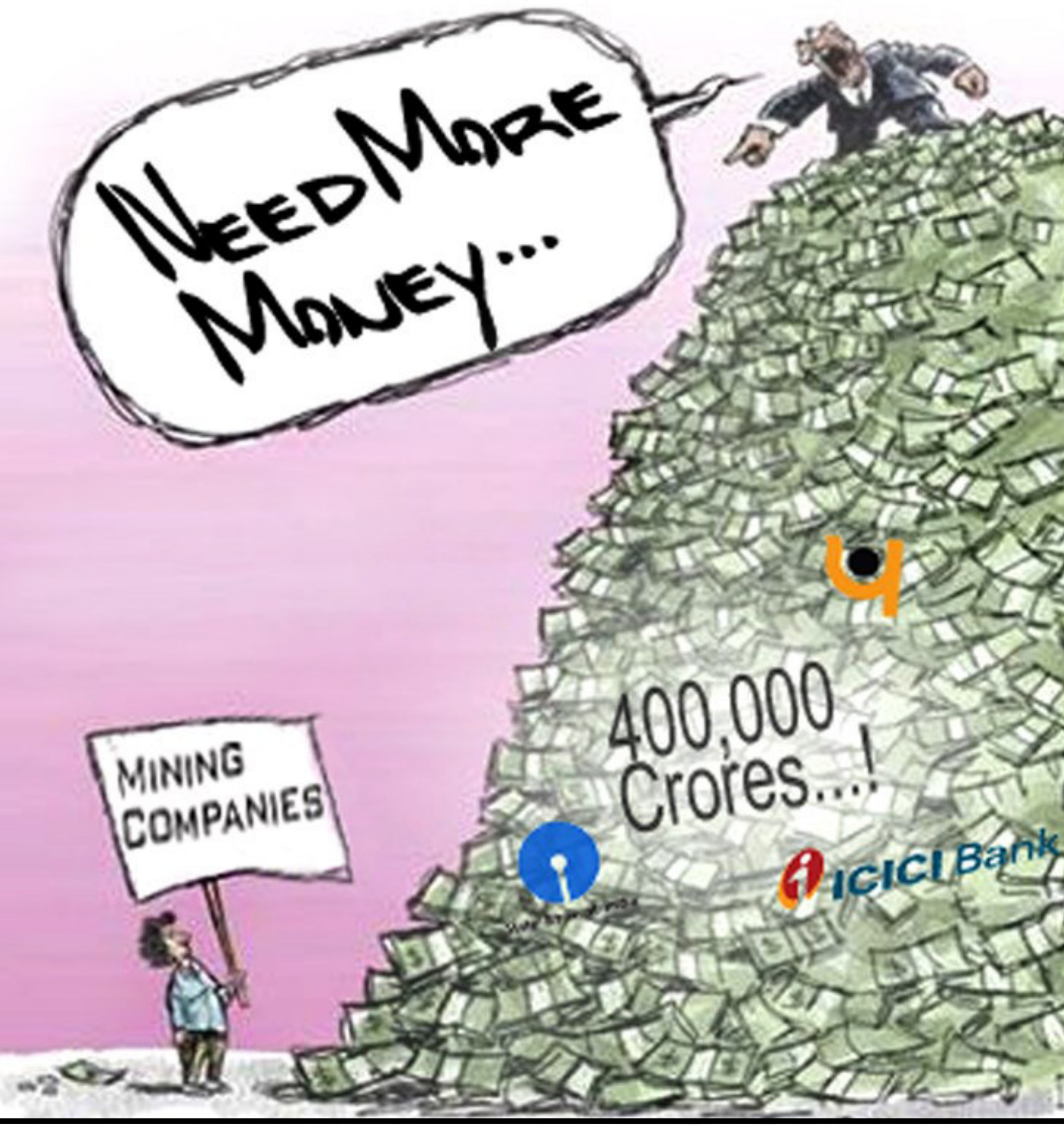
NOT FOR SALE

Geonesis

(A GEMCO KATI INITIATIVE)

Indian Mining & Exploration Updates

VOLUME 2, ISSUE 5 APRIL 2015



www.geonesis.org

Linked in /company/geonesis--a-gemcokati-company /geonesis

GEMCO★KATI

GOVERNMENT MINES RS.400,000 CRORE FROM COAL BLOCK AUCTIONS

The auction and allotment of 67 coal blocks so far has unlocked a total value of nearly Rs. 400,000 crore, coal Secretary Anil Swarup said here on Sunday. "Out of 67 blocks auctioned or allotted, a total benefit of Rs. 3,35,000 crore is for states and another Rs. 69,000 crore will be unlocked by way of tariff benefit to the consumers," Swarup said at the Coal Consumers Association of India interactive session.

Till now, 29 blocks have been auctioned and another 38 allotted to state-owned entities. Another 16 blocks will be put up for auction by the third week of April, of which 11 will be for the power sector and the rest for the non-regulated sector.

