



DECCAN GOLD

MINES LIMITED

(CIN : L51900MH1984PLC034662)

Corporate & Correspondence Address

No 5, 19th Main Road, 4th Sector HSR Layout, Bengaluru-560102 Tel : +91 80 67155700 Fax : +91 80 67155701 Email : info@deccangoldmines.com Web www.deccangoldmines.com

May 30, 2019

Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers, 1st Floor,
Dalal Street, Mumbai – 400 001

Scrip Code: 512068

Dear Sirs,

Sub.: Update on Company operations

We provide hereunder an Update on the Company's operations.

(1) Acquisition of equity stake in Geomysore Services (India) Private Limited (GMSI)

In continuation of our Update made on February 5, 2019 and after evaluating and arriving at a better understanding of the challenges in acquiring equity stake in GMSI (through a share swap) at the Board Meeting of the Company held on May 21, 2019 we are happy to report that a valuation process to ascertain the share swap ratio between DGML and GMSI has been commenced by the appointment of an Australian based valuation expert. Once a value has been ascribed to the mineral assets of both the companies (a process which could take 6-8 weeks), a SEBI registered merchant banker will be appointed to determine the share swap ratio. Deccan Gold Mines Limited (DGML) shareholders will be then provided with a detailed information memorandum for their consideration and approval of the transaction.

Acquisition of equity in GMSI has many benefits:

- (i) Consolidation of assets resulting in a stronger company with lower risk exposure
- (ii) A greater spread of assets to be presented to the larger investor
- (iii) GMSI has an executed Mining License for its Jonnagiri gold project
- (iv) Seamless availability of expertise and exchange of ideas between the two companies
- (v) Easier access to funding

(a) About the Company

Geomysore Services India Private Limited (GMSI) is a leading multi-metal explorer with a number of gold and non gold projects in its portfolio in India. GMSI's projects are located in Andhra Pradesh, Karnataka, Rajasthan, Madhya Pradesh, Chattisgarh, Maharashtra and Arunachal Pradesh. GMSI has explored ~31,000 sq.km of India under Reconnaissance Permits (RP) and applied for a number of Prospecting and Mining Licenses covering 1867 sq.km for various commodities. GMSI's asset base includes 1 granted Mining Lease (ML) for gold, 1 granted Prospecting License (PL) for magnetite iron ore, 2 Mining Lease Applications and 60 PL applications. Key projects which are targeted for development in next 2 to 5 years period are:

Registered Office

Parinee Crescenzo, 803, 8th Floor, opp. MCA, C38-C39, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.
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(2)

- (i) Jonnagiri Gold Project, Andhra Pradesh
- (ii) Mallappakonda -Chigarigunta Gold Project, Andhra Pradesh
- (iii) Dhani – Basri Copper-Gold Project, Rajasthan

(b) Key Jonnagiri Gold Project

The Jonnagiri Gold Project is GMSI's first granted ML and is located in the Kurnool District of Andhra Pradesh. GMSI has obtained all statutory permits and licenses including the approved Mine Plan, Ministry of Environment and Forest Clearance, Consent for Establishment and Consent to Operate.

Jonnagiri Mining Lease (ML) area covers 1500 acres and consists of 4 potential gold blocks, eg., Dona East, West, North and South Blocks. GMSI carried out intensive exploration including 29,500m of DC & RC drilling, targeting the East and West Blocks. Based on the drill data, Golders Australia (a JORC accredited mining consultant) have issued a Resource Statement of 409,000 Oz of JORC (Indicated - 250,000 oz + Inferred - 159000 oz) resource within these two blocks and an additional 45,000 Oz of unclassified resource. The East Block resource is open pitable, whereas the resource from the West block requires additional closer spaced drilling although likely to be mined through a combination of open pit and underground operation.

GMSI completed NI 43-101 Feasibility Study on part of the Indicated resources (open pitable) from the East Block, with the help of international experts from Australia and South Africa, including (i) Turnberry Projects, South Africa; (ii) Golder Associates, Australia; (iii) Ukwazi Mining Solutions, South Africa; (iv) SGS, South Africa; and (v) EPOCH, South Africa. The Feasibility study indicates that the East Block open pit mine can be operated for 7 years during the first phase to produce 152,000 Oz of gold at a rate of 23,000 Oz per annum. Gold extraction will be through a simple Gravity-CIL circuit with Jonnagiri ore characterized by high gold recovery of 91.84%, which has a strong positive impact on the project financials.

