



# “Deccan Gold Mines Limited Investor Relations Call”

**September 25, 2014**



**MANAGEMENT**   **MR. SANDEEP LAKHWARA – MANAGING DIRECTOR**  
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**DIRECTOR**



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**Moderator**

Ladies and gentlemen good day and welcome to Deccan Gold Mines Investor Relations call. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandeep Lakhwara. Thank you and over to you sir.

**Sandeep Lakhwara**

Thank you and good morning or whatever time it is, wherever you are. Welcome to the first IR presentation. As you know, we plan to hold this every quarter so this maybe good test in terms of how things turn out. The idea here really is to give you an update in terms of where Deccan is, to receive your questions and answer them the best that we can. To begin with let me give you a run down in terms of some of the key issues that we know that you have been concerned about. The first among those key issues would be where are we at with the Ganajur mining license.

I would like to tell you that we are constantly in touch with the Ministry of Mines in this regard and we have been informed by the Ministry that they will be processing this file, starting to process this file early in next month. They had made certain announcements in terms of what files they are taking up for processing, Ganajur falls under the seamless transition category noted under Section 11(1) of the Mining Act and on that basis this is one of the files that will be taken up for processing early next month, according to the Ministry.

Another important feature to this particular processing is that you may be aware of the statement from Ms. Nirmala Sitharaman who is the Minister of State and Commerce in terms of eight projects that would be followed up in the greater public interest and I am happy to say that Ganajur fits into one of those eight projects that have been notified for fast tracking by the lady minister. So it should therefore certainly receive better attention than it has been receiving earlier. The other thing with this file is that we know that the state government's response to queries that were raised by the Ministry of Mines earlier were quite favorable and whilst we are talking to the Ministry of Mines to make sure that if they do have any additional queries, these are answered at the time a query is raised rather than later. So overall, I think there is a lot of optimism that this file will be processed and hopefully approved and sent back to the state for final execution of the order quite quickly.

One of your other concerns relates to the merger issues and the prospect of takeover of Geomysore by Deccan. We made an announcement in this regard quite some time ago and we had been rather quiet in terms of any progress in this regard for many reasons . There were a lot of discussions being undertaken by the respective boards of Deccan Gold and that of Geomysore and of course AIR as well because AIR as part of this process merges into Deccan Gold mines. There was a press release and a statement that we made to BSE few days ago and I would just like to elaborate a little bit on that. What we are essentially saying is that we have made progress in terms of the takeover particularly in terms of having the scheme of arrangement drafted, the



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mechanisms in terms of how the takeover and the merger is going to proceed, we have appointed our lawyers Khaitan & Co, we have appointed a merchant banker Smiff's Capital but ultimately where the whole process got stuck was valuation. Shareholders of Geomysore had a certain valuation in mind which needed to be substantiated as required by the Deccan board further through additional drilling particularly at Jonnagiri because ultimately what we did not want is that whilst drilling is yet to be conducted at Jonnagiri and that drilling certainly contributed towards determining of the valuation, we did not want to use valuation prior to that drilling until we were sure that the result coming out of Jonnagiri fitted into what was being demanded by the shareholders of Geomysore. So I think what we have done probably works best from both perspectives, Geomysore is saying that they will now do a minimum 5,000 meters of drilling and they are hoping to complete that by January end. If the results then justify the valuation being demanded, we go ahead with the takeover and that suits the Deccan board quite well. I would be taking more questions on this as we progress,

The other thing I am sure that has been concerning you is where are we at with the Ganajur project from a development and exploration perspective. Peshwa will give you a presentation on that but I think at this stage it would suffice for me to say that the drilling that we have undertaken recently has resulted in the enhancement of the resource in the Ganajur southeast block by about 35,000 ounces. So that needs to be added on to the additional 30,8,000 odd that we had indicated earlier and we also believe that the potential to go up to half a million ounces certainly is quite strong, for that we need to undertake additional drilling and a 7,000 meter program for that drilling has been planned to be undertaken probably commencing in about two or three months' time but Peshwa again will elaborate a little bit more on that. We are also planning to undertake about 5,000 meters of drilling in our Mangalagatti project. Mangalagatti project as we know is still awaiting a final execution and we will take questions on when that execution is going to happen and why that is taking time.

Couple of other things I am sure that you want to know is with regard to the \$5 million proposed raising that we have indicated through either a preferential allotment or through rights issue or maybe even a combination, I need to go back to the board with some details after we have spoken to the merchant bankers. But the idea behind that 5 million is, it's money that would be required to essentially pay a deposit for land at Ganajur, we are required to pay about 40% deposit which will add up to about million odd dollars (at the base price indicated by KIADB). We also need to undertake further exploration as I have just indicated at Mangalagatti, and the Ganajur blocks, and metallurgical studies and other programs that will cost us about a \$1.5 million. We also need to undertake feasibility study prior to commencing mining operations that would take about \$1 million and then there is of course the ongoing operational administration expenses and working capital requirements adding up to around 5 million. Further details will be covered in Peshwa's presentation, so I will not speak more on this aspect.

Couple of other things, the Hutti SLP, where are we at with that? As you are aware we originally went to the Supreme Court back in 2012, our petition was later also supported by a petition from



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the Ministry of Mines, they came about a year later; the two petitions have now been tagged together, the petitions relate to the PL that was being granted to Hutti by the state Govt despite our rights over that area. The present position is that Hutti has only very recently responded to that petition, they have lodged their objection in the Supreme Court which has forwarded those objections to us with a view to receiving our comments there on, we are working on those comments and we shall be going back to the Supreme Court very shortly..

We will shortly take those questions but after Peshwa makes his presentation for a few minutes. So I will pass it on to Peshwa to give you a little bit of a background on where we are at the Ganajur and Mangalagatti projects. Thanks.

**S. C. R. Peshwa**

Thanks Sandeep and good morning. I would like to recap what we have done in Deccan project so far. As you are aware, DGM has four key projects mostly coming under the Dharwad Shimoga belt project, and the flagship project is the Ganajur- Karajgi cluster, then we have got the Hutti belt project and the most important among them is Hirenagnur and Hutti North project. Then we are also having Ramagiri in Andhra Pradesh plus the Mangalore- Jainapur block in Gulbarga in Karnataka.

