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ఆంధ్రప్రదేశ్ ఆంధ్రప్రదేశ్ ANDHRA PRADESH
 138 13/05/2009
 A. Vinod Kumar R/O HYO
 Prasad
 APMDC R/O HYO

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 AMEERPET, HYDERABAD

AGREEMENT

This AGREEMENT made on the 2nd day of July ' 2009 between

The Andhra Pradesh Mineral Development Corporation Limited (a wholly owned undertaking of the Government of Andhra Pradesh) a company registered under the Companies Act 1956 and having its registered office at Pancom Business Centre, 2nd & 3rd floors, 8-3-945, Ameerpet, Hyderabad 500073, represented by its Vice-Chairman & Managing Director, Sri. V.D. Rajagopal, hereinafter referred to as "APMDC" which expression shall include its nominees, group companies, subsidiaries, successors and assigns of the One Part;

And

GIMPEX Limited, a company registered under the Companies Act, 1956 and having its office at GIMPEX House, 282 (Old No.181), Linghi Chetty Street,

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Chennai – 600 001, India represented by its Asst.General Manager, Mr.Anand Bakki, hereinafter referred to as "Promoter Company" which expression shall include its nominees, group companies, subsidiaries, successors and assigns of the Other Part;

For the purpose of this Agreement and any addition/alteration thereof, APMDC and GIMPEX are collectively referred to as "Parties" and individually as "Party", wherever the context so permits.

WHEREAS

- A. The APMDC and GIMPEX entered into a Memorandum of Understanding (MoU) dated March 4, 2005 for exploration, mining and processing of Iron Ore Deposits in certain areas of Prakasham District. This Agreement supersedes the said MOU.
- B. The Government of Andhra Pradesh through G.O.Ms.No. 428 Industries & Commerce (B1) Department, dated 07.04.1972 (a Copy enclosed) declared certain areas in various village limits of erstwhile Ongole, Addanki and Kandukur Taluks in Prakasam District as reserved for exclusive exploitation of Iron Ore in the Public Sector.
- C. APMDC, being such a Public Sector Undertaking had filed application for grant of mining lease (s) with the Department of Mines & Geology, Government of Andhra Pradesh in respect of Mining Lease (s) for the areas reserved and also for certain other areas in Prakasam District.
- D. APMDC with a view to exploiting the mineral resources, issued a notification on 18.04.2004 inviting "Expression of Interest" from entrepreneurs for mining of Iron Ore deposits in these areas and for establishment of beneficiation plant for the production of Iron Ore Concentrate with APMDC.
- E. The Promoter Company is in the business of mineral exploration / mining / processing / beneficiation and export for more than thirty years


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and has established itself as a credible supplier of Iron Ore in the world market and is equipped with the necessary resources to mine and process the Iron Ore Deposits.

- F. The Promoter Company had submitted its bid in response to the tender vide letter No. GL 668/04-05 dated 18th February, 2005 and APMDC after complying with due process awarded the said tender to the Promoter Company vide letter No: APMDC/GEO/E.Interest/Iron Ore/2004/6014 dt.02-03-05. Consequently a MOU was entered into between the Parties on 04-03-05 whereby the Parties had agreed to incorporate a "Project Company" to carry out the exploration, mining and processing of the Iron Ore Deposits present in the Iron Ore Areas in Prakasam District for which the mining lease (s) had been granted on the terms and conditions as contained therein.
- G. Upon grant of the said mining lease (s), APMDC had agreed to transfer the same mining lease (s) to the Project Company to be incorporated in terms of that MOU along with all the accompanying and ancillary rights, permits and approvals that would be required in order to successfully exploit such mining lease (s) for commercial purposes.
- H. Government of Andhra Pradesh in G.O.Ms.No.95 Industries & Commerce Dept., Dt. 27-04-2009 have granted mining lease for Iron Ore covering an extent of 1307.26 acres in Villages of Konijedu, Marlapadu, Kanduluru, Sarvireddipalem and Errajarala of Tangaturu & Ongole Mandals of Prakasam District in favour of A.P.M.D.C.
- I. Now the Parties have decided to implement the Project under two separate Special Purpose Vehicles (SPV's). 1. SPV- Mining which would only undertake the mining operations of the iron ore deposits present in the Iron Ore Deposit Areas and 2. SPV-Beneficiation which would set up the Beneficiation Plant to undertake beneficiation of the Iron Ore extracted from the Iron Ore Deposit Areas.



