NOT FOR SALE

Geonesis

(A GEMCO KATI INITIATIVE)

Indian Mining & Exploration Updates

SPECIAL EDITION

VOLUME 7 , ISSUE 10

SEPTEMBER 2020

WHY INDIA DESPERATELY NEEDS MINING

Contents & Articles

India Desperately Needs the Mining Industry

For the last several decades, the Indian government has announced one mining policy after another. After each change, ministry officials go around international conferences boasting about how India is opening up. The devil is always in the details. And the details are never thought out.

Policies are utopian, unrealistic, distant from ground realities, and based on the belief that the investor must trust India's "benign and honest" governance. There is always a provision to change the government's implementation in "the interest of the greater good."

No wonder despite that India has immense potential for mining, it is a too-constrained industry, mostly focused on iron ore and coal, and ridden with the mafia. Despite extensive resources in the ground, which have no value unless they are extracted, India still depends on imports.

Having high hopes is good, but India is a poor country with a mostly unskilled populace. It is where China was twenty years back. What fails to grasp the Indian government's psyche is that employment for most Indians will not be in high-technology. By its very definition, high-technology is not employment-intensive. Despite that China has a sizeable high-technology industry and an economy five times that of India, China understands that to generate employment for the masses, low-value adding jobs is necessary. Even wealthy nations like Canada and Australia put a considerable emphasis on the mining industry.

For tens of millions of Indians entering the work-force, the industries that can utilize their limited skills are agricultural, mining, and low value-added manufacturing.

Sixteen years back, a mining company sent me to India to look for opportunities. While the regulations looked idealistic, everything had its Catch-22 situation.

Selling of a property to another operator needed to go through the government with a risk that the property might get expropriated, the thinking being that if the current owner didn't want to operate, he could as well return it to the government. The mining industry worldwide clearly understands that finding a project, exploring it, developing it, and mining it requires very different competencies. Not only the regulations failed to understand the need for a project to keep changing hands, they assumed that any good-hearted person would not be looking for a profit. Not that government employees do not want their salaries (and bribes), but it is just that they want to see a higher purpose in other people and be sacrificial lambs.

There were many other problems. Getting a reconnaissance permit should have been easy, but this took years, longer than what it took the rights on the property to lapse.

The authorities wanted to give permits not based on whether the requirements have been satisfied but on how much value addition would occur within their jurisdictions. Their entangled thinking and absence of economics and how businesses are run made it impossible for any entrepreneur to get started.

For the last few years, a policy to auction off projects has come up. Exploration geologists identify projects. If their only option is to participate in auctions, the exploration process is pre-empted. The idea of auctioning isn't about creating a level-playing field that it is made out to be. It is about extracting the maximum possible tax from companies at a very early stage. Quite in contrast, staking a project in Canada is very inexpensive. Moreover, the Canadian government offers massive tax-reducing opportunities to recognize the need to invest first in exploration.

India's auction system attracts a minimal number of investors, who are incentivized to maximize short-term profit. This system does not bode well for the environment, employment, and the continuation of mining.

Despite having among the most abundant coal and iron ore resources, India has imported them for many years. Implicit in the government's thinking—a sign of their petty-mindedness—is that unmined minerals are somehow preserved value.

The government has kept entrepreneurs out of mining, relegating it to be run at a loss by the public sector, those politically connected, or the mafia. The cost to the environment and the locals has been terrible.

ABOUT AUTHOR

JAYANT BHANDARI

Jayant is constantly traveling the world to look for investment opportunities, particularly in the natural resource sector. He advises institutional investors about his finds. He was a Director on the board of Gold Canyon, a publicly-listed Canadian company, until its merger with another entity. Earlier, he worked for six years with US Global Investors (San Antonio, Texas), a boutique natural resource investment firm, and for one year with Casey Research. Before emigrating from India, he started and ran Indian subsidiary operations of two European companies.

Indian Mineral Exploration Sector "Potential & Promise" & Reforms Needed: By Robert Nigel Chapman

Recently some private investors contacted me for my view on entering the Indian mineral and gem exploration sector within the next 12 months. I was incredibly excited and thought that I must reacquaint myself with the Indian mining law and exploration scene since I know that it had been changing in recent years. After discussing the mineral exploration in India with my colleagues, friends and performing my desktop reviews I was left a bit cold; but with hope for the future IF the proposed changes to the laws were to be enacted. The MMDR Amendment Act goes some way to address issues but remember folks mining is not exploration.

Previously I had worked in India between 2001 and 2012 for International mineral exploration companies, both junior and major, and as a private consultant during my years of working in India. I had exploration licences of my own and had mixed success at exploration in the various regions of India. But I loved getting out into the field and exploring, living, travelling, and eating my way through the different States of India.

Before I go on, I believe India to have enormous geological and mineral potential and so that is taken as read now. Will this potential be recognised? This is the multi-multi-billion-dollar question.

