



DECCAN GOLD MINES LIMITED

(CIN : L51900MH1984PLC034662)

Corporate Office & Correspondence Address

No.1285, 5th Main, 7th Sector, HSR Layout, Bengaluru - 560102. Tel : +91 80 45384000 Fax : +91 80 45384001 Email : info@deccangoldmines.com Website : www.deccangoldmines.com

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF DECCAN GOLD MINES LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN (I) DECCAN GOLD MINES LIMITED ("COMPANY 1" OR "DGML") AND AUSTRALIAN INDIAN RESOURCES LIMITED ("COMPANY 2" OR "AIR") AND THEIR RESPECTIVE SHAREHOLDERS, AND (II) DECCAN GOLD MINES LIMITED ("COMPANY 1" OR "DGML") AND THE "PROPOSED SHAREHOLDERS" OF DGML AS ENLISTED IN SCHEDULE I TO THIS SCHEME AT ITS MEETING HELD ON 24TH SEPTEMBER, 2021.

PRESENT:		
1.	Mr Kailasam Sundaram	Chairman of the Committee
2.	Mr Natesan Chinnapan	Member
3.	Dr Hanuma Prasad Modali	Member

1. Background:

- 1.1. A meeting of the Audit Committee of the Directors of Deccan Gold Mines Limited was held on September 24, 2021 to consider and, if thought fit, to recommend to the Board of Directors of the Company, the proposed Composite Scheme of Arrangement ("Scheme") between (I) Deccan Gold Mines Limited ("**Company 1**" or "**DGML**") and Australian Indian Resources Limited ("**Company 2**" or "**AIR**") and their respective shareholders, for re-arrangement of shareholding of Company 2 pursuant to the provisions of Sections 230 to 232 and Section 234 and other applicable provisions of the Companies Act, 2013 for Company 1 and provisions of the Corporation Act, 2001 and other Applicable Laws of Australia as may be applicable to Company 2; and (II) Deccan Gold Mines Limited ("**Company 1**" or "**DGML**") and the "**Proposed Shareholders**" of **DGML** as enlisted in Schedule I of the Scheme, pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013. The Committee has, in its said meeting, considered the proposed Composite Scheme of Arrangement.
- 1.2. The Company is incorporated under the provisions of the Companies Act, 1956. The equity shares of the company are listed on BSE Limited.
- 1.3. The Scheme will be filed with the National Company Law Tribunal, Mumbai Bench ("**NCLT**") under Sections 230 to 232 and Section 234 and other applicable provisions of the Companies Act, 2013 and the rules and regulations issued thereunder.
- 1.4. The Scheme is subject to receipt of approvals of board of directors, shareholders of companies involved and approval of other regulatory authorities as may be required, including those of BSE Limited, Securities and Exchange Board of India and the NCLT.



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1.4 This Report of the Audit Committee of the Directors is made to comply with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Circular No. CFD/ DIL3/CIR/2017/21 dated March 10, 2017 issued by SEBI(as amended from time to time via Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017, circular no. CFD/DIL3/CIR/2017/105 dated September 21, 2017, circular No. CFD/DIL3/CIR/2018/2 dated January 3, 2018 and circular no. SEBI/HO/CFD/DIL1/ CIR/P/2020/215 dated November 3, 2020 and the Master circular being circular SEBI/HO/CFD/DIL1/CIR/P/ 2020/249 issued by SEBI on December 22, 2020 ("SEBI Circulars"), after considering the following document which were placed before the Committee:

- a) Draft Composite Scheme of Arrangement.
- b) Draft Certificate from M/s P.R. Agarwal & Awasthi, Chartered Accountants, Statutory Auditor of the Company, confirming the accounting treatment mentioned in the scheme is in compliance with the applicable Ind AS notified under the Companies Act 2013, and other generally accepted accounting principles;
- c) Equity Share Exchange Ratio Report dated September 24, 2021 issued by Mr. Abhinav Aggarwal (IBBI Registration No. IBBI/RV/06/2019/12564), ("Registered Valuer") inter-alia, recommending the fair equity share exchange ratios (hereinafter referred to as "Valuation Report") on the Scheme;
- d) Fairness opinion dated September 24, 2021 issued by Sundae Capital Advisors Private Limited, SEBI Registered Category I Merchant Banker (SEBI Registration No. INM000012494) on the fair equity share exchange ratios recommended in the Valuation Report for the purpose of the Scheme;
- e) Audited financial statements of the Company 1 and Company 2 for the year ended March 31, 2021 and June 30, 2021 respectively.