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- J. In the SPV-Mining, the Parties have agreed that APMDC shall be allotted fully paid-up equity shares equal to 51% of the issued, subscribed and paid-up share capital as free ride equity, on the terms and conditions contained herein.
- K. In the SPV-Beneficiation, the Parties have agreed that APMDC shall be allotted fully paid-up equity shares equal to 11% of the issued, subscribed and paid-up share capital as free ride equity, on the terms and conditions contained herein.

And Whereas for the aforesaid purpose, the Parties have decided to enter into an Agreement in writing.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. DEFINITIONS

When used in this Agreement (including the Recitals), the following terms shall have the following meanings:

"Beneficiation Plant" shall mean the arrangements in which the low grade ores are upgraded by removing the impurities through physical, chemical and/or other processing methods, to yield iron-ore concentrate.

"Escot Charges" shall mean and refer to the charges of Rs.45/- per metric tonne of Iron Ore concentrate that shall be paid by the SPV-Beneficiation to APMDC in respect of tonnage of Iron-Ore concentrates produced and dispatched by the SPV-Beneficiation as a result of Beneficiation Activity undertaken by it.

"Iron Ore Deposits Areas" shall mean and include all the areas in erstwhile Ongole, Addanki, Kanduluru Mandals, and Prakasam Districts covered within the villages in G.O.Ms.No. 428 Industries &



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Commerce (B1) Department, dated 07.04.1972 as well as certain un-reserved areas over an extent of 641.43 Acres containing Iron Ore Deposits in respect of which mining lease(s) are to be applied for, have been applied for, have been granted or to be granted which are to be sub-leased to the SPV-Mining Company.

"Minimum Guaranteed Income" will be Rs.1,12,50,000/- per annum payable by the SPV-Beneficiation Company to APMDC from the date of commencement of commercial production.

"Roll Over Facility" shall mean the right of the SPV-Beneficiation Company to set off amounts paid towards Escot Charges in excess of actual production accruals towards the minimum guaranteed sum in any year against amounts in excess of the minimum guaranteed sum payable on the basis of actual production accruals over the following five years.

"SPV-Beneficiation Company" shall mean a company (public or private) incorporated by the Promoter Company which would establish a Beneficiation plant, in respect of the Project, to beneficiate and upgrade the iron-ore to obtain concentrate.

"SPV-Mining Company" shall mean the public/private limited company incorporated by the Promoter Company which will function as a joint venture between the Promoter Company and APMDC, and would undertake mining operations in the Areas, in respect of the Project, pursuant to the Sub-Leasing of Mining Lease(s) by APMDC for exclusive supply to SPV-Beneficiation Company.

"Surface Rights" shall mean and refer to the rights and interest, to use, enjoy, occupy and construct upon the areas in respect of which mining lease (s) have been granted / transferred or shall be granted / transferred / subleases to the SPV-Mining Company, as well as the

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right to carry out mineral excavation activities or other activities in support of or related to the same as per the terms and conditions specified in the Mining Lease Agreement entered into by APMDC pursuant to grant of Mining Lease (s) in its favour.

2. INTERPRETATION

- i) In respect of any word or phrase defined herein the singular shall include the plural and vice-versa.
- ii) The Recitals, Schedules, Annexures and Exhibits shall constitute an integral part of this Agreement.
- iii) The terms "hereof", "hereto" and derivative or similar words refer to this entire Agreement or specified Sections of this Agreement, as the case may be;
- iv) Any reference to a person means an individual, partnership, joint venture, corporation, company, trust, unincorporated association, or other entity of whatever nature, or any group of the foregoing.
- v) A reference to any Section or paragraph of such Section shall be read as referring to this Agreement unless the context otherwise requires.
- vi) Reference to the word "include" shall be construed without limitation; and
- vii) Reference to any legislation or law or to any provision thereof shall include reference to any such law as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted, and any reference to statutory provision shall include any subordinate legislation made from time to time in that provision.
- viii) The terms and expressions used throughout the Agreement shall have the meaning as defined irrespective of whether they are used as capitalized or not.

3. "OBJECTIVES AND FORMATION OF THE SPV - MINING COMPANY / SPV - BENEFICIATION COMPANY"

- i) The Promoter Company shall promote and incorporate: (1) a public /private limited company (SPV - Mining Company) which would



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undertake mining operations in the Iron Deposit Areas and (2) a public/private limited Company (SPV – Beneficiation Company) for processing / beneficiation of the same into Iron Ore Concentrate in the Iron Ore Deposit Areas.

