REPORT ON EXPLORATION ACTIVITIES

Deccan Gold Mines Limited (DGML) has seized the recent, early bird opportunity to select and acquire mineral exploration rights on some of the best sections of India's major mineralized belts. DGML's strategy is to apply to India, those techniques and processes of funding, exploration and mining which have proved so successful in U.S., Canada and Australia over the past 25 years.

DGML has entered into agreements to acquire 5 prospects originally covering a total of 5,936 sq km with a further 3630 sq km in 3 renewal applications. These areas represent prime mineralised exploration targets.

The following report highlights the exploration work and the progress made within DGML's prospects. This report is intended to give an overview of each of Deccan's Projects, with additional detail only intended to demonstrate the exploration stage and the results achieved, rather than to provide exhaustive detail.

The 500 Sq km RP block covering the North Hutti Greenstone Belt in Karnataka (Fig. 1) :

This RP block encompasses hundreds of ancient diggings for gold and about 20 gold exploration targets. The block is located north of India's only operating major gold mine operated by Government owned Hutti Gold Mines Ltd (production + reserves = 3.3 m ounces or about 100 tonnes) currently producing about 2.8 tonnes of gold per annum. The Hutti Gold Mine and its two satellite mines at Uti and Hira-Buddini are the only currently operating gold mines in India.

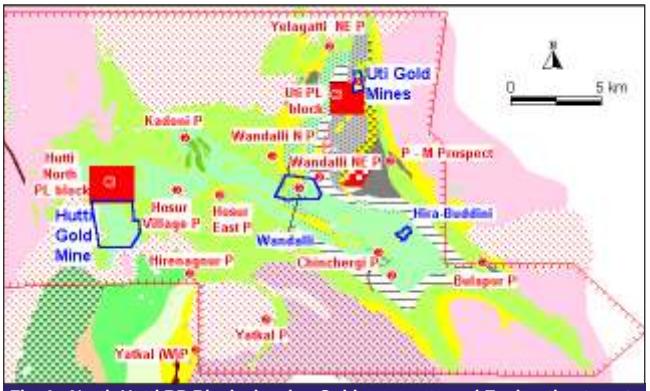

Fig. 1 : North Hutti RP Block showing Gold prospects and Exploration targets

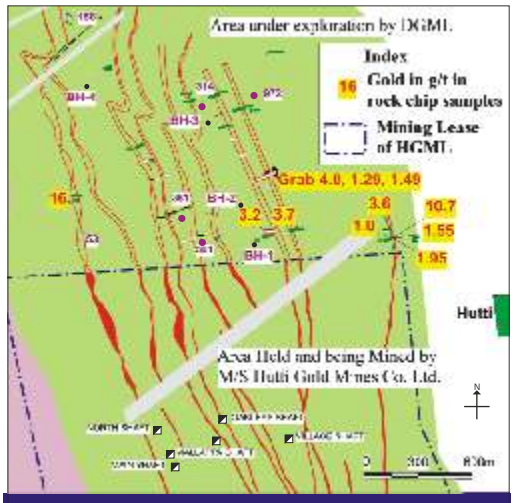

Fig. 2. North Hutti Prospect showing results of rock chip sampling and continuity of the Hutti Mine lodes

The gold bearing lodes of the Hutti mines are suspected to continue beyond the northern boundary of the Mining Lease of the Hutti Mines into DGML's North Hutti prospect. The demonstrated success rate for discovery of major new gold mines adjacent to major old gold mines, in Western Australia, is approximately 83%. To date, DGML's early stage exploration has been encouraging. Northerly continuity of the Hutti Mine lodes is not in doubt as demonstrated by the significant results obtained by rock chip sampling, ground geophysical surveys and core drilling (refer to Fig. 2 for the gold values of rock chip sampling and Fig. 3 for the geophysical anomalies). Drilling has demonstrated the existence of intensely schistose alteration zones with sulphides and quartz that are characteristic of mineralized shear zones (drill intersections are 5.3 g/t over 2.05 metres, 3.19 g/t over 2.71 metres and 0.65 g/t over 6.3 metres for the Strike Reef and (untested) trench assays of 4.26 g/t over 1.0 m, including 16.28 g/t over 0.10 m, for the Main Reef and 2.6 g/t over 2.0 m and 10.7 g/t over 0.30 m for the New East Reef). The Zone I Reef was recognised in drilling but did not give a significant grade at that point. At least three of the nine parallel Hutti Reefs appear to extend under alluvial cover on to DGML's ground. Therefore, extensive systematic exploration is proceeding over the adjacent strike extensions for 3 km to the north. A Prospecting Licence (PL) application is being processed by the Government of Karnataka, grant of which will enable us to take up a detailed drilling programme needed to define the subsurface extensions and grades of the mineralized zones.

