

Update on Ganajur Gold Project & other developments

Bangalore
August 3, 2016

Deccan Gold Mines Limited ("DGML") (BSE Scrip Code : 512068) is pleased to advise that the internationally reputed Geological and Mining Consultant referred to in our earlier release dated June 13, 2016 is Snowden Mining Industry Consultants (Snowden) based in Perth for undertaking bankable feasibility studies (FS) for the Ganajur Gold Project of its subsidiary Deccan Exploration Services Private Limited (DESPL). We are also pleased to inform that the team from Snowden visited the Ganajur Project recently as part of their studies to get a firsthand experience of the project and also for undertaking due diligence and review of the information provided by DESPL. The team included a Mining Engineer / Manager, Resource Geologist, Geotechnical Engineer and an Environmental and tailings specialist. Snowden has expressed satisfaction at the level of work being carried out by DESPL and the potentiality of the project as a whole.

As already reported in our previous release, the FS will comprise studies on various geological, mining and engineering disciplines. Snowden will be responsible for studies on ore resource and reserves, mine planning, geochemistry, tailings and financial modeling. DESPL through its consultants will be undertaking studies related to Environment, Hydro geology, hydrology and geotechnical engineering. DESPL will also undertake all the work related to processing and plant design. The data and the report prepared by DESPL Consultants will be reviewed by Snowden who will then compile a comprehensive report as per JORC standards.

We are happy to note that the studies are progressing well and are scheduled to be completed by the end of December 2016. Below please find updates on the progress of work related to the disciplines for which DESPL's Indian Consultants are responsible:

Geotechnical Studies

DESPL has appointed Sarathy Geotech & Engineering Services Private Limited, Bangalore for undertaking detailed geotechnical studies for the open pit mine, plant location, waste rock dump and tailings dam. Drilling for geotechnical studies is underway and so far two drill holes have been completed. Another two holes will be completed shortly.

The purpose of geotechnical drilling is to assist with determining the mining pit wall stability and then refining the pit design accordingly. Similar geotechnical drilling will be undertaken at the processing plant site for foundation laying purposes and ascertaining the stability of tailing dam walls.

The drill hole locations were chosen by Snowden in consultation with DESPL and Sarathy who have a number of experts in this field and some of them are doctorates from the prestigious Indian Institute of Science, Bangalore.



Hydrogeology

DESPL has appointed Mr. M.C.Reddy and Mr. Jayakumar both retired Directors from the Central Ground Water Board for undertaking ground water related studies for the project. Our consultants have completed the field studies as per the scope of work defined by Snowden and the draft report is being prepared.

Environmental Studies

Our Consultant B.S. Envitech has already completed the base line data collection and the draft EIA/EMP report is being prepared. The Report will address adherence to the regulatory requirements within India and how the Project also complies with other international feasibility standards indicated by Snowden.

Metallurgical Studies

Our Process Engineer, John Fodor, is fully involved in completing the test works at ALS lab, Perth, Australia. The final flow sheet for processing the gold ore is being finalized and we are working on short listing the contractor for undertaking processing plant engineering design.

Letter of Intent (LoI) – Ganajur Gold Project

The Department of Mines & Geology, Government of Karnataka (DMG) has started processing the pending Mining Lease (ML) files for compliance with their internal checklist that was notified recently through a Government Order. It may be noted that the Internal Checklist requires sign-off / certification from certain Divisions of DMG and Indian Bureau of Mines prior to the issue of the LoI.

We understand that our Ganajur ML file has been taken up for processing and DMG has now received the required certification from IBM. We also understand that the process for obtaining other sign-off / confirmations has been initiated and the LoI would be issued shortly.

Hutti Special Leave Petitions (SLP)

Our SLP was listed for hearing on July 21, 2016. As our matter was part heard on March 29, 2016 by a Bench comprising two Judges and one of those Judges was transferred to a Constitution Bench of the Supreme Court (SC), our hearing listed for July 21, 2016 was deferred.

Our lawyers have since checked with the SC Registry and their Listing Department and were informed that our SLP will be listed before the same Bench which had heard the matter partly earlier. We understand that upon conclusion of the matter being heard by the Constitution Bench, our SLP will be taken up for final hearing by the same Judges as before. A date for such hearing will be given by the SC shortly.



Future funding requirements

In order to progress the Ganajur Gold Project to a mining stage which includes setting up of a processing plant at Ganajur, the Company is looking to raise Project Finance. While the exact requirement of funds will emerge upon the completion of FS by Snowden by December 2016, it is anticipated that the fund raising would potentially be a combination of debt and equity.

Keeping in mind the above factors, the Company has initiated preliminary discussions with merchant bankers, investment banks and other Consultants on the feasibility and structuring of the transaction and other legal / regulatory aspects involved. Once formally appointed, such intermediaries would be advising on the detailed aspects of the transaction.

Stakeholders would be kept informed of further developments in this regard.

