



GOVERNMENT OF KARNATAKA

No:DMG/MLS/CCA/12/2365/2016-17

Office of the Commissioner and Director
Department of Mines and Geology,
Khanija Bhavan, Race Course Road
Bangalore-1 Date: 26.10.2016
Email id: dir-mines@karnataka.gov.in

To,
M/s JSW Steel Limited
JSW Centre,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051.

Sub: Letter of Intent with reference to e-auction dated 04.10.2016 for grant of iron ore mining lease for "M/s Tungabhadra Minerals Pvt Ltd, M L No:2365" Block in Ittanahalli village, Sandur Taluka, Bellary District over an extent of 130.53 Hectare Area of Forest land of Donimalai Range.

1. Background:

- 1.1. The Commissioner & Director, Department of Mines and Geology, Karnataka, pursuant to the Supreme Court judgments and orders in Samaj Parivartana Samudaya and Ors. Vs. State of Karnataka and Ors in W.P. (C) 562 of 2009, the Mines and Minerals (Development and Regulation) Act, 1957 (the "Act") and the Mineral (Auction) Rules, 2015 (the "Rules"), issued the notification and notice inviting tender dated 22nd December 2015 for grant of mining lease for "M/s Tungabhadra Minerals Pvt Ltd, ML No: 2365" Block located in Bellary District of Karnataka (the "Tender Document"). The e-auction process was conducted in accordance with the Mineral (Auction) Rules, 2015 and the Tender Document for the said mineral block and M/s JSW Steel Limited was declared as the "Preferred Bidder" in accordance with Rule 9(4)(b)(iii) of the Mineral (Auction) Rules, 2015.
- 1.2. The upfront payment for "M/s Tungabhadra Minerals Pvt Ltd, M L No: 2365" Block is Rs. 34,89,83,946 (Rupees Thirty Four Crores Eighty Nine Lakhs Eighty Three Thousand Nine Hundred And Forty Six Only). As required under Rule 10(1) of the Mineral (Auction) Rules, 2015, M/s JSW Steel Limited has deposited the first instalment of the upfront payment, being ten percent of the upfront payment, of Rs. 3,48,98,395 (Rupees Three Crores Forty Eight Lakhs Ninety Eight Thousand Three Hundred And Ninety Five Only) through Demand Draft (DD) bearing No: 253707 dated: 13.10.2016, which was received on 18.10.2016.

2. **Grant of Letter of Intent**

- 2.1. Accordingly, pursuant to Rule 10(2) of the Mineral (Auction) Rules, 2015, the Government of Karnataka is issuing this letter of intent for grant of mining lease for "M/s Tungabhadra Minerals Pvt Ltd, M L No: 2365" Block for iron ore in Ittanahalli village, Sandur Taluka, Bellary District of 130.53 Hectare Area of Forest land of Donimalai Range to M/s JSW Steel Limited for a period of 50 years.

3. **Conditions**

- 3.1. M/s JSW Steel Limited shall be designated as the "Successful Bidder" and subsequently be granted the mining lease only upon satisfactory completion of all the requirements under the Act, the rules made there under and the Tender Document.
- 3.2. For reference, the current requirements under the Rules and the Tender Document for declaration of M/s JSW Steel Limited as the "Successful Bidder" and subsequent grant of the mining lease are reiterated below. It is clarified that the requirements mentioned below are only for reference and in the event of any change in Applicable Law, the requirements under the modified law, shall be applicable.