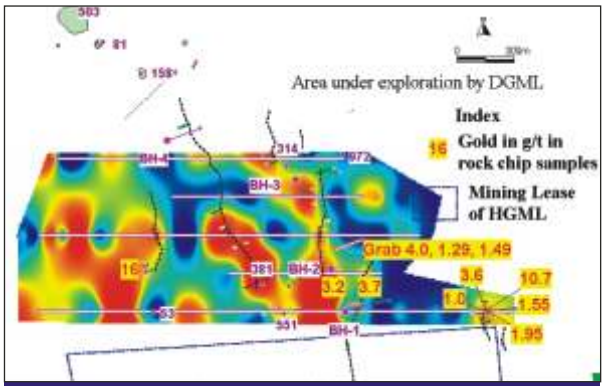

Fig. 3 : I. P. Geophysical anomalies in the North Hutti Prospect

Structural Geological mapping by an internationally reputed geologist: Dr. Brian Chadwick, formerly of Exeter University, UK, was invited to take up structural mapping of the Hutti greenstone belt. The mapping was carried out with inputs from in house geologists - Dr. V.N. Vasudev and S.C.R. Peshwa. The structural map has identified a major 20 km long structure in the eastern part of the belt. The known gold occurrences and stream geochemical anomalies fall close to this structure highlighting its importance in future exploration. The structural mapping has further indicated a major WNW trending fault zone, movement on which appears to have widened the zone of mineralisation in the northern part of the Hutti mine. A number of stream geochemical anomalies (values: 139 to 339 ppb gold) and old workings are found close to this WNW trending major structure thereby attesting to the importance of this structure in future exploration.

Gold prospects near Uti (Fig. 4) : The Uti Mine is owned and operated by The Hutti Gold Mines Ltd. Broken ore is trucked some 20 km for treatment at the Hutti Mine's plant. Total production, reserves and resources are thought to total around 4m tonnes grading around 2.8 g/t gold. The situation at Uti is similar to that at Hutti, albeit that Uti is a substantially smaller deposit than Hutti. The Uti mine is situated right on top of the major discordant structure picked up by Dr. Brian Chadwick. Preliminary drilling by DGML has been directed at the southern continuation of the two parallel ore bodies known at Uti. A third parallel zone of gold mineralization was also discovered by DGML and also received preliminary DTH drilling. Drilling results to date show that at least one (the western) of the Uti gold ore bodies continues onto DGML's tenement (3.49 g/t over 4 metres), and that the newly discovered Eastern zone also contains significant gold mineralization (2.49 g/t over 5 metres). The mineralized zones have potential to extend 3 km north of the Uti tenement boundary and more than 4 km south. Therefore, as at Hutti, systematic geophysical and geochemical surveys are planned, before further drilling to identify the most favourable drill targets within these strike extensions.

Fig. 4 : Mineralised zones in the Uti block

Uti Temple block prospect: Old diggings and recent channel sampling has shown three sub-parallel mineralized zones, in an area 1.2 km west of the Uti Mine. Surface samples have given assays up to 22.94 g/t and 40.38 g/t gold**.** Initial scout drilling (2 DTH holes) failed to locate the mineralization, so that further geological mapping will be carried out before consideration for more drilling. Much of the mineralisation appears to have some associated magnetic response, so that extensive magnetic surveys are planned, to define the geological structure, and as a prospecting tool, to help identify higher grade zones.

Hirenagnur Prospect: Reconnaissance surface sampling of ferruginous rocks within sericitised, schistose, basic volcanics has given assays up to 7.3 g/t gold**.** Preliminary ground magnetic survey delineated 50 m wide and 250 m long magnetic anomoly. Minor scout drilling (two holes) by DGML gave a very significant intersection of 2.17 g/t over 11 metres. Geological mapping and geochemical surveys are being continued.

Chinchergi Prospect: Substantial, ancient diggings over an area of about 400 X 20 metres of soil covered basaltic volcanics indicate the possibility of a broad mineralized zone. Some diamond drilling has been carried out by The Geological Survey of India (GSI) but results are not currently available. Coverage by systematic magnetic and bedrock soil geochemical surveys are planned to identify optimal locations for drill testing. Attempts are also being made to access the GSI drill hole data.

Wandalli NE Prospect: The old Wandalli Gold Mine was a substantial mining operation during the 19th-20th Century as well as in ancient times.

