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(A GEMCO KATI INITIATIVE)

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GEONESIS NOW ON ANDROID

AFTER GOLD, INDIA SET FOR ITS FIRST DIAMOND MINE AUCTION

After the successful first auction of a gold mine in February, India is all set for its first auction of diamond deposits in Madhya Pradesh.

The diamond block called Hatupur in Panna district of Madhya Pradesh will be put up for auction under the composite licencing route, said two government officials aware of the development requesting anonymity.

A composite licence holder conducts the geophysical exploration of the area to find out the exact reserve of the mineral and starts mining later on.

India's Parliament in March 2015 amended the Mines and Mineral (Development and Regulations) Act, 1957 (MMDR and laid down the legal framework for granting concessions of all mineral resources via auction. The MMDR Act allows auction of mines bearing minerals such as iron ore, bauxite, among others, excluding coal and lignite.

India has diamond reserves in Andhra Pradesh, Chhattisgarh and Madhya Pradesh (MP). Currently, the Panna diamond mine in MP is the only diamond producing mine in the country that is under operation. It is run by state-owned National Mineral Development Corporation

The Geological Survey of India, the technical wing under India's ministry of mines, is actively engaged in exploration of kimberlite clan rocks which is the source of diamond. Also, global miner Rio Tinto has an advanced exploration project at Bunder in MP, according to information available on its website.

According to one of the officials quoted above, the notice inviting tender (NIT) for the Hatupur block will be issued shortly by the Madhya Pradesh government

The area of the Hatupur block is around 136 hectares with the value of the reserve estimated to be approximately Rs106 crore. The kimberlite reserve in the block is expected to be around 60 million tonnes with diamond reserves of 500 carats (a unit of mass for gemstones). The lifespan of the mine is around 25 years.

Queries emailed to the ministry of mines and the Madhya Pradesh government spokespersons on 4 April remained unanswered.

Africa accounts for around 65% of the world's diamond reserves with Angola, Australia, Botswana, Canada, Congo, Russia and South Africa being the main diamond producing countries.

According to data available with the World Diamond Council, the total value of diamond jewellery sold each year is approximately $72 billion (Rs4.78 trillion), which includes the cost of diamonds, precious metals and other gems

Experts welcomed the move.

"It's been long overdue. We have resources of precious metals including gold, silver and diamonds in our country. It's really a good move by the government that efforts are being made towards putting these minerals under production," said Kalpana Jain, partner at consultancy firm Deloitte Touche Tohmatsu India

The Bharatiya Janata Party-led government is credited with setting up a template for natural resource allocation in India through coal block auctions which is now being followed for other minerals

A total of six mines have been auctioned in Jharkhand, Odisha and Chattisgarh under the amended MMDR, with the central government set to receive revenues of Rs18,146 crore over a period of 50 years—the term for which the mines are auctioned.

VEDANTA: THE REAL GOLDMINER

Now here is a company that has seen achievements and controversies alike. You may vouch for it, you may not, but you cannot ignore it.

It effortlessly makes it to the list of most powerful corporates in the country for its consistent geological discoveries, solid business model, constant value creation and improved operations.

It was recently in news for winning India's first-ever auction of a gold mine after the nation opened up the sector to private companies to curb overseas purchases of the metal. That's Vedanta for you!

Undoubtedly, winning the Baghmara mine in Chhattisgarh in the auction was a significant move for Vedanta as it was for the first time that a composite license for gold mining was given in India. The company beat three other corporate houses in the auction bid.

Vedanta, a unit of London-listed Vedanta Resources Plc, has interests in oil and gas, zinc-lead-silver, iron ore, copper, aluminium and power. Promoted by Indian billionaire Anil Agarwal, Vedanta was in the limelight last fiscal for ramping up its world-class aluminium assets to record production levels. This, alonside

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a progressive ramp up of the new smelters at Korba and Jharsuguda, has well positioned the company for an accelerated growth in 2016. The total mined metal production for zinc and lead also hit a historic high, supported by strong performance of the Rampura Agucha mine, which is the largest and one of the lowest cost zinc mines in the world.

"My vision for the future is to continue to fulfil Vedanta's potential while helping to advance the world's largest democratic developing nations economically, socially and sustainably," says Anil Agarwal, founder and chairman of Vedanta. "India and Africa are richly endowed with natural resources that will fuel their future growth and raise the living standards of their population. We are working with our employees, communities and government to help unlock India's vast resource potential," he adds.

Sure, India's self-sufficiency in the natural resources sector has the capacity to create millions of employment opportunities, which in turn can help ensure economic and social development.

