



**DECCAN GOLD
MINES LIMITED**

(CIN : L51900MH1984PLC034662)

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June 12, 2017

Corporate Relationship Department
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai 400 001

(BSE Scrip Code : 512068)

Dear Sirs,

Sub:	Update on Company's operations
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We write to provide an update on the Company's operations as under:

(1) Ganajur Gold Project – Issue of Grant Notification Letter / Letter of Intent

We are very pleased to have been informed by the Commerce & Industries Department, Government of Karnataka (C & I) that the Ganajur ML file is now again under process at their office (after four long months) post the receipt of DMG's (Department of Mines & Geology) favourable response to the Ministry of Mines, Government of India (MoM) letter dated February 7, 2017. The DMG's response has been forwarded to the Deputy Secretary, C & I for further action.

Realising the importance of our project for the State and the benefits it will bring not just to the State but also the local community, we are happy to report that the C & I has expressed their willingness to work quickly to process the Grant Notification letter /Letter of Intent (LoI). Our shareholders will also recall that our Ganajur gold project is being monitored by the Project Monitoring Group (PMG) attached to the Prime Minister's office. The PMG have also followed up on the progress in processing the LOI with the C & I.

Post clearance by the Deputy Secretary, the file will be forwarded to the Secretary, C&I and then to the Mines Minister for sign-off and issue of Grant Notification Letter / LoI.



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By way of background information, it may be noted that the C & I received a letter dated February 7, 2017 from MoM, stating that its prior approval for Ganajur Mining Lease accorded vide its letter dated July 24, 2015 was under Section 10(A)(2)(b) of the Mines & Minerals (Development & Regulation) Act, 1957 ("MMDR") and advising the Karnataka Government to get the Mining Lease executed in accordance with law at the earliest and to expedite the clearances and approvals for starting the mining operations. Vide its letter dated March 20, 2017 the C & I forwarded the above noted MoM's letter to DMG seeking its comments thereon. These developments were noted in our updates dated February 14, 2017 and April 13, 2017 to the Bombay Stock Exchange Limited (BSE).

(2) Ganajur Gold Project - Feasibility studies

In continuation of our release on the highlights of Feasibility Study dated May 12, 2017, demonstrating the robustness of the Ganajur gold project, we are pleased to release the detailed Executive Summary of Feasibility Study (FS) report prepared and submitted by Snowden Mining Industry Consultants Pty Ltd (Snowden), based in Australia, for the same.

As reported earlier, the FS covers multiple 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; and environmental studies. The Executive Summary provides a snap shot on the outcome of each discipline of the FS and has been uploaded on the website of the Company (www.deccangoldmines.com). We encourage our shareholders to go through the same.

As per JORC 2012 (Australian standard for reporting), we also attach Table-1 and the Report of Mr. Frank Blanchfield, Competent Person (CP) on the assessment criteria for estimation of Ore Reserves for the Ganajur Main Gold Deposit.

We are also happy to report that the entire FS Report has now been completed and will be uploaded on our website shortly.



(3) Ganajur Gold Project – Update on other infrastructure facilities

Deccan Exploration Services Private Limited (DESPL) has progressed substantially in terms of obtaining approvals for infrastructure facilities such as power, water and railways. These efforts will help in implementation of the gold project in a time bound manner while we are awaiting the grant notification letter / Lol for the Ganajur project.

Water - Assistant Executive Engineer (AEE), Water Investigation & Resource Department (WIRD) after inspecting our site has submitted her recommendations to the Executive Engineer (EE), Dharwar for drawing water from Varada river between June and October months. Shareholders may note that DESPL will be constructing a raw water dam of 300,000 cubic metres capacity in the processing plant complex to store the river water.

We are also happy to inform that the Executive Engineer (EE), Dharwar has approved the recommendations of the AEE and forwarded the file to the Superintendent Engineer (SE), Raichur.

Railways - As already announced, DESPL has filed an application with the Divisional Railway Manager, South Western Railway, Mysore for obtaining permission for laying a water pipe line below the under-bridge being constructed by the Railways near Ganajur village. This water pipe will be used for drawing water from Varada River to the Project site.

Divisional Engineer-North, South Western Railway, Mysore division sent a letter to Senior Section Engineer, Ranebennur to undertake field inspection in connection with our application. The Senior Section Engineer, Ranebennur, South Western Railway inspected the site of proposed water pipeline crossing the railway track near Ganajur Village on May 16, 2017.

Based on his site inspection, the Senior Section Engineer has submitted positive recommendations and feasibility report to the Division Railway Manager, South



Western Railways, Mysore regarding permission for laying of underground water pipe line at km 399/500-600 between Haveri and Karajgi Railway stations.

Power - Karnataka Power Transmission Corporation Limited (KPTCL) sanctioned DESPL's application for drawing 5 MW power from the high tension 110 kilovolt-amperes (kVa) power from Basavanakatti substation. In this connection, we appointed an electrical contractor authorised by KPTCL to undertake preliminary survey, geotechnical investigation and prepare feasibility report for the powerline. The survey has been completed and the contractor has submitted the feasibility study report that will be forwarded to the KPTCL for further action.

