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Indian Mining & Exploration Updates

VOLUME 5, ISSUE 4

MARCH 2018

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GOA JUDGEMENT: A BLOW TO INDIA'S MINING IMAGE

According to the Fraser Institute Annual Survey of Mining Companies 2016 report, India stands among the bottom 10 countries (97th rank out of 104) in the area of Investment Attractiveness Index, next to Afghanistan, Zimbabwe and Mozambique.

Our Frequent mining bans and restrictions on ore production has pushed India out of the top 91 countries rated on the basis on investment potential in mining.

The mining lease renewal judgment by the Supreme Court on Goa will have a far-reaching impact not only on the state, but on India's image as an investment destination as well. When Piyush Goyal took charge of the ministry of mines in July 2016, he announced to work towards raising the mines and minerals sector's contribution to the country's GDP by an additional 1% in the next 2-3 years.

But, on the contrary, the share came down from 2.2% to 2.1% in FY18. According to the Fraser Institute Annual Survey of Mining Companies 2016 report, India stands among the bottom 10 countries (97th rank out of 104) in the area of Investment Attractiveness Index, next to Afghanistan, Zimbabwe and Mozambique.

China is ranked 54th, much ahead. One of the major reasons for the poor score is the perception about India's policy factors that affects investment decisions, which include uncertainty concerning environmental regulations, regulatory duplication, the legal system and taxation regime, socio-economic and community development conditions, trade barriers, political stability, etc.

These parameters are captured in the Policy Perception Index of the Survey, in which India ranks 84th out of 104 countries. The international perception about India's mining industry and its attractiveness is definitely going to be maligned further from the recent incidence of Goa.

India might have flared nicely in terms of improvement in Ease of Doing Business, but the restrictions put by the legislative system on mining industry in the form of cap on iron mining (in Goa and Karnataka), high export duty, permission for export (of iron ore from Karnataka) are sending negative message against the so-called Ease of Doing Business. The latest Supreme Court order to wind up iron ore mining in Goa can send chills down the spine of any entrepreneur.

For the last five years, FDI inflows to India have grown every year, thanks to efforts by PM Narendra Modi, and FY17 witnessed the highest inflow of $43,478 million. But the mining sector could attract only $56 million in FY17. Mining is still carried out a in a dated method and it needs high-end technology and equipment to increase extraction, productivity, safety and surveillance. For that, India badly needs FDI in mining. But who will invest when the very ownership can be snatched away on just a month's notice?

Mining is capital-intensive. To meet domestic demand for iron ore, India requires 437 million tonnes by 2030-31, as per the National Steel Policy 2017; it's 240 million tonnes more than current levels. India needs Rs 36,000 crore investments to augment iron ore supply to meet this demand. With the banking sector plagued by NPAs, it'll be difficult for serious players to raise funds to develop mining assets. At a time when the ministry of mines is redrafting the National Mineral Policy and the ministry of steel is aiming at having 300 million tonnes steel capacity, such developments put a big question mark on the authenticity of the numbers and the plausibility of delivering those.

Iron ore from Goa is mainly exported to China and Japan; this requires enormous efforts to establish confidence on timely and regular supply of material as the production and raw material procurement plan cannot be changed frequently. Goa miners could re-establish that confidence following the three-year-long mining ban, which is again at stake now. Such an incidence can tarnish India's image as a reliable supplier, which may impact export potential.

When India's growth story is marred by shrinking job creation, a complete halt of mining at a short notice can make thousands of people jobless. There will be huge losses to the national exchequer in terms of royalty and other taxes, while loss of forex is estimated at $600 million from Goa alone. It's time the government realises that to make 'Make in India' happen, 'mine in India' is a must. But the way India's mining sector is being intervened by the judicial system, days are not far when the manufacturing industry will lose its competitive advantage of secured supply of minerals.

GOVERNMENT OPENS COMMERCIAL COAL MINING TO PRIVATE COMPANIES, COAL INDIA MONOPOLY TO END

Following nationalisation by late Indira Gandhi in 1973, only state-owned CIL was allowed to sell coal. The state-owned entity currently accounts for over 80% of domestic coal output.

In a major 'reform' in the coal sector since its nationalisation in 1973, the government on Tuesday allowed private companies to mine the fossil fuel for commercial use, ending the monopoly of state-owned Coal India Ltd (CIL). Currently, private sector is allowed coal mining for captive use only.

The opening up of commercial coal mining for the private sector is the most ambitious coal sector reform since the nationalisation of this sector, Coal and Railway Minister Piyush Goyal said while briefing the media on the decision taken in the Cabinet meeting, adding that big, medium as well as small mines would be offered to private companies for mining.

The reform, Goyal said, was likely to bring efficiency into the coal sector by moving away from the era of monopoly (of CIL) to competition and lower power tariffs. He said the move will lead to higher investments and create lakhs of direct and indirect jobs.

"It will increase competitiveness and allow the use of best possible technology into the sector. The higher investment will create direct and indirect employment in coal bearing areas especially in mining sector and will have an impact on economic development of these regions," the minister said.

The decision was taken by the the Cabinet Committee on Economic Affairs (CCEA) under the chairmanship of Prime Minister Narendra Modi.

The CCEA has approved the methodology for auction of coal mines/blocks for sale of coal under the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957, the coal ministry said in a statement.

Following nationalisation, only state-owned CIL was allowed to sell coal. The state-owned entity currently accounts for over 80% of domestic coal output.

Opening up the sector will also lead to energy security through assured coal supply, accountable allocation and affordability, he added.

The methodology gives highest priority to transparency, ease of doing business and ensures that natural resources are used for national development, the statement said.

"The auction will be an ascending forward auction whereby the bid parameter will be the price offer in Rs/tonne which will be paid to the State Government on the actual production of coal. There shall be no restriction on the sale and/or utilisation of coal from the coal mine," it said.

The move will lead to energy security as 70 per cent of country's electricity is generated from thermal power plants, the statement said, adding that this reform will ensure assured coal supply, accountable allocation of coal and affordable coal leading to affordable power prices for consumers.

"As the entire revenue from the auction of coal mines for sale of coal would accrue to the coal-bearing states, this methodology shall incentivise them with increased revenues which can be utilised for the growth and development of backward areas and their inhabitants including tribals," the statement said, adding that the Eastern states will be especially benefited. West Bengal, Odisha, Jharkhand, Chhattisgarh, and Madhya Pradesh are the major coal-bearing states. India is believed to have reserves of 300 billion tonne of coal.

Goyal said the move would help ramp up domestic production and reduce dependence on imports, which in turn will save the country precious foreign exchange. The move will also help in bringing down power tariffs, he said.