As it stands today in India, I can NOT recommend any potential investor to establish operations or apply for exploration licences due to the auction stage in the exploration / development cycle. No public or private explorer will risk investing time and a lot of money into a process whereby at a certain point they risk losing their project(s) via an auction. The exploration phase is the most high-risk part of the cycle and to risk losing a discovery to a competitor at this stage is simply an unacceptable risk to any company or individual.

For those people and institutions who are planning the future exploration strategy in India they must understand the difference between exploration and mining. They are linked but are in fact very different activities and require completely different skills, mindsets, companies, investors and strategy. Linked….. but completely different; please don't think you can just mine before exploring.

EXPLORATION COSTS MONEY: MINING MAKES MONEY

I read in publications the use of these words as if they were interchangeable. They are not. First comes exploration, then (hopefully discovery), then evaluation phases and finally the construction and mining stage. Only after (ten to 15 years?) will a mine start production and even then a good mine can be unprofitable in the wrong hands.

The short answer is the mineral potential will NOT be realised until India adopts an exploration and licensing strategy with associated laws and policy that is reasonable to potential investors (foreign investors in my case) and beneficial to India and its population.

My suggestion is to follow a structure and legal system that is both functional and proven. The Australian system is a very good example and if India replicated this then they will be off to a good

Continued on Page 3...

GEMCO KATI

start to attract foreign investors. However, it MUST work right off the bat, so to Speak.

Indian companies can go to Australia, for example, and set up there and go through the entire exploration cycle without much problem. They may find it very expensive in contrast to other countries but the whole process is pretty much transparent and if things go wrong you have the appropriate legal process and laws to support you… or prosecute you.

Why can't this happen in India at this time? Why are there extremely few foreign investors exploring in India?

This article is based on my own thoughts at this time so my mindset is what would I, as a potential mineral explorer in India, what critical issues I'd be looking for before advising my potential employer to enter into a new country to explore for minerals?

They are not exhaustive, and priorities can change from person to person, company to company and commodity to commodity. I will have missed some issues for sure, but any new Indian mining law or legislation must address all my points and many more undoubtedly.

The critical points at the exploration phase for me would include:

1. **Strong Mining Law / Code;** is there one now or is it only promised sometime in the future without any dates for enactment?

2. **Evidence that the Law survives scrutiny;** have I talked to experienced mining or natural resources companies and lawyers who have had experience in India. What did they advise? What were their experiences?

3. **Consistency in the Law**: Since the past few years inconsistency in law has affected several exploration projects. Not only in the mines and minerals industry but in the Telecom sector too; investors have had a disastrous commercial exitfrom India after losing a substantial investment.

4. **Safety Issues:**Several areas in India still have a remnant Naxal terrorist threat prone especially in Chhattisgarh, Jharkhand, Maharashtra and Orissa, for example, and so the welfare of employees must be considered.

5. **Evidence of foreign explorers and miners thriving and active in India.** Is there a historic and current active exploration scene?

6. **Supportive and Proactive Central and State Governments?** Some states really supported exploration; others were actively against it. Do I choose my licence areas by Indian State politics or purely by geology?

7. **Lack of corruption and graft?**

a. What's the risk to me and my employer that someone will see my application and make sure their application gets ahead of mine in the administration queue?

b. Is there a risk that after years of exploring and making a discovery that someone will have the opportunity to acquire my goring and/or discovery?

8. **Are there examples of foreign mineral resources companies completing the whole exploration cycle in India**:

a. **Government / historical private company data on electronic databases available?** Data analysis of and collation of data sets, images, maps, annua and technical reports supplied by Govt / open file / online or physical documents are available?

b. **Do the exploration licence regulations provide**: sufficient time, area and acceptable costs on annual basis to be worthwhile? Licence is granted for 5 years and extendible for 2 further years for example?

c. **Establishment of local subsidiary**: with modern banking systems and transparent international funds transfers

d. **Granting of exploration licences in investor friendly timelines:** Waiting more than a year is no good. Investors and companies will divert funds to other countries unless they are majors or extremely patient.

e. **Obtaining additional exploration activity approvals :** airborne survey, water, environmental and community approvals to commence exploration in sensible timeframes

f. **In country experts:** analysis of samples or data in country by internationally accredited laboratories / consultants

g. **Advanced Exploration:** Was follow up drilling, surveying, sampling approved quickly and seamlessly

Continued on Page 4...

h. **Licence advancement**: Was there a conversion of an Exploration Licence to Prospection / Mining licence WITHOUT an auction or opportunity to lose the licence to another company.

Let's pause here and below are some thoughts on exploration licences and to whom they are granted. The following should be taken into consideration by a suitably experienced and independent person in Centre / State:

Before an exploration licence is granted the applicant must:

- Have a practical and detailed Work Plan and Budget for a minimum of 2 years exploration for ALL its applications in ALL States
- Have access to personnel, equipment, and experience to perform the exploration
- Have sufficient funds in their Indian bank account for 18 to 24-months and be able to prove it. These funds must be 'ring-fenced' and not moved to other accounts as soon as licences are granted

Once the Exploration licence is granted what are the minimum requirements to keep it in good standing?