The fiscal that went by also saw significant progress in the development of underground mines at Rampura Agucha and Sindesar Khurd. What's more, the oil and gas business delivered a robust performance in Rajasthan as strong contributions came from offshore assets.

The business is expected to reap benefits from the high-impact enhanced oil recovery (EOR) project. In fact, looking ahead, increased gas production in the Raageshwari Deep Gas field and development at Barmer Hill, will also continue to provide the company with growth options. Besides, its copper smelter in India recorded the highest ever production and the best-in-class operational efficiencies during the year. Mining in Karnataka resumed in February 2015.

In August 2015, Vedanta announced the reopening of its Codli mine in Goa, marking the resumption of iron ore mining in the state after a gap of nearly three years. In fact, with that it has become the first company to restart iron ore mining in Goa.

Globally too, the company expanded its footprint. In November 2014, Vedanta approved the development of an open-pit zinc mine in Gamsberg, South Africa, as well as the conversion of the Skorpion Zinc Refinery in neighbouring Namibia. Gamsberg is one of the world's largest undeveloped zinc deposits. The output from Gamsberg, coupled with the world-class refinery at the Skorpion mine in Namibia, will make the Southern African region one of the most important suppliers of refined zinc globally.

Founded in 1976 in Mumbai — then Bombay — as Sterlite Industries, it was renamed Vedanta much later to align the group's identity globally. The company has grown at a rapid pace in the last decade and has implemented a series of cost-effective measures to maintain financial strength. It has invested over $30 billion in India in organic growth alone in the last decade.

During the 2013-14 fiscal, Vedanta, through its subsidiaries, undertook water conservation efforts which in turn led to close to 44 million cubic meters (MCM) of water recycling in India, Australia and Africa. And, the total water saving for the year amounted to 2.52 MCM.

A YEAR AFTER E-AUCTION, COAL MINING STAYS IN SLOW LANE

A year after the historic e-auction of mines, coal mining is back to where the trouble began - legal and regulatory tussle. Of the 34 operational mines that were auctioned to private firms and allotted to state government utilities - while 22 have got mining leases - only 10 are producing.

Mining has started in four states - Odisha, Madhya Pradesh, Rajasthan and Chhattisgarh. Not a single mine in Jharkhand has started production even though it has 15 mines, of which four were about to produce coal from mines. Among the private companies, Essar Power, Jaiprakash Associates and CESC have started production for power generation and Sunflag Iron & Steel in the unregulated sector.

Twelve coal mines in Punjab, Karnataka and West Bengal are facing legal heat from a mining contractor, EMTA, which has contested the appointment of mining development operator (MDO) in these states. Coal ministry officials say the total coal production has touched 20 million tonnes from 10 producing mines. The total proceeds from the mining transferred to the mine-bearing states stand at Rs 1,350 crore.

"The central government's task was over after the handing over of the mines. Thereafter, everything now falls in the purview of the state government - from land clearance to mining lease. Both auctioned and allotted mines are facing hurdles as the forest and land clearance of Jharkhand government is under a cloud," said an official in the coal ministry. In the last review meeting held in February, the state government officials informed the coal ministry that land details were not properly recorded at village level. State government officials in Jharkhand say the state applies due diligence before giving the final nod to mining. According to sources, it was after the mines were allocated to successful bidders that the state decided to revisit the land clearances.

"The state government claims mining land in most of the mines falls under forest land. This was not the case when Centre surveyed the area before auction. The state has not offered any mining lease to any coal block owner," said an official.

After a Supreme Court ruling in August 2014 cancelling all coal blocks allocation of the past two decades, the coal ministry

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started reallocation through transparent e-auctions. It allocated 34 operational coal mines to private companies through auction and to states through allotment - for both power and non-power sectors. The revenue estimated to be collected is Rs 2.85 crore over 30 years for mine-bearing states. EMTA, which is one of accused in the coal scam, has dragged three states to court. EMTA has contested the appointment of MDO in West Bengal, Punjab and Karnataka on grounds of 'right of first refusal', or ROFR, and questioned the MDO-appointment process.

In July 2015, both Karnataka and Punjab appointed EMTA as their MDOs to execute the mining of coal for power production rather than selecting through a tender process. After the coal ministry sought explanation for bypassing the tender route, the states started fresh tendering process.

EMTA filed cases in respective high courts of Karnataka and Punjab asking for ROFR. EMTA, formerly known as Eastern Mineral & Trading Company, held the second-largest tranche of coal blocks as its MDO when it was allocated earlier through a screening committee route.

It is one of the key accused in the coal scam for allegedly ignoring the clauses for forming joint ventures and getting pecuniary gains through the arrangement. MDOs were supposed to be hired on contract.