When asked how the move would impact Coal India, Goyal said competition would help the state-owned miner.

The Supreme Court had in September, 2014 cancelled 204 coal mines allocated to the different government and private companies since 1993 under the provisions of Coal Mines (Nationalisation) Act, 1973.

To bring transparency and accountability, the Coal Mines (Special Provisions) Bill 2015 was passed by Parliament which was notified as an Act in March, 2015. Enabling provisions have been made in the Coal Mines (Special Provisions) Act, 2015 for allocation of coal mines by way of auction and allotment for the sale of coal.

COMMERCIAL COAL MINING IN INDIA: A POSSIBLE BUT NOT IRREFUTABLE GAME CHANGER

The recent Cabinet decision to open up coal mining to commercial miners, who will now have the freedom to sell coal in the open market, is an interesting development.

For decades since its nationalisation, the public sector Coal India Limited (CIL) has dominated coal production in India, producing some 82 per cent of Indian domestic coal (figures from financial year 2014-15), and becoming the largest coal miner in the world by production.

CIL is also the single largest employer in the mining sector in India, and the only one allowed to sell coal in the market (besides Singareni Collieries Company Limited or SCCL, the second-largest producer but an order of magnitude smaller in size).

With this latest development, decision-makers expect private players to bring in competition along with private investment, technology adoption and international best practices.

There are three key questions to consider with this decision:

- Is this needed? What are the specific objectives for allowing new entrants? If they produce output, is that growth or displacement of other miners? If it is the latter, will the produce by "superior" in terms of cost, environmental impact, etc.?
- Will global players want to come in? This has two main components – the opportunity (linked to point 1) and the rules of the game (linked to point 2).
- What do we need to think through to make this a success? More than just the rules of the game for coal miners, which are critical, what else matters at an ecosystem level?
- A number of these issues are complex, and the long-term future of coal demand is evolving due to energy transitions towards cleaner fuels, but immediate reactions to these three issues above suggest the need for clarity or need to take action on the below points (a non-exhaustive list):

What type of projects are planned and where?Greenfield projects take extensive time, and are also subject to process and bureaucratic challenges, especially relating to environmental clearances and land (often secondary land, not the mine itself).

- If we assume all the best mines are already producing, these are then more likely remote or higher-effort (more overburden removal) mines.
- Are the mines of the right size? Global players focus on economies of scale with large mechanisation. Their preference, if not requirement, is for mines much larger than the majority of mines India and even CIL-operated blocks.
- How prepared are the mine documents? If technical details are not clear, proper valuation is difficult, raising risks.
- What is the allocation process? The default has been auctions, but the experience of previous rounds has ranged from "irrational exuberance" to ignoring them. Even auctions have a lot of options, and the unnecessary complexity in the past has not helped (e.g., the reverse + forward bids for the power sector).
- Streamlining process bottlenecks. As of the financial year 2016-17, 34 of CIL's mining projects were delayed, mainly due to problems in getting forest clearances and land acquisition. Gathering the necessary approvals and licences from various authorities (local as well as central) will be a far higher challenge for private entities.
- Creating a level-playing field. Public sector units (PSUs) have been given allocations, and there has been another process for the private sector to bid for captive In addition to this are distortions between thermal coal for power and non-power users. If the input cost structures are different, this leaves little room for output competitiveness just on the basis of efficiency. At the extreme, it may reduce interest in mining.
- All of these issues can be considered a subject of coal pricing complexities. Regulated rate of return is one option. Markets are another. They are both justifiable and used around the world. What is much harder is when both operate together. Instead of the best of both worlds, we risk the worst of both worlds, e.g., through cherry-picking.

What about the buyer and transporter? While part of the worry about coal plants depends on power sector dynamics, issues of contracts, power purchase agreements, and linkages (Fuel Sup-

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-ply Agreements) need improvements, without which we may end up having a non-level-playing field.

- Policy consistency and removing subjectivity. Too many projects in coal and allied fields have faced commercial challenges due to what is ostensibly "change in law." Some changes are technical, leading to improved products or process, but these have a cost that ultimately is borne by some stakeholder in the value chain. Some changes are simply contractual or legislative, and at the very least, they must reflect holistic planning.

- Changing norms after the fact is contentious in India, and when this happens with commercial bids and projects often ends up in the courts. We suggest spending more time in planning, with open-ended multi-stakeholder consultation, displacing the model of execute first and details later. Like many things, the devil is in the details.

So much discussion, of course, focuses on what happens if this does not work or fails? Maybe we also need a separate discussion on what happens if it works? Schumpeter reminds us about creative destruction – maybe positive, but with its own heartache, winners, and losers.

CABINET APPROVES MOU WITH JORDAN FOR ROCK PHOSPHATE MINING

The government today said it has approved signing of the pact between India and Jordan for mining and beneficiation of rock phosphate and setting up of a production unit in the Arabian state in Western Asia.

The decision on the same was taken by the Cabinet under the Chairmanship of Prime Minister Narendra Modi.

"The Union Cabinet...has approved the signing of a memorandum of understanding (MoU) between India and Jordan for mining and beneficiation of rock phosphate...and setting up production facility in Jordan for phosphoric acid...with a long-term agreement for 100 per cent off-take to India," an official statement said.

The pact will secure consistent supply of raw material, intermediaries and finish phosphatic and potassic fertilisers to cater to the needs of the country at a reasonable price.

ORISSA GOVT INVITES BIDS FOR FIVE MINERAL BLOCKS

The state government has invited bid for e-auction of five more mineral blocks that include two iron blocks. "The government of Orissa has identified five mineral blocks – three blocks of limestone and two blocks of iron ore for e-auction and invites tenders for the purposes of grand of mining lease and composite licence," said the notification inviting tender (NIT).

The two iron blocks are Chandiposhi block with estimated 35.83 million tonne reserve and Purheibahal block with 44.04 million tonne reserve (both at Koira in Sundergarh), while the three lime stone blocks are Behera Banjipali block with 4.36 million tonne reserve in Bargarh, Garramura block with 3.88 million tonne reserve in Keonjhar and Uskalvagu block with 189.52 million tonne reserve in Malkangiri district.

Except Uskalvagu which is at preliminary exploration level i.e G3, the remaining four blocks are at G2 level. Composite licence will be granted for Ukahlvagu, while mining lease will be granted for the rest of mineral blocks, officials of the state mines directorate said, adding that the state government reserves the Chandiposhi and Purheibahal iron ore blocks for specified end users.

While the last date of purchase of tender document is April 9, last date for submission of the bid is April 16. The announcement of preferred bidders will be May 4, while the letter of intent will be issued by the state government June 11, officials said. As per the Mineral (auction) Rules, 2015 in compliance with the provisions of the new MMDR act, the state government has so far auctioned five mineral blocks — three iron ore and one each of limestone and manganese.