Recent stream geochemical sampling by DGML geologists showed a number of significant gold anomalies in the range of 120 to 843 ppb gold around 1.5 kms to the NE of the old Wandalli Gold Mines. These anomalies fall close to the major WNW trending structure identified by Dr. Brian Chadwick. Encouraged by these development. DGML geologists launched a bedrock geochemical sampling programme which revealed several gold anomolies in the range of 30-22" ppb. Preliminary rock chip sampling has indicated all values upto 1.94 glt. Many old gold workings also came to light. Detailed geochemical sampling is in progress, which will be followed up by ground geophysical surveys and re-drilling.

Yatkal Prospect (Fig. 5): About 2 km to the east of Yatkal village, there are many ancient diggings in granites that were discovered independently by both DGML and GSI geologists. GSI is currently carrying out a drilling programme whilst, DGML has been carrying out geochemical soil and bed rock sampling in order to establish what appears to be a wide zone of fracture controlled gold mineralisation in granites. The zone is highlighted by stream geochemical samples of 136 and 305 ppb gold. The work so far done has been successful in demarcating an area of 37 hectares as geochemically anomalous. The prominent set of mineralized fractures as well as the line of old workings trend N60°E for a cumulative length of 130 m. A total of 390 soil samples has revealed 152 anomalous (+100 ppb) gold locations. 23 samples of termite mounds have shown 12 anomalous + 100 ppb gold locations. Among the 53 rock-chip samples 8 gave significant gold values in the range of 1.17 upto 32.05 g/t and 9 gave in the range of 0.51 to 0.86 g/t. Trenching and/or minor scout drilling are planned for initial investigation to determine the character of the mineralization.

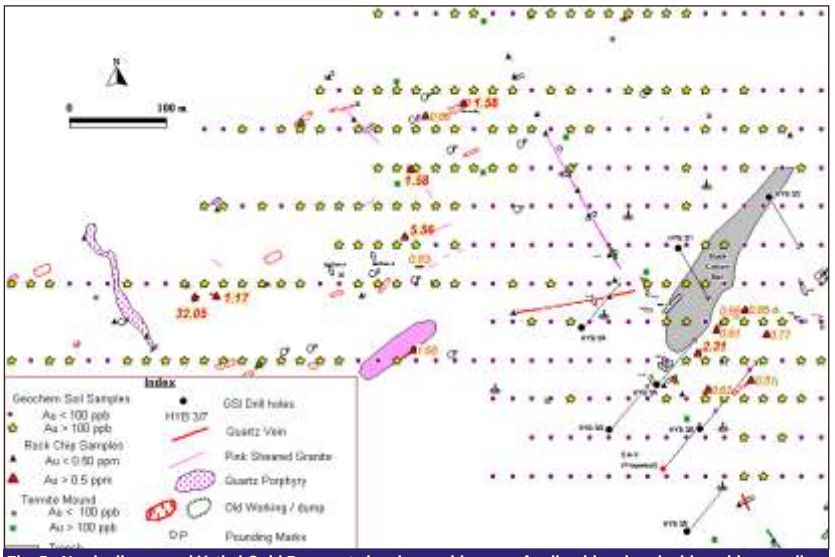

Fig. 5 : Newly discovered Yatkal Gold Prospect showing a wide area of soil gold and rock-chip gold anomalies.

The 315 Sq km RP block covering the South Hutti Greenstone Belt (Fig. 6) :

This RP block was a scene of extensive 3000 year old ancient mining activity which was reopened by the Nizam of Hyderabad and some British minors. Among the several old diggings, DGML has chosen the following targets for intensive exploration based on highly encouraging gold values during preliminary geochemical sampling.

Tuppadhur-Buddini Prospect: This prospect is based on a series of ancient pits and inclined shafts occurring over a strike length of about 2.6 km. These occur along a major, shear zone (locally known as the Central Shear Zone) that also includes Buddini, Sanbal and Maski.The gold mineralisation within this shear zone is generally found in quartz ankerite veins with the wall rock showing intense chlorite and carbonate alteration. DGML has plans to undertake detailed geochemical soil and ground magnetic surveys over an expanded area of interest.

At **Buddini**, four parallel lodes have been identified. Extensive old workings occur along two of them, the Main and Mopla Lodes. Recent sampling by DGML gave assays up to 19.3 g/t gold.

Sanbal Prospect: Five sub-parallel zones of mineralisation have been identified in this prospect of which Zone I consisting of highly folded quartz veins, assayed up to 500 g/t gold. A small open pit was sunk by the Hutti Gold Mines Limited (HGML) on Zone I and about 2000 tonnes of ore at a grade of 7.5 g/t gold was treated. DGML plans to carry out detailed geological mapping and sampling, followed by a program of scout drilling.