A LONG HAUL

'About to produce' mines in Jharkhand, which were reallocated

Name	Kathautia	Tokisud	Pachhwara Central	Pachhwara North
Allottee	Hindalco	Essar Power	Punjab State Power Corp	West Bengal Power Dev Corp
Status	Land survey ongoing, forest clearance yet to start	Mining lease granted, production started but company facing internal problems now	Resistance from local population	Mining plan not submitted by WBPDCL

Total 15 mines from Jharkhand were reallocated. Rest are operational mines but not producing; other upcoming mines face erroneous maps, dispute over land and non-payment of mine value by new winner of the coal block

WORLD'S LARGEST COAL PRODUCER KEEPS ADDING TO GLOBAL SUPPLY GLUT

Coal India, the world's No.1 producer of the fossil fuel, posted Friday results that show its annual output climbed 8.6% to 536 million metric tons in the year ended March 31.

While the state-owned miner missed its production target for 2014-15 by nearly 2.5%, its offtake also rose by 8.8% during the period.

According to India's coal minister, Piyush Goyal, the company's output was the highest almost three decades.

Coal India's production increase is in line with the firm's goal of reaching a target of 1 billion tonnes a year by 2010. In total, the country aims to generate 1.5 billion tonnes of coal within four years to power its economy and reduce imports, with the remaining 0.5 billion produced by private companies.

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However, only a handful of companies that won the right to mine coal for their power plants last year have begun production as they struggle to recover their costs, while the ministry delayed last month plans to open up commercial mining to private firms because of weak demand and weak coal prices.

Earlier this week, analysts such as Platts Coal said that record-low natural gas prices and high inventories are expected to keep a lid on thermal coal prices until at least the second half of 2017.

COAL INDIA PINS HOPES ON POWER SECTOR REVIVAL FOR MASSIVE EXPANSION

Despite record coal production in 2015-16 and comfortable stock levels at thermal power plants, the government will further ramp up coal output as the expected turnaround of distressed power distribution companies will likely lead to higher coal demand for electricity generation, said coal secretary Anil Swarup said in an interview on Wednesday.

Accordingly, Coal India Ltd (CIL) will go ahead with its estimated capital investment of Rs.57,000 crore to boost production to one billion tonne by 2019-20, Swarup said.

In 2015-16, the state-run company produced 536 million tonne of coal, an annual increase of 8.5%. The expected growth in coal consumption from power plants which now run way below their full capacity—some at half their potential—is driving CIL's massive capacity expansion project despite the lukewarm interest bidders showed in the fourth round of coal mine auctions in December 2015, which later led to its cancellation.

Swarup said the 8.5% growth in domestic coal supply by state-owned CIL in 2015-16 has helped reduce imports by 34.26 million tonnes leading to a foreign exchange saving of Rs.28,070 crore. The gross value of coal imports declined toRs.79,378 crore in 2015-16. The country imported 182 million tonnes in 2015-16, down from 216 million tonnes in the previous year, said the secretary.

CIL's expansion plans are part of India's overall efforts to ensure energy security by cutting crude oil imports by 10 percentage points over the next six years—the country now imports 80% of its crude oil requirement—and boosting domestic production of natural gas.

Towards this goal, the government recently announced a new contractual regime of revenue sharing for oil production and offered pricing and marketing freedom for natural gas produced from existing deep-sea discoveries.

To bring more competition in the coal sector, which is currently monopolized by CIL, the government is planning to allow commercial mining and trading of coal, Swarup said.

Private companies will be given mines through auctions once the demand for coal from the power sector picks up. The ministry has already identified some blocks for auction to private entities. As an initial step, state public sector companies will be roped in for commercial mining. This will help the country have a total of 1.5 billion tonne of coal output by the end of the decade, a third of which will come from sources other than CIL.

As part of reallocating 204 coal mines, the original allocation of which was cancelled by the Supreme Court in 2014 for alleged irregularities, the government has so far auctioned 31 coal mines in three tranches. Out of 34 operating coal mines auctioned and allotted, nine have started production and have registered about five million tonne output.

'MINING LAWS NEED TO BE PRACTICAL'

The future of the mining industry can only be in sustainable mining, where a very balanced and multi-disciplinary approach will have to be maintained. Miners can no longer work solely for their profits like they did in the past. They will have to look at infrastructure and make sure that the common man is not burdened, the environment is protected and the damage done is minimal, Pedrito Fernandes, a geologist and iron ore consultant with four decades of experience to his credit, said on Friday during his presentation on 'Mining in Goa: The Road Ahead' at the 4th Advocate Luis Caraciolo Memorial Lecture 2016.