Swarup said that the government is deliberating on segmentation of industries for the non-regulated sector for allowing a level playing field. "I support the demand for segmentation of industries like sponge iron, which shouldnot be competing with cement companies and we will also not differentiate between the two companies of the same industry," he said

Replying to a question, Swarup said that the government is deliberating on further lowering the end-use investment for blocks which will come in the next two to three years. Swarup assured that none of the coal blocks is going to washeries.

Swarup said that the government would first allot the mines to companies that require coal for their own end use. Subsequently, commercial mining rights will be given to Central and state government entities after which these rights may be given to private players. "The legislation allows us, but it does not mean we do it straight away. We want to go step by step."

Swarup also said that the process for auction and allotment of the entire lot of 204 coal blocks that the government has taken up under the Supreme Court order will be completed by March 2016 in a transparent manner. The peak capacity is expected to touch 800-900 million tonnes (MT) while 500 MT of coal would be produced by 2020 to meet the 1.5 billion-tonne coal production target, he added.

REVENUE IN OF EXCESS OF RS 400,000 CRORES BUT AT WHAT COST??????

SOON AFTER President Pranab Mukherjee signed the ordinance to amend the archaic Mines and Minerals (Development and Regulation) Act of 1957, Union minister for steel and mines, Narendra Singh Tomar, announced it is a revolutionary step towards reviving the country's mining sector.

His ministry highlighted that the Mines and Minerals (Development and Regulation) Amendment Ordinance, 2015 will address problems that have been plaguing the sector for long. These include granting mineral leases in discretionary, non-transparent and delayed ways, problems in renewal of mining leases, illegal mining activities, reluctance to undertake exploration and investment in the sector, and grievance of the civil society that the mining-affected people are not cared for. But these problems are not new and ways to address most of them have long been debated by the country's intelligentsia. This includes the report of the High Level Committee on National Mineral Policy in 2006 by the Planning Commission. In 2011, the then government led by the United Progressive Alliance (UPA) introduced a bill to reform MMDR Act, 1957 which later lapsed.

So, what was the urgency behind introducing an ordinance? Is it to reform the sector, as highlighted by the mines ministry, or to give an impetus to the mining sector, by expediting and expanding mining leases? The ministry has several times acknowledged that delays in granting mining leases has been a major factor for "significant reduction in the output of the mining sector". Sources say the Prime Minister's Office has already announced a deadline of March 10 to begin the first phase of auctioning of non-coal mines.

Auction is the buzzword

The ordinance introduces a provision to grant all mineral concessions through auctioning. However, auctioning is hardly a one-size-fits-all solution.

It is the best way to allocate mineral concessions where mineral deposits can be accurately established and a proper valuation can be done. This will help the leaseholder capture the windfall profits as well as bring in transparency in the allocation process. However, in cases where mineral deposits are not properly established, auctioning can lead to problems like undervaluation of minerals, leading to lower revenue generation for the government, or overvaluation, resulting in the inability of the concession holder to meet commitments. This will lead to uncertainties in case of prospecting- cum-mining leases.

If auctioning has to be done for prospecting- cum-mining leases, it can only be done for bulk minerals, such as iron ore, bauxite and limestone that remain deposited close to the surface, and where substantial exploration work has been done by state agencies. For deep-seated minerals, which require highly specialised human and technical resources and is capital-intensive, "first-in-time" principle (whoever first applies for prospecting permit) is the most certain way of granting mineral concessions.

Revenue, but at what cost?

(Continued on page 2)...

The prime objective of auctioning is to get more revenue for the state government. While this is fair enough, focus on revenue maximisation can lead to a race to the bottom, wreaking havoc on the environment, ecosystem and people.

Consider this. Most mineral deposits in the country are located in ecologically sensitive areas. A major share of bauxite deposits are found in the hilltops of east coast states such as Odisha, while iron ore, manganese and laterite are abundant in the Western Ghats. Auction guidelines thus need to be developed to discourage mining in ecologically sensitive areas.

The ordinance has diluted the benefit-sharing provision in the MMDR Bill, which directed companies to share profits earned from minerals with affected communities

Environmental concerns increase further when one considers the kind of unscientific and inefficient mining practices the ordinance encourages. While the MMDR Act grants mining leases for maximum 30 years and allows it to be renewed for up to 20 years, the ordinance grants leases for 50 years without any provision for lease renewal. This also applies to existing mines. Worse, the ordinance puts a special emphasis on extending the mining lease of captive mines. Promotion of captive mines would only aid poor environmental performance of industries owning the mines.

Analyses by Delhi-based non-profit Centre for Science and Environment (CSE) for the cement sector in 2005 and steel sector in 2012 show that environmental performance of these sectors largely depends on the way they source raw material from their captive mines. While cement companies were reluctant to invest in proper management of mines, steel companies were hardly developing technologies for efficient use of raw materials.

Besides, captive mine allocations involve unscrupulous activities. The Supreme Court, in its August 2014 judgement on the coal scam, noted that the way in which coal blocks were allocated to private parties for captive mining was highly "ad hoc", due to which "common good and public interest suffered heavily". Given the inefficiency and non-transparency in allocation and functioning of captive mines, the government should ensure that new allocations are made through "open auction" following proper exploration of minerals.

