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## **Directors and Others**

|                                               |                                                                                                                                                                                                                                                |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Chairman</b>                               | Mr. Charles E. E. Devenish                                                                                                                                                                                                                     |
| <b>Managing Director</b>                      | Mr. Sandeep Lakhwara                                                                                                                                                                                                                           |
| <b>Directors</b>                              | Mr. Ashok Gupta<br>Prof. V.K.Gaur<br>Dr. M. Ramakrishnan<br>Mr. K.R. Krishnamurthy                                                                                                                                                             |
| <b>Company Secretary</b>                      | Mr. Manoj Deshmukh                                                                                                                                                                                                                             |
| <b>Auditors</b>                               | V.K. Beswal & Associates<br>Chartered Accountants<br>Mumbai                                                                                                                                                                                    |
| <b>Legal Advisors</b>                         | Dua & Associates<br>130/1, 2 <sup>nd</sup> Floor, Ulsoor Road<br>Bangalore 560 042                                                                                                                                                             |
| <b>Registrars &amp; Share Transfer Agents</b> | Intime Spectrum Registry Limited<br>Pannalal Silk Mills Compound<br>C-13, LBS Marg, Bahndup (West)<br>MUMBAI 400 078<br>Tel: 91 22 55555454<br>Fax: 91 22 55555353<br>Email: isrl@vsnl.com                                                     |
| <b>Bankers</b>                                | Standard Chartered Grindlays Bank                                                                                                                                                                                                              |
| <b>Registered Office</b>                      | 49A Nariman Bhawan,<br>Nariman Point,<br>MUMBAI 400 021<br>Tel: 91 22 22026026/22874839<br>Fax: 91 22 22020820<br>Email: info@deccangoldmines.com<br>www.deccangoldmines.com                                                                   |
| <b>Corporate Office</b>                       | 12 SBI Colony, 7 <sup>th</sup> Main,<br>3 <sup>rd</sup> Block, Koramangala<br>BANGALORE 560 034<br>Tel: 91 80 25506974/ 91 80 25506977<br>Fax: 91 80 25506973<br>Email: <a href="mailto:info@deccangoldmines.com">info@deccangoldmines.com</a> |

## LETTER FROM THE CHAIRMAN

I feel honoured to present this Annual Report for 2005 to our growing number of shareholders, which now total about 8500.

We have had several exploration successes in the last twelve months, details of which are contained in the segment titled “Report on Exploration activities” in this Annual Report. Please do take the time to read it and feel free to contact any member of our dedicated team of geologists to assist you with understanding the report.

Our focus of exploration activities over the last twelve months remained on two very highly prospective blocks - the Dharwar Shimoga exploration block spread over an area of 3453 sq km and the North Hutti block spread over an area of 501sq km. Within these blocks we have identified several potential gold bearing zones worthy of detailed investigation. We have, as a result, filed several Prospecting Licence (PL) applications over these gold bearing zones.

The PLs, once granted, will enable us to undertake below surface investigations to substantiate our initial findings and equally importantly to undertake feasibility studies to ascertain the economics of mining in the gold bearing zones. The State Governments are taking a long time to process PL applications. We are therefore working very closely with other companies in the exploration industry and the Federation of Indian Mining Industry (FIMI), to exert pressure at the Central Government level, to fast track the granting of PLs and generally upgrade the mining regulations for the betterment of the industry. I am happy to report that the Central Government has set up a committee to address and rectify the shortcomings in the mining regulations.

During the year, we commissioned our first dedicated Reverse Circulation (RC) drilling rig, acquired at a cost of about Rs 72 Lacs into service. The rig has been very useful in undertaking reconnaissance drilling to identify the potential gold bearing zones. The operational cost of the rig has been approximately half of the costs quoted by outside sources and the availability has been continuous.

Deccan Gold also entered into a technical services agreement with De Beers (India) Private Limited during the year to enable its expertise in gold exploration to be utilized on De Beers' exploration areas in India and the latter's diamond exploration expertise to be utilized on Deccan Gold's exploration areas. The agreement is awaiting approval from the Central Government before commencement of work by the respective companies.

The results of our exploration activities make me convinced of the potential for discovering gold deposits within our exploration areas. It is only after the grant of Prospecting Licences by the government authorities that we can undertake the detailed investigation required to substantiate our initial findings of probable gold resources in certain areas and ascertain the viability of undertaking mining operations in these areas. Substantial efforts in the coming year will be directed to ensure the PLs are granted.

Finally, I wish to express my gratitude to our dedicated team of people who have performed extremely well in helping our company grow and to you, our shareholder, for your support and faith in the long term success of our company.

Warm regards

**Charles E E Devenish**  
Chairman



## PROFILE OF DIRECTORS

### **Charles E. E. Devenish**

#### **Chairman**

Charles Devenish was the founder and first chairman of two publicly listed companies in the 80's and 90's that pioneered diamond exploration in Australia. For 38 years he was the principal of Charles Edward Jewellers, one of Australia's leading specialist retail and wholesale outlets with international links in Europe, Middle East and USA. He also acted as an advisor to the Government of Vietnam on the development of that country's gemstone mining and cutting industry. Devenish moved to Delhi, India in August 2002 and has been actively liaising with various government departments and providing support and guidance to progress the development of gold exploration and mining industry in India.

### **Sandeep Lakhwara**

#### **Managing Director**

Sandeep Lakhwara has several years experience advising junior Australian exploration and mining companies on development strategies. Educated at Curtin University in Western Australia, and a member of the Australian Society of Certified Practising Accountants (CPAs), Sandeep has been a principal and partner of several Australian based accounting practices specializing in capital raisings for the mineral industry, financial planning and corporate regulatory requirements for publicly listed companies. He has lived in Australia for the last 25 years, headed various organizations in the past, at times taking small start ups to fully developed successful businesses, and moved to Bangalore a couple of years ago to oversee the development of Australian Indian Resources Pty Ltd (AIR) projects in India. He is primarily responsible for the acquisition and growth of Deccan Gold Mines Limited. He is Managing Director of AIR and Deccan Gold Mines Limited. Sandeep has made various presentations on factors influencing gold pricing, the operation and business model of international mineral exploration companies, and is regularly called upon to contribute articles on the gold mining industry to various newspapers and magazines.

