

DECCAN, DE BEERS IN INDIAN EXPLORATION AGREEMENT

By Ketan Tanna Posted: 11/23/04 05:22

(Rapaport: November 23, 2004) Deccan Gold Mines Ltd. and De Beers India Ltd. have entered into a joint venture in which they have granted each other mutual exploration rights in their licensed areas across India.

Deccan Managing Director Sandeep Lakhwara told Rapaport News on November 23 that the joint venture is a "win-win agreement" for both the companies.

"It is good for the industry if you look at the larger picture. It enables us to look for gold in areas which we could not have access to and vice versa for De Beers. It will work well for both of us" said Lakhwara.

The companies have agreed to form a new joint venture if the exploration activities succeed. Each once can earn a 95% interest in their respective commodities on the other's territory by meeting expenditure targets proportional to the size of individual permit areas, Lakhwara said.

The partners will also swap exploration data. They will receive from each other a 1.5% gross revenue royalty from any production derived from the areas that have been relinquished and over which the data has been supplied, up to a limit of \$10 million.

Initially, Deccan will prospect in the central Indian states of Madhya Pradesh and Jharkhand, where De Beers has prospecting licenses.

"We have received good reports about the prospects from the two states" said Lakwara, although he declined to identify specific areas.

De Beers will market all the diamonds produced through the joint venture, although there are no curbs on the marketing of gold or other minerals produced. Deccan has the right of first refusal over diamond deposits.

Deccan has exploration rights in the north and south of the Kolar and Hutti gold fields in southern India. De Beers India holds prospecting licenses for 30,000 sq km in various states across India.

Deccan is a unit of Australian Indian Resources Co., which holds an 81.2% stake through its Mauritius-based subsidiary, Rama Mines (Mauritius) Ltd. The rest of the shares are traded on the Bombay Stock Exchange.