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So TLN Charyula to TL Ayongar Klotu  
For whom AP Mineral Development Corporation  
K 002189

#### AGREEMENT

This Agreement is entered into at Hyderabad, on this 4<sup>th</sup> day of June, 2007 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 500 073, represented herein by its Vice-Chairman & Managing Director Sri V.D.Rajagopal, hereinafter called APMDC which expression shall include its successors and assigns of the one part.

AND

M/s Midwest Granite Private Limited, a company registered under Companies Act 1956 and having its registered office at 1<sup>st</sup> Floor, Zainab

*[Signature]*

*[Signature]*

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complex, Ameerpet, Hyderabad, India represented herein by its Managing Director, Mr. M.Aja Babu, and its consortium partner M/s Savema S.p.A. Group, Italy, hereinafter referred to as Investor which expression shall include its successors and assigns of the other part.

**WHEREAS**

- A. WHEREAS the PARTY OF THE FIRST PART is the Corporation fully owned by the Government of Andhra Pradesh hereinafter referred to as APMDC and is in possession of a valid Quarry Lease(QL) granted by the Department of Mines & Geology, Government of Andhra Pradesh, to extract Black Galaxy Granite (minor mineral) over an extent of 19.43 hectares (48.00 Ac) likely to get increased by 15.00 Ac on settlement of court litigation in survey no. 55/5 (hereinafter referred to as Block IV) of R.L.Puram Village, Chimakurthi Mandal, Prakasam District, Andhra Pradesh, India categorized as Block No.IV mentioned above.
- B. WHEREAS Government of Andhra Pradesh vide G.O.Ms.No.173 Industries & Commerce M-II Department dated 13-06-2005 has directed the APMDC to resume quarrying operations in the lands situated in R.L.Puram Village, Chimakurthy Mandal, Prakasam District over which the APMDC validly possessed Quarry Lease, pursuant to which APMDC has invited Expression of Interest for development by causing large scale mining and extraction of estimated recoverable reserves of 4.67 lakh CBM up to a depth of 60m and reserves of 7.79 lakh CBM up to a depth of 100.M-for Block.IV (as indicated in the tender document) of Black galaxy granite and for establishment of Cutting and Polishing Unit on Global basis vide reference No.APMDC/ GEO/ GGI / 2005 DT.5-8-2005 and Ref. No.APMDC / GEO/ GG2 / 2006 dated 06-04-2006 with the basic objective to develop and exploit the available Black Galaxy granite mineral in the best interest of the State and use it as a technology initiative for promoting the larger interest of the industry. APMDC intends to develop and exploit this mineral reserve by promoting a special purpose vehicle in the form of a Joint Venture Company for undertaking the implementation of an integrated project involving exploration, prospecting, mining,

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processing, marketing and distribution. Accordingly the party of the 2<sup>nd</sup> part i.e., Investor submitted their Expression of Interest to the APMDC.

C. WHEREAS pursuant to the above said invitation, the Government of A.P. vide its G.O.Rt.No.678 Industries & Commerce (M-II) Department dt.4-10-2005 have constituted a High Powered Committee for scrutinizing the Expressions of Interest (EOI) received, and to evaluate them with reference to their merits and finalize the joint venture partners. APMDC apart from the information furnished by the Applicants in their Expressions of Interest also had given them an opportunity to present their case before the High Powered Committee in the presence of all the Applicants. Pursuant to the above said invitation, the INVESTOR (M/s Midwest Granite Private Limited, in consortium with M/ s Savema s.p.a Group, Italy) submitted its Expression of Interest in response to the invitation Ref.No. APMDC/GEO/GG2/2006 dated 06.04.2006 vide letter dated 06.05.2006. Investor had also presented its interest before the said constituted High Powered Committee. The High Powered Committee has in turn constituted a Technical Committee for eliciting independent expert opinion. The High Powered Committee based on the data and presentation of the Investor and taking into consideration the evaluation report given by the Technical Committee, selected the investor as the successful applicant for allotment of Block.IV covering an extent of 19.43 hectares (48.00 acres) likely to be increased by 15.00 acres on settlement of court litigation) situated in survey no. 55/5 (hereinafter referred to as Block IV) of R.L.Puram Village, Chimakurthi Mandal, Prakasam District Andhra Pradesh. In G.O.Ms.No.93 Industries & Commerce (M-II) Department, dt.27-04-2007, GoAP has approved the allotment to the investor and the same has been communicated by the APMDC to the INVESTOR vide Ref.No.APMDC/Galaxy Granite/GT/Blk IV/2005/329 dated 03-05-2007. Consequently the INVESTOR reconfirmed its willingness to be the Joint-Venture partner of the APMDC for the exploitation of the Black Galaxy Granite over the said QL and establishment of world class processing unit.