### **Ashok Kumar Gupta**

#### **Director**

Ashok Kumar Gupta is a fellow of the Institute of Chartered Accountants of India and also has a substantial legal practice based in Mumbai, India. Gupta has wide exposure of financial activities and has sound knowledge and experience on project advisory and financing working capital arrangements, etc.

### **Prof V. K. Gaur**

#### **Director**

Professor V K Gaur is an eminent geoscientist of this country. He is a former Director of the National Geophysical Research Institute. He is a Distinguished Scientist of the Council of Scientific and Industrial Research and Distinguished Professor at the Indian Institute of Astrophysics.

### **Dr. M. Ramakrishnan**

#### **Director**

Dr. Ramakrishnan is a well known Precambrian Geologist. He was earlier Senior Deputy Director General of the Geological Survey of India. He is a Fellow of the Indian Academy of Sciences and Vice President of the Geological Society of India.

### **K. R. Krishnamurthy**

#### **Director**

K. R. Krishnamurthy is a well known Mining Engineer. He was General Manager of Chitradurga Copper Company and Manager at Ashanti Gold Fields, Ghana for 10 years. He was also Mining Consultant to Bharat Gold Mines Limited and many mineral based industries in India and abroad.



## KEY PERSONNEL

### Chief Consulting Geologist

#### **Dr. V. N. Vasudev**

Dr. V. N. Vasudev is Chief Geologist. He has published several papers on the geology, structure, gold and sulphide mineralisation in Archean greenstone belts of Dharwar Craton. He has also undertaken overseas research in southeast Greenland and was associated with Russian geologists in a research project on Kolar Gold Fields, India. He was with Government of Karnataka, Department of Mines and Geology as a Senior Geologist and Mining Geologist of Chitradurga Copper Company Limited. He has carried out extensive literature research and field reconnaissance throughout India for the Company.

### Technical Advisor

#### **Dr. R. Srinivasan**

He was Senior Earth Scientist at the National Geophysical Research Institute, Hyderabad. Earlier to that he had 13 years experience in Mineral and Ground water prospecting and geotechnical investigations. Has more than 35 years of research experience on Precambrian Crustal Evolution. Areas of expertise are structural geology, sedimentology, geochemistry, geochronology, Precambrian paleobiology, heat flow and helium emanometry as applied to academic problems and mineral exploration. He has worked in different parts of India and has also carried out field studies in USA, Canada, Russia, Western Australia and Ceylon. He is a Fellow of all the three National Science Academies of the country.

### Geological Consultant

#### **S.C.R. Peshwa, M.Sc., FGS**

He worked as a Mining & Exploration geologist for 13 years upto 1996 with the Bharat Gold Mines Limited. From 1996 to 2002 worked as a Project Manager with ACC Ltd., and was involved in exploration of gold and other minerals. Successfully carried out gold prospecting in Red Sea hills region of Sudan. Mr. Peshwa is now responsible for all our projects in the Hutti Region.

### Geological Consultant

#### **Dr. Modali H. Prasad**

He has 8 years experience as geologist in Geological Survey of India. He has carried out geological mapping and mineral resources assessment particularly gold, copper and nickel in the supra crustal belts in parts of Mahakoshal belt, Betul and Sakoli belt in Central India.

### Geological Consultant

#### **K. T. Shashi Kumar**

He has over 45 years experience in Exploration and Mining Geology. He has worked at different levels as field geologist, coordinator, project manager and at Senior Management level overseeing number of successful exploration projects in the country and overseas. He has worked both in the private sector and for government owned organisations such as Indian Bureau of Mines, Geological Survey of India and Mineral Exploration Corporation Limited and premier exploration agencies in the country.

### Head-Legal & Company Secretary

#### **Manoj Deshmukh**

Manoj Deshmukh is a law graduate and Fellow Member of the Institute of Company Secretaries of India. He has more than 15 years of experience in the field of Company Law and other corporate laws. During this span of his career, he has handled number of take-overs, mergers, amalgamations, IPOs joint ventures, foreign collaborations, etc. He is in charge of legal and secretarial matters and looks after compliances under various statutes.

## EXPLORATION PERMITS AND APPLICATIONS

Mineral exploration licences in India are granted in three stages:

- ☐ Reconnaissance Permit (RP)
- ☐ Prospecting Licence (PL)
- ☐ Mining Lease (ML)

During 2005, Deccan Gold Mines Limited (DGML), made fresh Reconnaissance Permit applications over an area of 8,026 sq km in the States of Kerala, Karnataka and Andhra Pradesh (*See Table 1*).

It is a pleasure to report that the Government of Kerala has granted Deccan its first RP for gold exploration over an area of 834 sq km in the Attappadi Valley. Other Deccan applications for RPs in Kerala are pending.

By agreement with two private AIR Group companies, Geomysore Services (India) Private Limited (GMSI) and Indophil Resources Exploration Services (India) Private Limited. Deccan has secured an additional 2,021 sq km of RP land prospective for gold in Karnataka (*See Table 2*).

Deccan has applied for Prospecting Licences over an area of 85 sq km in Karnataka and Kerala. These are first-in-time applications and are under active consideration for grant by the respective State Governments.

By agreement with the two private AIR Group companies mentioned above, another 267 sq km for exploration under PLs will be made available to Deccan when the licences are granted to the other companies. (*See Table 3*).