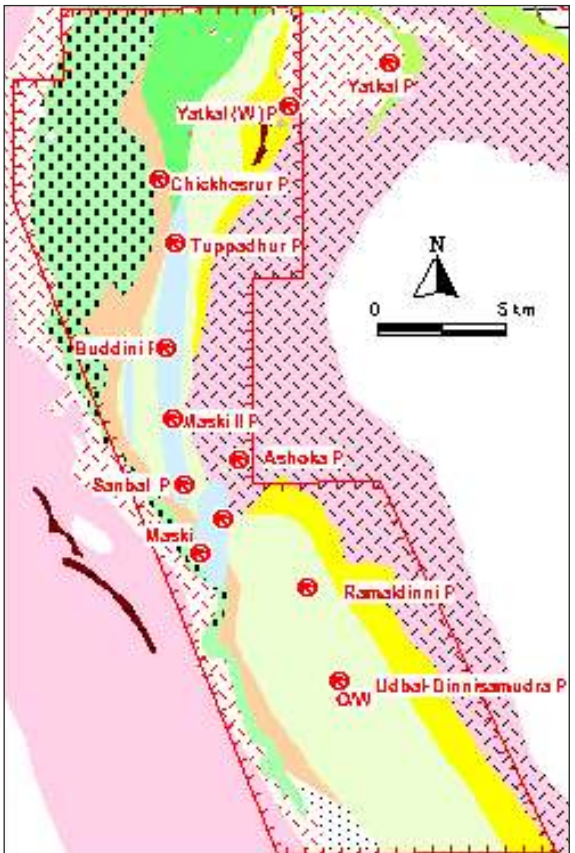

Fig. 6 : Several important gold prospects in South Hutti Belt

Maski Prospect: Thirteen old workings were reported at this prospect in the early 1900s, by the Hyderabad Geological Survey. M/s John Taylor and Sons then developed one of these workings with a 35 metre shaft and drove levels north and south for an average grade of 30 g/t gold. All of the diggings are now filled and covered by the surrounding "black cotton soil". However, recent rock chip sampling undertaken by DGML in the area has given some high gold assays, including 8.93 g/t from the soil around a water bore, up to 11.6 g/t from soil-rock interface to bedrock and up to 33.86 g/t from surface "float" samples. Based on these results, DGML carried out detailed, auger-bedrock geochemistry and excavated several long trenches. This work revealed five broad gold anomalies which require to be detailed by additional geochemistry.

Ashoka Prospect: This prospect owes its discovery entirely to DGML's efforts. Ashoka Prospect (named after the great Indian emperor whose inscriptions are seen in the district) is 2 kms NE of Maski. A recent geochemical survey by DGML identified a strong and cohesive gold anomaly in streams draining sheared, pink, potassic granite. Follow-up rock chip sampling gave assays to 4.9 g/t gold and 0.63% copper in brecciated quartz-carbonate-haematite veins. Geological mapping has revealed a WNW trending zone of fracture controlled gold mineralisation in granites. Systematic bed rock sampling is planned prior to preliminary drilling.

DGML has filed a fresh Reconnaissance Permit application over an area of 1000 sq km covering the entire South Hutti belt including the gold prospects discussed above.

The 5,329 sq km Dharwar-Shimoga Belt in Karnataka (Fig. 7):

The **Dharwar-Shimoga Belt** is a large, 100 km wide, highly potential ground for discovery of Banded Iron Formation (BIF) hosted gold deposits. Three Reconnaissance Permits with a total area of 5329 sq km cover a strike length of 155 km of this auriferous belt. This broad belt contains numerous occurrences of Banded Ferruginous Chert (BIFs), some with widths in excess of 10 metres, within a greywacke sequence. The cherts are commonly sulphidic, veined with quartz, carbonate and carry gold values in the range of 0.5 to 40.16 g/t. To date, about 1370 BIF bands have been examined and sampled by DGML and 22 target blocks have been selected for detailed surface channel sampling. Impressive results have been obtained in hundreds of channel sampling. This phase of work enabled us to select 7 important prospects for exploration by drilling which are discussed below. Preliminary Down The Hole Hammer (DTH) drilling has been carried out on four of the prospects with very significant results being obtained in three of them.

