DECCAN GOLD MINES LIMITED

ONLY LISTED GOLD EXPLORATION COMPANY IN INDIA.

PROJECTS STRATEGICALLY LOCATED WITHIN WORLD CLASS ARCHAEN GOLD PROVINCE.

ANNUAL GENERAL MEETING

28TH SEPTEMBER 2016

No 5, 19th Main Road
4th Sector, HSR Lay Out
Bangalore – 560 102
Karnataka, India
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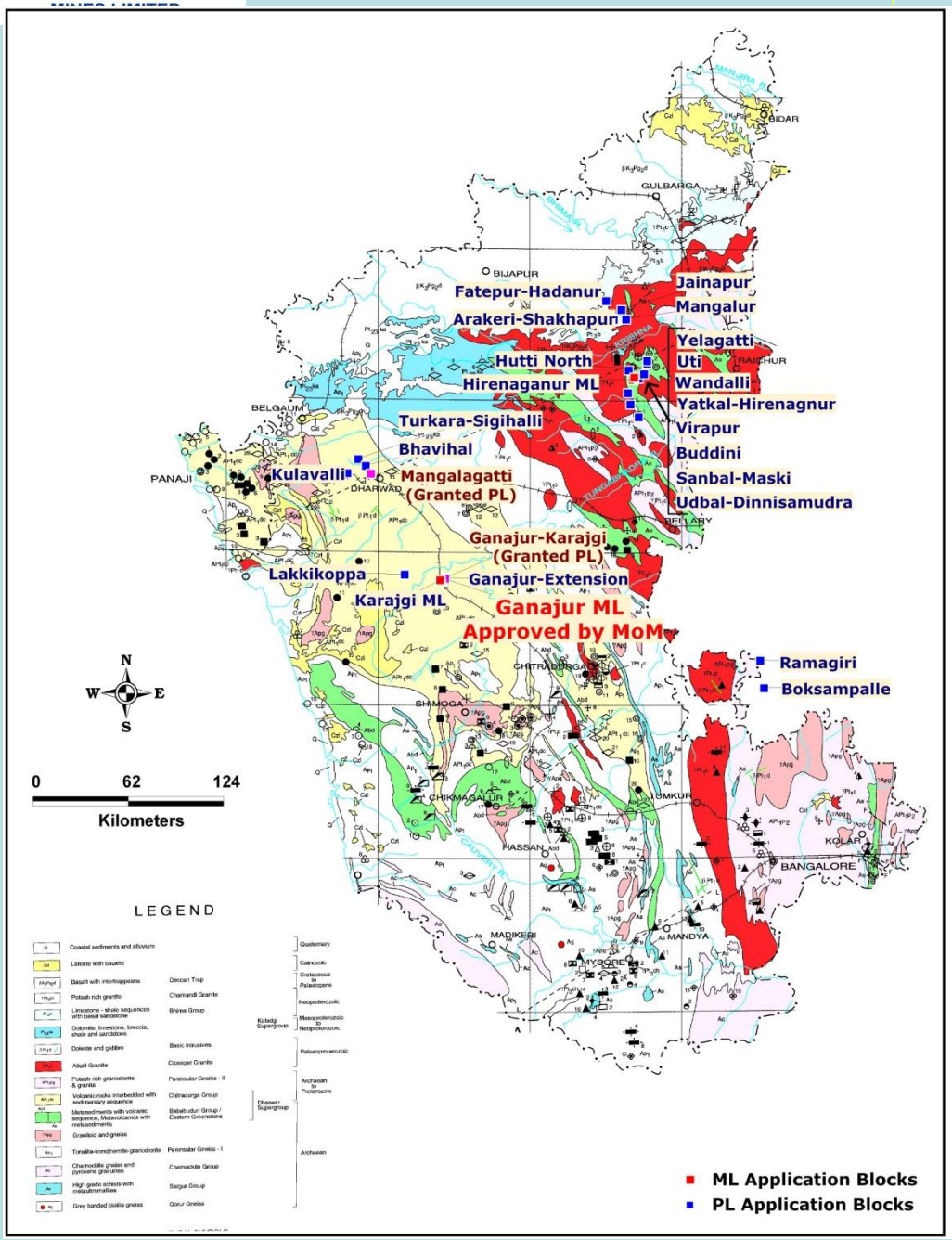

- Deccan Gold Mines Limited (DGML) established in 2003, is a company listed on the Mumbai Stock Exchange to carry out exploration and exploitation of gold resources in India.

Explored 7000 sq.km area in the states of Karnataka, AP, Kerala and identified 40 gold prospects for further detailed exploration.

A total of 22 Prospecting Licence applications (PL) and 3 Mining Lease applications (ML) have been submitted. These applications attract preferential rights and are protected as per section 10A of the New M&M(D&R) act.

Key projects of the company include, 1) Ganajur-Karjagi cluster 2) Magalgatti-Bhavihal cluster 3) Hirenagnur P, Hutti North P(Hutti Belt) and 4) Ramagiri

Drill indicated resources identified in Ganajur Main, Ganajur SE, Karajgi Main, Mangalgatti, Bhavihal and Hirenagnur projects

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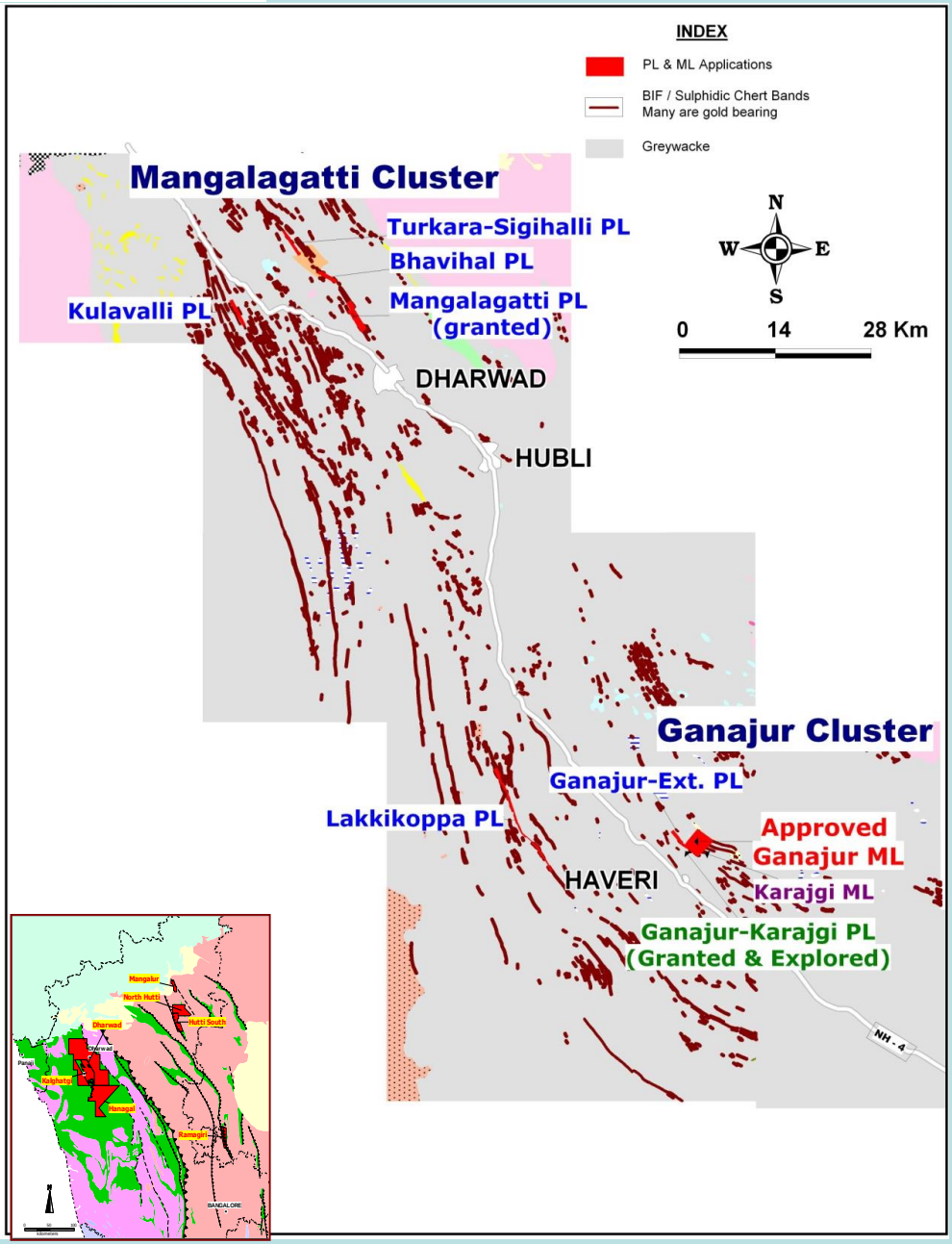
DHARWAR SHIMOGA BELT PROJECT



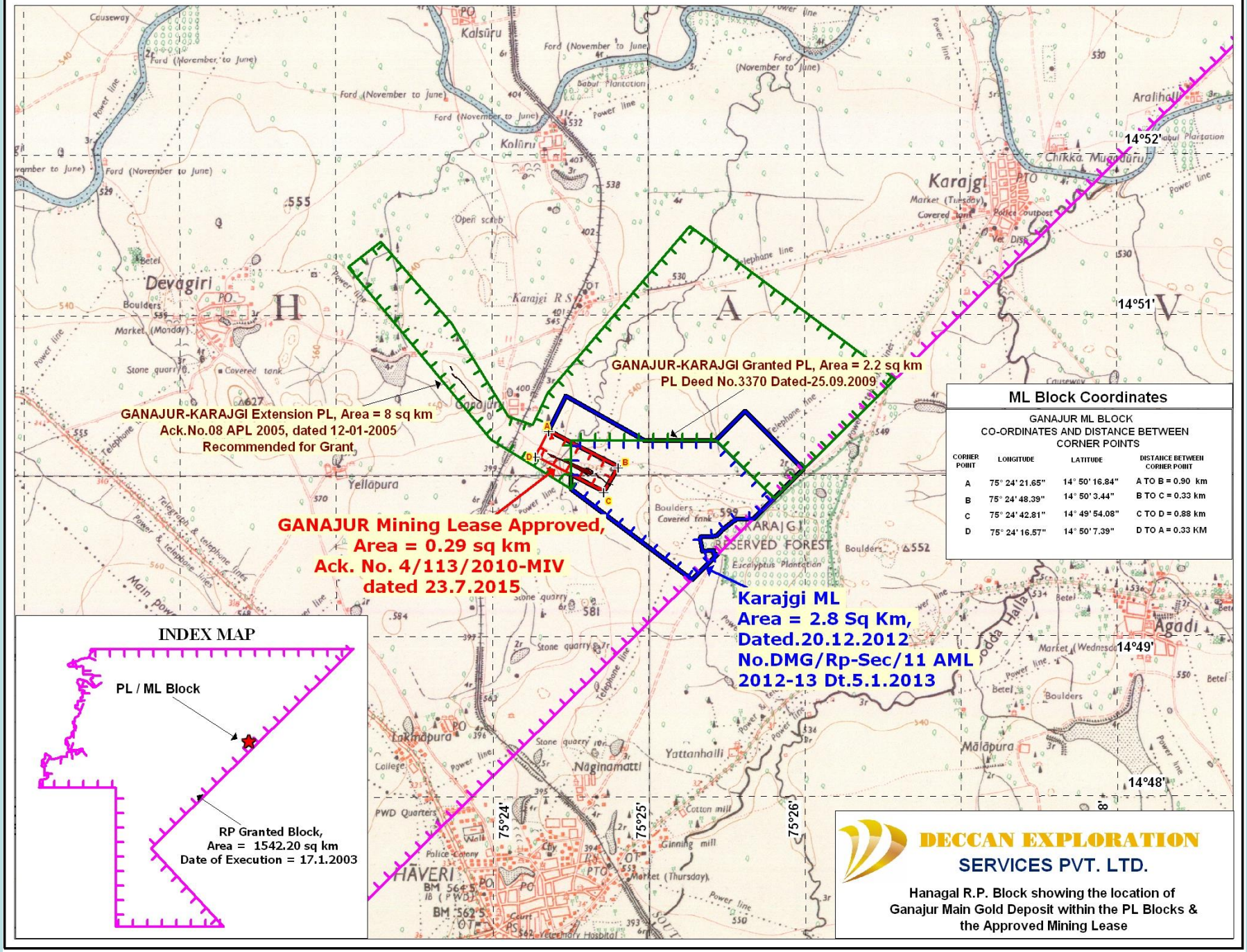
DGML through its 100% subsidiary Deccan Exploration Services Private Limited (DESPL explored a large area of 5000 sq km of the Dharwar-Shimoga Greenstone belt covered under 2 RP blocks.
Gold mineralization in all the prospects is hosted within sulphidic banded ferruginous chert.

