

India to Step Up Gold Mining

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India has asked its top geological agency to explore additional reserves of 20,000 tonnes of gold and diamonds in several states in a bid to reduce the country's dependence on imported bullion. Minister of State for Mines, T. Subbarami Reddy recently asked the apex Geological Survey of India (GSI) to explore additional reserves of gold and diamonds in states of Andhra, Karnataka, MP, West Bengal, Rajasthan, Bihar and Chattisgarh.

Reddy's instructions come in the wake of plans that India is mulling to reduce the country's dependence on imported bullion, particularly when estimated reserves are expected in the identified states. Officials said the ministry has given a minimum time limit of three years to GSI. Currently, India is estimated to have 14,000 tonnes of gold and diamond reserves which Reddy said should be accelerated by 20,000 tonnes in next three years.

The mines ministry has also accorded the public sector company Hindustan Copper Ltd. To diversify into gold and diamond mining in collaboration with leading foreign companies through setting up of joint ventures with equal equity stake. The overseas firms that are in talks with the government for gold and mining exploration include India Gold, Anglo-American [Nasdaq:AAUK], Monarch Gold Mining [ASX:MON], De Beers India Ltd., ACC Rio Tinto Exploration Ltd. [NYSE:RTP] and BHP Minerals [NYSE:BHP] and Deccan Gold Mines Limited [BSE:DEGM]

Abundant gold reserves are found in India and that is why these companies are being roped in so that minimum 20,000 tonnes of gold and diamond is explored by 2010. The Indian government is taking all initiatives to channelise efforts in unearthing high value minerals like gold and diamonds. Despite abundant reserves of gold and other minerals, India imports Rs65,000 crore (\$16.5 billion) worth gold per annum as against Rs75,000 crore (\$19.1 billion) of diamond imports.

India currently produces hardly 0.4% of its gold consumption despite having 9% of global gold reserves under the country's land mass. Though private entrepreneurs have come forward for reconnaissance, hardly less than 1% of them have come up to mining stage. This is mainly for want of latest technology, high risk capital etc. The government is also formulating a new mining policy to boost exploration of gold and diamond deposits and cut down the country's over-dependence on imports.

According to Federation of Indian Mineral Industries secretary general R K Sharma, the government will announce the new mining policy soon.

“We feel the new mining policy when activated will immensely boost India's potential for mining new gold and diamond deposits,” he said.

All these years, lack of geological data and technology is blocking foreign firms from making any significant discoveries of key commodities like gold.

Foreign companies rarely come to India because they cannot sell the data they map and can only utilize the information if they venture into mining themselves. Under the existing rules if any entrepreneur invests money and finds gold, then he must apply again for mining. Archaic laws mean firms sometimes have mining applications pending before state and Central governments for up to four years before a decision is reached.

But the new mining policy is expected to open up the mining sector for foreign investment. Under the new rules, approvals for most minerals must be made in about a year or be automatically referred to a tribunal. Sharma said the new policy will also allow any investor who finds gold to automatically get permission to begin mining. He added that the new mining policy will not require gold and diamond explorers to obtain a separate leasing licence from states, as one mining licence would be enough to ensure that India explores its additional gold and diamond reserves to the tune of 20,000 tonnes by 2010.

International gold mining companies are looking for tying up with gold exploration firms in India to form joint venture and launch new exploration projects. Southern India's Deccan region has been surveyed as having one of the richest deposits of the yellow metal. Officials at leading Indian companies like Deccan Gold Mines Ltd (DGML) said global mining companies have approached them for joint ventures.

DGML has been active in exploration in southern India's Karnataka and Andhra Pradesh states. DGML is the first private sector gold exploration company in India to be listed on the Bombay Stock Exchange.

"Yes, we have been approached by international gold mining houses to enter into joint venture to fast track development of some of our projects and take up new exploration projects," said DGML managing director Sandeep Lakhwara.

He said several global companies are willing to make substantial investments in India. "We hope to finalise a joint venture agreement with one of these companies in three months' time," he said. Typically a new gold mining project in India needs an investment of \$5 million.