And all of you are aware that maximum activity during the last couple of years was in Ganajur-Karajgi PL block and we hold a grant of PL since 2009. Ever since the grant of PL, we have lodged very sophisticated top class exploration activity in Ganajur -Karajgi PL which has resulted in significant upgradation of the Ganajur main project itself in particular plus the discovery of seven other satellite project in the PL block. And in case of the Ganajur main, the drilling whatever we have accomplished there has enhanced the resource to 308,000 ounces which was validated by SRK and out of this 308,000 ounces, more than 95% falls under indicated category and the IBM also has notified that this can be classified as 121 category resource as per UNFC standard.

Then, apart from exploring in Ganajur main, we have also done, not very extensively but to some extent we have also explored the satellite prospect particularly in Karajgi main prospect, Ganajur Southeast prospect. Then we have also done some exploration in Ganajur central prospect and so on. And amongst these, whatever limited exploration we have done in Ganajur southeast prospect, we are able to add on additional 35,000 ounces of gold averaging around 3 grams to 3.2 grams per tonnes and it is again the strike extension as well as the depth extension is open, the induced polarization that is the IP Geophysical survey that we have carried out earlier to this has demonstrated that the Ganajur main itself can extend for almost 2 to 2.8 kilometer in track length and one of the prospect that falls within this corridor i.e. 2.8 kilometer is Ganajur Southeast. Additionally we have also done some amount of drilling in Karajgi main and we are working on the resource and likely that we will be releasing to the market what kind of resource figures we have got in Karajgi main as well. But our belief is that, we need to do much more drilling and it is a large mineral system so the indications are very strong and that is why we are planning to



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undertake additional 7,000 meters of drilling in the PL area and I think by doing so we will benefit substantially .

In terms of other statutory obligations, we have as you are all aware during last year also submitted our terms of reference application and the MOEF in New Delhi as well as the State's expert appraisal committee have cleared our terms of reference, applications and we have also conducted our base and environmental studies during last summer season. Unfortunately due to the delay in getting the ML, the entire process of getting the environment clearance has been affected but there is a positive in this.. There is also a provision in the environmental clearance subject that we can apply for extension of the period by one more year so that whatever we could not do during the last year we can finish off in the coming year. That is one aspect which we will be addressing very shortly.

And in terms of budget Sandeep was talking about we require about \$5 million of funds immediately to address the drilling in Ganajur as well as in Mangalagatti. Mangalagatti is another one which is really very promising, we have already got a resource that is something like 1.5 million tonnes of ore at 1.6 gram per ton of gold has been estimated there and we also know that it is also a very strong mineral system. IP indicated significant chargeability anomalies, depth persistence is there, track extension is also there. So we have to do a lot of exploration in Mangalagatti. We also believe that it is also a important project and so we need that 5,000 meters of drilling to be completed as soon as the PL has been executed in Mangalagatti.

Then in terms of the other project development, everything depends upon the ML, as Sandeep was telling we are likely to get, there is a very positive signal from the center and once we get the ML we will speed up all the activities in the ML area. Mining plan has almost been finalized and as soon as the ML is granted, once we get the letter of intent, we will prepare the mining plan . Fortunately for us we don't have to go to Nagpur, the mining plan can be cleared in Goa itself, that is a new provision that has been given to us so that the Ganajur ML will be approved in regional controller of mines in Goa itself, it doesn't have to come to Bangalore nor to Nagpur. And while simultaneously we will also be addressing the environmental issues, hopefully by the end of first half of next year 2015, if everything goes on according to the plan, if we get the ML by January, so we should get all the statutory clearance by the end of next year. That is my brief introduction.

**Sandeep Lakhwara**

Okay, thank you Peshwa. We shall now open it up for questions. Can we have the first question please.

**Moderator**

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Imran Ghani of New Delhi. Please go ahead.

**Imran Ghani**

Can you tell us what is the total cost of Ganajur project and how it will be funded? How do you plan to fund it, by debt, equity or PE funding or what?



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**Sandeep Lakhwara**

Sure. We are budgeting initially for 1,000 tonnes per day plant which can then be enhanced to go up to 2,000 tonnes per day. The cost of 1,000 tonnes per day at this stage we are budgeting for around 45 to 50 million odd dollars and the funding is going to be a combination of debt and equity with about 70% debt and 30% equity. In this regard we have actually spoken to a couple of plant suppliers both in India and overseas and I do not mind even naming them. The people we are speaking to in India is a company called Promac that has been quite actively promoting their expertise in terms of setting up gold mining plants and they have actually executed a particular order in that respect, although that order has not been completed yet but they have started work in that regard. And one of the companies that we have spoken to overseas is a company called **Outotec** it is a Finnish company and they have state of the art technology as far as the gold mining plants are concerned. So closer to the time we will obviously accelerate the discussions in terms of what needs to be done and how it needs to be done. And in terms of the actual funding I think I can also tell you that we have physically been approached by a couple of very large Indian banks where they have expressed interest in funding this facility post feasibility study etc, of course they are going to require a bankable document in that regard. So there is work being done in that regard .

**Moderator**

Thank you. Our next question is from Devendra Gupta of Kenya. Please go ahead.

**Devendra Gupta**

My first question is on the drilling. You know in the AGM last year we talked about 5,000 meters of drilling for Ganajur and I think there was a release in month of March we talked about 1,000 meters and then subsequently in July we talked about 2,381 meters of drilling being done. Now you are talking of 7,000 meter drilling. So now the 7,000 is 5,000 minus 3381 which was completed or it is 7,000 additional?

**Sandeep Lakhwara**

Peshwa is going to respond to that. Go ahead.

**S. C. R. Peshwa**

Hi Devendra. So initially, you are aware that during the AGM we said 10,000 meter of drilling would be required to cover all the satellite prospects. So since, we have completed only 2,381 meters of drilling during this year with balance 7,000 meters of drilling to be completed.

