

GOVERNMENT OF KARNATAKA

No:DMG/MLS/AUC/'C'-2366/2017-18

Office of the Director
Department of Mines and Geology
Khanija Bhavan, Race Course Road
Bangalore-1 Date: 05.05.2017
Email id: dir-mines@karnataka.gov.in

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

Sub: Letter of intent to acknowledge the Preferred Bidder as Successful Bidder with reference to e-auction dated **04.10.2016** for grant of iron ore mining lease in favour of "**M/s JSW Steel Ltd**" in **Ittanahalli village, Sandur taluk, Bellary District over an extent of 33.21 Hectare Area in Donimalai Range Forest Land.**

1. Background:

1.1. The Commissioner & Director, Department of Mines and Geology, Karnataka, issued the notification and notice inviting tender dated 22nd December 2015 for grant of mining lease for iron ore block of "**M/s Tungabhadra Minerals Pvt Ltd, ML No. 2366**" located in Bellary District of Karnataka (the "**Tender Document**") pursuant to the Hon'ble Supreme Court judgments and orders in Samaj Parivartana Samudaya and Ors. Vs. State of Karnataka and Ors in W.P.(C) No. 562 of 2009, the Mines and Minerals (Development and Regulation) Act, 1957 (the "**Act**") and the Mineral (Auction) Rules, 2015 (the "**Rules**"). The e-auction process was conducted in accordance with the Mineral (Auction) Rules, 2015 after completion of first and second round of e-auction for the said mineral block M/s **JSW Steel Ltd** 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 being an amount equal to 0.50% of Value of Estimated Resources (VER) for "**M/s Tungabhadra Minerals Pvt Ltd, ML No. 2366**" Block is **Rs. 8,12,29,965 (Rupees Eight Crores Twelve Lakhs Twenty Nine Thousand Nine Hundred and Sixty Five Only)**. As required under Rule 10(1) of the Mineral (Auction) Rules, 2015, **M/s JSW Steel Ltd** has deposited the first installment of the upfront payment, being ten percent of the upfront payment, of **Rs 81,22,997/-(Rupees Eighty One Lakhs Twenty Two Thousand Nine Hundred and Ninety Seven Only)** through Demand Draft (DD) bearing No: 253706 dated: 13.10.2016, which was received at the Directorate of Mines and Geology on 18.10.2016.

1.3. It has been confirmed that the Bidder has submitted a declaration stating that the Bidder is continuing to be in compliance with all the terms and conditions of eligibility as per the Tender Document.

1.4. The Second Installment of the upfront payment for "**M/s Tungabhadra Minerals Pvt Ltd, ML No. 2366**" Block is **Rs. 8,12,29,965 (Rupees Eight Crores Twelve Lakhs Twenty Nine Thousand Nine Hundred and Sixty Five Only)**. As required under Rule 10(3) of the Mineral (Auction) Rules, 2015, **M/s JSW Steel Ltd** has deposited the Second installment of the upfront payment, being ten percent of the upfront payment, of **Rs 81,22,997/-(Rupees Eighty One Lakhs Twenty Two Thousand Nine Hundred and Ninety Seven Only)** through Demand Draft (DD) bearing No: 538627 dated: 20.02.2017, which was received at the Directorate of Mines and Geology on 01.03.2017.

1.5. The Bidder has furnished the Performance Security pursuant to the Mineral (Auction) Rules, 2015 valid for the period specified in the MDPA, for an amount equal to 0.5% of Value of Estimated Resources and is **INR 8,12,29,965 (Rupees Eight Crores Twelve Lakhs Twenty Nine Thousand**

Nine Hundred and Sixty Five 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;

1.6. The Bidder submitted through a declaration that he is satisfying the conditions specified in clause (b) of sub-section (2) of section 5 of the Act with respect to a mining plan;

1.7. Bidder has submitted declaration that he had 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;

1.8. Bidder had already 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 i.e. amount **Rs 1,53,66,382 (Rupees One Crore Fifty Three Lakhs Sixty Six Thousand Three Hundred and Eighty Two Only)** through DD bearing No. **531958** dated **07.12.2016**.

2. Grant of Letter of acknowledgement as Successful Bidder

2.1. Accordingly, pursuant to Rule 10(3) of the Mineral (Auction) Rules, 2015, the Government of Karnataka is issuing this letter of Acknowledgement to M/s JSW Steel Ltd as Successful Bidder for " **M/s Tungabhadra Minerals Pvt Ltd, ML No. 2366" Block** for iron ore in **Ittanahalli village, Sandur taluk, Bellary District over an extent of 33.21 Hectare Area in Donimalai Range Forest Land** to **M/s JSW Steel Ltd.**

3. Conditions

3.1. **M/s JSW Steel Ltd** shall be granted the mining lease only upon satisfactory completion of all the requirements and submission of all the statutory clearances 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 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) Signing of the Mine Development and Production Agreement (MDPA)
M/s JSW Steel Ltd 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.

(b) Grant of mining lease

Subsequent to execution of the MDPA, **M/s JSW Steel Ltd** shall pay the **third installment** of the Upfront Payment which is **Rs. 6,49,83,972 (Rupees Six Crores Forty Nine Lakhs Eighty Three Thousand Nine Hundred and Seventy Two Only)**. Upon such payment the Government of Karnataka shall grant the mining lease to **M/s JSW Steel Ltd** 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 is valid for a period of **Three** years from the date of its issuance, within such time all the above conditions must be fulfilled and the Mining Lease Deed must be executed between **M/s JSW Steel Ltd** and the Government of Karnataka. In case **M/s JSW Steel Ltd** is unable to fulfill 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 after **M/s JSW Steel Ltd** 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 Ltd**.

4.2. If the Government of Karnataka is satisfied that an admissible period is required to enable **M/s JSW Steel Ltd** 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 Ltd** is obligated to make Annual Payments /Periodic payments and any other payments as may be applicable as per the provisions of the Tender Document.

Yours faithfully
Sd/-

DIRECTOR

Copy to:

1. The Secretary (MSME and Mines), Commerce and Industries Department, Vikasa Soudha, Bangalore for kind information.

2. The Secretary, Department of Environment and Ecology M S Building Bangalore for kind information.
3. The Principal Chief Conservator of Forests, Aranya Bhavan, Malleshwaram, 18th cross, Bengaluru for information and further necessary action.
4. The Regional Controller of Mines, Indian Bureau of Mines, 29, Industrial Suburb, II Stage, Tumkur Road, Gorguntapalya, Yeshwantpur, Bangalore-560 022 for information and further necessary action.
5. The Deputy Commissioner, Bellary for information and further action.
6. The Deputy Director, Department of Mines and Geology, Hospet for information and to facilitate successful bidder to implement R&R plan as mandated by Hon'ble Supreme Court.
7. M/s JSW Steel Ltd. P.O Vidyanagar, Bellary for information.

DIRECTOR