Succeeded in identifying 22 gold prospects.

Prospects around Dharwar towards north (Dharwar Cluster) and Haveri in the south (Ganajur-Karajgi Cluster) are considered as significant discoveries.

Seven (7) Prospecting Licence (PL) and two (2) Mining Lease (ML) applications covering all the important prospects were filed.

Ganajur – Karajgi Cluster, Details of PL & ML Applications



ML Block Coordinates

GANAJUR ML BLOCK
CO-ORDINATES AND DISTANCE BETWEEN CORNER POINTS

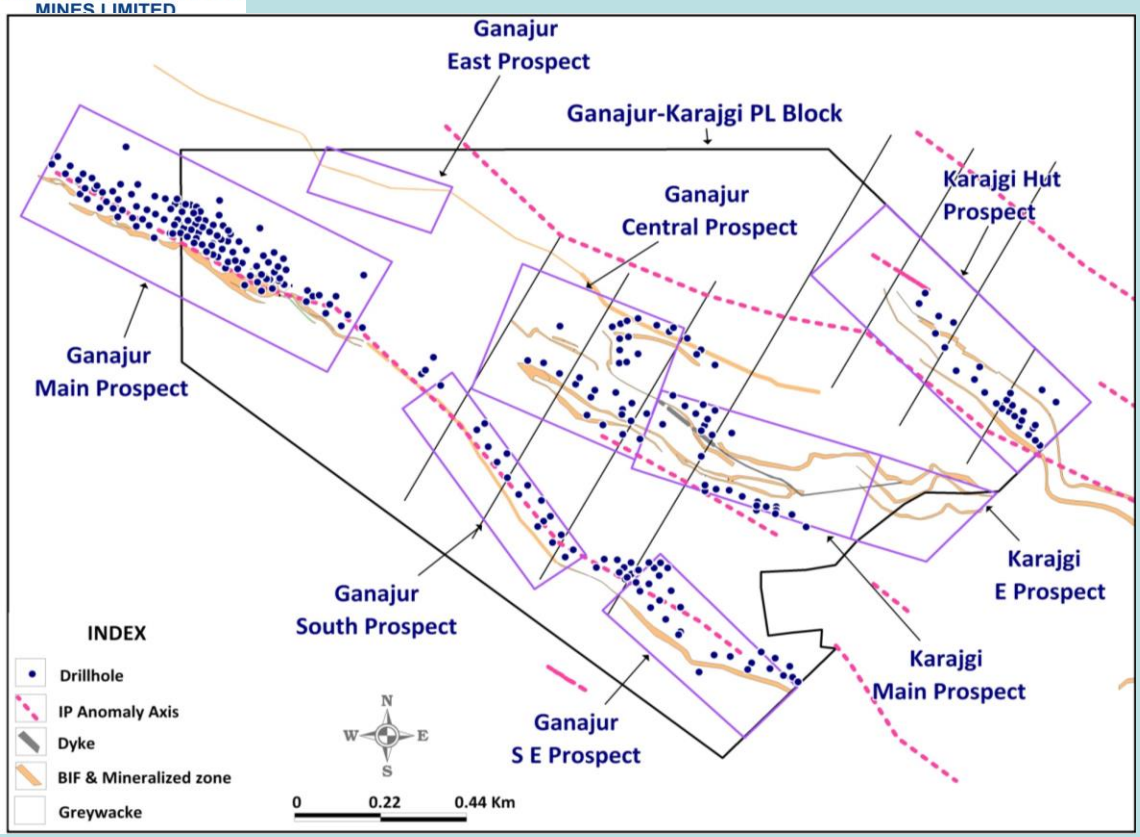
CORNER POINT	LONGITUDE	LATITUDE	DISTANCE BETWEEN CORNER POINT
A	75° 24' 21.65"	14° 50' 16.84"	A TO B = 0.90 km
B	75° 24' 48.39"	14° 50' 3.44"	B TO C = 0.33 km
C	75° 24' 42.81"	14° 49' 54.08"	C TO D = 0.88 km
D	75° 24' 16.57"	14° 50' 7.39"	D TO A = 0.33 KM

DECCAN EXPLORATION SERVICES PVT. LTD.

Hanagal R.P. Block showing the location of Ganajur Main Gold Deposit within the PL Blocks & the Approved Mining Lease

DECCAN GOLD MINES LIMITED

GANAJUR MAIN GOLD DEPOSIT & ITS SATELLITE PROSPECTS:



Ganajur-Karajgi Cluster consisting of the all important Ganajur Main Gold Deposit, a discovery of DESPL was explored extensively under a prospecting licence covering an area of 2.2 sq.kms between the years 2009 and 2016.

Ganajur East, Ganajur South, Ganajur South East, Ganajur Central, Karajgi Main, Karajgi East and Hut prospects are the satellite prospects.

- The PL block has excellent Infrastructure facilities. The PL Block has been explored by using multi disciplinary Exploration techniques as per international standards.

- Exploration carried out so far has demonstrated that the Ganajur-Karajgi Cluster is an important mineralized corridor with possibility of finding sizeable resources of >500 ozs of gold.
- Ganajur Main, Ganajur SE and Karajgi Main are the Key Prospects with drilled resource.

SUMMARY OF EXPLORATION WORK CARRIED OUT IN GANAJUR-KARAJGI PL BLOCK BETWEEN 2009 TO 2016

SL NO	TYPE OF EXPLORATION	UNIT	QUANTUM
1	TOPOGRAPHIC SURVEY	SQ.KMS	2.2
2	GEOLOGICAL MAPPING (1: 2000 AND 1:5000 SCALE)	SQ.KMS	2.2
3	GROUND GEOPHYSICAL MAGNETIC SURVEY	LINE KMS	288
4	GROUND GEOPHYSICAL SP-RESISTIVITY SURVEY	LINE KMS	20.15
5	GROUND GEOPHYSICAL IP SURVEY	LINE KMS	31.25
6	GROUND GEOPHYSICAL EM SURVEY	LINE KMS	9
7	TRENCHING	LENGTH (M)	2825
8	SAMPLING AND ANALYSIS	Nos	6406
9	DRILLING		
	A. RC DRILLING (69 DRILL HOLES)	METRES	3861
	B. DIAMOND CORE DRILLING (143 DRILL HOLES)	METRES	10300.48
	TOTAL DRILLING		14161.48
10	COMPREHENSIVE METALLURGICAL STUDIES OXIDE & SULPHIDE (AMMTEC)	KGS	300
11	DETAILED METALLURGICAL VARIABILITY STUDIES AND PFD	IN PROCESS	
12	ENVIRONMENTAL BASE LINE DATA COLLECTION (AIR, DUST FALL, NOISE, WATER, SOIL)	COMPLETED	
13	MINERAL RESOURCE ESTIMATION FOR GANAJUR MAIN BY SRK (AS PER JORC)	COMPLETED	
14	MINERAL RESOURCE ESTIMATION FOR GANAJUR SE PROSPECT	COMPLETED	
15	FEASIBILITY STUDIES (for Ganajur Main Gold Project)	IN PROGRESS	
16	LAND ACQUISITION	IN PROCESS	

PROGRESS OF WORK

1. EXPLORATION.

DESPL's sustained exploration efforts during the last 7 years has resulted in overall value addition of the whole block in general and Ganajur Main Gold Deposit in particular. Gold resources were also estimated in two other satellite prospects viz Ganajur SE and Karajgi Main prospect.

While the focus of our exploration activities is on Ganajur Main Gold project, DESPL carried out additional drilling, Geophysical Survey, trenching and sampling, Topographic Survey in the Ganajur-Karajgi Cluster as well during the current year. A total of 5686.28 metres of drilling and 896 m of trenching was accomplished during the latest exploration campaign in the block with the aim of improving the overall economics of the Project.

SUMMARY OF DRILLING AND TRENCHING							
	NO OF HOLES		METREAGE		SAMPLE DETAILS		
PROSPECT NAME	BUDGET	ACTUAL	BUDGET (M)	ACTUAL (M)	SAMPLES	QA/QC	TOTAL
GANAJUR MAIN	28	46	1640	2213.1	1253	148	1401
GANAJUR SOUTH	16	8	960	424.3	148	24	172
GANAJUR SE	5	5	300	252.08	40	6	46
KARAJGI HUT	12	16	900	816.8	206	31	237
KARAJGI MAIN	6	0	600	0			
GANAJUR CENTRAL	0	2		99	68	11	79
DEEP DRILLING FOR IP	4		1200				
GEOTECH DRILLING	4		450	348			
TOTAL	75	77		4153.28	1715	220	1935
RC DRILLING		36		1533	160	17	177
		113	**6050**	**5686.28**			
TRENCHING		**23**		**620**			**56**

Ganajur Main Gold Project- In a Nutshell

- **Ganajur Main P is one of the advanced projects discovered by the company. DESPL carried out closed spaced drilling under PL stage as per International norms to discover a open pittable resource.**

- The Project was independently reviewed by Internationally acclaimed SRK Mining Services (SRK). SRK completed an updated mineral resource estimate and Preliminary Economic Assessment of the Ganajur Main Gold Deposit in the year 2012.

- JORC compliant Indicated resource of 308,000 Oz of gold to a depth of 120 metres was estimated. The resource is equivalent of 121 category as per UNFC Classification. The UNFC classification has been validated by the Indian Bureau of Mines.

- The Study by SRK has revealed that project economics is technically and economically attractive. The Project can be developed into a viable open pit mining operation.

- DGML entered into MOU with Govt of Karnataka to establish a gold mining industry in this project area. The Project has been cleared by State High Level Clearance Committee (SHLCC).

- **Mining Lease application for 72 Acres has been approved by the Ministry Of Mines, Government of India vide letter No 4/113/2010-MIV dated 24th July 2015. The approval is as per Section 10(A) (2) (B) of the New MMDR Act 2015 and Section 5(1).**

- Application for land acquisition was submitted with the KIADB in 2013 for 200 acres.