(4) Fund raising

As indicated in our last update, the potential investors approached by the Company to facilitate funding for the development of Ganajur Gold Project were awaiting the release of the FS so that they can complete their process of due diligence and make a decision on their investment.

Now, all the documents with regard to the FS that are being released to the market progressively are also being made available to these potential investors who are reviewing the same. It is very pleasing to note that considerable interest has to date been expressed by the potential investors to help fund the development of Ganajur gold project. We shall keep shareholders updated of further developments in this regard.

(5) Progress on Hutti case

At the hearing held on February 10, 2017 the Special Leave Petitions of DESPL and Ministry of Mines, Government of India (MoM) (clubbed and being heard together), were admitted as Civil Appeals. Accordingly, DESPL's SLP (C) No. 19171 of 2012 and MoM's SLP (C) No. 17504 of 2013 have been converted into Civil Appeal Nos. 2537 of 2017 and 2538 of 2017 respectively.



As per our senior legal counsels, this is a significant positive development as only few SLPs get into admission stage on merit. Further, this means that our matter should be listed before the Hon'ble Supreme Court on a non-miscellaneous day (which allows for detailed arguments to take place) for final hearing and disposal.

Considering the urgency involved, our lawyers are planning to mention our matter to secure a fixed date of hearing once the Court reopens after summer vacation in first week of July, 2017.

(6) Other key applications

Apart from Ganajur, the other key mineral concession applications in Dharwar-Shimoga basin are as under:

Sl. No.	Name of the Block / District / State	Area (in sq kms.)	Prospecting Licence (PL) / Mining Lease (ML)
1	Mangalagatti, Dharwad District, Karnataka	4	PL
2	Bhavihal, Dharwad District, Karnataka	1.5	PL
3	Kulavalli, Belgaum District, Karnataka	2	PL
4	Lakkikoppa, Haveri District, Karnataka	5	PL
5	Ganajuru Extension, Haveri District, Karnataka	8	PL
6	Karajgi, Haveri District, Karnataka	2.8	ML

We are actively following up the aforesaid key mineral concession applications all of which fall under Section 10A(2)(b) of MMDR and hence enjoy rights for progression to the next level of mineral concessions.

With regard to Mangalagatti Prospecting Licence (PL) application, it may be noted that delay in execution of the PL is mainly due to additional compliances introduced by the Government of Karnataka for all such applications including ours. We have written to the C & I to direct the DMG to do the needful in this regard and return the file back to the C& I for execution of the PL. The next stage of exploration work program by DESPL is ready to be undertaken at Mangalagatti post execution of the PL. The Mangalagatti prospect was discovered by DESPL as a result of systematic exploration earlier carried out under a Reconnaissance Permit (RP) granted to it.

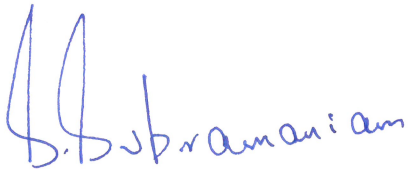


With regard to the Bhavihal PL application, DMG had recommended the file to the C & I who advised the DMG to obtain a No Objection Certificate (NOC) from the District Commissioner (DC) with regard to the area applied for. We are very happy to inform that the District Commissioner issued the NOC and revenue clearance for the Bhavihal PL recently and forwarded the file to the DMG for further processing.

We shall update the shareholders of further developments in this regard.

We request the BSE to take the above updates on record and oblige.

Yours truly



S. Subramaniam

Company Secretary



Deccan Exploration Services Private Limited
Ganajur Gold Mine - Feasibility Study
Project Number AU9734
May 2017

JORC (2012) Table 1 assessment criteria

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Ganagur FS - Table 1 JORC
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1 JORC (2012) TABLE 1