- ii) SPV Mining Company will engage in mining operations in the iron-ore deposit areas as specified herein and supply the same exclusively to the SPV - Beneficiation Company for beneficiation”.
- iii) The SPV-Beneficiation Company will engage in the business of processing and beneficiation of iron-ore extracted from the Areas, supplied by the SPV-Mining Company, into iron-ore concentrates and marketing the products.
- iv) In the SPV – Mining & SPV - Beneficiation Companies, the APMDC shall have Director (s) in the proportion of their equity subject to minimum one. Each of the Shareholders who have a nominee Director on Board shall be entitled to remove or replace any of the Directors nominated by them, by notice to such Director and the SPV-Mining Company / SPV-Beneficiation Company, as the case may be, and the other Party shall render all assistance and co-operate in passing the requisite Board and Shareholder resolutions required for such removal or replacement. Any vacancy occurring on the Board, with respect to any of the nominee Directors of any Shareholder, by reason of death, disqualification, resignation, removal or the inability to act, shall be filled only by another nominee of such Shareholder, as the case may be.

4. “CAPITAL OF THE SPV-MINING COMPANY / SPV-BENEFICIATION COMPANY”

- i) “APMDC shall be allotted fully paid-up equity shares for consideration other than cash equal to 51% of the issued, subscribed and paid-up share capital in the SPV-Mining Company as free ride equity shares. APMDC, shall be allotted this equity of 51% as consideration for procuring the mining lease (s) and all

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other associated sanctions / permissions and approvals from the Government of Andhra Pradesh and Government of India that are required to get the lease(s) and sub-lease in favour of SPV-Mining Company towards incurring all costs and expenses."

- ii) "Subject to the other provisions of this Agreement and unless the laws of India require otherwise, the share capital of the SPV-Mining Company shall at all times be subscribed to and held by APMDC on one part and the Promoter Company nominees successors, affiliate, group companies, subsidiaries, associates and assigns of the other part in the proportion appearing hereinafter:

APMDC	Promoter Company	TOTAL
51%	49%	100%

- iii) The capital and other related investments required for development of the mine or for conducting the mining operations including all other incidental expenses for the SPV-Mining Company shall be arranged by the Promoter Company. In other words, the Promoter Company shall bear the entire cost of mining operations undertaken by the SPV-Mining Company and it is the responsibility of the promoter company to procure required men and machinery to conduct the mining operations on behalf of the SPV Mining. However, APMDC shall depute one senior cadre mining engineer to oversee the operations. APMDC shall not make any cash investments in the SPV-Mining Company to take up any mining operations as the entire responsibility of funding for mining operation lies with SPV-Mining Company.
- iv) Subject to the other provisions of this Agreement and unless the laws of India require otherwise, the share capital of the SPV-Beneficiation Company shall at all times be subscribed to and held by APMDC on one part and the Promoter Company nominees

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successors, affiliates, group companies, subsidiaries, associates and assigns of the other part in the proportion appearing hereinafter:

Promoter Company	APMDC	TOTAL
89%	11%	100%

- v) APMDC shall be allotted fully paid-up equity shares equal to 11% of the issued, subscribed and paid-up share capital by way of free ride equity in SPV-Beneficiation Company. APMDC shall be allotted this equity of 11% as consideration for undertaking and ensuring, directly or indirectly, that the SPV-Mining Company will supply the entire minerals mined from the Areas exclusively to the SPV-Beneficiation Company for beneficiation.

5. CONDUCT OF BUSINESS OF THE SPV-MINING COMPANY / SPV-BENEFICIATION COMPANY.

A. SPV-MINING COMPANY:

- i) The Management and Operation of the mines shall be the responsibility of the Promoter Company. APMDC shall act as a facilitator for smooth functioning of the mining operations and shall not cause any hindrance in the day to day activity unless the operations are in violation of statutory provisions.
- ii) APMDC shall permit lien on Sub-Lease for debt raising for the SPV-Beneficiation, subject to the provisions of relevant rules.
- iii) All other matters shall be decided by the Board of Directors by a majority. No resolution of the Board of Directors shall be passed and approved without an assenting vote of atleast one of the Directors of each of the Shareholders i.e., APMDC and Promoter Company. Three Directors of which atleast one of the Directors of each of the Shareholders should be present to constitute a valid quorum for a meeting of the Board of Directors. The Vice Chairman & Managing Director of



