

**Announcement of the Ministry of Energy and Natural Resources of Georgia**  
**LEPL Agency of Natural Resources**  
**on Conducting the Auction to obtain a License on Mineral Exploration and Extraction**

Object №	City, municipality, village or settlement	Ore/mineral reserves or revealing of a reserve	Term of License	Auction Opening Price (GEL)	Advance Payment (20% of Opening price) (GEL)
1	In municipalities of Bolnisi, Dmanisi	Minerals (Ferrous, Noble, Precious metals and Barite) Exploration-Extraction	27 years (from effectiveness date of license)	110 000 000	22 000 000
Auction venue			LEPL – The Agency of Natural Resources, №6 G. Gulua Str. Tel.: (832) 272 72 48, Applications on participation in the Auction will be accepted from January 19, 2012 to February 24, 2012 until 17:00. The Auction will be held on February 29, 2012 from 12:00 pm at the LEPL Agency of Natural Resources premises. <a href="http://www.menr.gov.ge">www.menr.gov.ge</a>		
License applicant shall pay a license fee 200 GEL in advance and attach respective payment receipt to the application on participation in the auction.			<b>Account N for the license fee:</b> unified account (treasury), account number 200122900, beneficiary bank: State Treasury, bank code: <b>TRESGE22</b> , treasury code: 300773069 ( <b>LEPL Agency of Natural Resources</b> )		
A receipt of advanced payment should be submitted together with the documentations and fee receipt.			<b>Account N for advanced payment:</b> unified account (treasury), account number: 200122900, beneficiary bank: state treasury, bank code: <b>TRESGE22</b> , treasury code: 302006400 ( <b>LEPL Agency of Natural Resources-6402</b> )		
Documentations to be submitted to obtain mineral extraction license			An application on participation in the auction. a) For legal entities of a private law and individual entrepreneurs – Reference from the State Registry b) For individuals - Copies of identification documents as envisaged by legislation c) For legal entities of a public law – Certified copies of Articles of Association d) License fee payment receipt e) Advanced payment receipt		
License provisions and Requirements on the utilization of minerals			<b>Licensing Provisions:</b>  (License is issued for utilization (exploration-extraction) of Ferrous, Noble, Precious metals and Barite)		

1. Auction will be held on February 29, 2012
2. Auction opening price is defined as 110 000 000 GEL.
3. The auction winner shall pay the amount of the final bid at the auction no later than June 1, 2012.
4. The auction step is defined as 500 000 GEL. Advanced payment is defined as 20% of opening price.
5. License term is defined by 27 years from the date of effectiveness of license.
6. License becomes effective on April 15, 2014  
Rights of license owner on mining and land allotments will be registered by license issuer until May 15, 2014 in scope of legislation in force.  
**Note:** In case if areas within provided coordinates will be released from licenses before April 15, 2014, the license issued under this auction for such released areas, will be effective on 30<sup>th</sup> day from the date of release and accordingly, the period indicated in paragraph 4 (27 years) for released area(s) will be calculated from the same date.
7. The license area is:

**License area 1**

(Ore field including eastern section). All anthropogenic formations of licensed minerals, among them: gold-copper and gold-barite ore enrichment tails, masses, deposits and etc).

N <sup>o</sup>	X	Y
1	452761	4581934
2	452983	4579280
3	453682	4579940
4	453983	4580098
5	454127	4580956
6	454688	4580956
7	455366	4580583
8	455676	4580222
9	455565	4580045
10	455810	4579831
11	455924	4579500

**License Area 2**

(Sakdrisi field including Kviratskhoveli, Postiskedi, Kachagiani and Mamulisi areas

N <sup>o</sup>	X	Y
1	446900	4580887
2	449349	4582227
3	449919	4581927
4	447490	4580303
Area 193,76 Hectares		
WGS 1984		

12	455902	4579189
13	456150	4579143
14	456210	4578318
15	455670	4577968
16	454514	4577865
17	453926	4578048
18	453175	4578423
19	452651	4579367
20	452301	4582309
21	452631	4582965
22	452067	4583066
23	452080	4583600
24	452624	4583604
25	452635	4583306
26	454290	4583210
27	454013	4582100
Area 1035,5 Hectares		
WGS 1984		

**Note:**

- 1) Auction does not cover (no license issued) the area of Kachagiani of Sakdrisi field, which has the status of cultural heritage.
- 2) License issuer, within established rules, ensures availability of all geological information and documentation in its possession, for interested party.

3) Mineral Use License validity period (series 53, number 0010, type of license VI A B C) expires on April 7, 2014; Mineral use License validity period (series 53, number 0011, type of license II A C) expires on April 12, 2014; the validity period of the License No1000281 on exploration and extraction of minerals expires on April 12, 2014.