Essar Steel, Bhushan Steel Ltd and Bhushan Power Ltd have bagged one iron ore block each. The sole limestone block has gone to Dalmia Cement while mine developer-cum-operator Thriveni Earthmovers Ltd received the manganese ore block. The combined value of these auctioned assets is estimated at Rs 41,782 crore. The successful completion of auction process of five new mineral blocks is expected to fetch over Rs 40,000 crore revenue, sources said.

With 32 mining leases in Orissa expiring by March 31, 2020, the state government has formed a committee to take stock of their exploration status and had developed a six-monthly reporting system to get updates regarding the exploration activities carried out by the lease holders.

The Directorate of Geology of Orissa government and Geological survey of India had conducted survey of 14 mining blocks last year where the state government has planned to take exploration work to G2 level and initiate auction process.

CABINET CLEARS BAUXITE LINKAGE

The state cabinet Wednesday approved long-term bauxite ore linkage for Vedanta's Lanjigarh alumina refinery and other industries. They can now source bauxite from the Orissa Mining Corporation (OMC).

OMC had recently started bauxite mining from Kodingamali bauxite reserve in Rayagada district. The move will help Vedanta to meet its bauxite needs partially, said Chief Secretary Aditya Prasad Padhi after the meeting chaired by Chief Minister Naveen Patnaik. "The cabinet decision will enable Vedanta which has set up an alumina refinery and aluminium smelter in the state to purchase bauxite from OMC on a long-term basis," Padhi said.

He said the bauxite linkage will be in line with the long-term linkage of iron and chrome ore and other minerals for eligible end-user industries through OMC which the government had notified in September 2014. As per the amendment, 70 per cent of the bauxite stock will be made available for long-term linkage and the balance shall be sold through e-auction.

The weighted average price derived from the national e-auction shall be the long-term linkage price, Padhi said, adding, the floor price for the national e-auction will be kept at cost of production plus a profit of 50 per cent. As a general principle, in the national e-auction, the OMC will directly deal with end-user industries. Participation by traders shall be considered only if there is persistent lack of adequate response. Officials said though state has Bauxite reserves of 1968.862 million tonnes, the annual production was only 9.2 million tonnes.

The cabinet has decided to outsource the exploration of new blocks to create more jobs.

IBM: EXPLORE YOUR LEASES BY 2018

Applicable only for leases expiring in 2020; Dumping of rejects banned

Iron ore mining lease holders, whose leases are set to expire in March 2020, have to undertake exploration of their entire potentially mineralised area by December 2018 as part of Final Mining Closure Plan (FMCP) proposed by Indian Bureau of Mines (IBM). In Goa, 174 leases have been identified for auction in 2020.

IBM, which has released fresh guidelines for mining closure exclusively for leases expiring on March 31, 2020 and March 31, 2030, has banned further dumping of waste or rejects on the potential mineralised area.

FMCP, in respect of leases expiring on March 31, 2020, should be submitted separately on or prior to March 31, 2018 apart from the Mining Plan document which may be in existence for the lease area. Similarly, for leases expiring on March 31, 2030 or after completion of 50 years period from the date of grant of mining lease, FMCP should be submitted two years prior to the expiry of the lease.

"These guidelines are applicable only for those leases where mineral has not been exhausted and the area may be available for auction in future," IBM said in its document.

FMCP should indicate the total mineral reserves/resources available UNFC category wise in the lease area estimated in the last approved mining plan document.

"The area having mineralisation should be secured for any future considerations (no backfilling/dumping of waste should be done on mineralized area)," IBM said.

Along with in-situ, if any, mineralised dump, mineral rejects stack is available at the mine site, it should also be secured and quantum and grade for the mineral in the dump/stack should be mentioned. "No further dumping on the potential mineralised area shall be allowed," it added.

The Union Mines Ministry has identified 88 blocks for auction till 2020, of which 33 blocks have already been auctioned.

In Goa 174 iron ore mining leases have been identified for auction in 2020. This is, however, subject to the Supreme Court decision on a petition to set aside the Goa Abolition Act 1987. If the Act is abolished, all leases would revert to concessions extending their life span till 2037.

FICCI ROUNDTABLE ON RECENT ODISHA MINING SCENARIO; MINERS WORRIED OVER 2020 DEADLINE

As far as the bidding for mining blocks are concerned, the Odisha Govt. has taken untiring steps to open up vistas for mineral auction with insistence on prospecting as par as UNFC guidelines. With this guideline the bidders will get a trasparent view beofe the miners bid. Significantly the drillings have been outsourced which will not only hasten the process for reserve determination but also lead to hastle free determination

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of the blocks that the miners wish to bid for.

Addressing at the roundtable on recent Odisha Mining Scenario, organised by FICCI, Odisha chapter, in Bhubaneswar, Sri Sanjeev Das, senior Vice-President, IMFA and FICCI State Odisha Council's mining panel Chair said, " There are many factors contributing to such fluctuations including court judgements and field investigation by authorised agencies lead to reduction os leases across the country including Odisha. However, despite the hurdles, the production and despatchs of Odisha have shown very steady signs".

Elaborating the present senario in Odisha mining, Sri Das said that the production as on January 2018 stood at 204.24 million and despatches have grown up 224.69 million. He also expressed satisfication over the royality in the finacial year 17, which is likely to cross the levels of Rs 5135 crores and DMF collection has crossed nearly Rs 4000 crores.

Mr. Das lauded the Central government' effort for taking steps to have a seamless transfer of mines leases under auction process post 2020 . Sri R K Sharma, Principal Secretary of the steel and mines department of the state said , "The Govt will not get affected by closure of few mines because in the past the successfully handled the situation when large numbers of mines were closed down."

Sri Sharma said that, miners have to comply with all provisions of the law to to operate mines in the state. To overcome the judiciary problem miners can file curative petition in Supreme Court. As mines are subject of central government, state government has little option to do.

Mr. Manish Kharbanda, Executive Director , Jindal Steel and Power Limited, " Without government's intervention, iron ore production will come down which will affect the steel industry most. G2 level drilling already come down to low level. State government can discuss all these issue with central government and should take proactive steps to solve the problem of miners as earliest as possible".

Other dignitaries like Sri Sanjeev Nandwani, President, Mideast Integrated Steels Limited, Sri Sankar Pratap Singh of JSW Limited, Sri Manikant Nayak, CRE, Tata Steel Limited and President of EZMA, Sri Prabodh Mohanty.

