

UPDATE ON DRILLING AT GANAJUR –KARAIGI BLOCK & OTHER DEVELOPMENTS

Bangalore
June 13, 2016

DGML (BSE Scrip Code: 512068) is pleased to provide an update on drilling conducted by its subsidiary i.e Deccan Exploration Services Private Limited (DESPL) in Ganajur –Karajgi Block. The drilling was carried out in Ganajur Main, Ganajur South, Ganajur SE, Karajgi Hut and Ganajur Central prospects. **The results of drilling and progress of work with regard to other activities related to Ganajur Gold project are presented below:**

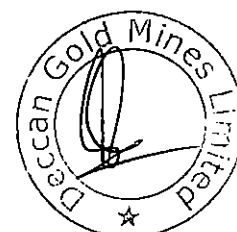
Drilling: A total of 5263 metres of drilling has been completed to date in the entire block as against an amended budget of 5500 metres as part of the Phase 1 drilling programme. The objective of the drilling programme is to find out new resources in the satellite prospects as well as further explore the flagship Ganajur Main Gold deposit. A summary of drilling is presented below:

SUMMARY OF DRILLING AND TRENCHING

PROSPECT NAME	ACTUAL No. of holes	ACTUAL (M)	SAMPLE DETAILS		
			SAMPLES	QA/QC	TOTAL
GANAJUR MAIN	39	2138.25	857	113	970
GANAJUR SOUTH	8	424.3	148	24	172
GANAJUR SE	5	252.08	40	6	46
KARAJGI HUT	16	816.8	206	31	237
KARAJGI MAIN	0	0			
GANAJUR CENTRAL	2	99	68	11	79
RC DRILLING	36	1533	426	19	445
TOTAL	106	5263.25	1745	204	1949
TRENCHING	15	620			117

Highlights of the drilling and Exploration programme:

- DESPL deployed an RC (Reverse Circulation) Drill Rig in addition to the diamond core drill rig to explore all the IP geophysical anomalies in the satellite prospects and also to locate potential shallow level oxide ore resource in these prospects.
- RC drilling was very useful in locating new targets in Ganajur Central prospect and Ganajur SE prospect that will be further explored by diamond core drilling.
- DESPL's drilling at Ganajur Main was carried out as per Australian Joint Ore Reserves Committee norms, 2012 (JORC) and feasibility level standards.



- The new results at Ganajur Main are consistent with our earlier results but with an increase in the confidence level in those earlier results due to narrower spaced drilling in the current drilling program. In addition, we are happy to report that one of the drill holes, GMC 67 intersected a 27 metre wide mineralization with a significant gold grade averaging 9.12 g/t. The new data along with the previous data will be submitted to an independent mining and geology consulting firm to prepare an updated resource model for estimating the ore resource and reserves as per JORC. This revised data will form part of the bankable feasibility studies for the Ganajur Gold Project.
- Drilling was also undertaken in Karajgi Hut prospect based on encouraging initial drill results at the prospect. The latest drilling results are also very promising. The results further confirm that the Hut prospect is a potential host for high grade gold mineralization but with narrower width as indicated below.

HIGHLIGHTS OF THE DRILL RESULTS

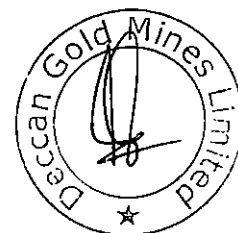
DRILL HOLE	FROM (M)	TO (M)	WIDTH - (m)	GRADE Au g/t	HIGHEST Au VALUE	PROSPECT NAME
GMC-59	19.1	37.5	18.4	2.3	8.7	GANAJUR MAIN
GMC-60	0	18.5	18.5	5.68	29.91	GANAJUR MAIN
	28.9	33.1	4.2	6.57	10.97	GANAJUR MAIN
GMC-61	42.6	45.5	2.9	2.97	5	GANAJUR MAIN
GMC-62	28.1	33.8	5.7	1.07	2.6	GANAJUR MAIN
GMC-63	49.5	51.15	1.65	2.86	4.7	GANAJUR MAIN
GMC-66	21	33.4	12	0.92	3.6	GANAJUR MAIN
GMC-67	39.25	66	26.75	9.12	29.2	GANAJUR MAIN
GMC-68	14.1	33.1	19	1.39	4.9	GANAJUR MAIN
GMC-69	3	10	7	2.36	4.6	GANAJUR MAIN
GMC-71	73.6	83.45	12.85	3.2	15.3	GANAJUR MAIN
GMC-72	65.25	81.55	16.3	2.04	12.7	GANAJUR MAIN
HPC-08	31.2	32.8	1.6	3.5	7.3	KARAJGI HUT
HPC-10	41	42.9	1.9	5.7	14.9	KARAJGI HUT
HPC-13	33.5	35.2	1.7	4.88	10	KARAJGI HUT
HPC-15	58.6	59.3	0.7	4.72	5	KARAJGI HUT
HPC-16	21.2	25.5	3.3	1.2	4.7	KARAJGI HUT
GSEP-C19	81.2	82.9	0.7	4.4	4.4	GANAJUR SE
	85.5	87.3	1.8	5.5	7.2	GANAJUR SE
	91.5	92.2	0.7	7.3	7.3	GANAJUR SE
	94.1	96.55	2.45	6.68	13.9	GANAJUR SE
GSEP-C20	15	20.4	5.4	3.82	12.4	GANAJUR SE
GSEP-C21	32.2	32.7	1.5	1.4	2.6	GANAJUR SE



