



**DECCAN GOLD
MINES LIMITED**

(CIN : L51900MH1984PLC034662)

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July 26, 2021

Corporate Relationship Department
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai 400001

(Scrip Code: 512068)

Dear Sirs,

Sub:	Update on Ganajur Mining Lease (ML) of Deccan Exploration Services Private Limited (DESPL), our wholly owned subsidiary
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1. Introduction

1.1 We write to provide an update on various options available to us with regard to our Ganajur ML after the 'Speaking Order' dated 16/07/2021 passed by the Ministry of Mines, Government of India (MoM) on the said ML. The same are presented hereunder.

- a) The Legal Route;
- b) The Auction route; and
- c) Right of First Refusal;

1.2 Seeking reimbursement of exploration expenditure in the manner prescribed under MMDR Amendment Act, 2021.

1.3 By way of background, shareholders may note that vide its Speaking Order dated 16/07/2021, the MoM concluded that as the right of DESPL to obtain Ganajur ML has lapsed after amendment of Section 10A(2)(b) of the MMDR Act, 1957 in 2021, the prior approvals granted by it for the said ML have become inconsequential and infructuous w.e.f. 28/03/2021. In such a case, the State Government cannot proceed in the matter for grant of the said ML to DESPL.

1.4 Details are as under.

2. The Legal route

2.1 We have held detailed discussions with our Legal Counsel with regard to securing our rights for obtaining the Ganajur ML by approaching the Courts and the following options are being evaluated in this regard.

2.2 The thrust of our contentions before the Court could be that had the Government of Karnataka issued the Mining Lease immediately after the Central Government's prior approval under Section 10A(2)(b) on 07/02/2017 directing the State Government to execute the mining lease, instead of keeping the said file pending, the legislative amendments made to Section 10A(2)(b) through the MMDR Amendment Act, 2021 would not have become applicable in our case. Neither the 'Show Cause Notice' of MoM nor the 'Speaking Order' of MoM dated 16/07/2021 with regard to Ganajur ML would have been triggered.

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2.3 Further, there were 2 Judgments from the Hon'ble Karnataka High Court with regard to Ganajur ML. Both these Judgments were delivered prior to the coming into effect of the MMDR Amendment Act, 2021 on 21/03/2019 and 12/03/2021 respectively. The first Judgment directing the State Government to take a decision on Ganajur ML within a 6 weeks' period was also not acted upon.

2.4 In these circumstances, we could seek legal recourse to set aside the Speaking Order of MoM and restore our rights over the Ganajur ML pursuant to the prior approval issued by the Ministry of Mines in 2017 which directed the State Government to execute the ML at the earliest.

2.5 We could also file a Writ Petition before the appropriate Court challenging the amendments made to Section 10A(2)(b) of MMDR Act, 1957 vide the MMDR Amendment Act, 2021 and praying for setting aside those amendments which will mean the MoM's Order dated 16/07/2021 on Ganajur ML also becomes ineffective.

2.6 Our Legal Counsel has been forwarded all the background papers with regard to Ganajur ML. After examining the same, he will advise us of the best course of action to follow.

3. The Auction route

3.1 Amendments to the MMDR Act made w.e.f. 28/03/2021 provide for all mineral applications for which rights were granted to Reconnaissance Permit (RP) holders to move to a Prospecting Licence (PL) followed by an ML and in the case of PL holders to move to an ML, but still remain pending, will be put up for auction to be conducted in a transparent and orderly manner and will give definitive rights to the highest bidder under a Composite License (CL) enabling further exploration before identifying mineable resources or a Mining Lease (ML) where mineable resources/reserves have been identified to take the project to mining at the earliest.

3.2 Under the auction route, we can therefore bid for the Ganajur Block and if we are the highest bidder and meet the other criteria as stipulated, we shall be successful in obtaining the said Block.

3.3 Being fair and transparent, auction is a good concept overall, excepting that the 2021 MMDR amendments do not give any Right of First Refusal (RoFR) or any other favourable rights to RP/PL holders or those with prior approvals from the State or Central Government for PL / ML which in our opinion is grossly unfair despite reference to RoFR for incentivising exploration in the New Mineral policy and Annual Reports of MoM as noted below. In cases of mineral blocks where PL / ML has not been granted after receiving prior approval of Central Government, the very least that we would have expected is grant of RoFR to such applicants, thereby providing greater surety in obtaining the CL or ML particularly in situations where the bid criteria is yet to be finalised..

4. Right of First Refusal

4.1 The concept of Right of First Refusal to existing RP / PL holders was approved by the Union Cabinet on 28/02/2019 and has also been included as part of the National Mineral Policy, 2019 (NMP, 2019) w.e.f. 28/03/2019. Specifically, Clause 4.4 of NMP, 2019 states that "Exploration shall be incentivised to attract private investments as well as state-of-the-art technology, within the ambit of auction regime, through Right of First Refusal at the time of auction."

4.2 In addition, the 'Right of First Refusal' as enumerated in NMP, 2019 was highlighted in the Annual Report of MoM for 2018-19 and 2019-20 published on 15/11/2019 and 22/09/2020 respectively.



4.3 In Section 3.6 of its Annual Report for 2020-21 published on 16/05/2021 (after the coming into effect of the MMDR Amendment Act, 2021), the MoM has reiterated that "the National Mineral Policy, 2019 includes provisions which will give boost to mining sector such as 'introduction of Right of First Refusal for RP/PL holders'.

4.4 In our opinion, granting of RoFR to applicants who have worked in a particular mineral block and have the necessary data and field expertise will only help fast track the road to production, which is a stated aim of the Government of India.

4.5 We can also use the legal route to seek RoFR for our Ganajur ML during the auction process.

5. Seeking reimbursement of exploration expenditure

5.1 The amendments to the MMDR Act introduced in 2021 inter-alia provide that for the cases covered under Section 10A(2)(b) including the pending cases, the right to obtain a Prospecting Licence (PL) followed Reconnaissance Permit (RP) or PL whose rights have lapsed shall be reimbursed for expenditure incurred towards reconnaissance or prospecting operations in such manner as may be prescribed by the Central Government.

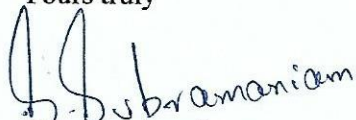
5.2 We shall be making appropriate claims once the rules and procedures are notified.

6. Conclusion

As all of the options and rights noted in (2) to (5) above are open to us, a comprehensive plan of action is being devised in consultation with our legal counsel and advisors.

We shall keep our shareholders informed of further developments in this regard.

Yours truly


Subramaniam S
Company Secretary
ACS No 12110