APMDC shall be the Chairman of the Company and the Managing Director shall be nominated by the Promoter Company. The Managing Director of SPV-Mining Company will be responsible to run the Company.

iv) APMDC and Promoter Company agree that the matters enumerated below would be approved only by a special resolution and the same would be provided in the Articles of Association of the SPV-Mining Company. They are:

- i. appointment and removal of Directors including Managing Director, alternate directors etc.;
- ii. changing the name of the company
- iii. remuneration of Directors;
- iv. appointment of Auditors and Company Secretary, if permissible;
- v. alter share capital and/or issue new shares, debentures or other instruments of securities (whether convertible into shares or otherwise and whether fully or partially paid);
- vi. borrowings including secured or unsecured bank debt, issuance of debentures or bonds or creation of any mortgage, fixed or floating charge or encumbrance with respect to properties and assets of the SPV-Mining Company and the terms and conditions thereof;
- vii. declaration of any dividend;
- viii. providing guarantees, indemnities, bonds, letters of comfort or other security in respect of the indebtedness or liabilities of the SPV-Mining Company or any person or firm;
- ix. acquisition, sale or transfer of fixed assets of the Company having value exceeding Rs. 5,00,00,000 in any manner whatsoever;
- x. the entry by the SPV-Mining Company and / or any of its subsidiaries into any joint venture including approval of any



- disinvestments by the SPV-Mining Company or its subsidiaries of any of their interest in any such joint venture.
- xi. any alteration of the Memorandum of Association of the SPV-Mining Company which otherwise only requires an ordinary resolution;
 - xii. any restructuring of the capital of the SPV-Mining Company (including any subdivision, consolidation of shares or any capital reduction);
 - xiii. licensing of trademarks and other intellectual property owned by the SPV-Mining Company;
 - xiv. investments to be made by the SPV-Mining Company exceeding the value of Rs. 5,00,000/-
 - xv. initiation and conclusion of law suits, which do not solely serve the collection of claims on the SPV-Mining Company or relate to labour law disputes, if and to the extent the amount pertaining to the suit exceeds Rs. 5,00,000/-
 - xvi. (i) To appoint liquidator and to fix the remuneration in a members' voluntary winding up, (ii) to sanction continuance of the Board of Directors' power in a members' voluntary liquidation after liquidator's appointment, (iii) to fill in casual vacancy in the office of the liquidator, (iv) to nominate a person to be liquidator on creditors' voluntary winding up (v) to appoint committee of inspection in a creditors' voluntary winding up and (vi) to consider and pass the accounts laid in a creditors voluntary winding up.
 - xvii. To authorize the Board to inter alia—
 - (a) sell, lease or dispose of any or whole of the undertaking of the SPV-Mining Company
 - (b) remit or allow time for repayment of a debt due by a director;
 - (c) borrow money exceeding in the aggregate of the paid-up capital of the company and its free reserves



- v) APMDC, being the majority shareholder in SPV-Mining, shall take part as a shareholder in the SPV-Beneficiation and hence the SPV-Mining will incur the total cost of production for producing the iron ore as provided herein and charge the same on SPV-Beneficiation.
- vi) The SPV-Mining shall be responsible to fulfill all the statutory obligations required to be fulfilled under various statutory provisions of Mining, Environmental and other laws related to mining. In the event of any violation being committed it is the responsibility of the SPV-Mining Company to rectify the violation to the satisfaction of the statutory authorities and if they fail to do so APMDC shall not be liable for any action and in such event the SPV-Mining is responsible for any action being initiated. APMDC is having liberty to correct such violation at the cost of SPV – Mining Company.

B. SPV-BENEFICIATION COMPANY:

- i) All matters shall be decided by its Board of Directors by a majority as provided by law and its Article of Association.
- ii) APMDC and Promoter Company agree that the business of the SPV-Beneficiation Company requiring the Shareholders approval shall be conducted as provided by law and its Articles of Association.
- iii) The Promoter company shall ensure the payment of the Escot charges to APMDC in lieu of Mineral Rights in the SPV-Mining Company as indicated below:
 - a) The SPV-Beneficiation Company shall pay to APMDC, Escot charges at Rs.45 per metric tonne of concentrate dispatched or a minimum guaranteed sum of Rupees 1,12,50,000/- per year whichever is higher from the date of commencement of commercial production subject to a roll over facility of five years in favour of the SPV-Beneficiation Company.