- There must be a 'Use It or Lose It' clause. If there is no proof of exploration in the first year the licence is immediately cancelled and reverted to open ground within a month.
- Minimum expenditure. As part of the EL's terms and Conditions there must be a minimum annual expenditure clause. Explorers must prove that they have expended funds on direct exploration assigned to each licence and provide proof of doing so.

Conclusion :

India has an incredible potential and it is now headlining on the international stage and mustn't have an inward or parochial view of mineral exploration policy. Until a modern mineral exploration landscape is implemented and established, based on the Australian, Canadian, or Peruvian systems, then unfortunately I will be only watching from the outside wishing I was there.

But as soon as India has a modern and internationally respected mining code / law that supports mineral exploration I will be there like a shot.

I hope that you find these views interesting and thought provoking and that it motivates you or your company to be proactive in helping the Indian Government design the new mineral exploration future because I believe India must get this right this time to attract both domestic and foreign investors.

By Robert Nigel Chapman Director at Millenium Kapital Ltd

GEMCO KATI

Point of View towards Proposed Mining Reforms : Abhinav Sengupta

No	Proposed Reforms	Suggested steps by Govt. & MoM	Tentative Impact on the Sector	Next Course of Actions
1	Redefining the Norms of Exploration	(a) Mineral Exploration of G4 Level for awarding the composite license i.e. ML & PL	(1) Reduction of exploration status from G3 to G4 level would fast up the process for awarding the blocks through auctioning. But it will jeopardize the chances for establishing the mineral content in the region and create an unhealthy competitive fray against completing the exploration	(1) Govt. should bring in cap through putting a clause of minimum exploration work programme. This will bring special impetus for establishing the mineral content in due course of time.
		(b) Private entity participation for regional exploration	(2) NMET for private parties and opening up of regional exploration to private players will bring in FDI, technology and employment along with investment confidence in Indian mineral sector	(2) The govt. must utilize NMET fund through introduction of viability gap funding (VGF) in exploration program and the same should be done through priority basis (i.e. focus more on exploration of non-bulk minerals rather than bulk minerals). This will boost the mineral exploration of base metals and precious metals.
		(c) Exploration of Private entity to be funded by NMET fund	(3) OALP regime in Oil &Gas in last five tranches has become regressive and slow. Emulating the same against mineral blocks will also face the similar fate to due higher gestation period & huge capital investment involved in exploration business and might see tepid responses from the private players	
		(d) Intend to bring in OALP regime in mineral sector		
2	Resolving legacy issues by moving towards Auction Regime	(a) Amendment in Section 10(A)2 (b)	(1) In order to guarantee the concessionaries *(amendment made in MMDR 2015)*, the right to mine the deposit if they satisfy certain conditions of RP/PL & ML, thereby creating vested rights with such concession holders In spite of the existing act in last 5 years large numbers of RP/PL have been denied their ML rights	(1) Government is looking to optimize its revenue by putting these blocks under auction regime where it gets 50% to 70% higher premium while risking the exploration of non-bulk minerals such as gold, diamond, etc. which involves huge upfront capital investments
		(b) Amendment in Section 10(A)2 (c)	(2) Removal of 10(A)2(b) will hurt domestic & international investor's confidence in Indian mineral policy and denied their investments in risky proposition like exploration	(2) Funding of exploration expenses through NMET funding needs to channelize faster and within the stipulated timeframe to instill the faith of investor in Indian mineral sector
		(c) Funding the exploration expenditure through NMET funding	(3) Getting environment & other clearances from the respective states requires on an average approx. 4 years. With removal of section 10(A)2(c) will automatically lapse their long pending applications and subsequent investments	
			(4) More than 600 pending applications will get their mining rights jeopardize post removal of these section and will seriously thwart investment allowance regime in Indian mining sector	

GEMCO KATI

3	Removal of distinction between captive and non-captive blocks	(a) All mineral blocks to be bring under the preview of auctioning without any end user restriction	(1) Removal of captive blocks along with their respective rights and bringing all mineral blocks under the competitive bidding will bring in investment, technology, R&D and employment generation to the mining & mineral sector.	(1) Norms of competitive bidding should be judiciously placed by bringing the ceiling price for forward auctioning. This will be sufficing the ultimate object of govt. reforms of bringing the investment & employment in the ailing Indian mineral sector
		(b) Removal of right of first refusal available to existing captive mines	(2) This will also thwart the project economics of previous allocatee who in order to retain their existing leases may quote abysmal bids and thus become uneconomic business proposition. Further to this it may have a direct impact on their end use segment; thus, escalation of their finished products.	(2) Also, some rebate in revenue sharing for players with end user plants to be brought in. While in case of Merchant miners the discovery of unreasonably high premiums must be bringing under checks and balances
		(c) Increase the existing limit of total mineral excavated from 25% to 50% for which end use was specified		
4	Developing a transparent National Mineral Index	(a) Adoption of market determined National Mineral Index (NMI) for determination of levies payable to government	(1) If the NMI will be formulated in similar manner to RP & NCI for coal, then it will have some serious repercussions to the mineral business. As with advent of commercial mining the bidders need to pay on levies (including royalty) to govt. basis NMI while the actual revenue realized through sales will be on the basis of sale prices (which needs to be competitive).	(1) Indian Mineral & Mining Sector already has 60% effective tax rate as compared to the other countries. Govt. must mull over the decision of NMI and must come up with a solution to reduce the burden on the mining players. Otherwise this could thwart investment sentiment in Indian mineral sector.
			(2) The escalation of NMI will be retrospective with a base year and in order to participate in 50-year long mining contracts (considering 50-year mineral leases) its projections needs to be realistic and will be a challenge for private players	
5	Clarify the decision of Illegal Mining	(a) Amendment in MMDR Section 21 (4)	(1) Segregating the context of Illegal mining (outside the mining lease area) and mining violation (unauthorized mining) within the leasehold area is a welcome step. The severity of penalties must be reframed.	(1) Govt. must promulgate the Industry 4.0 in Mining & Mineral Sector for technology infusion into the entire value chain i.e. from exploration, mining, beneficiation and transportation.
		(b) Amendment in MMDR Section 21 (5)	(2) This will be reinforcing the use of technology infusion in the sector i.e. use of drone, high precision maps, efficient mine planning and survey tools	