Deccan is also in the process of obtaining a Mining Lease (ML) over an area of 2 sq km in Rajasthan, targeting silver. By agreement with GMSI, Deccan has two other ML applications pending over areas of 6 sq km and 0.24 sq km respectively in Andhra Pradesh and Karnataka (*See Table 4*).

| TABLE 1 RP APPLICATIONS BY DGML IN INDIA |                                       |                                   |                |               |
|------------------------------------------|---------------------------------------|-----------------------------------|----------------|---------------|
| RP Nos.                                  | Block Name                            | District                          | State          | Area in sq km |
| <b>DGML.RPA-1</b>                        | <b>Attappadi*</b>                     | <b>Palakkad</b>                   | <b>Kerala</b>  | <b>834</b>    |
| DGML.RPA-2                               | Hutti South                           | Raichur                           | Karnataka      | 1000          |
| DGML.RPA-3                               | Hiriyur Block<br>(Paramenahalli area) | Chitradurga & Tumkur              | Karnataka      | 596           |
| DGML.RPA-4                               | Harapanahalli<br>(Konganahosuru Area) | Chitradurga, Bellary &<br>Dharwad | Karnataka      | 1370          |
| DGML.RPA-5                               | Ramagiri                              | Anantapur                         | Andhra Pradesh | 2430          |
| DGML.RPA-7                               | Mangalur-Jainapur                     | Gulbarga                          | Karnataka      | 408           |
| DGML.RPA-8                               | Mavinahole                            | Shimoga                           | Karnataka      | 188           |
| DGML.RPA-9                               | Nilambur                              | Malappuram                        | Kerala         | 1200          |
| <b>8</b>                                 |                                       |                                   | <b>TOTAL</b>   | <b>8026</b>   |

*\*RP granted by Government of Kerala*

| TABLE 2 : RP BLOCKS AVAILABLE TO DGML FOR EXPLORATION UNDER AGREEMENT WITH<br>INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) Pvt.Ltd. |              |          |                          |                            |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------|----------|--------------------------|----------------------------|
| RPA No.                                                                                                                                | Block Name   | District | Granted Area<br>in sq km | Retained Area<br>in sq km. |
| <b>RPA 32b</b>                                                                                                                         | Hutti North  | Raichur  | 501.48                   | 250.74                     |
| <b>RPA-7B</b>                                                                                                                          | Dharwar      | Dharwar  | 3453                     | 1000                       |
| <b>RPA-7C</b>                                                                                                                          | Hanagal      | Haveri   | 1542.2                   | 771                        |
|                                                                                                                                        | <b>TOTAL</b> |          | <b>5496.68</b>           | <b>2021.74</b>             |

| TABLE 3 : PL APPLICATIONS BY DGML |                         |                    |                     |               |
|-----------------------------------|-------------------------|--------------------|---------------------|---------------|
| PL No.                            | Block Name              | District           | State               | Area in sq km |
| DGML.PL-1<br>DGML.PL-2            | Kempinkote<br>Puttumala | Hassan<br>Palakkad | Karnataka<br>Kerala | 4<br>81       |
| <b>2</b>                          |                         |                    | <b>TOTAL</b>        | <b>85</b>     |

| PL TENEMENTS OF INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PVT. LTD and<br>GEOMYSORE SERVICES (INDIA) PVT.LTD.<br>WHICH WILL BE AVAILABLE FOR EXPLORATION BY DGML |                    |                |                |               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------|----------------|---------------|
| PL No.                                                                                                                                                                 | Block Name         | District       | State          | Area in sq km |
| IRES-1                                                                                                                                                                 | Hutti North        | Raichur        | Karnataka      | 5             |
| IRES-2                                                                                                                                                                 | Ganajuru-Karjagi   | Haveri-Dharwar | Karnataka      | 2.3           |
| IRES-3                                                                                                                                                                 | Uti                | Raichur        | Karnataka      | 2.9           |
| IRES-4                                                                                                                                                                 | Yatkal-Hirenagnur  | Raichur        | Karnataka      | 28            |
| IRES-5                                                                                                                                                                 | Wandalli           | Raichur        | Karnataka      | 90            |
| IRES-6                                                                                                                                                                 | Kulavalli          | Belgaum        | Karnataka      | 2             |
| IRES-7                                                                                                                                                                 | Yelagatti          | Raichur        | Karnataka      | 9             |
| IRES-8                                                                                                                                                                 | Turkara-Sigihalli  | Belgaum        | Karnataka      | 1.7           |
| IRES-9                                                                                                                                                                 | Bhavihal           | Dharwad        | Karnataka      | 1.5           |
| IRES-10                                                                                                                                                                | Mangalagatti       | Dharwar        | Karnataka      | 4             |
| IRES-11                                                                                                                                                                | Ganajur-Extension  | Haveri         | Karnataka      | 8             |
| IRES-12                                                                                                                                                                | Lakkikoppa         | Haveri         | Karnataka      | 5             |
| GMSI.PL-3                                                                                                                                                              | Ramagiri           | Anantapur      | Andhra Pradesh | 20            |
| GMSI.PL-4                                                                                                                                                              | Sanbal-Maski       | Raichur        | Karnataka      | 14.7          |
| GMSI.PL-5                                                                                                                                                              | Buddini            | Raichur        | Karnataka      | 8             |
| GMSI.PL-7                                                                                                                                                              | Mangalur           | Gulbarga       | Karnataka      | 1.2           |
| GMSI.PL-8                                                                                                                                                              | Jainapur           | Gulbarga       | Karnataka      | 1.1           |
| GMSI.PL-12                                                                                                                                                             | Udbal-Dinnisamudra | Raichur        | Karnataka      | 35            |
| GMSI.PL-13                                                                                                                                                             | Boksampalle        | Anantapur      | Andhra Pradesh | 17            |
| GMSI.PL-14                                                                                                                                                             | Virapur            | Raichur        | Karnataka      | 7             |
| GMSI.PL-15                                                                                                                                                             | Mukangavi          | Gulbarga       | Karnataka      | 4.5           |
| <b>21</b>                                                                                                                                                              |                    |                | <b>TOTAL</b>   | <b>267.9</b>  |

*IRES = Indophil Resources Exploration Services (India) Private Limited It is a 100% owned subsidiary of Deccan Gold Mines Limited The company was acquired on 3<sup>rd</sup> March 2005.*

