# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the next Annual General Meeting of Deccan Gold Mines Limited will be held on Thursday, 30th day of November, 2006 at 11.00 A.M. at Wodehouse Gymkhana, 182, Maharishi Karve Road, Mumbai-400 021 to transact the following business:

## ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March 2006 and the Audited Balance Sheet as on that date and the Reports of the Board of Directors and Auditors thereon.

2. To appoint a Director in place of Dr. M. Ramakrishnan who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Prof. V.K. Gaur who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai as Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company and authorize the Board of Directors to fix their remuneration.

## SPECIAL BUSINESS :

5. To consider and if thought fit, to pass, with or without modification (s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Vaidyanathan Sivakumar, who was appointed as an Additional Director the Company with effect from 29th May 2006 pursuant to the provisions of Section 260 of the Companies Act, 1956 and in accordance with the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director subject to retirement by rotation, under the Articles of Association of the Company. "

6. To consider and if thought fit, to pass, with or without modification (s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Taveesh Pandey, who was appointed as an Additional Director the Company with effect from 29th May 2006 pursuant to the provisions of Section 260 of the Companies Act, 1956 and in accordance with the Articles of Association of the Company and who holds office till the conclusion of this Annual General Meeting, and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as a Director subject to retirement by rotation, under the Articles of Association of the Company. "

By order of the Board
For **Deccan Gold Mines Limited,**

Place : Bangalore
Dated: 30th October, 2006

S. Subramaniam
Company Secretary

**REGISTERED OFFICE:**

49A, Nariman Bhavan,
227, Nariman Point,
Mumbai – 400 021

**NOTES:**

1. The Relative Explanatory Statement under Section 173(2) of the Companies Act, 1956 in respect of the Special Business to be transacted at the meeting is appended hereto.

2. ***A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.***

3. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours (forty eight hours) before the time fixed for holding the meeting.

4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 28th November 2006 to Wednesday, the 29th November, 2006 (both days inclusive).

5. The Annual Reports and Attendance slips will not be distributed at the Annual General Meeting. Shareholders / Proxies are requested to bring the same along with them.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

**ITEM NOS. 5 AND 6**

Mr. Vaidyanathan Sivakumar and Mr. Taveesh Pandey were appointed as an Additional Directors of the Company with effect from 29th May 2006. Pursuant to the provisions of the Section 260 of the Companies Act, 1956, the term of office of the aforesaid Additional Directors shall expire at the ensuing Annual General Meeting of the Company. In the meantime, the Company has received notice under Section 257 of the said act from a shareholder proposing the respective candidature of Mr. Vaidyanathan Sivakumar and Mr. Taveesh Pandey for the office of Director of the Company. The Board recommends the appointment of Mr. Vaidyanathan Sivakumar and Mr. Taveesh Pandey as Directors of the Company.

The resolution vide Item Nos. 5 and 6 are, therefore, proposed for the approval of the Members.

Mr. Vaidyanathan Sivakumar and Mr. Taveesh Pandey shall be deemed to be concerned or interested in the resolution for their respective appointment. Apart from the said Directors, no other Director shall be deemed to be concerned or interested in the said resolutions.

By order of the Board
For **Deccan Gold Mines Limited,**

Place : Bangalore
Dated: 30th October, 2006

S. Subramaniam
Company Secretary

**REGISTERED OFFICE:**

49A, Nariman Bhavan,
227, Nariman Point,
Mumbai – 400 021

## INFORMATION ABOUT DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT AT THE ANNUAL GENERAL MEETING

(Pursuant to Clause 49(IV)(G)(i) of the Listing Agreement entered into with Stock Exchange viz., BSE)

**(1) Dr. M. Ramakrishnan**

Dr. Ramakrishnan is well known Precambrian Geologist of the Country. He was earlier Senior Deputy Director General of the Geological Survey of India. He served as Editor of the Geological Survey of India and at present is its Vice-President. He is a Fellow of the Indian Academy of Sciences.

In terms of Clause 49(IV)(G)(i)(c) of the Listing Agreement entered into with the Stock Exchange viz., BSE, the shareholders may take note that Dr. M. Ramakrishnan is a director of Indophil Resources Exploration Services (India) Private Limited, a 100% subsidiary of Deccan Gold Mines Limited. Apart from this, Dr. Ramakrishnan does not hold Directorships / Committee Chairmanship or Membership in any other Company.

Further, in terms of Clause 49(IV)(E)(i)(v) of the Listing Agreement entered into with the Stock Exchange viz., BSE, the shareholders may take note Dr. M. Ramakrishnan does not hold any shares in the Company as on $30^{th}$ October, 2006 (either in his own name or held by / for other persons on a beneficial basis).

**(2) Prof. V. K. Gaur**

Professor Vinod Gaur is an eminent geoscientist of this country. He was earlier Director of the National Geophysical Research Institute and Secretary of the Department of Ocean Development, Government of India. He is a Distinguished Scientist of the Council of Scientific and Industrial Research and Distinguished Professor at the Indian Institute of Astrophysics. His special interests are Seismotectonics and promotion of earth sciences in the country. He is a Fellow of all the three National Science Academies of the country and also Fellow of the Third World Academy of Sciences. He is also honorary fellow of the IUGG.

In terms of Clause 49(IV)(G)(i)(c) of the Listing Agreement entered into with the Stock Exchange viz., BSE, the shareholders may take note that Prof. Gaur does not hold Directorships / Committee Chairmanship or Membership in any other Company.

Further, in terms of Clause 49(IV)(E)(i)(v) of the Listing Agreement entered into with the Stock Exchange viz., BSE, the shareholders may take note Prof. Gaur does not hold any shares in the Company as on $30^{th}$ October, 2006 (either in his own name or held by / for other persons on a beneficial basis).

**(3) Mr. Vaidyanathan Sivakumar**

Mr. Vaidyanathan Sivakumar spent several years in equity and credit research in public markets with Crosby Securities, Peregrine Capital and CRISIL where his roles ranged from Analyst to Head of Research and functions included stock analysis, asset allocation and investment strategy and building and managing research teams and products. He also has six years industrial experience with ICI India where he worked in several commercial functions. Mr. Sivakumar holds engineering and management degrees from the Indian Institute of Technology and Indian Institute of Management, Ahmedabad respectively

In terms of Clause 49(IV)(G)(i)(c) of the Listing Agreement entered into with the Stock Exchange viz., BSE, the shareholders may take note that Mr. Vaidyanathan Sivakumar is also a director in the following companies:

Geomysore Services (India) Private Limited
Jhansi Mining Private Limited
Trident Minerals Resources Private Limited
Indian Australian Mining Company Private Limited
Goan Mineral Resources Private Limited
Premier Nickel Mines Private Limited
Premier Mineral Exploration Private Limited

Mr. Vaidyanathan Sivakumar does not hold Chairmanship/Membership of Committees of any other companies.

Further, in terms of Clause 49(IV)(E)(i)(v) of the Listing Agreement entered into with the Stock Exchange viz., BSE, the shareholders may take note Mr. Vaidyanathan Sivakumar does not hold any shares in the Company as on 30th October, 2006 (either in his own name or held by / for other persons on a beneficial basis).

**(4) Mr. Taveesh Pandey**

Mr. Taveesh Pandey was earlier working with International Finance Corporation (the private sector arm of the World Bank group) where he originated, structured and closed a $400 million transaction- IFC's largest ever single borrower exposure to India and one of the largest ever IFC transactions worldwide. He also led some of IFC's unique transactions in the Telecom and IT Services domain and was instrumental in increasing IFC's equity exposure to the Indian market.

Prior to IFC, Mr. Taveesh was with CRISIL (India's leading credit rating agency and now part of Standard & Poor's) where he developed CRISIL's analytical framework and business flow for Indian telecom service providers and created & commercially launched innovative rating products. Mr. Taveesh holds an MBA from the Indian Institute of Management (Ahmedabad) and a first degree in Economics (Honours) from the University of Delhi

In terms of Clause 49(IV)(G)(i)(c) of the Listing Agreement entered into with the Stock Exchange viz., BSE, the shareholders may take note that Mr. Taveesh Pandey does not hold Directorships / Committee Chairmanship or Membership in any other Company.

Further, in terms of Clause 49(IV)(E)(i)(v) of the Listing Agreement entered into with the Stock Exchange viz., BSE, the shareholders may take note Mr. Taveesh Pandey holds 19,500 equity shares in the Company in his own name as on 30th October, 2006. Apart from this, Mr. Taveesh Pandey does not hold any shares of the Company by / for other persons on a beneficial basis.

# DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the Annual Report on the business operations of the Company along with the Statement of Audited Accounts for the year ended 31st March 2006.

**1. Financial Results**

(Rs in '000s)

| Particulars | 2005-06 | 2004-05 |
|---|---|---|
| Total Income | **4124** | **785** |
| Profit/(Loss) before Taxation | **(4988)** | **(5972)** |
| Profit/(Loss) after Tax | **(5017)** | **(5972)** |
| Balance brought forward | **(9699)** | **(3727)** |
| Balance transferred to Balance Sheet | **(14716)** | **(9699)** |

During the year, the Company incurred Rs. 328.08 lacs on exploration activities and Rs. 91.22 lacs on administrative and other expenses. The entire amount spent on exploration activities has been transferred to pre-operative expenses.

**2. BUSINESS OPERATIONS AND OUTLOOK**

Across the globe, the price of gold is moving higher and according to analysts, it will continue to do so for the next couple of years. Against this backdrop, even a small gold discovery can have a major impact on the discoverer company's valuation.

Your Company has identified potential gold deposits within its prospects in the Southern States and the same are awaiting intensive drilling upon grant of prospecting or mining licences. With the new mineral policy on the anvil, the prospects for the sector look bright. Your Company and its management are well poised to take advantage of the opportunities that emerge on the horizon.

For full details please refer to the segment titled "Management Discussion and Analysis Report" published elsewhere in this Annual Report.

**3. INVESTMENT BY SUN GROUP**

The shareholders would be happy to note that Sun Mining And Exploration Limited, Cyprus, a part of the Sun Group has invested in the Company. Sun Group is a leading business and investment house based principally in India and the countries of the Russia / CIS and has business interests the mining, energy and other core infrastructure sectors.

Pursuant to the approval accorded by the shareholders of the Company, at their Extraordinary General Meeting held on 17th April, 2006, the Board of Directors have, vide resolution dated 1st May, 2006, issued on preferential basis:

(a) 70,00,000 equity shares at a price of Rs.15.10/- each (including a premium of Rs. 14.10/- per share) to Sun Mining and Exploration Limited, Cyprus.

(b) 110,77,027 warrants convertible (within 18 months from the date of issue) into 110,77,027 equity shares at a price of Rs.15.10/- each (including a premium of Rs.14.10/- per warrant/share) to Sun Mining and Exploration Limited, Cyprus.

The Company has received Rs. 10.57 crores towards issue of the aforesaid Equity Shares and Rs. 1.67 crores towards 10% of the exercise price of the aforesaid warrants.

The fund inflow would help the Company to fast track the existing projects, finance acquisitions, acquire and develop additional areas.

**4. SUBSIDIARY COMPANY**

As required under Section 212 of the Companies Act, 1956, the audited Profit and Loss Account for the year ended March 31, 2006 along with the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon of Indophil Resources Exploration Services (India) Private Limited, a subsidiary company is attached.

### 5. CORPORATE GOVERNANCE

The Company has complied with all the mandatory requirements of Corporate Governance specified by the Securities and Exchange Board of India through Clause 49 of the Listing Agreement. As required by the said Clause, a separate Report on Corporate Governance forms part of this Annual Report. A Certificate from M/s Rathi & Associates, Company Secretaries, regarding compliance with the conditions of Corporate Governance also forms part of this Annual Report.

Further, in terms of Clause 49(IV)(F) of the Listing Agreement, a separate report titled “Management Discussion and Analysis” forms part of this Annual Report.

### 6. BOARD OF DIRECTORS

Dr. M. Ramakrishnan and Prof. V.K. Gaur are the Directors who retire by rotation and being eligible, offer themselves for reappointment.

Mr. Vaidyanathan Sivakumar who was appointed as Additional Director with effect from 29th May, 2006 holds his position up to the date of the ensuing Annual General Meeting of the Company. Mr. Vaidyanathan Sivakumar is eligible for appointment as Director of the Company.

Mr. Taveesh Pandey, who was appointed as Additional Director with effect from 29th May, 2006 holds his position up to the date of the ensuing Annual General Meeting of the Company. Mr. Taveesh Pandey is eligible for appointment as Director of the Company.

The Company has received Notice (s) under Section 257 of the Companies Act, 1956 from shareholder (s) proposing the candidature of Mr. Vaidyanathan Sivakumar and Mr. Taveesh Pandey respectively for Directorship.

During the year under review, Mr. Ashok Gupta had tendered resignation from the position of Director due to other preoccupations with effect from 31st January, 2006. Your Directors place on record their deep appreciation for the valuable contribution made by Mr. Ashok Gupta during his tenure.

### 7. DIRECTORS’ RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm the following:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006 and of the loss of the Company for that period.
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that they have prepared the attached Statement of Accounts for the year ended March 31, 2006 on a going concern basis.

### 8. PERSONNEL

Your Directors place on record, their appreciation for the good work done by all the employees.

During the year under review, none of the employees of the Company was in receipt of remuneration aggregating Rs. 24,00,000/- or more per annum, if employed throughout the year, or Rs. 2,00,000/- or more per month, in case employed for part of the year. Hence, there are no particulars to be annexed to this report as required under Section 217 (2A) of the Companies Act, 1956 and the rules made there under.

### 9. AUDITORS

The Statutory Auditors M/s. V.K. Beswal & Associates, Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### 10. STATUTORY AUDITORS’ REPORT

Observations made in the Statutory Auditors’ Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.

**11. FIXED DEPOSITS**

The Company has not accepted or renewed any deposit from public during the year under review.

**12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGES EARNINGS & OUTGO**

**A. Conservation of Energy and Technology Absorption**

Considering the nature of the Company's existing business activities, your Directors have nothing to state in connection with conservation of energy and technology absorption.

**B. Foreign exchange earnings and outgo**

It may be noted that during the year under review, the Company did not have any foreign exchange earnings or outgo.

**13. ACKNOWLEDGEMENT**

The Directors wish to express their gratitude to all the business associates and the various Government Departments and Agencies for their continuous support to the Company and to the Investors / Shareholders for the confidence reposed in the Company and its management. The Directors also convey their appreciation to the employees at all levels for their enormous personal efforts as well as collective contribution.

**For and on behalf of the Board**

Place: Bangalore
Date: 30th October, 2006

**Charles E.E. Devenish**
**Chairman**

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in the Subsidiary Indophil Resources Exploration Services (India) Private Limited.

| | | | | |
|---|---|---|---|---|
| | | | | (Rs. in '000) |
| 1. | The financial year of the subsidiary company ended on | | | 31st March 2006 |
| 2. | Date from which it became subsidiary | | | 3rd March 2005 |
| 3. | a) | No. of shares held by Holding Company with its nominees in the subsidary at the end of the financial year of the subsidiary | | 10,000 |
| | b) | Extent of interest of holding company at the end of the financial year of the subsidiary | | 100% |
| 4. | The net aggregate amount of the subsidiary's profit (loss) so far as it concerns the members | | | |
| | a) | Not dealt with in holding company's accounts | | |
| | | i) | For the financial year of the subsidiary | Nil |
| | | ii) | For the previous financial year of the subsidiary since it became the subsidiary of the Company | Nil |
| | b) | Dealt with in holding company accounts | | |
| | | i) | For the financial year of the subsidiary | 168 |
| | | ii) | For the previous financial year of the subsidiary | 50 |
| 5. | Changes in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and the end of the holding Company's financial year. | | | None |
| 6. | Material changes between the end of the financial year of subsidiary and the end of holding company's financial year in respect of | | | |
| | a) | Subsidiary's fixed assets | | None |
| | b) | Its investments | | None |
| | c) | The monies lent by it | | None |
| | d) | The monies borrowed for the purpose other than meeting current liabilities. | | None |

* Consolidated accounts reflect the effect.

For and on behalf of the board

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place : Bangalore
Dated: 30th October, 2006

**S. Subramaniam**
Company Secretary

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## INTRODUCTION

Deccan Gold Mines Ltd (DGML) is the only gold exploration company listed on the Bombay Stock Exchange Limited. Its activities comprise exploration for gold in prospects held by the Company and its 100% owned subsidiary Indophil Resources Exploration Services Pvt Ltd. Its aim is to make discoveries of economically viable gold deposits suitable for exploitation within its prospects located in the states of Karnataka, Andhra Pradesh, Kerala and Rajasthan.

The Company has identified several gold mineralized zones within these prospects worthy of further investigation. Prospecting Licence (PL) applications have been lodged over these mineralized zones by the Company. Grant of the PLs will enable the Company to undertake detailed drilling and feasibility studies to dileneate the gold deposits and ascertain the viability of mining.

The Company has also lodged Mining Licence (ML) applications over four (4) areas covering a total of 3.18 sq km in the States of Rajasthan and Karnataka, where DGML has identified gold and silver deposits. Details on the ML applications have been provided in the "Exploration Permits and Applications" section of this Annual Report. Information on our exploration results in areas over which DGML has lodged ML applications is contained in "Report on Exploration Activities" section of this Annual Report.

## INDUSTRY REVIEW

Several factors over the last few years have been driving the price of gold upwards with the price peaking at US$ 725.75 per ounce in May 2006 from a low of US $252.9 in July 1999. The factors are diverse and incorporate global monetary, political and economic influences. A weak US $, negative real interest rates in the US, demand for gold exceeding supply, geopolitical tensions and de hedging by producers are some of these factors. Gold gurus internationally see factors favouring gold to continue over the ensuing years and are predicting gold price highs well beyond what has been achieved.

Whilst the top 10 gold producers internationally produced a total of about 1,861 tonnes of gold in 2005, the rest of the world produced about 657 tonnes of which India contributed a very small 3 tonnes all of it produced by The Hutti Gold Mines Ltd. In the same year, Newmont Mining of USA ranked no 1 with a production of 199 tonnes, closely followed by Anglogold Ashanti of South Africa with 192 tonnes and Barrick Gold of Canada with 170 tonnes. South Africa's gold mine production in 2005 was 297 tonnes followed by Australia at 263 tonnes and USA at 262 tonnes. (Source: GFMS)

Gold has been known to Indians for over 8000 years. There are tell tale signs of old gold workings throughout the country. Geologically the Indian terrain is largely comprised of pre cambrian rocks which have been the source of gold discoveries for majority of the gold produced worldwide. Yet India's contribution to world gold production has been abysmal. One reason for this outcome is lack of adequate exploration. Another reason is that the mineral policy of the Government, particularly as it relates to precious metals, does not foster favorable investment into the exploration industry.

Amongst other issues, the policy needs to provide for unbundling and seamlessness in the grant of permits so that the process is less cumbersome and time consuming and provides for complete security of tenure. Estimates suggest that India has only spent an average of US $35 million into exploration per annum over the last decade. Internationally, the figure spent by some countries is more than 10 times this amount.