1.1 Section 1 Sampling Techniques and Data

Item	Comments
Sampling techniques	<ul style="list-style-type: none"> The input data for Ganajur includes: <ul style="list-style-type: none"> Diamond core – 83 drillholes for 5,121.64 m Reverse circulation (RC) – 22 drillholes for 1,219 m Trench – 59 trenches for 1,141.8 m DTH – 12 drillholes for 649 m. DTH samples were not used for estimation due to an apparent bias compared to the other sampling methods. Diamond core was sampled as half core using a diamond saw. RC samples were taken using a cyclone and a Jones riffle splitter. Trench samples were taken as channel samples along the trench walls and floors.
Drilling techniques	<ul style="list-style-type: none"> Drilling was carried out using diamond core and RC. Diamond core drilling at Ganajur-Karajgi PL (Ganajur Main Prospect) was carried out with Atlas Copco CT-14 drill rigs and Board Longyear made DB-525, DB-520, Dynatech drill rig. Drilling was carried out with HQ3 (wireline) accessories. To achieve maximum core recovery triple tube core barrel was used.
Drill sample recovery	<ul style="list-style-type: none"> RC samples were weighed at the laboratory. The average sample weight was around 2.5 kg. Core recovery from the 2015 to 2016 diamond drilling is visually reasonable. Core recovery is recorded in the geological logging.
Logging	<ul style="list-style-type: none"> Qualitative geological and geotechnical logging of drillhole intervals was done with sufficient detail to meet the requirements of resource estimation.
Subsampling techniques and sample preparation	<ul style="list-style-type: none"> A nominal 0.5 m to 1 m sample interval was used for the diamond core, while a 1 m interval was used for RC. Outside of the mineralised zone, the intervals were only sampled if the last sampled interval returned grade above around 0.2 g/t Au; this ensured any halo style mineralisation was also sampled. For RC samples, the bulk sample of a nominal 20 kg to 25 kg weight was reduced in size by riffle splitting using a Jones riffle splitter to about 2.5 kg and then placed in pre-numbered sample bags for dispatch to the analytical laboratory. In the case of wet drilling, the bulk sample was collected in a plastic bag, excess water drained and dried and then the assay sample was split. Diamond drillholes were sampled using half core samples, cut with a diamond saw. Care was taken to preserve the same side of the split core for consistency. Laboratory sample preparation conducted at Shiva laboratories in Bangalore which is ISO/IEC 17025:2005 accredited. The process included: <ul style="list-style-type: none"> Drying Crush to a nominal top size of 10 mm for RC and 6 mm for diamond core Secondary crush to a nominal top size of 2 mm for RC and 1 mm for diamond core Split by rotary divider to maximum 1.2 kg Pulverising to 90% passing 75 µm Scoop sample of 50 g Assaying using fire assay with an AAS finish. The sample sizes are considered reasonable to correctly represent the mineralisation based on the style of mineralisation, the thickness and consistency of intersections and the drilling methodology. Shiva use a barren flush after every sample when crushing and pulverising.

Item	Comments
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> Standards are inserted into the sample batches to assess the analytical accuracy of the laboratory assays. Twenty-one standards have been used over the life of the project. DESPL inserts standards into the sample batches at a nominal rate of one standard every 20 samples. Most of the standards are in-house standards prepared by DESPL that do not have certified expected values or standard deviations. The seven commercial standards used are sourced from ROCKLABS Limited based in New Zealand. Many standard assays are falling outside of the three standard deviation control limit. Snowden recommends that DESPL only source standards that have certified expected values and standard deviations. Only pulp duplicates from the diamond drilling have been tested. There has been no testing of field or crush duplicates or testing of duplicates from any other drilling or sampling type. For the diamond drilling 258 duplicate pulp samples were assayed. All results show that the precision of the duplicate data is good with no evidence of bias. Non-certified blanks were prepared and used by DESPL to test for contamination. A total of 91 was inserted into the sample stream for the diamond drilling and show that all results are well within the acceptable limit of 0.1 g/t Au. These results are as expected since pulverisers are cleaned with a barren quartz flush after every sample is pulverised. A total of 40 pulp rejects from the diamond drilling was sent to SGS in Chennai for analysis. No bias is evident in the results. A total of 243 sizing analyses was completed at SHIVA laboratory during 2016 with an average of 96% passing 75 µm, which is a very good result. Given the good results from the check assays and duplicate data, Snowden considers that the data is suitable for estimation. The poor results from the standards are likely a result of poor matrix matching or lack of certification. Snowden recommends trialling different standards for future drilling programs.
Verification of sampling and assaying	<ul style="list-style-type: none"> Snowden carried out comparisons between the various sample types within the oxide and fresh material. These comparisons indicate that the down-the-hole (DTH) samples are biased compared to the diamond and RC samples. As such, the DTH samples were not used for estimation. Comparisons between the diamond, RC and trench samples show no indication of any material bias and all these samples were retained for estimation. Procedures for all aspects of drilling, sampling and geological logging are documented by DESPL.
Location of data points	<ul style="list-style-type: none"> Total station survey was carried out at the Ganajur-Karajg PL area. With the help of the Total Station, all drillhole collar locations were surveyed. For precision and accuracy of the coordinates, control points were established with the help of Sokkia Radian IS DGPS (Differential GPS) which is considered highly accurate. For accuracy of elevation (RL) of the above control points, vertical survey control was carried out by levelling using auto levels (Sokkia make). Survey of India Bench Mark (RL 562.5 m) at PWD office, Haveri was considered as the base for fixing up the elevation (RL). Levelling was carried out from the base point and connected to all the control points established by DGPS. Run wise continuous core orientation survey was carried out for each diamond drillhole using a Reflex ACT and ACT II Core orientation tool. Downhole surveys were carried out at regular intervals (every 24 m or 18 m) using a Reflex borehole single shot camera to assess the deviation of the drillhole. The grid is based on a local UTM grid coordinate system (Zone 43N) based on the Everest (1830) datum. The initial topographic survey was undertaken by DESPL in 2004 at a scale of 1:1000 with 1 m contour intervals. In 2010, DGML again commissioned topographical survey using DGPS and total station in and around the Ganajur Main prospect.
Data spacing and distribution	<ul style="list-style-type: none"> The drilling was completed along a set of north-northeast trending sections (striking 030°). The drill spacing is 20 m x 20 m for the majority of the deposit. The section spacing is sufficient to establish the degree of geological and grade continuity necessary to support the resource classifications that were applied. The drilling was composited downhole using a 1 m interval for estimation.