**Devendra Gupta**

Okay. So what is the plan for this drilling because we have been talking about the drilling over AGMs and AGMs and every time there are issues like crop is standing or floods are there or land is not available, so now what is our plan of action for this 7,000 drilling?

**S. C. R. Peshwa**

Yes, the plan of action would be... See the issues were there, that is the land issues were there and we are resolving that land issue, more or less we are almost through with that. Now once we get all the clearance from the landowners, we will take up the balance land.

**Devendra Gupta**

But I understand there were only seven brothers who were owning this land and you had very extremely cordial relationship when I visited the site. So what kind of land issues are you facing?



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- S. C. R. Peshwa** No, no, that is only in the ML area, we are talking about the 2.2 square kilometer PL block. So more number of people are involved in this permission.
- Devendra Gupta** So how many people are involved on this land problem, so we know as shareholder we know what is the magnitude of the problem?
- S. C. R. Peshwa** Yes, around 50 to 55 people are involved.
- Devendra Gupta** 50 to 55, so what is the approach the company is taking to resolve these issues, are you meeting people individually or you are addressing a group?
- S. C. R. Peshwa** Yes, so we have already covered some of the farmers under lease agreements so there is no issue with that. So now...
- Devendra Gupta** That means you are talking out of 55 how many have you covered?
- S. C. R. Peshwa** Out of 55, we have covered about 11 people.
- Devendra Gupta** Oh, so only 20% is covered?
- S. C. R. Peshwa** Yes.
- Devendra Gupta** So what is the plan for the balance 80%?
- S. C. R. Peshwa** Yes, we need to cover that also, balance 80%.
- Devendra Gupta** Has the dialog been initiated with them?
- S. C. R. Peshwa** Yes Devendra ji.
- Devendra Gupta** No, I am saying with the balance 44 people with whom there is no discussion, has the dialog been initiated? Who is responsible for it? What are the timelines?
- S. C. R. Peshwa** No, we have already started the dialog, there is a very positive response from farmers. I hope that there won't be any issues once we take up the next phase of the plan.
- Devendra Gupta** So what is the target date the company is taking to conclude this discussion on land issue because unless you conclude the drilling will not start even if you raise the money?
- Sandeep Lakhwara** Maybe I will come in, Devendra I don't know whether you have met, we have a person on the ground, Harish who is constantly in touch with the farmers. The farmers are quite willing to also enter into various agreements with us to lease their land. We have allowed for a two or three



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month time space to enable all of these farmers to be satisfied in terms of what their requirements are so that drilling can commence. So it will happen.

**Devendra Gupta**

So by December end you are saying land issues will be sorted out for drilling to start?

**Sandeep Lakhwara**

Exactly.

**Devendra Gupta**

Then how much time it takes for you to mobilizing machinery and other things, commence drilling and by what time the 7,000-meter drilling would be over?

**Sandeep Lakhwara**

The mobilization and all that can be concurrent so that as soon as we get clarity in terms of the land issues being resolved, the rig can be put in place. In terms of 7,000 meters of drilling, we are probably looking at four to five? Pehswa?

**S. C. R. Peshwa**

Yes, four to five months.

**Devendra Gupta**

So let's say you are concurrently mobilizing while you are talking to landlord you start on 1st January, by 30th of May 7,000 meter drilling would be over?

**S. C. R. Peshwa**

Yes, that should be over; by June end we should be completing 7,000 meters.

**Devendra Gupta**

Okay, so six months.

**S. C. R. Peshwa**

Yes.

**Devendra Gupta**

So Mr. Peshwa, by what time will we see the results then?

**S. C. R. Peshwa**

Six months means?

**Devendra Gupta**

No, once this drilling is done, there would be results which will come, which will say either the resources are augmented or while drilling down you are going to find the same kind of mineralization and resources are reduced. So when do we see as shareholders results of the drilling?

**Sandeep Lakhwara**

I think the results will be concurrent. During the drilling, as you know we collect samples for the number of meters drilled, we send them for assessing, the results come back, we analyze those results and we make it public in terms of when it comes back. So I think there would be results that would be progressive over the period of the drilling and the final assessment in terms of the full completion of the 7,000 meter drilling would have to be done post June 2015.

**Devendra Gupta**

So what is the target days Sandeep we should take for that? July, August.

**Sandeep Lakhwara**

I would say normally four to six weeks post completion of drilling, so yeah, take mid-August.





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- Devendra Gupta** Mid-august, now you had mentioned earlier that this feasibility study which is going to cost you \$1 million, when is this feasibility study expected to commence?
- Sandeep Lakhwara** Feasibility at this stage, actually you have the full timetable in terms of what we are planning to do with the feasibility. But at this stage the feasibility will be commencing post this 7,000 meters of drilling.
- Devendra Gupta** Yes, that is where I was coming. So feasibility as per our earlier discussion takes six months?
- Sandeep Lakhwara** See, feasibility studies include drilling and results from this proposed drilling could be facilitating part of the feasibility study, conclusion of the feasibility study would have to be post this drilling, that is probably a better way of putting it.
- Devendra Gupta** Okay. So suppose 15<sup>th</sup> August you get the results and part of the feasibility study is already completed while the drilling is on, so what is the final date of the feasibility study coming because until you have the feasibility study in place, none of the Indian banks will talk to you.
- S. C. R. Peshwa** Devendra I will just clarify this question. Our feasibility study would start in the first half of 2015 that means by February or March we will be commencing with the feasibility.
- Sandeep Lakhwara** That is part through the drilling program.
- S. C. R. Peshwa** Yes. We do not have to wait for the completion of the drilling program in order to commence the feasibility study, it is a concurrent process.
- Devendra Gupta** Okay. So when would you be in a position Mr. Peshwa to give the feasibility study to the bankers to appraise your debt requirement?
- S. C. R. Peshwa** So the entire study if we start in February, it should take 8 to 10 months to complete the entire report.
- Devendra Gupta** So you will get the feasibility study only by end of December, correct?
- S. C. R. Peshwa** By October, like that.
- Devendra Gupta** Okay, by October. So that is the time you would be in a position to give this reports to the bankers for looking at funding requirements from India. Is that a safe conclusion?
- Sandeep Lakhwara** Yes, that would be safe conclusion.
- Devendra Gupta** Okay. So what Sandeep we are saying that is that your debt component at earliest would be available only in January 2016?