In an article published by The National Herald in New Delhi on October 1, 2006 , "Prime Minister Manmohan Singh has directed the Mining Minister Sis Ram Ola to finalise the new mining policy before the winter session of Parliament. Dr Singh, has also asked Mr Ola to urgently sort out the differences between the Centre and mineral rich states on the issues of value addition and delays in the grant of permits by the states." A high level Committee had been set up in September 2005 under the chairmanship of Mr Hoda and asked to suggest policy changes needed to attract more foreign and domestic investment in the mineral exploration sector. The committee presented its report in June this year.

Worldwide the gold reserves are on the decline and demand for gold is on the increase. There is a shift from central banks selling gold to these banks buying gold, investors and speculators in gold are increasingly becoming more active, gold producers are de hedging their inventories, more gold is being fabricated into jewellery, and countries like China are likely to convert some of their massive foreign exchange reserves into gold.

Yet the supply is dwindling. According to a study published by Beacon Group advisors in 2002, gold mine production will drop between 30-35% over the next 7-8 years, due to lack of exploration during the 1997-2002 period. Exploration budgets had been cut by 67% in this period as the price of gold stood below US $350 an ounce. Exploration programs simply weren't profitable at this price level. No exploration means no new gold deposits. A declining gold production cannot be reversed easily. It takes a long time to make new discoveries and then bring the discovery into production.

Clearly, there is an urgent need for more money to be spent on exploration, so that new discoveries are made to replenish the dwindling supplies. The Indian geological terrain also offers the potential to attract major investment into gold exploration, but to do so the regulations and administrative procedures and practices governing the exploration sector must be completely overhauled.

## PERFORMANCE

Full details of exploration work undertaken by the Company are contained in "Report on Exploration Activities" forming part of this Annual Report. Some of the highlights are noted below.

The Hirenagnur prospect, located 5 km SE of the Hutti Gold Mines, in Karnataka, continues to deliver great results. The highlight here has been the establishment of a 2 km long (increased from 1.2 km in the year before last) and 50 m wide gold bearing zone with rock chip samples showing values of up to 7.78g/t. In addition, channel sampling across the 50 m wide zone resulted in identifying sub parallel mineralized zones of 2 to 15 m width with gold of 1 to 3 g/t. The potential to undertake open pit gold mining operations in this prospect remain high. A Mining Lease (ML) application covering the gold bearing zone of 0.65 sq km was lodged in June 2006 by the Company's 100% owned subsidiary IRES, after obtaining the consent of land owners. The application is in the processing stage with the Department of Mines and Geology, Karnataka. More detailed drilling needs to be undertaken upon grant of the licence to dileneate the potential gold reserve.

A Mining Lease application was also lodged over a highly mineralized gold zone of 0.29 sq km within the Ganajur Main prospect held by IRES. A total of 1005 m of drilling over a strike length of 372 metres gave strong gold intersections resulting in the estimation of a probable resource of 1.53 tonnes grading 3.79 g/t. As with the Hirenagnur Prospect, a detailed drilling program will also be undertaken here upon grant of the ML.

The Attapadi Prospect in Kerala also received a lot of attention in this last year with a team of geologists servicing the prospect from Coimbatore. Some of the work carried out included geological mapping, collection and analysis of a large number of stream sediment samples, collection and analysis of rock chip samples which have confirmed the high gold bearing potential of the rocks in the 834 sq km area of the Attapadi block. The prospect is indeed shaping up very well with reconnaissance drilling planned in the prospect shortly.

DGML together with its 100% owned subsidiary has lodged 9 Reconnaissance Permit applications over 10, 711 sq km in four States, 27 Prospecting Licence applications over 369.7 sq km and 4 Mining Lease applications over 3.18 sq km. Please refer to segment title "Exploration Permits and Applications" for full details.

Sun Mining and Exploration Ltd (Sun), part of the US $ 2 billion multinational Sun group of Companies, majority owned by the Khemka family with investments in the oil and gas sector, real estate, and other international mining projects has invested an amount of Rs. 12.24 crores into the Company comprising of subscription price for 70,00,000 equity shares at a price of Rs.15.10/- each and 10% of the issue price in respect of 110,77,027 convertible warrants at a price of Rs. 15.10/- each. These investments were via a preferential allotment approved by the shareholders at an Extra Ordinary General Meeting held on 17th April, 2006. The convertible warrants held by Sun are due for conversion within 18 months of issue in terms of the statutory guidelines.

Your Company incurred a total expenditure of Rs. 328.08 lacs on exploration on its prospects for the year ended 31st March, 2006. The amount of exploration expenditure incurred last year was Rs. 227.71 lacs.

Administrative and other costs for the year ended 31st March, 2006 were Rs. 91.22 lacs compared to Rs. 67.57 lacs for the year ended 31st March, 2005.

The net loss of the Company for the year ended 31st March, 2006 was Rs. 49.98 lacs compared to Rs. 59.72 lacs for the year ended 31st March, 2005. Exploration companies, by their very nature, will not generate mining revenues until commencement of mining operations.

Your company's working capital funds as at 31st March, 2006 were Rs. 214.00 lacs compared to Rs. 105.21 lacs for the year ended 31st March, 2005.

## RISKS AND CONCERNS

The exploration activities being carried on by your Company are on prospects which are yet to be transferred to the Company by its subsidiary and associate companies. Indophil Resources Exploration Services (India) Private Limited, a subsidiary of your company and Geomysore Services India Private Limited, an associate company are awaiting the grant of PLs and MLs which, pursuant to agreements entered into with your company, would be transferred to your Company upon grant. It may be noted that the mining regulations permit the transfer of the PLs from one entity to another.

Your Company is exposed to many technical and operational risks, such as unexpected ground conditions, inclement weather, industrial disruptions and incorrect estimates of geology and ore resources that are associated with any exploration project. The Company's projects may sometimes involve long gestation periods. Exploration is a speculative endeavor that may never result in finding economic deposits. There is no guarantee that capital expended on exploration will result in further discoveries, or that such discoveries will be economically viable.

Changes in governments and their respective policies, bureaucratic processes that cause delays in the grant of approvals, a still developing private gold exploration sector with new regulations that are yet to be legally tested are just some of the risks that may affect investment.

The ability of the your Company to benefit from its investment in the exploration sector would be dependent on market factors that control the world market prices for gold. There are many variables in the world market price equation and for this reason the gold prices may fluctuate overtime. Investment and future returns or revenues will be exposed to these fluctuations. No assurance can be given that future funding will be available for the company on favorable terms or at all. If adequate funds are not available on acceptable terms the Company may not be able to develop its projects.

Your directors, however believe that they have adequate experience and access to expertise and capital sources that will enable the Company to successfully develop is projects.

As is the case with every business venture, your Company is exposed to many technical and operational risks, which are diverse and range from inclement weather to incorrect geological estimates and include unfavourable regulatory atmosphere. It has to be appreciated that exploration is a speculative endeavor that may never result in finding economic deposits. Also, there is no guarantee that the capital expended on exploration will result in economically viable discoveries.

Further, the ability of your Company depends on the market factors that control the world market prices for gold. These are subject to very many variations and fluctuations.

All these factors notwithstanding, your Company and Directors believe that they have adequate experience and access to expertise and capital resources that will enable the Company to launch and execute its projects successfully.

## OUTLOOK AND OPPORTUNITIES

Worldwide declining gold reserves will benefit junior exploration companies because the major producers will have to go after them to replace their dwindling gold reserves, writes Eric Hommelberg in an article titled "Gold and Juniors". Statistics reveal that 75% of all gold discoveries are made by junior exploration/mining companies. Barrick Gold Corp has opened a Vancouver office to monitor junior exploration projects. Other major gold producers are also tracking gold exploration projects worldwide.

The major producers worldwide ofcourse will only be eyeing exploration companies with good prospects. Not enough funds have been spent on gold exploration by these major producers as noted by Alex Davidson, Vice President of one of the world's largest gold producers "Big mining companies need to spend more on exploration, or else, at current annual production rates, reserves will be depleted in 10 years and we're not currently funding exploration at a level required to replace reserves".

The price of gold is moving upwards and according to most analysts will continue to do so atleast over the few years surpassing the previous high of US $725.75 reached in May 2006. In this environment, even a small gold discovery can have a major impact on the discoverer company's valuation. One reason for this is that the higher gold price makes otherwise marginal discoveries, say of low grade, or high grade but low quantum, still profitable to mine. Internationally, there are several examples where smaller quantities, say upwards of 100,000 ounces have been mined very profitably during the higher gold price phase.

DGML has identified potential gold deposits within its prospects in the southern states that are awaiting intensive drilling upon grant of Prospecting or Mining Licences. The Company has hired the services of an Australian mineral resource analyst with several years of international experience and authority holder from the well recognised Joint Ore Resources Committee (JORC) of Australia to assist with the Company's detailed drilling programs and feasibility studies within these prospects to ascertain the viability of mining. Two such deposits are located in the Ganajur Main prospect in the Dharwar Shimoga belt and the Hirenagnur prospect within the Hutti belt. Both of these deposits offer the potential for open pit mining and have been covered with Mining Lease applications. Details of the work undertaken within these prospects have been noted in "Report on Exploration Activities" in this Annual Report.

DGML will shortly enter into contracts for the provision of drilling services to the Company. Several thousand meters of drilling is proposed within the prospects where gold deposits have been identified. Both international and Indian drilling companies have expressed an interest to undertake drilling work for the Company and have also provided quotations for this work. The Company will also continue to employ its Reverse Circulation rig acquired in the year 2005 for drilling purposes.

Delays in the grant of permits at both the State and the Central level have hindered the Company's ability to move ahead with its drilling programs and substantiation of gold resources in accordance with international norms. The matter is of concern to the Company. Your Directors have made several representations to the authorities in this respect. As noted in the "Industry Review" section, the matter is also of concern to our Prime Minister, Dr Manmohan Singh, who has issued a directive to the Mines Minister, Mr. Sis Ram Ola, to present the new mining policy for consideration by the winter session of Parliament and urgently sort out the delays in the grant of permits. A high level committee was also established in September 2005 under the Chairmanship of Mr Hoda to address the grievances of the exploration and mining industry and make recommendations to alleviate these grievances so that more private and foreign investment is attracted into this sector. Such recommendations have now been made.

DGML looks forward to the grant of its Prospecting and Mining Permits, so that it can undertake the next stage of exploration so urgently required to substantiate its potential gold resources. In every other respect, the Company is ready to deliver. It has identified experienced international and Indian drilling contractors capable of delivering large meterage of underground drilling in a timely and cost effective manner. It has obtained the services of an Australian resource analyst to assist the Company in complying with international norms when making discoveries of gold deposits. It has access to a brilliant team of very experienced Indian geologists who have assisted the Company in building up its gold resources. Most of all, it has identified gold resources with mining potential.

### ADEQUACY OF INTERNAL CONTROL

The Company has in place adequate internal control systems, which assure proper recording of transactions of its operations and also ensure protection against misuse or loss of the Company's assets. The Company has constituted an Audit Committee and has assigned to it tasks that will further strengthen the internal audit system.

## SOCIAL RESPONSIBILITY

Exploration activities generally cause little or no environmental damage. The Company has been utilising the world's best practices when undertaking exploration activities to ensure that the land is restored to its pre-exploration stage. In addition, it plans to contribute to the restoration of degraded forests in India by providing a variety of trees and shrubs, many of them imported from Australia subject to customs and quarantine requirements.

Apartment from environmental measures, the Company's activities provide ample opportunities for employment to the people residing in the areas surrounding the projects.

## CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of the applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include the availability of economically viable deposits, changes in Government regulations, tax regimes, economic developments in India and other incidental factors.

## PRACTICING COMPANY SECRETARIES CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members
Deccan Gold Mines Limited

We have examined the compliance of conditions of Corporate Governance by Deccan Gold Mines Limited ("the Company") for the year ended 31st March 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examinations were limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
**M/s. Rathi & Associates**
Company Secretaries

Place : Mumbai
Date : 30th October, 2006

**Narayan Rathi**
Partner
FCS No. 1433

# REPORT ON CORPORATE GOVERNANCE

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is a dynamic concept thriving under constantly changing environment. Corporate Governance encompasses good corporate practices, laws, procedures, standards and implicit rules that determine a Management's ability to take sound decisions with respect to its various stakeholders viz. its shareholders, creditors, partners, associates, employees and the Government. The objective of Corporate Governance is to maximize long-term shareholder value through an open and transparent disclosure regime enabling every stakeholder to have access to fullest information about the Company and its functioning. Your Company is firmly of the view that Corporate Governance is not an end in itself but a facilitator in maximizing stakeholder value. Any Corporate which embodies principles of Corporate Governance like openness, transparency, ownership fairness in its functioning is bound to maximize stakeholder value and also its own corporate values.

In keeping with the above, your Company reaffirms its commitment to excellence in Corporate Governance and constantly strives to benchmark itself against the best, in its relentless pursuit to attain the highest standards of corporate values and ethics. This is done with the objective of generating long-term economic value for the shareholders, whilst concurrently respecting the interest of other stakeholders.

The Company has complied with the provisions of the amended Clause 49 of the Listing Agreement entered into with the BSE (which came into effect from January 1, 2006) relating to corporate governance. The same are detailed below :

## 2. BOARD OF DIRECTORS

a) **Composition and category of directors, number of other Boards and Board Committees in which they are Chairperson / Member (as on 31st March, 2006)**

The Board comprises of 5 Directors out of which one is an Executive Director and the other 4 are Non Executive Directors. Out of the 4 Non-Executive Directors, 3 are Independent Directors. The Chairman of the Board is a Non-Executive Director and one-third of the Board comprises of Independent Directors.

The Board represents a mix of professionalism, knowledge and experience. All the Non Executive Directors are highly experienced professionals in their respective field and in the corporate world.

The composition of the Board and other relevant details relating to Directors are given below:

| Name of the Director | Designation | Category of Director-ship | No. of Other Directorships | No. of other Committee Memberships | |
|---|---|---|---|---|---|
| | | | | Chairman | Member |
| Mr. Charles E. E. Devenish | Chairman | Promoter, Non-Executive; Non Independent | 5 | - | - |
| Mr. Sandeep Lakhwara | Managing Director | Executive; Non Independent | 4 | - | - |
| Dr. M. Ramakrishnan | Director | Non- Executive; Independent | 1 | - | - |
| Mr. K.R. Krishnamurthy | Director | Non-Executive; Independent | Nil | - | - |
| Prof. V.K. Gaur | Director | Non-Executive; Independent | Nil | - | - |

* Notes:

1. For the purpose of considering the limit of directorship positions, foreign companies have been excluded.
2. For the purpose of considering the limit of committee membership positions, membership of only Audit Committee, Shareholders' Grievance Committee and Remuneration Committee have been considered.

b) **Number of Board Meetings held & dates on which held**

Six Board Meetings were held during the financial year 2005-06. These meetings were held on 8th April 2005; 27th July 2005; 31st October 2005; 28th November 2005; 31st January 2006; and 20th March 2006.

c) **Attendance of each Director at the Board Meetings and the last Annual General Meeting:**

The details of attendance of Directors in Board Meetings and in the last Annual General Meeting held on 27th December, 2005 are as follows:

| **Name of the** Director | **No. of Board** Meetings Attended | **Attendance at** Last Annual General Meeting |
|---|---|---|
| Mr. Charles E. E. Devenish | 3 | YES |
| Mr. Sandeep Lakhwara | 6 | YES |
| Dr. M. Ramakrishnan | 3 | YES |
| Mr. K.R. Krishnamurthy | 3 | YES |
| Prof. V.K. Gaur | 3 | NO |
| Mr. Ashok Gupta * | 3 | YES |

* Resigned with effect from 31st January 2006

d) **Code of Conduct :**

The Board has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company.

## 3. AUDIT COMMITTEE

### A) BRIEF DESCRIPTION OF TERMS OF REFERENCE

The terms of reference of the Audit Committee as defined by the Board are as under:

i) Hold discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the and review the quarterly, half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.

ii) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

iii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

iv) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

v) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

   (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.

   (b) Changes, if any, in accounting policies and practices and reasons for the same.

   (c) Major accounting entries involving estimates based on the exercise of judgement by management.

   (d) Significant adjustments made in the financial statements arising out of audit findings.

   (e) Compliance with listing and other legal requirements relating to financial statements.

(f) Disclosure of any related party transactions.

(g) Qualifications in the draft audit report.

vi) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

vii) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

viii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

ix) Discussion with internal auditors on any significant findings and follow up there on.

x) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

xi) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

xii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

xiii) Review of information as prescribed under Clause 49 (II)(E) of the listing agreement.

**POWERS OF THE AUDIT COMMITTEE**

Further, the Board has delegated the following powers to the Audit Committee:

i) Investigating any activity within its terms of reference as above, or in relation to the items specified in Section 292A of the Companies Act, 1956, or as may be referred to it by the Board, from time to time and for this purpose, it shall have full access to information contained in the records of the Company and external professional advice, if necessary

ii) Seek information from any employee.

iii) Obtain outside legal or other professional advice, if necessary.

iv) Secure attendance of outsiders with relevant expertise, if it considers necessary.

**B) COMPOSITION, NAME OF MEMBERS & CHAIRPERSON**

The Committee comprises 3 Non Executive Directors out of which 2 are Independent Directors. All the members of the Committee are financially literate. The Chairman of the Committee is an Independent Director. Mr. Charles E.E. Devenish is the member with accounting or related financial management expertise in the Committee.

The name of members & Chairperson of the Committee are as under:

| Name of member | Designation |
|---|---|
| Mr. K.R. Krishnamurthy | Chairman |
| Dr. M. Ramakrishnan | Member |
| Mr. Charles E.E. Devenish | Member |

c) **Meetings and attendance during the year**

Five Audit Committee Meetings were held during the financial year 2005 – 06. These meetings were held on 8th April 2005; 27th July 2005; 31st October 2005; 28th November 2005; and 31st January 2006.

The details of attendance in Audit Committee Meetings are as follows:

| Name of Member | No. of Meetings Attended |
|---|---|
| Mr. K.R. Krishnamurthy* | 3 |
| Dr. M. Ramakrishnan | 3 |
| Mr. Charles E.E. Devenish | 1 |

* Chairman

v) The Company Secretary acts as Secretary to the Committee. Further, the Audit Committee invites such of the executives of the Company as it considers appropriate to be present at its meetings. The representatives of the Statutory Auditors and Internal Auditors are also invited to these meetings.

## 4. REMUNERATION COMMITTEE

### A) BRIEF DESCRIPTION OF TERMS OF REFERENCE

Although a non-mandatory requirement, the Company has constituted a Remuneration Committee.

The terms of reference of the Committee is to review and recommend compensation payable to the Executive Directors and Senior Management of the company. It shall also administer the Company's stock option plans, if any, including the review and grant of the stock options to eligible employees under such plans. The Committee may review the performance of the Executive Directors, if any and for the said purpose may lay down requisite parameters for each of the Executive Directors at the beginning of the year.