Fernandes began his presentation with an overview of the mining industry, digging into its history, right from the time the French, Dutch and British conducted exploration in the state. In the 1950s mineowners travelled by train to Kalem and walked to the mines. That was also the time when mining operations involved the use of crowbars, pickaxes and bamboo baskets, he said.

On the present situation, Fernandes said that over exploitation of public infrastructure that took place during the boom period 2005-2011 shouldn't repeat itself. He said that Goa could learn a thing or two about the mining industry in Australia which is far ahead of India in conducting pollution free operations.

If market prices are economical, iron ore production in the state could reach 18 million tons next year and 20 million tons by 2020, he predicted, adding that it could also result in a mere 6-7 million tons if the market doesn't support it.Touching upon the bureaucratic hurdles mining companies have to overcome, he pointed out that they have to deal with as many as 50 government departments for various clearances. Laws need to be practical and many need to be updated for companies to be able to mine legally. The mining crore scam figure of 35,000 crore is being wrongly interpreted and needs to be calculated based on a more scientific study, he said. Of the 89 mining leases renewed in the state, 13 are stuck because they are in buffer zones and require clearance from the Supreme Court and the Wild Life Board. Once the leases expire in 2020/2027, they will be auctioned, allowing not only Goan pioneers who have been mining since preliberation in the state to bid, but parties from outside the state, too, that is if people want mining to continue, he said. As on March 31 the state has produced five million tons and royalty to the tune of 36 crore has gone to the state, he said.

GEMCO KATI

RARE EARTHS MMI FLAT, INDIA TO AUCTION MINING BLOCK

The Rare Earths MMI was flat at 16 this month, continuing to trade in the narrow band we've seen it vacillate in since 2012.

Apparently, a rising tide does not always lift all boats as Rare Earths bucked a price increase trend that touched all the metals we track this month. Stable supply from China ever since export quotas were lifted could either be blamed or thanked for the price stability, depending on which side of the buying fence you're on. Substitution is also a factor, as less-tracked REs such as scandium are being used in alloys by more multinationals such as Airbus.

No major supply disruptions have materialized in the last few years and elements such as niobium and neodymium have appeared to be more price stable than their publicly traded, base-metal cousins. The only thing that could be construed as affecting rare earths this month was the announcement that the Indian government, quite cautiously, might open up a few RE mining blocks to companies sometime later this year.

According to a senior official in the Mines Ministry, the Indian government is looking at at least one rare-earth deposit in the central Indian desert province of Rajasthan to be put on the block, on an experimental basis, to widen the number of rare-earth miners in the country and ramp up production to pose a challenge to China, the undisputed top global supplier of REs.

State-owned Indian Rare Earths Limited is currently the sole miner and producer of REs in India, and it has joint ventures with Toyota Tsusho for production of mixed rare earth chloride.

The new supply would be welcome, if not entirely necessary right now, to companies that produce motors, magnets, light-but-strong structural steel and other RE end uses. Prices are so low right now that even Japan, which famously dealt with a de facto Chinese RE embargo in 2010 and 2011, is seeing its leading domestic RE producers pull back or abandon production entirely.

In February, Showa Denko President Hideo Ichikawa hinted at a further overhaul of its RE metals business, raising the prospect of either merging with another company or just getting out of REs entirely.

While our other prices have risen, it's still a great time to be an RE buyer and this most niche of markets shows little to no sign of catching up with the pack

INDIA TO RELAY ON STATE MINERS TO MEET COAL TARGET - MINISTER

India will meet its target of doubling coal production by 2020 without the help of private miners, the country's coal and power minister said, ruling out new measures to entice cash-strapped companies to begin mining the commodity.

India wants to produce 1.5 billion tonnes of coal by 2020 to power its economy and reduce imports.

State-owned Coal India Ltd, the world's largest coal miner, has raised production in line with reaching a target of 1 billion tonnes a year within four years and the government wants private miners to produce much of the remainder.

But only a few companies that won the right to mine coal for their power plants last year have started production as they struggle to recover their costs, while the ministry this month delayed plans to open up commercial mining to private firms because of weak demand and depressed coal prices.

Piyush Goyal, India's power and coal minister, told Reuters that state-owned companies including power producer NTPC Ltd, Steel Authority of India Ltd and National Aluminium Co Ltd would instead pick up the slack by expanding their own mining operations.

"That target I will meet even if (private companies) don't come in," he said in a interview on March 23.

"In the days to come I'll be auctioning out more mines. I've already got my plans in place."

NTPC is on course to produce 300 million tonnes alone by 2020, said Goyal, a former investment banker.

India's success in boosting its coal output after years of missed production targets has been central to Prime Minister Narendra Modi's energy policy.