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**Sandeep Lakhwara**

See the other thing Devendra that we need to elaborate is that banks are going to wait for the completion of the feasibility study and preparation of a bankable feasible document before they release any funds. So they can work concurrently with everything else that we are doing but in terms of the final funding, it will have to be post the document being ready which we believe will be January 2016, late 2015.

**Devendra Gupta**

Okay. Suppose Mr. Peshwa made an assumption that in case he gets the ML by January, drilling would be over by May. In case you get the ML by January and I wish you all the best, we will pray every day for that, when do you think you will be in a position to do the commercial production?

**S. C. R. Peshwa**

So we have been always telling that commercial production takes 18 months from the date of execution of the ML.

**Devendra Gupta**

Okay. So now are we saying that 18 months, we are talking of July 2016 as commercial production, funding would be available in December 2015, worst case January 2016. Six months would be sufficient for you to I am presuming you would have placed orders with Finnish companies, open import LCs while the funding is being arranged. Six months would be sufficient for erection of the plant and start commercial production and whatever else takes around that.

**S. C. R. Peshwa**

No Mr. Gupta, what I said was 18 months from the date of execution of the ML. Execution of the ML means we need to get the environmental clearance only then we can execute the license.

**Devendra Gupta**

So we are not talking of commercial production in month of July '16 and what is the date we are looking at commercial production?

**S. C. R. Peshwa**

In case we get the ML in January 2015, it takes 10 months to get the environmental clearance, 10 to 12 months that is the date of our actual date of execution. From there, 18 months you take.

**Devendra Gupta**

So we are talking of end 2015 then, correct Mr. Peshwa?

**S. C. R. Peshwa**

Yes, approximately.

**Devendra Gupta**

So we are talking earliest is end 2016 for commercial production, okay. Sandeep one question I have, I am sorry I might be repetitive because we have talked it across AGMs and many times, now you know this 7,000 drilling I hope will happen this time. Is Mr. Peshwa solely responsible for this or he is being provided some assistance because this time I presume the funding would be available and there would be no challenges because whenever the company has announced any drilling program, they have never completed in time and there has been no accountability. The reasons have been funding and other things, but this time I am so glad that the board has approved rising of capital and other things. So who is responsible and how the accountability would be seen?



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- Sandeep Lakhwara** Peshwa is responsible for that particular project and whatever support that he needs -- in that regard will be provided. . Sorry, I missed your first bit of the question; it was that who is responsible?
- Devendra Gupta** Yes, my request you know from shareholder perspective, you should give a detailed drilling plan with each milestone and what timeline it is going to be completed and I will suggest that be reviewed in every concall because apparently now this is the basis for feasibility study, feasibility study is the basis for raising capital and without capital the plant cannot be put. So the criticality of drilling is paramount now.
- Sandeep Lakhwara** What we will do by the way and this is part of our plan anyway, we are going to put a update on our website detailing basically everything that we are planning so that forms the core document which gets upgraded from time to time with progress or issues that we are facing. So it is not a fresh start every time, it is carry over document and that update will be on our website in the next 10 to 12 days.
- Devendra Gupta** Okay. And you will update after how many days this progressive document?
- Sandeep Lakhwara** I am sorry.
- Devendra Gupta** I am saying once you put this in 15 days, after that what would be the frequency of upgrading this document?
- Sandeep Lakhwara** As we progress, certainly the one suggestion that you just made, every concall that can be addressed. But as we progress, that website can be updated irrespective of the concall with issues relating to that document.
- Devendra Gupta** No Sandeep, my suggestion would be because this is a two year program we are talking of now, there would be certain milestones and timelines and I am sure in this progressive you are going to put the timelines. So a particular timeline is appearing, if the job has been done, fantastic, congratulation, this has been achieved and this is the outcome. In case it is not achieved, the shareholder should be posted that why this task was not updated or it was not achieved, the particular milestone was not achieved in the timeline and this is the revised date we are looking at. So because as the dates keep on moving, December 2016 will keep on moving further ahead, so that is what I as a shareholder am interested.
- Sandeep Lakhwara** No no, we update as we move, , this is what I meant.
- Devendra Gupta** So whenever any timeline is due, at that time an update should happen...
- Sandeep Lakhwara** Irrespective of where we are, either it has happened or it hasn't happened.



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- Devendra Gupta** Thank you. I think I will not like to monopolize the entire call, I have got few questions more but I will leave for the moment.
- Moderator** Thank you. Our next question is from of Rohit Singhal of Madhya Pradesh. Please go ahead.
- Rohit Singhal** I have a question to you that as you are in the board of Geomysore also and the Deccan also, so I want to know which mine will produce gold first. It will be Jonagiri or it will be Ganajur?
- Sandeep Lakhwara** Let me tell you that I am not on the board of Geomysore as I speak to you right now, I terminated my professional association with GMSI recently so that there is no conflict of interest when we are talking of the merger of AIR, when we are talking of the takeover of GMSI. So my interest certainly is entirely focused on Deccan Gold Mines as we speak. So in terms of which mine we are looking at as a priority from Deccan perspective, of course it has got to be Ganajur.
- Rohit Singhal** So what do you think that we will produce gold in December 2016 or it will be more later then?
- Sandeep Lakhwara** Rohit, we just went through that question and Peshwa did answer it. If everything works according to plan, yes, 2016 end is possibly when we are looking at production to commence at the earliest.
- Rohit Singhal** Okay. My second question is regarding the land acquisition, when we will do the land acquisition for Ganajur?
- Sandeep Lakhwara** Yes, we actually as part of this budget of 5 million, we are allocating a million odd dollars for 40% deposit that we need to pay to start the acquisition process (at the Government base price) So this will start subsequent to the fund raising,. But in the meanwhile we have entered into agreements with the appropriate government departments who are going to facilitate this land acquisition for us and those details have been posted on our website a long time ago.
- Rohit Singhal** Okay. Any timeline for the land acquisition?
- Sandeep Lakhwara** Yes, early next year we start the process.
- Moderator** Thank you. Our next question is from Parin Gala of Mumbai. Please go ahead.
- Parin Gala** Sandeep my question, as regards to the land acquisition what we are talking about, now that the owners know that okay we are mining for gold inside and all that, so what is the entire cost of land acquisition which eventually we will have to bear? Or are you making them some kind of equity partners in the production or the topline which will eventually come up?
- Sandeep Lakhwara** Yes, at this stage, we have to follow all the government guidelines for projects of this nature that relate to the acquisition of land. The cost may vary by the time we start the process and complete



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it but at this stage based on similar land that was acquired by another company close to this project, the cost to them has been about 15 lakhs per acre.

