



GOVERNMENT OF KARNATAKA

No: DMG-2020:MLS:AUC:2018-19
ML No. 2346

Office of the Director
Department of Mines and Geology,
KhanijaBhavan, Race Course Road
Bangalore-1, Date: 13.08.2019
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 **24.07.2019** for grant of iron ore mining lease for "**BBH Mines presently held by M/s Mineral Enterprises Limited, ML No. 2346**" Block in Bedarabommanahalli, Hirekandavadi and other villages, Chitradurga and Holalkere Taluka, Chitradurga District over an extent of 93.60 Hectare Area of Forest land.

1. Background:

1.1. The Director, Department of Mines and Geology, Karnataka, pursuant to the Mines and Minerals (Development and Regulation) Act, 1957 and its amendments (the “**Act**”) and the Mineral (Auction) Rules, 2015 including its amendments (the “**Rules**”), issued the notification and notice inviting tender dated 8th March 2019 for grant of mining lease for "**BBH Mines presently held by M/s Mineral Enterprises Limited, ML No. 2346**" located in Bedarabommanahalli, Hirekandavadi and other villages, Chitradurga and Holalkere Taluka, Chitradurga District of Karnataka (the “**Tender Document**”). The e-auction process was conducted in accordance with the Mineral (Auction) Rules, 2015 (including its amendments) 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(9)(iii) of the Mineral (Auction) Rules, 2015 including its amendments.

1.2. The upfront payment for **"BBH Mines presently held by M/s Mineral Enterprises Limited, ML No. 2346"** Block is **Rs. 35,57,72,798/- (Rupees Thirty Five Crore Fifty Seven Lakhs Seventy Two Thousand Seven Hundred Ninety Eight 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. 3,55,77,280/-** through Demand Draft (DD) bearing No. 007263 dated: 06.08.2019 and No. 007214 dated: 06.08.2019 which was received on 07.08.2019.

2. Grant of Letter of Intent

2.1. Accordingly, pursuant to Rule 10(2) of the Mineral (Auction) Rules, 2015 including its amendments, the Government of Karnataka is issuing this letter of intent for grant of mining lease for **"BBH Mines presently held by M/s Mineral Enterprises Limited, ML No. 2346"** Block for iron ore in Bedarabommanahalli, Hirekandavadi and other villages, Chitradurga and Holalkere Taluka, Chitradurga District over an extent of 93.60 Hectare Area of Forest land to **M/s JSW Steel Limited**.

3. Conditions

- 3.1. This letter of intent and the subsequent grant of aforementioned mining lease shall be subject to the provisions of the Judgment, Act and the rules made thereunder, as amended from time to time.
- 3.2. **M/s JSW Steel Limited** shall be declared as the **"Successful Bidder"** and subsequently be granted the mining lease only upon satisfactory completion of all requirements under the Judgment, Act, rules made thereunder and the Tender Document.
- 3.3. 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.

3.4. This letter of Intent is issued subject to the order which will be passed by Hon'ble Supreme Court and Hon'ble High Court of Karnataka in SLP No. 15852/2019 and WP No. 24316/2019 respectively.

(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. 3,55,77,280/- (Rupees Three Crore Fifty Five Lakhs Seventy Seven Thousand Two Hundred Eighty Only)**, as per the Tender Document;
- iii. furnishing the **Performance Security** pursuant to the Auction Rules, valid for the period specified in the Tender Document and Mine Development and Production Agreement (MDPA), for an amount equal to **Rs. 35,57,72,798/- (Rupees Thirty Five Crore Fifty Seven Lakhs Seventy Two Thousand Seven Hundred Ninety Eight 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 including the value of any newly discovered mineral that may be included in the mining lease deed on its discovery 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 18,52,600/- (Rupees Eighteen Lakhs Fifty Two Thousand Six Hundred 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 Laws 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. 28,46,18,239/- (Rupees Twenty Eight Crore Forty Six Lakhs Eighteen Thousand Two Hundred Thirty Nine Only)**. Upon such payment, the Government of Karnataka shall issue a grant order and thereafter within a period of 30 days a mining lease shall be executed in favour of **M/s JSW Steel Limited** as per Rule 10(6) of The Mineral (Auction) Rules, 2015. 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 **30 months** 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.

Kindly return the duplicate copy of this Letter of Intent duly signed by authorized signatory of the Company and furnish a suitable Board Resolution in token of having accepted the above terms and conditions. The accepted copy of Letter of Intent along with Board resolution should be submitted latest by 28.08.2019.


DIRECTOR
13/8/19