### B) COMPOSITION, NAME OF MEMBERS AND CHAIRPERSON

The Committee comprises of 3 Non Executive Directors and the Chairman is an Independent Director.

The name of members & Chairperson of the Committee are as under:

| Name of member | Designation |
|---|---|
| Mr. K.R. Krishnamurthy | Chairman |
| Dr. M. Ramakrishnan | Member |
| Mr. Charles E.E. Devenish | Member |

### C) ATTENDANCE DURING THE YEAR

The Remuneration Committee did not have any meeting during the financial year 2005 – 06.

### D) REMUNERATION POLICY & DETAILS OF REMUNERATION TO ALL DIRECTORS

**i) Management Staff**

Remuneration of employees largely consists of basic remuneration and perquisites. The components of the total remuneration vary for different grades and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled, individual performance, etc.

**ii) Non-Executive Directors**

The Company pays sitting fees to all the Non-executive Directors of the Company for attending Board & Committee Meetings. The sitting fees paid is within the limits prescribed under the Companies Act, 1956.

Details of the Sitting fees paid to Non Executive Directors during the year 2005-06 is as under:

| Name of the Director / Member | Sitting Fees paid for attending meetings of | |
|---|---|---|
| | Board | Audit Committee |
| Dr. M. Ramakrishnan | 15000 | 7500 |
| Mr. K.R. Krishnamurthy | 15000 | 7500 |
| Prof. V.K. Gaur | 5000 | - |
| **Total** | **35000** | **15000** |

**iii) Executive Directors**

The aggregate of the salary paid in the financial year 2005 – 06 to Mr. Sandeep Lakhwara, Managing Director is Rs. 8,40,000/-.

## 5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

**a) Name of Non Executive Director heading the Committee**

Mr. K.R. Krishnamurthy, a Non Executive Directors heads the Committee.

This Committee has been constituted to look into investor's complaints like transfer of shares, non-receipt of declared dividends, etc. and take necessary steps for redressal thereof. Presently, the Registrars & Share Transfer Agents of the Company are attending to the share transfer requests on a regular basis.

The Committee met 4 times during the financial year 2005 – 06. These meetings were held on 8th April 2005; 27th July 2005; 31st October 2005; and 31st January 2006.

The composition of the Shareholders/Investors' Grievance Committee and the details of attendance in meetings are as follows:

| Name of Director | Designation | No. of Meetings Attended |
|---|---|---|
| Mr. K.R. Krishnamurthy | Chairman | 3 |
| Dr. M. Ramakrishnan | Member | 3 |
| Mr. Sandeep Lakhwara | Member | 4 |

**b) Compliance Officer**

Mr. Manoj Deshmukh, Head- Legal & Company Secretary was the Compliance Officer during the financial year 2005 – 06.

Mr.S.Subramaniam, Company Secretary is the Compliance Officer of the Company with effect from 4th October, 2006.

**c) Shareholder Complaints**

During the financial year 2005 – 06, the Company did not receive any complaints from shareholders. As such, there were no pending complaints as at the end of the year.

## 6. GENERAL BODY MEETINGS

i) Location, time and date of holding of the last three Annual General Meetings (AGM) are given below:

| Financial Year | Date | Time | Location of the Meeting |
|---|---|---|---|
| 2002-03 | 30/09/2003 | 11:00 a.m. | 49A, Nariman Bhavan,<br>227, Nariman Point, Mumbai – 400 021 |
| 2003-04 | 24/092004 | 3:00 p.m. | Walchand Hirachand Hall,<br>4th Floor, LNM IMC Building,<br>Indian Merchant's Chambers Marg,<br>Mumbai – 400 020 |
| 2004-05 | 27/12/2005 | 11.00 a.m. | Wodehouse Gymkhana,<br>182, Maharshi Karve Road,<br>Mumbai – 400 021 |

ii) Special Resolutions during previous three Annual General Meetings:

| Date of AGM | Particulars of Special Resolutions Passed |
|---|---|
| 30/09/2003 | **Nil** |
| 24/09/2004 | **Nil** |
| 27/12/2005 | **Nil** |

iii) During the financial year 2005-06, no resolutions were passed through Postal Ballot.

(iv) No Special resolution is proposed to be passed through Postal Ballot.

## 7. DISCLOSURES

a) The Company did not have any related party transactions, i.e. transactions of the Company of material nature, with its promoters, Directors or the Management, their subsidiaries or relatives, etc., which may have potential conflict with the interests of the Company at large. Related Party transactions have been disclosed in the Notes to Accounts in the financial statements as at March 31, 2006.

b) There was no non-compliance in respect any matter related to the capital markets by the Company during the last 3 years. Further, there was no penalty / strictures imposed on the Company by any Stock Exchange, SEBI or any Statutory Authority on any matter related to the capital markets during the last 3 years.

c) The Company has not implemented the Whistle Blower Policy which is a non-mandatory requirement under Clause 49 of the Listing Agreement.

d) The Company has complied with all the mandatory requirements as contained in Clause 49 of the Listing Agreement.

e) The Company has complied with the non-mandatory requirements relating to Remuneration Committee. The financial statements of the Company are unqualified.

## 8. MEANS OF COMMUNICATION

i. The quarterly results are published in leading English and Marathi newspapers. Further, they are also submitted to the BSE upon their approval by the Board of Directors and are available on the website of BSE (www.bseindia.com) and the website of the Company (www.deccangoldmines.com).

ii. The website of the Company also displays official news releases issued on behalf of the Company.

iii. No presentations were made to institutional investors or to the analysts during the year under review.

## 9. GENERAL SHAREHOLDER INFORMATION

**i. Annual General Meeting:**

Day / Date : Thursday / 30th November 2006

Time : 11.00 a.m.

Venue : Wodehouse Gymkhana
182, Maharishi Karve Road, Mumbai - 400 021.

**ii. Financial Year:**

The Company follows April-March as its financial year. The results for every quarter beginning from April are declared in the month following the quarter.

**iii. Date of Book Closure**

28th November, 2006 to 29th November, 2006 (both days inclusive)

**iv. Dividend Payment Date**

Not applicable

**v. Listing on Stock Exchanges**

The Company's shares are listed on Bombay Stock Exchange Limited ("BSE"). The Company has paid the listing fees to the Stock Exchange within the prescribed time

**vi. Stock Code**

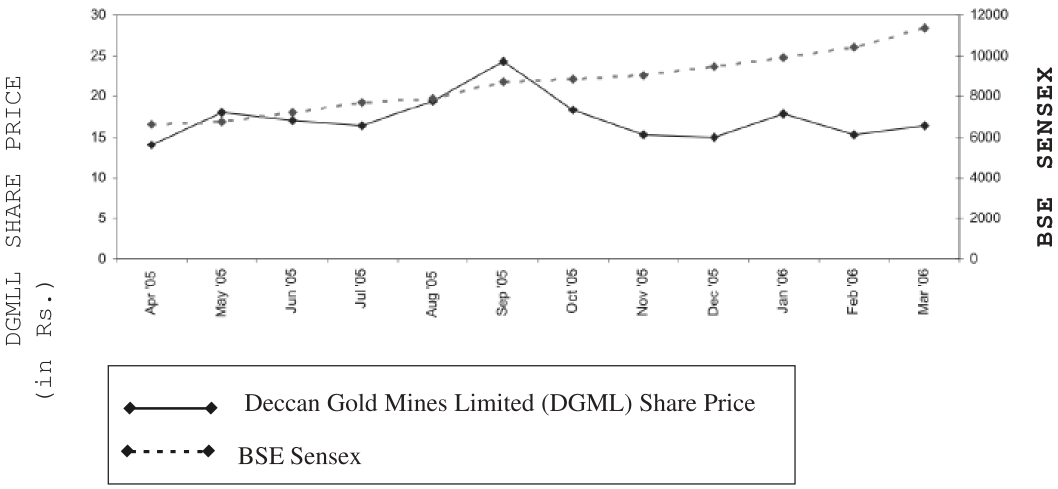
512068 (BSE).

**vii. Market price data – high & low during each month of last financial year**

The monthly high and low quotations of the Company's shares traded on the BSE is as follows:

| Month | BSE | |
|---|---|---|
| | High (Rs.) | Low (Rs.) |
| April 2005 | 14.10 | 11.90 |
| May 2005 | 18.00 | 12.17 |
| June 2005 | 16.99 | 13.22 |
| July 2005 | 16.50 | 13.36 |
| August 2005 | 19.45 | 13.45 |
| September 2005 | 24.25 | 15.50 |
| October 2005 | 18.30 | 11.70 |
| November 2005 | 15.31 | 12.51 |
| December 2005 | 15.05 | 13.05 |
| January 2006 | 17.78 | 13.50 |
| February 2006 | 15.39 | 12.15 |
| March 2006 | 16.40 | 12.16 |

**viii. Performance in comparison to broad-based indices of BSE Sensex**




## IX. REGISTRAR AND TRANSFER AGENTS

Intime Spectrum Registry Limited
Pannalal Silk Mills Compound,
C-13, L.B.S. Marg,
Bhandup (W), Mumbai – 400 078.
Tel. No. 91-22-25963838 & Fax 91-22-55555353
E-mail : isrl@vsnl.com

## X. SHARE TRANSFER SYSTEM

Applications for transfer of shares held in physical form are received at the office of the Registrars and Share Transfer Agents of the Company. They attend to share transfer formalities at least once in 15 days.

Shares held in the dematerialized form are electronically traded in the Depository and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository the beneficiary holdings so as to enable them to update their records for sending all corporate communications, dividend warrants, etc.

Physical shares received for dematerialization are processed and completed within a period of 21 days from the date of receipt, provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the shareholders.

## XI. SHAREHOLDING PATTERN & DISTRIBUTION OF SHAREHOLDING

**a) Shareholding Pattern (as at 31st March, 2006)**

| Sl. No. | Category | No. of Shares held | % |
|---|---|---|---|
| 1. | Promoter Group | 35608178 | 69.21 |
| 2. | Banks, Financial Institutions | 500 | 0.00 |
| 3. | Foreign Institutional Investors | 49562 | 0.10 |
| 4. | Non-Resident Indians | 583772 | 1.13 |
| 5. | Private Bodies Corporate | 2774803 | 5.39 |
| 6. | Indian Public | 12292267 | 23.90 |
| 7. | Clearing Members | 140918 | 0.27 |
| | **Total** | **51450000** | **100.00** |

b) **Distribution of Shareholding (as at 31st March, 2006)**

| Shareholding of Nominal Value (Rs.) | No. of Shareholders | % of Total | Share Capital Amount (Rs.) | % of Total |
|---|---|---|---|---|
| 1 - 5,000 | 7302 | 94.78 | 5601060 | 10.89 |
| 5,001 - 10,000 | 204 | 2.66 | 1594320 | 3.10 |
| 10,001 - 20,000 | 91 | 1.18 | 1348413 | 2.62 |
| 20,001 - 30,000 | 41 | 0.53 | 1002433 | 1.95 |
| 30,001 - 40,000 | 18 | 0.23 | 632445 | 1.23 |
| 40,001 - 50,000 | 13 | 0.17 | 613776 | 1.19 |
| 50,001 - 100,000 | 18 | 0.23 | 1342137 | 2.60 |
| 100,001 and above | 17 | 0.22 | 39315416 | 76.42 |
| **TOTAL** | **7704** | **100.00** | **51450000** | **100.00** |

**xii. Dematerialisation of Shares and Liquidity**

About 99.58 % of the shares have been dematerialized as on March 31, 2006. The equity shares of the Company are traded at Bombay Stock Exchange Ltd. (BSE).

xiii. Outstanding GDRs / ADRs / Warrants or any Convertible Instruments conversion date and likely impact on equity: The Company has not issued any GDRs / ADRs. There were no outstanding convertible warrants as on March 31, 2006.

**xiv. Plant locations**

Nil. The Company does not have any manufacturing activities.

**xv. Address for Correspondence:**

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares:
Intime Spectrum Registry Limited
Pannalal Silk Mills Compound,
C-13, L.B.S. Marg,
Bhandup (W), Mumbai – 400 078.
Tel.: 91-22-25963838 Fax.: 91-22-5555 5353
Email.: isrl@intimespectrum.com

**FOR GENERAL CORRESPONDENCE**

Deccan Gold Mines Limited,
# 49A, Nariman Bhavan, Nariman Point, Mumbai – 400 021.
Tel : 91-22-22026026 & Fax : 91-22-22020820
e-mail : info@deccangoldmines.com

**CODE OF CONDUCT DECLARATION**

Pursuant to Clause 49 I (D) of the Listing Agreement entered into with the Stock Exchanges, I hereby declare that the Company has obtained affirmative compliance with the code of conduct from all the Board members and senior management personnel of the Company.

Place : Bangalore
Date : 30th October, 2006

**Sandeep Lakhwara**
Managing Director

# AUDITORS' REPORT

The Members,
**DECCAN GOLD MINES LIMITED**
(FORMERLY WIMPER TRADING LIMITED)

We have audited the attached Balance Sheet of ***DECCAN GOLD MINES LIMITED,*** as at 31st March 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956. We give in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c. The Balance Sheet, Profit & Loss Account and the Cash Flow Statement referred to in this report are in agreement with the books of account.

   d. In our opinion the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

   e. On the basis of written representations received from directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      I. In the case of **Balance Sheet**, of the state of affairs of the Company as at **31st March, 2006**, and

      II. In the case of **Profit & Loss Account,** of the **LOSS** of the company for the year ended on that date, and

      III. In the case of **Cash Flow Statement**, of the Cash flows for the year ended on that date.

For **V. K. BESWAL & ASSOCIATES**
CHARTERED ACCOUNTANTS

**R.P. LADDHA**
PARTNER
Membership Number: 48195

PLACE : MUMBAI
DATED : 30th October, 2006

**RE : DECCAN GOLD MINES LIMITED**

(FORMERLY WIMPER TRADING LIMITED)

**ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE**

(Referred to in paragraph 2 thereof)

1. In respect of Fixed Assets –

   a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   b) The fixed assets have been physically verified by the management at reasonable intervals during the year. We are informed that no material discrepancies were noticed by the management on such verification.

   c) Based on our scrutiny of the records of the company and the information & explanation received by us, we report that there were no sales of fixed assets during the year. Hence, the question of reporting whether the sale of any substantial part of fixed assets has affected the going concern of the company does not arise.

2. As the company has not purchased or sold any goods during the year, nor does the company have any opening stock. Therefore the requirement to report the physical verification of stocks or maintenance of inventory records in our opinion, does not arise

3. The company has not granted or taken any loans to/from companies, firms or other party covered in the register maintained u/s.301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control.

5. In our opinion and according to the information and explanations given to us, the company's activities do not include purchase of inventory and sale of goods Further, on the basis of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct weaknesses in the aforesaid internal control system.

   a) Based on the audit procedures applied by us and the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered.

   b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanations given to us since the company has not accepted any deposits from public within the meaning of section 58-A, 58AA or any other provision of the Act, the question of compliance with the provisions of section 58A, 58AA or any other provisions of the Act does not arise.

7. In our opinion the Company has an internal audit system commensurate with its size and nature of its business.

8. As informed to us, the Central Government has not prescribed the maintenance of Cost records under section 209(1)(d) of the Companies Act, 1956.

9. a) According to the records of the company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues, including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.

   b) According to information & explanation given there were no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty, excise duty, cess & other statutory dues which remained outstanding as at 31st March, 2006 for a period more than six months from the date they became payable.

10. The accumulated losses of the company are not more than 50% of its net worth as at 31st March 2006. The company has incurred a cash loss of Rs.25,94,570 in the current financial year and Rs.45,29,596 in the financial year (immediately preceding financial year).

11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to banks. The company has not borrowed any amount from financial institutions.

12. According to the information and explanation given to us the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.

13. In our opinion, and to the best of our information and according to the explanations provided by the management, we are of the opinion that the company is neither a Chit Fund nor a nidhi /mutual benefit society. Hence, in our opinion, the requirements of para 4 (xiii) of the Order do not apply to the company.

14. As per records of the company and information and explanations given to us by the management, company is not dealing or trading in shares, securities, and debentures and other investments.

15. The company has not given guarantee in connection with loans taken by others from banks.

16. According to the records of the company, the Company has not taken any term loan. Hence, comments under the clause are not required.

17. According to the information and explanations given to us and, on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment by the company.

18. According to the records of the company and the information and explanations provided by the management, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s.301 of the Act.

19. No debentures have been issued by the Company during the year and hence, the question of creating securities in respect thereof does not arise.