- Deccan Gold Mines Limited has appointed an internationally reputed Geological and Mining Consultant Snowden Mining Industry Consultants (Snowden) based in Perth for undertaking bankable feasibility studies (FS) for the Ganajur Gold Project. The Studies are progressing very well and expected to be completed by the end of December 2016.

- Snowden has submitted an updated Mineral Resource estimate that shows 2.7 million tonnes at 3.7 g/t under JORC 2012 Measured category.

GANAJUR MAIN GOLD DEPOSIT

DESPL has undertaken additional close spaced drilling i.e step-out and infill drilling in order to upgrade the existing category of resources and also increase to whatever extent possible the overall resources.

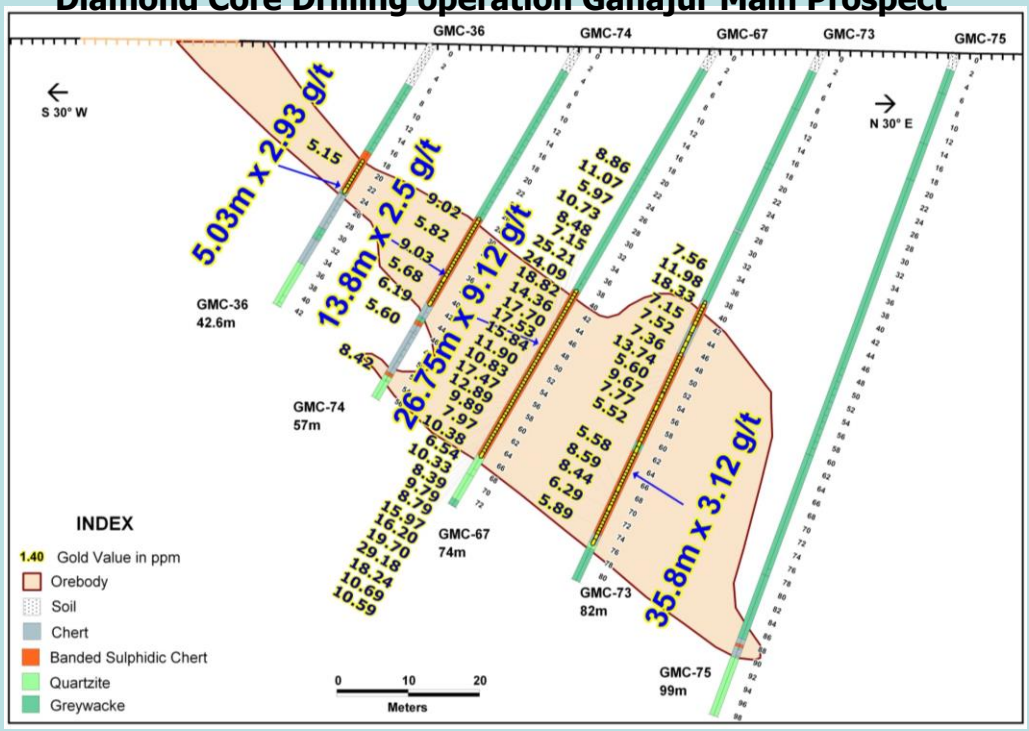
An exploration programme involving 2213 metres of diamond core drilling and trenching was carried out in the Ganajur Main Prospect. That included additional drilling towards North-West and South Eastern extension of the Ganajur Main ore body. It is to be noted that there are limitations in undertaking step-out drilling beyond 900 metres that marks the Mining Lease boundary. Drilling was therefore restricted for exploring:

1. NW and SE extension of the Ganajur Main Ore body that covers an extent of 250 metres.
2. For Metallurgical Studies.
3. Geotechnical Studies
4. The infill drilling to fill up the gaps.
5. To test the deep seated IP Geophysical Anomaly

We have achieved the first four objectives and drilling for exploring the deep seated IP anomaly has been planned.

Results at Ganajur Main are consistent with our earlier results and all the gaps were filled in by drilling. One of the drill holes GMC 67 has intersected 27 metre wide mineralization with a significant gold grade averaging 9.12 g/t.
The new data along with the previous data was submitted to Snowden to prepare an updated resource model for estimating the ore resource and reserves as per JORC 2012.

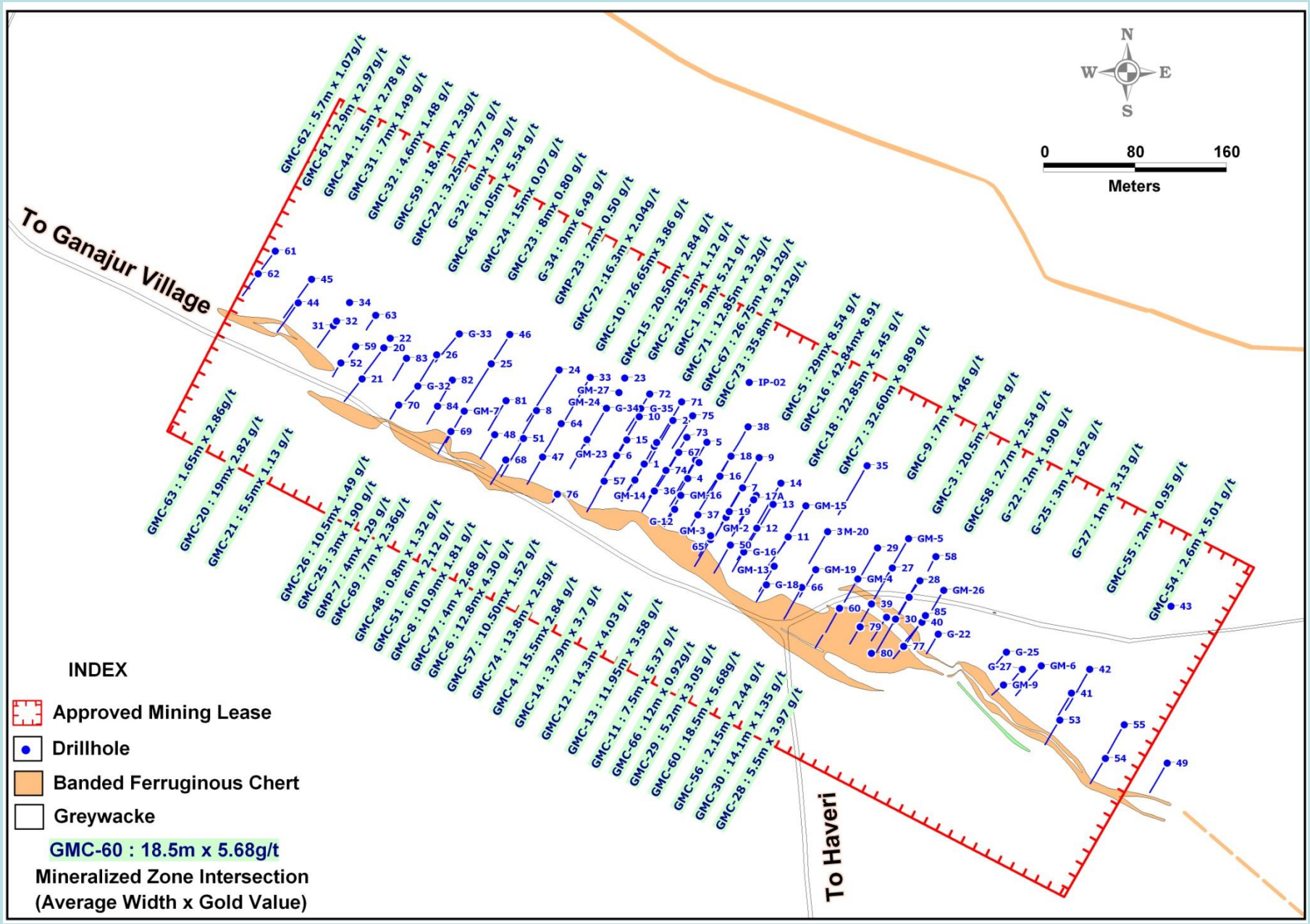
Diamond Core Drilling operation Ganajur Main Prospect



Drill hole cross section GMC-36-74-67-73-75

A typical Trench exposed at Ganajur Main Prospect

Drill Hole plan with details of Intersections- Ganajur Main P



UPDATED MINERAL RESOURCE ESTIMATES

- **We are happy to state that our continued and sustained exploration efforts have resulted in upgrading the bulk of the resource from an earlier Indicated to a Measured category.**
- **The Mineral Resource estimate was classified and reported in accordance with the 2012 JORC Code guidelines. Estimation of the resource was prepared by considering 0.8 g/t Au cut-off. Highlights of the Resource estimates are:**
- The total Measured and Indicated Mineral Resource -2.70 million tonnes at an Au grade of 3.40 g/t.
- 92% of the Mineral Resource is now classified as Measured Resources (78%) and Indicated Resources (15%) which are considered as significant for the development of the Ganajur project.
- Increase of about 0.15 million tonnes (6%) of Mineral Resource under the combined Measured and Indicated categories and a slight drop in the average grade (0.27 g/t Au) as compared to the Indicated Resource reported in 2012 by SRK under scoping studies.
- The overall gold Measured and Indicated Mineral Resource is 300 thousand ounces which is again considered very positive.
- Increase in the Inferred Resource of about 9,000 ounces of Au as compared to the scoping study resource estimates. Snowden has expressed its satisfaction at the overall QAQC and procedures adopted by DESPL. The summary of the resource statement is furnished below:

Classification	Deposit	Tonnes (kt)	Au (g/t)
Measured	Oxide	580	2.8
	Sulphide	1,700	4
	Total Measured	2,300	3.7
Indicated	Oxide	130	1.9
	Sulphide	320	2.1
	Total Indicated	450	2.1
Measured + Indicated	Total Measured and Indicated	2,700	3.4
Inferred	Oxide	100	2.3
	Sulphide	110	2.3
	Total Inferred	210	2.3

FEASIBILITY STUDIES FOR THE GANAJUR GOLD PROJECT:

- Deccan Gold Mines Limited has appointed an internationally reputed Geological and Mining Consultant Snowden Mining Industry Consultants (Snowden) based in Perth for undertaking bankable feasibility studies (FS) for the Ganajur Gold Project of its subsidiary Deccan Exploration Services Private Limited (DESPL).
- The team from Snowden visited the Ganajur Project recently as part of their studies to get a firsthand experience of the project and also for undertaking due diligence and review of the information provided by DESPL.
- Snowden has expressed satisfaction at the level of work being carried out by DESPL and the potentiality of the project as a whole.