6	Rationalize the Stamp Duty	(a) Stamp duty rationalization on basis of mining lease rather than value of mineral	(1) Rationalization of stamp duty on mining leases will reduce the overall cost of land for mining and accordingly there will be reduction in the solatium amount. (2) With reduction of stamp duty mining business will try to setup the mine + beneficiation plant within the lease area to get benefit of land cost but this will increase their royalty outlay (as it will now applicable on beneficiated mineral rather ROM)	(1) Govt. must formulate empirically derived mechanism to rationalize the stamp duty to be applied on mining leases
7	Amendment to DMF Rules & Guidelines	(a) Amendment to MMDR Section 9 (B) to enhance the use of DMF by creating tangible assets in affected areas.	(1) This will boost the infrastructure development in mining affected regions and brings in transparency towards the fund allocated under DMFs. (2) This will generate the indirect jobs in the mining region affected by mining activity	(1) Govt must frame all the relevant tangible infrastructure needed for holistic development of the mining affected region. It also must ensure that periodic operations & maintenance of these assets.
8	Bringing unused mineral blocks into production to generate the employment	(a) Amendment to vest back all the allocated non-working mines of private companies to state Govt through re auction (b) Amendment towards the nonworking virgin blocks allocated to PSUs must be reviewed and send back to state government	(1) The amendment will facilitate the faster decision making towards the operational timelines for the allocated mineral blocks.	(1) Govt must ensure the thorough due diligence of these blocks which were not operationalized in due course of time and should take the proper next course of actions against each of these mineral blocks on case to case basis.
9	Review of functioning of NMET	(a) Amendment towards functioning of NMET as an autonomous body (b) All the entities under Section 4(1) to eligible for funding under NMET	(1) Reframing of NMET 2018 rules will be done to bring in more autonomy to NMET	(1) Govt. must categorically mention the specific cases towards eligibility for NMET funding and must setup a committee for empowered secretaries to monitor the allocation and operationalization of exploration

GEMCO KATI

ABOUT AUTHOR

Abhinav Sengupta

Abhinav Sengupta is an MBA in Energy & Infrastructure &B.Tech in mining engineering having over 9 years of experience in Coal,Power& Infrastructure Sector has acquired strong industry exposure in areas of Strategic/Risk Advisory, Due-Diligence, Financial Appraisal, Feasibility Studies, Business Process Consulting and Strategic Procurement. He is currently working with PwC Indiain their advisory division of Mining & Metals

India proposes overhaul of mining sector amid concerns over legality and social impact

by Mayank Aggarwal

- The government of India has proposed structural reforms in the mining sector including legal amendments aimed at boosting the economy. The government notes that it is conscious of environmental and social concerns.
- The proposed changes aim to increase participation of the private sector in mineral exploration, clearly define illegal mining, remove the distinction between captive and non-captive mines, resolve legal issues, move towards auction only regime, develop a national mineral index, create tangible assets using district mineral fund etc.
- There are questions over whether the proposed changes are legally tenable and will bring the desired investment and what impact they will have on the rights of tribal communities and forest dwellers.

In its latest endeavour to battle the slowdown in the economy following the COVID-19 pandemic and associated lockdowns, the government of India has proposed reforms in the mining sector by amending the Mines and Mineral (Development and Regulation) Act, 1957. Experts on the mining sector believe the move is not only regressive and legally untenable but could also impact the rights of tribal communities and forest dwellers. The government, however, emphasised that the reforms are conscious of the environment and social concerns.

The amendments proposed by the Union Ministry of Mines are in line with the announcements made in May 2020 by India's Finance Minister Nirmala Sitharaman for enhancing private investments in the mineral sector while she was outlining government's efforts to revive the economy impacted by COVID-19. The government had unveiled the proposed amendments online on August 24 and asked people, states, mining industry, industry associations etc. to send their comments and suggestions by September 3, 2020.