20. The company has not raised any money by public issues during the period covered by our audit report.

21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **V. K. BESWAL & ASSOCIATES**
CHARTERED ACCOUNTANTS

**R.P. LADDHA**
PARTNER
Membership Number: 48195

PLACE : MUMBAI
DATED : 30th October, 2006

# DECCAN GOLD MINES LIMITED
(FORMERLY WIMPER TRADING LIMITED)

## BALANCE SHEET AS AT 31st MARCH, 2006

| | Schedule | As at 31.03.2006 *(Rs.'000)* | As at 31.03.2005 *(Rs.'000)* |
|---|---|---|---|
| **A. SOURCES OF FUNDS:** | | | |
| Share capital | A | 51,450.00 | 51,450.00 |
| **TOTAL** | | **51,450.00** | **51,450.00** |
| **B. APPLICATIONS OF FUND:** | | | |
| **FIXED ASSETS:** | | | |
| Gross Block | B | 8,015.15 | 8,005.03 |
| Less: Depreciation | | 3,267.27 | 1,286.68 |
| Net Block | | 4,747.88 | 6,718.35 |
| **INVESTMENTS** | C | 100.00 | 100.00 |
| **CURRENT ASSETS, LOANS & ADVANCES** | D | | |
| Cash & Bank Balances | | 767.18 | 1,294.71 |
| Loans & Advances | | 1,450.96 | 11,385.72 |
| | | 2,218.14 | 12,680.42 |
| Less: Current Liabilities & Provisions | E | 4,358.40 | 2,159.75 |
| **NET CURRENT ASSETS** | | (2,140.26) | 10,520.67 |
| Misc. Expenditure | | | |
| (to the extent not written off or adjusted) | F | 1,218.23 | 1,641.07 |
| Pre-Operative Expenditure | G | 32,808.41 | 22,771.17 |
| | | 34,026.64 | 24,412.24 |
| Profit & Loss Account | | 14,715.73 | 9,698.73 |
| **TOTAL** | | **51,450.00** | **51,450.00** |

Significant Accounting Policies & Notes to the Accounts J

As per our report of even date,
**For V. K. BESWAL & ASSOCIATES,**
CHARTERED ACCOUNTANTS

For and on behalf of the board

**R. P. LADDHA**
PARTNER
M.No.48195

Place: Mumbai
Dated: 30th October, 2006

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place: Bangalore
Dated: 30th October, 2006

**S. Subramaniam**
Company Secretary

**DECCAN GOLD MINES LIMITED**
(FORMERLY WIMPER TRADING LIMITED)

# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006

| | Schedule | Year Ended 31.03.2006 *(Rs.'000)* | Year Ended 31.03.2005 *(Rs.'000)* |
|---|---|---|---|
| **INCOME** | | | |
| Operational Income | H | 3,954.90 | - |
| Interest on term deposit | | 169.63 | 784.86 |
| | | 4,124.53 | 784.86 |
| **EXPENDITURE** | | | |
| Administrative & other Expenses | I | 9,122.53 | 6,757.17 |
| | | 9,122.53 | 6,757.17 |
| Profit/(Loss) before Taxation | | (4,998.00) | (5,972.31) |
| Less/(Add): Provision for Taxation (FBT) | | 19.00 | - |
| Profit/(Loss) for the Year | | (5,017.00) | (5,972.31) |
| Add: Balance brought forward | | (9,698.73) | (3,726.42) |
| Balance transferred to Balance sheet | | (14,715.73) | (9,698.73) |

Significant Accounting Policies & Notes to the Accounts J

As per our report of even date,
**For V. K. BESWAL & ASSOCIATES,**
CHARTERED ACCOUNTANTS

For and on behalf of the board

**R. P. LADDHA**
PARTNER
M.No.48195

Place: Mumbai
Dated: 30th October, 2006

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place: Bangalore
Dated: 30th October, 2006

**S. Subramaniam**
Company Secretary

# DECCAN GOLD MINES LIMITED
(FORMERLY WIMPER TRADING LIMITED)

## SCHEDULES FORMING PART OF ACCOUNTS

| | As at 31.03.2006 (Rs.'000) | As at 31.03.2005 (Rs.'000) |
|---|---|---|
| **SCHEDULE 'A'** | | |
| Share Capital: | | |
| Authorised | | |
| 6,00,00,000 (P.Y. 6,00,00,000) Equity Share of Rs.1/- each | 60,000.00 | 60,000.00 |
| | 60,000.00 | 60,000.00 |
| Issued, Subscribed and Paid up: | | |
| 5,14,50,000 (P.Y. 5,14,50,000) Equity Share of Rs.1/- each fully paid up | 51,450.00 | 51,450.00 |
| | 51,450.00 | 51,450.00 |

**SCHEDULE 'B'**
FIXED ASSETS

| Sl. No. | PARTICULARS | GROSS BLOCK Cost as at 01.04.05 | GROSS BLOCK Addition during the year | GROSS BLOCK Total Cost as at 31.03.06 | DEPRECIATION Upto 31.03.05 | DEPRECIATION For the Year | DEPRECIATION Upto 31.03.06 | NET BLOCK As at 31.03.06 | NET BLOCK As at 31.03.05 |
|---|---|---|---|---|---|---|---|---|---|
| 1. | COMPUTERS & PRINTER | 70.78 | - | 70.78 | 26.51 | 17.71 | 44.22 | 26.57 | 44.27 |
| 2. | PLANT & MACHINERY | 7,246.27 | - | 7,246.27 | 1,209.04 | 1,811.17 | 3,020.21 | 4,226.07 | 6,037.24 |
| 3. | VEHICLE | 502.09 | - | 502.09 | 43.09 | 118.84 | 161.93 | 340.16 | 459.00 |
| 4. | OFFICE EQUIPMENTS | 6.64 | 10.13 | 16.77 | 0.23 | 1.85 | 2.08 | 14.69 | 6.41 |
| 5. | FURNITURE & FIXTURES | 179.24 | - | 179.24 | 7.81 | 31.03 | 38.84 | 140.40 | 171.43 |
| **TOTAL** | | 8,005.03 | 10.13 | 8,015.15 | 1,286.68 | 1,980.59 | 3,267.27 | 4,747.88 | 6,718.35 |
| PREVIOUS YEAR | | 29.35 | 7,975.68 | 8,005.03 | - | 1,285.03 | 1,286.68 | 6,718.35 | - |

| | As at 31.03.2006 (Rs.'000) | As at 31.03.2005 (Rs.'000) |
|---|---|---|
| **SCHEDULE 'C'** | | |
| INVESTMENTS | | |
| Share of Indophil Resources Exploration Services (India) Pvt Ltd | 100.00 | 100.00 |
| (10,000 Shares of Rs.10/- each fully paid) | 100.00 | 100.00 |
| **SCHEDULE 'D'** | | |
| CURRENT ASSETS, LOANS & ADVANCES: | | |
| **Current Assets:** | | |
| Cash on hand | 29.13 | 50.49 |
| Balance with Standard Chartered Bank | 738.05 | 1,244.22 |
| | 767.18 | 1,294.71 |
| **Loans & Advances:** | | |
| (Unsecured, Considered good) | | |
| Advances recoverable in cash or kind or for value to be received | 1,450.96 | 11,385.72 |
| | 2,218.14 | 12,680.42 |

| | As at 31.03.2006 (Rs.'000) | As at 31.03.2005 (Rs.'000) |
|---|---|---|
| **SCHEDULE 'E'** | | |
| **CURRENT LIABILITIES:** | | |
| Sundry Creditors | 4,339.40 | 2,159.75 |
| **PROVISIONS:** | | |
| Provision for FBT | 19.00 | - |
| | **4,358.40** | **2,159.75** |
| **SCHEDULE 'F'** | | |
| MISCELLANEOUS EXPENDITURE | | |
| ***(I) Preliminary expenses*** | | |
| Opening balance | 1,641.07 | 473.10 |
| Less: 1/5th written off during the year | 422.83 | 157.70 |
| | 1,218.23 | 315.40 |
| Add:Rights issue and Other expenses | -- | 1,325.67 |
| | 1,218.23 | 1,641.07 |
| **SCHEDULE 'G'** | | |
| ***(ii) Pre-Operative expenses*** | | |
| Exploration expenses | 32,808.41 | 22,771.17 |
| | 32,808.41 | 22,771.17 |

| | Year Ended 31.03.2006 (Rs.'000) | Year Ended 31.03.2005 (Rs.'000) |
|---|---|---|
| **SCHEDULE 'H'** | | |
| Operational Income | | |
| Drilling Income | 4,358.30 | - |
| Less : Service tax | 403.40 | - |
| | 3,954.90 | - |
| **SCHEDULE 'I'** | | |
| **ADMINISTRATIVE & OTHER EXPENSES:** | | |
| Salaries & other benefits | 1,602.56 | 1,476.50 |
| Staff welfare | 51.19 | 103.28 |
| Books & Periodicals | 5.81 | 14.74 |
| Bank charges | 6.45 | 1.93 |
| Business promotion expenses | 33.40 | 50.24 |
| Travelling & conveyance | 82.31 | 298.57 |
| Electricity charges | 35.90 | 30.04 |
| Membership & subscription | 96.59 | 87.40 |
| Repairs & maintenance | 12.79 | 182.07 |
| Postage & telegram | 186.78 | 95.97 |
| Car expenses | - | 10.68 |
| Rent, rate & taxes | 798.85 | 532.35 |
| Advertisment expenses | 22.03 | 22.69 |
| Audit fee | 81.20 | 33.88 |
| Directors Sitting Fees | 50.00 | 72.50 |
| Professional & consultancy fee | 608.68 | 2,039.97 |
| Printing & Stationery | 342.32 | 184.60 |
| Filing fees | 0.80 | 1.24 |
| Listing Fee | 44.74 | 26.30 |
| Sundry Expenses | 48.47 | 49.49 |
| Depreciation | 1,980.59 | 1,285.03 |
| Preliminary Expenses written off | 422.83 | 157.70 |
| Operational expenses | 2,608.25 | - |
| | **9,122.53** | **6,757.17** |

## SCHEDULE 'J'

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO ACCOUNTS AS AT 31st MARCH, 2006

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Basis of accounting:**
The financial statements are prepared under the historical cost convention and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**B. Fixed Assets:**
Fixed Assets are stated at cost of acquisition less depreciation. All costs relating to the acquisition and installation of fixed assets are capitalised.

**C. Depreciation:**
Depreciation is provided as per Written Down Value prescribed under Schedule XIV of the Companies Act, 1956.

**D. Impairment:**
At each balance sheet date, the carrying amounts of fixed assets are reviewed by the management to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use.

**E. Investments:**
Long Term investments are valued at cost.

**F. Taxes on income:**

i. Current year tax is determined in accordance with Income Tax Act, 1961 at the Current Tax rates based on assessable income.

ii. The Company has carried forward losses under Tax Laws. In absence of virtual certainty of sufficient future taxable income, deferred tax asset has not been recognized by way of prudence in accordance with Accounting Standard 22 " Accounting for taxes on income" issued by The Institute of Chartered Accountants of India.

### NOTES TO THE ACCOUNTS:

| | | | |
|---|---|---|---|
| 1 | Capital Commitments | Nil | (Nil) |
| 2. | Claims made against the company but not acknowledged as debts | Nil | (Nil) |
| 3. | Contingent Liabilities | Nil | (Nil) |

4. Figures of the previous year have been regrouped/rearranged wherever necessary to make them comparable with current year's figures.

5. Additional information pursuant to para 3 & 4 of Para ii of Schedule VI of the Companies Act, 1956.

| | | | |
|---|---|---|---|
| | | (Rs. in '000) | (Rs. in '000) |
| a) | Expenditure in foreign currency | Nil | (Nil) |
| b) | Earning in foreign currency | Nil | (Nil) |
| c) | Payment to Auditors: | | |
| | - Audit Fees | 58.75 | (33.88) |
| | - Tax Audit Fee | 22.45 | (Nil) |

**6 RELATED PARTY DISCLOSURE**

a. Name of related parties and relationship

| Sl No. | Name of the Party | Relationship |
|---|---|---|
| 1 | Indophil Resources Exploration Services (India) Pvt Ltd., | Wholly owned subsidiary |
| 2 | Mr. Sandeep Lakhwara | Managing Director |
| 3 | Mr. Charles E. E. Devenish | Chairman |
| 4 | Mr. K.R. Krishnamurthy | Director |
| 5 | Dr. M. Ramakrishnan | Director |
| 6 | Prof. V. K. Gaur | Director |
| 7 | Australian Indian Resources Pty Ltd., | Having Common Director |
| 8 | Rama Mines NL (Australia) | Having Common Director |
| 9 | Lakhwara Consultants Pty Ltd., | Having Common Director |
| 10 | Rama Mines (Mauritius) Limited | Having Common Director |
| 11 | Western Goldsmiths Pty Ltd. | Having Common Director |
| 12 | The Paramount Mining Corporation Limited | Having Common Director |

b. The company had transactions with the following related parties :-

Dr. M. Ramakrishnan, Mr. K.R. Krishnamurthy, Prof. V. K. Gaur, Mr. Sandeep Lakhwara and Indophil Resources Exploration Services (India) Pvt Ltd.,

c. Transactions with related parties :- (Rs. in '000)

| Sl. No. | Nature | Year ended 31, March'2006 |
|---|---|---|
| 1 | Reimbursement of Exploration Expenses - Subsidiary | 5,631.53 |
| 2 | Managerial Remuneration | 840.00 |
| 3 | Directors Sitting Fees | 50.00 |

## 7. PRE-OPERATIVE EXPENSES

The Company undertook activities for exploration of gold at various sites. Commercial production of gold has not commenced and therefore it is the Company's intention to account for all the exploration expenditure of Rs. 3,28,08,413/- as noted in Schedule 'G' to the Balance Sheet as pre-operative expenditure which will be charged to the Profit & Loss Account as and when the commercial activities / production commences.

As per our report of even date
**For V. K. BESWAL & ASSOCIATES,**
CHARTERED ACCOUNTANTS

For and on behalf of the board

**R. P. LADDHA**
PARTNER
M.No.48195

Place: Mumbai
Dated: 30th October, 2006

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place: Bangalore
Dated: 30th October, 2006

**S. Subramaniam**
Company Secretary

**DECCAN GOLD MINES LIMITED**
(FORMERLY WIMPER TRADING LIMITED)

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2006

| | As at 31.03.2006 (Rs.'000) | As at 31.03.2005 (Rs.'000) |
|---|---|---|
| **A: CASH FLOW FROM OPERATING ACTIVITIES:** | | |
| Net Profit/(Loss) before tax & extraordinary items | (4,998.00) | (5,972.33) |
| **Adjustment for:** | | |
| Add : | | |
| Miscellaneous Expenses written off | 422.83 | 157.70 |
| Depreciation | 1,980.59 | 1,285.03 |
| Operating Profit / (Loss) before Working Capital Changes | (2,594.58) | (4,529.60) |
| **Adjustment for:** | | |
| Increase / (Decrease) in trade liabilities | 2,179.65 | (4,287.13) |
| (Increase) / Decrease in Loans and Advances | 9,934.76 | (10,844.95) |
| Net Cash used in Operating Activities (A) | 9,519.83 | (19,661.68) |
| **B: CASH FLOW FROM INVESTING ACTIVITIES:** | | |
| Purchase of Investments / Fixed Assets | (10.13) | (8,075.68) |
| Pre Operative expenses | (10,037.24) | (16,516.54) |
| Net Cash flow from Investing Activities (B) | (10,047.37) | (24,592.22) |
| **C: CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| Miscellaneous expenditure | - | (432.71) |
| Net Cash flow from Financing Activities (C) | - | (432.71) |
| Net Increase/(Decrease) in cash & cash equivalents (A+B+C) | (527.54) | (44,686.59) |
| Cash & Cash equivalents at the beginning of the year | 1,294.71 | 45,981.30 |
| Cash & Cash equivalents at the end of the year | 767.17 | 1,294.71 |

As per our report of even date
**For V. K. BESWAL & ASSOCIATES,**
CHARTERED ACCOUNTANTS

For and on behalf of the board

**R. P. LADDHA**
PARTNER
M.No.48195

Place: Mumbai
Dated: 30th October, 2006

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place: Bangalore
Dated: 30th October, 2006

**S. Subramaniam**
Company Secretary

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

| | | | |
|---|---|---|---|
| **A.** | **REGISTRATION DETAILS** | | |
| | State Code | : | 11 |
| | Registration Number | : | 34662 |
| | Balance Sheet Date | : | 31/03/2006 |
| **B.** | **CAPITAL RAISED DURING THE YEAR** | | **(Amount in '000)** |
| | Public Issue | : | NIL |
| | Right Issue | : | NIL |
| | Bonus Issue | : | NIL |
| | Private Placement | : | NIL |
| **C.** | **POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS** | | |
| | Total Liability | : | 55,808 |
| | Total Assets | : | 55,808 |
| | **SOURCES OF FUNDS** | | |
| | Paid up capital | : | 51,450 |
| | Reserves & Surplus | : | - |
| | Secured Loans | : | - |
| | Unsecured Loans | : | - |
| | **APPLICATION OF FUNDS** | | |
| | Net fixed Assets | : | 4,748 |
| | Investment | : | 100 |
| | Net Current Assets | : | (2,140) |
| **D.** | **PERFORMANCE OF THE COMPANY** | | |
| | Total Income | : | 4,125 |
| | Total Expenditure | : | 9,123 |
| | Profit/(Loss) Before Tax | : | (4,998) |
| | Profit/(Loss) After Tax | : | (5,017) |
| | Earning per share in Rs. | : | NIL |
| | Dividend Rate % | : | - |
| **E.** | **GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY** | | |
| | (as per Monetary terms) | | |
| | Item Code No. (ITC Code) | : | - |
| | Product Description | : | N.A |

As per our report of even date
**For V. K. BESWAL & ASSOCIATES,**
CHARTERED ACCOUNTANTS

For and on behalf of the board

**R. P. LADDHA**
PARTNER
M.No.48195

Place: Mumbai
Dated: 30th October, 2006

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place: Bangalore
Dated: 30th October, 2006

**S. Subramaniam**
Company Secretary

# INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

## DIRECTORS' REPORT

Your Directors have pleasure in presenting their NINTH Annual Report of the company together with the audited accounts of the company for the year ended 31st MARCH 2006.

### WORKING OF THE COMPANY

Your company continued to carry out exploration activities during the year. Pursuant to the agreement with Deccan Gold Mines Limited, all expenses incurred by the company for exploration activities are reimbursed by Deccan Gold Mines Limited.

During the year the company incurred total expenditure of Rs.5.456 Million (P.Y.Rs.9.055 Million) of which Rs.5.281 Million (P.Y.Rs.9.027 Million) is reimbursable to the company. The company during the year incurred a loss of Rs.0.118 Million after adjustments of Deferred Tax Asset of Rs.0.057 Million recognized during the year.

### MANAGEMENT

During the year the Board comprised of Mr.D.V. Pichamuthu, Dr.M.Ramakrishnan and Mr.K.Karunakaran. Dr.M.Ramakrishnan who was appointed as an additional Director will cease to hold the said office. Your Directors propose his appointment as a Director.

### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

a. In preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to any material departures, if any;

b. Your Directors have selected such Accounting Polices and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March,2006 and of the net loss for the year ended on that date;

c. Your Directors have taken proper and sufficient care for maintenance of adequate accounting records as required under the Companies Act, 1956 for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities;

d. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

e Your Directors have prepared the Statement of Accounts for the year ended 31st March,2006 on a going concern basis.

### PARTICULARS OF EMPLOYEES

During the year under review the Company did not have any employee falling under the provisions of Section 217 (2A) of the Companies Act,1956 read with Companies (Particulars of Employees) Rules, 1975.

### PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Conservation of Energy and Technology Absorption:

Considering the nature of the Company's existing business activities, your Directors have nothing to state in connection with conservation of energy and technology absorption.

(b) Foreign Exchange Earnings and Outgo:

During the year under review, the company did not have any foreign exchange earnings and outgo.

**INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED**

## AUDITORS

M/s. Rao & Venkatesulu, Chartered Accountants, Bangalore, who were appointed as the Auditors of the company at the last Annual General Meeting will be retiring at the conclusion of the ensuing Annual General Meeting. They, being eligible, have communicated their consent for reappointement.

## ACKNOWLEDGEMENT

Your Directors acknowledge the co-operation extended by all.

For and on behalf of the Board

| | | |
|---|---|---|
| Place: Bangalore | **D.V. Pichamuthu** | **K. Karunakaran** |
| Date : August 11,2006 | Director | Director |

# INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

## AUDITORS' REPORT

**To the members of**
**INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED**

We have audited the Balance Sheet of INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED as at 31st MARCH,2006 and the annexed Profit and Loss Account for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1 As the Company does not coming under the purview of the Companies (Auditor's Report) Order, 2003 issued by the Central Government under section 227 (4A) of the Companies Act,1956, we have not reported our finding on the matters stated therein.

2 Further to our comments in the Annexure referred to in paragraph (1) above:

a. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

b. In our opinion, proper books of account as required by the law have been kept by the Company so far as it appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with those Books of account;

d. In our opinion, the Profit and Loss Account and the Balance sheet dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act,1956,;

e. On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director of the Company are disqualified from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956, ;

f. In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act,1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March,2006; and

(ii) In the case of the Profit and Loss Account, of the loss of the company for the year ended on that date.