Despite environmental worries, India plans to continue to depend on burning coal to provide power for its 1.3 billion people, some 300 million of whom still lack access to electricity.

The government last year auctioned off captive mines, sites already near end-users such as power plants, to private firms such as Hindalco Industries Ltd and Adani Power Ltd.

But most companies have not begun mining and have warned that rules prohibiting them from passing on rising costs to end-users make it tough to recover their costs after aggressive bidding during the auctions.

Goyal, however, said he would stick with the current system.

"These coal mines were given out by a system where the price benefit would go out to the people of India. It was a transparent bid by independent people without any compulsion to bid any price," he said. "They bid and they got it."

While Indian demand for coal has been lower-than-expected, Goyal said a major reform of indebted electricity distributors would soon free these utilities to start buying more power, boosting demand for coal.

Total investment into India's energy sector reached around $50 billion this financial year, he said, with roughly the same level expected next year as the government tenders new wind and solar projects and upgrades transmission lines.

'STRATEGY IS DEAD' AT THE WORLD'S BIGGEST MINING COMPANIES

Chilean mining group Antofagasta reported its annual results on Tuesday morning and to say that things aren't good would be an understatement. Profits dropped 83%, revenues tanked by 34%, and the company cancelled its final dividend for the year.

Antofagasta's results are indicative of the mining sector right now, which is in the midst of a huge period of turmoil thanks to the crashing commodity prices.

The price crash is being driven by slowing demand from China and massive supply gluts for many raw materials.

It has forced many commodity firms into big structural changes, withAnglo American cutting more than 10,000 jobs and frantically restructuring its business in the hope of remaining profitable.

In a note titled "The Hangover Part II", Chinese firm Haitong Securities revisits several calls it made in late 2015 - before earnings season - on the state of the commodities sector, and particularly five large firms; Rio Tinto, BHP Billiton, Anglo American, Vale, and Glencore.

But perhaps the most interesting call it makes in the note is this - strategy at major commodity firms is dead.

Essentially, Haitong's analysts believe that the situation is so bad for commodity firms right now that they've had to throw out any long term plans, in favour of simply surviving until things start to pick up again in the industry. They're doing nothing but trying to keep their heads above water by ensuring balance sheets are protected.

Here's what Haitong analysts Andrew Keen, Mathew Fearnley, and Nick Mellor have to say (emphasis ours):

Strategy at the majors is dead, for now. Still the case, or more accurately strategy has narrowed into balance sheet protection. RIO and BHP have slightly better balance sheets, but face a strategic "Catch 22": they have room for acquisitions only if markets continue to improve, a scenario that is unlikely to force tier 1 assets out of peers. Glencore looks like the only active dealmaker (as a seller of assets) in 2016, while Anglo looks like running a jumble sale for the next six months. Vale's move to align itself with Fortescue Metals Group (FMG) looks full of hurdles.

Other calls made in the initial note, released in October, and titled "The Hangover" included:

Rethinking capital allocation - Haitong says that this has largely been achieved, citing dividend cuts implemented across the board as evidence.

The industry is suffering a capacity hangover - This is still true, Haitong says: "Despite the very poor sentiment at the beginning of 2016, much of it driven by China, the fundamentals of key commodity markets were simply not that bad."

The cycle of capital expenditure is "unwinding" - Haitong says that this unwinding has been even more pronounced than expected. Capex at miners fell by 34% in 2015, and will fall another 25% in 2016, according to the securities firm. Both numbers are higher than previous estimates.

Alongside the note, Haitong has announced downgrades in their ratings to three of the world's largest miners, cutting Glencore and BHP Billiton from Buy to Neutral, while also cutting Anglo American to Sell. That means that only one of the five commodity giants covered by Haitong's note - Rio Tinto - still has a buy rating on its stock. That's a pretty damning indictment of the sector.

GOVERNMENT MINERS TO INITIATE COMMERCIAL COAL MINING IN INDIA

The federal Coal Ministry had identified 12 coal blocks that would be allocated to a number of mining companies owned and operated by provincial and federal governments, with freedom for merchant coal sales to various consumers without any end-use restrictions. According to a Ministry official, the federal government, through its Geological Survey of India, had completed preliminary explorations of the 12 coal blocks, while it would be incumbent on the various mining companies to undertake detailed exploration, post allocation of the blocks. He said that for the first time since the nationalisation of coal mining in 1973, a miner other than one owned and operated by India's central government would be entitled to undertake and supply coal to users on a commercial basis. However, the government was silent on opening up commercial coal mining to private companies, which were currently only permitted captive mining for own consumption. Simultaneously, the government was considering the option of earmarking at least a few of the 12 coal blocks for specific supplies to companies in small- and medium-scale sectors. However, coal supplies to the latter would only be on commercial basis. This was in response to a large number of coal user industries, such as small- and medium-scale sponge iron producers, claiming that they did not have the wherewithal to compete with large industries in securing coal supply linkages through competitive bids, as had been made mandatory by the government, scrapping discretionary supply agreements with CIL. The official said that the blocks would be allocated to various government miners on a 'nomination basis'