In a statement, the Mineral Inheritors Rights Association, a network of civil society groups, said that they are anguished to note that only 10 days have been provided for public consultation on the proposed mining reforms that are extremely crucial and would have huge implications across the country. They said this is not even enough time to seek information under the Right to Information (RTI) Act to evaluate the proposals meaningfully and also clearly violates the pre-legislative consultation policy (PLCP) of the Indian government itself which mandates a transparent pre-legislative process that needs to be followed before laws are amended.

Continued on Page 9...

GEMCO KATI

In its proposal, the government notes that the biggest need for the country today is employment generation and the mining sector is one of the highest employment generating sectors. "Sectors like mining machinery, steel, aluminium, commercial vehicles, rail transportation, ports, shipping, power generation are closely linked to the mining sector. Therefore, any improvement in the mining sector implies employment generation in the concerned sectors. Mining activities are concentrated in the areas that need most employment opportunities," the proposal noted.

It also held that the government has taken a decisive path towards transparent resource allocation regime through auctions only since 2015 and the amendments are for bringing the best practices that can help harmonise employment, technology, growth and environment. "While the focus is on employment generation, the government is fully conscious of the environmental and social concerns … these proposals for structural reforms in the mining sector are all aimed at harmonious balance employment and environment," the proposal stressed.

The government has proposed nine structural changes in the sector. One of the major changes it aims to bring in is redefining the norms of exploration for auction of mineral blocks to ensure a seamless transition from exploration to production. Currently, government agencies and other notified agencies explore an area up to G2 level for auction of mining lease and G3 level for composite lease. Both G3 and G2 are classification levels defining the availability of mineral resources.

The government notes that the time required to reach the prescribed level of exploration before putting a block to auction is not only long but is ridden with uncertainties and thus proposed changes are to increase the participation of the private sector in exploration activities. It is now aiming to redefine the standard of exploration required for auctioning of blocks for prospecting license-cum mining lease from the existing G3 level to partially explored blocks of G4 level having potential for mineral development.

It hopes to bring in private investment for exploration of mineral blocks with this move and aims to provide a seamless and hassle-free transition from exploration to production. "Mineral sector can also adopt an open acreage licensing policy for allocation of mining rights. This will give a major boost to the production of minerals in the country by allowing all year round award of blocks through transparent basis."

But there are questions around this practice and whether it will meet the purpose the government claims. S. Vijay Kumar, who has also been the secretary of the mines ministry said, "In India, auctioning of mineral concessions was introduced only in 2015, and it is not global best practice and it does not incentivise high-risk venture capital that is needed for exploration at depth for many of the metals we now need, like base metals."

"In so far as allowing auction at an earlier partially explored G-4 stage is concerned, technically the step is regressive. The world over, initial geological surveys are done at public expense, so as to reduce the risk for subsequent private sector investment in exploration. India needs to attract exploration for deeper mineral deposits, using high technology. Such exploration can only be funded by venture capital. As it is, after 2015, there is not much interest for exploration at G-3 levels. Increasing the risk and subjecting venture capital to an auction regime is unlikely to succeed. Venture capital seeks investment opportunities globally and will go to more favourable jurisdictions," Kumar, who is now a distinguished fellow at The Energy and Resources Institute (TERI), told Mongabay-India.

Source : Mongabay-India.

Mining reforms: Industry vocal against 'premature' repeal of existing leases

The proposal to develop national mineral index on the lines of national coal index is redundant, according to FIMI; but CII and ISA agree with some caveats.

The government's proposal to amend relevant provisions of the Mines and Minerals (Development and Regulation) Amendment Act, 2015, to pave the way for auctioning of 500-odd non-coal, non-fuel blocks, which were allocated before the amended Act came into effect but have not started production yet, faces resistance from the industry.

Caught in legacy and/or legal issues, such blocks fall either under Section 10A (2)(b) – where reconnaissance permit (RP) or prospecting licence (PL) were issued, but mining leases

Continued on Page 10...

(MLs) were not granted; or under 10A (2)(c) – relating to pending grant of ML, these blocks are not contributing either towards mineral production or generating employment. Both the provisions were added with the amendment of the MMDR Act in 2015.

In its latest reform proposals, the mines ministry batted for auctioning such leases as "continuing with the existing provisions of 10A (2)(b) and 10A(2)(c) will also cause huge financial loss to the state exchequer, the amendment Bill seeks to amend the existing provision of Section 10(A)(2)(b) and 10A(2)(c), and reallocation of such mineral blocks through transparent method of auction". These amendments are likely to be approved in the ensuing session of Parliament.

Miners' body Federation of Indian Mineral Industries (FIMI) said the proposal to amend the Act for repealing Section 10A(2)(b) was not at all desirable as it could prove to be counter-productive for the mineral development of the country.

"The existing RP/PL holders have invested huge resources and put long years to undertake risky exploration activities and have helped India to discover valuable mineral deposits," it said, adding that rather than scrapping, section 10A(2)(c) may be amended by extending the timeline for another five years till January 2022 for grant of mining leases to such deserving concession holder.