For **RAO & VENKATESULU**
**Chartered Accountants**

Place : Bangalore
Date : August 11,2006

**K.Y. Ningoji Rao**
**Partner**
**Membership No.18278**

INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

# BALANCE SHEET AS AT 31ST MARCH, 2006

| | Schedule | As at 31.03.2006 (Rs. in '000) | As at 31.03.2005 (Rs. in '000) |
|---|---|---|---|
| **A. SOURCES OF FUNDS:** | | | |
| **SHAREHOLDERS FUNDS:** | | | |
| Share Capital | A | 100.00 | 100.00 |
| **LOAN FUNDS:** | | - | - |
| Secured Loans | | - | - |
| Unsecured Loans | | | |
| **Total Sources of Funds** | | **100.00** | **100.00** |
| **B. APPLICATION OF FUNDS:** | | | |
| **FIXED ASSETS:** | | | |
| Capital Works In Progress | | - | - |
| **DEFERRED TAX ASSETS** | | 79.77 | 22.85 |
| **NET CURRENT ASSETS:** | | | |
| **CURRENT ASSETS:** | B | | |
| Inventories | | - | - |
| Trade Debtors | | 2,131.52 | 2,062.20 |
| Cash & Bank Balances | | 296.77 | 136.13 |
| Loans & Advances | | 267.90 | 157.52 |
| **Total Current Assets** | | 2,696.20 | 2,355.85 |
| **Less: CURRENT LIABILITIES:** | C | | |
| Current Liabilities | | 2,847.91 | 2,336.78 |
| **NET CURRENT ASSETS:** | | (151.71) | 19.07 |
| **Misc. Expenses (ASSET)** | | | |
| Preliminary Expenses (To the extent not written off) | | 3.72 | 7.44 |
| **Profit & Loss Account** | | 168.23 | 50.64 |
| **Total Application of Funds** | | **100.00** | **100.00** |

As per our report attached
For **RAO & VENKATESULU**
Chartered Accountants

For and on behalf of the Board

**K.Y. Ningoji Rao**
Partner
Membership No.18278

**D. V. Pichamuthu**
Director

**K. Karunakaran**
Director

Bangalore
August 11, 2006

**INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED**

# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

| | Schedule | For the Year ended 31.03.2006 (Rs. in '000) | For the Year ended 31.03.2005 (Rs. in '000) |
|---|---|---|---|
| **INCOME:** | | | |
| Exploration charges Recovered | | 5,281.42 | 9,027.26 |
| **Total Income** | | **5,281.42** | **9,027.26** |
| **EXPENDITURE:** | | | |
| Exploration Expenses | D | 5,422.95 | 8,973.86 |
| Administrative & Other Expenses | E | 32.97 | 81.07 |
| **Total Expenditure** | | **5,455.92** | **9,054.93** |
| **NET PROFIT(+) / LOSS(-) BEFORE TAXES** | | **(174.51)** | **(27.67)** |
| Less/Add(-): Prior Period Adjustments | | - | 12.42 |
| Add: Deferred Tax Assets Created | | 56.92 | 10.42 |
| **NET PROFIT(+) / LOSS(-) AFTER TAXES** | | **(117.59)** | **(4.83)** |
| **Add: Balance Loss Brought Forward** | | **(50.64)** | **(45.81)** |
| **BALANCE LOSS CARRIED FORWARD** | | **(168.23)** | **(50.64)** |

As per our report attached
For **RAO & VENKATESULU**
Chartered Accountants

For and on behalf of the Board

**K.Y. Ningoji Rao**
Partner
Membership No.18278

**D. V. Pichamuthu**
Director

**K. Karunakaran**
Director

Bangalore
August 11, 2006

INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

## SCHEDULES FORMING PART OF ACCOUNTS

| | As at 31.03.2006 (Rs. in '000) | As at 31.03.2005 (Rs. in '000) |
|---|---|---|
| **SCHEDULE A** | | |
| **SHARE CAPITAL** | | |
| AUTHORISED CAPITAL: | | |
| 50000 (PY 50000) Equity shares of Rs.10/- Each | **500.00** | **500.00** |
| ISSUED , SUBSCRIBED AND PAID UP: | | |
| 10000 (P.Y.10000) Equity shares of Rs.10/- Each Fully paid up | 100.00 | 100.00 |
| **TOTAL** | **100.00** | **100.00** |
| **SCHEDULE B** | | |
| **CURRENT ASSETS** | | |
| Trade Debtors | 2,131.52 | 2,062.20 |
| **Cash at Bank:** | | |
| In Current Accounts | 293.37 | 134.22 |
| **Cash on Hand** | 3.40 | 1.91 |
| **Loans & Advances:** | | |
| Deposits | 109.93 | 109.93 |
| Advances Recoverable in Cash or kind | 157.97 | 47.59 |
| **TOTAL** | **2696.20** | **2355.85** |
| **SCHEDULE C** | | |
| **CURRENT LIABILITIES** | | |
| Creditors for Trade | 2,801.75 | 2,312.26 |
| Creditors for Expenses | 46.16 | 24.52 |
| **TOTAL** | **2,847.91** | **2,336.78** |

| | For the Year Ended 31.03.2006 (Rs. in '000) | For the Year Ended 31.03.2005 (Rs. in '000) |
|---|---|---|
| **SCHEDULE D** | | |
| **EXPLORATION EXPENSES** | | |
| Exploration Expenses | 3,515.94 | 6,056.90 |
| Analysis charges | – | 40.44 |
| Boarding & Lodging charges | 7.95 | 4.93 |
| Camp Expenses | 873.93 | 1,047.79 |
| Drilling Charges | – | 1,508.00 |
| Duplicating charges | 1.06 | 0.33 |
| Field Supplies & Consumables | 0.28 | 6.10 |
| Frieght charges | – | 0.17 |
| RP/PL/ML Processing Expenses | 54.10 | – |
| Labour charges | 4.01 | 2.10 |
| Land Compensation | 317.68 | – |
| Map charges | – | 1.60 |
| Professional & Consultancy fee | 648.00 | 291.50 |
| Surveying charges | – | 15.00 |
| **TOTAL** | **5,422.95** | **8,973.86** |

## INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

| | For the Year Ended 31.03.2006 (Rs. in '000) | For the Year Ended 31.03.2005 (Rs. in '000) |
|---|---|---|
| **Schedule E** | | |
| **ADMINISTRATIVE & OTHER EXPENSES:** | | |
| Application fee | 1.05 | 9.98 |
| Bank Charges | 1.51 | 0.86 |
| Conveyance/Field allowance | --- | 4.96 |
| Filling Fee | 1.20 | 2.35 |
| Food & Water expenses | 3.84 | 8.32 |
| Miscellaneous Expenses | 0.29 | 0.28 |
| Postage & Telegrams | 0.11 | 0.05 |
| Printing & Stationery | 1.20 | 2.84 |
| Membership & Subscription charges | – | 0.75 |
| Stamp & Notary charges | – | 0.13 |
| Telephone charges | 1.53 | 0.77 |
| House Keeping Expenses | – | 1.56 |
| Travelling Expenses | 1.45 | 1.41 |
| Vehicle Maintenance | – | 18.02 |
| Rent | – | 8.25 |
| Preliminery Expenses Amortised | 3.72 | 3.72 |
| Auditors Remuneration: | | |
| For Audit | 11.12 | 11.02 |
| For Tax Audit | 3.34 | 3.30 |
| For Other Services | 2.61 | 2.50 |
| **TOTAL** | **32.97** | **81.07** |

### SCHEDULE F

### NOTES FORMING PART OF ANNUAL ACCOUNTS

1 **Trade Debtors include:**

| | Particulars | As At 31.03.2006 (Rs. in '000) | As At 31.03.2005 (Rs. in '000) |
|---|---|---|---|
| a. | Debts considered good but not secured for which the Company do not hold any security other than the personal security of debtors | 2,131.52 | 2,062.21 |
| b. | Debts considered doubtful for which no provision is made | Nil | Nil |
| c. | Debts due from concerns in which the relatives of Directors of the company are interested | Nil | Nil |
| d. | Debts due from firms and companies in which the Directors of the company are interested as partners and Directors | Nil | 28.19 |
| e. | Debts due for period: | | |
| | (i) More than Six Months | Nil | Nil |
| | (ii) Others | 2,131.52 | 2,062.21 |

## INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

2 . The paticulars of the Deferred Tax Asset created is as under: (Rs.'000)

| Particulars | As On 31.03.2006 | As On 31.03.2005 | Difference |
|---|---|---|---|
| **Depreciation:** | | | |
| Written Down value: | | | |
| As per IT Rules | Nil | Nil | Nil |
| As per Books | Nil | Nil | Nil |
| Difference | Nil | Nil | Nil |
| Deferred Tax Liability | Nil | Nil | Nil |

| Particulars | As On 31.03.2006 | As On 31.03.2005 | Total |
|---|---|---|---|
| **Unabsorbed Items Under IT:** | | | |
| Unabsorbed Business Loss | 236.97 | 62.47 | 174.51 |
| Unabsorbed Depreciation | Nil | Nil | Nil |
| Total | 236.97 | 62.47 | 174.51 |
| Deferred Tax Asset | 79.76 | 22.85 | 56.92 |

| | | | |
|---|---|---|---|
| **Net Deferred Tax Asset:** | | | |
| **Created During the Year:** | | | |
| **a. For the year** | **56.92** | **10.43** | **10.43** |
| **b. For Earlier Years** | **Nil** | **12.42** | **12.42** |

3. Prior period adjustment for the year amounting to Rs. Nil ( P.Y. Rs. 12,420/-) represents Deferred Tax Asset relating to previous year created during the year.

### SIGNIFICANT ACCOUNTING POLICIES:

**A. REVENUE RECOGNITION:**

1. Sales revenues are accounted on accrual basis.
2. All incomes, to the extent they are ascertained, are accounted on accrual basis.

**B. EXPENDITURE RECOGNITION:**

1. All expenditure relating to the purchase of goods are accounted on accrual basis.
2. All expenditure to the extent they are ascertained, are accounted on accrual basis.

**C. VALUATION OF INVENTORY:**

Inventories of goods traded are valued at cost or net realisable value which ever is lower.

**D. FIXED ASSETS:**

Depreciation on fixed assets are provided on Written Down Value Method at the rates prescribed under the Income Tax Rules, 1962.

**E. ACCOUNTING OF TAXES ON INCOME:**

a. Current taxes on Income is provided as per the liability computed under the Income Tax Act, 1961.
b. The Deferred Tax Assets and Liabilities are created as per AS-22 prescribed by the Institute of Chartered Accountants of India.

**F. ACCOUNTING OF INTANGIBLE ASSETS:**

a. All intangible assets acquired at cost are recognized as assets.
b. All intangible assets are amortized as per the norms stipulated in AS-22 issued by the ICAI.

## INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

**I. Registration Details:**

State Code: 08
Registration No.: 22819

| **BALANCE SHEET AS AT 31ST MARCH, 2006:** | **(Rs in '000)** |
|---|---|
| **II. Capital raised during the year :** | |
| Public Issue | Nil |
| Right Issue | Nil |
| Bonus Issue | Nil |
| Private Placement | Nil |
| **III. Position of mobilisation and deployment of funds:** | |
| Total Liabilities | 100 |
| Total Assets | 100 |
| **Sources of Funds:** | |
| Paid Up Capital | 100 |
| Reserves & Surplus | Nil |
| Secured Loans | Nil |
| Unsecured Loans | Nil |
| **Application of Funds:** | |
| Net Fixed Assets | Nil |
| Investments | Nil |
| Deferred Tax Asset | 80 |
| Net Current Assets | (152) |
| Miscellaneous Expenditure | 04 |
| Accumulated Losses | 168 |
| **IV. Performance of the Company:** | |
| Turnover | 5281 |
| Total Expenditure | 5456 |
| Profit Before Tax | (175) |
| Profit After Tax | (118) |
| Earning Per Share [Annualised] | |
| Without reckoning Deferred Tax Asset (in Rs.) | (17.45) |
| After reckoning Deferred Tax Asset (in Rs.) | (11.76) |
| Dividend | Nil |

**V. Generic names of three principal products of Company (as per monetary terms):**

| **Product Description** | **Item Code (ITC Code)** |
|---|---|
| a. Mining Exploration | 980100.45 |

As per our report attached

For **RAO & VENKATESULU**
Chartered Accountants

For and on behalf of the Board

**K.Y. Ningoji Rao**
Partner
Membership No.18278

**D. V. Pichamuthu**
Director

**K. Karunakaran**
Director

Bangalore
August 11, 2006

# AUDITORS' REPORT

Auditors Report to the Board of Directors of ***DECCAN GOLD MINES LIMITED*** on the consolidated financial statements of ***Deccan Gold Mines Limited and its subsidiary Indophil Resources Exploration Services (India) Private Limited***.

1. We have examined the attached consolidated balance sheet of **DECCAN GOLD MINES LIMITED** and its subsidiary as at 31st March, 2006 and the consolidated profit and loss account and consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of **DECCAN GOLD MINES LIMITED.** Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted Accounting Standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We have not conducted the audit of the financial statements of the subsidiary, whose financial statement has been audited by other auditors, and on which we have relied for the purpose of our examination of the consolidated financial statement.

4. We report that:
   a) the consolidated financial statements has been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of **DECCAN GOLD MINES LIMITED,** its subsidiary.

   b) The consolidated cash flow statement has been prepared on the basis of consolidated financial statement.

5. On the basis of the information and explanation given to us and on consideration of the separate audit report on individual audited financial statements of **DECCAN GOLD MINES LIMITED** and its aforesaid subsidiary, we are of the opinion that the said consolidated financial statements give a true and fare view in conformity with the accounting principles generally accepted in India:

   i) In case of the *consolidated Balance Sheet*, of consolidated statement of affairs of **DECCAN GOLD MINES LIMITED** and its subsidiary as at 31st March, 2006

   ii) In case of c*onsolidated Profit and Loss Account* of the consolidated results of operations of **DECCAN GOLD MINES LIMITED**, and its subsidiary for the year ended on that date; and

   iii) In case of the *consolidated Cash Flow Statement*, of **DECCAN GOLD MINES LIMITED** and its subsidiary for the year ended on that date.

For **V. K. BESWAL & ASSOCIATES**
CHARTERED ACCOUNTANTS

**R.P. LADDHA**
PARTNER
Membership Number: 48195

PLACE : MUMBAI
DATED : 30th October, 2006

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

| | Schedule | As at 31.03.2006 (Rs.'000) | As at 31.03.2005 (Rs.'000) |
|---|---|---|---|
| **SOURCES OF FUNDS :** | | | |
| Share holders fund : | | | |
| Share Capital | A | 51,450.00 | 51,450.00 |
| **TOTAL** | | **51,450.00** | **51,450.00** |
| **APPLICATIONS OF FUND:** | | | |
| **FIXED ASSETS:** | B | | |
| Gross Block | | 8,015.15 | 8,005.03 |
| Less: Depreciation | | 3,267.27 | 1,286.68 |
| Net Block | | 4,747.88 | 6,718.35 |
| **GOODWILL** | | 197.26 | 197.26 |
| **CURRENT ASSETS, LOANS & ADVANCES** | C | | |
| Cash & Bank Balances | | 1,063.95 | 1,430.84 |
| Loans and Advances | | 1,718.86 | 11,543.23 |
| | | 2,782.81 | 12,974.07 |
| Less: Current Liabilities & Provisions | D | | |
| Current Liabilities | | 5,074.79 | 2,434.33 |
| NET CURRENT ASSETS | | (2,291.99) | 10,539.74 |
| Deferred Tax Assets | | 79.77 | 22.85 |
| Misc. Expenditure (to the extent not written off or adjusted) | E | 1,218.24 | 1,641.07 |
| Pre-operative Expenditure | F | 26,977.14 | 22,630.75 |
| | | 28,195.38 | 24, 271.82 |
| Profit & Loss Account | | 20,521.69 | 9,699.98 |
| **TOTAL** | | **51,450.00** | **51,450.00** |

Significant Accounting Policies & Notes to the Accounts — J

As per our report of even date

**For V. K. BESWAL & ASSOCIATES,**
CHARTERED ACCOUNTANTS

**R. P. LADDHA**
PARTNER
M.No.48195

Place: Mumbai
Dated: 30th October, 2006

For and on behalf of the board

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place: Bangalore
Dated: 30th October, 2006

**S. Subramaniam**
Company Secretary

# CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

| | Schedule | For the Year ended 31.03.2006 (Rs.'000) | For the Year ended 31.03.2005 (Rs.'000) |
|---|---|---|---|
| **INCOME** | | | |
| Operational Income | | 3,954.90 | - |
| Interest received | | 169.63 | 784.86 |
| | | 4,124.53 | 784.86 |
| **EXPENDITURE** | | | |
| Exploration Expenses | | 5,832.37 | - |
| Administrative & Other Expenses | G | 9,151.79 | 6,781.27 |
| | | 14,984.16 | 6,781.27 |
| Profit/(Loss) before Taxation | | (10,859.63) | (5,996.41) |
| Less : Provision for FBT | | 19.00 | - |
| | | (10,878.63) | (5,996.41) |
| Add : Provision for Deferred Tax | | 56.92 | 10.43 |
| | | (10,821.71) | (5,985.98) |
| Add : Prior Period Adjustment | | - | 12.42 |
| Net Profit/(Loss) for the year | | (10,821.71) | (5,973.56) |
| Add: Balance brought forward | | (9,699.98) | (3,726.42) |
| Balance transferred to Balance Sheet | | (20,521.69) | (9,699.98) |
| Earnings Per Share (in Rs.) | | (0.21) | (0.12) |

Significant Accounting Policies & Notes to the Accounts — J

As per our report of even date

**For V. K. BESWAL & ASSOCIATES,**
CHARTERED ACCOUNTANTS

For and on behalf of the board

**R. P. LADDHA**
PARTNER
M.No.48195

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

Place: Mumbai
Dated: 30th October, 2006

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place: Bangalore
Dated: 30th October, 2006

**S. Subramaniam**
Company Secretary

## SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

| | As at 31.03.2006 (Rs.'000) | As at 31.03.2005 (Rs.'000) |
|---|---|---|
| **SCHEDULE 'A'** | | |
| **SHARE CAPITAL :** | | |
| Authorised | | |
| 6,00,00,000 (PY 6,00,00,000) Equity Shares of Rs.1/- each | 60,000.00 | 60,000.00 |
| | 60,000.00 | 60,000.00 |
| Issued, Subscribed and Paid up : | | |
| 5,14,50,000 (PY 5,14,50,000) Equity Shares of Rs.1/- each fully paid up | 51,450.00 | 51,450.00 |
| | 51,450.00 | 51,450.00 |