- Feasibility study comprises 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 and hydro-geology, environmental studies etc.
- As per the scope of work agreed upon DESPL and Snowden, Snowden will be responsible for estimation of ore resource and reserves, mine planning, geochemistry, design of the tailings dump, and financial modeling.
- DESPL through its consultants will be undertaking studies related to Environment, Hydro geology, hydrology and geotechnical engineering. DESPL will also undertake all the work related to processing and plant design. The data and the report prepared by DESPL Consultants will be peer reviewed by Snowden who will then compile a comprehensive report as per JORC standards.
- We are happy to note that the studies are progressing well and are scheduled to be completed by the end of December 2016. Updates on the progress of work related to the disciplines for which DESPL's Indian Consultants are responsible are presented below:

FEASIBILITY STUDIES- WORK MATRIX

SL.NO	DETAILS	RESPONSIBILITY	STATUS/COMPLETED
1	Resource Geology	SNOWDEN	88% COMPLETED
2	Hydrology	DGML CONSULTANT	67%
3	Ground Water	DGML CONSULTANT	52%
4	Geotechnical Engineering	DGML CONSULTANT	76% (Pit), 35% (Ex.Pit)
5	Mine Planning	SNOWDEN	25%
6	PROCESS/METALLURGY	DGML ENGINEER	75%
7	Tailings	SNOWDEN/Prime	31%
8	Geochemistry	SNOWDEN/Prime	45%
9	Environmental	DGML CONSULTANT	60%
10	Financial Modelling	SNOWDEN	UNDERWAY
11	Project management	SNOWDEN	51%
12	LEGAL AND INFRASTRUCTURE	DGML CONSULTANT	UNDERWAY

Visit of experts from Snowden to Ganajur Project

Geotechnical Studies

- **DESPL has appointed Sarathy Geotech & Engineering Services Private Limited (SGES),** Bangalore for undertaking detailed geotechnical studies for the open pit mine, plant location, waste rock dump and tailings dam. It may be mentioned that SGES have a number of experts in this field and some of them are doctorates from the prestigious Indian Institute of Science, Bangalore.

- As advised by Snowden, DESPL has completed 4 drill holes in the mine area and 3 drill holes in the processing plant area for geotechnical engineering studies. We have also excavated 18 pits in the proposed plant and tailings facility and the samples have been sent to the lab for testing. The geotechnical logging was completed and the drill cores have been sent to the laboratory for testing. The drill hole locations and the test work programme were decided after a detailed discussion between Snowden, DESPL and SGES.

- The purpose of geotechnical drilling is to assist with determining the mining pit wall stability and then refining the pit design accordingly. Other aspects of the Geotechnical Engineering studies include, Rock Mass structure, development of geotechnical domain classification, slope stability analysis, waste rock dump assessment, vibration studies, etc.
- Similar geotechnical drilling as well as pitting has been proposed in the processing plant area that also includes water storage tank, tailings dam. The test work proposed in the processing plant area will help in designing the tailings dam, foundation for the plant and the water storage area.
- **SGES have completed test work of the soil profile in the mine pit area and the rock testing is underway. It may be noted that the test programme is carried out in consultation with Prime Resources and Snowden. SGES will be submitting a draft report by the 1st week of October.**

Hydrogeology

DESPL has appointed Mr. M.C.Reddy and Mr. Jayakumar both retired Directors from the Central Ground Water Board for undertaking ground water related studies for the project. Our consultants have completed detailed hydro-geological studies as per the scope of work defined by Snowden that included, pumping tests, ground water potential, quality, aquifer characteristics, rainwater harvesting measures, water requirement and utilization for the project at different stages. The field studies and the draft report is being prepared. The study also addressed the conditions prescribed by the MOEF in the TOR.

DESPL has identified the Varada river located at a distance of 4.0 kms (Fig-6) from the proposed mine as a potential source of water for the project. The State High Level Clearance Committee (SHLCC) has approved our request for drawing the water from Varada River. However a judicious tapping of ground water is also considered as an alternative to the Varada river if need arises. Thus the detailed ground water study undertaken would be helpful to identify potential water resources in and around the Mining Lease area.

The draft Hydrogeological report has been submitted by the Consultants and is being reviewed by Snowden and Prime Resources of South Africa.

Hydrology:

DESPL has appointed EI Technologies, Bangalore for undertaking hydrological studies in around the project area that involves, surface water design criteria, hydrological modelling, preparation of flood map and water balance, water quality analysis, water management including risks etc.

EI Technologies has completed the data collection and the draft report is under preparation.

Hydrogeological consultant carrying out ground water tests.

Geotechnical Drilling and logging, Ganajur Main Prospect

Environmental Studies

Our Consultant B.S. Envitech has already completed the collection of base line data that includes ambient air quality, water, soil, noise,etc for the summer season. Now draft EIA/EMP report is being prepared.

The EIA/EMP report will address not only the Indian regulatory requirements but will also be prepared as per international feasibility standards indicated by Snowden.

Plant TOR: DESPL had submitted a fresh 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 MOEF on 25-2-2015. We are happy to announce that the MOEF has accepted our application and granted the TOR on 7-4-2016.

Geochemistry:

The geochemistry will be addressing the potential Acid Rock Drainage (ARD) and its environmental impact assessment. We have identified samples for analysis in consultation with Snowden and Prime.

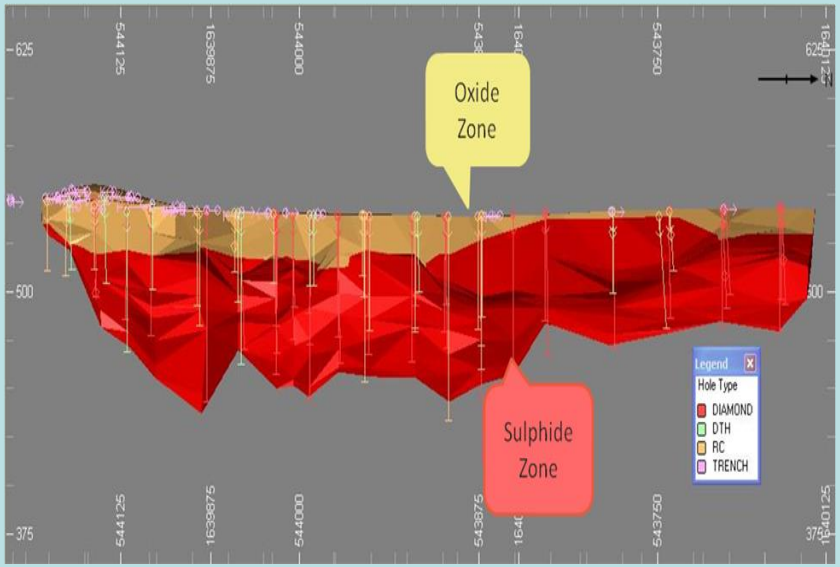
Mine Planning:

The mining engineers of Snowden are currently completing mine pit optimization studies based on the latest resource estimation. We will update you on the latest developments.

Metallurgical Test Work and Process Design:

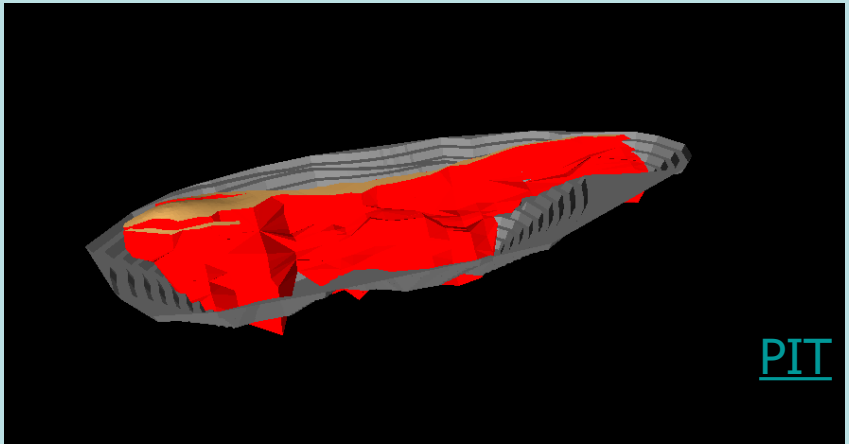
Ganajur Gold Project is an interlinked project with the proposed ore processing unit to be located at a distance of 1.5 kms south of the proposed gold mine. DGML has taken several steps in understanding the chemistry and process mineralogy of the gold ore so that it helps in designing a suitable flow sheet for processing the gold ore.

A representative sample (200 Kgs) of the Ganajur sulphide gold ore drawn from the drill cores was sent to AMMTEC Laboratory, Perth in Australia for carrying out comprehensive metallurgical testing and gold recovery studies. Similarly another batch of samples from the oxide ore was also sent to the same laboratory for understanding the metallurgical properties.



The results are quite encouraging and indicate that the overall recovery through gravity and cyanide leaching is 87.72% including 31 % through gravity separation. The leach profile indicates that the gold leach kinetics is very fast with all the cyanidable gold being recovered after only 2 hours. The overall cyanide and lime consumption is low compared to the sulphide ore. This encouraging result is likely to enhance the overall economics of the project.

The results from the oxide ore has opened new opportunities in the processing of the Ganajur Ore. DGML has plans to mine out the near surface oxide ore with very simple process route that could bring down initial CAPEX.



Based on these encouraging results, further metallurgical investigations at a Feasibility Study level on the Ganajur Main gold resource is being taken up since March 2016. Representative ore samples from diamond drill core within the gold resource were selected along the strike and at depth of the ore body in order to confirm its metallurgical behavior and response and also to test the variability of the gold bearing ore at different locations.

The tests are carried out in order to understand and

- Confirm the gold recovery for the oxide and sulphide resource.
- Assess the ore comminution characteristics in order to determine the power requirements and equipment sizing of the crushing and grinding circuits.
- Development of the overall process flow sheet which provides a gold recovery for the Ganajur Main resource at an optimum project NPV.
- Identify and mitigate any potential environmental impacts on processing the Ganajur Main ore.

Presently the test work programme is 80% complete with further refinement on gold recovery optimization, settling tests and cyanide destruction test work remaining to be completed.

Based on the test results an optimum flow sheet consisting of the following circuits - three stage crushing, single stage ball milling, flotation with ultrafine grinding (UFG) of the concentrates, carbon in pulp cyanidation of the flotation concentrates, elution, cyanide destruction and tailing disposal is being considered.

Based on the current test work data, major equipment sizing has been evaluated for the crushing, grinding and flotation circuits. DGML has shortlisted Engineering consultants for developing a basic engineering design for the processing plant. The scope of work for the engineering consultants would include water and power supply for the process plant, estimation of overall capital cost to construct the process plant etc. Work on the operating costs estimate for production of gold from the processing plant will also form part of the FS. We are in the process of identifying key contractors for the processing plant.

LAND ACQUISITION PROCESS

- DESPL received a Government Order (G.O.) on 28th April 2012 for allotment of 200 acres of land for the Ganajur Main Gold Mining and Ore Processing Plant.
- The G.O. has also facilitated land acquisition process through Karnataka Industrial Areas Development Board (KIADB), for which DESPL has submitted application to the KIADB on 25th March, 2013.
- DESPL has obtained 90% consent from land owners.
- DESPL's long term lease agreement with land owners of the proposed gold mine will be an added advantage in the land acquisition process.
- A new agreement with the farmers belonging to ML area was entered into to pay the farmers an advance of Rs. 1.25 lac per acre which is linked to the final settlement on acquiring the land.
- We are required to remit 40% of the tentative cost of land along with Board service charges before submission of preliminary notifications U/s - 3(1), 1(3) and 28(1) of the KIAD Act, 1966 to the Govt. in Commerce & Industries Department for approval.
- We have obtained NOC from Haveri Tehsildar and the same was forwarded to the KIADB.
- We are in the process of now undertaking total station survey of the land earmarked for processing plant and Tailings dump.
- Total survey for the Mine pit area has already been completed.

PROGRESS OF GANAJUR MINING LEASE APPLICATION

- DESPL's Mining Lease application covering the all important Ganajur Gold deposit was approved by the Ministry of Mines, Government of India on 24.7.2014 vide Letter No 4/113/2010-M.IV over an area of 0.29 sq.kms for a period of 50 years. The ML was approved per Section 5(1) and 10 (A)2(b) of the New MMDR Act 2015.