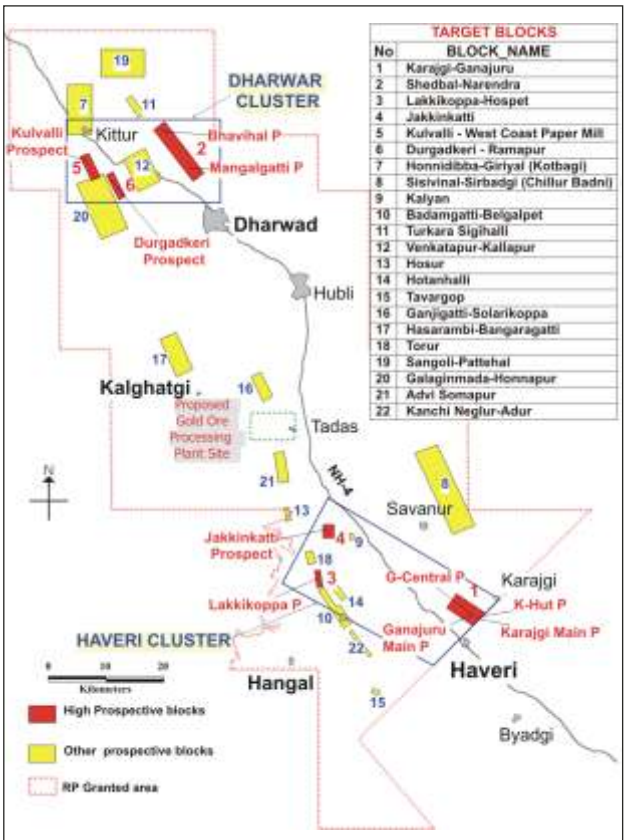

Fig. 7 : 22 Exploration targets in Dharwar-Shimoga Belt

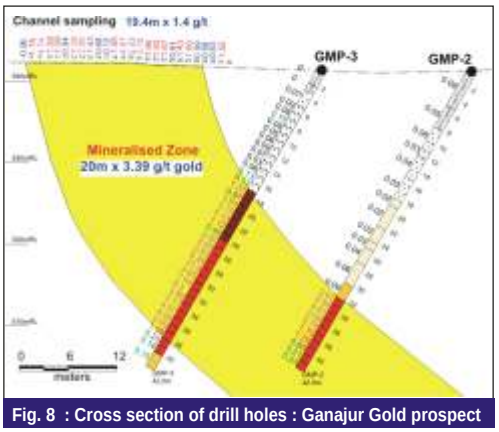

Fig. 8 : Cross section of drill holes : Ganajur Gold prospect

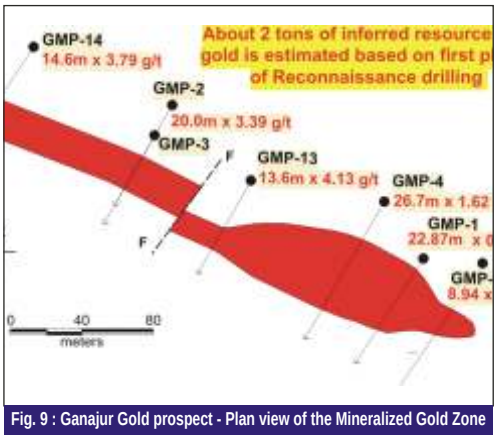

Fig. 9 : Ganajur Gold prospect - Plan view of the Mineralized Gold Zone

Ganajur Prospect (Fig. 8 & 9) : Eleven of the 13 DTH holes collared over a strike length of 470 metres, gave strong gold intersections (best are tabulated below). Based on this drilling, a potential resource to 50 metre depth has been estimated at approximately 800,000 tonnes grading 2.4 g/t (approximately 60,000 ounces of

contained gold). One of the holes which did not give an intersection is considered to have been not deep enough, while the other is thought to have passed through a minor "fault-blank". Therefore the deposit is considered to be open in both strike directions, and at depth, so that future drilling is expected to increase the size of the potential resource.

INTERSECTION

DTH Hole No.	COORDINATES Northing	Easting	BEARING (Degrees)	ANGLE (Degrees)	FROM (metres)	LENGTH (metres)	GOLD GRADE
GMP 1	1639868	544153	213	60	3.0	23.0	0.83 g/t
GMP 2	1639953	544012	210	60	32.0	8.0	3.65 g/t
GMP 3	1639937	54403	210	60	17.0	21.0	3.89 g/t
GMP 4	1639900	544131	210	60	14.0	27.0	1.62 g/t
GMP 7	1640045	543786	210	52	39.0	4.0	1.29 g/t
GMP 8	1639865	544186	214	52	13.0	9.0	1.96 g/t
GMP 13	1639912	544047	210	60	38.0	15.0	4.13 g/t
GMP 14	1639986	543935	214	60	25.0	15.0	3.79 g/t

Mangalagatti Prospect: Preliminary rock-chip sampling in this prospect by DGML has led to a large underground old working. Further surface rock-chip samples gave up to 29.68 g/t gold, while channel and trench sampling gave assays up to 3.30 g/t over 12 metres. Surface sampling has indicated three main lodes over a strike length of some 600 metres. 15 DTH drill holes gave relatively subdued intersections within strongly weathered rocks. The strongly weathered zone extends beyond 50 metres depth, as occurs in many parts of the Western Australian goldfields. The subdued intersections are typical of the strongly leached profile, which commonly occur above a zone of supergene enrichment in such weathering profiles. Therefore, future drilling will be deeper targeting the enriched zone and the underlying primary deposit.