JSW STEEL COMMENCES MINING OPERATIONS IN TUNGA MINES

JSW Steel had been declared 'Preferred Bidder' in 5 mines having an estimated resource of 111 million tonnes in the auctions for 7 category 'C' mines conducted by the state of government of Karnataka during the period 01 October 2016 to 06 October 2016.

JSW Steel has obtained all the required clearances and obtained final commencement letter from the Govt. of Karnataka, Department of Mines & Geology on 10 February 2018 for starting of operations in respect of these mines.

Mining operation were started on 11 February 2018 in Tunga Mines which of capacity 0.3 MTPA.

CURRENT STATUS OF MINERAL EXPLORATION IN THE COUNTRY: CONSTRAINTS & SUGGESTED MEASURES

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CONSTRAINTS: Rural India with it's 600,000 villages is the home to 66% of India's 1.25 billion Population. Socio-economic growth is the primary agenda of any Nation. But our national per capita consumption of minerals, which is a measure of prosperity, is lowest in the world. Minerals are needed to support all aspects of agriculture (for manufacturing of fertilizers, implements, vehicles, water-harvesting structures, large grain-storage devices, etc) and to meet the demands of emerging sectors such as renewable energy technologies eg. solar, biogas, wind energy; high-technology telecommunication devices, computers, automotive, aerospace, defence industrial needs and to cater to development of infrastructure.

"India is rich in mineral resources". We have been hearing these words since 1993 when the Ministry of Mines announced it's very first National Mineral Policy with the intention of encouraging investments by private sector, both domestic and overseas, for exploring and developing mineral resources of the country. Alas! 23 years have passed, we are still tinkering with the National Mineral Policy. The result is the latest draft NMP-2018!!!

The Draft NMP 2018 document contains many good intentions focused at promoting mineral exploration and mining in the

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country with due regard to downstream manufacturing, environmental and community related issues. However, the NMP-2018 does not adequately emphasize on mineral exploration which is, infact, the need of the hour. In the context of the country's high dependency on import of many non-bulk, minerals such as precious metals, certain base metals, strategic metals and fertilizer minerals, the NMP should emphasize the Government's intention to incentivize, facilitate and promote large scale investment into mineral exploration, discovery and development of mines in order to minimize the imports and support "Make in India" programs.

Unlike money in a bank, mineral deposits left in the earth, unexplored and unmined, would not help to promote socio-economic agenda of any Government.

A glaringly huge gap exist between the Mineral Resource potential and the current level of mineable Mineral Reserves in the country, particularly of non-bulk, the so called deep seated minerals. Mineral exploration in the country has slowed down drastically. State Governments have auctioned only about 30 mineral resource areas in the last 3 years, of which there are hardly any Licences for exploration of basemetals (copper, lead, zinc & associated metals), precious metals (gold, silver, Platinum Group Metals), strategic metals & diamond. Of the 6 CLs granted in the last 3 years, 3 have been granted for copper (1 in Rajasthan, 2 in Maharashtra), 2 for gold (1 in Jharkhand, 1 in Chattisgarh) and 1 for diamond (Panna, MP). Only one ML has come into operation. The ineffectiveness of the New Mineral Exploration Policy (NMEP), the MM(D&R)Act-2015 and MCR-2016 is reflected in the dismally low number of granted licenses.

The general consensus of the Indian Exploration & Mining companies as well as overseas investors is that the Auction mode of granting License for Exploration (CL), the least attractive NERL, very high Taxation (60%) & the archaic Rule-24 of the new MCR, besides inordinate delays in granting of forest clearance are the main causes for the private sector's (domestic & overseas) disinterest in investing in mineral exploration in the country.

The Act-2015 & the MC Rules have failed because they are Auction-centred, focussed on revenue earning totally disregarding the fact that investments in mineral exploration is high -risk hence needed to be incentivised and treated as a commercial business involving trading and transfer of exploration & mining licences for a premium, in tune with the free market economy prevailing in the country.

National Mineral Policy-2008 and the Draft NMP-2018:

The NMP-2008 envisaged that the "private sector would, in future, be the main source of investment in reconnaissance and exploration and government agencies like GSI will expend public funds primarily in areas where private investment are not forthcoming due to high uncertainties". GSI and State DGMs are the principal agencies for generating baseline geoscientific data and making them available in the public domain. It is unfortunate that the new Act-2015 mandates these Govt. organizations to engage themselves in prospecting of minerals (to G2 level) and "packaging" them for Auctioning. This is clearly a retrograde policy which has resulted in drastically slowing down mineral discovery and development of non-bulk minerals and Strategic metals in the country. GSI & State DGMs should confine to generating basic geoscientific data and make them freely available for private sector investments in tune with global best practices.

Forced by an Order dt 2.8.17 of the Supreme Court of India, a Committee of the MoM had to take up reviewing of the NMP 2008. The result of this reviewing process is the new draft NMP-2018. At the 2nd Meeting of the Committee held on 11.9.17, the Members suggested for a periodic assessment of the demand and supply of non-bilk minerals and metals such as gold, platinum, copper, nickel, cobalt, lithium, molybdenum, tungsten, potash, phosphorite and diamond which are presently being imported at a huge cost of over US$ 50 billion. The new policy-2018 should, therefore, stress on exploration for these minerals adapting investor-friendly laws, other than auctioning, to attract junior exploration companies and not just the big boys of the industry. If the Mineral Industry has to fall in line with our PMs oft repeated expression of "maximum governance and minimum government", there should be very little interference from the Govt departments in the matter of selection of blocks of land for mineral exploration. The freedom to choose exploration-worthy lands should be entirely left to the private investors and PSUs.

SPECIFIC DEFICIENCIES OF MMDR ACT-2015 & MC RULES-2016 in promoting Mineral Exploration:

1. Introduction of Auction even for grant of Licence for mineral prospecting
2. Total Nationalization of the process of selection of area for exploration/prospecting thus making prospective investors to endlessly wait till an area is put on the auction block.
3. The thoughtless NERL with no provision for the investor to either progressing to prospecting stage or for transferring NERL to another investor for a premium. For this reason, there are no takers to NERL in the last 3 years.
4. Reservation of areas on priority in favour of State & Central Govt. organizations & grant of PL or ML in favour of PSUs as per new Section 17A(2A) ignoring the interests of the Pvt. Sector.
5. Ear-marking of certain percentage of mines for end use in industries. This is a needless provision.
6. Mandating CL holders too to contribute to DMF @ 1/3 of royalty (Sn. 9B)
7. Mandating existing ML holders (pre MMDR-2015) too to contribute @ equivalent of royalty to DMF (Sn.9B).
8. Payment to NMET at 2% of the royalty (Sn 9C) to enable Govt. agencies to carryout regional and detailed exploration. This is a needless provision. Why should Govt Departments carry out mineral prospecting when private investors are ready to take it up?