*GMSI = Geomysore Services (India) Private Limited is an associated company of DGML*

| TABLE 4 : ML APPLICATIONS BY DGML IN INDIA |             |          |           |               |
|--------------------------------------------|-------------|----------|-----------|---------------|
| RP Nos.                                    | Block Name  | District | State     | Area in sq km |
| DGML.ML-1                                  | Bharak      | Bhilwara | Rajasthan | 2             |
| IRES- 1                                    | Mangalgatti | Dharwar  | Karnataka | 0.24          |
| <b>TOTAL</b>                               |             |          |           | <b>2.24</b>   |



## REPORT ON EXPLORATION ACTIVITIES

Exploration activities continued in the various RP blocks held or being transferred to Deccan Gold Mines Ltd, but with greater emphasis in the North Hutti and Dharwar-Shimoga RP blocks, so as to up-grade the more promising prospects to PL and ML stages.

In order to intensify exploration, two Scintrex magnetometers and a Reverse Circulation (RC) rig were purchased and put into service. Additional geologists, geophysicists, drilling engineers and field crew were recruited.

### NORTH HUTTI RP BLOCK

Since the closure of the Bharath Gold Mines in the Kolar Greenstone Belt, the Hutti Greenstone Belt (HGB) is the home of India's only world-class lode gold deposit. Owned by the Karnataka State Government, Hutti Gold Mines Limited (HGML) operates the only producing mine in the country. The Hutti mining lease takes up an area of about 9 sq km within the 600 sq km greenstone belt. Indophil Resources Exploration Services (India) Private Limited, a company now 100 percent owned by Deccan Gold Mines Limited, has held RP covering the entire northern part of the Hutti greenstone belt (HGB), outside the tenements of HGML. Evidence from Australia that such world-class gold deposits seldom occur alone in a given greenstone belt, prompted acquisition of the RP over a large area of the HGB. The decision has been well and truly justified with RP exploration of the block drawing to a close, Deccan has identified more than a dozen new gold prospects to be explored by detailed drilling under Prospecting Licences. Some of the more important prospects are described in **Figure 1** and following :

#### North Hutti Prospect

Hutti Gold Mines Limited (HGML) has an underground mining operation that wins gold from a set of quartz reefs designated from west to east as Main Reef, Prospect Reef, Oakley Reef, Middle Reef, Zone I Reef, Village Reef, Strike Reef and New East Reef. These reefs are inferred to extend along strike into the DGML tenement north of the Hutti mining lease.

Ground magnetic and IP surveys in Deccan's predominantly soil-covered prospect was followed up by bedrock sampling along seven E-W profiles. The resulting 682 geochemical samples were assayed for gold. The resulting data helped identify anomalies that suggest a northward strike extension of the Middle, Zone I, Village, Strike and New East reefs of the Hutti Gold Mines for at least a kilometre into the Deccan tenement (**Fig 2**).

Sampling of vein quartz and associated wall rocks collected along the inferred strike extension of Hutti's Main Reef in the western part of the prospect showed gold values up to 16g/t. Rock-chip samples from the inferred extension of Hutti's New East Reef, analyzed 1.0 to 10.7 g/t gold. Channel sampling along two profiles revealed a 1m wide sheared quartz vein with 9.4g/t gold in one profile and 10g/t in the other. Reverse circulation drilling executed to intersect the New East Reef passed through the reef at a depth of 30m. Although the drill cuttings from the mineralized zone assayed only 1.08 g/t gold, they confirmed the depth extension of the New East Reef. Further drilling will be carried out to trace the continuity of the reefs both along strike and dip, and to pick up the ore shoots.