The mineralised intersections are tabulated below:

INTERSECTION

DTH Hole No.	COORDINATES Northing	Easting	BEARING (Degrees)	ANGLE (Degrees)	FROM (metres)	LENGTH (metres)	GOLD GRADE
MP 4	1717326	495460	20	60	1.0	8.0	0.66 g/t
MP 5	1717324	495403	30	60	17.0	6.0	1.01 g/t
MP 6	1717453	495525	60	50	25.0	7.0	3.94 g/t
MP 7	1717424	495570	259	49	14.0	10.0	0.67 g/t
MP 8	1717473	495572	42	65	25.0	3.0	1.50 g/t
MP 9	1717446	495627	240	45	38.0	4.0	1.16 g/t
MP 10	1717429	495575	60	60	1.0 and 13.0 (including:16.0	4.0 9.0 5.0	1.95 g/t 2.95 g/t 4.87 g/t)
MP 11	1717382	495565	249	50	13.0	8.0	1.02 g/t
MP 12	1717333	495565	258	50	10.0 and 26.0	7.0 6.0	0.96 g/t 0.79 g/t
MP 13	1717855	494973	250	50	45.0	3.0	1.07 g/t
MP 15	1717899	494945	240	55	50.0	5.0	1.60 g/t

Bhavihal Prospect: The prospect is located 6 km NW of Mangalagatti. Surface channel sampling have given high values upto 29 g/t. Two DTH scout holes were drilled at Bhavihal. Hole BVL 1 was drilled under a trench which assayed 0.9 g/t over a 41 metre width (including 1.91 g/t over 8 m), while BVL 2 tested the same zone, 280 metres to the north. The mineralized sections of both holes were strongly weathered so that the intersections (below) are thought to be quite subdued due to severe leaching. A second round of preliminary drill testing will be carried out in the coming months.

DTH Hole No.	COORDINATES Northing	Easting	BEARING (Degrees)	ANGLE (Degrees)	FROM (metres)	LENGTH (metres)	GOLD GRADE
BVL 1	1723733	490407	38	50	19.0	20.0	1.35 g/t
BVL 2	1723890	490163	31	50	15.0	2.0	1.47 g/t

Kulavalli Prospect: This prospect is located west of Mangalagatti Prospect and has a strike length of 700 m. There are two parallel gold bearing BIF bands within the prospect. Initial surface rock chip sampling gave values ranging from 0.18 g/t to 6.1 g/t gold**.** In the follow-up program samples were collected from 18 channels across the two parallel bands of BIFs. The average width of the bands is 8 m. Channel sampling gave assays from 0.27 to 18.0 g/t gold. Best result has been 6.73 g/t over 8 metres, 5.88g/t x 5m, 4.43 g/t x 6 m, 4.14 g/t x 5m and 3.14 g/t x 8 m**.** It is now proposed to undertake preliminary RC drilling of this prospect. An application seeking grant of Prospecting Licence is in the process.

Lakkikoppa Prospect: This is another BIF hosted gold deposit discovered by the GSI who have drilled 11 diamond holes over 3 km length, but the assay data has not yet been published. DGML has carried out surface channel rock-chip sampling over a length of 1.5 km. The 44 channel samples gave assays ranging from 0.01 to 16.68 g/t**.** The best mineralized zone is 650 m long with an average width of 4.5 m and average grade 1.8 g/t gold. DGML proposes to carry out RC drilling to begin with for examining the magnitude of the oxidized ore.

Badamgatti-Belagalpet: This prospect traces the SE extension of Lakkikoppa. Channel rock-chip sampling has revealed a 300 m long and 6 m wide BIF band within a 1.8 km mineralized zone. The rock-chip have assayed from 0.35 to 4.82 g/t. One of the channels, 7 m wide, has assayed 2.38 g/t gold.

Sisvinal-Attigere prospect: The prospect is BIF hosted and 210 m long at the present stage of exploration. The best values obtained in surface rock-chip channel sampling are 2.83 g/t for 2 m, 1.64 g/t for 2 m and 1.63 g/t for 2m. The sampling is in the preliminary stage. More work needs to be done.

Durgadakeri Prospect has a strike length of 4 km. The ten rock chip samples collected on this prospect ranged from 0.3 to 40.16 g/t gold. Further surface exploration will precede drill testing.