**SCHEDULE 'B'**
**FIXED ASSETS**

| Sl. No. | PARTICULARS | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cost as at 01.04.05 | Addition during the year | Total Cost as at 31.03.06 | Upto 01.04.05 | For the Year | Upto 31.03.06 | As at 31.03.06 | As at 31.03.05 |
| 1. | COMPUTERS PRINTER | 70.78 | - | 70.78 | 26.51 | 17.71 | 44.22 | 26.57 | 44.27 |
| 2. | PLANT & MACHINERY | 7,246.27 | - | 7,246.27 | 1,209.04 | 1,811.17 | 3,020.21 | 4,226.07 | 6,037.24 |
| 3. | VEHICLE | 502.09 | - | 502.09 | 43.09 | 118.84 | 161.93 | 340.16 | 459.00 |
| 4. | OFFICE EQUIP. | 6.64 | 10.13 | 16.77 | 0.23 | 1.85 | 2.08 | 14.69 | 6.41 |
| 5. | FURNITURE & FIX. | 179.24 | - | 179.24 | 7.81 | 31.03 | 38.84 | 140.40 | 171.43 |
| **TOTAL** | | 8,005.03 | 10.13 | 8,015.15 | 1,286.68 | 1,980.59 | 3,267.27 | 4,747.88 | 6,718.35 |
| PREVIOUS YEAR | | 29.35 | 7,975.68 | 8,005.03 | - | 1,285.03 | 1,286.68 | 6,718.35 | - |

| | 31.03.2006 | 31.03.2005 |
|---|---|---|
| **SCHEDULE 'C'** | | |
| **CURRENT ASSETS, LOANS & ADVANCES:** | | |
| **Current Assets:** | | |
| Balance with Bank | | |
| in Current Account | 1,031.42 | 1,378.44 |
| Cash in Hand | 32.53 | 52.40 |
| | 1,063.95 | 1,430.84 |
| **Loans & Advances** | | |
| (Unsecured, considered good) | | |
| Advances recoverable in cash or kind or for value to be received | 1,608.93 | 11,543.23 |
| Deposits | 109.93 | - |
| | 2,782.81 | 12,974.07 |
| **SCHEDULE 'D'** | | |
| **CURRENT LIABILITIES:** | | |
| Sundry Creditors | 5,055.79 | 2,434.33 |
| Provision for FBT (2005-06) | 19.00 | - |
| | 5,074.79 | 2,434.33 |

| SCHEDULE 'E'<br>MISCELLANEOUS EXPENDITURE | As at 31.03.2006 (Rs.'000) | As at 31.03.2005 (Rs.'000) |
|---|---|---|
| PRELIMINARY EXPENSES: | | |
| Opening Balance | 1,641.07 | 473.10 |
| Rights Issue and Other expenses | - | 1,325.67 |
| | 1,641.07 | 1,798.77 |
| Less : 1/5th written off during the year | 422.83 | 157.70 |
| | 1,218.24 | 1,641.07 |

| SCHEDULE 'F'<br>PRE-OPERATIVE EXPENDITURE: | As at 31.03.2006 (Rs.'000) | As at 31.03.2005 (Rs.'000) |
|---|---|---|
| Exploration expenses | 26,977.14 | 22,630.75 |
| | 26,977.14 | 22,630.75 |

| SCHEDULE 'G'<br>ADMINISTRATIVE & OTHER EXPENSES: | For the Year ended 31.03.2006 (Rs.'000) | For the Year ended 31.03.2005 (Rs.'000) |
|---|---|---|
| Salaries & Other benefits | 1,602.56 | 1,476.50 |
| Staff welfare | 55.04 | 103.28 |
| Books & Periodicals | 5.81 | 14.74 |
| Bank Charges | 7.96 | 2.79 |
| Business Promotion Expenses | 33.40 | 50.24 |
| Travelling & Conveyance | 83.76 | 298.57 |
| Electricity Charges | 35.90 | 30.04 |
| Membership & Subscription | 96.59 | 88.15 |
| Repair & Maintenance | 12.79 | 182.07 |
| Telephone Expenses | 35.47 | 38.87 |
| Postage & Telegram | 152.95 | 57.15 |
| Car Expenses | - | 10.68 |
| Rent, Rates & Taxes | 798.85 | 532.35 |
| Advertisements | 22.03 | 22.70 |
| Auditors Remuneration : | | |
| Audit fees | 98.26 | 50.71 |
| Directors' Sitting Fees | 50.00 | 72.50 |
| Legal & Professional Fees | 608.68 | 2,039.98 |
| Printing & Stationery | 343.52 | 187.11 |
| Filing Fees | 2.00 | 4.04 |
| Listing Fee | 44.74 | 26.30 |
| Sundry Expenses | 48.76 | 49.77 |
| Depreciation | 1,980.59 | 1,285.03 |
| Preliminary Expenses written off | 422.83 | 157.70 |
| Operational Expenses | 2,608.25 | - |
| Application Fees | 1.05 | - |
| | **9,151.79** | **6,781.27** |

## SCHEDULE 'H'

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**A. Basis of accounting**

The financial statements are prepared under the historical cost convention and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**B. Fixed Assets:**

Fixed Assets are stated at cost of acquisition less depreciation. All costs relating to the acquisition and installation of fixed assets are capitalized.

**C. Depreciation:**

Depreciation is provided as per Written Down Value prescribed under Schedule XIV of the Companies Act, 1956.

**D. Impairment:**

At each balance sheet date, the carrying amounts of fixed assets are reviewed by the management to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use.

**E. Taxation**

Tax on income for the current period is determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax is recognized on timing differences between the accounting income & the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred Tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## NOTES TO THE ACCOUNTS:

| | | | |
|---|---|---|---|
| 1. | Capital Commitments | Nil | Nil |
| 2. | Claims made against the company but not acknowledged as debts | Nil | Nil |
| 3. | Contingent Liabilities | Nil | Nil |

4. Additional information pursuant to para 3 & 4 of para II of schedule VI of the Companies Act, 1956.

(Rs. in '000)

| | | | |
|---|---|---|---|
| a) | Expenditure in foreign currency | Nil | Nil |
| b) | Earning in foreign currency | Nil | Nil |
| c) | Payment to Auditors:- | | |
| | - Audit Fees | 98.26 | 50.71 |

## 6. RELATED PARTY DISCLOSURE

a. Name of related parties and relationship

| Sl No. | Name of the Party | Relationship |
|---|---|---|
| 1 | Indophil Resources Exploration Services (India) Pvt Ltd. | Wholly owned subsidiary |
| 2. | Mr. Sandeep Lakhwara | Managing Director |
| 3. | Mr. Charles E.E. Devenish | Chairman |
| 4. | Mr. K. R. Krishnamurthy | Director |
| 5. | Dr. M. Ramakrishnan | Director |
| 6. | Prof. V. K. Gaur | Director |
| 7. | Australian Indian Resources Pty Ltd., | Having common Director |
| 8. | Rama Mines NL (Australia) | Having common Director |
| 9. | Lakhwara Consultants Pty Ltd., | Having Common Director |
| 10. | Rama Mines (Mauritius) Limited | Having Common Director |
| 11. | Western Goldsmiths Pty Ltd | Having Common Director |
| 12. | The Paramount Mining Corporation Limited | Having Common Director |

b. The company had transactions with the following related parties :-
Dr. M. Ramakrishnan, Mr. K.R. Krishnamurthy, Prof. V. K.Gaur.

c. Transactions with related parties :-

| **Sl. No.** | **Nature** | **Year ended 31.03.2006 (Rs. in '000)** |
|---|---|---|
| 1 | Managerial Remuneration | 840.00 |
| 2 | Directors Sitting Fees | 50.00 |

## 7. PRE-OPERATIVE EXPENSES:-

The Company undertook activities for exploration of gold at various sites. Commercial production has not commenced and therefore it is the Company's intention to account for all the exploration expenditure of Rs. 26,977.14 (in thousand) as mentioned in schedule 'F' to the Consolidated Balance Sheet as pre-operative expenditure which will be charged to the Consolidated Profit & Loss Account as and when the commercial activities/production commences. Details of the exploration expenses incurred are as under :-

| | **(Rs. in '000)** |
|---|---|
| Exploration Expenses incurred by Deccan Gold Mines Ltd. | 32,808.41 |
| Less : Paid to Indophil Resources Exploration Services (I) P. Ltd. (Subsidiary Company) | 5,690.85 |
| | 27,117.56 |
| Less: previous year c/f balance | 140.42 |
| | 26,977.14 |

**For V. K. BESWAL & ASSOCIATES,**
CHARTERED ACCOUNTANTS

For and on behalf of the board

**R. P. LADDHA**
PARTNER
M.No.48195

Place: Mumbai
Dated: 30th October, 2006

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place: Bangalore
Dated: 30th October, 2006

**S. Subramaniam**
Company Secretary

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

| | As at 31.03.2006 (Rs.'000) | As at 31.03.2005 (Rs.'000) |
|---|---|---|
| **A: CASH FLOW FROM OPERATING ACTIVITIES:** | | |
| Net Profit/(Loss) before tax & extraordinary items | (10,859.63) | (5,996.41) |
| **Adjustment for:** | | |
| Add : Miscellaneous Expenses written off | 422.83 | 157.70 |
| Depreciation | 1,980.59 | 1,285.03 |
| Operating Profit / (Loss) before Working Capital Changes | (8,456.21) | (4,553.68) |
| **Adjustment for:** | | |
| Increase / (Decrease) in trade liabilities | 2,621.46 | (4,012.55) |
| (Increase) / Decrease Loans and Advances | 9,824.37 | (11,002.47) |
| Net Cash used in Operating Activities (A) | 3,989.62 | (19,568.70) |
| **B: CASH FLOW FROM INVESTING ACTIVITIES:** | | |
| Purchase of Investments / Fixed Assets | (10.12) | (8,172.94) |
| Pre Operative expenses | (4,346.39) | (16,376.12) |
| Net Cash from Investing Activities (B) | (4,356.51) | (24,549.06) |
| **C: CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| Miscellaneous expenditure | - | (432.71) |
| Net Cash from Financing Activities(C) | - | (432.71) |
| Net Increase/(Decrease) in cash & cash equivalents (A+B+C) | (366.89) | (44,550.46) |
| Cash & Cash equivalents at the beginning of the year | 1,430.84 | 45,981.30 |
| Cash & Cash equivalents at the end of the year | 1,063.95 | 1,430.84 |

As per our report of even date
**For V. K. BESWAL & ASSOCIATES,**
CHARTERED ACCOUNTANTS

**R. P. LADDHA**
PARTNER
M.No.48195

Place: Mumbai
Dated: 30th October, 2006

For and on behalf of the board

**Charles E. E. Devenish**
Chairman

**Sandeep Lakhwara**
Managing Director

**M. Ramakrishnan**
Director

**V. K. Gaur**
Director

Place: Bangalore
Dated: 30th October, 2006

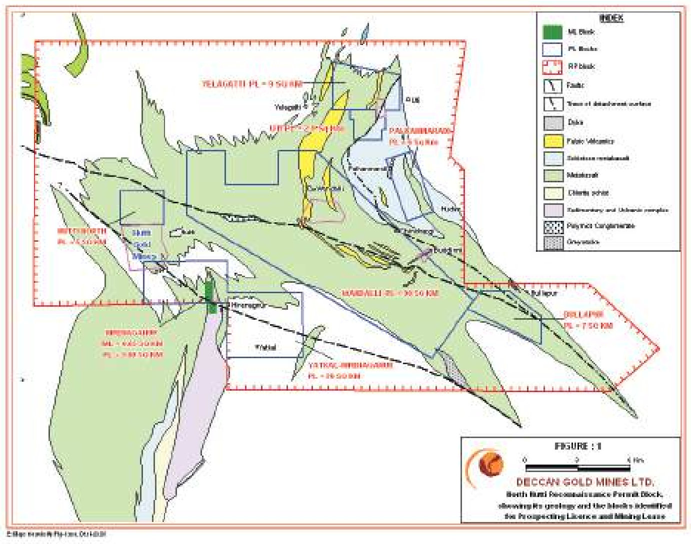
**S. Subramaniam**
Company Secretary

# EXPLORATION REPORT

## I. HUTTI BELT PROJECT

**Hutti Greenstone Belt: Host to a world class gold deposit (Fig.1) :**

Gold is being mined by The Hutti Gold Mines Ltd (HGML), a Government of Karnataka undertaking, near Hutti village in northern Karnataka. The mine is developed on a classic Archaean lode gold deposit, similar to those in Australia, Canada and South Africa. Gold mining activity in the belt has been known since pre-Ashokan time, about 3000 years ago. Modern gold mining commenced in the Hutti area around 1947.




(Fig.1)

Exploration was carried out by DGML under two Reconnaissance exploration Licences (RPs) covering a total area 851 sq km of the most prospective part of the Hutti belt.

Our exploration comprised Geophysical surveys by geophysical techniques involving about 9 line km of Induced Polarization(IP) and 145 line km of magnetic surveys in selected areas. Surface geochemical exploration involved the collection and analysis of 347 samples of stream sediments, 85 samples of termite mound, 819 soil, 4933 bedrock chip samples and 1646 channel profile samples. Based on results from the geophysical and geochemical investigations, reconnaissance reverse circulation drilling and diamond core drilling have been carried out. A total of 2296 drillhole samples were analysed for gold. These studies led to defining 21 potential gold bearing blocks for detailed prospecting under Prospecting Licenses (PLs) for which applications have been filed with the Government of Karnataka. The P.L. blocks identified are shown in **Fig.1.**

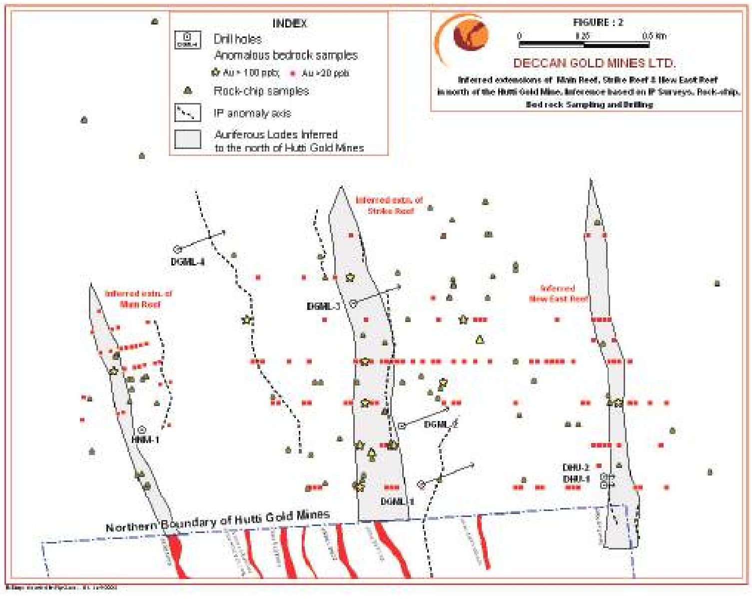
Among the 21 gold prospects so far recognised, the most important are the ***Hutti Mine North prospect*** located immediately north of the currently operating Hutti mine, ***Hirenagnur Prospect, Yathkal Prospect, Uti south prospect, Chinchergi-Topaldoddi prospect, Bullapur prospect, Buddini old mine prospect, Sanbal-Maski prospect.*** Highlights of these prospects are presented in the following:

### *A. Hutti Mine North p rospect* (Fig.2):

This block is located immediately north of the currently operating Hutti Gold Mine. Eight parallel gold bearing quartz-sulphide veins known as ***Reefs*** or ***lodes*** are known to exist in the currently operating Hutti Mines. These lodes were speculated to extend northwards into our exploration ground for about 2.0 km beyond the northern boundary of the Hutti mines.

The objective of our exploration was to prove the extension of the lodes. Since most parts of this prospect is under cover of black cotton soil, IP geophysical survey was carried out which revealed chargeability anomalies. Follow up drilling in the eastern side revealed the possible extension of the Strike Reef with intersections of 5.3g/t gold for 2.05m width, 3.19g/t for 2.71m width and 0.65g/t for 6.3g/t width. The geophysical anomalies taken together with the drill intersections including the earlier GSI's drilling data confirmed the possibility of the northward continuity of the gold-bearing reefs.

Follow up, prospect-wide bed rock profile sampling revealed anomalous gold values between 20 to 90 ppb over a 180m wide zone along the inferred northern extension of the ***Main Reef*** of the Hutti Mines. Few samples of exposed quartz veins gave up to 16 g/t gold on the possible extension of this reef. The most significant observation was the possible continuation of the ***New East Reef*** with 9.4 to 10 g/t gold over a width of 1m as revealed by channel sampling over the



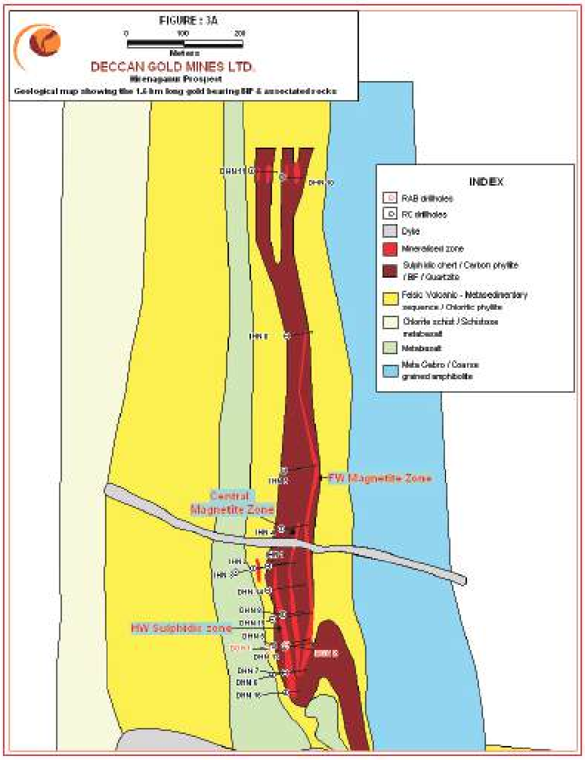

(Fig.2)

geophysically anomalous zone. The extension of the ***Zone I Reef*** was also recognised in drilling but it did not give a significant grade at the point of intersection. All the inferred extensions are shown in **Fig.2**.

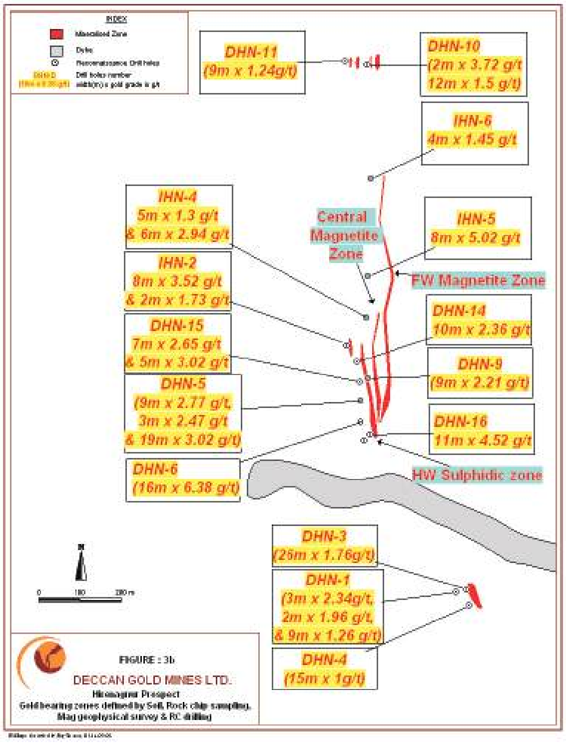
A PL application has been lodged over the prospect, grant of which will enable us to take up a detailed drilling programme needed to define the subsurface extensions and grades of mineralized zones.

