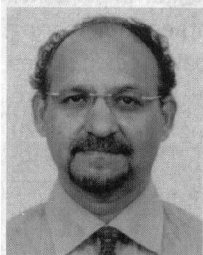


Mr. Sandeep Lakwara - Deccan Gold Mines Ltd on "augmenting supplies in India through own production"



India was one of the leading gold producers in the world during the British period, when there were about 100 big & small gold mines in operation. Yet, it produces only 0.4% of its consumption today. The decline of the Indian gold

mining industry can be directly attributed to the nationalistic policies of independent India, which for several decades prevented private and foreign investment in exploration & mining for gold. Eventually in 1993, the Govt. of India has opened up the industry to private and foreign investment. However, the lack of investor friendly regulatory guidelines and the snail pace over which prospecting / mining licenses are granted has meant that the industry has not been developed to its full potential.

By contrast, over this same period, gold mining industries in Australia, Canada, & South Africa and now in China have attracted huge private investments in the gold exploration and mining sector. On average, Australia spends about USD 300 million per annum on gold exploration, where as India spends less than USD 5 million per annum. Most of Australia's money is raised through public issue of shares in exploration / mining companies and through institutional investment. There is much greater comfort derived from the regulatory regimes in these countries.

Yet, Indian terrain offers ample opportunities for major gold discoveries. A large part of India is covered by ancient rocks (>2 billion year old), which have been hosts to about 60% of the gold production in the world. There are records of about 800 ancient diggings from where gold has been recovered in the past.

In addition, exploration by governmental agencies in the last few decades has also been successful in identifying a few gold discoveries, which can become producing mines. Many prospects in the states of Andhra Pradesh, Karnataka, Chattisgarh, Jharkhand, Madhya Pradesh and Rajasthan could potentially host mineable gold deposits. The need of the hour is to spend major risk capital in exploring these sites & get to the gold deposits.

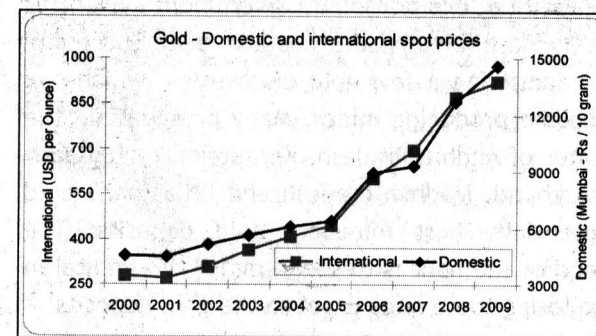
In India, it would take up to 5 years to get a prospecting license granted and another few years

to get to a mining license currently. All along, the exploration company is spending major capital with no assurance of return and at the end limited security of tenure as various state Governments have come into the picture at the last and asked for reservation of the prospects for state institutions.

It is hoped that the 'New Mining Policy', on the table for the last couple of years, now awaiting final approval and introduction after the winter session of parliament, will help to overcome the earlier pitfalls and facilitate the growth of gold exploration and development of new gold mines. It is also hoped that the Indian Govt. would facilitate private and public participation in the gold exploration and mining sector, by allowing more exploration companies to list on its Stock Exchanges & raise capital for development. The Govt. should also look at providing tax incentives to the gold exploration and mining industry.

Gold prices and returns prospects

Gold prices are skyrocketing over the years both in the national and international markets. However, the price increase in the national market was significant during the current year as average price (till end of Aug '09) ruled at about Rs.14,600 per 10 grams compared with the annual average of Rs.12,670 per 10 grams in 2008. With this, the market has witnessed price appreciation of about 15% compared with merely 5% international market for the same period, which could be mainly linked to the currency factor.



Note: Average price from Jan to Aug for 2009