The ordinance has done away with the provision of renewal of leases. Given that assessment and monitoring of mines are weak in India, such a provision in the MMDR Act offered an opportunity to assess the performance of mines, both in terms of productivity and environmental impact. A long lease period without any provision for periodic audit would further impact regulatory supervision.

So, a mechanism must be put in place to ensure intermittent assessment of a mine's performance. The ordinance further states that mines will be re-auctioned after the leases expire. This will discourage leaseholders from investing in progressive closure and rehabilitation of mines. The long duration of the lease will also make it difficult to estimate and establish appropriate financial guarantee to ensure that mine closure will happen. This will encourage the practice of "dig and run", adding to the burden of abandoned mines.

As per 2010 estimates by the Indian Bureau of Mines, there are 297 abandoned mines of major minerals. This does not include abandoned coal mines, which, according to a 2008 analysis by CSE, number at least 240. However, this could still be a gross underestimation of the scale of the problem. Former Union environment ministry officials acknowledge the poor documentation of abandoned mines. In December 2014, responding to a Lok Sabha question on the status of abandoned mines, the Ministry of Mines stated that there are 5,028 non-working mines and that there is no "separate classification" of abandoned or sick mines.

Writing off social contract

It is not just the environment, the ordinance also brushed aside the concerns of mining-affected communities. According to the Union Ministry of Tribal Affairs, 90 per cent Union Ministry of Tribal Affairs, 90 per cent of the 104 million poor tribal people in India traditionally live in mineral-rich forest areas. So far, no law addresses this dichotomy or directs companies to share profits earned from mining activities with the community. In 2008, CSE had initiated this equity debate, which prompted a nation-wide conversation on environmental justice in mining activities.

In 2011, the Ministry of Mines recognised the problem in the Sustainable Development Framework formulated for the mining sector by saying that "in recent decades, mining activities have resulted in little local benefit".

To undo this historical injustice, the ministry that year introduced the MMDR Amendment Bill in Parliament. The Bill specified that for mining for major minerals, the leaseholder shall pay the district mineral foundation (a non-profit body set up by the state government) "an amount equivalent to the royalty paid during the financial year" annually. For coal and lignite, it was to be an amount equal to 26 per cent of the profit after tax.

The benefit-sharing provisions have been diluted in the ordinance. Leaseholders are now required to pay not more than "onethird of the royalty" from the respective minerals, in addition to the royalty paid to the state. A back-of-the-envelope calculation shows that this will be a 20 per cent reduction in the funds made available to the community. CSE analysis shows that under the profitsharing provision of the MMDR Bill, the community would have received Rs 10,500 crore a year. Going by the ordinance, they will receive Rs 8,320 crore a year at the most.

More displacements, unrest?

The MMDR Act empowers the Centre to extend a mine lease up to 10 sq km for "development" of any mineral. The ordinance extends this discretionary power for development of an

(Continued on page 3)...

industry. With no specification on the extent to which the area can be extended, large areas can now be leased out to cater to industrial demands.

The increase in size of the mine lease area will effectively mean more displacement. An analysis by CSE shows that since the beginning of the 11th Five Year Plan in 2007, the area leased out for various mining activities can potentially displace more than 800,000 people. This is a gross underestimation as displacement- related information is not available for many projects.

Less benefit with the potential for more displacement only perpetuates the exploitation by mining companies. The distrust and anger of the dispossessed is evident in the uprisings in the forested and economically backward mining areas of Chhattisgarh, Jharkhand, Odisha and Andhra Pradesh.

Uncertainties for mining sector

Though provisions of the ordinance may help the mining sector earn short-term gains, it cannot remain immune for long.

The ordinance will hurt the sector in the long-run by limiting innovation and investments, required to ensure optimum exploration. It promotes "open sky" policy (opening up the scope of exploration) by granting non-exclusive permits, but does not guarantee any return to the investors. To ensure returns the government should adopt the "first-in-time" principle.

The ordinance has proposed setting up a National Mineral Exploration Trust, which will be created with the two per cent royalty paid by leaseholders. This will at best create a corpus of Rs 500 crore (about US $90 million). The amount will not be sufficient for exploration of strategic minerals required for electronics, renewable energy and advanced energy storage. Australia, with a similar potential of mineralisation, has an exploration budget of about US $3 billion. Limiting the scope of exploration will prompt companies to cherry-pick mineral deposits close to the surface, such as bulk minerals, and deep seated minerals, such as base metals, noble metals, rare earths, will remain unexplored.

The government needs to promote both public and private sectors for exploration works. The ordinance is also weak at curbing the numerous illegalities that plague the mining sector. These include over-extraction of mineral ore, illegal selling, export and transportation of ore; removal of ore from overburden dumps and selling them without state approval; mining outside the lease area; unscientific and unregulated practices in smallscale mines; and carrying out mining in officially closed mines.

Tackling the situation requires strengthening the regulatory institutions and mechanisms. But the ordinance calls for increasing penalties for any violation under MMDR Act, and creation of special courts for speedy trial of mining offences.