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7. Not permitting transfer of licences (PL & ML) of existing concession holders & permitting only those who obtained ML or CL through auction route (Sn 12A(6).

10. Highly complicated & Lengthy procedures of granting CL.

The result of all these deficiencies in the Act is that, in the "Annual Mining Destination Survey-2016", the Frazer Institute has ranked India very low. In the Policy Perception Index, India has gone down significantly after the introduction of MMDR Act -2015. The Best Practices Mineral Potential Index of India is 37% compared to Western Australia 86%. The result is total lack of any new mineral resource-discoveries either by the private or PSUs. All of the internationally famed exploration and mining companies have left India and Indian companies have chosen to invest in many overseas investor-friendly countries. In the latest "Annual Mining Destination Survey-2017" by the Frazer Institute, India does not even appear in the list of mineral investor-friendly countries!!!

Years of Delay in grant of Licenses together with antiquated laws have seriously harmed several sectors of the National Economy as outlined below:

- Continued dependence on imports of precious metals, basemetals, strategic metals and even Coal and Iron ore at a huge cash export cost of over 50 billion dollars has caused a record high current account deficit of about 5.4% of the GDP.
- Non-implementation of Five Year plans of the National Planning Commission(Now NITI Aayog).
- Upsetting of the Rolling plans, Short term and Long term plans of the Geological Survey of India.
- Discouraging hundreds of professional junior exploration companies specialized in mineral exploration and driving out Indian investors to overseas investor-friendly destinations.
- Drastic reduction of investments into mineral exploration in the country.
- Affecting the manufacturing sector.
- Affecting the industrial growth of the country.
- Affecting the infrastructure programmes.
- Affecting power generation.

FCFS: The international best practice adopted by most countries in the world for grant of licenses for exploration is NOT auctioning but first-cum-first serve (FCFS), also known as "Finders Keep". Auctioning attracts only a few billionaires and promotes "Highest Bidder Amasses all the Resource". Government's zeal to earn revenue even before Mineral RESOURCES are discovered and RESERVES are defined has shut off all private investments in exploration. Why should the Government of India spend tax payers money on mineral prospecting to G3/G2 levels when the private sector, both Indian and international, is willing to invest if only the Ministry adopts international best practices?. exploration has been usurped by the Act-2015. The highly time consuming process of "packaging" of mineral prospects by GSI & State departments for placing them on the auction block is nothing short of Resource Nationalism. The laws have ignored the fact that the Auction mode compels the Private investors to endlessly wait for the State Governments to package & place mineral -bearing areas on the Auction block. The Supreme Court of India did not force the Govt of India to adopt the Auction Mode for granting licences either for exploration or for mining. The Apex court had left it to the wisdom of the Union Government. Auctioning has only served to promote inequitable distribution of mineral resources by enabling a few big companies.

Yes, India has the right geological environment for making new discoveries as has been widely acknowledged by both the Indian Mining houses as well as overseas mineral explorers. Only 10 or 15% of the OGP area has been explored & prospected for non-bulk minerals and metals. The already discovered Mineral Resources await conversion to mineable Mineral Reserves through intensive drilling and feasibility studies. Extant laws are acting as impediments to private investments.

Packaging of mineral-bearing lands for Auctioning is a Huge task:

The total OGP (Obvious Geological Potential) area as stated in NMEP is 571,000 sq km of which 344,000 sq km remains to be surveyed under GSI's geochemical and geophysical exploration programmes. Mining is undertaken in 1.5-2% of the OGP. If we assume that the States would prefer to Auction 25sqkm blocks for grant of PL cum ML(=CL), it would divide 571,000 sq km into 22,800 blocks. Currently about 170 blocks or so have been identified for auctioning. If the States prefer to grant CL of say 100 sq km area then, there would be 5,710 blocks. Packaging of such large number by the GSI and preparing documentation by the States would be a huge task. The time that such a task would take is any body's guess.

From the view points of Intergenerational Equity and Sustainable Development it is important to recognize that the volume and value of Mineral Resources exploited today should be concurrently replenished for future generation through continuous exploration. The proactive role of exploration as a means of augmenting the countries Reserve-base is not given the importance it deserves while framing the Act & Rules. The new mineral exploration policy wrongly assumes exploration as being predominantly a public sector responsibility and the private sector shall endlessly wait at the receiving end for the areas to be notified. The business of mineral exploration and mining does not work that way.

GOLD: An example of the Geological Potential of the Country for non-bulk metal exploration: The geological potential for developing several gold mines in the country was realized as long ago as 57 years, in Aug.1960, when Mr. Sardar Swaran Singh, the then Union Minister of Steel & Mines, inaugurated the first all India Seminar on Gold Mining Industry in India.

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Whilst, India is the largest exporter of gold and diamond jewellery it is entirely dependent on import of gold, platinum and diamond at a huge import cost of over 40 billion even though their exist geological potential to make new discoveries and develop the already known metalliferous mineral resources. The Working Committee on Precious Metals for the 12th Five year Plan, of which the author was a Member, envisaged development of 29 advanced gold prospects into new mines. The liberal and encouraging attitude shown towards the private sector in NMP-1993 and 2008 has been given a grand go by in MMDR Act 2015.

High taxation (60%) is acting as a disincentive to Exploration: In the Minerals Sector, exploration and mining companies are the Primary Stake holders. They have a host of other stake holders whose costs & benefits are the responsibility of the primary stake holder. The other stake holders are;

a. State Government which expects a share of the revenue generated by the primary stake holder, besides Royalty and Cess.

b. Central Government which expects a contribution to NMET @ 2% of the royalty(Sn 9C) to fund Govt. agencies to carryout regional and detailed exploration. In addition to ~32% Corporate Tax.

c. DMF: This is a contribution to development of infrastructure around mines in a district. The new Rule-2015 mandates a contribution of 1/3 of royalty(Sn. 9B) by those passing through the Auction route & equivalent of royalty to DMF(Sn.9B) for the existing ML holders(pre MMDR 2015). This is a needless burden since Corporate Law has already imposed 2% CSR.

d. Local Communities, Tribes & Land losers expect huge compensation besides guarantee of employment.

e. CSR @ 2% as per Corporate Law to take care of welfare of local communities through CSR activities.

f. Environment: Mandatory expenditure towards management of the local environment (Air, Water, Noice, Fauna and Flora) by adhering to the principle of sustainable development.

g. Forest Dept: Huge payments for acquiring Forest Land; Payment of Forest Development Tax besides the expenditure towards Compensatory Afforestation.

h. Duties and taxes on Export.

i. State specific Cess and taxes.