- Parin Gala** Okay. And they would not be having any other kind of incentive right, just 15 lakhs per acre?
- Sandeep Lakhwara** Well, there are issues under the Land Acquisition Act where certain other aspects have got to be addressed. Vasu can elaborate on that a little bit more, perhaps Vasu would like to respond to that.
- V. N. Vasudev** We may have to provide employment to the eligible member of the family who loses the land and also think of any other issues like the corporate social responsibilities providing on priority say education for the children, etc., and what requirement, all these issues have to be addressed specifically focused on the land losers.
- Parin Gala** Okay. And for the Ganajur project how much land would be required to be acquired?
- V. N. Vasudev** 200 acres.
- Parin Gala** 200 acres, okay. This cost is included in the \$45 million to \$50 million of invest that we are talking about?
- Sandeep Lakhwara** That cost is included.
- Parin Gala** Okay, fair enough. Sir now the second question is regarding to the restructuring between Deccan Gold and Geomysore. I am actually not entirely aware of how this entire thing is being planned and worked out, can you just explain that what is the whole restructuring which is probably going to take place in the future?
- Sandeep Lakhwara** Sure. The mechanism that we are probably going to follow and I say probably because until it is done you never know what other issues may crop up, but at this stage, based on all the homework that we have done with our lawyers, the merchant bankers, the accountants, the mechanism would be; the shareholders of Geomysore will be made an offer directly by Deccan Gold so that 100% of Geomysore becomes a subsidiary of Deccan Gold. It has to remain as a subsidiary because there are licenses for which Geomysore has made multiple applications and we cannot merge Geomysore into Deccan as a whole because the merger process involves the company being merged losing its identity. If Geomysore loses its identity then all the applications get affected so it has to become a subsidiary of Deccan Gold. So what will happen is AIR which is an Australian company which has a large shareholding in Geomysore will merge with Deccan Gold and that merger process will be done through a scheme of arrangement which has already been drafted by our lawyers Khaitan and Co. and for the remaining shareholders of Geomysore, Deccan will make an offer at the same price as the merger price between AIR and Deccan Gold so that 100% of the equity in Geomysore is owned by Deccan Gold Mines and then Geomysore becomes a subsidiary. This transaction has been kind of thought through keeping in



mind other regulatory issues applicable as well, EG the tax consequences of doing this transaction and also certain regulations relating to the mining act such as regulation 37. So how the transaction is going to be processed is kind of pretty well understood, the question was one of the swap ratio, Deccan is not making any cash payments to any of the Geomysore shareholders, it is instead issuing its shares to the shareholders of Geomysore so the swap ratio was very relevant, for multiple reasons. Just to give you an idea, if the swap ratio hypothetically let's say was 1:1, all the existing shareholding in Deccan gets reduced by half, if it is 2:1. It gets reduced to 1/3rd. So we need to be very-very careful that we are not impacting on the Deccan valuation by undertaking this exercise and therefore the swap ratio there is most critical and most relevant.

**Parin Gala**

So when would you arrive at a valuation for Geomysore? I know you said something in the opening remarks but I could not get it clearly.

**Sandeep Lakhwara**

We are saying if Geomysore's key project, called Jonnagiri, is receiving drilling, and should that initial 5,000 meter of the total 15,000 odd meters that has been planned be completed around January end, we will then assess the results, if the results substantiate a particular swap ratio that is being asked by the Geomysore shareholders then we will go ahead with that valuation and the swap ratio. If the results are any different then we will come up with a new valuation. So to answer your question we are looking about January end after completion of the first 5000 meters of drilling, to come to some sort of calculation.

**Parin Gala**

So irrespective to whatever it is but the merger with Geomysore is inevitable correct?

**Sandeep Lakhwara**

I would have to say that there is solid intent from both Deccan Gold and Geomysore to do it because, overall the benefits of the merger are really substantial, we have the largest gold company operating out of India, there would be lot of de-risking in terms of the number of projects that are available. Geomysore has an executed mining lease Jonnagiri, Geomysore also has prospecting licenses so I would have to say that based on everything that we know today the merger /takeover would happen.

**Parin Gala**

So Geomysore does have a mining license you are saying right? They have an ML.

**Sandeep Lakhwara**

They have an ML over this area Jonnagiri.

**Parin Gala**

Okay, so when would Geomysore think of commercializing this particular mine of Jonnagiri basically?

**Sandeep Lakhwara**

From Geomysore perspective the first program for Jonnagiri is to complete the 14,000-15,000 meters of drilling. Post that and similar to Ganajur, feasibility studies are going to be done. Concurrently with that drilling, they may have to go back and reassess some of the mining plan issues in view of the new drilling being undertaken. So comparing Ganajur and comparing Jonnagiri, one would have to say that probably Ganajur will come online earlier than perhaps



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what Jonnagiri would but I am sure that from a Geomysore perspective they also want to bring Jonnagiri online as quickly as possible. I cannot comment on the specific date.

**Parin Gala**

Suppose whenever the merger happens so for Jonnagiri the money would be raised?

**Sandeep Lakhwara**

Post the merger there would have to be additional fund raising for the new combined merged entity which will then fund all the projects that are under that entity. I believe he got disconnected. Can we move on to the next call I believe you got this connection.