- **Ground Geophysical IP Survey:** Based on the results of our earlier IP survey in the year 2011 we have noted that gold mineralization in Ganajur Main and its adjoining prospects have an excellent correlation with the geophysical IP anomalies. As noted earlier in our report dated April 4, 2016, DMT Consulting Pvt., Ltd.,(DMT), a geological consultancy firm was appointed to undertake additional IP Geophysical Survey in the Ganajur-Karajgi Prospecting Licence (PL) Block so that we can generate more drill targets. The survey was carried out by using different configurations for locating shallow mineralization in satellite prospects as well as for locating deep seated mineralization in Ganajur Main deposit. A total of 13.85 line kms of IP survey in the entire block has been completed by DMT. IP survey data has re-confirmed the presence of IP anomaly at depths below 120 meters in Ganajur Main Deposit. Additional deeper drilling is therefore planned in the Ganajur Main deposit to explore possible extension of gold mineralization below 120 meters.

Other developments:

- **LOI GRANT:** The much awaited check list for all cases covered under section 10(A)(2)(b) as per the New MMDR Act 2015 was atlast finalized by the Government of Karnataka about two weeks ago and a Government Order (GO) was issued to the Department of Mines & Geology for processing the pending Mining Lease (ML) files as per the new check list. Ganajur ML application is also covered under section 10(A)(2)(b) and we are now very hopeful that the ML application will be processed soon and the Letter of Intent (LOI) from the Government will be issued without much delay.
- **PLANT TOR:** Share holders would be aware that DESPL had submitted a fresh Terms of Reference (TOR) application for 1000 tpd processing facility to be established at Ganajur Project for processing the gold ore. We presented the new proposal before the Expert appraisal committee constituted by the Ministry of Environment & Forests, Government of India (MoEF) in February this year. We are happy to announce that the MoEF has accepted our application and granted the TOR in April this year.
- **EIA/EMP STUDIES:** We have appointed BS Envitech (BS) for undertaking environmental studies and preparation of Environmental Impact Assessment (EIA) and Environment Management Plan (EMP) report pertaining to the processing plant. To facilitate preparation of the report, BS have collected baseline environmental data on ambient air quality, water, soil, noise levels applicable and are now preparing the draft EIA / EMP report.



- **METALLURGICAL TEST WORK:** Our ongoing metallurgical test work program being undertaken at ALS Laboratory in Perth, Western Australia (ALS) is progressing well under the guidance of our Process Engineer, John Fodor, also based in Perth.

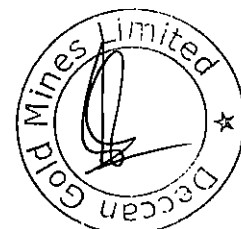
The on-going variability testwork will confirm variability of the gold ore in terms of recovery & ore competency. We have also completed multiple grading & crushing tests, analysis of the head grade and other elements and floatation test work.

Based on the work completed so far on the sulphide ore, we are happy to report that a preliminary PFS (Project Flow Diagram) for crushing and grinding circuits, carbon-in-leech (CIL) and elution circuits has been developed.

We have also dispatched oxide ore variability samples to ALS for similar test works for the oxide ore.

It may be noted that all these tests are part of the on-going feasibility studies.

- **FEASIBILITY STUDIES (FS):** We have appointed an internationally reputed Geological and Mining Consultant (IC) from Perth, Australia for undertaking definitive feasibility studies for the Ganajur Gold Project. The FS is expected to be completed by the end of December, 2016. Feasibility studies comprise of several disciplines such as Resource geology, Mine planning, Geochemistry, Process and Metallurgy, plant designing and Engineering, Tailings disposal and Design of the tailing dump, Geotechnical engineering, Hydrology & Hydro-geology and Environmental studies.
- As per our agreement with IC, some of the above disciplines will be undertaken by Consultants based out of India appointed by DESPL. These consultants will submit their report to IC who will review the work to ensure compliance with applicable feasibility study standards and sign-off on the work like an auditor would on financial statements. Work on the remainder disciplines would be undertaken directly by IC.
- IC will be responsible for completing Resource geology, Mine planning, Geochemistry, Tailings disposal and design of the tailing dump, Financial modeling and preparation of the comprehensive Feasibility study report.
- DESPL through its in country consultants will be responsible for undertaking studies pertaining to Geotechnical engineering, Hydrology & Hydro-geology and Environmental studies.



- The Process Engineer will be completing studies related to processing and metallurgy.
- We are happy to inform that work on a few of the above disciplines is progressing well.
- **LEASE AGREEMENTS:** We have renewed the lease agreements with farmers whose land falls within the ML area for 1 more year. As reported previously we have also entered into another agreement with the farmers within the ML area, subsequent to which we have paid Rs 1.25 lakhs per acre as advance to the farmers to be adjusted against the final settlement on acquiring their land.
- **MINING PLAN:** We have engaged experienced mining engineers as consultants to review and finalise the Mining plan for Ganajur that will be submitted to IBM after receiving the LOI from the state government.
- **CSR ACTIVITIES:** Our CSR activities in the Ganajur village have been very well received and appreciated by the villagers. The CSR activities include cleanliness drive as part of Swacchh Bharath Abhiyan, cleaning of the village tank, repairs and painting of the bus shelter, planting trees, providing bins for waste disposal and other awareness programmes. We have employed local villagers for these activities.