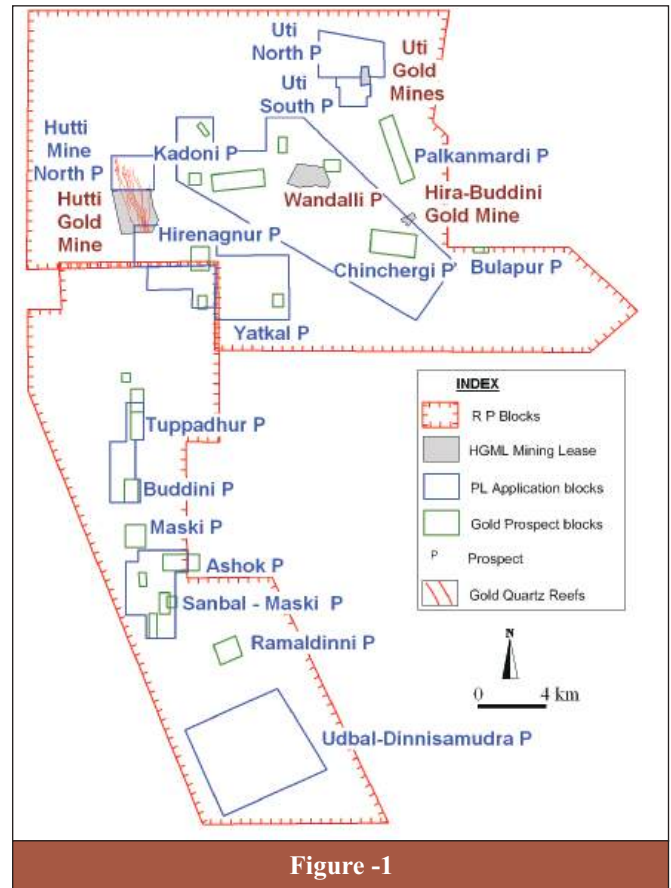


Figure -1

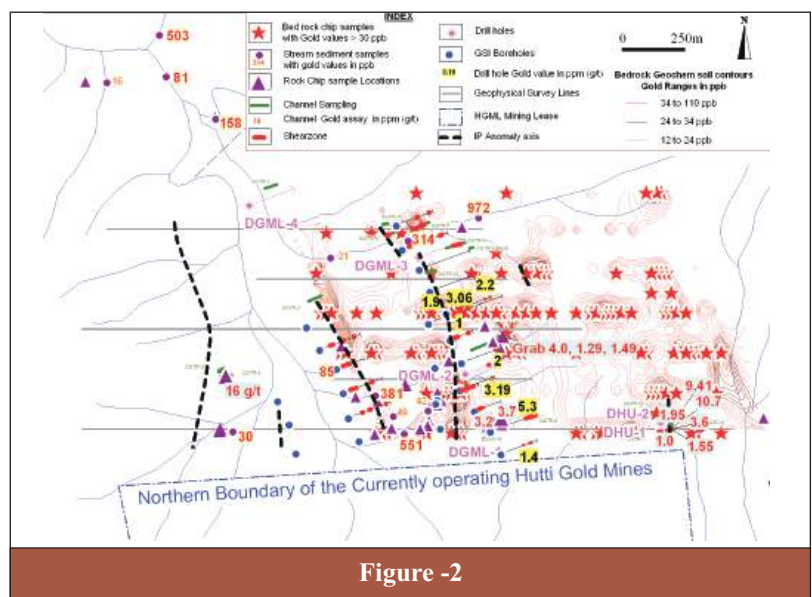


Figure -2



## Hirenaganur Prospect

Exploration results from Hirenaganur Prospect could be described as the highlight of this year's field activity. It is a new discovery by Deccan.

Gold mineralization hosted by Banded Iron Formation (BIF) was noted in 2004, about 500m west of Hirenaganur and 5 km southeast of the Hutti Gold Mine. It dips steeply to the west. Surface rock chip samples have assayed up to 7.13g/t gold. The ore is also rich in tungsten.

Nineteen line kilometres of magnetic surveying along eleven E-W profiles defined a 1.2 km long N-S elongated magnetic anomaly zone. Bedrock and channel sampling across the 50m wide anomalous zone has revealed two or three sub-parallel gold-rich zones ranging from 2m to 15m wide (**Fig. 3**). The grade of mineralization in these zones is in the range of 1.0 to 3 g/t gold.

Initial RAB drilling for 60m in two boreholes revealed an 11m mineralized zone grading 2.17g/t gold. RC drilling totalling 945m and analyses of 611 drill cuttings collected at 1 to 2m intervals confirmed the persistence of gold mineralization to a depth of 98 metres. Data from some drill holes that yielded encouraging results are tabulated below.

Drilling has defined an ore zone over a strike length of 300m. Another 900m of the anomalous zone is being tested by channel sampling and RC drilling, with more encouraging results. Wide zones of mineralization at close intervals and good grades point to the possibility of this prospect maturing into an open-pittable deposit.



Figure -3

## RC DRILLING RESULTS FROM HIRENAGANUR PROSPECT

| Drill Hole No. | Width (m) | Grade (g/t) | Remarks                                                 |
|----------------|-----------|-------------|---------------------------------------------------------|
| DHN A          | 2         | 1.96        | Max value 2.76 g/t Au                                   |
|                | 9         | 1.26        |                                                         |
|                | 3         | 2.34        |                                                         |
| DHN B          | 26        | 1.76        | includes 10.0 m of 2.76 g/t<br>Max value 4.94 g/t Au    |
| DHN C          | 9         | 2.77        | Visible gold in pan concentrate, Max value 12.87 g/t Au |
|                | 3         | 2.47        |                                                         |
|                | 19        | 3.02        |                                                         |
| DHN D          | 16        | 6.38        | West lode                                               |
| DHN E          | 9         | 2.21        | Visible gold in pan concentrate, Max value 8.77 g/t Au  |
| DHN F          | 2         | 3.72        | Max value 3.72 g/t Au                                   |
|                | 12        | 1.5         |                                                         |
| DHN G          | 9         | 1.24        | Max value 3.94 g/t Au                                   |
| DHN H          | 10        | 2.36        | Visible gold in pan concentrate, Maximum value-8.5 g/t  |
| DHN I          | 5         | 3.02        | Visible gold in pan concentrate, Max value 6.26 g/t Au  |
|                | 7         | 2.65        |                                                         |
| DHN J          | 11        | 4.52        |                                                         |

## Chinchergi-Wandalli Prospect

The Chinchergi-Wandalli prospect is located about 15 km east of Hutti Gold Mine. The area near Chinchergi and the adjacent Topaldoddi village has been known since ancient times for gold mining activity by local people. British miners carried out further prospecting in the area in the early part of 20th century.

A total of 31 rock chip samples taken mainly from quartz veins in mafic and felsic meta-volcanic rocks from several old workings south of Chinchergi and the area between them were analyzed for gold. While most samples assayed in the range <0.01 to 0.33 ppm gold, one sample showed 8.3g/t, indicating that there are mineralized zones present which need to be probed in detail. Bedrock geochemical sampling has already been undertaken. A total of 652 samples were collected at 10m intervals along profiles perpendicular to the strike of the mineralized zone (**Fig 4**). Strong geochemical anomalies with gold values in the

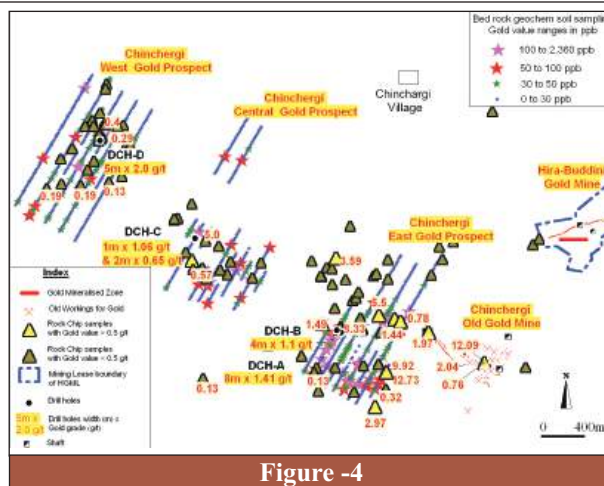


Figure -4

range of 100 ppb to 2.36 g/t have been found along three profiles, in strike continuity of veins observed in the old workings south of Chinchergi. The data suggest that mineralized veins continue for at least a kilometre WNW from the old workings. South of that zone, another quartz reef has been traced over a strike length of about 500m. This reef is associated with a 100m-wide geochemical anomalous zone observed in four profiles. Widely-spaced reconnaissance drilling over a strike length of 3.7 km has indicated depth continuity of the mineralization. Borehole DCH-A passed through a mineralized zone with an apparent width of 8m and average grade of 1.41 g/t gold (*See Table below*).

