

INSTRUCTIONS FOR FILING THE ANNUAL MINE REPORT FORM 245-C

TAX YEAR 2024

**Office of the Navajo Tax Commission
P.O. Box 1903
Window Rock, AZ 86515**

INSTRUCTIONS, PAGE 1

*Please note the report form due dates.
Fill in company name and address.*

MINE COMPANY CONFIDENTIAL DATA, PAGE 2

This page provides information on ownership and the operation.

ORE RESERVE DATA, PAGE 3

Coal reserves reported should include all coal which, under appropriate conditions of time, space, technology, economics, and politics, can be mined, processed, and made to yield saleable product at a profit. The designation of reserves as leased or owned refers to type of ownership or control. Owned is fee simple surface and mineral rights including patented mining claims. Leased refers to the respective leasing authority. The life of the mine shall be determined by the size of the reserves and the estimated mine production per year. Reserves should be reported in tons (2000 lbs./ton). Grade of coal is to be reported in BTU's.

MINE LAND, PAGE 3

Every mine property is a separate entity which will be considered a separate mine unit. If more than one separate geographical mine unit ships a saleable product to a common facility, then each mine unit shall be treated as a separate assessable property. List all lands which are being used for production or future development.

Producing lands owned or leased by the operator should be listed on Page 3 of the forms. 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.

Mine Land, Pages 3-4 Cont.

DO NOT LIST

Non producing lands currently not being used or not anticipated to be used in mining operations.

Surface rights NOT connected with mining operations.

Houses, buildings, structures, etc., NOT used in mining.

Lots, other lands, water rights, ranches, and personal property NOT used in the mining operation.

The Navajo Nation will request maps showing mining claims and land, with identifying parcel numbers. When new land is added or land is reclassified, an updated map must be supplied.

OPERATIONS RECORD, PAGE 4

Production on Form 245-C will be reported in two major categories. These are (1) Tons Coal Sold, (2) Tons Coal Mined. The historical operating record should be used to report production data for the past five years. Stockpiles must be described on a separate schedule or in the space provided on page 4 on a yearly basis. Stripping ratio is calculated by dividing yards or tons of waste by the tons of coal mined.

The projection of the annual days worked will be made after reviewing the company's projections. Annual personnel levels based on average monthly levels should be reported in the category for operating areas of the mine. Both hourly and salaried employees should be reported in this section.

REVENUES, PAGE 5

Report the quantity of each commodity produced and the sales price and value of each commodity 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 coal 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:

$$\frac{\text{Sales revenue for commodity (coal)}}{\text{Units of commodity (coal) sold for the year}} \times \text{Units of Commodity(coal) produced during the year, or mine output} = \text{VALUE OF COMMODITY(Coal) PRODUCED DURING THE YEAR}$$

No adjustment should be made for year-end inventory. The value of commodities on Form 245-C for coal, and other products or byproducts should be computed in the same manner. Other products or by-products include saleable products as sources of revenues. Itemize revenues from these by-products on a separate schedule.

Miscellaneous revenues from the mine operation such as a sale of power, water, services, custom charges, ash haul and other incidental revenue, must be reported per unit of commodity (Form 245-C).

Annual Historical Plant Operations, Page 5 - Cont.

A separate statement must be provided showing the sources and amounts comprising the total miscellaneous revenue to arrive at the amount per unit of mineral product.

For purposes of reporting PRODUCTION REVENUES the total value should include revenues from all sources such as coal and other products or by-products. GROSS PRODUCT VALUE includes the sum of revenue from all products, by-products, and miscellaneous revenues.

OPERATING COSTS, PAGE 6

On Form 245-C, costs should be reported in dollars per ton of coal sold. Costs reported in the future projections section should be based on taxpayer budget or business plan forecasts for future mining operations.

An itemized listing of corporate overhead, other overhead, and other costs should be provided on a separate schedule.