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and that the process would be completed within the next two to three months. However, a section of the sponge iron producers pointed out that despite allocating coal blocks for commercial mining, there was no clarity yet on the pricing to be adopted by these miners for supplies made to small- and medium-scale industries. Coal supplied by CIL had a dual pricing strategy; one at a notified price to thermal power plants and the other at a price discovered through bidding for coal supply linkages. The government had not enunciated any pricing formula for the new commercial miners and clearly price based on bids for supplies had been ruled out, as specific blocks would be earmarked for small- and medium-scale consumers to free the latter from competitive bids for supply linkages. It is worth pointing out that CIL did not get into direct supply arrangements with small user industries and instead these industries were catered to by small coal traders.

AUSTRALIAN PAPER SAYS THIESS PAID BRIBE TO GET MINING CONTRACT IN INDIA

An investigative report by The Sydney Morning Herald has found that Australian mining major Thiess paid bribe to National Thermal Power Corporation (NTPC) and the ministry of power to secure a coal mining contract in India in 2008.

The report titled 'How one 'fixer' earned $2.2 billion over 20 years from Australian company Thiess' has named Syam Reddy, a Hyderabad-based mining contractor who "offered as much as $16 million in bribes to officials in order to have the contract awarded to Thiess".

Incidentally, Reddy was recently charged with land and money-laundering cases by the Enforcement Directorate.

The coal block in question is Pakri Barwadih in Jharkhand, which was secured by NTPC through government allocation for sourcing coal for its power plants in 2008.

When contacted by Business Standard, an official spokesperson of NTPC said no such contract was awarded. NTPC is India's largest coal-based power generating company.

Towards the end of 2010, Thiess was awarded a $6-billion contract to mine for coal, the Australian newspaper reported. "Under the deal, Reddy would use his influence to help Thiess secure the coal contract. In return, Thiess would give a Reddy company work at the mine, which would earn him $2.2 billion over 20 years."

Adding: "Twelve days after signing the Thiess deal, Reddy reported that he had the first of what would be numerous meetings with officials from the Ministry of Power and senior officials from India's NTPC."

According to the report, in 2012, Thiess' auditors were worried about the "murky arrangements that had led to the company winning large contracts in Indonesia and India". It added: "Thiess asked law firm Ashurst to advise if the company or any of its executives or agents had breached the law or the company's code of ethics. Ashurst engaged Deloitte investigators to examine a trove of emails and question Thiess executives." The report quotes a Thiess manager to have told investigators that Reddy claimed he had paid Rs 1 crore to win the contract. Deloitte report has exposed a series of dealings between Reddy and Bruce Munro, the then managing director of Thiess.

"In an astonishing series of statements, Munro told the Deloitte investigators that he did not do any due diligence on Reddy when he signed the MoU (memorandum of understanding) in 2008 because things were done in a 'mad rush' and "there was something to be gained from working with this guy," the report noted.

Part of Reddy's attraction, Munro told investigators, was his 'government contacts'. "Mr Reddy sold to us that he would be able to steer us along the route of how government worked ... he was able to access the power minister just to put our case," the Deloitte report quotes Munro as saying, according to the newspaper.

"By 2014, two years after the Deloitte report was submitted, Thiess was stripped of its coal contract by the Indian government amid growing corruption concerns," the newspaper report says.

After Thiess cancelled its 'arrangement' with Reddy, the report said Reddy used his influence in the local police force to have Thiess India chief executive Raman Srikanth arrested. "Srikanth had been annoying Reddy by ensuring Thiess management in Australia knew the true nature of the company's partner."

It added: "Reddy also had arrest warrants issued for Munro and launched legal action against Thiess for breach of contract. He would later lose this case in arbitration."

According to the report, Thiess did nothing to act on the Deloitte report and "Munro remained in his highly paid job until May last year".

"Despite the bitter end to its relationship with Reddy and knowing full well his likely involvement in corruption, Thiess last month decided to give the property developer $1.3 million in order to get him to withdraw a criminal complaint to Indian police, Indian court documents show," it added.

This came just a month after India's anti-corruption agency seized Reddy's assets worth about $30 million in an unrelated bribery and money-laundering case.

