

Minerals Option/Lease Process (excluding Mines Royal)

Introduction

Crown Estate Scotland owns onshore land and mineral rights throughout Scotland. Wardell Armstrong is Mineral Agent for Crown Estate Scotland and manages the onshore minerals portfolio and related procedures and processes.

This note sets out the steps for awarding options and leases for minerals on land managed by Crown Estate Scotland. A separate note is available in respect of applications for Mines Royal Options and Leases.

The Option/Lease process

Companies wishing to take an option or lease for onshore mineral extraction purposes are invited to contact Wardell Armstrong to discuss their proposals.

The applicant company will be asked to submit information supporting its proposals including but not limited to:

1. Company details as registered at Companies House or UK regional equivalent, including the address of the principal place of business as well as the UK registered office.
2. Details of previous mineral exploration/extraction projects undertaken by the applicant.
3. Details of key personnel to be involved in the exploration and development works.
4. An OS plan (digital or paper) at 1:10,000 scale showing the boundary of the application area.
5. An exploration programme providing details of work to be undertaken during the option stage and associated expenditure.
6. The most recent three years' audited financial accounts and three years' management accounts.
7. Details and amounts of current funding including identities of all legal and beneficial owners holding more than 5% of the company's shares, and details of significant lenders and bondholders. financial standing (e.g. basis and level of funding including identities of all legal and beneficial owners holding more than 5% of the company's shares, details of significant lenders and bondholders etc).
8. Operational and processing proposals and potential marketing outlets for the minerals.
9. Restoration and aftercare proposals including appropriate bonding/financial guarantee provisions.

Crown Estate Scotland also requires that its legal and mineral agent's fees for each option/lease are paid by the applicant company.

Where other property interests are required to deliver a mineral site (e.g. where surface access rights are required to create a new access road or because the mineral reserves or ancillary operations extend beyond Crown Estate Scotland's ownership), the applicant company should also demonstrate the steps it has taken to secure those interests.

For greenfield sites, Crown Estate Scotland will usually grant an exclusive option to take a lease, which will normally be conditional upon the grant of a satisfactory planning permission for mineral extraction. Options will usually be granted for a maximum duration of 10 years. A draft lease will be attached to the option, but some changes may be required prior to completion to accommodate individual site circumstances.

Where satisfactory planning permission for mineral extraction already exists or a site is already operational, Crown Estate Scotland will usually grant a lease.

Option and lease terms will be subject to private negotiation and will reflect relevant commercial market circumstances having regard to location, scale, operational life, and nature of the proposed mineral to be extracted. Where Crown Estate Scotland considers market value would be obtained through seeking competitive bids, Wardell Armstrong will invite site specific offers from appropriate companies through a formal tender process.

If minerals remain unworked at the end of a lease or if there is potential to extend an existing mineral operation from or into other land owned by Crown Estate Scotland, and where the incumbent tenant has demonstrated satisfactory performance, that company will normally be invited to apply for a new lease.