The NITI Aayog in it's submission to the Committee entrusted with preparing the draft NMP-2018 has said that "the ultimate tax burden on mining operations in Indian averaged about 60% of total revenues against a global average of 40% making the Indian mining sector an unattractive destination for FDI and Indian private investments". A business-friendly tax regime would encourage exploration companies to build up large inventories of Mineral Resources & Reserves of different grades. Subgrade mining could be commercially managed if the royalty is reduced or other taxes are done away with to encourage indigenous production of even lower grade ores. Contributions to DMF & NMET amounts to penalising explorers. Unlike other businesses, high taxation in mining industry acts as a deterrent to Exploration required to replenish Mineral Reserves as fast as their exhaustion through mining. Either cost escalation or reduction in market price of minerals or both would only lead to selective mining of highest grades and slash employment opportunities. The emphasis should be on Corporate Income Tax by facilitating business development than killing the proverbial goose that has the potential to lay golden eggs. Therefore, the total tax should be reduced to equate international average rate of taxation. The NITI Aayog has advocated that the new NMP should "define an ideal taxation system" for the mining sector and explore the possibility of merging current multiple levies into a globally competitive tax regime. NITI Aayog has recommended that general financial advisers acting as consultants to the Mines Ministry be replaced by agencies with specialised domain knowledge and expertise so that guidelines were in line with international codes and practices.

MEASURES TO BE TAKEN:

- **Mineral Exploration is a Stand-alone Commercial Business Activity. Hence Legislate an independent Act for Mineral Exploration:** Exploration is a property development programme involving valuation and transfer/trading of the mineral-bearing property (a Licenced Block) at different stages of exploration from green field (Recce) to brown field (Prospecting) and post-feasibility mineable Mineral Reserve. Globally, mineral exploration is treated as a techno-commercial business of high risk nature. It is independent of the business of mining. There are as many as 87 minerals in the commercial world. They fall under several categories viz., (i) near surface bulk minerals, (ii) non-bulk difficult to find minerals, so called deep seated minerals, (iii) Rare Metals and Rare Earth Elements (REEs), (iv) Industrial minerals which are generally small, pockety, lensoidal, discontinuous deposits, (v) Beach Sand minerals and (vi) Atomic Energy minerals. Therefore, mineral exploration of atleast Non-Bulk Minerals & Metals is needed to be treated under an independent Exploration Act and, the grant of licences for exploration including prospecting should be entrusted to an independent authority under the Ministry of Mines.

- **Reintroduce FCFS and grant a Single Exploration Licence(EL) for a seamless Reconnaissance, Prospecting & Feasibility studies:** Mineral explorers have been pleading for adapting global best practices. One among such best practices is granting of a single "Exploration License (EL)" on FCFS basis for carrying out both Reconnaissance and Prospecting in a seamless manner. Despite a series of hurdles, restrictions and years of delay many new discoveries of basemetals (copper, lead, zinc, nickel), precious metals (gold & platinum), diamond, Rare Earths, and even ron ore have happened under the FCFS provision of NMP-1993 & MMDR Act 1957 as amended up to 2012. No body has ever contested, in any court of law, any portion of the MMDR Act 1957.

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The Apex Court of India too has not forced the MoM to adopt Auctioning. Therefore, it is necessary to reintroduce the FCFS for granting Reconnaissance cum Prospecting Licence(=EL) and revitalise the Mineral exploration industry in the country. Heaven won't fall if auctioning is NOT adopted for grant of licences for exploration!!!

- **Allow for Transfer & Trading of the Existing PL and ML; Amend Rule 24 of MCR 2016:** Transfer of a licenced block for premium is necessary to recover expenditure incurred on exploration. Currently, the Law allows for transfer of Licences and Leases granted only through Auction route (Sub-Section 6 of Sn.12A) and those MLs attached to manufacturing industries ("Captive purpose"). Transfer charges are also too high (Rule-6 of Transfer Rules-2016; 80% of the Royalty to be paid!!). Provision of transfer in the law, irrespective of the method of grant of concession, acts as an incentive to a mineral prospector as well as a miner. Mineral Exploration being a Commercial Business activity, transfers must be allowed for earning premium by investors irrespective of the mode of grant of licences (auction or FCFS). Globally the transfer provision has enabled thousands of companies to acquire prospective grounds having merits to eventually succeed in developing mines which is the ultimate goal of any mineral exploration activity. In the same manner a Mining Lease should be allowed to change hands so that the acquirer would add greater value in the interest of conservation and better utilization of the available mineral. Rule-24 of MCR 2016 needs to be thoroughly amended to allow for contracting MDOs for exploration and mining, assigning, subletting, mortgaging and for allowing merger and acquisition.

Cut down on Taxes: As stated above, India is the highest taxed Mineral Industry in the World. According to NITI Aayog the total tax burden on a miner in India comes to about 60 %. Mining booms come in cycles, therefore, the tax regimes should be such that it should work for all seasons. Auction-related production sharing payments is the biggest burden. All the above costs add to the steep increase in cost of mineral production which makes importing cheaper; domestic mining unsustainable, mineral conservation impossible and low grade metalliferous mineral resources will remain untouched. High tax acts as a deterrent to explorers. High taxation also goes against IBM's intention of promoting zero waste mining. All these will only serve to discourage investments into Exploration because the rewards would not be significant enough to justify the risks associated with exploration. The Nation's economic revival & rural employment generation will be hit. The very high cost of imports of particularly precious metals and basemetals will continue to cause the Current Account Deficit.

- **Introduce RETENTION LICENCE:** Generally, the process of exploration and prospecting takes a minimum of 5 years. If successful, it may get extended by 2-3 years for completing scoping, prefeasibility and feasibility studies leading to mining. The whole process of transfering of a licence to financially sound companies is expected to bring in more investment to shape up a discovery to a mineable deposit. Therefore, transfer of existing licences & leases for premium should be allowed. In case, prospecting does not result in mineable resources for a given market price such licences should be continued under a RETENTION LICENCE provision for which needs to be made in the new Act. RL is an international best practice.

- **Huge Funds (Capital) needed for Exploration:** We need to Drill atleast 1 Million Metres/ Year: Expenditure Required: Including Target Preparation: Rs.10,000 Crore or 1.6 Bill USD.

- Raising funds through stock exchanges by mineral exploration companies is a widely accepted international best practice. To encourage Junior mineral exploration companies to raise capital for their projects, it is advisable to permit Exploration Companies to list on stock exchanges along the lines of Australian, Canadian and London stock exchanges. Junior exploration companies in Canada and Australia start off green field exploration with self funding and subsequently approach venture capitalists and list on stock exchanges when the technical data is attractive enough for the public to buy shares in such companies. SEBI should frame Rules to enable the private Sector and PSUs to raise funds required for mineral-resource drilling, feasibility studies, mine construction and establishment of processing plants. This is a time tested global best practice.