Item	Comments
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> The vast majority of the drilling is inclined at 60° towards a bearing of 210°, perpendicular to the orientation of the mineralisation.
Sample security	<ul style="list-style-type: none"> After sampling, the balance of the bulk sample bags was sealed and transported on the same day to the nearest storage house hired for the purpose. The sample storage house is located at Karajgi. The samples were sealed in tough polyurethane bags and dispatched through a courier service to Bangalore. Along with the samples, the sample dispatch sheet (PX sheet) and other documents were also couriered to Shiva Analyticals at Bangalore. After dispatching the samples, the site geologist would call Shiva Analyticals staff on a mobile phone and inform about the dispatch and give details such as receipt number (LR number) and the PX number. The Shiva Analyticals staff would then collect the samples from the courier office on the morning of the next day and transport the samples to their laboratory. Often the samples would also be transported by the DESPL company vehicle and delivered directly to Shiva Analyticals located at KIADB industrial area, Hoskote, Bangalore.
Audits and reviews	<ul style="list-style-type: none"> Snowden reviewed the procedures and visited the assay laboratory in Bangalore during the site visit. No material issues were noted.

1.2 Section 2 Reporting of Exploration Results

Item	Comments
Mineral tenement and land tenure	<ul style="list-style-type: none"> The Gangajur Mining Lease was approved by the Ministry of Mines, Government of India over an area of 0.29 km² on 23 July 2015. A final approval for mining is awaited from the State Government of Karnataka.
Exploration done by other parties	<ul style="list-style-type: none"> No exploration has been carried out on the lease by other parties. Some historical artisanal workings are located in the area.
Geology	<ul style="list-style-type: none"> The gold mineralisation in the Ganajur Main deposit is associated with a deformed iron formation hosted in a polydeformed greywacke sequence. The gold mineralisation is characterised by strong sulphide mineralisation, silica breccia and quartz-carbonate veining within a sulphidic chert unit. The gold mineralisation is epigenetic in nature but strata-bound because it is confined to the cherty iron formation. The main gold zones form a moderately to steeply dipping tabular body trending northwest to north-northwest and dipping northeast.
Drillhole information	<ul style="list-style-type: none"> No exploration results being reported.
Data aggregation methods	<ul style="list-style-type: none"> No exploration results being reported.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> No exploration results being reported.
Diagrams	<ul style="list-style-type: none"> Refer to figures in main summary.
Balanced reporting	<ul style="list-style-type: none"> No exploration results being reported.
Other substantive exploration data	<ul style="list-style-type: none"> No exploration results being reported.
Further work	<ul style="list-style-type: none"> This Mineral Resource forms the basis for a Feasibility Study which is currently underway.