Tilting the balance?

Instead of strengthening institutions and improving governance at the state level, the ordinance allows huge scope for interference by the Centre. Though it allows the state to grant leases, the power to determine terms and conditions for bidding and auctioning remains with the Centre. The Centre will also have the power to direct the state on implementation of various provisions of the MMDR Act. This is in addition to its power to revise any order passed by the state with respect to minerals other than minor minerals. With the Centre having such overriding powers, states no longer remain equal stakeholders in mining governance.

The ordinance has failed to take into consideration the need for reforms to improve governance in the mining sector. It also undermines the spirit of co-operative federalism, much championed by Prime Minister Narendra Modi to ensure good governance. There is no doubt that our existing regulations and institutions need reforms to deliver better results on the ground. The country needs a new law and a reformed regulatory mechanism. However, the Act must be formulated not only as a mechanism for aiding mining, but to ensure a sustainable mining future, balancing the needs of people, the environment and economy.

ENVIRONMENT MINISTRY RELAXES MINING PROCEDURE

Even as the government claims of making environmental norms stricter in the near future, the environment ministry has gone ahead and relaxed the mining procedure. In a major decision that would make mining activities across the country easier, the ministry has exempted mining companies from seeking environmental clearances at the time of renewal of their leases.

"After due consideration and examination of relevant judicial pronouncements and the OMs (office memorandums) issued in this regards, it is clarified that the project proponent, which has a valid and subsisting EC (environmental clearance) for their mining project either under EIA (Environment Impact Assessment) Notification 1994 or EIA Notification 2006, will not be required to obtain a fresh EC at the time of renewal of the lease," the environment ministry said in an office memorandum issued on March 20.

Under the EIA Notification 2006 that requires prior environmental clearances for certain category of projects, the clearances for mining projects remains valid up to a period of 30 years. However, the government's latest order has come under severe criticism from environmentalists for "encouraging mining" across the country.

According to environmental lawyer Rahul Choudhary, who is contending several cases of mining in the National Green Tribunal and various high courts, such an order would spell disaster for the ecology in mining states.

Hitting out at the 30-year-long validity of an environment clearance, Choudhary said, "The clause holds hardly any sense and has no meaning in today's context when natural resources of the country are under tremendous strain. Thirty years is an unusually long period, especially for an activity like mining, which has quick and visible effects on an area's ecology."

"Even in five years, the ecology of a place alters drastically and it changes altogether in 10 years. So the ecological effects of mining need to be appraised every five years, and at the time of renewal of their leases, to ascertain whether mining in such an area is feasible or not (any more)," he said.

The latest order comes following the government reinstating environmental clearances of Goa's 72 mines, which were revoked by the UPA government in September 2012.

STATE GOVERNMENTS TO SUPPLY COAL TO SMALL INDUSTRIES

The government is cautiously gearing up to allow merchant mining to the private sector in coming days. But before going for that controversial step, the coal ministry would be testing the waters by allowing such mining to select state-government and public sector companies by allocating them some mines, which can be used to supply coal to small industries.

"We will go step by step. First auction off blocks to end users, which has happened. Then auction to state units for commercial mining. The third stage would be commercial mining by private entities. The idea of going for commercial mining in stages is that the government want to test it in a limited way and learn from mistakes before mines are given out to private sector solely for commercial purpose," coal secretary Anil Swarup said.

The step, Swarup said, would help smaller coal-using industries to get access to coal supplies which otherwise would have come to them via the coal-auction route, where coal is always sold at a steep premium to notified prices at which coal linkages happen.

"There are number of small industrial entities who can't bid for coal blocks. How do I meet their requirements? State governments are localised. If they mine along with somebody and if they, in turn, provide the linkages it would be much easier than Coal India doing it sitting at a distance." The allocations for the merchant mining would happen by June 30, he said.

Swarup defended allowing commercial mining in stages as going for it in one go would have exposed the government to committing mistakes.

"There are some economists who tell us to jump (by allowing merchant mining by private sector). But we don't want to jump and fall somewhere in between," Swarup said, adding that he doesn't subscribe to the view that private sector is more efficient in mining than public sector, and hence should be preferred in allowing commercial mining.

Coal India's former chairman Partha Bhattacharya had earlier told dna that the government would do better if efforts are be made to attract globally experienced miners who are also more likely to make sensible bids.

The state governments, Swarup said, are presumed to have the capabilities to decide on a criteria based on which linkages would be given. "The coal ministry doesn't have all the wisdom. However, if they want any guidance, we can definitely give them advice."

Another reason for making the state governments responsible for ensuring supplies to small consumers is that soon the whole process of giving away coal linkages itself would be made a competitive process to be auctioned off instead of earlier ad hoc process.

(Continued on page 5)...

"Fundamentally we felt that consequence to coal auction there is a need to bring in transparency in other activities of coal ministry including grant of coal linkages. The fundamental principle of making the whole process transparent and objective is the bottomline

. How it will happen would be decided in the course of next one and a half," Swarup said adding that a policy paper would be released by end-June.

The ministry has engaged SBI Caps to do a study on it and initial presentations have been made, he said.