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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:

**"AGREEMENT"** **"This Agreement"** or **"The Agreement"** means this Project Agreement and shall include the recitals, schedules or attachments annexed thereto and any amendments made to this Agreement by consent of all the Parties in writing and also all the information, terms and conditions in the Document under notification number APMDC/CGO/GG2/2006 Dt 06-04-2006.

**"APMMCR"** means Andhra Pradesh Minor Mineral Concession Rules 1966 as amended subsequently from time to time.

**"Black Galaxy Granite Areas/ Quarry Lease Area"** shall mean and include the area designated as Block IV over an extent of 19.43 Hectares (48.00 acres) likely to be increased by 15.00 acres on settlement of court litigation, situated in survey nos. 55/5 of R.L.Puram Village, Chimakurthi Mandal, Prakasam District as per Quarry Lease and Terms and Conditions of such Quarry Lease and also as mentioned in the allotment order no. APMDC/Galaxy Granite/GT/BLK IV/2005/329, dt.03-05-2007 more specifically as shown in the sketch.

**"Board"** means the Board of Directors of the Joint Venture Company.

**"Consideration Amount"** shall mean and refer to the payment to be made by the JVC to APMDC per Cubic Meter produced and dispatched or 10% of the annual turnover whichever is higher.

**"Investor" or "Investor company"** shall mean M/s Midwest Granite Private Limited and its Consortium Partner M/s. Savema S.p.A. Group, Italy.

Annual **"TURNOVER"** means Sale value of Galaxy Granite blocks

either sold in raw form at pit head or in the processed form at the production point for each financial year. However the transport charges from Quarry to the plant site shall be excluded in arriving at the sale value of the finished product.

**"Minimum Assured Production"** means minimum production of 500 cubic meters (CBM) of Black Galaxy Granite per hectare per annum. The minimum assured production for block -IV under this agreement for 19.43 hectares is 9715 CBM per annum.

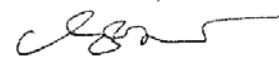
**"Minimum Assured Amount"** shall mean and refer to the amount payable in advance to APMDC by the JVC calculated @ 1 and 1/2 times of the prevailing existing seigniorage fee payable to the State Government for minimum 500 Cubic meters of Black Galaxy granite per hectare per annum only taking the average rate of levy by GoAP per CBM in respect of different categories of blocks of granite.

**'MMDR Act'** means the Mines and Minerals (Development & Regulation) Act, 1957 as subsequently amended from time to time.

**"Project"** means undertaking of exploration, development, exploitation and processing of Black Galaxy by the incorporated Joint Venture Company for the objects declared in this agreement as well as in notification No. APMDC/GEO/GG2/2006, dated 06.04.2006 and its document.

**"Joint Venture Company"** shall mean the company to be incorporated by "Investor" which will function as a Joint Venture between M/s Midwest Granite Private Limited, the Italian Collaborator, M/s Savema s.p.a. Group, Italy and APMDC in respect of the Project in which APMDC shall hold a fully paid equity shares of 11 % at all times.

**"Processed"** means processed and surface finished by way of fine polishing, honing, brush finishing, grooving, antique finishing, rough punched finishing, thermal finishing, sawn finishing or finishing in any other manner.

### 11. GUARANTEE MONEY BY INVESTOR

INVESTOR shall deposit a sum of Rs. 1,25,00,000/- as Guarantee Money, before signing this Agreement to APMDC. On the formation of Joint Venture Company, the said sum shall be transferred to the JVC.

### 12. UNDERTAKING BY APMDC

- i) APMDC shall Sub Lease the quarry lease held by it in favour of JVC subject to approval of the Director of Mines / Government of A. P. as the case may be, and shall permit and facilitate the Joint Venture Company to undertake peaceful operation.
- ii) The Joint Venture Company shall have absolute discretion in respect of 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 Joint Venture Company subject to compliance with various statutory provisions as applicable. However one Officer of APMDC from its Accounts Department will be deputed to the JVC whose salary and fringe benefits etc., would be borne by the JVC.
- iii) APMDC shall provide to the Joint Venture Company the available technical data, documents, reports and information in relation to the Black Galaxy deposit areas specified herein.