INDIA CONSIDERING FEES TO TRANSFER MINING LEASES

Indian government has liberalised the transfer of mining leases following merger and acquisition activities between companies; however, it was decided that the new owner of the mining asset would be liable to pay fees to the government. According to an official, the Mines Ministry was currently working out the modalities of a levy on such a transfer. He said that while details were currently in the works, the transfer fee payable to the government would differ from case to case and the benchmark was likely to be the auction price of a similar mine in the same region. It may be noted that earlier in the month, the government introduced to Parliament an amendment to the Mines, Minerals Development and Regulation Act, seeking the transfer of mining leases from one company to another in the case of mergers and acquisitions, and with the aim of facilitating consolidation in the industry. Earlier, several proposals of mergers and acquisitions in industries such as cement hit roadblocks as the erstwhile legislation did not permit the transfer of mining leases for limestone from one company to another. The amendment, according to a statement of the Mines Minister, read: "...provided that where a mining lease has been granted otherwise than through auction and where minerals from such mining lease are being used for captive purpose, such mining lease shall be permitted to be transferred subject to compliance with terms and conditions as prescribed by the federal government". However, off the record, industry officials conceded that while the government aimed to usher in greater flexibility in the mining industry, the levy of a transfer fee payable to the government and its benchmarking to auction price would substantially increase the cost of mergers and acquisitions for mining companies. It might be recalled that Lafarge SA's Indian operations scrapped an agreement to sell its cement production units, as it was not permitted to transfer lease of its captive limestone mines to the prospective buyer under existing legislation. Similarly, Ultra Tech Cement was also forced to enter into renegotiations with buyers after government turned down permission to transfer mining leases of the latter's limestone mines. Mines Ministry officials said that the amendment was also backed by commercial banks and financial institutions as the latter would be able to seize mining assets and subsequently sell off the assets in cases of loan default by the rising number of stressed companies in the mining and mineral sectors.

SPECIAL CELLS TO CHECK EXTREMISTS-CONTRACTORS NEXUS IN MINING

States to set up special cells in a bid to prevent nexus between illegal mining contractors and extremists, who try to extort money and other resources from mining companies.

A high-level committee comprising of top officials from the concerned departments of the 12-mineral producing states and the Centre will meet early next month to discuss status on formation of such cells, a Mines Ministry notification said.

These special cells will focus on anti-extortion and anti-money laundering operations to curb links between illegal mining as well as forest contractors and extremists. States have been told earlier to form such cells and their status has to be discussed, it added.

The 12 mineral producing states are Andhra Pradesh, Goa, Gujarat, Jharkhand, Odisha, Karnataka, Chhattisgarh, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and Telangana.

A senior government official said that the issue will be taken up at the meeting of the Coordination-cum-Empowered Committee (CEC), which is headed by the Union Mines Secretary. The meeting is scheduled for the second week of April.

"States such as Andhra Pradesh, Jharkhand, Chhattisgarh, Odisha and Telangana face issues of extremists disrupting mining operations. There have also been instances were illegal miners have been found to have joined hands with extremists and the Centre wants states to prevent such issues," he added.

Such instances not only lead to a loss of revenue for the mining companies and the (state) governments, but also tarnishes the image of the states concerned in providing safety for industries, the official said.

INDIA TO INVESTIGATE CARTEL ACTIVITIES BY IRON-ORE MINERS

India's Mines Ministry has ordered an investigation into possible cartel activities among merchant iron-ore miners, following the build-up of large stocks as steel producers and pellet manufacturers face supply shortages. According to an official in the Ministry, mining advisory body Indian Bureau of Mines (IBM) had been directed to probe charges of cartel behaviour. An Investigation had started in the eastern Indian coastal province of Odisha. Several user industries have complained to the Ministry that even as stockpiles across the country had risen to some 125-million tonnes, most merchant miners were not taking any measures to liquidate the stocks at pitheads, while also reducing production in order to keep prices at auctions at a higher level than normal demand-supply dynamics would warrant. IBM has been directed to conduct an extensive study into existing stocks, levels of production over the past months, sales negotiated and offerings at auctions, and prices, as part of investigations to establish the veracity of charges of cartel activities among miners, the official said. It has been claimed by pellet manufacturers that attempts to influence prices by limiting sales volumes despite large stockpiles became rampant soon after the national budget, which did not reduce the existing 30% export tax on high-grade lumps and fines. With export opportunities limited and margins under threat from low international prices and high export tax, merchant miners had little option but to cartelise and protect domestic prices in order to protect their margins, even as fixed costs of mining operations remained the same, a pellet manufacturer with a plant in eastern India said.