GOVERNMENT SET TO ALLOW COMMERCIAL MINING OF COAL

Armed with the Coal Mines Special Provisions Bill, 2015, the government is all set to allow commercial mining of coal and state-owned entities would be the first to be allotted mines for the purpose.

"We will be allotting mines to the state entities for commercial mining of coal," Coal Secretary Anil Swarup said yesterday at a Coal Consumers' Association of India-organised interactive session.

He said that in the next phase, private entities would be assigned mines.

The Centre is in the process of allotting 204 coal blocks in a transparent manner of which 67 blocks have been allotted by either auction or on a nomination basis to state entities. To start with, the Coal Ministry is trying to allow commercial extraction of coal in mines which are already with state governments.

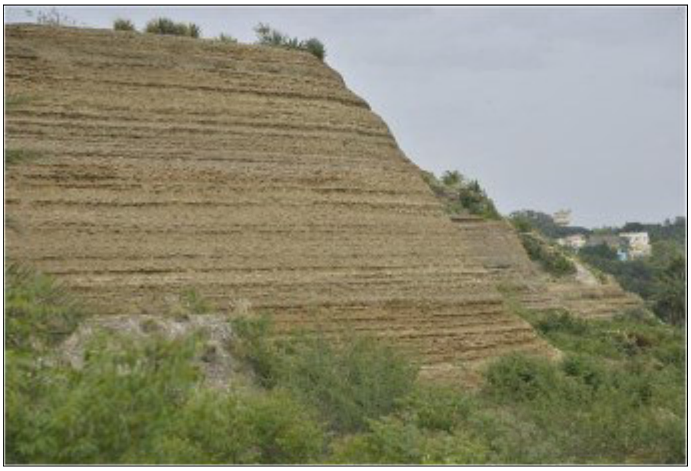
Speaking about auction of coal linkages, Swarup said the aim was for a methodology of offering linkages in a transparent manner and auction was not the only option. "SBI caps has been mandated to suggest on this and a policy paper will be ready on this by June 30," he said. He pointed out that if a company did not participate in the process or auction, it would not get the linkage. Meanwhile, Coal Consumers Association president G Jayaraman said coal linkages should be for 30 years. On a question of coal quality, Swarup said Coal India was committed toward supply of quality coal.

"Joint sampling is the way and we have prepared a schedule for coal washeries at each mine also," Swarup said.

BHARAT GOLD MINES ASSETS TO BE RE-EVALUATED

The Union Ministry of Mines has asked Mineral Exploration Corporation Ltd (MECL) and Geological Survey of India (GSI) to "re-evaluate the (gold tailing) dumps and mines" of Bharat Gold Mines Ltd (BGML).

The Ministry has re-initiated move to decide on the future of the Government-owned company in a recent review. It also sought to prioritise actions regarding the non-operational but yet to be wound up BGML.



According to sources, the Ministry decided for a fresh evaluation of its assets.

It also set in motion steps to remove administrative roadblocks and address the legal issues.

With piled up losses, the gold mining company was formally closed in 2001, and all the workers were paid off their dues.

The Union Mines and Steel Minister Narendra Singh Tomar has asked MECL and GSI, the two Government exploration agencies to undertake re-evaluation process.

Incidentally, renewal of one of the principal mining leases of BGML in Karnataka, though expired in 2013, is technically possible.

The Ministry has found out that as the application for it was made in time, under the current legal provision renewal could be had, if BGML fulfils certain conditions.

Global tender

BGML, technically a dormant entity, in the past 14 years could not get legal approval for the proposed asset sale through a global tender before formal winding up. Currently, the issues are pending before the Supreme Court. BGML, in 2012, had moved the Apex Court, after a division bench of the Karnataka High Court did not support the global tender for its asset sale and eventual liquidation.

The Ministry is now aiming to have a clear expert opinion on the realisable values of BGML's assets, such as dumps, residual deposits, land and mining lease rights.

The special leave petitions — one from BGML and the Centre as well as another from the Bharat Gold Mines United Emplyees' Association — have sought direction from the Supreme Court on the global tender proposal without conditions.

The current initiatives regarding re-evaluation of assets based on present ground realities, including the gold prices in the international market, would also help the Government to firm up its stance on the legal forms for winding up or any other possibilities.

MINING COMPANIES END WITH LOSSES ON SENSEX

As markets continued to price in impact of new mininglegislation passed by Parliament on Friday, eight of the 10 mining companies closed with losses at the equity markets. Fears of the impact of higher royalties on margins, and the higher cost to secure mining leases under the auction route contributed to share prices dropping over two per cent on an average

India's largest manganese ore producer MOIL was down 2.18 per cent. While Gujarat NRE Coke was down 1.22 per cent, NMDC was down 2.7 per cent. Coal India was marginally up, rising 0.22 per cent

The fact that mining companies will have to contribute to the District Mineral Foundation (DMF) is a negative from shareholders' perspective.