### *a) Hirenagnur Prospect (Fig.3a, b):*

One of the highlights of our exploration work has been the establishment of a 2 km long and 50 m wide gold bearing zone in the Hirenagnur Prospect, located 5 km SE of the Hutti Gold Mines. This prospect is an open ended N-S trending, zone revealed initially by a single rock-chip sample and subsequently by systematic bed-rock sampling and ground magnetic surveys along eleven profiles.




(Fig. 3a)




(Fig. 3b)

Analysis of 473 bedrock samples collected at 10 m intervals along E-W profiles spaced 40m apart revealed presence of highly anomalous gold values of 56 to 461ppb in banded iron formation. Further follow up rock chip samples showed values of up to 7.78 g/t gold. Channel sampling across the 50m wide zone, identified sub-parallel mineralized zones of 2 to 15 m width with gold grades of 1 to 3 g/t.

These coincident geophysical and geochemical anomalies encouraged drilling. A total of 1078 m of RAB and RC drilling were successful in defining 4 parallel gold bearing zones having a cumulative strike length of 1030 m **(Fig.3b).**

The current shallow recconnaissance drilling has tested the depth persistence of lodes up to 60 m from the surface. Extension of the lodes both along strike and depth are open for future detailed drilling.

Hirenaganur prospect is a structurally controlled mineralization. Therefore, the continuity of gold bearing structures is expected up to several hundred metres. Applications have been filed for both PL as well as a Mining Lease.

Ore beneficiation tests are underway at the Indian Bureau of Mines. A Prospecting Licence application has been lodged, upon grant of which Deccan Gold will undertake further detailed drilling to test the deeper extensions of the zones.

### *b) Uti mine lodes- Southern and Northern continuity:*

The Uti Mine is owned and operated, as an open pit mine, by the Hutti Gold Mines Ltd. Bed rock sampling at 20 m intervals along 9 profiles southwest of Uti mine and along 3 profiles north of the mine have revealed gold anomalous zone in strike continuity of Uti mine lodes for about 3.5 km to the SW and also towards north.

609m of reconnaissance drilling confirmed the strike continuity of gold lodes to the south. One of the lodes showed gold in the range of 0.82 to 1.4 g/t over widths ranging from 1 to 5m; a second lode yielded 1.34 to 1.72 g/t gold over 1 to 2m width; one more intersection analyzing 3.49 g/t gold over 4m was traced to yet another lode. Detailed drilling is called for to establish the full potential of the Uti south and North prospects.

***c) Uti Temple Prospect:***

Old diggings by ancient miners and our recent channel sampling have revealed existence of three sub-parallel mineralized zones in an area 1.2 sq km west of the HGML's Uti mine. Surface samples have given high gold values of up to 22.94 g/t and 40.38 g/t gold. Bedrock geochemical sampling has indicated an anomalous gold bearing zone which is 1200m long and 80m wide.

***d) Chinchergi Prospect:***

Chinchergi prospect located some 15 km east of Hutti Gold Mine is an area of extensive ancient mining. Reconnaissance rock chip samples analyzing 5.59 g/t, 8.33 g/t, 9.92 g/t and 12.73 g/t were met with in this prospect. Channel sampling revealed 1 to 2m wide narrow lodes analyzing 1.18 g/t to 4.38 g/t. Systematic bedrock sampling involving collection of 1500 samples helped to define a 80 to 200m wide anomalous zone of quartz veins with alteration haloes south of Chinchergi. Also observed was another similar vein-alteration anomalous zone, 75 to 100m wide, west of Chinchergi. Payable reefs are however, narrow; eg. 0.63 to 4.4 g/t gold over a maximum width of 4m for 400m strike length.

Eight widely spaced reconnaissance reverse circulation bore holes were drilled covering a strike length of 3.7 km. One borehole (DCH-1) intersected an ore zone with an average gold value of 1.41 g/t over 8m width. Important intersections in two other boreholes include 4m x 1.1 g/t (DCH-7), 5m x 2 g/t (DCH-2). These results are considered encouraging to warrant more further drilling on close spaced grids.

***e) Bullapur Prospect:***

This is one of the recently discovered prospects in the Hutti belt located outside of the GSI-explored area of ancient gold workings. In the course of geological traversing along the major structural discontinuity south east of Chinchargi village, a new zone of mineralization was located close to Bullapur village. The mineralized zone comprises a series of quartz veins disposed as N-S splays from a narrow ENE trending shear zone. One of the veins showed a number of visible gold grains on panning. A rock chip sample yielded a good value of 6.53 g/t gold. The area deserves to be investigated in detail under a Prospecting Licence.

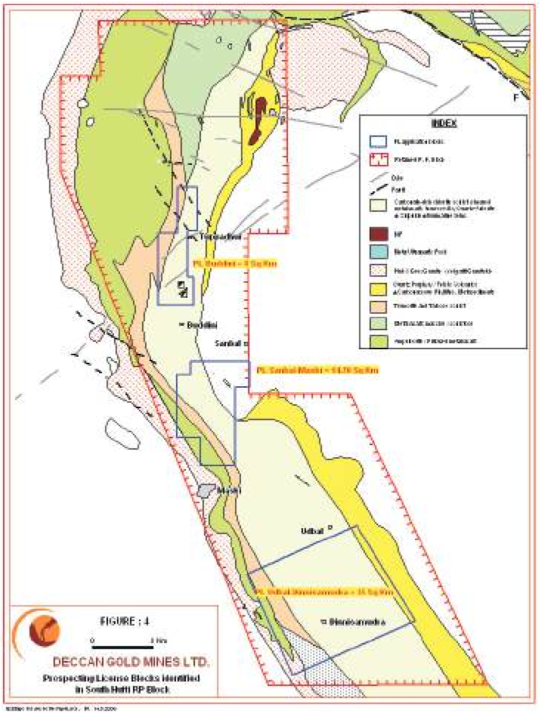
***f) Yatkal Prospect:***

Yatkal Prospect is situated along the southern margin of the North Huttti R.P. Block and gold is found in the granites intruding the Hutti volcanic belt. Stream sediment sampling initially drew attention to the area as a possible source of gold anomaly. In several termite mound samples, more than 100 ppb gold, a highly anomalous geochemical value, was noted. This prompted a systematic soil grid geochemical survey involving collection of 819 soil samples at 20 m interval along profiles 40m apart. Gold content of greater than 50 ppb was taken to define the anomaly.

Two distinct zones of gold mineralization emerged following the soil sampling. A 900 m long, 150 m wide NE trending anomalous zone in the western part and a NW trending 400 m long narrow zone in the eastern part. The western anomalous zone shows sulphide rich granodiorites with 5 parallel zones of quartz veins. The NW trending eastern zone is a zone of highly silicified pink granite with amphibolite patches traversed by quartz veins, disseminated with chalcopyrite and pyrite. Rock chip sampling has revealed anomalous gold content in several samples with best values ranging from 1 to 32.05 g/t. Detailed sampling by trenching and drilling is warranted under a Prospecting License.

***B. Prospects In South Hutti RP block (Fig.4)***

Ancient gold workings dating back to Ashokan time dot a 20 km long tract in the South Hutti belt which is marked by a major N-S trending shear zone designated as the "Central Shear Zone (CSZ)". The tract was explored by DGML under a Reconnaissance Permit. This tract contains several promising prospects shown in Fig.8. The following targets have been chosen for intensive exploration based on highly encouraging gold values obtained during reconnaissance geological mapping and geochemical sampling which included analysis of 930 outcrop rock chip samples 287 stream sediments and 389 bed rock samples. The exploration was successful in identifying four prospects worthy of detailed investigation, hence, these have been covered under PL applications which are in various stages of processing.




(Fig. 4)

*a) Tuppadhur-Buddini Prospect:*

A series of ancient pits and 6 inclined shafts are spread over a strike length of about 2.6 km in this prospect. Gold mineralisation is confined to the central shear zone and is generally found in quartz-ankerite veins with the wall rock showing intense chlorite and carbonate alteration. At Buddini, four parallel lodes have been identified. Extensive British time old workings occur along two of them - the Main and Mopla Lodes. Samples from mine dumps assayed up to 19.3 g/t gold. Detailed drilling will be undertaken once PL is granted for which our application is pending with the Government.

*b) Maski Prospect:*

This prospect has all the signs of an important gold field. Thirteen old workings were reported in this prospect in the early 1900s by the Hyderabad Geological Survey. M/S John Taylor and Sons developed one of these workings with a 35 m deep shaft, drove levels north and south and mined the ore of an average grade of 30 g/t gold. All of the diggings are now buried under black cotton soil. Rock chip sampling, in the vicinity of these old diggings, has given some high gold assays, including 8.93 g/t from the sludge of a ground water borehole; up to 11.6 g/t from a pit to the bed rock and up to 33.86 g/t from float samples. Based on these results, an auger-bedrock sampling programme was undertaken which revealed five broad gold anomalies. These results are to be investigated in detail under a prospecting Licence.

*c) Ashoka Prospect:*

The Ashoka Prospect (named after the great Indian emperor whose inscriptions are seen near Maski town) was a discovery happened during one of our stream sediment geochemical survey programmes. The prospect is defined by brecciated quartz-carbonate-haematite veins traversing fractured pink potassic granite. Rock chip sampling gave assays of 4.9 g/t gold and 0.63% copper. Reconnaissance geological mapping has revealed that the mineralized zone trends WNW, but the zone is covered under thick black cotton soil. Detailed trenching and geochemical soil sampling is planned prior to preliminary drilling.

*d) Sanbal Prospect:*

Five sub-parallel zones of mineralisation have been identified in this prospect. Among them, Zone I consisting of highly folded quartz veins assaying up to 500 g/t Au. An open pit was developed by the Hutti Gold Mines Limited on Zone I, and about 2000t to of ore at a grade of 7.5 g/t gold was mined and processed. We plan to carry out detailed prospecting involving drilling to find the depth extensions of the high grade gold ore shoots mined in the past and existence of additional ore shoots.

## II. THE MANGALUR BELT PROJECT

**The Mangalur Belt Project (Fig.5)**

The Mangalur greenstone belt is 25km long and 4 to 5km wide, located 40 km north of the Hutti gold mines. Data from earlier exploration by GSI and our own work involving multi-element geochemical analysis of 46 rock-chip samples from different parts of the belt have brought to light two new prospects viz; **Jainapur prospect** and **Mangalur village** prospect, both located in the same tract as but outside the limits of the Mangalur (Mukangavi) Gold Mine of HGML.

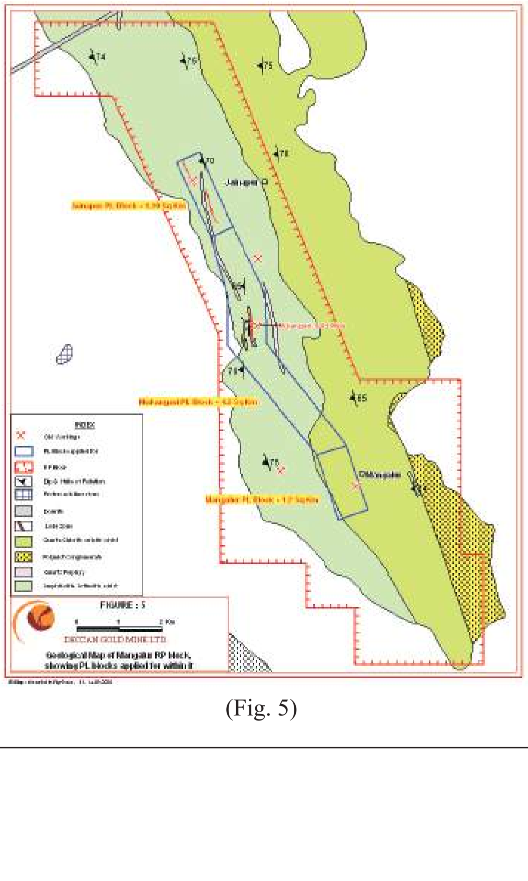
Geomysore Services in association with DGML has filed 3 applications for PLs-Mangalur block 1.2 sq km, Jainapur block 1.1 sq km and Mukangavi block 4.5 sq km. Further exploration by drilling will be undertaken upon grant of these licences.

*a) Jainapur P.L. Block:*

The Jainapur Prospect is located 2.5 km NW of Mangalur mine. A 1.5 km long, 0.5 to 5m wide mineralized zone has been traced. Random rock-chip samples from outcrops have given gold values up to 2.45g/t. Samples from earlier trenches across this zone have analysed 1.1 to 4.98g/t gold. 11 bore holes have been drilled by the Geological Survey of India to investigate the depth persistence and grade. The report is unpublished.

*b) Mangalur P.L. Block:*

Mangalur village Prospect is located about 4.5 km southeast of Mangalur mine. Sulphide bearing quartz veins from a well, located west of the village, have assayed 14 and 65g/t gold. Sitting on either end of the HGML's Mangalur mine, Jainapur and and Mangalur village prospects are considered good exploration targets.

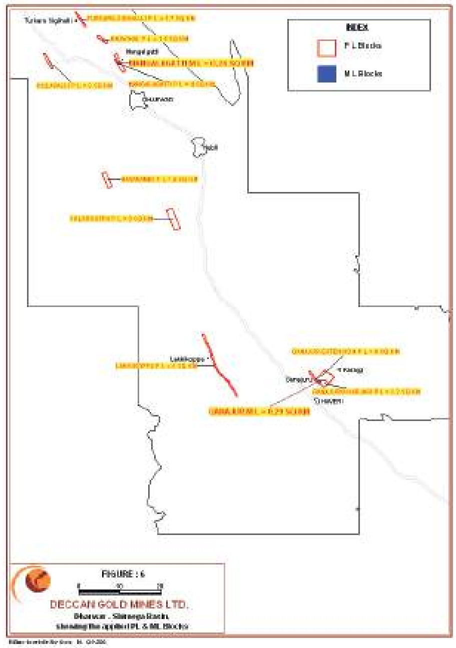



(Fig. 5)

## III. DHARWAR-SHIMOGA BELT PROJECT

**Dharwar-Shimoga Belt Project, Karnataka State (Fig.6)**

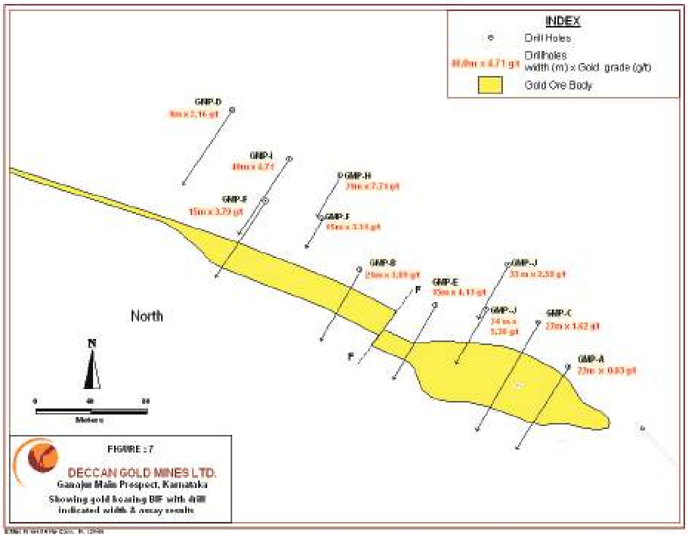
Our exploration till date covered an area of 5,329 sq km under 3 RP blocks and succeeded in identifying 22 most prospective blocks. With in some of them, drilling helped to define gold ore resources. Salient aspects of these are narrated prospect-wise.



(Fig. 6)

***a) Ganajur Main Prospect (Fig.7):***

This new discovery came to light during a programme of rock-chip sampling of the cherty sulphidic BIFs. A total of 1005 m of drilling over a strike length of 372 metres gave strong gold intersections (best are tabulated below). Based on this drilling, a potential resource to 119 metres down dip depth has been estimated at approximately 1.53 million tonnes grading 3.79 g/t (approximately 122,000 ounces of contained gold). The northern part of the prospect returned high grades in the range of 5 to 20 g/t yielding high average grades of 3.31g/t gold for 15 m & 7.71g/t for 39 m respectively. The ore resource translates to 5.8 t of gold metal. The deposit is open along strike which will be probed by further drilling under a PL expected to be granted in the near future. The drilling is expected to increase the size of the ore resource.



(Fig. 7)

***b) Ganajur NW, SE and Central Prospects:***

Preliminary surface rock-chip sampling and recce drilling have revealed existence of mineralization in ***Ganajur NW prospect, Ganajur SE*** (+1 g/t over 250m length and 8m width) as revealed by surface rock-chips but drilling returned poor values, probably due to leaching of gold from surface outcrops. One drill hole in the ***Ganajur Central*** prospect showed a 4m intersection of visible gold analyzing **18 g/t gold**. All these prospects will be taken up for detailed drilling as soon as the PL is granted. The PL has received to approval of the State Government and is due to go to the Ministry of Mines, New Delhi for concurrence.

***c) Karajgi Prospect:***

The prospect is located SE of the Ganajur Central Prospect. Several ancient workings are located in the BIFs. A short programme of 861m of RC drilling following an earlier programme of channel sampling of auriferous BIF brought to light a 133m long 6.59 m wide zone of gold with the grade averaging 3.23 g/t up to a shallow depth of 50 m. The deposit is open along strike and at depth. Further drill testing is planned under the PL.

***d) Prospects near Mangalgatti:***

Situated ~12km north of Dharwad city, our sampling of surface rock-chips of oxidized BIF gave gold values up to 29.68 g/t, while channel samples assayed up to 3.30 g/t over 12 m width. During the course of this sampling, a big adit, an old working for gold, 12m wide and 45m long, was discovered within deeply weathered BIF and ferruginous greywacke.

Three main zones of mineralization over 1.2km length constitute the Magalgatti region, viz (i) Mangalgatti NW, (ii) Mangalgatti SE and (iii) Mangalgatti East, all confined to cherty sulphidic BIF that appear to be fold repetitions.

***e) Mangalgatti SE Prospect:*** Reconnaissance drilling has helped to define 2 parallel sub-zones with in a 500m long x ~30m wide gold-bearing tract. The average gold grades, though lower than at Ganajur, individual high grade intersections are pointing to the possibility of developing the prospect into an underground mine. It requires detailed core drilling under a PL to be granted.