- The State Government of Karnataka introduced a new system of internal check lists for all mineral concession applications awaiting approval. As a result of this new system, issue of grant notification / Letter of Intent for Ganajur Mining License was delayed in order to ensure compliance with the internal checklists prepared by the State Government.

- However we are happy to inform that the much awaited check list for all cases covered under section 10(A)2(b) as per the New MMDR Act 2015 was finalized by the State Government and a GO was issued to the DMG for processing the pending MLs as per the new check list.

- The Department of Mines & Geology, Government of Karnataka (DMG) has started processing the pending Mining Lease (ML) files for compliance with their internal checklist that was notified recently through a Government Order.

- It may be noted that the Internal Checklist requires certification from certain Divisions of DMG and Indian Bureau of Mines prior to the issue of the LoI.

- Ganajur ML file has been taken up for processing and DMG has now received the required certification from IBM. We hope the process would complete soon and the LoI would be issued shortly.

GANAJUR GOLD MINE PROJECT IMPLEMENTATION PLAN

	PROJECT STAGES	2015		2016		2017		2018		2019	
		HY-1	HY-2	HY-1	HY-2	HY-1	HY-2	HY-1	HY-2	HY-1	HY-2
1	APPROVAL OF ML FROM THE CENTRE										
2	LETTER OF INTENT (LOI) FROM THE STATE GOVERNMENT										
3	APPOINTMENT OF MINING AND PROCESS ENGINEER										
4	PREPERATION AND SUBMISSION OF MINING PLAN										
5	APPROVAL OF MINING PLAN BY THE IBM										
6	**DEFINITIVE FEASIBILITY STUDIES**										
7	DGPS SURVEY, LAND SURVEY										
8	LAND ACQUISITION PROCESS										
9	SUBMISSION OF TERMS OF REFERRENCE (TOR) FOR PLANT AND THE MINE										
10	EIA/EMP studies in and around the Project, Public Hearing										
11	OBTAINING MOEF CLEARANCE										
12	GRANT AND EXECUTION OF ML										
13	OBTAINING CONSENT FOR ESTABLISHMENT (CFE)										
14	**OBTAINING ALL STATUTORY CLEARANCES (BLASTING, REVENUE, DGMS, STATE GROUND WATER, IRRIGATION DEPT ETC), CFO**										
15	**INFRASTRUCTURE, MINE CONSTRUCTION AND DEVELOPMENT**										
16	**PROCESSING PLANT CONSTRUCTION**										
	GOLD PRODUCTION										

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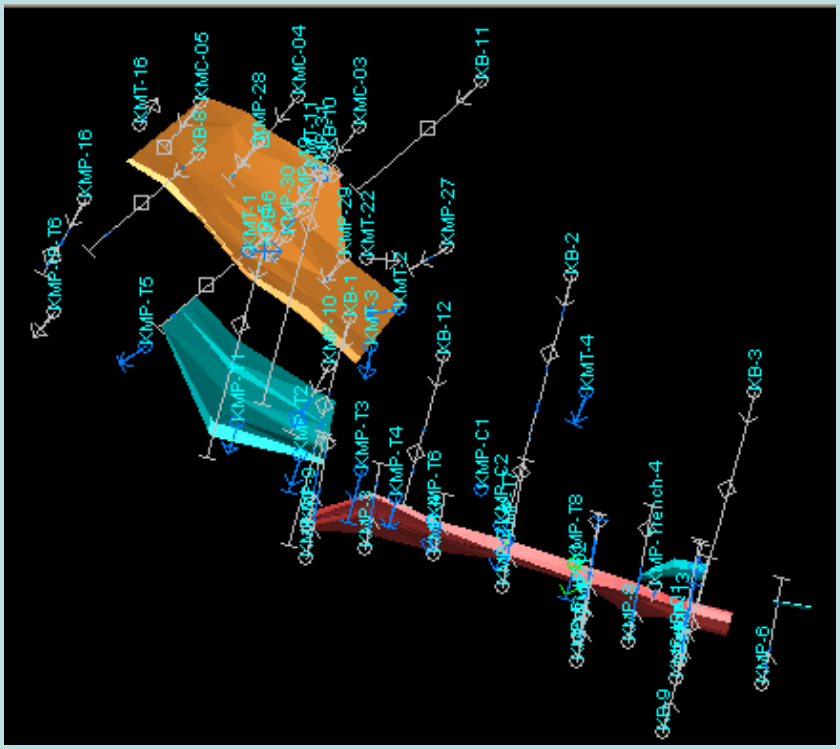
Karajgi Main Prospect:

- Karajgi Main is located at 1 km South East of Ganajur Main Prospect. It is rated by DGML as one of the most important among the prospects in the PL block.
- Exploration in Karajgi Main prospect during the RP stage had defined two sulphidic gold bearing zones- A and B with significant gold grades and width.

- The zone B has a drilled resource of 90,000 tonnes averaging 2.23 g/t. Ancient open pits are noticed all along this prospect.
- High Grade gold Intersection in many of the drilled bore holes. Significant IP geophysical signatures indicating potentiality of the Prospect.

KARAJGI MAIN PROSPECT



DESPL compiled all the data generated under RP and PL stages in Karajgi Main prospect using all the available data and a 3D resource model was generated.

The ore body section was constructed using 0.5 g/t Au as cut off and a minimum width of 1m.

A total of 3 auriferous zones were defined trending northwest and dipping towards northeast. Zone-1 and 2 with cumulative strike length of 360 metres with steep dips towards NE are the two branches that constitute the Karajgi main mineralised zone. Zone-3 is on the northern slope of the Karajgi Main hill that is correlated to Band-A. Zone-3 has a strike length of 140 metres dipping at 30 to 35° towards NE.

Based on these data DESPL revised the resource estimate for Karajgi Main Prospect. The resource was estimated up to a vertical depth of 80 metres. The true thickness of the ore body varies between 1.45 to 9.0 metres.

Au ZONE	Category (JORC)	Category (UNFC)	Quantity (tonnes)	Gold Grade g/t	Contained metal Gold (ounce)
ZONE-1	Indicated	211	123942	3.81	15229.7
ZONE-2	Inferred	221	100994	1.39	4512.3
ZONE-3	Indicated	211	43040	4.86	6750.7
GRAND TOTAL			267977	3.065	26493

(data would be subject to validation by an Independent Competent person)

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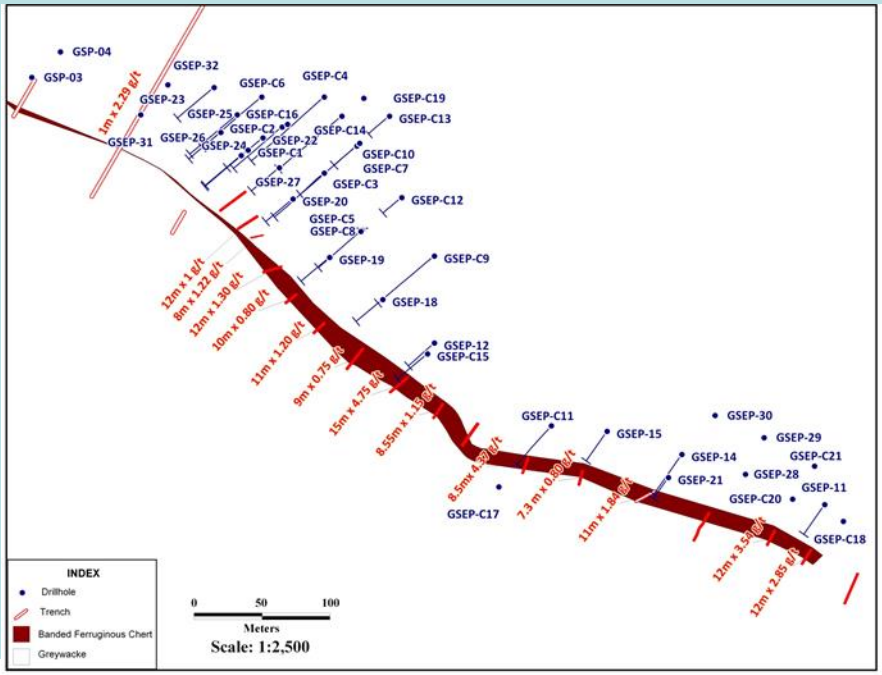
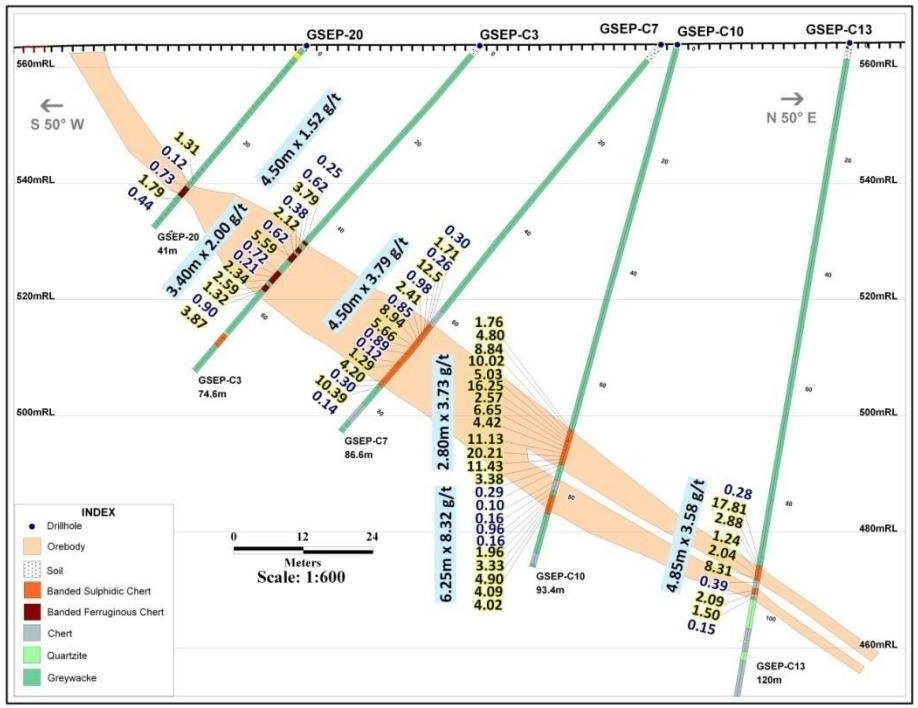
GANAJUR SE PROSPECT

- Ganajur southeast prospect (GSEP) is located around 1.2 km SE of Ganajur Main prospect.
- The ore body is a gossanous banded sulphidic chert hosted by greywacke, traversed by fine stringers of quartz-carbonate veins.
- The general trend of the BIF is N 40° to 60° W trend and dips 45° to 70° NE.
- Channel sampling and the follow up DTH, drilling carried out during the R.P. tenure helped DESPL to delineate a mineralized zone for a length of 455 metres.

- Encouraged by these findings a close spaced diamond core drilling programme was carried out under PL. The drilling was in accordance with the international best practices and QA/QC procedures. Most of the drill holes intersected a sulphidic chert band carrying significant gold values. DESPL estimated a resource of 35000 ozs of gold that could be classified as indicated as per JORC standards (Subject to validation by an Independent Competent person).
- The outcome of the preliminary exploration in Ganajur SE Prospect has confirmed our interpretation of finding additional gold Resources in the satellite prospects surrounding the Ganajur Main Gold Deposit.