MINING STOCKS
Price in ₹

Company	Mar 20	Mar 23	% chg
Coal India	368.1	368.9	0.22
Sesa Sterlite	188.3	190.95	1.41
NMDC	131.6	128.05	-2.70
MOIL	284.05	277.85	-2.18
GMDC	116.65	115.45	-1.03
Orissa Minerals Dev	2,261.0	2,215.0	-2.03
Ashapura Minechem	71.59	70.95	-0.89
Gujarat NRE Coke	4.92	4.86	-1.22
Shirpur Gold Refinery	65.84	64.2	-2.49
Deccan Gold Mines	32.15	28.65	-10.89

Source: Exchange   Compiled by BS Research Bureau

"The contribution (to DMF) by miners granted leases before commencement of the MMDR Amendment Act will be up to an amount equal to royalty, while the same is up to one-third of the royalty payable for those granted leases after the Act comes into force," according to Edelweiss Securities' March 20 report authored by analysts Navin Sahadeo and Salvin Shah. They will also have to contribute to the National Mineral Exploration Trust.

"We expect the operating costs of integrated producers to rise on higher royalty-linked payments (both for DMF and NMET)," said a report of Barclays Securities (India) Private Limited, authored by analysts Chirag Shah and Saket Yadav.

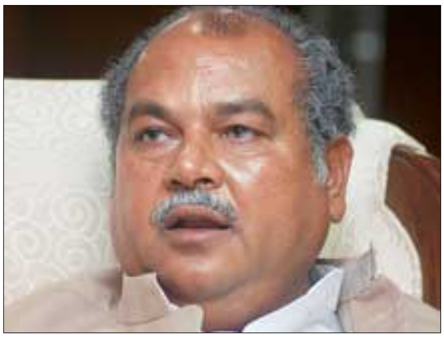
Meanwhile, some companies with a stake in the mining reforms ended with gains. This included Tata Steel, Hindalco Industries and SAIL. They were up between 0.6 and 1.3 per cent; even as the Sensex was down 0.24 per cent.

Gopal Agrawal, chief investment officer, Mirae Asset Global Investments (India), said currency movements have also contributed to the upside in some of the mining stocks. Mining stocks tend to move in line with commodity prices. "The dollar index is down two per cent because of which there has been a positive impact on commodities, which are up between two and five per cent, since the close of markets on Friday. In the case of some of the players with mining leases, the new regulations have provided clarity that they would continue to have their mining leases for an extended period of time," he said.

"It could be short-covering. Some of these companies had been trading at one-year lows till last week," said G. Chokkalingam, founder, Equinomics Research and Advisory. The longer term outlook remains positive for the mining sector as a whole, said experts.

MINING RIGHTS TO BE AUCTIONED FOR FIRST TIME, SAYS TOMAR

Union Mines Minister Narendra Singh Tomar said on Friday mines of as many as 10 minerals, including iron ore and bauxite, will be auctioned for the first time under simplified and transparent rules to attract investment in the sector. With the Parliament approving the Mines and Minerals (Development and Regulation) Amendment Bill, 2015, the government expects that allocation to become transparent and corruption to stop, he said.



Tomar said exploration would get a big boost with the new law and mines will be allocated through e-auction, similar to the process used for allocating coal mines. "Mines of 10 major minerals, coming under the Central government, will be allocated only through auction now," he said.

"This will bring in much needed transparency in the allocation process and kick-start the mining sector which was languishing for want of clear guidelines," said Chandrajit Banerjee, director-general, Confederation of Indian Industry (CII).

India was once the world's third-largest exporter of iron ore, but is importing heavily now after court-ordered action against illegal mining in states such as Goa and Odisha, etc.

The Bill, which replaces the Mines and Minerals (Development and Regulation) Amendment Ordinance, 2015 promulgated on January 12, 2015, amends the Mines and Minerals (Development and Regulation) Act, 1957.

The Mines and Minerals (Development and Regulation) Act, 1957 regulates the mining sector in India and specifies the requirement for obtaining and granting mining leases for mining operations.

(Continued on page 7)...

While the current law provided for a mining lease of a maximum 30 years and a minimum of 20 years, which could be renewed for another 20 years, the new Act provides for a 50-year mining lease.

"The long tenure of licences of 50 years and well defined Centre-state powers, provided in the MMDRA Act, will help build industry confidence in the process and attract investments," said Banerjee.

On expiry of the lease, instead of being renewed, the leases shall be put up for auction, as specified in the Act.

The Bill provides that the Central government might reserve particular mines for a specific end-use and allow only eligible end users to participate in the auction.

Tomar said the Bill provides for the creation of a District Mineral Foundation (DMF) for the welfare of persons in districts affected by mining related operations.

Licensees and lease holders shall pay the DMF an amount not more than one-third of the royalty.

A National Mineral Exploration Trust (NMET) shall also be established by the central government for regional and detailed mine exploration. Licencees and lease holders shall pay the NMET two percent of royalty.

31 MAJOR MINERALS TO BE NOTIFIED AS MINOR MINERALS

The government has decided to notify 31 major mineralsas minor ones, Mines Minister Narendra Singh Tomar said. "This is being done to devolve more power to the states and, consequently, expedite the process of mineral development in the country," Tomar said, speaking on the sidelines of the 54th meeting of the Central Geological Programming Board (CGPB).