### 13. UNDERTAKING BY INVESTOR ON BEHALF OF THE JOINT VENTURE COMPANY

- i) The Investor which is in majority control of JVC shall ensure that the Joint Venture Company shall be responsible for payment of the dead-rent/Seigniorage and cess etc., to the State Government in respect of the quarry lease area from the date of Subleasing of the quarry lease area to the Joint Venture Company for production and also minimum assured Consideration or actual consideration or 10% the annual turnover whichever is higher as mentioned at clause 9 to the APMDC.
- ii) The Joint Venture 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

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time. JVC shall rectify violations, if any, pointed out by the Mine Safety Authority or any other Authorities who have jurisdiction on mine and processing units.

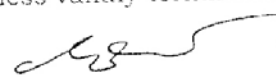
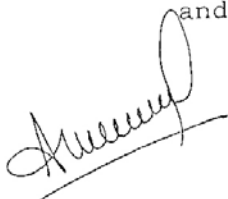
- iii) The Joint Venture Company shall employ and train mostly local talent.
- iv) None of the personnel of JVC / Investor shall have any claims over APMDC on whatsoever reason.
- v) Area for dumping of quarry waste will be procured by the JVC at its cost. However APMDC shall act as a facilitator to get dumping site, the cost of which shall be borne by JVC. In case waste rock is dumped on Mineral bearing area, the JVC shall remove at its cost within a reasonable time frame fixed by the APMDC.

#### 14. PERFORMANCE BANK GUARANTEE

- i) The investor shall execute on behalf of JVC an irrevocable Performance Bank Guarantee for a sum of Rs. 2,00,00,000/- (Two Crores) in favour of APMDC issued by a Nationalised Bank or by way of Demand Draft within a period of 30 days from the date of this agreement for satisfactory performance of the contract. This Bank guarantee shall be valid as long as this agreement is in force. All the Bank charges shall be borne by the Investor / JVC. The performance Bank guarantee will be returned within one year from the determination of this agreement on production of "No Due Certificate" issued by the authorized Officer of the APMDC and an unconditional "No Claim Certificate" to be submitted by both investor and JVC.
- ii) APMDC reserves the right to invoke this Bank Guarantee and forfeit the entire Bank Guarantee amount in the event of any breach of this Agreement by the JVC resulting in termination of this Agreement.
- iii) Adjust dues if any payable to the APMDC in case APMDC is unable to recover from investor /JVC .

#### 15. TERM

This Agreement shall become effective on the date first written above, subject to and in the manner provided in Clause 2 above, and shall remain in full force until and unless validly terminated.



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**6. TERMINATION OF AGREEMENT**

i) Termination by Investor:

The investor reserves the right to terminate this agreement

- a). in the event the Government of A.P. / Director of Mines & Geology do not give permission for subleasing of the quarry Lease.

ii) Termination by APMDC


The APMDC reserves the right to terminate this agreement, --

- a) In the event of the Government of A. P. / Director of Mines & Geology do not give permission for subleasing the quarry lease.
- b) In the event the JVC Company does not submit the Performance Bank Guarantee for Rs.2 Crores.
- c) Delay in payment of consideration amount beyond three months from its due date will carry interest to be computed at prevailing prime lending rate fixed by the Reserve Bank of India.
- d) However, in the event of such delay in payment extends beyond 12 months from the due date, the Corporation will have a right to ask the Joint Venture Company to suspend its mining operations till the time the dues are paid.

In case the delay in payment continues beyond 24 months, the Corporation will have the right to terminate this agreement.

- e) In the event the JVC do not allot the 11% of the equity shares free of cost.
- f) In the event Investor / JVC do not establish world class 100% EOU processing unit for manufacture of value added products with annual capacity of 5 lakh M<sup>2</sup> within a period of 2 years from the expiry of the gestation period of 6 months.
- g) In the event of established breach of any of the terms of this agreement.

However no such termination shall be effected unless a notice is given to the defaulting party giving 3 months time to rectify the breach and the defaulting party does not rectify the breach within 3 month period or such extended period as mutually agreed.





APMDC will have a right to approach the Director of Mines & Geology requesting him to suspend the mining operations till the time the dues payable to APMDC are settled.

**17) INDEMNITY AGAINST ACCIDENTS :**

The JVC is responsible for any type of accident whether major / minor in nature occurring during performance of the contract / work. It shall be responsible for payment of compensation as per Workmen's Compensation Act and shall keep the Corporation fully indemnified in this regard.