**Moderator**

Sure sir. Our next question is from Govind Samanth of Thailand. Please go ahead.

**Govind Samanth**

First of all thank you for suggesting the call I think it is a very good medium as you have seen. To be in touch with the progress of the company so thanks. I will have to say that I got disconnected in between I actually got kicked out of the call half an hour into the call so I may have missed some of the questions. So I may be repeating some of the answer which you have already given. My first question is with regards to the Ganajur ML I know that you have made some statements in which you have said that you have meet with or spoken to Ministry of Mines official I just wanted to get a bit of understanding of whom have you spoken to, if you are not allowed to give specific names at least position, at least we would get a better idea of knowing at which positions have we spoken to and are they aware of the file and have they agreed to at least look into and process the files.

**Sandeep Lakhwara**

Yes, Govind what I can tell you is that we identify the people that are processing the file and those are the people that we speak to. At this stage the file is sitting, it has not moved up to secretary, it has not moved up to the additional secretary. It is sitting below that level and we are talking to people at that level who were waiting for clarity from the government in terms of what files are to be processed and what should be returned back to the state government and as I said earlier that ours fits into the category which has to be processed because of the seamless transition clause. So they have undertaken to process it and we have also stated that if you have queries as you progress to move the file to the next desk upwards we are very happy for those queries to be addressed with you at that time. So I hope that answers your question.

**Govind Samanth**

Yes, it does. Just a quick note there. Is it necessary for the file to go to the additional secretary I was just under the impression that below the secretary level you go directly to the secretariat and then on the minister for his final signature. In your opinion it is required for the additional secretary to take a look at the file?

**V. N. Vasudev**

Yes. The director sends this to the additional secretary and then it goes to the secretary that is the normal procedure and even earlier also our file had indeed gone to the additional secretary and this is the current procedure.



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**Govind Samanth**

Okay, so it will be going to the additional secretary and then on from there to the secretary level. Okay fine. I am happy with that. With regards to the, this is just your opinion here. You have identified that the Deccan file is one of the eight mining application files which have been identified to be fast tracked. Do you know can you at a high level explain what impact that has on a file like would it make it that earlier or what entitles it to be fast tracked besides Nirmala Sitaram saying that it has to be fast tracked but what is the ground effect of it being fast tracked.

**Sandeep Lakhwara**

What happens Govind is, the government has set up some departments EG Invest India, the Department of Indian policy and promotion called DIPP. Then they have a project monitoring group called the PMG, now these groups they become very active in constantly reminding the Ministry of Mines and also talk to the people concerned that are handling the file, that please provide us with an update as to what you have done with the file in the previous two weeks, or previous month and when shall we call you back so that you have done what you are promising to do in this conversation. So they have interacted with the ministry not just on the telephone on a regular basis but even in terms of meeting with the department and receive updates. And the benefit of this of course is that the Ministry of Mines are also on their toes knowing that the project monitoring group set up for the high priority files is observing what they do and therefore they act accordingly as well.

**Govind Samanth**

Okay. That is actually great to hear, that is a very good step at least that ensures that your file will not be sitting idle, it will be moving one way or another at the ministry which is always better than just laying there. So that is very good news. Just quickly moving on regarding the merger, I am just a bit confused here with regards to the next step of Jonnagiri trying to drill and confirm their resources and like you said inferred has to move on to indicated but at the same time if Ganajur does drilling and 300,000 ounces were to move on to 500,000 ounces then our case gets a bit better. If we get the ML our case gets a bit better so this valuation tug of war will always go back and forth, if we give each other a few months to do something. So at what point are we going to draw the line and say, look whatever we have done the valuation will be as up to this point.

**Sandeep Lakhwara**

Now that is a very good question. And actually maybe I should have elaborated a bit more when I was talking about that. See of the other three things that are very important from a Deccan perspective which this time enables us to also address, one is exactly that our ML approval, at Ganajur. Hopefully there will be a lot more clarity in terms of area being approved at the centre level and sent to the state government for the letter of intent to be issued and then final execution. Also within this time, Mangalagatti PL we are hoping to get executed also and with the Hutti matter at the Supreme Court now that Hutti has lodged its objection and we are responding to it we should have clarity on the aspect also. So I think quite honestly if you go to draw a line it would be at the end of January post the 5,000 meter (drilling at Jonagiri and clarifications on above) and then wherever these operations are, we move forward on that basis.





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**Govind Samanth**

Okay, that is great. Just quickly moving on. There has been lot of talk here and, I got disconnected half way through it about the 7,000 meters and all of that. That is all great but my interest here lies within Ganajur at this point. Ganajur South East and all the other prospects in which eventually we will have to file the ML and get the ML which is great but it does not put anything in my pocket in the medium term. So I am more interested in Ganajur main. How many meters out of this expected 7,000 is dedicated to Ganajur main only and earlier we had given a rough target of hoping to get Ganajur main stressing the Ganajur main part up to 500, 000 ounces by drilling deeper I believe it was up to 500 meters. Are we still sticking to the plan or has that changed?

**S. C. R. Peshwa**

Earlier we did not do much drilling in Ganajur we have announced to the public, 7, 000 meters of drilling includes Ganajur main deep drilling. In addition to that you know that Ganajur ML, a part of the ML is outside the PL area also we have not done any exploration there. So that is also important area where we are expecting to add additional resources. So in a nut shell I can say that, the total quantity of drilling that will be done in Ganajur main will be around 3,000 meters. That includes step out drilling as well as deep drilling.

**Govind Samanth**

Okay. Just a follow up on that quickly. In your presentation two years ago or so, or maybe it was last year I cannot remember now it was in the AGM presentation, you mentioned that there is a possibility of the ore body kind of repeating itself and if that happens we can look for higher resources. So this 3,000 meters that you are doing would it enable us to have a better idea whether the ore body repetition is there or not?

**S. C. R. Peshwa**

Yes definitely. Because there are very strong indication we still continue to believe that, there is a strong indication both by means of IP survey as well as our initial drilling has clearly indicated continuity that means a deep extension is there in Ganajur main and that will be explored by this deep drilling. Apart from that we also have to do some step out drilling also. So all this definitely there is this distinct possibility is there, whatever we have told in the AGM still stands good.