- Incorporate JORC, CN 43-101 into the MMDR Act: UNFC is Ok for non-commercial exploration & prospecting practiced by Govt Geological Survey organizations. UNFC adopted by the MoM has found NO FAVOUR with the stock exchanges and banks. JORC, CN 43.101, SAMREC, SME Guide are CRIRSCO compliant public reporting standards recognized by global stock exchanges. They will need to be given legal backing in MMDR Act to bring in the standardization needed to be able to attract domestic private investments & FDI.

Need for continuing the lease period of merchant mines beyond 2020 for preventing sudden large scale unemployment in 2020 and to encourage the existing lessees to conduct exploration and plan for zero-waste mining: As per the existing Act, merchant mines (non-captive) will terminate in year 2020. Thereafter the surrendered leases will be re-explored and auctioned. Termination of the ongoing non-captive MLs would act as a deterrent for lessees in investing in exploration and scientific mine development. This results in sudden shortage of ore supplies to industries. This will also disincentivise investment in expansion and new capacity creation by metal makers who fear supply interruption. Therefore, the 2020 limit to existing MLs must be done away with. The mines should be allowed to operate till economic exhaustion of the mineral deposit as per the time tested international best practices. Merchant mining must be treated on a par with captive mining in order to lend stability to the system thereby allowing for mining of low grade ores and associated minor metals (co-products) for achieving the goal of zero-waste mining.

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- **Incentiwise underground mining versus open cast mining to Protect Forest Cover & Sanctuaries:** There are large Magnetite Iron ores, some of them vanadium and titanium-bearing in Reserve forests in the Western Ghats of Karnataka and in Orissa. Major Tungsten deposit required urgently for the defense industry was declared a few years ago as a tiger sanctuary in Bhandara district of easten Maharashtra. Provision should be created in the Act to permit underground mining in Reserved Forests and Sanctuaries.

India's population is forecast to increase from the current 1.25 billion. to 1.4 Bill. by 2025 with concomitant increase in demand for Minerals. It requires a minimum supply of 14 billion tonnes of Minerals to maintain the Asian Standard of Living; ie., to make products every person needs every Year. India is the third largest in terms of Purchasing Power Parity (PPP). It is one of the fastest emerging economies in the world. To sustain such an Economy, the Industrial & Strategic Materials Manufacturing industry plays an indispensable Role. The Confederation of Indian Industry (CII) in 2011 had done a study for the Ministry of Mines and brought out a "Skill Mapping Report". As per this report, in the period up to 2025, there will be a need for some 3,000 geoscientists and 40,000 mining engineers over and above the normal supply. The existing Act is not good enough to attract the requisite skills. Ease of doing business in Mineral Exploration is the Key Driver for all the developmental activities. The Ministry should get rid of the Auction route, reintroduce FCFS, allow for transfers for premium, allow JVs and contractual arrangements without governmental interference, facilitate listing of exploration companies on stock exchanges, incorporate JORC, CN 43.101 into the MMDR Act and, finally reduce the tax burden and incentivise exploration. BENEFITS TO THE STATE flow into local Rural economy even at the stage of Prospecting in the form of wages, skills, development of ancillary industries, roads, water supply, health care and other infrastructure.

Brief Profile of Dr. V. N. Vasudev

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Dr. V. N. Vasudev is a Professional Mineral Exploration Geologist having several gold and basemetals discoveries to his credit. He served Geomysore Services India Pvt Ltd and Deccan Gold Mines Ltd since their inception as Director of Exploration. Vasudev has also been involved in the discussions on the National Mineral Policy of India 1994 & 2008 in forums convened by the Ministry of Mines, FIMI New Delhi, Anwarul Hoda Committee-2004, Standing Committee of the Parliament on MMDR Act 2011, MEAI Hyderabad and recently at NITI Aayog's Mineral Sector Development Agenda for New India @75 held in Oct 17.

JINDAL STEEL PLANNING TO OPEN IMTPA IRON ORE MINE IN NAMIBIA

Reuters reported that plans to open Namibia's second iron ore mine are being pursued by an Indian-controlled company called Blake Trading. The group, which is majority owned by a subsidiary of Indian steel giant Jindal Steel and Power called Jindal Steel and Power Mauritius Ltd, expects the planned mine east of the capital Windhoek to have a potential lifespan of 40 years.

The documents show that Iron ore mining at the new facility will begin with the processing of 1 million tonnes of ore per year, increasing to 10 million tonnes thereafter.

The proposed mining activities entail the development of an open pit mine and related ancillary works to extract ore, which is estimated will be concentrated to around 70 percent iron.

Jindal is a steel manufacturing company that has an internal demand for iron ore and the planned mine will secure this, with concentrated iron ore transported to Walvis Bay for shipment to international markets.

Initial exploration results indicated the presence of an economically mineable ore reserve and the company plans to start mining on the defined ore reserves, while exploration continues.

WBMDTC MULLING EXPLORATION ACTIVITIES: AMIT MITRA

West Bengal Finance Minister Amit Mitra today said the Mineral Development and Trading Corporation Ltd is contemplating exploration activities in the western part of the state.

Mitra said it has obtained accreditation as an exploration entity from the Indian Bureau of Mines (IBM) and taken strides towards exploration and extraction of non coal minerals for generating incomes/revenues from sales proceeds.

"WBMDTC (West Bengal Mineral Development and Trading Corporation) Ltd has become the allottee of Gourangdih ABC coal mine located in Burdwan district. The coal from this mine will serve the needs of SMEs (sector) of West Bengal," he said.

Mitra said the state has received proposals worth Rs 1,97,857 crore in the manufacturing sector in the last three financial years.