1.3 Section 3 Estimation and Reporting of Mineral Resources

Item	Comments
Database integrity	<ul style="list-style-type: none"> All data is maintained in a Microsoft Excel spreadsheet. DESPL carry out logging manually on paper and then transpose the information into Microsoft Excel. Snowden carried out a basic validation of the database and found no material issues. Snowden recommends that an industry standard database be utilised going forward and that DESPL assess the use of a digital logging system (e.g. onto tablets) with digital data transfer.
Site visits	<ul style="list-style-type: none"> Lynn Olssen (General Manager Geosciences, Snowden) visited the Ganajur site in July 2016, observing the core yard and selected diamond drill core, outcropping mineralisation, diamond drill rig, drillhole collars and general site layout. Time was also spent in the DESPL office in Bangalore where geological maps, regional and local geology and procedures were discussed The main laboratory used for assaying, Shiva Analyticals in Bangalore, was also visited by Lynn Olssen. The facilities were found to be well organised and procedures adequate. Snowden do recommend that the use of a scoop for subsampling the pulps be revised and a small rotary splitter used instead. Given the nature of the mineralisation this is not likely to cause any material issues with the quality of the data. Staff from DESPL, who accept responsibility for the reliability of the underlying drillhole data, regularly conduct site visits during the drilling campaigns.
Geological interpretation	<ul style="list-style-type: none"> DESPL carried out the geological interpretation using the geological logging of the chert domain, and the gold assays at a nominal 0.3 g/t Au cut-off to define the mineralised envelopes. The mineralised domain is typically restricted to the chert with 1 m to 2 m of halo mineralisation in places, and occasional small areas of unmineralised chert.
Dimensions	<ul style="list-style-type: none"> The Ganajur gold mineralisation strikes at 295° and is approximately 1,000 m long and is restricted by the lease boundary. The orebody dips at 35° to the north and typically extends 75 m to 125 m down dip except for the eastern part of the deposit where it extends 40 m to 50 m down dip. The orebody is thickest through the central part of the deposit where it is typically 20 m to 50 m thick. To both the west and east of the deposit the orebody thins out and is typically 5 m to 15 m thick.
Estimation and modelling techniques	<ul style="list-style-type: none"> Estimation of Au, As, Cu, Pb, SS (sulphide sulphur) and Zn was completed using ordinary block kriging with hard domain boundaries. Top cuts were not applied to Au because of the low CV of 1.05 and 1.08 for the oxide and sulphide mineralised domains, respectively, and lack of outliers. Top cuts were applied to SS in the oxide mineralised domain and As in the sulphide mineralised domain. Grade estimation was completed using Datamine Studio 3 (Datamine) software. Block model constructed using a parent block size of 10 mE x 10 mN x 5 mRL based on half the nominal drillhole spacing along with an assessment of the grade continuity. The search ellipse orientation and radius was based on the results of the grade continuity analysis, with the same search neighbourhood parameters used for all elements to maintain the metal balance and correlations between elements. For the oxide mineralised domain, an initial search of 40 m x 23 m x 6 m was used, with a minimum of eight and maximum of 17 samples. For blocks not estimated in the first search, a second search of 60 m by 35 m x 9 m using the same minimum and maximum number of samples was used. A final search pass of 200 m x 115 m x 30 m with a minimum of two and a maximum of 17 samples was used to estimate remaining blocks. The number of samples per drillhole was limited to four. For the sulphide mineralised domain, an initial search of 20 m x 10 m x 6 m was used, with a minimum of eight and maximum of 24 samples. For blocks not estimated in the first search, a second search of 30 m x 15 m x 9 m using the same minimum and maximum number of samples was used. A final search pass of 140 m x 70 m x 42 m with a minimum of two and a maximum of 24 samples was used to estimate remaining blocks. The number of samples per drillhole was limited to four. Blocks in the waste domain were assigned the top cut average grades of the composite data. Grade estimates were validated against the input drillhole composites (globally and using grade trend plots) and show a good comparison.
Moisture	<ul style="list-style-type: none"> All tonnages have been estimated as dry tonnages.
Cut-off parameters	<ul style="list-style-type: none"> The mineralisation has been reported above a 0.8 g/t Au cut-off grade. This cut-off was based on preliminary results from the Feasibility Study. Over 95% of the mineralised domain is above 0.8 g/t Au.

Item	Comments
Mining factors and assumptions	<ul style="list-style-type: none"> It is assumed the deposit will be mined non-selectively using conventional open cut mining methods, with processing on a nearby lease (within 2 km).
Metallurgical factors and assumptions	<ul style="list-style-type: none"> Current studies undertaken as part of the Feasibility Study indicate that the oxide and fresh ore will be amenable to processing.
Environmental factors and assumptions	<ul style="list-style-type: none"> Snowden is not aware of any environmental factors that could prohibit potential mining development at the Ganajur deposit. Environmental approvals are required prior to final grant for mining from the State Government.
Bulk density	<ul style="list-style-type: none"> Extensive bulk density measurements were taken from diamond core with 264 taken in the oxide mineralised domain and 749 taken in the sulphide mineralised domain. Measurements were taken using the water immersion method. Bulk density was estimated by ordinary kriging in the oxide and sulphide mineralised domains. Where estimates were not possible an average of 2.75 t/m³ and 3.08 t/m³ was used for the oxide and sulphide mineralised domains, respectively.
Classification	<ul style="list-style-type: none"> The resources have been classified based on the continuity of both the geology and the grades, along with the drillhole spacing and data quality. Classification is based on the confidence in the gold grade estimate. The Mineral Resource has been classified as a combination of Measured, Indicated and Inferred Resources using the following criteria: <ul style="list-style-type: none"> Measured Resource – Restricted to within the mineralised wireframe where drilling is approximately 20 mN x 20 mE or better, geological and grade continuity is confirmed and the mineralised body is at its thickest, typically 20 m to 50 m. Indicated Resource – Restricted to within the mineralised wireframe where drilling is approximately 20 mN x 20 mE or better, geological and grade continuity is assumed. This has been restricted to areas where the mineralised body is typically less than 20 m thick. Inferred Resource – Mineralisation with low geological and grade continuity or which is defined by drilling on a grid greater than 20 mE x 20 mN. Reporting has been restricted to within the lease boundary. Any mineralisation that has been interpreted as being outside of the lease is “unclassified” and has been excluded from the Mineral Resource. The Measured classification assumes that mining will be at around a 0.8 g/t Au cut-off and hence will mine the majority of the mineralisation, non-selectively. The Mineral Resource classification appropriately reflects the view of the Competent Person.
Audits and reviews	<ul style="list-style-type: none"> The Mineral Resource estimate has been peer reviewed as part of Snowden's standard internal peer review process. Snowden is not aware of any external reviews of the Ganajur Mineral Resource estimate.
Discussion of relative accuracy/ confidence	<ul style="list-style-type: none"> The Mineral Resource has been validated both globally and locally against the input composite data. The Measured and Indicated portion of the Mineral Resource estimate is considered locally accurate at the scale of the parent block size; however, the Measured classification assumes that mining will be at around a 0.8 g/t Au cut-off and hence will mine the majority of the mineralisation, non-selectively. No production data is available for comparison with the Mineral Resource estimate at this stage.