State governments are allowed to make rules to regulate the grant of quarry leases, mining leases or other mineral concessions in respect of minor minerals. "These 31 minerals account for 55 per cent of the total number of leases and nearly 60 per cent of the total leased area," stated the ministry. The minister said to strengthen the mineral inventorydatabase, the government was planning to notify public sector undertakings for prospecting.

According to the recently promulgated Mines and Minerals (Development and Regulation) Amendment Ordinance, the government can grant non-exclusive reconnaissance permits for any mineral.

Reacting to Goa miners' demand to reduce the export duty, the minister said the coastal state's case was different from that of other states and there should be a distinct policy for Goa . "We have made a presentation to the finance ministry regarding this," he added.

Earlier, there were 24 listed minor minerals such as building stones, gravel, ordinary clay, ordinary sand, and limestone used for lime burning and boulders, among others. The total number of minor minerals will now become 55. The 31 minerals to be added to the list include agate, ball clay, barytes, calcareous sand, calcite, chalk, China clay, clay (others), corundum, diaspore, dolomite, dunite/pyroxenite, felsite, felspar, fireclay, fuschite quartzite, gypsum, jasper, mica, quartz, sand (others) and shale.

CANCELLING OF JPL BID, GIVING MINES TO COAL INDIA WRONG: DELHI HC

The Centre's decision to cancel the bid of Jindal Power Ltd (JPL) for two Chhattisgarh coal mines by annulling the tender process and alloting them to Coal India Ltd (CIL) is "prima facie wrong", the Delhi HC said on Thursday. "This does not smack of fairness," a bench of Justices Badar Durrez Ahmed and Sanjeev Sachdeva said in response to additional solicitor general (ASG) P S Narasimha's argument that the coal ministry had the right to take the decision. "The more we look into it, the more we feel there should be an interim order. We are not impressed," the HC said in response to the ASG's arguments opposing any such order, directing him to take instructions on what order could be passed and inform the court on Friday.

The HC also did not agree with the ASG's argument that the tender was annulled as the bid had not inspired confidence, saying, "You are not alleging anything, but you are killing them." It also said that in the petitions challenging the two-phased auction in which 50% bidders are eliminated, the Centre had said there could be no cartelization but it was arguing here that the system of auction was operated by the bidders.

The HC also gave adverse observations on one of the reasons given by the coal ministry to annul the tender process that comparing the price fetched in auction of other mines for power sector, the highest bid for Gare Palma IV2 and IV3 in Chhattisgarh did not reflect fair value. "This is like comparing apples to oranges," the HC said.

MINERAL-RICH STATES IDENTIFY 200 MINES FOR AUCTION

Mineral-rich states such as Jharkhand and Odisha have identified about 200 mines, including 12 iron ore and 168 limestone blocks, that can be auctioned once the Centre finalises rules for the bidding process.

The development comes against the backdrop of government auctioning 33 coal blocks so far to garner about Rs 2 lakh crore.

Parliament passed the Mines and Minerals (Development and Regulation) Amendment Bill, 2015 last month, paving the way for auction of mine-bearing minerals like iron ore, bauxite and limestone.

These 200 mines are mainly concentrated in Rajasthan,

(Continued on page 8)...

Jharkhand, Madhya Pradesh, Chhattisgarh, Karnataka,Gujarat and Odisha, a mines ministry official told PTI, adding auction process by the states might begin in June.

The ministry has asked the states to furnish the list of mines, functional and non-functional, mineral wise and clearance wise with their present status, the official added.

The Centre has formulated draft regulations for mines' auction, on which it would seek views of states soon.

The Mines and Minerals (Development and Regulation) Amendment Act, 2015, empowers the Centre to prescribe terms and conditions and procedures for bidding which include production sharing or royalty payment or a combination of both.

Earlier this week, steel and mines minister Narendra Singh Tomar had said, "Since mines is a state subject, auctioning of mines will be conducted by states in which the role of the Centre would be limited to framing the rules to be followed in the process."

Tomar has also said the states will not require approval from the Centre for auction of mines and if they desire they can set aside mines for their PSUs.

He has added that as many as 10 minerals will be auctioned for the first time under simplified and transparent rules to attract investment in the sector.

The government has roped in investment banker SBI Capital Markets to suggest rules for auctions as well as bidding parameters.

The government is also contemplating to rope in PSUs like SAIL and NMDC in the process of exploration of mines in addition to the Geological Survey of India.

SINGARENI COLLIERIES EYES BUYOUT OF OVERSEAS MINES

Backed by robust growth during 2014-15, the State-owned miner Singareni Collieries Company Ltd has charted out expansion plans within India, while scouting for possible buyouts overseas.

The mining company is in the process of inviting global expressions of interest for buyouts and expects to come out with its plans by the second or third week of April.

Singareni has produced 52.54 mt of coal during 2014-15 to achieve its revised target of 52.50 mt and register growth of about 4 per cent over its 2013-14 output of 50.47 mt.