"Out of which (the amount), implementation work has started in 45 per cent cases worth Rs 89,549 crore. In the MSME sector, we have received proposals worth Rs 1,18,367 crore out of which work worth Rs 57,539 crore has already started," the minister added. PTI PNT RBT

ADANI MAY SELL STAKE IN CARMICHAEL COAL MINE AMID FUNDING DELAY

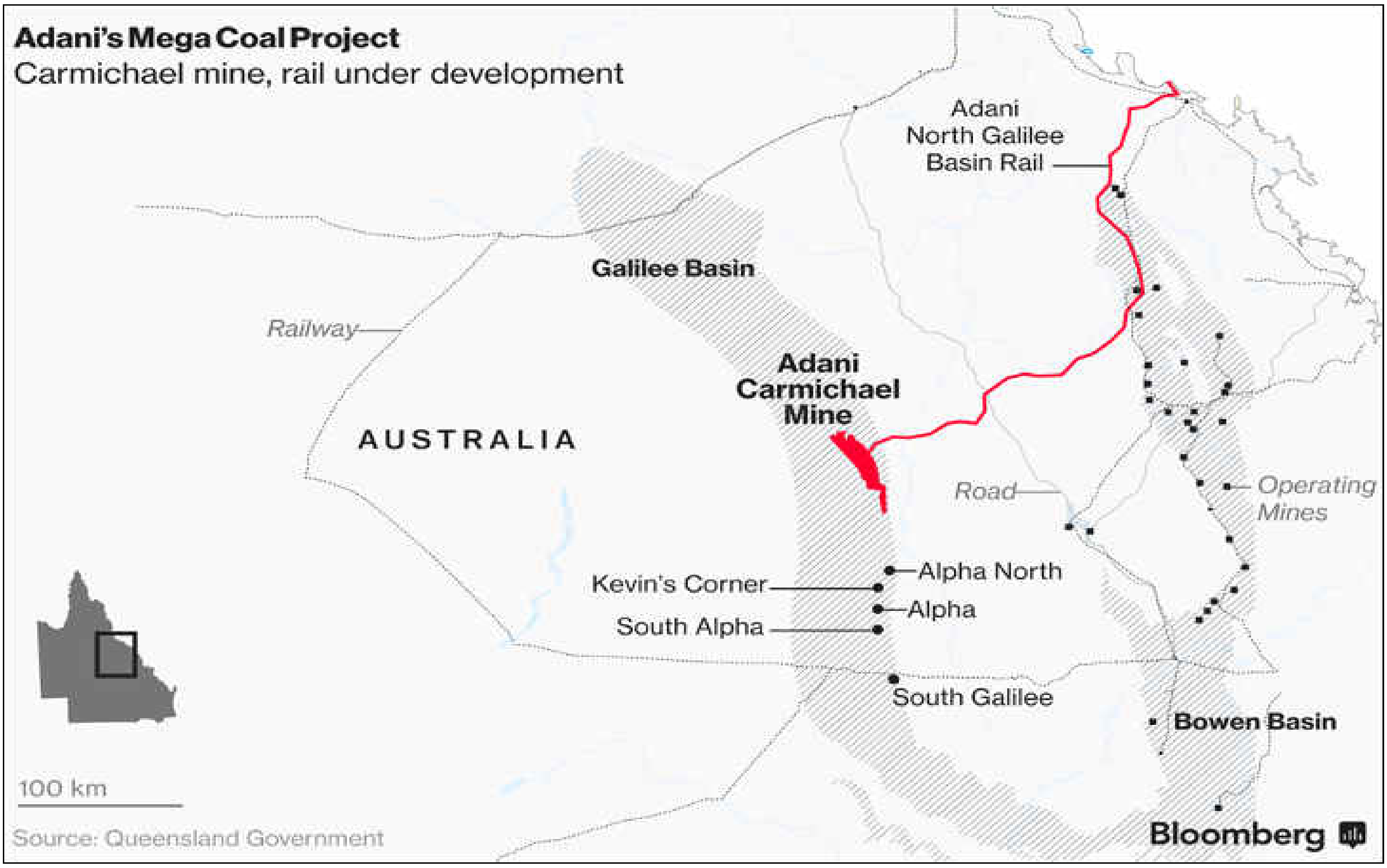
The battle to build one of the world's biggest coal mines has suffered a fresh setback after Adani Enterprises Ltd. conceded it would fail to meet a March deadline to arrange A$3 billion ($2.3 billion) in financing for the project.

The December decision by the Queensland government to veto Adani's A$900 million funding bid for a rail line meant financing would require more time to be secured, an Adani Australia spokeswoman said by phone Thursday. The Indian conglomerate said it will also consider selling a minority stake in its Carmichael project without providing further details.

The financing delay is the latest hurdle for Adani, adding pressure to its ambition to deliver the first coal production from the mine by 2020.

In addition to the state government opposing a federal loan for the project, major lenders have pre-emptively excluded themselves from financing the Carmichael development because they oppose polluting fossil-fuel projects.

There have also been changes to the development of the mine and connecting rail line. Adani decided in December to build Australia's largest coal project by itself after canceling a A$2 billion deal with contractor Downer EDI Ltd. A back-up rail option being developed by an Australian operator was also canned earlier in February. That may limit Adani's options for hauling coal from the Galilee Basin mine to the Gautam Adani-controlled Abbot Point terminal, which faces its own refinancing deadline later this year.



GEMCO KATI

TELANGANA READIES 3 LIMESTONE BLOCKS FOR AUCTION, TO PURSUE STEEL PLANT

The Telangana Mining Department has readied three limestone blocks in Suryapet to offer them for auction.

KT Rama Rao, State Minister for Industries, IT, Mines and Geology, said, "The State government has managed to get three limestone blocks ready for auction in a record three months time. This is a not an easy task given the challenges in the mining sector. These blocks have been identified in the Suryapet district of the State after a detailed exploration process."

Limestone is a major ingredient for cement manufacturing plants and for building materials.

"This would not have been possible without the the Union Mines Ministry's support. We look forward to the support from the Centre to facilitate the process," he said while speaking on the potential of the mining sector in boosting Telangana, which is rich in mineral resources such as iron ore, coal, limestone, granite and other major and minor minerals.

Growth engine

The State is home for huge coal reserves in the southern part of the country and this is being efficiently utilised by Singareni Collieries Company Limited.

"We recognise mineral wealth as a national resource and have identified mining sector as a growth engine. With the series of initiatives, the State has been ranked No.1 in the ease of doing business. The focus on the mining sector has yielded good results and we expect to close this financial year with revenues of ₹3,500 crore, up from ₹3,170 crore last fiscal," he said.. The State has received ₹1,328 crore from the District Mining Foundation pool for taking up welfare measures in the areas where mining has been initiated.

Integrated steel plant

The Minister said that the State has been relentlessly pursuing the proposed Integrated Steel Plant at Khammam which was promised under the AP Reorganisation Act during the bifurcation of Andhra Pradesh.

"Over the past three-and-a-half years, we have been in touch with the Steel Ministry and NMDC and efforts are on to see that the project becomes a reality. While it is a fact that the steel sector has been passing through tough times, the plant would augur well for the State's economy as also in providing jobs, when the sector looks up," he said.

"We are also considering some out-of-the-box solutions, including setting up of a railway line from the NMDC Bailadila mines to Khammam, so that it will become cost-effective. Towards this, we are engaged with NMDC and have enlisted the services of Rail Vikas Nigam Limited to explore a rail link for evacuation of ore for the proposed plant," he added.