2. Proposed Scheme of Arrangement:

2.1 Need and Rationale of the Scheme:

The Audit Committee noted the need and rationale of the Scheme of Arrangement as provided in the draft Scheme is as under:

The Audit Committee noted that Company 1 is engaged in the business of mineral exploration focused on making discoveries of gold deposits that are suitable for commercial exploitation. The Board of Directors of Company 1 have been looking out for opportunities for acquisition of gold assets in India and in this regard have evaluated and decided to acquire ownership and control of 735,161 equity shares, directly and indirectly, in "Geomysore Services (India) Private Limited" (herein after referred to as "GMSI") which is also a gold exploration and mining focused company.

The management of the respective Companies are of the view that the arrangement proposed in this Scheme is, in particular, expected to have following benefits:



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- a) Significant equity participation in a gold project with potential to get into revenue stream within the next 2 years benefitting DGML shareholders;
- b) Potential to add further Gold Projects into DGML's portfolio and enhance DGML's fund raising abilities;
- c) Consolidation of the strengths of both the Companies (in terms of Projects and Personnel) and access to strategic partners and fund raising in India and abroad;
- d) Since, there is no outflow of funds, the interest of the creditors of Company 1 and Company 2 is not affected and they are not prejudiced or impacted in any manner.
- e) There is no adverse effect of Scheme on the directors, key managerial personnel, promoters, non-promoter shareholders, vendors and employees of Company 1 and Company 2.
- f) The Scheme would be in the best interest of all the stakeholders.

2.2 Salient Features of the Scheme:

- 2.2.1 The Composite Scheme of Arrangement seeks a share-exchange arrangement between (I) Deccan Gold Mines Limited ("**Company 1**" or "**DGML**") and Australian Indian Resources Limited ("**Company 2**" or "**AIR**") and their respective shareholders, and (II) Deccan Gold Mines Limited ("**Company 1**" or "**DGML**") and the "**Proposed Shareholders as enlisted in Schedule I of the Scheme**" of **DGML**; pursuant to Sections 230 to 232 and Section 234 and other applicable provisions of the Companies Act, 2013 and applicable Laws of Australia as may be applicable to Company 2.
- 2.2.2 The Appointed Date for the purpose of Scheme means the Effective Date of the Scheme, that is the later of the dates on which the certified copy of the Order(s) of the NCLT sanctioning the Scheme are filed with the Registrar of Companies, Mumbai, by Company 1 and/or any Governmental Authority of Australia by Company 2, if required or such other date as may be directed / allowed by the Competent Authority.
- 2.2.3 Under Section I of the Scheme, in consideration for transferring the Specified Shares held by Specified Shareholders, as defined under the Scheme, in Company 2 to Company 1, Company 1 shall, without any further application, act, instrument or deed, issue and allot New DGML Equity Shares 1 (as defined in the Scheme) credited as fully paid, to the extent indicated below, to each shareholder of Company 2 whose name is recorded in the register of members and records of the depository as members of Company 2 on the Record Date in the following manner:

"17 (Seventeen) fully paid-up equity shares of the face value of Re. 1/- (Rupee One only) each in Company 1 for every 88 (Eighty-Eight) fully paid-up shares held in Company 2."



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Under Section II of the Scheme, in consideration for transferring the Specified Shares held by Proposed Shareholders, as defined under the Scheme, in Geomysore Services (India) Private Limited ("GMSI") to Company 1, Company 1 shall, without any further application, act, instrument or deed, issue and allot New DGML Equity Shares 2 (as defined in the Scheme) credited as fully paid, to the extent indicated below, to each Proposed Shareholder as given under Schedule I of this Scheme and recorded in the register of members of GMSI on the Record Date in the following manner:

"1,650 (One Thousand Six Hundred Fifty) fully paid-up equity share of the face value of Re. 1/- (Rupee One only) each in Company 1 for every 13 (Thirteen) fully paid-up equity shares of the face value of Re. 1/- (Rupee One only) each held in GMSI by the Proposed Shareholders."