1.4 Section 4 Estimation and Reporting of Ore Reserves

Item	Comment																																						
Mineral Resource for conversion to Ore Reserve	<p>Snowden prepared the updated Ganajur Mineral Resource estimate in September 2016. The Mineral Resource estimate was classified using the guidelines of the JORC Code 2012 and a summary is provided below. No planned dilution was applied to these estimates. The Ganajur Mineral Resources comprise the Ganajur, Mineral Resources and are inclusive of Ore Reserves.</p> <table><tr><th>Classification</th><th>Deposit</th><th>Tonnes (kt)</th><th>Au (g/t)</th></tr><tr><td rowspan="3">Measured</td><td>Oxide</td><td>580</td><td>2.82</td></tr><tr><td>Sulphide</td><td>1,690</td><td>3.96</td></tr><tr><td>Total Measured</td><td>2,300</td><td>3.67</td></tr><tr><td rowspan="3">Indicated</td><td>Oxide</td><td>130</td><td>1.85</td></tr><tr><td>Sulphide</td><td>330</td><td>2.13</td></tr><tr><td>Total Indicated</td><td>450</td><td>2.05</td></tr><tr><td>Measured + Indicated</td><td>Total Measured and Indicated</td><td>2,700</td><td>3.40</td></tr><tr><td rowspan="3">Inferred</td><td>Oxide</td><td>110</td><td>2.30</td></tr><tr><td>Sulphide</td><td>110</td><td>2.29</td></tr><tr><td>Total Inferred</td><td>210</td><td>2.30</td></tr></table> <p><i>Note: Small discrepancies may occur due to rounding</i></p>	Classification	Deposit	Tonnes (kt)	Au (g/t)	Measured	Oxide	580	2.82	Sulphide	1,690	3.96	Total Measured	2,300	3.67	Indicated	Oxide	130	1.85	Sulphide	330	2.13	Total Indicated	450	2.05	Measured + Indicated	Total Measured and Indicated	2,700	3.40	Inferred	Oxide	110	2.30	Sulphide	110	2.29	Total Inferred	210	2.30
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	Total Inferred	210	2.30																																				
Site visits	A visit to the Ganajur project site was undertaken by Mr Frank Blanchfield and Mr John Fodor in July 2016. Mr Frank Blanchfield and Mr John Fodor are the Ore Reserves Competent Persons for the current Ore Reserve estimate.																																						
Study status	The current study status of the project is of a feasibility level. This Feasibility Study follows previous study work carried out by SRK (India) Pvt. Ltd in 2012, which delivered a Mineral Resource estimate and preliminary economic assessment (PEA) of the economic potential of the Ganajur main gold project, Karnataka, India. The 2017 FS establishes the viability of oxide and sulphide ore extraction through the building of a minerals processing plant to produce dore gold.																																						
Cut-off parameters	A nominal cut-off grade of 0.80 g/t Au was applied to oxides and 0.89 g/t for sulphides when developing the Ore Reserve estimate. There is very little material with gold grades lower than 1.0 g/t available from the resource model.																																						
Mining factors and assumptions	<p>To identify the Ganajur Ore Reserve, a process of Whittle pit optimisation, staged pit design, production scheduling and mine cost modelling was undertaken by Snowden.</p> <p>The mining method is conventional open pit drill and blast, load and haul on a 2.5 m mining flitch with a 10 m high blasting bench, reflective of semi-selective mining. The maximum excavator bucket size of 2.0 m³ is matched to this selectivity.</p> <p>A stripping ratio of approximately 3.7 was identified.</p> <p>Overall, block dilution has reduced the recovered ounces by approximately 2% and marginally increased the ore tonnage processed by 5%.</p>																																						
Metallurgical factors and assumptions	<p>The Ganajur Gold Mine is developed on the basis of treating oxide ore and sulphide ore separately. The oxide ore portion of the reserves will be processed via conventional cyanidation leach and carbon in pulp (CIP). The sulphide ore portion of the ore reserves will be processed via flotation for the recovery of gold and sulphides into a low mass sulphide concentrate. After flotation, the sulphide concentrate will then be ultrafine ground to approximately 10 microns whereby the gold can be extracted and recovered by conventional carbon in leach (CIL). Final gold recovery from carbon strip solution and gravity concentrate leach solution is by electrowinning onto stainless steel cathodes.</p> <p>The mineralisation modelling and metallurgical testwork indicate that conventional CIP extraction from oxide ores and CIL from leach fresh sulphide ores can be used to produce gold as dore.</p> <p>All of the oxide ore unit processes included in the design are standard and common to many current gold operations including:</p> <ul style="list-style-type: none">• Crushing• Grinding and classification• Gravity concentration (Knelson centrifugal concentrator)• Carbon adsorption (CIP)• Electrowinning• Smelting• Tailings disposal and effluent reclaim• Cyanide detoxification. <p>All of the sulphide ore unit processes included in the design are standard and common to many</p>																																						