(a) Declaration of the "Successful Bidder":

M/s JSW Steel Limited shall be considered to be the "Successful Bidder" upon:

- i. continuing to be in compliance with all the terms and conditions of eligibility;
- ii. payment of the second instalment of the Upfront Payment which is Rs. 3,48,98,395 (Rupees Three Crores Forty Eight Lakhs Ninety Eight Thousand Three Hundred And Ninety Five Only), as per the Tender Document;
- iii. furnishing the Performance Security pursuant to the Auction Rules, valid for the period specified in the Mine Development and Production Agreement (MDPA), for an amount equal to Rs. 34,89,83,946 (Rupees Thirty Four Crores Eighty Nine Lakhs Eighty Three Thousand Nine Hundred And Forty Six Only). Pursuant to sub-rule (1) of Rule 12 of the Auction Rules, the Performance Security shall be adjusted every five years so that it continues to correspond to 0.50% of the reassessed value of estimated resources determined in accordance with the Auction Rules. In such case, bank guarantee constituting the Performance Security shall be substituted with another bank guarantee of the same value issued in accordance with Clause 10.2 of the Tender Document, which is for the revised amount or if the Performance Security has been provided through a security deposit, additional amount towards security deposit shall be provided;

- iv. satisfying the conditions specified in clause (b) of sub-section (2) of section 5 of the Act with respect to a mining plan;
- v. having cleared all dues to the Government of Karnataka arising from mining activity that the Preferred Bidder has undertaken in Karnataka in the past, if such dues have been determined to be payable by him in terms of the extant provisions of the MMDR Act, 1957 and the rules framed there under, along with an undertaking that he shall also clear all dues that the Government of Karnataka determines in future, payable by him in terms of the extant provisions of the MMDR Act, 1957 and the rules framed there under, to the Government of Karnataka arising from mining activity undertaken by him in Karnataka in the past, if such dues have not been determined; and
- vi. having paid the actual expenses incurred by the Government of Karnataka on mine exploration, preparation of Provisional R&R Plans, survey, construction of pillars and DGPS survey within 60 days of issue of letter of intent. This amount is equal to **Rs 6,96,94,165/- (Rupees Six Crores Ninety Six Lakhs Ninety Four Thousand One Hundred And Sixty Five Only)**.

The above activities shall be completed by the Preferred Bidder in accordance with the timelines mentioned in the Tender Document.

(b) Signing of the Mine Development and Production Agreement (MDPA)

M/s JSW Steel Limited shall sign the Mine Development and Production Agreement with the Government of Karnataka upon obtaining all consents, approvals, permits, no-objections and the like as may be required under Applicable Law for commencement of mining operations.

(c) Grant of mining lease

Subsequent to execution of the MDPA, **M/s JSW Steel Limited** shall pay the **third instalment** of the Upfront Payment which is **Rs 27,91,87,157/- (Rupees Twenty Seven Crores Ninety One Lakhs Eighty Seven Thousand One Hundred And Fifty Seven Only)**. Upon such payment the Government of Karnataka shall grant the mining lease to **M/s JSW Steel Limited** within a period of **30 days** from the date of payment. The date of the commencement of the period for which a mining lease is granted shall be the date on which a duly executed mining lease is registered.

4. **Validity**

- 4.1. This letter of intent is valid for a period of **Three** years from the date of its issuance, within which time all the above conditions must be fulfilled and the Mining Lease Deed must be executed between **M/s JSW Steel Limited** and the Government of Karnataka. In case **M/s JSW Steel Limited** is unable to fulfil all or any of the above conditions, then it may submit an application to Government of Karnataka, requesting for further extension. It is in the sole discretion of the Government of Karnataka to extend the validity of this letter of intent after **M/s JSW Steel Limited** submits the reasons/justification for non-compliance with any of the conditions; which shall be due to events beyond the control of **M/s JSW Steel Limited**.
- 4.2. If the Government of Karnataka is satisfied that a longer period is required to enable **M/s JSW Steel Limited** to satisfy all or any of the above conditions, it may extend the validity of this letter of intent for such period or periods as the Government of Karnataka may specify.
- 4.3. It is amply clarified that **M/s JSW Steel Limited** is obligated to make Annual Payments as per the provisions of the Tender Document.



COMMISSIONER,
Department of Mines & Geology,
Karnataka