Detailed drilling is planned for the Chinchergi Prospect when a Prospecting Licence is secured.

#### RC DRILLING RESULTS FROM CHINCHERGI PROSPECT

| Drill Hole No | Location. (Sub Block) | Depth (m) | Width (m) | Grade (g/t) | Remarks                           |
|---------------|-----------------------|-----------|-----------|-------------|-----------------------------------|
| DCH A         | EAST                  | 66        | 8         | 1.41        | Visible gold seen in panning      |
| DCH B         | EAST                  | 49        | 4         | 1.1         |                                   |
| DCH C         | CENTRAL               | 63        | 1         | 1.06        | High value of tungsten upto 0.35% |
|               |                       |           | 2         | 0.65        |                                   |
| DCH D         | WEST                  | 80        | 5         | 2           | Visible gold seen in panning.     |

#### Uti South Prospect

This block is in the area south of HGML's Uti open pit mine. Bedrock sampling has revealed an anomalous zone 50m wide, with 591ppb gold. This anomaly falls along strike of the Uti Mine's Lode No. 5. The sampling results have opened up a new target for detailed exploration by Deccan.

#### Uti North Prospect

Systematic geochemical and ground magnetic surveys have been carried out to explore the area north of the Uti open pit mine. A total of 123 bedrock samples from 5 profiles point to two broad, moderately auriferous anomalies. One anomaly is at the contact between schistose metabasalt and amphibolite. The other is at the contact of felsic volcanic rock with metabasalt. The limited number of rock chip samples taken from these zones so far have yielded gold contents in the range of 0.12 to 6.21 g/t gold.

#### Uti Temple Prospect

Bedrock geochemical sampling has been undertaken in the Uti Temple Prospect to trace the strike continuity of the Uti Mine's Temple lode that is known to extend west from the mine. While that targeted lode extension was picked up by a 60 metre wide geochemical anomaly, another anomalous zone has been identified east of the targeted one. Samples from this second zone, have assayed 244 ppb gold. Magnetic surveys have picked up geophysical anomalies coinciding with the geochemical anomalies, indicating that it is worth testing the identified zones by drilling.

#### Yatkal Prospect

Earlier rock chip and soil sampling drew attention to a gold mineralization zone in sheared granites in the Yatkal Prospect. Ground magnetic survey has brought out a kilometre long ENE-WSW anomaly coinciding with the known geochemical anomaly. The coincidence of the two anomalies indicates that Yatkal is a worthy target for exploration by drilling.

#### DHARWAR-SHIMOGARPBLOCK

RC drilling has been carried out in two prospects in the Ganajur area this year to learn more about the resources located in 2004.

#### Ganajur Main Prospect

This prospect was identified entirely as a result of Deccan's exploration of the Ganajur area last year. An additional 669m of reverse circulation drilling, lithological logging and analysis of 200 samples from bore holes this year have increased the estimated size of the gold resource from 3.8 tonnes to 5.8 tonnes. That weight of gold is estimated to be contained in 1,530,000 tonnes of ore grading 3.7g/t. The mineralized zone has so far been traced along a strike length of 372 metres, with an average width of 19 metres (**Fig 5**). The Table below shows data from the two most recent RC drill holes.

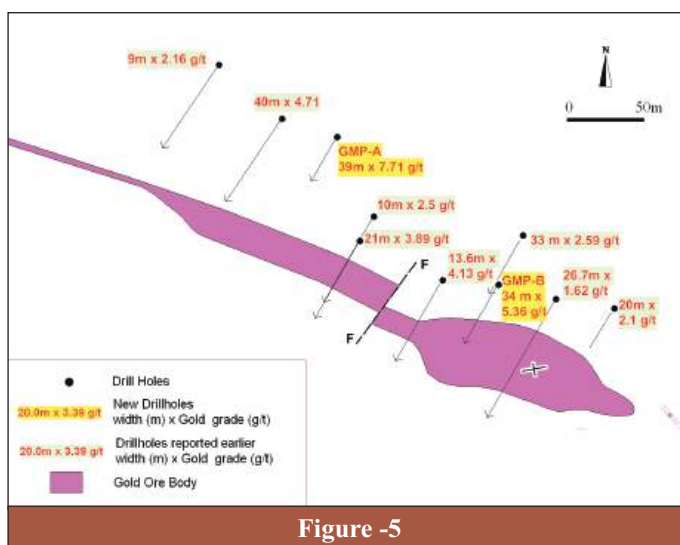


Figure -5

**RC DRILLING RESULTS FOR TWO NEW DRILL HOLES  
IN GANAJUR MAIN PROSPECT**

| Drill hole No. | Zone of mineralisation |    | True width (m)<br>of panel | Weighted average<br>gold in g/t |
|----------------|------------------------|----|----------------------------|---------------------------------|
|                | From                   | To |                            |                                 |
| <b>GMP-A</b>   | 27                     | 66 | <b>39</b>                  | <b>7.71</b>                     |
| <b>GMP-B</b>   | 22                     | 37 | <b>34</b>                  | <b>5.36</b>                     |

**Ganajur Central Prospect**

The Ganajur Central Prospect is located SE of the Ganajur Main Prospect. Geological mapping and rock chip sampling have revealed a folded mineralized Banded Iron Formation over a strike length of 500 metres. As fold hinge zones are known to have enriched grades of mineralization, RC drilling was targeted at the hinge zone of the folded BIF. The drill hole passed through a 4m thick mineralized zone with visible gold averaging 18g/t. gold. The Ganajur Central prospect is now regarded as an important target for further investigation.