Industry body CII said all the cases saved under section 10A(2)(b) where all the conditions have been fulfilled by applicants, must be expeditiously granted by the government in a time-bound manner.

"The transition to an auction only regime cannot be at the cost of premature termination of mineral rights given to investors by the statute itself. It is really difficult to believe that the 500-odd concessions currently locked up under Sections 10A (2b) and (2c) are the only options to kick start investment in the mining sector when we all know that only 10% of the total area having obvious geological potential (OGP) for mineral resources have been explored in detail in India," CII said.

Indian Steel Association (ISA) supports amendments to these sections, but at the same time, it wants the government to consider protecting the right of the PL holders who have already completed prospecting and have filed application with the states for mining lease.

"Rather than repealing or modifying section 10A(2)(C), as introduced by the 2015 Amendment, to oust applicants who have not succeeded in getting mining leases executed so far, we respectfully submit that it may be more fruitful to set up an inter-ministerial task force of the central government to scrutinise all such cases," it said.

All are, however, in agreement on the mines ministry's proposal of doing away with the distinction between captive and non-captive mines. Though ISA agrees with the ministry's proposal of increasing the existing limit of allowing 25% of the minerals for sale by the auctioned captive mines to the level of 50%, FIMI disagrees, CII, on the other hand, wants removal of such a cap altogether.

The proposal to develop national mineral index on the lines of national coal index is redundant, according to FIMI; but CII and ISA agree with some caveats.

ISA said that the broad objective of the reform proposals should be to ensuring increased iron ore supply to small steel producers and that the vision of national steel policy can be fructified.

Government revises list of mines, 38 to be up for auction

The revised list of mines set to be auctioned now includes the Dolesara, Jarekela and Jharpalam-Tangarghat mines in the Raigarh district of Chhattisgarh.

The central government on Thursday announced the withdrawal of five coal mines in Chhattisgarh from the upcoming auction for commercial mining and the inclusion of three other coal mines, bringing the total number of mines set to be auctioned to 38 from 41 planned initially.

The Chhattisgarh government had written to the Centre seeking the exclusion of the Morga South, Fatehpur East, Madanpur (North), Morga-II and Sayang coal mines from the auction, stating that these mines are part of densely forested and ecologically sensitive regions of Chhattisgarh.

The revised list of mines set to be auctioned now includes the Dolesara, Jarekela and Jharpalam-Tangarghat mines in the Raigarh district of Chhattisgarh.

These mines have a forest cover of only 1-2 per cent, according to MSTC, the nominated authority for the auction of coal mines.

"Revisions have been made in the list of coal mines offered for auction … Accordingly, 38 coal mines are offered for auction for commercial mining," the Coal Ministry said in a statement. These 38 will be the first coal mines to be auctioned for commercial use as part of a move to open up the coal sector. Previously, only end-users of coal were allowed to bid for coal mines.

Earlier, the Coal Ministry had announced the removal of the Bander coal mine in Maharashtra from the list of 41 mines as the area had been declared an ecologically sensitive zone as part of the Tadoba - Andhari tiger reserves by the Environment Ministry.

GEMCO KATI

Need to streamline regulatory process to facilitate timely approvals for mining projects: FIMI

Miners" body FIMI on Friday stressed upon the need to streamline the regulatory process to facilitate timely approvals for mining projects, as the procedure for granting green nod to mineral blocks is cumbersome.

Federation of Indian Mineral Industries (FIMI) President Sunil Duggal also stressed upon setting up of a suitable mechanism to expedite the forest clearance process and improve monitoring at the ground level.

"The process for grant of EC (environment clearance), FC (forest clearance) and wildlife clearances for mining projects is cumbersome and takes three to five years on an average.

"Thus, it is required to encourage streamlining the regulatory processes tof acilitate timely approvals for "ease of doing mining" in self-reliant India," Duggal said.

He was speaking during an online event on "Conducive Environment and Forest Regime for Growth of Mining Sector".

It is cognizant that the need for environmental protection and responsive development in the country are interconnected. The need for transparency, faster approvals and public trust is of paramount importance, he said.

The country"s mining industry follows numerous policies, acts and legislations to reduce the environmental impact. The mines ministry has also laid down specific rules and regulations mentioned in the sustainable development framework in order to ensure environmental integrity specific to mining operations.

Despite these facts, the mining industry battles a tedious process of environment and forest clearance for smooth mining operations, Duggal said.

For the mining industry, environmental impact assessment is the basic requirement for commission of mining activity.

However, the mining industry faces numerous obstacles for completion of the process like public hearing, time consuming regional studies and

subjudice matters in Courts and allied approvals from various authorities, he said.

Minerals are site specific in nature and majority of the deposits happen to be in forest areas. Thus, a balance is necessary between mineral development and conservation of forest and biodiversity for obtaining forest clearance, mining projects face huge delays such as in tree enumeration, site visit, settlement of the rights under Forest Rights Act, 2006 etc.