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- b) The said Escot charges shall be paid on monthly basis based on dispatches in the preceding month on or before 15th of following month. In case the same are not paid within three months time, it shall carry interest at prevailing prime lending rate of State Bank of India after due date. In the event Escot charges/minimum guaranteed amount is not paid for a period of two years consequently, then the APMDC is at liberty to invoke the Bank Guarantee and raise demand for un-recovered portion of its dues if any. SPV-Mining Company shall stop supply the material until the above dues are paid in part/full.
 - c) Escot charges shall be increased after the repayment of total project COST. Such increase shall be @ 5% on the prevailing Escot charges once every 5 years subject to the condition that the sale price does not fall below the average sale price of the preceding 5 years.

6. OTHER AREAS

In respect of other areas available within the villages specified in G.O.Ms.No.428 Dtd.07.04.1972 also, APMDC shall in due course obtain leases and sub-lease to the SPV-Mining Company

7. SURVEY BY THE PROMOTER / SPV-MINING COMPANY

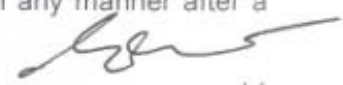
The Promoter / SPV-Mining Company shall be entitled to survey the Iron Ore Deposits areas for which the Mining lease (s) are to be granted, with view to ascertaining the nature, quality and quantity of Iron Ore Deposits in order to confirm the estimated reserves. Such survey shall be completed within 3 months from the sub-leasing the lease (s) to the SPV-Mining Company. However, the Promoter / SPV Mining Company shall undertake this survey even before the sub-lease of the lease (s) in case APMDC gets special permission from the Government to undertake prospecting operations in such areas.



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8. INDEMNITY:

- i) Notwithstanding anything contrary in law, APMDC which is holding 51% in the SPV-Mining Company and 11% in the SPV-Beneficiation Company, by virtue of this Agreement entered into between APMDC and the Promoter Company shall not be liable or responsible to pay any damages or losses or compensation or any outstanding amounts payable by the SPV-Mining Company or SPV-Beneficiation Company, formed for the exploitation and beneficiation of the iron-ore in the Areas. In the event of the failure of the SPV-Mining Company / SPV-Beneficiation Company, to comply with the provisions of all applicable Mining Laws, Forest Laws, Welfare legislations, Tax Laws or other related laws, including expenditure that may be incurred in Mine Closure in terms of provisions of Mineral Concession Rules, 1960 or wage liability to its employees and workers or taxes or duties to the Government agencies or repayment of term loans to the Banks or Financial Institutions and any liabilities incurred by virtue of any contractual obligations of the SPV-Mining Company / SPV-Beneficiation Company, the Promoter Company shall alone be responsible or liable to pay the amounts due by them respectively. APMDC by virtue of its shareholding in the SPV-Mining Company / SPV-Beneficiation Company is not liable or responsible to pay any amounts to any party whatsoever on any account, proportionate to its shareholding or otherwise. However APMDC shall cooperate with Promoter Company / SPV-Mining Company / SPV-Beneficiation Company fully to assist them to handle all such related issues promptly without any delay.
- ii) APMDC as 51% shareholder in SPV-Mining shall not contribute for non production or non supply of material to the SPV-Beneficiation. In the event, APMDC acts as a majority shareholder for stoppage of mining operations, the promoter company shall have right to go for arbitration and resolve the issue. In case of continuous failure of supply of raw material due to the intervention of the APMDC, in any manner after a



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period of one month or after exhausting buffer ROM, whichever is later, available at Beneficiation Plant, the promoter company is liable to claim damages for the loss sustained.

9. SECURITY DEPOSIT

The SPV-Beneficiation Company shall pay an amount of Rs 50,00,000/- towards Security Deposit in favour of APMDC either in the form of Bank Guarantee or by way of Demand Draft for effective compliance of the terms and conditions of the agreement pertaining to Escot Charges or Minimum Guaranteed Amount. In the event of non-payment of Escot Charges or Minimum Guaranteed Amount within due date, APMDC shall be at liberty to adjust the outstanding dues payable against security deposit and in the event of such an adjustment/recovery, the SPV-Beneficiation Company shall immediately make good the extent of Security Deposit so falling short by way of adjustment.