8. The license holder is obliged to:

Comply with effective Georgian legislation, as well as conditions provided by the license.

a) on the deposit of Madneuli:

a.a) conduct, within 24 months from the date of license enactment, works and provide calculations on gold and copper containing and gold-bearing secondary quartzite ores, taking into account the study of the deposit, in order to define the accuracy of existing data; upon the expiration of 24 months from the date of entrance into force of the license submit to the relevant authorities the report on Mineral Reserves calculation (gold-copper ore and secondary gold-bearing quartzite) in accordance with the Joint Ore Reserves Committee (JORC) Code or, by

mutual agreement, other international standards.

a.b) submit for approval to the license issuing authority, together with Report on Mineral Reserves, envisaged by the sub-item “a.a”, Extraction Plan indicating the annual extraction amount of reserves (gold-copper ore and secondary gold-bearing quartzite ores) to be extracted. The licensee has the right on the extraction minerals only after approval of the Report on Mineral Reserves and Excavation Plan in accordance with established rules and, if relevant, payment of the difference envisaged by item 9.

a.c) conduct, within 48 months the licensing object No1 (except as provided by sub-item “a.a”), study of non-ferrous, noble and rare metals and barite (including anthropogenic formations, tailing storages, disposal areas, bulks and etc.) and submit to the relevant authorities the report on Mineral Reserves (gold-copper ore and secondary gold-bearing quartzite ores) and Extraction Plan in accordance with the Joint Ore Reserves Committee (JORC) Code or, by mutual agreement, other international standards. The licensee has the right on the extraction minerals only after approval of the Report on Mineral Reserves and Excavation Plan in accordance with established rules and, if relevant, payment of the difference envisaged by item 9.

b) On Sakdrisi Deposit

b.a.) From the date of the license enactment conduct extraction of Ferrous, Noble (gold-copper ore and secondary gold-bearing quartzite ores) metals (except tailing storages, disposal areas, bulks etc.) according to the approved reserves, as well as submit to the license issuer for confirmation the absorption plan within the one month after the license enters into force indicating amount of annually minerals to be extracted. (excluding anthropogenic formations, tailing storages, disposal areas, bulks and etc.).

b.b.) conduct, within 48 months the licensing object No1 (except as provided by sub-item “a.a”), study of non-ferrous, noble and rare metals and barite (including anthropogenic formations, tailing storages, disposal areas, bulks and so on) and submit to the relevant authorities the report on Mineral Reserves (gold-copper ore and secondary gold-bearing quartzite ores) and Extraction Plan in accordance with the Joint Ore Reserves Committee (JORC) Code or, by mutual agreement, other international standards. The licensee has the right on the extraction minerals only after approval of the Report on Mineral Reserves and Excavation Plan in accordance with established rules and, if relevant, payment of the difference envisaged by item 9. According to Georgian Legislation license holder is obliged to pay the difference between the Auction Final Price and the price calculated after the approval of reserves according to the sub-item b.b.

9. According to the Georgian Legislation the License Holder is obliged to pay difference between the Auction Final Price and The price calculated after approval of reserves

Taking into consideration that:

a) The first payment of the difference will be made after the price calculated according to the

	<p>gradually approved reserves and/or the sum of the prices exceeds the final price of the Auction.</p> <p>b) Each subsequent payment of the difference following the first payment will be equal to the price calculated according to the reserves approved for the given area.</p> <p>10. If the price calculated according to the reserves approved for the license area is lower than the final price defined at the Auction, the excess amount paid is not the subject of return.</p> <p>11. Not later than December 1 of every year during the effective period of the license, the License holder is obliged to submit an action plan and a budget for the next year to the Agency. Such Action plan should also include record of the areas to be returned in that particular year (if such is the case).</p> <p>12. The License holder is obliged to submit an annual basis reports during the effective period of the license of works performed not later than April 1-st for the previous year.</p> <p>13. The works described in item 8 shall require to be completed. Not performance of works shall become unconditional basis of termination of the rights on usage of minerals.</p> <p>14. The License holder is obliged not to hamper performance of activities envisaged by other licenses performing on the same license area.</p> <p>15. The License holder performs license activities on a privately owned plot located within the license area only in agreement with the owner of the plot.</p> <p>16. The License holder is obliged not to obstruct the implementation of infrastructure projects of State and Public importance.</p> <p>17. In case of necessity, the license issuer on the basis of the written application of the license holder and submission documentation in accordance of the rules approved under the legislation shall provide the license holder with mine and land allotment and allocation of the plots on the land owned by the State, its accounting and registration in accordance of approved rules. On the lands of private property allocation of allotments by the license issuer is provided on the basis of agreement of the land owner and the license holder and exciting legislation.</p> <p>18. Land, Geological and mine allotments represents lands for recultivation and the license holder is responsible on the recultivation in accordance of the Georgian legislation existing for the moment of relinquishment of the area.</p> <p>19. To avoid any geo-eccological complications barren rocks shall be stored on the area of the allotment and after exstruction of minerals, the recultivation of the area shall be provided.</p> <p>20. The license holder is responsible for the recultivation of the land by the Georgian legislation existing at the moment of relinquishment of the area.</p> <p>21. The License holder is obliged to comply with effective Georgian legislation.</p>
<p><b>Criteria for Identifying the winner of the auction</b></p>	<p>The winner will be a license applicant who meets the Auction conditions and requirements and offers the highest bid to the State.</p>