Steel companies, miners tussle over Mining Act amendment

Govt has proposed an Amendment Bill to reallocate mineral blocks through e-auction

The tussle between steel companies and merchant iron ore miners is hotting up as the September 3 deadline of the Centre seeking the opinion of the State governments, mining body and industry on amending the Mines and Minerals Development Regulation (MMDR) Act to put about 500 mines on e-auction, nears.

As part of the ‘Atmanirbhar Bharat’ programme, the government has proposed to enhance private investments in the mineral sector by bringing in fresh reforms.

Minerals is one of the highest employment-generating sectors. It has deep and wide impact on upstream and downstream sectors such as mining machinery, steel, aluminium, commercial vehicles, rail transportation , ports, shipping and power generation.

The amendment will resolve legacy issues and move towards an auction only regime for allocation of mineral resources.

Though the government had extinguished Section 10A (2) (c) of the MMDR Act in January, 2017, in the absence of a specific sunset clause in the Act, cases are still being filed.

Continued on Page 12...

GEMCO KATI

However, Section 7 of the MMDR Act, amended in January, 2015 provided a maximum five-year for completing the prospecting of the mine that was allotted by State governments under its discretion. The maximum time-frame for prospecting also lapsed in January this year.

Transparent auction

Hence, the government has now proposed an Amendment Bill to reallocate mineral blocks through transparent auction.

The government has also proposed to appoint an authority to decide the value of expenditure on exploration in legacy cases and reimburse the same from funds in National Mineral Exploration

Trust. However, most merchant miners that have received the concession on mines by allotment from the State government are against the amendment and auctioning of mines.

Bhaskar Chatterjee, Secretary General, Indian Steel Association, said the revenue generated by opening up of mines is estimated to be about $250 billion, including $80 billion as direct and $170 billion as indirect contribution, as per the Ministry of Mines.

The State exchequer can earn about Rs 40-lakh crore through contribution to NMET, District Mineral Fund and other indirect levies through transparent auction of mines by repealing Section 10A2 (b) of MMDR Act, he said. Since 2015, the government has auctioned 97 mining leases.

Voicing concern against repelling the controversial Section of MMDR Act, the Federation of Indian Mineral Industries, in a letter to the government recently, said if the existing concession-

aires are allowed to covert their RP (reconnaissance permit) to PL (prospecting licence) and PL to ML (mining licence), an additional job creation can happen through the 179 PL and 393 ML.

RK Sharma, Secretary General, FIMI, said the association is in the process of getting the opinion of more members in this matter and will submit it to the government soon.

Scenario planning matters more than ever in mining

Earlier this year, mining companies scrambled to maintain their current operations as the pandemic bludgeoned multiple industries. We call this effort ‘keeping the lights on’. Now, as the pandemic’s shock waves continue reverberating around the globe, miners must take a longer view, and ask themselves: “How should we think about our industry’s future and manage the many uncertainties facing us?”

Those uncertainties are profound. Overall, gross domestic product growth forecasts are worsening for all major economic regions of the world, and a global rebound to pre-COVID levels isn't expected any time soon. For mining companies, the pandemic's worst impacts have included commodity-price volatility and country lockdowns that have put production of various commodities at risk.

Additional uncertainties remain, such as the duration of the pandemic, and the severity of its impacts; how effective treatments and disease-management measures will be; and how reactions to the crisis among governments might change in future (for instance, how might nationalism intensify?). What about businesses' reactions? To what degree will companies seek to mitigate risks by reconfiguring their supply chains?

And how resilient is the supply base for essential products and services required by the mining industry? How can we understand and mitigate supplier risks deep in our own supply chain?

Through scenario planning, miners can identify and monitor key sources of uncertainty, explore potential futures' implications for their business and craft strategies for succeeding in different scenarios.