10. IMPLEMENTATION OF THE PROJECT

- i) The Project shall commence on APMDC sub-leasing the mining lease to SPV-Mining Company granted vide Government Andhra Pradesh G.O. Ms.No.95, dated 27-04-2009 over an extent of 1307.26 Acres within 30 days signing of this Agreement and shall be fully operational upon the sub-lease of the Mining Lease with respect to Other Areas
- ii) Upon commencing the Project, the Promoter Company hereby undertakes to set up a beneficiation plant under SPV-Beneficiation Company to produce iron ore concentrate with a capacity of 5,00,000 metric tonnes per year with an approximate outlay of Rs. 150-175 Crores or per the need. SPV- Beneficiation Company is at liberty to invest in larger capacity.
- iii) The project will be completed within the time schedule from the date of entering this Agreement as given below

- a) Commencement of Mining Operation by SPV-Mining within 18 months from the date of Sub-leasing of Mining Lease in its favour.
- b) Commencement of commercial production of Iron Ore Concentrate by SPV-Beneficiation Company within 36 months from date of subleasing.
- c) In the event the commercial production is not commenced within 36 months after subleasing due to valid reasons in spite of best efforts and depending on the progress of work already taken place by that time and investments already made by that time, APMDC may consider extension of time for a reasonable period.

11. UNDERTAKINGS BY APMDC

- i) APMDC shall permit the SPV-Mining Company to undertake exploration, mining and extraction of the iron ore from the iron ore deposit areas specified herein without any interference or disturbance from APMDC or any of the agents or employees acting on its behalf.
- ii) The SPV-Mining Company shall have absolute discretion with respect to appointment of personnel, their remuneration and benefits payable, engagement of professional services and on all matters involving the conduct of business and day to day affairs of the SPV-Mining Company subject to compliance with various statutory provisions as applicable.
- iii) APMDC shall provide to the Promoter Company the available data and information in relation to the iron ore deposit areas specified herein.
- iv) APMDC shall extend its cooperation for the acquisition of land at Promoter's cost in the periphery of 1000 meters around the iron ore deposit areas from the concerned Revenue authorities, and also

APMDC shall further cooperate in providing a clear, vacant and usable surface area in the periphery of 1000 meters around the iron ore deposit areas, either for the purpose of mining or for any other allied activities relating thereto. APMDC shall cooperate in liaison work with the concerned authorities in respect of development of infrastructure facilities with the local bodies, State and Central authorities.

- v) In respect of all Iron Ore Deposit Areas APMDC shall bear all costs incidental, ancillary, and related to the surface area over which the mining lease(s) have been granted in its favour, which to be subleased to the SPV-Mining Company.
- vi) APMDC shall immediately sub-lease to SPV-Mining Company all Mining Leases for Iron Ore in the Iron Ore Deposits Areas granted to it without any delay.
- vii) APMDC undertakes and shall ensure that the Mining lease (s) granted to it and / or the sublease of the Mining Lease (s) of the SPV-Mining Company is not surrendered / cancelled during the term of this Agreement as the Beneficiation Plant of the SPV-Beneficiation Company is specific to process the iron-ore minerals extracted from the Areas and its operation and existence is solely based on captive raw material resources from the Areas.
- viii) APMDC undertakes and agrees to keep the sub-lease of Mining Lease in favour of the SPV-Mining Company, for period(s) beyond the initial term of lease, valid and renewed until the deposits of low grade iron-ore in the Areas are exhausted. Accordingly, APMDC agrees to take all efforts to keep its Mining Lease granted by the Government of Andhra Pradesh, valid and renewed until the deposits of low grade iron-ore in the Areas are exhausted.



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- ix) APMDC undertakes not to do any act(s) or omit to commit any act(s) which would be prejudicial to the interests / adversely affect the interests of the Promoter Company / SPV-Mining Company / SPV-Beneficiation Company.
 - x) APMDC undertakes to obtain Government's permission for SPV-Beneficiation Company to locate its beneficiation project within the lease area.

