3,000 tonnes of nodules proved to be challenging

## Questions considered prior to drafting



### **Should royalties be paid on minerals collected during test mining?**

- Yes

### **Should royalties be paid into the Environmental Compensation Fund?**

- No strong preference – will defer to the group.

### **When should royalties be paid on minerals collected during test mining?**

- During the first payment of royalties once commercial production has begun

### **Why not pay royalties immediately after their extraction?**

- Test mining will not produce a significant quantity of minerals therefore the value of the minerals is unlikely to be significant
- The minerals will likely be used for testing and not available for sale
- What could be available for sale, is unlikely to be sold until commercial production begins due to the challenges of selling a small quantity of minerals

### **What happens if a Contractor doesn't move into commercial production?**

- If a Contractor's exploration contract is terminated or they do not move into Commercial Production after test mining – they should be required to pay a royalty at the termination of their contract

## Proposed text



Prior to the commencement of Commercial Production, the contractor shall provide the Authority with a test mining royalties report containing the information specified in the Standards and Guidelines in respect of any minerals collected during 'test mining'. Royalties in respect of mineral resources that have been collected during 'test mining' shall be paid at the time the contractor makes its first payment of royalties after the date it commences Commercial Production.

If a contractor does not proceed to Commercial Production after test mining, the contractor shall submit a test mining royalties report to the ISA prior to the termination of its contract and will be required to pay the calculated royalties.