Item	Comment
	<p>current gold operations, including:</p> <ul style="list-style-type: none"> • Crushing • Grinding and classification • Gravity concentration (Knelson centrifugal concentrator) • Flotation/Ultra-Fine Grinding on sulphide concentrates • Carbon adsorption (CIL) • Carbon desorption • Electrowinning • Smelting • Cyanide detoxification/arsenic removal • Tailings disposal and effluent reclaim. <p>DESPL applied industry standard methods to prepare this estimate by developing the following components:</p> <ul style="list-style-type: none"> • Metallurgical testwork • Process design criteria • Process design and flow diagrams • Engineering design criteria • Mechanical and electrical equipment lists • Process plant layout • Operating cost estimates • Capital cost estimates. <p>The metallurgical factors for estimating the gold recovery estimates for oxide and sulphide processing were developed by DESPL. The sulphide ore gold recovery was estimated by the following geo-metallurgy methodology:</p> <ul style="list-style-type: none"> • The sulphide sulphur (SS%) content of the sulphide ore was estimated by regression analyses, with gold and arsenic as the significant predictors • The mass recovery of sulphide concentrates is based on a flotation recovery of SS at 96% at a 22% SS concentrate grade • The CIL sulphide residue is estimated at 4.5 g/t gold and the flotation tailings estimated at 0.27 g/t gold • The gold recovery estimates were estimated by subtracting the final residue estimates (weighted by flotation mass recovery) from the gold ore reserve grades. <p>This fresh ore recovery algorithm returned an average gold recovery for fresh ore of approximately 79%.</p> <p>The oxide recovery was fixed at 90%.</p> <p>It is the Competent Person's opinion that the plant production numbers are accurate and correct. It is reasonable to assume that the results obtained and design criteria and process flowsheet adapted for the project are reasonable and adequate for a feasibility study level of accuracy.</p>
Environmental	<p>Rock characterisation was completed in South Africa by Prime Resources and potentially acid-forming (PAF) acid rock drainage items were not significant. The waste will be sold, likely back to the mining contractor for civil uses in their other operations. Waste dump size is only considered to be a holding stockpile with most of the waste transported from site in a short-term timeframe.</p> <p>The mining lease application was approved on 24 July 2015, via Letter No. 4/113/2010-M.IV by the Ministry of Mines, approving the grant of mining lease over an area of 72 acres for a period of 50 years for the Ganajur Gold Project, DESPL. The approval is as per Section 10 A(2)(b) of the MMDR Act 2015. The Grant order/Letter of Intent from the Karnataka State Government is awaited. The State Government will issue mining lease grant order (as per section 5(2)(b)(ii) of the MMDR amendment Act 2015). The mining lease application allows provision for tailings dams and waste dumps.</p>
Infrastructure	<p>DESPL is negotiating with the local authority for power purchase from the electricity grid.</p> <p>DESPL has indicated the plant build will be a EPCM execution with DESPL providing oversight over the EPCM Engineer.</p> <p>Accommodation will be in surrounding communities and mostly at the city of Haveri that has a population of 80,000 persons.</p>