GMSI plans to purchase 350 acres of land required for the first phase open pit mine, processing plant, tailing dam, waste rock dumps and other infrastructure. Balance 1150 acres, which covers west, south and north blocks will be taken under long term lease for further exploration. GMSI has successfully negotiated the purchase price and lease rentals payable to the farmers. The Government of Andhra Pradesh has issued a Government Order (G.O) for GMSI to draw 1600 cu.m/per day water required for the Jonnagiri project from HNSS canal which is situated about 18km from the project site.

(c) Other Projects:

Mallappakonda -Chigarigunta project is located to the south of Kolar Gold Fields (KGF). GMSI's ML application is under consideration with the Government of Andhra Pradesh. Resource drilling and Preliminary Economic Assessment (PEA) studies on Mallappakonda – Chigarigunta project shows that the project area contains about 196,000 Oz (JORC) resource and additional 74,000 Oz of Non-JORC resource which can be operated through a combination of open pit and underground operation.

Dhani – Basri project contains a drill proven resource of 64,702 t copper and 205, 750 Oz of gold.

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(3)

(2) Processing of Ganajur Mining Lease (ML) application of Deccan Exploration Services Private Limited (DESPL) at Commerce and Industries Department, Government of Karnataka (C & I):

As shareholders are aware, the Hon'ble High Court of Karnataka had favourably disposed the Writ of Mandamus filed by our subsidiary, Deccan Exploration Services Private Limited (DESPL) with regard to its Ganajur ML application with a direction to the Government of Karnataka to process our Ganajur ML application within six weeks of the date of its Order.

Further, as stated in our Update made on May 21, 2019 the C & I has started processing the Ganajur ML application in the light of the Hon'ble High Court Order noted above.

However, since the six weeks period stipulated by the Hon'ble High Court of Karnataka ended recently, we had consulted our Legal Counsel on the remedies / legal options available to us. In terms of the advise tendered by the Legal Counsel and our own opinion in the matter, a second representation will be made to the C & I to process our application expeditiously. The representation will highlight that the six week period stipulated by the High Court Order has ended and stating that necessary and appropriate legal remedies will be sought from the Hon'ble High Court in the event no action is forthcoming. We are interacting with the C & I regularly and will review the next course of action again in mid June 2019 and inform the shareholders accordingly.

(3) Fund raising

With the recent favourable Karnataka High Court Order on the Ganajur Gold Project, the Company believes that it is the right time to revive fund raising (both long-term and short-term) efforts. Accordingly, the Company has recommenced its discussions with certain potential investors that it had contacted earlier and certain other new investors that it has identified now.

Whilst the long-term fund raising requirements of the Company will be around USD 50 m (through a combination of debt and equity) primarily for development of the Ganajur Gold Project, the Company is also now exploring raising of short-term funds up to USD 5m which will be utilized for

- (a) exploration of Hutti Belt prospects that are currently under process at the Government of Karnataka in the light of the favourable Judgment of the Hon'ble Supreme Court dated May 8, 2018.
- (b) completion of land acquisition process for 255 acres of land that has been approved to be allotted by the Government of Karnataka at Ganajur (it may be noted that the Company had already paid an advance of Rs. 6.82 crore being 40% of the land acquisition cost at Ganajur for 200 acres to KIADB through whom the process is sought to be completed)

By way of background, shareholders may note that discussions with certain potential investors were initiated around 2 years ago. However, the discussions did not progress further as those investors were awaiting clarity on the issue of Grant Notification Letter for the Ganajur Gold Project to take an investment decision.

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



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(4) Hutti Belt Prospecting Licence (PL) applications – Interim Applications lodged with Hon'ble Supreme Court:

Our Lawyers will push for an early hearing on DESPL's Interim Application when the Hon'ble Supreme Court resumes its sitting on July 1, 2019 after vacation.

By way of background, it may be noted that since the pace of processing at the Government of Karnataka was slow, DESPL had lodged an Interim Application before the Hon'ble Supreme Court seeking directions to the Department of Mines & Geology and Commerce & Industries Department in Karnataka to process its Hutti Belt PL applications in an expeditious and time bound manner and in any case, **not later than two months.**

The matter came up for hearing on April 26, 2019 and the Hon'ble Supreme Court was pleased to direct issue of notice (returnable in six weeks' time) to the Government of Karnataka in the matter.

Yours truly

S. Subramaniam
Company Secretary



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