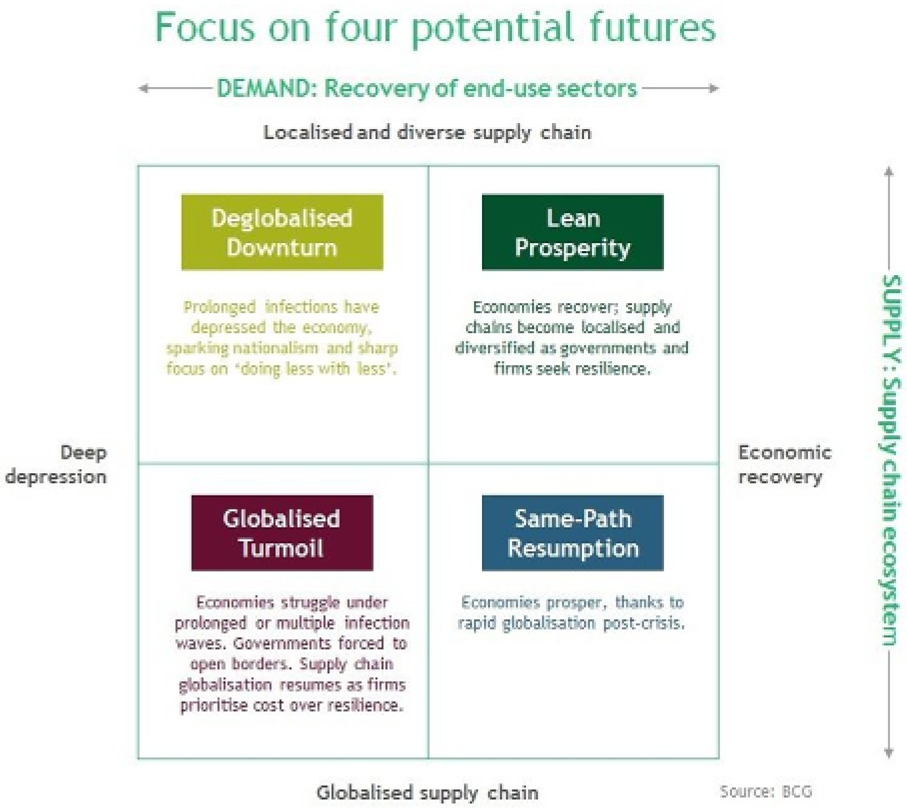
Spotlight on possible futures

One way to engage in scenario planning is to consider how demand and supply forces might change. We might, for example, look at demand, and the robustness of mining-commodity end-use sectors. To what degree will end-use sectors exerting the largest impact on mining commodities sink into a deep depression versus achieve a healthy level of economic recovery? And then supply, and developments in mining's supply chain ecosystem. How freely will mining commodities and value-added products be able to move across borders, given government trade policies? Will miners and their customers prioritise supply chain resilience, or cost optimisation? How will their choices affect the degree of diversity within the supply chain, in terms of suppliers' size, location and maturity?

Though no one can predict which futures will most likely emerge, mining companies can - and must - monitor the key sources of uncertainty and ask themselves, given the signposts we're

Continued on Page 13...

GEMCO KATI



watching, what direction does the industry seem to be moving toward? Will it face tailwinds or headwinds in that future? How well can current strategies succeed there? Should the company pivot toward a new strategy, and how?

The table shows examples of indications suggesting a direction toward each of these futures, and key implications.

Future	How we would get there	Key implications
Lean Prosperity	Coordinated response to virus containment and stimulus measures Sharp focus on boosting resilience Rapid vaccine deployment Stricter 'local content' trade rules	Protectionism over collaboration, as governments prioritise domestic production Decline in transportation Automation to reduce costs, decreasing demand in the machinery end-use sector
Deglobalised Downtum	Persistent virus threat prompting government borrowing to support public health Trade barriers to protect economies Elusive vaccine Trade and travel restrictions from fears of 'foreign virus' resurgence	Slow recovery in demand across industries Protectionism over collaboration Emphasis on doing less with less, as companies downsize and prioritise cash-flow security over growth Potential bankruptcies
Globalised Turmoil	Persistent virus coupled with ineffective economic stimuli and pressure to restart economies Further lockdowns prompted by prolonged infection or potential second wave Government stimulus limited by populism Governments and businesses forced to open borders to survive	Declining demand across all key industries, especially construction, machinery, transportation and electronics Globalisation stemming from pressure on businesses to prioritise low cost over supply chain resilience High economic volatility, from premature reglobalising and lack of resilience
Same-Path Resumption	Looser virus containment thanks to 'lucky breaks' (existing medicines, seasonality) But limited long-term changes in mindset and ways of working Fast reglobalisation and return to old ways of working	Economic recovery as pandemic comes under control, restrictions get lifted and key industries resume operations Reglobalisation of supply chain as governments open borders Moderate economic volatility as world reglobalises without developing supply chain resilience

These scenarios would have different implications for different players in the copper value chain. To illustrate, for mine producers, trade restrictions on copper could dampen demand for concentrates in China, affecting Chilean and Peruvian exporters. In economic-downturn scenarios, only cost-effective players might win, regardless of trade restrictions. In recovery scenarios, marginal mines could come online, since existing capacity utilisation is already high.

What about refined and finished-goods producers? Assuming that trade restrictions increase tariffs for imported refined copper products, US smelters might see increased demand and higher market share. In turn, refineries in net

Continued on Page 14...

export nations (China, Japan) could see demand decline and might need to shift their trade to economies with small smelting capacities (such as Singapore).

As possible survival strategies, miners and concentrate producers might identify low-cost, undervalued assets with high value upside potential as M&A targets. And they could secure long-term supply contracts with top Chinese and Indian smelters. Meanwhile, smelters and refineries could explore opportunities to set up their own blending facilities to reduce their dependence on traders. If trade barriers for copper finished good stiffen, these players might consider securing long-term supply contracts with finished goods manufacturers in importing countries such as the US.

Clearly, scenario planning requires close monitoring of numerous trends that interact in highly complex ways. But mining companies that commit to this effort will stand the best chance of positioning themselves for success no matter which future materialises.

Source : Mining Journal

DISCLAIMER: This is a compilation of various news appeared in different sources. In this issue we have tried to do an honest compilation. This edition is exclusively for information purpose and not for any commercial use. Your suggestions are most valuable.

Your suggestions and feedback is awaited at :-
editor@geonesis.org

GEMCO KATI