Coal despatches were up 10 per cent at 52.66 mt as against 47.94 mt for the pervious financial year.

N. Sridhar, Chairman and Managing Director of Singareni Collieries, said the global coal industry is passing through a phase of downturn and it was the right time to consider a buyout. "As a coal mining company with over 100 years of experience, we are now gearing up to play a much bigger role both within the country by taking up new mines in other States, but also scouting for buyouts of mines with a capacity of about 5 mt in Africa, Indonesia and other possible locations," he said.

Coal production during the fourth quarter of 2014-15 was up at 17.29 mt, the highest ever recorded in any quarter by the company, registering an increase of 5.7 per cent.

The company's gross turnover for 2014-15 was up 19 per cent at Rs 14,083 crore, as against Rs 11,870 crore for the previous financial year. The miner contributed Rs 3,748 crore towards royalty, sales tax, and other levies as against Rs 3,212 crore in the previous year.

Singareni has begun the process to take up exploratory studies of Bayyaram Mines in Telangana for a possible foray into iron ore mining.

Sridhar said the company, which is setting up a 1200 MW thermal power plant at Jaipur, expects to commission both the units possibly by December 2015 and thereafter take up expansion by setting up another unit of 660 MW.

"We have identified 17 new coal mines and expect to begin work on them in a phased manner. Having secured nod for some mines in other States, work will also begin on them this year," he said.

ENVIRONMENT MINISTRY LIFTS GOA MINING BAN MINISTRY LIFTS GOA MINING BAN

The environment ministry on Tuesday revoked a three-year-old order that resulted in a ban on mining in Goa, paving the way for resumption of iron ore extraction in the coastal state. The move comes amid a slump in commodity prices to a 12-year low, slackening demand and a global glut in iron ore, muting industry reaction to the possible resumption of mining and exports. In 2012, then environment minister Jayanthi Natarajan had suspended environmental clearances for 93 mining leases in Goa after a commission headed by former Supreme Court justice M.B. Shah submitted a report highlighting rampant illegal extraction of the raw material in the state. The move brought iron ore mining to a halt in the state, where irregularities in mining, inaction, abuse of law and regulations were estimated to have .

(Continued on page 9)...

contributed to a Rs.35,000 crore mining scam. "We have decided to lift the abeyance of mines in Goa by following all Supreme Court directives," environment minister Prakash Javadekar said on Tuesday, adding that the suspension of mining in the state had resulted in unemployment and loss of income. "We have cleared the last hurdle for resumption of mining. It is up to the (mining) industry now," Javadekar said.

The Goa government will have to decide the ore extraction limits for individual miners so that total mining does not exceed the cap of 20 million tonnes (mt) set by the apex court for all output in Goa, Javadekar said. In April 2014, the Supreme Court lifted the ban on mining but ruled that iron ore extraction would require clearances by the environment ministry and approval from the state government. The court set a cap of 20mt a year. Goa chief minister Laxmikant Parsekar said the mining industry will resume operations immediately. He also said he would request the central government to abolish export duty on the ore with low ferrous content and reduce that on ore with high ferrous content. The global iron ore surplus will more than double to a record this year as low-cost producers keep on expanding, according to a report last month by Australia and New Zealand Banking Group Ltd, which cut price forecasts as much as 30%. At a time when iron ore prices are languishing, miners are not in a position to export the raw material for steel, especially when they have to pay an export duty of 30%, said Ambar Timblo, managing director, Fomento Resources. Timblo said Goa iron ore is not consumed in India because of its low quality. "Since the only market available to the miners is the export market, you cannot just remove a suspension and expect the situation in Goa to improve," he said.

Good quality iron ore is said to have around 62% ferrous content. The iron ore grade produced in Goa has a ferrous content of 55%. Many companies may not be operationally ready to resume mining following the move by the environment ministry, said M.V.S. Seshagiri Rao, joint managing director and group chief financial officer at JSW Steel Ltd. P.K. Mukherjee, a former chief executive officer at Sesa Goa Ltd, which is now the iron ore division of Sesa Sterlite Ltd, said, prices have fallen to a level at which no miner would produce iron ore, coupled with the taxes and duties that exports entail,

Also, Mukherjee added, the state has not succeeded in selling the inventory which was put up for e-auction a year back. Out of a total of 15mt put up for sale, only 5mt were sold. "It is a completely wrong move and brings us back to square one. It will start the same story again...We will approach court again against it and we may have to rush because miners here are in hurry," said activist Abhijit Prabhudesai of non-governmental organization Rainbow Warriors. No study has been undertaken to assess environmental impacts of mining. since clearances were suspended, he added.

Goa is India's third-largest iron ore mining state and produced about 45-47mt of the mineral prior to 2012, when the Supreme Court upheld a ban imposed by the state government after activists made allegations of environmental degradation and illegal mining. The state has around 95 iron ore mines that produce iron ore fines (powdery iron ore), sold mostly in China where steel mills have the technology to mix Goa's cheap, low-grade fines with expensive high grade ores from Australia and Brazil to create a cheap blend for their blast furnaces.