Turkarsigehalli: This prospect is situated 6 km NNW of Bhavihal. Channel rock-chip sampling was carried out with significant results with values as high as 9.56 g/t for 3 m width and 5.11 for 2.5 m width. This sampling programme is underway.

We have targeted atleast six of the prospects in the Dharwar-Shimoga belt namely - Gunajur, Mangalagatti, Bhavihal, Kulavalli and Lakkikoppa and its southern extensions at Badamgatti-Belagalpet for a second round of drilling in the near future.

The 260 sq km Ramagiri RP block in Andhra Pradesh State:

The **Ramagiri RP block** covers the well-known Ramagiri Gold Fields (RGF) that was a scene of intensive underground mining by the Britishers in the early part of the last century. The RGF is 13 km long containing several rich shoots. Three main mining ventures in this tract produced about 176,338 ounces of gold at a recovered grade of around 15 g/t in the years 1910 to 1927. Until April 2001, the Government owned Bharat Gold Mines Limited (BGML) was operating an underground mine in the northern part of the Ramagiri Gold Fields.

In addition to the main old workings around Ramagiri itself, recent exploration by GSI and DGML has provided new targets in the southern part of the tenement, which have yielded up to 15.6 g/t from surface sampling. The whole belt is very much under explored. The high grade of historic production (15 g/t gold) makes this area an important target for exploration.

On the basis of some 613 geochem samples including stream sediments, rock-chips, soil and channel rock-chips, DGML has identified 3 blocks as worthy of detailed exploration by drilling. These blocks are

1) Ramagiri gold field block of 20 sq km area
2) Boksampalle block of 17 sq km area
3) Ramagiri west block of 18 sq km area

PL applications have been lodged on the first two blocks and are under processing by the Government of Andhra Pradesh.

1) Ramagiri gold field block of 20 sq km area (Fig. 10) :

This sector contains the Yappamana mine operated until April 2004 by BGML, Gantlappa mine, Power House mine and Yerrappa mine of the British mining time. The Gantlappa mine produced 12,000t of ore at 8g/t. From the records of John Taylor & Sons, it is inferred that out of 13,000t of 17.6g/t of ore, 12,000t of ore was stoped out leaving the balance of 1,000t of ore at 17.6g/t in the mine. Detailed drilling by the GSI in the late 70s reported the presence of two ore shoots. An inferred resource of 1.5Mt of ore at 6-7g/t to a depth of 300m has been estimated but details are not available

Fig 10: The Ramagiri Gold Fields

The Power House Mine located to the south of the Gantalappa mine is reported to have produced about 4000t of ore with 17.6g/t. The GSI tested this mine with 12 diamond drill holes, which reported narrow widths of 0.180.29m having grades of 8.4 to 52.7g/t.

South Jibutil Sector: Further south of Power House Mine several shafts exist. The main reef yielded 13.63 g/t and 37.5 g/t. There are two ore shoots, which join near the 800m level. The ore stopped out is of the order of 60,000t of 11.2g/t and 6,500t of 35.2g/t. This mine has contributed the main production from this sector.

Our geologists carried out channel sampling of the exposed mineralized zone in the Jibutil area. A total of 90 channel rock-chip samples were collected along 13 channels. 31 samples have shown anomalous gold in the range of 100 to 999 ppb and 5 samples >1 g/t.

Channels T-10 and 11 are across metabasalts invaded by quartz-carbonate veins with pyrite. Generally the gold values are low, but a 50 cm wide quartz vein with sulphides analysed 1.67 to 3.83 ppm of gold**.** Rock-chip sampling from an outcrop NE of Shaft No. 5 has analysed more than 2 g/t gold.

Detailed prospecting is proposed to be undertaken in the Jibutil area in the light of encouraging results obtained from rock-chip sampling.

2) Boksampalle block of 17 sq km area (Fig. 11) :

Boksampalle is situated close to the southern termination of the Ramagiri belt. The prospect is 2 km long containing a series of gold bearing sulphidic quartz veins traversing fractured granite. Within this tract, significant mineralisation is spread over a wide zone of 58 m having a length of 250 m. Sampling by DGML has revealed 3 parallel zones of vein quartz in fractured granite. For most of its length it is easily traceable on the surface. The central quartz vein is 2-5m wide. Six randomly collected rock-chip samples from different veins assayed 0.23 g/t to 3.49 g/t**.**