12. UNDERTAKINGS BY THE PROMOTER COMPANY

- i) Any expenditure incurred in carrying on liaison work with the concerned authorities in respect of development of infrastructure facilities with the local bodies, State and Central Government authorities shall be borne by the Promotor Company and duly accounted for.
- ii) The SPV-Mining Company shall be responsible for payment of the dead-rent, royalty, surface rent and cess etc., in respect of the mines from the date of handover of the mines to the SPV-Mining Company.
- iii) The SPV-Mining Company shall comply with the provisions of all labour laws, mining and other laws, rules and regulations promulgated by the Central Government and the State Government from time to time.
- iv) The SPV-Mining Company / SPV-Beneficiation Company shall bear all costs related to the vacant and usable surface area in the periphery of 1000 meters around the iron ore deposit areas, either for the purpose of processing/beneficiation or for any other allied activities relating thereto
- v) The SPV-Mining Company shall be responsible for taking up the mining operations and for implementing the terms and conditions of

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the Mining Lease (s) granted by Government of Andhra Pradesh to APMDC and in turn subleased by APMDC to the SPV-Mining Company, after obtaining necessary permission and approvals from the Government of Andhra Pradesh. The Promoter Company shall ensure that the conditions of Mining Lease (s) are complied by the SPV-Mining Company.

- vi) The Promoter Company shall ensure establishment of beneficiation project as discussed herein.

13. RIGHT OF PRE-EMPTION REGARDING SHARE TRANSFERS

- i) If at any time APMDC intends to sell any or all of its shares held in the SPV-Mining Company, the Promoter Company or the SPV-Mining Company shall have the option of purchasing / buying-back the shares as the case may standing in the name of APMDC at the assessed value of the shares as determined by the Auditors of the SPV-Mining Company (or any other firm of Chartered Accountants mutually agreed upon between the Parties) on the basis of net worth of the shares as on the date of the offer.
- ii) In the event of the Promoter Company declining to purchase the shares or failing to do so within 90 days of the offer of sale, the shares may be sold to a third party or parties as may be decided by APMDC.
- iii) Upon the expiry or termination of the Mining Lease (s) or exhaustion of the low grade iron ore minerals in the Areas, APMDC shall sell its shareholding in the SPV-Beneficiation Company to the Promoter Company as per the procedure for valuation stated in clause i) above.

14. PERFORMANCE BANK GUARANTEE

- i) The Promoter Company which has furnished a Performance Bank Guarantee for a sum of Rs.1,00,00,000/- (One Crore) in favour of



APMDC pursuant to the signing of the MOU dated 04.03.2005 shall be retained as the Performance Bank Guarantee. This Performance Bank Guarantee shall remain till completion of Project and Commencement of Commercial Production of Iron Ore Concentrate.

- ii) APMDC shall be entitled to invoke this Bank Guarantee in the event of the Promoter Company failing to complete the Project as above inspite of APMDC complying with the condition as set out in Clause 10. i.

15. NON-COMPETITION

APMDC agrees that as long as this Agreement is in force APMDC or its Affiliates will not enter into similar Agreements or Arrangements with any other third party (ies) to carry out similar activities or to carry out any activity which would adversely affect the interests of the SPV-Mining/Promoter Company pertaining to specified iron ore areas covered in this Agreement.

16. TERMINATION

- i) Termination by the Promoter Company:
 - a) On APMDC not being able to acquire valid mining lease(s) in Iron Ore Deposit Areas.
- ii) Termination by APMDC
 - a) In the event of the Promoter Company not taking effective steps to implement the Project within the time limit agreed upon after APMDC subleases the mining lease(s) in favour of the SPV-Mining Company.

17. COSTS

Save as is otherwise expressly provided in this Agreement, each of the Parties hereto shall bear its own legal, accountancy and other costs, charges and expenses connected with the negotiation, preparation and implementation of this Agreement and any other agreement incidental to or referred to in this Agreement.



18. FORCE MAJEURE

If the performance of the obligations of any of the Parties provided hereunder is prevented, restricted or interfered with by reason of fire, or other causality or accident; strike or labour disputes; war or other violence; any law, rules, notifications, guidelines, circulars, or regulation of any government; non-availability of adequate power, water or any other resources required to carry out the mining and processing operations; any delay in the granting of any Government approval and sanctions after filing the papers duly required for the same or any act or condition whatsoever beyond its reasonable control (each such occurrence being hereinafter referred to as a "Force Majeure"), then such Party shall be excused from such performance to the extent of such prevention, restriction or interference; provided, however, that such Party shall give notice within thirty (30) calendar days to the other Parties of such Force Majeure occurring or coming into effect, including a description in reasonable specificity of the cause of the Force Majeure, shall use reasonable efforts to avoid or remove such cause of non-performance and shall continue performance hereunder whenever such causes are removed. If any Party is unable to perform any material obligation under this Agreement for a continuous period of One Hundred Eighty (180) calendar days because of any Force Majeure, then the other Party affected by such occurrence of Force Majeure shall, at its sole discretion have the right to terminate this Agreement without prejudice to any rights that the Parties may have against each other in case of non-performance.