- 2.2.4 The equity shares proposed to be issued and allotted shall be got listed on BSE Limited.
- 2.2.5 The shares so allotted shall rank pari-passu in all respects with the then existing equity shares of the Company 1.
- 2.2.6 The present Promoter and/or Beneficial Owners of Promoters shall continue to remain Promoter/ Beneficial Owners of the Company, even upon effectiveness of the Scheme.
- 2.2.7 The Scheme, in no way, is a Scheme of compromise or arrangement with the creditors of any of the companies and the Scheme is not affecting the rights of the creditors as it is a share-exchange arrangement between Company 1 and shareholders of Company 2 and; between Company 1 and proposed shareholders of Company 1 and there is no outflow of funds.
- 2.2.8 The Scheme is not a Scheme of Corporate Debt Restructuring as envisaged under Section 230(2)(c) of the Act.
- 2.2.9 The Scheme will not adversely affect the rights and interest of any Shareholder of the Company and Creditor in any manner whatsoever.
- 2.2.10 Effectiveness of the Scheme of Arrangement is subject to the following approvals:
- (i) Approval of Reserve Bank of India;
 - (ii) No Objection of the Draft Scheme of Arrangement from the BSE Limited;
 - (iii) Approval of the Draft Scheme of Arrangement by the Shareholders Company 1 and Company 2 as directed by the National Company Law Tribunal (NCLT), Mumbai Bench or by the Regulatory Authorities of Australia, if required;





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- (iv) Such other sanctions and approvals including sanction of the Central Government and any other Governmental Authority as may be required by Applicable Law in respect of the Scheme;
- (v) the Scheme being approved by the public shareholders of Company 1 through e-voting in terms of para 9(a) of Part I(A) of Annexure I of the SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 and para (A) 10 (a) of part I of the SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 and the Scheme shall be acted upon only if votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by the public shareholders against it;
- (vi) Order of NCLT, Mumbai approving the Scheme.

2.3 Synergies and Cost-benefit Analysis of the Scheme:

The Scheme will result Company 1 to acquiring 735,161 equity shares in GMSI, which shall lead to consolidation of the strengths of Company 1, Company 2 and GMSI, in terms of both Projects and Personnel.

Except the cost of implementation of the Scheme, there are no additional costs involved for the proposed scheme. The Committee is of the opinion that the expected synergies and benefits in pursuance of the proposed scheme would result in potential to get revenue in Company 1 and would offset the impact of costs of implementation of the Scheme.

2.4 Valuation methods evaluated for Share Exchange Ratios:

The members of the Audit Committee noted that Mr. Abhinav Aggarwal (IBBI Registration No. IBBI/RV/06/2019/12564), have been appointed as registered valuer inter-alia, to recommend the fair equity share exchange ratios for the proposed Scheme.

The share exchange ratio has been arrived at on the basis of a relative equity valuation of Company 1, Company 2 and underlying investment in GMSI. Methods of valuation and value per share arrived under each method with weight given to each method, are given as under:

Under Section I of the scheme presented between Company 1 and Company 2 and their respective shareholders:





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Name	DECCAN GOLD MINES LIMITED ("Company 1")			AUSTRALIAN INDIAN RESOURCES LIMITED ("Company 2")		
	Methods	Value per share in INR	Weightage (Wgt)	Value x Wgt	Value per share in INR	Weightage (Wgt)
Market Approach	24.13	100%	14.13	N.A.	0%	N.A.
Income Approach	N.A.	0%	N.A.	N.A.	0%	N.A.
Asset Approach	N.A.	0%	N.A.	4.67	100%	4.67
Weighted Average Value in INR	24.13			4.67		

Under Section II, for the scheme presented between Company 1 and "Proposed Shareholders" of Company 1:

Name	DECCAN GOLD MINES LIMITED ("Company 1")			GEOMYSORE SERVICES INDIA PRIVATE LIMITED ("GMSI")		
	Methods	Value per share in INR	Weightage (Wgt)	Value x Wgt	Value per share in INR	Weightage (Wgt)
Market Approach	24.13	100%	24.13	N.A.	0%	N.A.
Income Approach	N.A.	0%	N.A.	N.A.	0%	N.A.
Asset Approach	N.A.	0%	N.A.	3,061.84	100%	3,061.84
Weighted Average Value in INR	24.13			3,061.84		

The Audit Committee noted that that the Valuation Report issued by Mr. Abhinav Aggarwal have recommended the fair equity share exchange ratios for the proposed Scheme.