**Karajgi Prospect**

This prospect is located 400m SE of Ganajur Prospect. A number of old workings for gold in BIF are known in the area. A mineralised zone has been traced over a strike length of 133 metres. After channel sampling at the surface, 308m of reverse circulation drilling has been completed. Good intersections were observed over widths ranging from 7m to 16m. The surface channel sampling and drilling have delineated an ore body of 33,311 cubic metres, with an average grade of 3.23 g/t gold at 0.5 g/t cut off. A probable resource of 300 kgs has been estimated to a shallow depth of 50 metres. Further drilling is planned under Prospecting Licence.

**DRILLING RESULTS FOR SOME RC BOREHOLES IN KARAJGI PROSPECT,  
DHARWAR SHIMOGA BASIN**

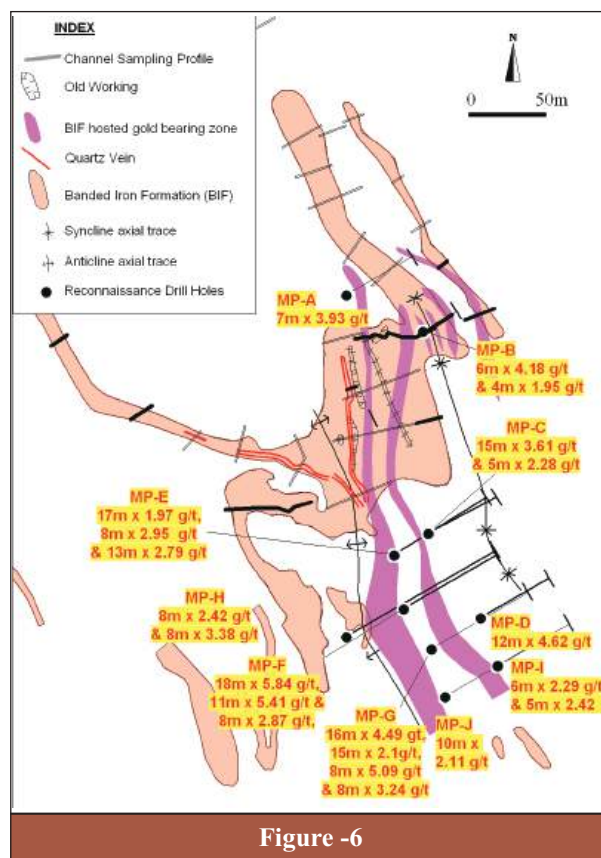
| Channel Sample /<br>Drill Hole No. | Zone of mineralisation |        | Av. True of<br>width (m)<br>panel | Weighted<br>average gold in BH<br>/Channel Sample | Avg. grade<br>of panel |
|------------------------------------|------------------------|--------|-----------------------------------|---------------------------------------------------|------------------------|
|                                    | From (m)               | To (m) |                                   |                                                   |                        |
| <b>KMP-A</b>                       | 19                     | 29     | <b>8.5</b>                        | <b>1.8</b>                                        | <b>3.315</b>           |
| <b>KMP-B</b>                       |                        |        |                                   | <b>5</b>                                          |                        |
| <b>KMP-C</b>                       | 22                     | 31     | <b>6.65</b>                       | <b>3.64</b>                                       | <b>4.41</b>            |
| <b>KMP-D</b>                       |                        |        |                                   | <b>5.28</b>                                       |                        |
| <b>KMP-E</b>                       | 29                     | 36     | <b>5.6</b>                        | <b>2.4</b>                                        | <b>1.85</b>            |
| <b>Channel-4</b>                   |                        |        |                                   | <b>1</b>                                          |                        |
| <b>KMP-F</b>                       | 25                     | 41     | <b>5.6</b>                        | <b>4.43</b>                                       | <b>2.71</b>            |
| <b>KMP-G</b>                       | 15                     | 21     |                                   | <b>2.28</b>                                       |                        |
| <b>Channel-4</b>                   |                        |        |                                   | <b>1</b>                                          |                        |

## Mangalgatti Prospect

Mangalgatti is another promising area for gold in BIF. Three zones of gold mineralization have been delineated, designated the Mangalgatti NW, Mangalgatti SE and Mangalgatti East prospects. RAB drilling showed the mineralized BIF to be weathered to depths beyond 50 metres, and 2,650 metres of RC drilling revealed several good intersections in the Mangalgatti SE prospect (see Table below). Two lodes have been delineated from surface and drill hole geochemical data. They are shown in **Figure 6**.

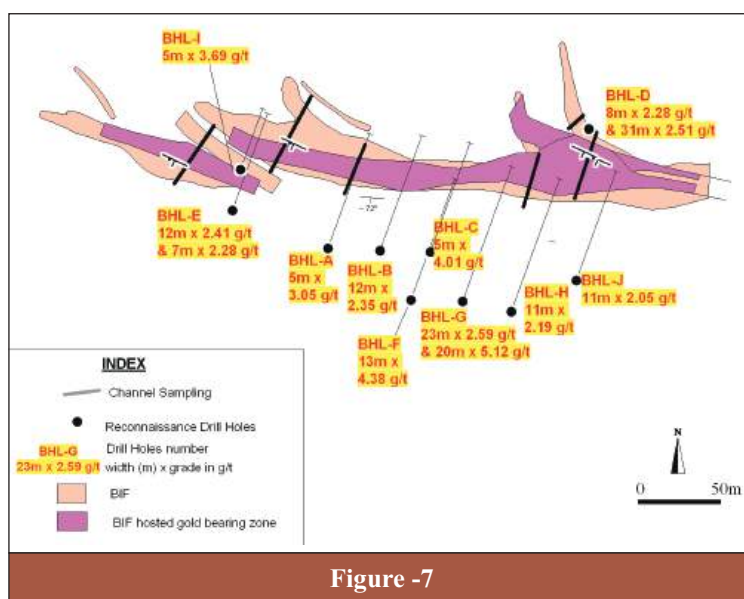
### Mangalgatti Prospect in Dharwar Cluster High grade intersections in Drill holes