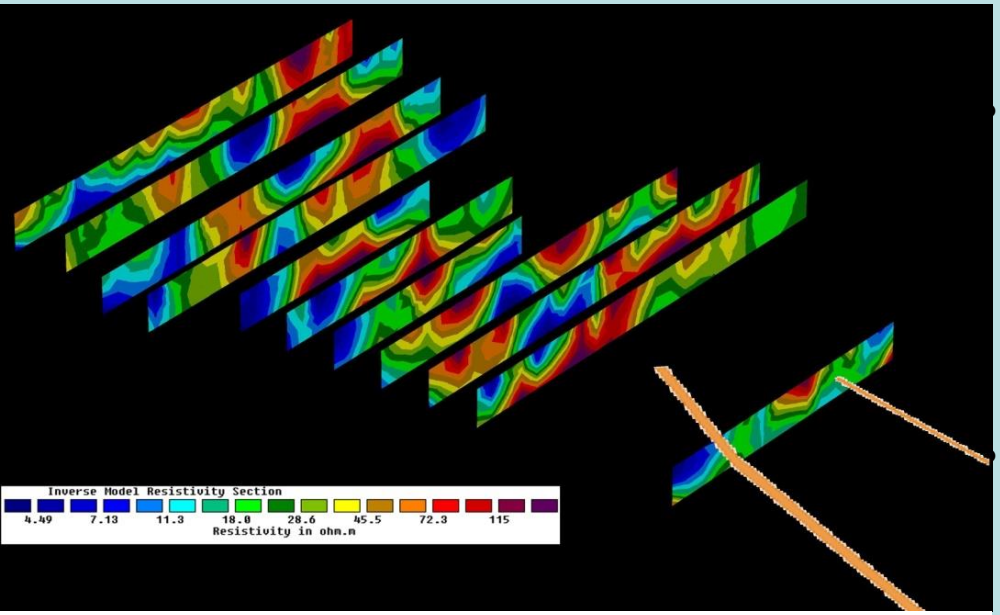
Study of the recent Geophysical I.P. Survey data has suggested several cohesive and discrete I.P. anomalies one of this co-incides with Ganajur SE Prospect.

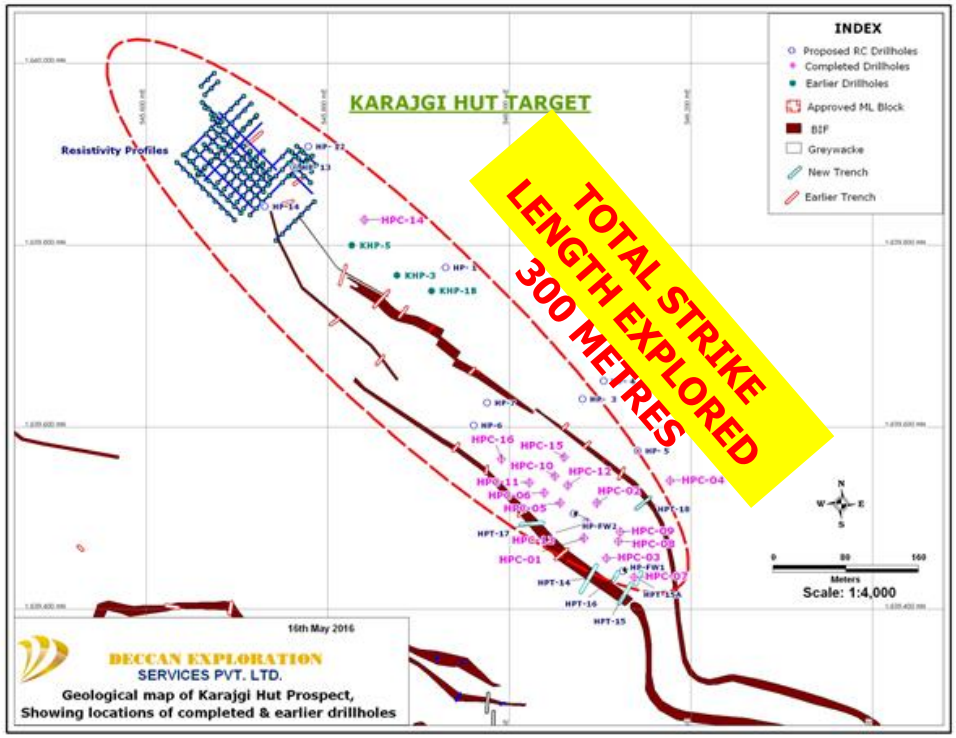
DESPL carried out additional exploration by way of drilling (diamond core & RC) and trenching. The focus of this exploration campaign was to examine the strike extension of the mineralization already defined. A total of 475 metres inclusive of 223 metres of diamond core and 252 metres of RC drilling was completed.

DETAILS OF MINERALISED ZONES INTERSECTED IN THE DRILL HOLES, GANAJUR SE PROSPECT

DRILL HOLE	FROM (M)	TO (M)	WIDTH - M	GRADE g/t	HIGHEST Au VALUE
GSC-05	23.5	26	2.5	5.67	8.49
GSEP-C18	14.5	16.5	2	3.14	5.07
GSEP-C19	81.2	82.9	0.7	4.4	4.4
	85.5	87.3	1.8	5.5	7.2
	91.5	92.2	0.7	7.3	7.3
	94.1	96.55	2.45	6.68	13.9
GSEP-C20	15	20.4	5.4	3.82	12.4
GSEP-C21	32.2	32.7	1.5	1.4	2.6

Karajgi Hut prospect:





The Karajgi Hut prospect is located around 600m NE of Karajgi Main prospect. Geological mapping during PL indicated presence of two parallel BIF bands with a cumulative strike length of 530 metres. Ground IP geophysical survey has indicated a moderate IP anomaly in this block.

DESPL carried out a systematic resistivity survey towards NW part of this prospect in order to examine possibility of finding concealed mineralized chert bands if any and also to explore NW extension of the mineralized chert bands already known. The data reveal two NW-SE trending moderately resistive anomalies that could be interpreted as two limbs of a folded structure. These anomalies are interpreted as the North West extension of the mineralised chert band of Hut Prospect.

Karajgi Hut prospect was reviewed very critically that involved interpretation of existing geological, structural information along with the IP and magnetic data. The information revealed favourable signature for hosting gold mineralization.

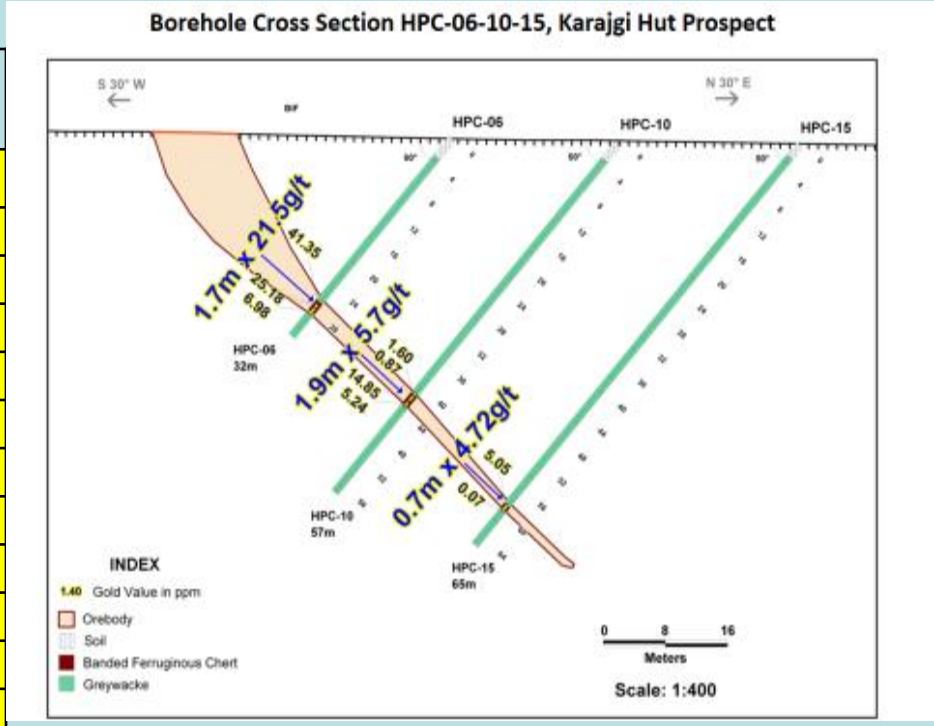
- A total of 16 shallow drill holes were completed in Karajgi Hut Prospect involving a total of 816.80 meters and 8 Shallow R.C. drilling of 351 meters.

- The highlight of the drilling programme were the excellent results in this prospect that indicates high grade gold mineralization.

- A total of 300 metres of strike length was delineated based on the drill results. The mineralization is open along strike and depth. The mineralization is a banded ferruginous chert (oxidized upto a depth of 40 metres) with distinct banding, carbonate alteration, quartz veining and presence of significant pits and box works. The dip is around 45-50^{o} towards North-east. The gold values range between 1 to 41.3 g/t. The mineralized zone is narrow with a maximum width of 3.8 metres. However the gold values are rich. The ore from this can act as sweetener for the Ganajur Main ore at the time of processing that can be proved by additional drilling.

DETAILS OF MINERALISED ZONES INTERSECTEDIN THE DRILL HOLES - KARAJGI HUT PROSPECT

DRILL HOLE	FROM (M)	TO (M)	WIDTH -m	GRADE Au g/t	HIGHEST Au VALUE
HPC-01	22.7	26.5	3.8	3.4	6.73
HPC-02	48.2	52	3.8	1.75	3.9
HPC-03	28.2	30	1.8	4.75	8.39
HPC-04	31.4	32.45	1.05	1.6	3.4
HPC-05	29.15	31.6	2.45	3.86	14.6
HPC-06	26.8	28.3	1.7	21.5	41.3
HPC-07	21.1	23.5	2.4	6.92	17.9
HPC-08	31.2	32.8	1.6	3.5	7.3
HPC-10	41	42.9	1.9	5.7	14.9
HPC-13	33.5	35.2	1.7	4.88	10
HPC-15	58.6	59.3	0.7	4.72	5
HPC-16	21.2	25.5	3.3	1.2	4.7



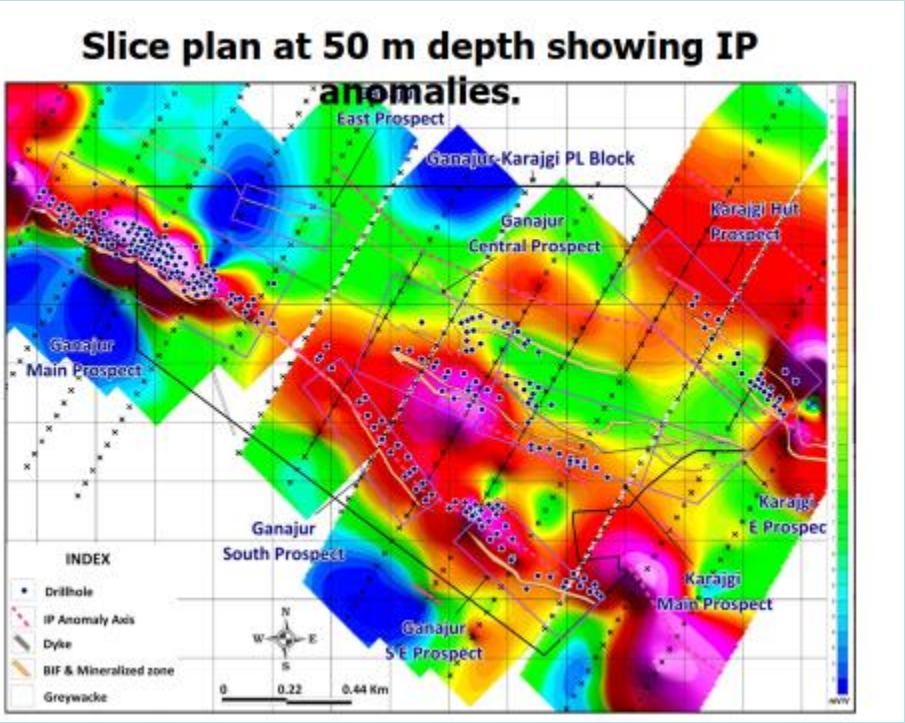
GROUND GEOPHYSICAL IP SURVEY

Based on the results of our earlier IP survey we have discovered that gold mineralization in the Ganajur-Karajgi Block has one to one correlation with the Geophysical IP anomalies. The Geophysical IP survey has been very successful in tracing new zones of possible gold mineralization, which is comparable to some of the well known world class gold deposits.