Item	Comment																		
Cost and revenue factors	<p>Process costs were used were developed by DESPL in 2017 for oxide and sulphide as:</p> <table><tr><th>Material treated</th><th>Average gold grade (g/t)</th><th>Process operating cost (US\$/t)</th></tr><tr><td>Oxide</td><td>2.6</td><td>8.36</td></tr><tr><td>Fresh</td><td>3.7</td><td>23.53</td></tr></table> <p>Mining costs were supplied by DESPL and developed from the existing contract. The all-up mining operating cost was estimated to be US\$1.83/t mined. The mining capital cost was absorbed by contract mining. DESPL provided other capital costs, that were estimated by CPC Engineers and others as follows:</p> <ul style="list-style-type: none">• Owners costs: US\$8.2 million• Process capital costs: US\$35.6 million• Tailings storage facility: US\$2.5 million• Closure costs: US\$0.5 million• Sustaining costs: US\$3.1 million per annum. <p>Closure costs are included in the valuation model. All costs were supplied in US\$. Refining costs of US\$0.075/t ore feed and royalties of 5.4% were applied to all gold produced.</p>	Material treated	Average gold grade (g/t)	Process operating cost (US\$/t)	Oxide	2.6	8.36	Fresh	3.7	23.53									
Material treated	Average gold grade (g/t)	Process operating cost (US\$/t)																	
Oxide	2.6	8.36																	
Fresh	3.7	23.53																	
Revenue factors	DESPL supplied a gold price of US\$1,255/oz. This was applied as real and flat forward in the financial model.																		
Market assessment	<p>DESPL supplied a gold price of US\$1,250/oz. DESPL has completed comprehensive market studies, including likely refiners. Gold is freely traded and the price is set by the LME.</p>																		
Economic	<p>The discount rate in the DESPL financial model was set at 5%. A financial sensitivity study was undertaken to evaluate capital expenditure, operating costs and gold price. The project was found to be most sensitive to changes in gold price. The key performance indicators after taxation from the DESPL model are summarised below:</p> <table><tr><th>Key performance indicator (after taxation)</th><th>Units</th><th>Value</th></tr><tr><td>All in cash cost (including royalty)</td><td>US\$/oz produced</td><td>423</td></tr><tr><td>IRR ungeared</td><td>%</td><td>29.6</td></tr><tr><td>NPV (at 5%)</td><td>US\$ M</td><td>61.4</td></tr><tr><td>Net cashflow</td><td>US\$ M</td><td>93.1</td></tr><tr><td>Initial capital cost^a</td><td>US\$ M</td><td>46.6</td></tr></table> <p>^a Excludes working capital</p>	Key performance indicator (after taxation)	Units	Value	All in cash cost (including royalty)	US\$/oz produced	423	IRR ungeared	%	29.6	NPV (at 5%)	US\$ M	61.4	Net cashflow	US\$ M	93.1	Initial capital cost ^a	US\$ M	46.6
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Net cashflow	US\$ M	93.1																	
Initial capital cost ^a	US\$ M	46.6																	
Social	A socio-economic study was prepared by DESPL. The commentary provides a summary of the socio-economic characteristics of the area at a household level. DESPL has a full-time Community Relations Officer engaged in maintaining open communications with the local communities. DESPL has advised that there are no community or social encumbrances that could obstruct the provision of a MLA from the Indian government.																		
Classification	<p>The Ore Reserve is classified as Proved and Probable in accordance with the JORC Code (2012), corresponding to the Mineral Resource classification of Measured and Indicated for ore sources from in situ inside the mine pit design. No Inferred Resources is included in the Ore Reserve estimate. The following items will continue to be studied in execution:</p> <ul style="list-style-type: none">• The sulphidic sulphur grades that were used for the sulphide recovery• Binding mining cost contracts (subject to waste sale)• A flowsheet for eventual production reconciliation• Assessment of water usage with revision to pit water discharge options• Further characterisation studies of the rock mass.• Any changes to the above items are not considered to reduce the cashflow on the project to a point where the project would not return a profit.																		

Item	Comment
Audits or reviews	Snowden has completed an internal peer review of the Ore Reserve estimate.
Relative accuracy/ confidence	It is Snowden's opinion that the feasibility study is of an accuracy of 10-15% for the capital and operating costs estimated for the project. This is consistent with the accuracy recommendations made by The Australasian Institute of Mining and Metallurgy for a feasibility study.



Appendix A Competent Person's Consent

Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and
Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

Report name

DGML BSE Release_12 05 2017 (Ganajur Gold Project – Highlights of the Feasibility Study)

(Insert name or heading of Report to be publicly released) ('Report')

Deccan Gold Mines Limited

(Insert name of company releasing the Report)

Ganajur Main Gold Deposit

(Insert name of the deposit to which the Report refers)

If there is insufficient space, complete the following sheet and sign it in the same manner as this original sheet.

May 12, 2017

(Date of Report)

Statement

I,

Frank Blanchfield

(Insert full name(s))

confirm that I am the Competent Person for the Report and:

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition).
- I am a Competent Person as defined by the JORC Code, 2012 Edition, having five years experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Member or Fellow of The Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists or a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.

I am a full time employee of

(Insert company name)

Or

I/We am/are a consultant working for

Snowden Mining Industry Consultants Pty Ltd

(Insert company name)

and have been engaged by

Deccan Exploration Services Private Limited

(Insert company name)

to prepare the documentation for

Ganajur Main Gold Deposit

(Insert deposit name)

on which the Report is based, for the period ended

12 May 2017

(Insert date of Resource/Reserve statement)

I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.

I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to **Ore Reserves** (select as appropriate).

Consent

I consent to the release of the Report and this Consent Statement by the directors of:

Deccan Gold Mines Limited

(Insert reporting company name)

Signature of Competent Person:



Date:

12 May 2017

Professional Membership:
(insert organisation name)

FAusIMM

Membership Number:

Signature of Witness:



Print Witness Name and Residence:
(eg town/suburb)

18 Monash Ave, Como, WA 6152

SNOWDEN

Additional deposits covered by the Report for which the Competent Person signing this form is accepting responsibility:

none

Additional Reports related to the deposit for which the Competent Person signing this form is accepting responsibility:

none

Signature of Competent Person:

Date:

Professional Membership:
(insert organisation name)

Membership Number:

Signature of Witness:

Print Witness Name and Residence:
(eg town/suburb)