2.5 Analysis of provisions pertaining to related party transactions:

Rama Mines (Mauritius) Limited is the promoter of Company 1. Yandal Investments Pty. Ltd. and Halcyon Investments Limited individually hold more than 20% in Rama Mines (Mauritius) Limited.

Yandal Investments Pty. Ltd. and Halcyon Investments Limited also hold more than 20%, individually in the paid-up share capital of Company 2. Accordingly, Yandal Investments Pty. Ltd. and Halcyon Investments Limited, post allotment of shares, alongwith related parties shall form part of the Promoter Group of DGML. Therefore, the transaction under the proposed Scheme may be considered as a related party transaction under the applicable provisions of the LODR regulations.





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The consideration as set forth in the Scheme will be discharged on "arm's length basis". The fair equity share exchange ratios for the shares to be allotted to the shareholders of Transferor Companies are based on Valuation Report issued by Mr. Abhinav Aggarwal, Registered Valuer.

Sundae Capital Advisors Private Limited, SEBI registered Category-1 Merchant Bankers, has also provided fairness opinions on the above-mentioned fair equity share exchange ratios. The fair equity share exchange ratio as recommended by the Registered Valuers in relation to the proposed Scheme is fair and reasonable, and not prejudicial to the interests of the minority shareholders. The aforementioned Valuation Report and Fairness Opinion have duly been considered by the Audit Committee.

Further, M/s P.R. Agarwal & Awasthi, Chartered Accountants, Statutory Auditor of the Company have confirmed that the accounting treatment mentioned in the Scheme is in compliance with the applicable Ind AS notified under the Companies Act 2013, and other generally accepted accounting principles.

The Audit Committee was further apprised that in case of issuance of shares under a scheme by a listed company to shareholders of an unlisted company, the SEBI Circulars prescribe the listed company to follow the pricing provisions of Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time ("ICDR Regulations"). As the proposed Scheme would involve issuance of shares by Company 1 (being a listed Company) to shareholders of Company 2 and Proposed Shareholders of Company 1 (being unlisted companies), the share exchange ratios for arrangement between (I) Company 1 and Company 2 and their respective shareholders, and (II) Company 1 and the "Proposed Shareholders" of DGML has been determined in compliance with the above-mentioned pricing provisions of the ICDR Regulations.

2.6 Impact of the Scheme on the shareholders of the Company are as under:

The Scheme will result Company 1 to acquiring 735,161 equity shares in GMSI, which shall lead to consolidation of the strengths of Company 1, Company 2 and GMSI, in terms of both Projects and Personnel.

Therefore, the scheme is not determinantal to the shareholders of Company 1.

- The proposed Scheme is in the interest of the shareholders on account of benefits as enumerated in para 2.3 above which may also potentially unlock long term value.
- The shareholders of Company 2 and the Proposed Shareholders of Company 1 as on the Record Date will be entitled to equity shares in Company 1 on the basis of the following the fair equity share exchange ratios determined by Registered Valuer in his Valuation Report submitted to this Committee.
- Fairness opinion by SEBI Registered Category 1 Merchant Banker, Sundae Capital Advisors Private Limited on the above fair equity share exchange ratios have also been obtained by the Company.



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- The equity shares will be listed on BSE Ltd;
- Except entitlement of equity shares in Company 1 to the shareholders of Company 2 and to the proposed shareholders of the Company 1, there is no other effect on the existing shareholders of the Company 1, therefore, the Scheme will not adversely affect the rights or interest of any shareholder of the Company;
- Since, there is no outflow of funds, the interest of the creditors is not affected in any manner whatsoever.

3. Recommendation of the Audit Committee of Directors:

Taking into consideration of the draft Scheme, Valuation Report, Fairness Opinion Report and other documents as placed, the Audit Committee recommends the draft Scheme of Arrangement to the Board of Directors of the Company for their consideration and approval.

By order of the Audit Committee
For DECCAN GOLD MINES LIMITED

(Kailasam Sundaram)
Chairman of the Audit Committee
DIN: 07197319

Place: **Bengaluru**

Date: **September 24, 2021**