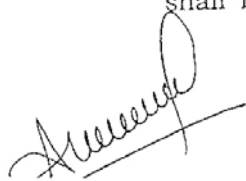
**18) COMPLIANCE WITH STATUTES :**

- i) The JVC shall comply with all the relevant laws applicable in respect of this contract and shall be solely responsible for such compliance.
- ii) The JVC shall comply with all relevant provisions of the statutory enactments and rules in force relating to the present project.
- iii) The JVC shall rectify violations, if any, pointed out by the concerned authority within the stipulated time at his risk and cost. In case the violations are not rectified by the contractor within the stipulated time, the Corporation shall rectify such violations and recover the cost incurred by it from the contractor.

**19. FORCE MAJEURE**

In the event of either party being rendered physically unable by force majeure to perform any obligation required to be performed by them under this contract, the relative obligation of the party affected by such force majeure shall be suspended for the period during which such cause(s) actually lasts. The term "FORCE MAJEURE" shall mean acts of God, War, Civil riots / movements, fire, directly affecting the contract, flood, earthquakes, hurricane, lock-outs, strike, civil war, compliance with any statute or regulation of the Government.

Upon the occurrence of such cause(s) and upon its termination, the party alleging that it has been rendered unable as aforesaid thereby, shall notify the other party in writing, the beginning of the cause(s)



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amounting to Force Majeure as also the ending of the said cause(s) by giving notice to the other party within a month of the beginning / ending of the cause(s) respectively.

**20. ASSIGNMENT/ SURRENDER**

The Investor shall not assign, transfer or otherwise create any interest of any kind on any part of the lease area in favour of third parties. However, in the eventuality that the Investor intends to surrender part of the area, APMDC shall have the right to reallocate the same to another entrepreneur duly obtaining the consent of the Government of Andhra Pradesh.

**21. RESOLUTION OF THE DISPUTES:**

It is hereby agreed that all questions, disputes, differences arising under, out of or relating to this contract shall be subject to the exclusive jurisdiction of the Civil Courts within the local limits of Hyderabad ( AP ) where this contract is entered into.

**22. NOTICES**

Save as is specifically provided otherwise in this agreement any notice, demand or other communication to be served under this may be served upon any Party hereto only by posting by Registered Post A.D. 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:

a) Vice-Chairman & Managing Director,

The Andhra Pradesh Mineral Development Corporation Ltd.

Pancom Business Centre, 2nd & 3rd Floors, 8-3-945

Ameerpet, Hyderabad 500 073.

Fax No : 91 (40) 23733152, E-mail: [apmdcltd@yahoo.com](mailto:apmdcltd@yahoo.com)

b) Midwest Granite Private Limited,

8-2-684/3/25 and 26,

Road No.12, Banjara Hills,

Hyderabad - 500 034,

Fax: 040-23305167, E-mail: [info@midwestgranite.com](mailto:info@midwestgranite.com)

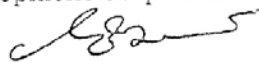
## SEVERABILITY

If one or more of the provisions are 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 affect to any provision hereof which is determined to be invalid, illegal or unenforceable.

24. The recitals intended to be performed under this agreement by the investor will be deemed to be performed by Joint Venture Company upon the formation and commencement of business, unless expressly specified.

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 Mr. M.Aja Babu, Managing Director, for and on behalf of M/s Midwest Granite Private Limited, Hyderabad and its Consortium partner SAVEMA S.p.A. Group, Italy, have signed these presents in duplicate on the day and year first above mentioned. Each party will retain one Copy.

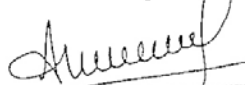
For The Andhra Pradesh Mineral  
Development Corporation Limited



(V.D. RAJAGOPAL)

VICE-CHAIRMAN & MG. DIRECTOR

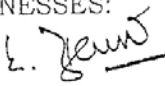
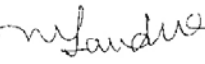
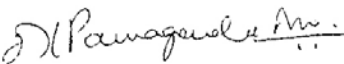
For Midwest Granite Private Limited and  
its Consortium partner SAVEMA S.p.A.  
Group, Italy



(M.AJA BABU)

MANAGING DIRECTOR

WITNESSES:

1.  .. 04/06/07
2.  4/6/07
3.  ..

4. 