| Drill hole No | Zone of mineralisation |        | Inclined width | Grade in g/t |
|---------------|------------------------|--------|----------------|--------------|
|               | From (m)               | To (m) |                |              |
| MP-A          | 25                     | 32     | 7              | 3.93         |
| MP-B          | 1                      | 5      | 4              | 1.95         |
|               | 16                     | 22     | 6              | 4.18         |
| MP-C          | 12                     | 17     | 5              | 2.28         |
|               | 90                     | 105    | 15             | 3.61         |
| MP-D          | 35                     | 47     | 12             | 4.62         |
|               | 17                     | 34     | 17             | 1.97         |
|               | 67                     | 75     | 8              | 2.95         |
| MP-E          | 91                     | 104    | 13             | 2.79         |
|               | 13                     | 21     | 8              | 2.87         |
| MP-F          | 27                     | 45     | 18             | 5.84         |
|               | 58                     | 69     | 11             | 5.41         |
|               | 44                     | 52     | 8              | 3.24         |
| MP-G          | 56                     | 71     | 15             | 2.1          |
|               | 100                    | 108    | 8              | 5.09         |
|               | 125                    | 141    | 16             | 4.49         |
|               | 31                     | 39     | 8              | 2.42         |
| MP-H          | 49                     | 57     | 8              | 3.38         |
|               | 31                     | 37     | 6              | 2.29         |
| MP-I          | 70                     | 75     | 5              | 2.42         |
|               | 27                     | 37     | 10             | 2.11         |
| MP-J          |                        |        |                |              |



## Bhavihal Prospect

A total of 2,780 metres of reverse circulation drilling was carried out in the Bhavihal prospect over a 400m strike of mineralized ferruginous chert. The drilling to shallow depths between 50m and 90m was intended to delineate a possible open-pittable resource, if any. The number of gold-rich intersections encountered (see Table below). was sufficient to locate four distinct gold lodes close to each other as shown in the Figure 7.





### BAVIHAL PROSPECT IN DHARWAR CLUSTER HIGH GRADE INTERSECTIONS IN DRILL HOLES

| Drill hole No | Zone of mineralisation |        | Inclined width | Grade in g/t |
|---------------|------------------------|--------|----------------|--------------|
|               | From (m)               | To (m) |                |              |
| BHL-A         | 60                     | 65     | 5              | 3.05         |
| BHL-B         | 50                     | 62     | 12             | 2.35         |
| BHL-C         | 51                     | 56     | 5              | 4.01         |
| BHL-D         | 30                     | 38     | 8              | 2.28         |
| BHL-E         | 51                     | 82     | 31             | 2.51         |
|               | 17                     | 29     | 12             | 2.41         |
|               | 49                     | 56     | 7              | 2.28         |
| BHL-F         | 86                     | 99     | 13             | 4.38         |
| BHL-G         | 85                     | 108    | 23             | 2.59         |
| BHL-H         | 112                    | 132    | 20             | 5.12         |
|               | 102                    | 113    | 11             | 2.19         |
| BHL-I         | 23                     | 28     | 5              | 3.69         |
| BHL-J         | 63                     | 74     | 11             | 2.05         |

#### ATTAPPADI: A newly-granted R.P Block in Kerala

Deccan Gold Mines Ltd has recently been granted a Reconnaissance Permit over an area of 834 square kilometres in the Palakkad district of Kerala. Deccan's permit covers known gold resources associated with a major shear zone in the Attappadi Valley, where local people recover alluvial gold by panning in the Siruvani River.

The Geological Survey of India (GSI) has defined 9 distinct gold-bearing Attapadi blocks aligned NE/SE in an area 16 kilometres by 2 kilometres. From the data collected, the GSI estimated one of the nine Attappadi blocks, designated the Kottathara Prospect, to contain a gold resource of 60,000 tonnes averaging 13.63 g/t.

The presence of that resource, and the favorable geological setting, make the Attappadi Valley a priority target area for intensive exploration by Deccan.

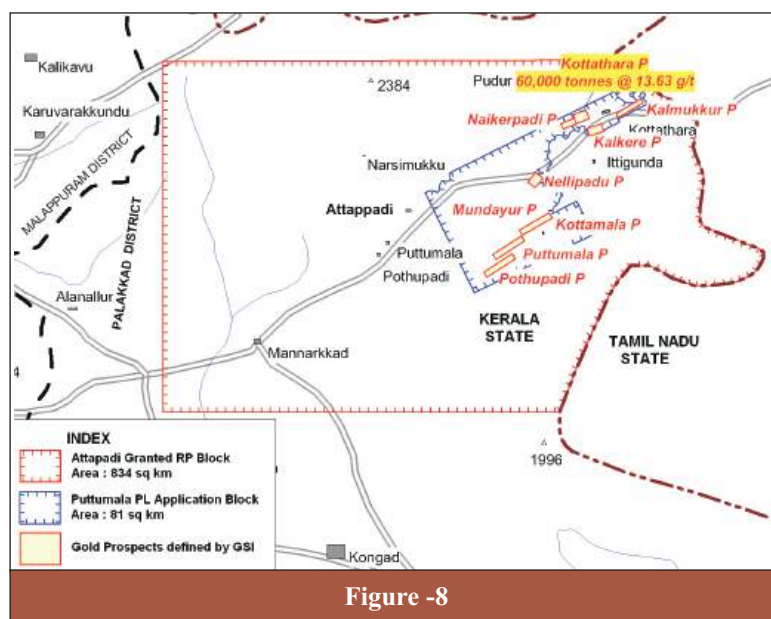


Figure -8