**Govind Samanth**

And in terms of priority the 3,000 meters of Ganajur main I hope that would be prioritized over the Ganajur South East and other blocks is that right assumption or?

**S. C. R. Peshwa**

No. It will be concurrent because we do not have to go with a single rig here, we can have two or three rigs working simultaneously.

**Govind Samanth**

Okay great. Moving on, I am just going through my list I think some of these have been answered already so I am not going to ask again. The next question, there was the TOR which was sent a few years ago and that had all the cost including the profitability and all of that and this was an old calculation that was made a few years ago. The exchange rate has changed since the gold price has moved up and down since, can the investors get something of an updated idea of the cost and the profitability and all of that on the current understanding of the cost of the project. You do not need to do it now but after the call if you can just take a look at that estimate



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that you have provided in the TOR and if you provide an update again I think that would really help investors.

**Sandeep Lakhwara**

What we will do, what I had said earlier may be you were disconnected at that time. That we do an update, post it on our website and you can review all those details.

**Govind Samanth**

Okay, perfect. The other thing that I wanted to understand is the dollar exchange rate, I wanted to know how sensitive is the project cost to the dollar exchange rate and part of this would of course depend on the vendor that you chose and whether you are paying them in dollar or rupee or what, so that if the dollar fluctuates investors can have a better idea, should they be looking at the gold price in dollar, or should they be looking at the gold price in rupee. Because both have not followed the same path down the line. So do you have any idea as to the total cost of the project, how much of it is dependent on dollar and how much of it and I would believe the rest would be dependent on rupee. Do you have any idea of this ratio?

**Sandeep Lakhwara**

I think it is about 30% which would be imported and depending on how we do it at this stage 70% could be sourced basically in India. And the exchange rate, as far as the gold price is concerned one can talk about it forever. Let us address it a little later.

**Govind Samanth**

Okay. Because we did the SRK report which was submitted I am not sure how long ago now and they had determined that the project is feasible above both prices being 800. But I am aware of the fact that, at time the exchange rate was 45 or something of that sort I cannot remember and now it is like 60. So that 800 how much does it stand and whether it is down to 600 or 650 or what, would be something nice to see if that is something that can be done quite easily.

**Sandeep Lakhwara**

Yes. Govind we will post you some sensitivity analysis that we have done at different discount rates but to give you an idea the gold price if it at US 1250 an ounce and this was done by SRK itself and at a 10% discount rate the project has an NPV of around \$38 million.

**Govind Samanth**

Okay. Just quickly moving on now. I just have a few more. Post ML once it is granted by the Ministry of Mines I see four basic milestones which are the LOI, your statutory clearances, your grant order and then your title deed. So those are the four milestones.. First of all, is there difference between grant order and title deed or is that the same thing and can you start construction after the grant order or do you have to wait for the title deed physically to start the construction?

**V. N. Vasudev**

We have to wait while all the process goes on, we have to wait for the deed to be executed before we commence mines operations and the associated project implementation.

**Govind Samanth**

Okay. So you have to wait for the title deed. So starting from top my first question is the LOI, I think Ministry of Mines has recently sent a circular in their latest meeting saying that the LOI has to be granted within a month. The reason I take that, I think that is a very optimistic



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statement because given some of our past experiences that is a very steep target to meet. How achievable or feasible do you think this is, do you think you can get the LOI within a month of the Ministry of Mines granting the ML?

- S. C. R. Peshwa** All the indications are positive. Many people are working here as already explained by Sandeep and the file itself will now come under what is called Section 11 (1) of act which has to receive equal attention as the notification applications. So that is also positive, so now we just only wait for processing the applications and some of those things are there.
- Sandeep Lakhwara** LOI is at the state government level. Is that one month achievable is the question.
- S. C. R. Peshwa** At the state government, no. It will at least take three months for the LOI to be released by the state government.
- Govind Samanth** Okay. So the time line that was provided earlier by Mr. Peshwa assume just three months for LOI, am I correct?
- S. C. R. Peshwa** Yes.
- Govind Samanth** Okay. The second question I think you have answered already in which I said, which I was going to ask whether the mining plan has to be approved by IBM Bangalore or Nagpur and I believe Mr. Peshwa said that it has to be done in Goa, is that correct?
- S. C. R. Peshwa** Yes, it is Goa.
- Govind Samanth** Okay, just wanted to know. Now at which point of this milestone the LOI or the statutory clearances of the grant order, Would you be raising the larger chunk of funding, the other rest of the equity which you would need to raise, at which point are you comfortable to do it?
- Sandeep Lakhwara** When you say the larger chunk of funding, Govind you mean the funding required for establishing the plant and so on?
- Govind Samanth** Yes. You said you will be raising 30% of equity and then the rest 70% will be by debt right, so the other part the other 25 million or so that we need I do not have my calculations in front of me but the 15 or 20 million that will need to raise the equity. At which point would we want to do that?
- Sandeep Lakhwara** I think that is what we discussed earlier. Based on the time lines that we have and the completion of the feasibility study which probably starts in around February, takes about 10 months to finish sometime in October or later, now a couple of months for the results to flow through and the bankable document to be finalized. But we are concurrently talking to banks for that 70% and that would start and some of these banks actually want to nominate a person to be a part of the feasibility study so that the system and so on that they have internally is also being observed and



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documented in the final bankable feasibility study report. So if the whole thing finishes up in about December next year and the funding of debt approved early the year after, we would target our 30% fund raising at around that time.

**Govind Samanth**

Okay. That is good to know. There has been quite a bit of talk at the state level, there were couple of articles recently on how pending files are finally being processed, and I cannot remember why there has been 50,000 or 90,000 files processed within a week or something like that. Are we seeing any ground level moment on our file, how does our other files like Mangalagatti PL or any other files that may be pending. Is that moving along at the state level as well?

**V. N. Vasudev**

Yes. Mangalagatti needs to receive what is called revalidation for allowing us to execute the PL and it is in the process, we recently had a discussion just about last week with the Additional Director, the file is moving.