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The Ministry had also directed IBM to determine the viability of imposing a minimum production stipulation on merchant miners within the overall limits set, based on the environmental conditions of respective mines. It was pointed out that under amended mining legislation, there existed provisions for the imposition of minimum production limits. .

But such provisions could be imposed only on mining leases awarded through the auction route and not on mines allocated earlier via the preferential route. IBM and the Mines Ministry was currently revisiting the legal options of imposing such minimum production limits for all mines in the case that evidence was found of deliberate under-production, the official added

WOLLONGONG COAL EXPANSION 'TOTALLY STRANDED' BY PLANNING REPORT, MINING ANALYST SAYS

An analyst says a coal company's plan to mine further into the Sydney drinking water catchment appears to be "totally stranded" by the findings of an independent body.

But Wollongong Coal has played down the Planning Assessment Commission's (PAC) most recent report, saying it has options and "the ball is in the company's court".

The commission's second review into Wollongong Coal's proposed expansion of its Russell Vale coal mine has found water and subsidence issues remain unresolved.

Tim Buckley is a director at the Sydney-based Institute of Energy Economics and Financial Analysis.

He said the commission's outcome was fair given the risks to the community were greater than the company had let on, but he held concerns about the assessment process.

"I think one of the telling things about the PAC report is they have not assessed the financial capacity of the proponent, because that's outside of their remit, but it's 100 per cent entirely within the remit of the NSW Government," Mr Buckley said.

"To me it's just a major shortcoming in the entire review process that we are wasting government and community time assessing a project for a proponent that is effectively, according to their own auditors and their own management reports, in financial distress and unable to continue as a going concern without a continued lifeline from their parent in India," he said.

"Because it's a one way bet: if the project were to go ahead, the proponent were to find funding from Jindal Steel and then something goes wrong, Jindal Steel can head back to India and leave the proponent in administration and the local community will wear the cost."

Wollongong Coal currently has no capacity to repay its debts unless it is thrown another financial lifeline by parent Jindal Steel & Power (Australia) Pty Ltd.

Its future hinges on the so-called Underground Expansion Project, to mine 5 million tonnes of coal in eight new longwalls over five years.

Wollongong Coal says it has 'any number of options'

Wollongong Coal now has an opportunity to respond to the independent PAC's findings.

A spokesman said there were "any number of options available to the company" and "the ball is in the company's court".

But Mr Buckley said the major issue was that the proponent had no capacity to remedy any damage it could cause to the catchment.

"It's ludicrous the company is still listed in the stock exchange, and for me the whole process is ludicrous," he said.

"The Government should just be assessing 'does the entity have the financial capacity to actually undertake the project, to fund the project, and to fund the environmental damage should it occur'," he said.

"They just put out a notice to their shareholders that they are issuing yet another two and a half billion new shares, because they can't afford to repay a $14 million convertible note loan that has been outstanding for more than a decade."

In those circumstances, Mr Buckley said a Russell Vale sell-off was unlikely.

"It's not a mine. There is no coal coming out of this mine," he said.

"The mine was closed six months ago, the entire workforce was sacked six months ago, so we're not talking about selling an existing operating asset, we are talking about selling a permit.

"So would someone buy a permit and spend $85 million building a new mine in this market where the coal price is down 60 per cent, where it's falling every month for the last five years and where the demand outlook is deteriorating every day?"

GVK FAMILY FAIL TO PAY RS 1,662 CRORE FOR COAL MINES IN AUSTRALIA

GVK Reddy family has failed to pay the final tranche of $560 million or Rs. 1,662 crore to the Australian billionaire Gina Rinehart-owned Hancock Prospecting, from which it had acquired the Hancock coal mines in the country for $1.2 billion in 2011.

Bankers said the coal project is "stranded" due to low crude oil prices. GVK was initially planning to invest about $10 billion for developing three coal mines and infrastructure in Australia, Business Standard reports. The Reddy family owns 90 percent stake in a Singapore-based company, which is developing the project, whereas GVK Power and Infrastructure owns 10 percent stake in the project.

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The stock of GVK Power and Infrastructure was trading at Rs 6.76 at around 2.40 p.m. Thursday, down 2.45 percent from its previous close.

Last Sunday, Indian conglomerate Adani Enterprise received approval from Australia's Queensland state government to go ahead with the proposed AUD 10 billion (US$7.7 billion/about Rs. 51,000 crore) coal project. The company won the permission to conduct mining activities in certain Australian coal reserves.

Last year, India's coal import dropped by 27 percent. Helped by an increase in the domestic production of the fuel, coal imports in India reduced to 12.6 million tonnes in September 2015, as against 17.3 million tonnes of import in September 2014, the Hindu reported.

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