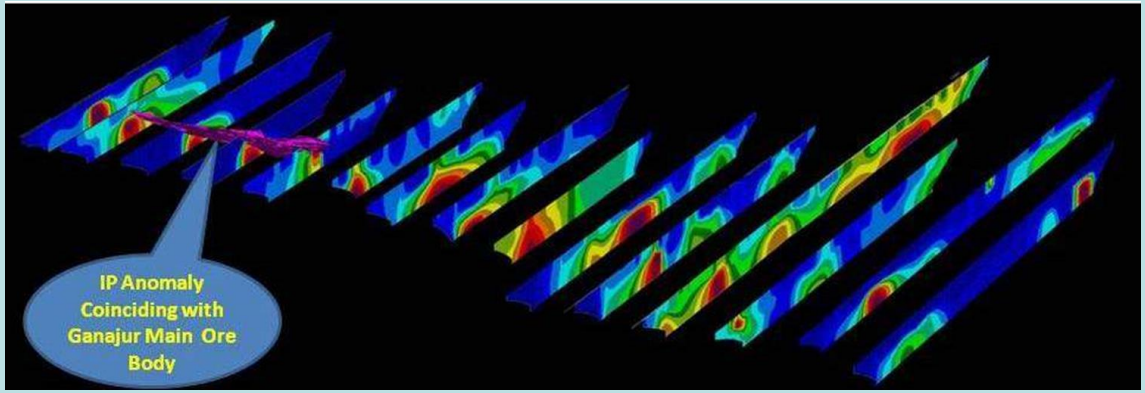
Considering the above characteristics of gold mineralization and its correlation to IP survey we appointed DMT Consulting Pvt Ltd, Kolkata to study the previous geophysical IP and Magnetic survey data along with the geological information to prepare a detailed interpretation report for delineation of prominent anomalous zones as probable locations for gold mineralization. The report by DMT has revealed significant IP anomalies centering around Ganajur South, Ganajur SE, Karajgi Main, Hut and Ganajur Main prospects. Based on these observations an additional survey was proposed for exploring the gaps and also for probing the depth extension of the Ganajur Main ore body.

DESPL through DMT Consulting (P) Ltd carried out 13.85 line kms of additional IP geophysical survey covering all the known prospects. The IP Survey was carried out using the Instrument IP/Res Receiver IPR-12 Scintrex with 8 Channel Make and Elrec PRO IRIS instruments with 10 channels and IP/Res Transmitter VIP5000 with 10KW power generator (Figure-5 hereunder).

IP Survey Operation, Ganajur-Karajgi Cluster



Ganajur MIP Inversion Model showing the IP anomaly coinciding with main ore body



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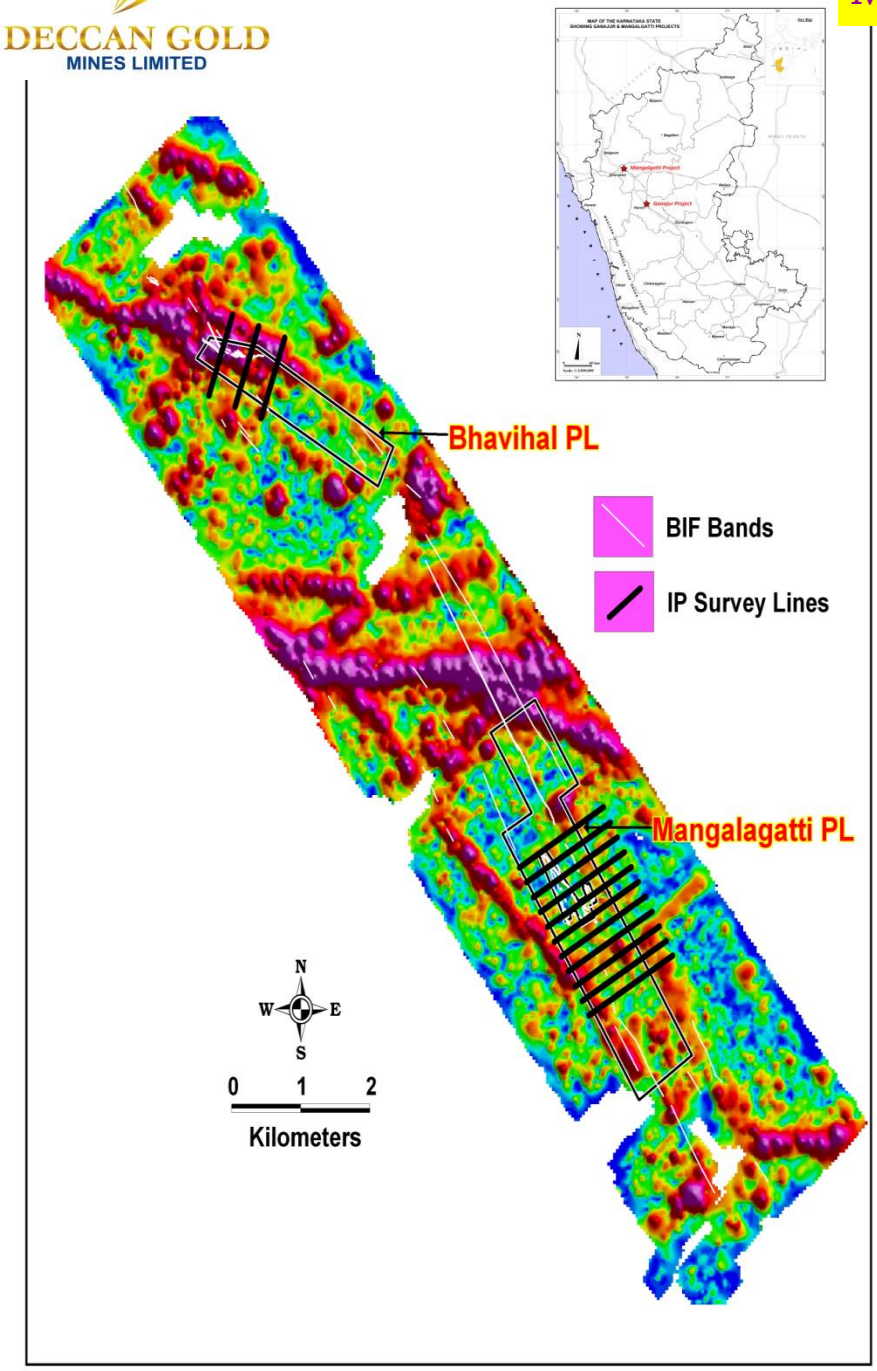
MANGALAGATTI AND BHAVIHAL PROSPECTS



- Manglagatti and Bhavihal prospects are located 12 to 20 kms north of Dharwar city.
- They form part of the 'Dharwar Cluster' of gold bearing Chert bands. The Dharwar cluster comprises of Mangalagatti SE, Mangalagatti Main, East and Bhavihal prospects .
- All these are considered as highly potential like the Ganajur-Karajgi cluster near Haveri.
- Gold mineralization is hosted by south-easterly plunging folded banded iron formation.
- DESPL's application of Prospecting License over an area of 4 sq.kms and covering the Mangalagatti Prospects was approved by Ministry of Mines and Government of Karnataka issued grant order in the month of October, 2012. However the PL could not be executed due to the delay from the DMG.
- The current status is that the state government of Karnataka introduced a new system of internal check lists for all mineral concession applications awaiting approval. Mangalagatti PL application is also covered under the section 10(A)2(b) as per the New MMDR act 2015. The PL will be executed after the finalization of the check list.