19. SEVERABILITY

If one or more of the provisions hereof shall be void, invalid, illegal or unenforceable in any respect under any applicable law or decision, the validity, legality and enforceability of the remaining provisions herein contained shall not be affected or impaired in any way. Each Party hereto shall, in any such event, execute such additional documents as the other Parties may reasonably request in order to give valid, legal and enforceable effect to any provision hereof which is determined to be invalid, illegal or unenforceable.



20. NO PARTNERSHIP

Nothing herein shall be taken to constitute a partnership between the Parties hereto nor the appointment of one of the Parties as agent for the other.

21. NO ASSIGNMENT

Save as is otherwise expressly provided under this Agreement, all rights hereunder are personal to the Parties hereto and may not be assigned at law or in equity without the prior written consent of the other Party.

22. ARBITRATION

If any dispute and / or difference shall at any time arise between the Parties to this Agreement or anyone claiming on behalf of the Parties to this Agreement, the same shall be referred to Arbitration by a panel of three Arbitrators where one Arbitrator is appointed by each Party and the presiding Arbitrator is appointed by both the arbitrators chosen by the Parties. The Arbitration and Conciliation Act, 1996 as amended from time to time shall apply and the venue of arbitration shall be at Hyderabad.

In the event of any dispute or difference between APMDC & Promoter Company referred to or pending for resolution by Arbitration, the Parties shall not hinder or stop or by injunction restrain the continuance of business operations by the SPV-Mining Company / SPV-Beneficiation Company till the final disposal of the dispute or difference so referred.

23. NOTICES

Save as is specifically provided otherwise in this Agreement any notice, demand or other communication to be served under this Agreement may be served upon any Party hereto only by posting by Registered Post AD or Under Certificate of Posting or delivering the same or sending the same by facsimile transmission or by e-mail to the Party to be served at its address mentioned below, or facsimile number given below, or at such other address or number as it may from time to time notify in writing to:



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- a) The Andhra Pradesh Development Corporation Ltd. Pancom Business Centre, 2nd & 3rd Floors, 8-3-945 Ameerpet, Hyderabad 500 073
Fax No: 91 (40) 23733152
 - b) Gimpex Ltd.
Gimpex House
282 (Old No. 181) Linghi Chetty Street,
Chennai 600 001
Fax No: 91(44)25340435

24. ENTIRE AGREEMENT

This Agreement (together with any documents referred to herein) constitutes the entire agreement between the Parties hereto in connection with the subject matter of this Agreement.

25. WAIVER/ AMENDMENT

There shall be no waiver of any term, provision or condition of this Agreement unless such waiver is evidenced in writing and signed by the waiving Party.

No amendment to this Agreement shall be effective unless made in writing and signed by the Parties.

26. MISCELLANEOUS

APMDC undertakes to take reasonable efforts to identify additional deposits of low-grade iron ore deposits in the State of Andhra Pradesh and to apply for grant of Mining Lease to the Government of Andhra Pradesh and in turn Sub-leasing such Mining Lease to the SPV-Mining Company for processing by the beneficiation plant of the SPV-Mining Company. This agreement is subject to result of SLP (C) No. 21550/2008 pending before the Hon'ble Supreme Court of India.



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IN WITNESS WHEREOF Sri V. D. Rajagopal, Vice-Chairman and Managing Director for and on behalf of the Andhra Pradesh Mineral Development Corporation Limited, Hyderabad and Sri Anand Bakki, Asst. General Manager, for and on behalf of M/s Gimpex Ltd., Chennai have signed these presents in duplicate on the day and year first above mentioned. Each party will retain one Copy.

SIGNED by 
For and on behalf of
Andhra Pradesh Mineral Development Corporation Limited

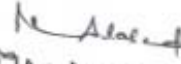


V. D. Rajagopal
Vice-Chairman & Managing Director (FAC)

SIGNED by ANAND BAKKI

For and on behalf of
GIMPEX LTD.,


ANAND BAKKI
Asst. General Manager

Witnesses

- (1) 
(M. V. Prasad)
- (2) 
(P. R. KRISHNA GANDHI)