**Govind Samanth**

And I believe there was one more PL as well Jainapur or something are we still looking at that or?

**V. N. Vasudev**

Simultaneously Jainapur PL is also being processed because our focus was on Mangalagatti because we have a program of 5,000 meters of drilling so Mangalagatti PL as well as Jainapur both are approved by Government of India as you know we are perusing and we are very positive and almost every day we are visiting the mines department here.

**Govind Samanth**

Okay that is good. Just moving on there were four PL applications in Haveri which has been rejected by the state government and I think we have filed a case with the tribunal authorities and I think they are having a meeting I believe tomorrow or something. While the final decision is awaited I was just wondering, since these files were filed under notified area which essentially means, the state has the right to choose whichever applicant they deal is fit. Under what condition did we file the grievance, what was our stand on this and why do we feel that we have been aggrieved for these four PL applications.

**V. N. Vasudev**

**With** these applications, we did our homework on the merits of these applications. All these four applications have the merit in the sense, they have been prospected earlier in some places drilling has also been done and we have made out a case about this with Department of Mines & Geology with respect to all these four applications that these are merited applications hence PL has to be granted even though they may choose to think otherwise.. So we have a case for supporting our PLs and convincing the authorities or the DMG to grant this PLs to us on priority.

**Govind Samanth**

But these four Haveri cases that I am referring to have been under notified area right, so if the state had rejected our application they must have accepted someone else's application and this is just my guess, they must have accepted say Hutti GoldMines application for those four PL areas.



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So under what are we saying our application has the right to be processed or has the right to be approved?

**V. N. Vasudev**

Application for RP have been received from many private companies also. May be even PSUs I am not aware like Hutti Gold Mines. But there are no PL applications on these areas, we are the first in time applicants and 30 days times is there. We are well within the 30 days period and five day applications. And these PLs have the merit and we can convince the DMG authorities to preferentially grant this PL to us against the RP the remaining areas can be granted on RP to others.

**Govind Samanth**

Okay. Did we do RP for these areas as well?

**V. N. Vasudev**

No, this was held later but one of the areas for example the ones that we held within Deccan Gold Mine are also part of this notification over which others have filed application. And these four applications do not fall within the earlier RP applications held by us. Covered under PL applications by DGML and Geomysore.

**Govind Samanth**

I am just going to quickly wrap things now because I know I have taken quite a bit of time. Just in general, just two more things. One thing is, there has been lot of statements made by the ministry of mines lately in which applications that have been filed has to be granted in a transparent manner. For the 12 PL licenses which are under litigation in the Hutti area, are these virgin finds by Deccan or have we done any drilling to indicate that we have the first, we did put our resources into this and that we have the right. Or these are just, basically all these virgin finds by Deccan or we just followed it up on GSI information.

**V. N. Vasudev**

No. We have independently carried out all the exploration work and also fulfilled the conditions in all these RPs and there are no notices received by us so far and merits have been identified by the DMG as well as at the State Geological Programming board meeting. No questions have been raised or notices have been received. So we have submitted the reports also. My colleague, Peshwa, will add few more.

**S. C. R. Peshwa**

Govind just to highlight you on the Hutti project I should say that the maximum exploration apart from Ganajur was in Hutti belt area only. We have done enormous work in that area and all top class exploration methods were adopted and we made number of discoveries in that area and one of the most important discovery Hirenagnur. Nobody even recognize that, there is a prospect or deposit called Hirenagnur, like that we have made so many discoveries in the Hutti belt area and all our reports are in time and it has been very well appreciated by all the agencies and we have no doubt that these are our key projects and they are all our discoveries.

**Govind Samanth**

Excellent that is very good to hear. That is exactly what I wanted to hear. Okay, last one and this one is probably for Sandeep. What are investors generally concerned with is that when there is a rally, once the Post ML comes there is a genuine concern from all the investors that is to promote



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sell or continue to sell. The rally might be subdued due to this or even new investors might feel a bit awkward to invest in the company when promoters are selling. Are we, what can we do about this, can we talk with some institutional investor or something that can possibly pick up the stake of the promoters who are selling or how can we deal with this issue?

**Sandeep Lakhwara**

Govind, I think there has been a lot said and reported on this issue in the past and generally we have basically little that we can do as a matter of fact there is nothing that we can do because we have individual shareholders, in Rama Mauritius that from time to time want to sell but yes the suggestion of institutional investors picking up that stake or dealing with that stake at the Mauritius level itself if they want to sell has been and is being considered and let me come back to you on that as we progress. But the point to note here is that the quantum of selling certainly has decreased over the last two to three months and even prior to that when you look at the total amount that has been sold and as I have said earlier these are the original 140 odd shareholders who constituted Rama Mauritius and received a chunk of Deccan Share and Rama Mauritius acts totally independently of Deccan it is the promoter group. Deccan has absolutely no say, I have no say, nobody has any say, and shareholders decide what they want to. But as I said, we need to bear in mind that it does have an impact on our other Deccan shareholders, it does have an impact on the share price and whatever we can do to reduce that impact to negate it completely by establishing an institutional investor that picks it up or somebody that picks it up before it gets to the market that is something that we would definitely look at doing and it is being currently considered.

**Moderator**

Thank you. I now hand the floor back to Mr. Sandeep Lakhwara for closing comments. Over to you sir.

**Sandeep Lakhwara**

To all of those that are listening it is a good feeling that we are talking to you and addressing your queries. What I want to point out, I know that there is a little bit of, not a little bit it may be quite a bit of frustration in terms of the delays that we have faced, the drilling, the licenses, development, but I do believe very strongly that things are changing at the government level and within the company as well and the next 12 to 24 months are really going to be quite positive in terms of achieving our targets and development as a whole. So generally thank you for staying in the call and raising these questions and until next time we are always happy to receive your emails and address individual questions that you may have. So good luck and good-bye.

**Moderator**

Thank you very much. Ladies and gentlemen on behalf of Deccan Goldmines that concludes this conference. Thank you for joining us and you may now disconnect your lines.