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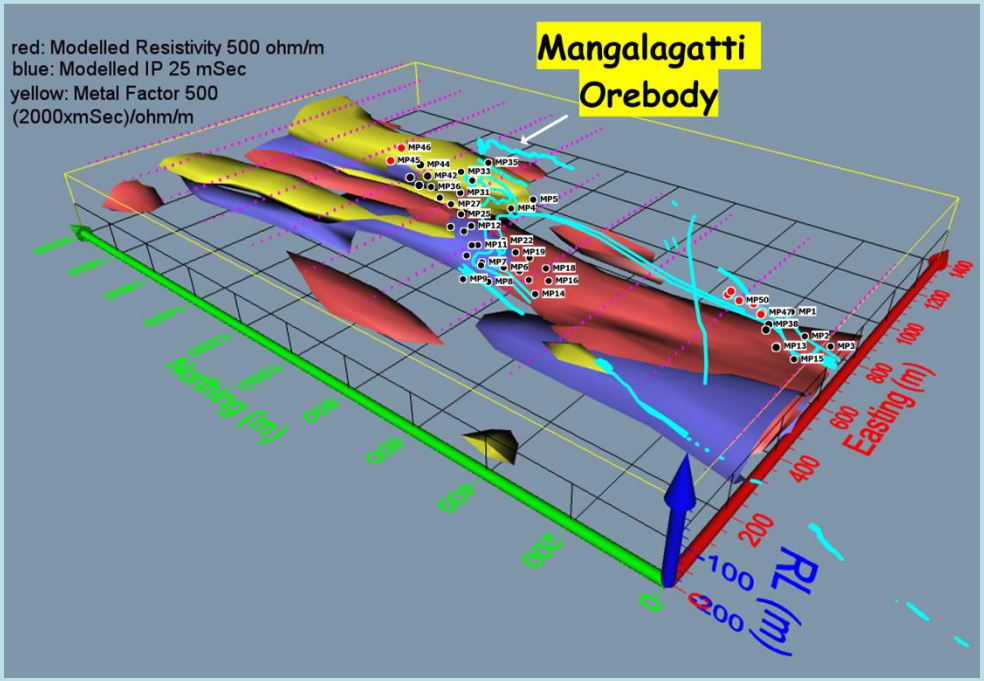
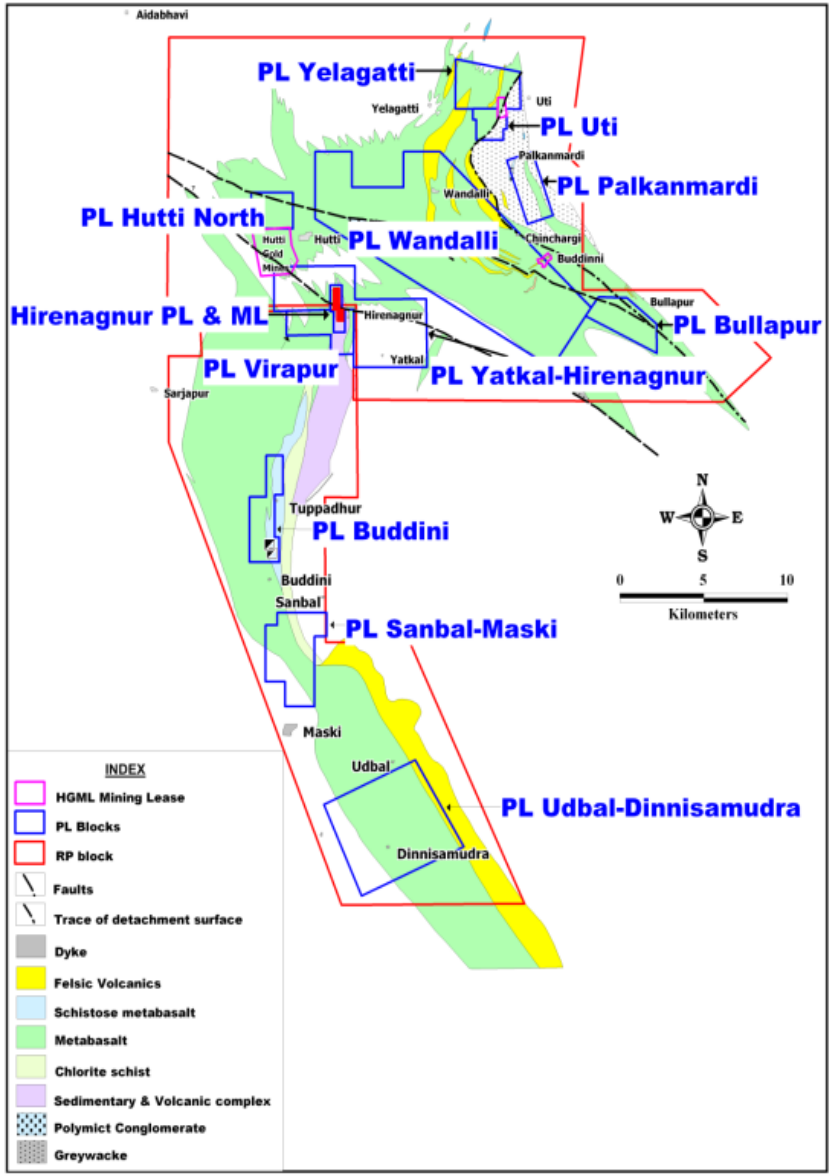
MANGALAGATTI AND BHAVIHAL PROSPECTS



- **Mangalagatti SE Prospect**: Initial Exploration has revealed Two auriferous zones extending for nearly 500 metres over a width of 30 metres were defined.
- An ancient working and adjacent pounding marks indicates ancient mining activity in the area.
- An inferred resource of 1.5 million tonnes@ 1.63 g/t Au is estimated based upon results of shallow drilling programme.
- **Bhavihal Prospect** is located at a distance of 8 kms NW of Mangalagatti prospect.

- Preliminary investigation delineated a 400 metres long mineralisation at Bhavihal was delineated and an inferred resource of 74,000 oz of Au was estimated averaging 1.76 g/t.
- Ground Geophysical IP survey has indicated the possible extension of Mangalagatti SE and Bhavihal Prospects;
- Both the Prospects are well connected by Road and Railways, infrastructure facilities are excellent.

HUTTI-MASKI GREENSTONE BELT PROSPECTS



- Hutti Maski Greenstone belt is one of the most important Archaean gold bearing belts in India.
- Remarkably similar to the classic Archaean Superior Craton in Canada, the Yilgarn Craton in Western Australia and the Kolar greenstone belt in India.
- DGML carried out exploration over an area 851 sq km in the Hutti Belt under its two Reconnaissance exploration Permits (RPs).
- The systematic exploration efforts of DGML geologists resulted in defining 21 gold bearing blocks.
- A total of 12 prospecting licenses (PLs) applications and 1 Mining lease (ML) application in Hirenagnur have been filed with the Karnataka State Government. 9 PL applications are valid as per New MM&DR Act 2015.
- **DGML is contesting the Order passed by the Hon'ble High Court of Karnataka in the month of April, 2012 favouring Hutti Gold Mines Limited (HGML) regarding the Hutti Belt projects. A Special Leave Petition (SLP) was lodged in the Hon'ble Supreme Court of India, which was admitted in the month of July, 2012.**
- **The next hearing is scheduled on 12th January 2015.**

SUMMARY OF EXPLORATION WORK CARRIED OUT IN HUTTI NORTH RP BLOCK			
SL NO	TYPE OF EXPLORATION	UNIT	QUANTUM
1	TOPOGRAPHIC SURVEY	SQ.KMS	5
2	GEOLOGICAL MAPPING (1: 2000 AND 1:5000 SCALE)	SQ.KMS	500
3	GROUND GEOPHYSICAL MAGNETIC SURVEY	LINE KMS	145
4	GROUND GEOPHYSICAL IP SURVEY	LINE KMS	9
5	SAMPLING AND ANALYSIS		
	A. STREAM GEOCHEMICAL SAMPLING	Nos	347
	B. ROCK CHIP	Nos	953
	C. CHANNEL	Nos	1646
	D. TERMITE MOUND SAMPLES	Nos	85
	E. SOIL SAMPLES	Nos	819
	F. BED ROCK GEOCHEMICAL SAMPLES	Nos	3980
	G. RAB DRILL SAMPLES	Nos	598
	H. RC DRILL SAMPLES	Nos	1319
	I. DIAMOND CORE SAMPLES	Nos	387
	TOTAL SAMPLES		10134
5	DRILLING		
	A. RAB DRILLING (18 DRILL HOLES)		862.5
	B. RC DRILLING (36 DRILL HOLES)	METRES	2186
	C. DIAMOND CORE DRILLING (4 DRILL HOLES)	METRES	807.7
	TOTAL DRILLING		3856.2

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Hutti Mine North Prospect:

- This block is located immediately north of the currently operating Hutti Gold Mine in Raichur District in Karnataka.
- A total of eight parallel gold bearing quartz-sulphide veins are known to exist in the Hutti Mines.
- DESPL carried out detailed exploration within the prospect during its RP tenure. The exploration efforts resulted in tracing the extensions of 5 of the gold lodes that are being mined in the Hutti Gold Mines.
- The best finding was extension of the New East Reef which has analysed upto 10.0 g/t gold and the extension of the Main Reef that has analysed upto 16.0 g/t Gold. Strike Reef was explored by limited drilling with positive results
- Other Important prospects in the Hutti Belt include, Uti SE, Chinchergi-Wandalli Tract, Buddini, Ashoka, Maski etc.
- The Prospecting Licence applications cover all the Prospects.

STATUS OF SLP

- Our shareholders are aware that DGML is contesting the Order passed by the Hon'ble High Court of Karnataka in the month of April, 2012 favouring Hutti Gold Mines Limited (HGML) regarding the Hutti Belt projects.
- A Special Leave Petition (SLP) was lodged in the Hon'ble Supreme Court of India, which was admitted in the month of July, 2012. While admitting the SLP, the Hon'ble Supreme Court has also observed that the final decision on the grant of the PL's over Hutti Belt, to be made by the Central Government, shall be subject to the outcome of the present SLP.

- Leading lawyers have been appointed to argue the case in our favour. Multiple listings have taken place before the Hon'ble Supreme Court and the case was listed again on 29th March 2016 and was heard partly.

- Our SLP was re-listed for hearing on July 21, 2016. As our matter was part heard on March 29, 2016 by a Bench comprising two Judges and one of those Judges was transferred to a Constitution Bench of the Supreme Court (SC), our hearing listed for July 21, 2016 was deferred.

- Our lawyers have since checked with the SC Registry and their Listing Department and were informed that our SLP will be listed before the same Bench which had heard the matter partly earlier. We understand that upon conclusion of the matter being heard by the Constitution Bench, our SLP will be taken up for final hearing by the same Judges as before. A date for such hearing will be given by the SC shortly.

- Analysis of the various provisions of the MMDR Act. MCR and recent Supreme Court judgment involving State of Kerala Vs Kerala Rare Earth & Minerals Limited indicate that we are having a strong case and hopeful of getting the judgment in our favour.

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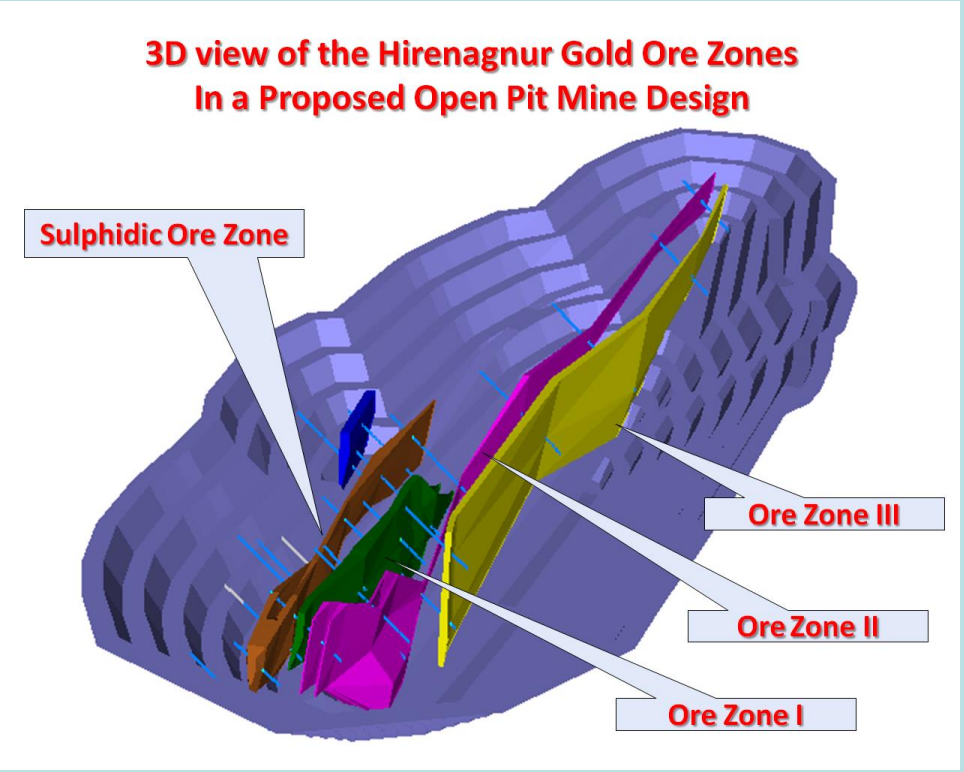
Hirenagnur Prospect:



- DGML considers Hirenagnur prospect as one of its best discoveries which is located 5 kms southeast of **Hutti Gold Mines.**
- Systematic exploration by means of geochemistry, ground geophysics, RC drilling and structural mapping has established a large mineralized system of 2 kms length over a width of nearly 50 metres.
- Preliminary drilling indicated presence of 4 parallel mineralized zones of which the eastern most zone, i.e., zone III has a strike length of 600 metres.
- The data generated also suggests the possibility of open pit mining of the Hirenagnur ore body

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THANK YOU