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

1. Original capital investment (original land acquisition, initial plant construction, pre-development, prestripping, 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 truckfleet 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 or considered **as expenses** on the cost page 6. Capital expenditures for replacement and environmental protection **should** appear as amortized or depreciated expenses.

Amortization or depreciation 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 over a ten year period.

Federal and State income taxes, property taxes, and severance taxes are to be listed separately. Other taxes, such as excise, sales, payroll, etc., are to be included in the other costs line and itemized separately on a supplementary schedule. The SUM OPERATING COST line is the total of all of the above costs including mining and all other costs. This subtotal does not include income taxes or capital costs.

Federal and State income taxes are to be computed as if the unit is a separate taxable entity. Taxable income will be based on revenues less all expenses associated with the production, administration, distribution, development, and marketing functions of the operation on the basis of Generally Accepted Accounting Principles and the expenses associated with the miscellaneous revenue. However, interest charges, depreciation, depletion, amortization, and other noncash charges shall not be included as expenses. Intra-company charges between centrally assessed producing mine units within the state will be calculated at actual cost.

Annual Historical Production Cost Record, Page 6 -Cont.

Income taxes 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 carryback or carryover of losses or credits.

Federal and Arizona income tax liabilities, both positive and negative, shall be determined by multiplying 30% the pre-income tax operating cash flow determined by subtracting SUM OPERATING COST on page 6 from TOTAL GROSS REVENUE from page 5 in the PRODUCTION REVENUES section.

Leased equipment expenses should not be reported unless the equipment is used for replacement or environmental purposes. These expenses will be determined by applying the rules for computing amortized capital expenses. For example, if the equipment is used as a replacement item, the expense should be an amortized amount under the CAPITAL COST section of page 6.

If any interest expenses are included in operating costs, these costs must be itemized on the line provided. All depreciation, amortization, and depletion included in OPERATING COSTS or CAPITAL COSTS must be reported on the line labeled OPERATING COST DETAIL. Any amortized replacement or environmental charges should also be included on this line.

PROFIT MARGIN, Page 7

The PROFIT MARGIN section of page 7 should report the dollar amount of gross value of production and the dollar amount of gross cost of production. The difference between these numbers is the excess or profit margin for this property.

Report profit margin in \$ and \$/ton on page 7.

SCHEDULE OF DEPRECIABLE ASSETS, PAGES 8-9

The cost and year of acquisition is reported on this schedule. The costs for facilities and equipment located necessary to the producing mine unit for operation--including mine plants, and all accessory facilities used in producing metallic or nonmetallic products should be reported in this section. Do not report licensed motor vehicles because these items are taxed at the local county level.

Mining equipment should be separated into three categories--small scale, large scale, and 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. The column for 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 mine should be included on this page.

SUPPLIES INVENTORY SCHEDULE, PAGE 10

The amounts reported for supplies inventory should correspond to the amounts carried on the financial books for the corporation or the taxpayer. The supplies inventory should be reported before any allowances for depreciation, obsolescence or salvage. Liquid supplies are defined as readily saleable items which include fuel, lumber sheet steel etc.

CONSTRUCTION WORK IN PROGRESS SCHEDULE, PAGE 10

A separate statement must be provided which designates the types of capital expenditures (expansion, replacement, etc.) for each open appropriation or construction in progress project over \$1,000,000.

LEASED EQUIPMENT SCHEDULE, PAGE 11

Leased equipment, which is a permanent part of the mine and located at the mine site as of January 1 of the tax year, should be reported on the SCHEDULE OF DEPRECIABLE ASSETS on Pages 8-9 and on the LEASED EQUIPMENT SCHEDULE on Page 11. Temporarily leased equipment may not be included in the value of the mine depending on terms of the lease and use of the equipment.

ADDITIONAL INFORMATION, PAGE 12

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

**Sign, date and notarize the form as required and return to the Office of the Navajo Tax Commission.
A Form 200 must be submitted with this form.**