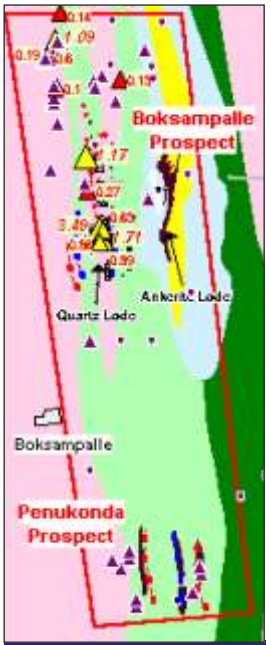

Fig 11: Boksampalle block with important gold-bearing locations

Preliminary drilling by GSI has reported wide zones of mineralization. The intercepts included 6.29m at 2.54g/t and 9.18m at 1.20g/t**.** In bore hole BH-1 a series of quartz veins in sheared granite were reported with average gold value of 0.47g/t for 26.92m**.**

The above review of the exploration data on Boksampalle suggests that there is a possibility of finding an open pittable resource if the area is drilled in detail. Before that, systematic geochemical and magnetic surveys will be carried out to select the best targets for DGML's drill testing.

Boksampalle North Prospect: Surface rock chip sampling of vein quartz, from shear zones in basic volcanics, has been carried out at various locations on this prospect. Three separate shear zones yielded best assays of 15.6 g/t, 13.8 g/t and 8.89 g/t from this sampling. Follow- up sampling is in progress.

3) Ramagiri west block of 18 sq km area

The western belt margin is a major shear/mylonite zone at the contact with intrusive granitoids. All along this zone, there are signs of gold mineralisation.

A 10 km tract west of Ramagiri village was found interesting from the point of mineralization. There are

several runs of quartz breccia traversed by vein quartz. 130 stream sediment samples and equal number of rock-chip samples were analysed for gold and arsenic.

Anomalous gold values in the range of 0.02 to 0.72 g/t and arsenic in the range of 5 to 60 ppm were obtained. Based on the distribution of these encouraging values two parallel zones of anomalous gold have so far been identified for detailed exploration.

DGML has filed a fresh Reconnaissance Permit application over an area of 2430 sq km covering the entire Ramagiri belt including the gold prospects discussed above.

The 125 sq km, Mangalur Prospect (Fig. 12) :

This prospect is located 45 km north of Hutti, with similar geology. It covers 16 km of the 24 km strike length of this greenstone belt and surrounds the small abandoned Mining Lease block of HGML which operated the now defunct **Mukangavi Gold Mine**. The historic Deccan Gold Fields Development Co sank two vertical shafts and developed 4 levels of the Mukangavi gold mine with an average grade of 12.0 g/t gold during the years 1887 to 1910. Although, HGML is reported to have mined 32,000 tonnes for a recovered grade of only 3.67 g/t, a present resource of 92,000 tonnes grading 7.8 g/t, based on GSI drilling, suggests good potential for high grades elsewhere in this belt. The potential strike extensions of this mine are considered to be important exploration targets for DGML.

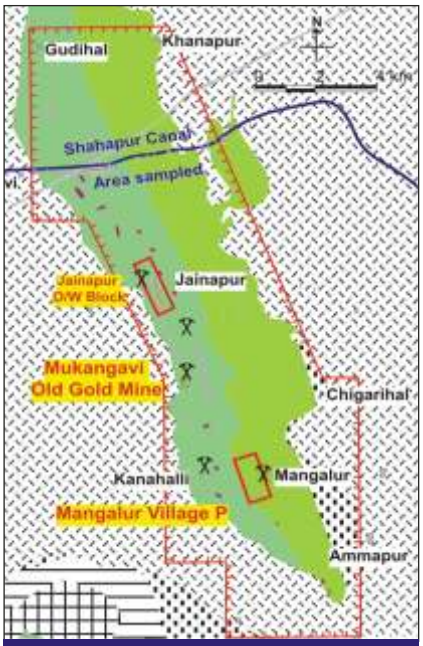

Fig. 12 : The Mangalur R.P. Block with important exploration targets

Old workings at Mangalur Village and Jainapur are also important targets. Reconnaissance sampling of ancient diggings (Brahmins Well) at Mangalur Village Prospect have yielded very high gold grades of 65.7 g/t, 39.66 g/t, 14.7 g/t and 65.7 g/t gold and silver up to 27 g/t. These very encouraging samples require follow up exploration.

At **Jainapur Prospect**, exploration based on ancient workings has delineated mineralization over a 1.5 km length. Detailed trenching by HGML gave assays from 0.48 g/t to 6.2 g/t, over widths of 0.3 to 5.2 metres, while 11 GSI drill holes are thought to have been low grade. An assessment of the effectiveness of this drilling is required, in conjunction with future exploration.

DGML has filed a fresh Reconnaissance Permit application over an area of 408 sq km covering the entire Mangalur belt including the four prospects discussed above.