**INTERSECTIONS**

| Drill Hole | Width (metres) | Gold Grade |
|---|---|---|
| A | 23.0 | 0.82 g/t |
| B | 21.0 | 3.89 g/t |
| C | 27.0 | 1.62 g/t |
| D | 9.0 | 2.16 g/t |
| E | 15.0 | 4.13 g/t |
| F | 15.0 | 3.79 g/t |
| G | 15.0 | 3.31 g/t |
| H | 39.0 | 7.71 g/t |
| I | 40.0 | 4.71 g/t |
| J | 34.0 | 5.36 g/t |

Zone 1: 315 m log x 15m wide with 1.5 million tonnes @ 1.63 g/t average gold. Zone 2: 278m log x 8.5 m wide with 0.26 million tonnes @ 1.21 g/t average gold.

***f) Mangalgatti NW Prospect:*** Drilling in the NW prospect gave relatively, subdued intersections within strongly weathered rocks. The strongly weathered zone extends beyond 50 m depth, as in many parts of the Western Australian goldfields. The subdued intersections are typical of the strongly leached profile. Further drilling revealed a structurally controlled quartz-vein zone of mineralization. We plan to carryout deeper drilling to find out the exact width, grade and style of the gold bearing tract in this prospect.

***g) Bhavihal Prospect:***

The poorly outcropping auriferous chert in this prospect has given high surface assay values of up to 29 g/t. One DTH scout hole was drilled under a surface channel which assayed 0.9 g/t over 41m width (including 1.91 g/t over 8 m). The mineralized section is strongly weathered. This large width and encouraging grade prompted us to continue reconnaissance drilling to shallow depths of 50 to 90 metres aimed at delineating a open pittable gold resource.

Drilling can be termed successful in delineating 4 lodes close to each other. Important among them, designated as the “B' body is 280m long having an average true width of 13.5 m (range: 7m to 28m) and average gold grade of 1.64 g/t. (range of averages:0.94g/t to 2.79g/t). The deposit will be drilled further under a PL, grant of which is awaited.

***h) Lakkikoppa Prospect:***

At Lakkikoppa Prospect, gold mineralization occurs in BIFs over 3 km length. Surface rock chip samples returned assays up to 2.07 g/t gold. Resampling of 44 trenches opened by the GSI, gave assays ranging from 1.45 to 3.5 g/t for 1 to 5 m width over a length of 500m. GSI has drilled 11 diamond drill holes over 3 km length of the BIF. We would purchase the GSI's data for our own assessment before planning future drilling programmes in this important prospect.

***i) Kulavalli Prospect:***

Kulavalli Prospect, like the Bhavihal, is located not far off from Mangalagatti Prospect. Kulavalli gold-bearing tract is 4.3km long. Four parallel gold- bearing BIFs have been recognized to date. Initial surface rock chip sampling gave values ranging from 0.18 to 6.1g/t gold. Follow-up spot rock-chip sampling gave assays from 0.27 to 18.0g/t gold and a channel sample gave 6.73 g/t over 8m width. A PL application has been filed for undertaking intensive drilling in this important prospect.

***j) Durgadakeri Prospect:***

Durgadakeri Prospect has a strike length of 4 km. Ten rock chip samples from this prospect showed gold in the range of 0.3 to 40.16 g/t Au. Further surface exploration will precede drill testing.

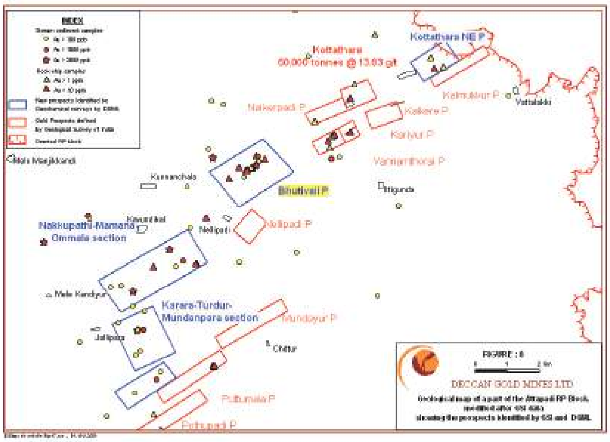
***k) Jakkinakatti Prospect:***

In Jakkinakatti Prospect, the gold-bearing BIF is exposed over a strike length of 700m with width varying from 3 to 4 metres. Rock chip and channel sampling have brought out a mineralized zone, 180m long x 3.4m wide. The gold content of rock chips ranged from 0.06 to 4.67 g/t while the channel sampling gave assays in the range 0.01 to 13.55 g/t.

## IV. ATTAPADI PROJECT- KERALA

**Attappadi R.P. Block Project, Kerala State (Fig. 8)**

Geological mapping, analysis of 446 stream sediments, 203 rock chips and 14 samples from old GSI trenches have confirmed the high gold bearing potentiality of the rocks in the 834sq km area of the Attappady RP block. A deep crustal structure known as Bhavani shear zone is the potential exploration target in this block.




(Fig.8)

Gold mineralization is known from earlier work of GSI in Kottathara, Puttumala, Pothupadi, Mundaiyur and Kariyur-Vannathorai Prospects. Gold occurs in quartz veins traversing the deep seated Bhavani shear/fracture zones in BIF, amphibolites, hornblende and biotite gneiss rocks. DGML carried out rock-chip sampling in the known prospects to independently confirm the earlier reported gold grades.

**a)** ***Kottathara prospect:*** Three zones have been delineated and the prospect has an ore resource of 60,000 tonnes grading

13.63g/t gold according to GSI. While tracing the NE extension of Kottathara prospect, stringers of quartz analysing 9 g/t 35 and 49g/t gold have been picked up in stream beds.

***b) Puttumala prospect:*** A 60 cm sample of vein quartz carrying galena (lead sulphide) from old trenches showed high spot values of gold up to 21g/t.

**c)** ***Pothupadi Prospect:*** A sample of vein quartz traversing amphibolite assayed 4 g/t gold.

***d) Mundaiyur Prospect:*** Gold occurs in quartz veins over a length of 300 m with gold-bearing sulphides enveloping the quartz veins.

***e) Kariyur-Vannathorai Prospect:*** Samples of vein quartz have shown gold contents ranging from 3 to 20 g/t.

Stream sediment geochemical surveys involving collection of 446 samples by DGML revealed highly anomalous values of up to 5091 ppb in ***Nakkupathi-Mamana-Ommala*** section. Panning showed visible gold. The source of stream gold anomalies was traced to an area of sulphide rich granites and quartz veins analyzing 14 g/t gold.

**In** ***Kurara-Tundur-Mundanpara section*****,** stream sediments assayed 10 ppb to 428 ppb and three samples yielded very high gold values of 1.06 g/t, 1.97 g/t, 15.87 g/t!!. The 15,872 ppb (15.87 g/t) gold sample is from the bed of a perennial stream. At several places, 1 kg samples collected from this stream course, showed 4 to 5 specks of gold in the pan. In one sample, 18 specks, coarser than 80 mesh size, have been noted.

**In** ***Mundanpara-Acchamukku-Karadipara*** **section,** three anomalous values of 260 ppb, 793 ppb, and 1137 ppb were observed. Two samples appear to originate from the Puttumala prospect. Quartz veins of varying dimensions have been noted during the follow up.

**d)** ***Bhuduvali prospect:*** DGML has discovered gold in here. Stream sediment samples had analysed as much as 2.4 g/t gold. Float samples from up stream slopes, yielded values ranging from 5 to 35 g/t gold. Traverses in the source area have revealed two sets of quartz veins 250m apart. They have to be examined by trenching under a PL.

On the whole, exploration in the Attapady RP block has been rewarding, prompting us to go for reconnaissance drilling in the post-monsoon period.

## V. RAMGIRI BELT PROJECT

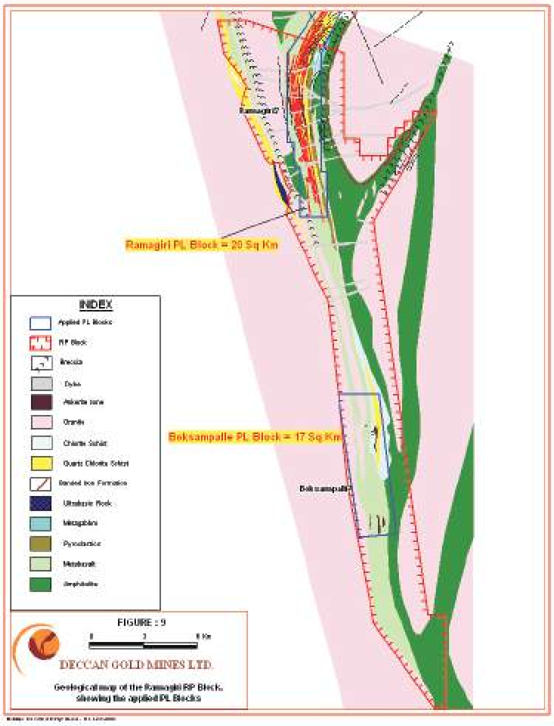
**Ramgiri Belt: host to several rich but small ore shoots (Fig. 9)**

The Ramagiri RP block comprises the well known 13 km long Ramagiri Gold Field (RGF) that was a scene of intensive underground mining activity by the Britishers in the early part of the last century. The 13 km tract had mines over several rich shoots. Three main mining ventures in this tract produced about 176,338 ounces of gold at a recovered grade of around 15 g/t from high-grade veins in the years 1910 to 1927. Until April 2001, the Government of India owned Bharat Gold Mines Ltd. (BGML) was operating the underground Yeppamana Mine in the RGF. The GSI, following a drilling programme, has reported gold resources of all categories from the RGF that includes 590,000 t of ore @ 3.7 g/t gold and an inferred resource of 3.96 million tonnes of ore of an average grade varying from 1.32 g/t to 5.6 g/t.

Exploration so far done has provided new targets in the southern and western parts of the belt. On the basis of some 613 geochem samples including stream sediments, rock-chips, soil and channel rock-chips, 3 blocks have been identified as worthy of detailed exploration by drilling. These are:

1) Ramagiri Gold Field block (RGF) - 20 sq km area
2) Boksampalle block - 17 sq km area
3) Ramagiri west block - 18 sq km area

PL applications filed on the first two blocks are under processing by the Govt. of Andhra Pradesh. The extension of the BGML's lease hold, the **Power House mine** and the **South Jibutil mine** fall within our 20 sq km Ramagiri Gold Field P.L. block.




(Fig. 9)

**A. Ramagiri Gold Fields (RGF):**

**The Yappamana and Gantlappa mines**

The Yeppamana was operated until April 2004 by BGML. The Gantlappa mine produced 12,000t of ore at 8g/t. Detailed drilling by the GSI in the late 60s reported the presence of several ore shoots. A resource of 1.14 mt of ore of 3.32 to 5.6 g/t grade upto a depth of 300m has been estimated. The average width reported is 1.98 m. Details are contained in unpublished reports of GSI, which we propose to purchase as soon as the Govt. grants the Prospecting Licence.

***a) The Power House Mine:***

The power House mine is located to the south of the Gantalappa mine. It is reported to have produced about 4000t of ore with 17.6g/t. The GSI tested this mine with 12 diamond drill holes, and reported narrow widths of 0.18 to 0.29m having grades of 8.4 to 52.7g/t.

***b) South Jibutil Mine:***

Further south of Power House Mine several shafts exist. **The main shoot yielded 13.6 to 37.5g/t.** There are two ore shoots, which join near the 800m level. The ore stoped out was of the order of 60,000t of 11.2g/t and 6,500t of 35.2g/t. This mine has contributed to the main production from this sector during the British time. Channel sampling involving collection of 90 samples in 13 channels of the exposed mineralized zone and wall rocks of veins in Jibutil area have shown anomalous gold in the range of 100 ppb to 999 ppb and 5 samples >1 g/t. A 50 cm wide quartz vein with sulphides analysed 1.67 to 3.83 ppm of gold. Rock-chip sampling from an outcrop NE of Shaft No. 5 has analysed 2 g/t Au. Dump samples from the old mines reported 3 to 17 g/t. Detailed prospecting is proposed to be undertaken in the Jibutil area in the light of these encouraging results.

**B. Boksampalle block: mineralisation in sheared granites:**

Boksampalle is situated close to the southern termination of the Ramagiri belt. The prospect is 2 km long containing a series of gold bearing sulphidic quartz veins traversing fractured granite. Within this tract there is a wide zone of mineralisation, 4.2 m to 62.12m, over a length of 350 m. Resampling of surface outcrops has revealed 3 parallel zones of vein quartz in fractured granite. The central quartz vein is 2-5m wide. Six randomly collected rock-chip samples from different veins assayed 0.23 g/t to 3.49 g/t. The vein quartz zone is 2 km long with surface width of 2 to 25m within a narrow and steep sheet of granite intruding metabasalt. GSI's drilling showed a poor average grade of 0.48 g/t within which there are better intercepts 6.29m at 2.54g/t and 9.18m at 1.20g/t. In GSI's bore hole BH-1, a series of quartz veins in sheared granite were reported with average gold value of 0.47g/t for 26.92m.

The above review of the exploration data on Boksampalle suggests that it is worth drilling the area to probe deeper levels to establish mineable ore shoots if any in the area.

***a) Boksampalle North Prospect:***

Surface rock chip sampling of vein quartz, from shear zones in basic volcanics, has been carried out at various locations on this prospect. Three separate shear zones yielded best assays of 15.6 g/t, 13.8 g/t and 8.89 g/t. Follow- up sampling is in progress.

**Conclusion on Ramagiri belt**

The entire Ramagiri belt is very much under explored. The high grade of historic production from shoots (15 g/t gold) makes this area an important target for exploration, to trace the depth continuity of the known ore shoots and to locate new ore shoots.

All the ore shoots discovered in the Ramagiri Gold field by the old miners, including the recent BGML operations, were below the ancient workings. These cover only a portion of the total length of the field. There are several parallel lodes in the field. Much of the ground between the mines has largely remain unexplored.

# EXPLORATION PERMITS & APPLICATIONS

Based on results of reconnaissance exploration carried out in R.P. Blocks, several PL applications and a few ML have been filed as listed in the *Tables 1 & 2*.

Encouraged by the results of reconnaissance exploration including R.C drilling, M.L. applications have been filed on 4 areas where drill indicated resources have been estimated and recorded in our reports to Government (*See Table 2*).

Table 1

## DECCAN GOLD MINES LTD. (DGML)

### PL APPLICATIONS BY DECCAN GOLD MINES LTD.,

| PL Nos. | Block Name | District | State | Area in sqkm | Date of Application |
|---|---|---|---|---|---|
| DGML-PL-1 | Kempinkote | Hassan | Karnataka | 4 | 29.8.2003 |
| DGML-PL-2 | Puttumala | Palakkad | Kerala | 81 | 7.3.2005 |
| DGML-PL-3 | Maruda | Malappuram | Kerala | 9 | 1.2.2006 |
| 3 | | Total | | 94 | |
| **PL APPLICATIONS OF INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PVT. LTD. (IRES) & SELECTED PL APPLICATIONS OF GEOMYSORE SERVICES (INDIA) PVT.LTD. (GMSI)** | | | | | |
| IRES-PL-1 | Hutti North | Raichur | Karnataka | 5 | 1.8.2003 |
| IRES-PL-2 | Ganajuru-Karjagi | Haveri-Dharwar | Karnataka | 2.3 | 17.10.2003 |
| IRES-PL-3 | Uti | Raichur | Karnataka | 2.9 | 14.1.2004 |
| IRES-PL-4 | Yatkal-Hirenagnur | Raichur | Karnataka | 28 | 1.10.2004 |
| IRES-PL-4A | Hirenagnur | Raichur | Karnataka | 1.8 | 28.4.2006 |
| IRES-PL-5 | Wandalli | Raichur | Karnataka | 90 | 21.10.2004 |
| IRES-PL-6 | Kulavalli | Belgaum | Karnataka | 2 | 15.10.2004 |
| IRES-PL-7 | Yelagatti | Raichur | Karnataka | 9 | 17.12.2004 |
| IRES-PL-8 | Turkara-Sigihalli | Belgaum | Karnataka | 1.7 | 31.12.2004 |
| IRES-PL-9 | Bhavihal | Dharwad | Karnataka | 1.5 | 4.1.2005 |
| IRES-PL-10 | Mangalagatti | Dharwar | Karnataka | 4 | 11.1.2005 |
| IRES-PL-11 | Ganajur-Extension | Haveri | Karnataka | 8 | 12.1.2005 |
| IRES-PL-12 | Lakkikoppa | Haveri | Karnataka | 5 | 22.3.2005 |
| IRES-PL-13 | Palkanmardi | Raichur | Karnataka | 6 | 28.2.2006. |
| IRES-PL-14 | Bullapur | Raichur | Karnataka | 7 | 15.3.2006. |
| GMSI-PL-3 | Ramagiri | Anantapur | Andhra Pradesh | 20 | 23.8.2003 |
| GMSI-PL-4 | Sanbal-Maski | Raichur | Karnataka | 14.7 | 29.8.2003 |
| GMSI-PL-5 | Buddini | Raichur | Karnataka | 8 | 29.8.2003 |
| GMSI-PL-7 | Mangalur | Gulbarga | Karnataka | 1.2 | 7.11.2003 |
| GMSI-PL-8 | Jainapur | Gulbarga | Karnataka | 1.1 | 7.11.2003 |
| GMSI-PL-12 | Udbal-Dinnisamudra | Raichur | Karnataka | 35 | 14.1.2004 |
| GMSI-PL-14 | Boksampalle | Anantapur | Andhra Pradesh | 17 | 26.8.2004 |
| GMSI-PL-28 | Virapur | Raichur | Karnataka | 7 | 1.10.2004 |
| GMSI-PL-29 | Mukangavi | Gulbarga | Karnataka | 4.5 | 7.10.2004 |
| 24 | | Total | | 282.7 | |

IRES : Indophil Resources Exploration Services (India) Pvt. Ltd. is a 100% owned subsidiary of DGML
GMSI : Geomysore Services (India) Pvt. Ltd.
PL : Prospecting Lincence
ML : Mining Licence

Table 2

## DECCAN GOLD MINES LTD. (DGML)

### ML APPLICATIONS BY DECCAN GOLD MINES LTD. & INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PVT. LTD.

| ML Nos. | Block Name | District | State | Area in sq km | Date of Application |
|---|---|---|---|---|---|
| IRES-ML-1 | Mangalagatti | Dharwad | Karnataka | 0.24 | 9.1.2004 |
| DGML-ML-1 | Bharak | Bhilwara | Rajasthan | 2 | 16.4.2005 |
| IRES-ML-2 | Ganajur | Dharwad | Karnataka | 0.29 | 8.6.2006 |
| IRES-ML-3 | Hirenagnur | Raichur | Karnataka | 0.65 | 9.6.2006 |

4 MLs = 3.18 sq km

New R.P. Applications: DGML undertook in-house literature research supported by some field data and selected the following areas for 9 new R.P. applications, as listed below (Table 3).

Table 3

| RP No. | Block Name | District | State | Area in sq km | Date of Application |
|---|---|---|---|---|---|
| DGML-RP-1 | Attappadi* | Palakkad | Kerala | 834 | 3.1.2006 (Date of Execution) |
| DGML-RP-2 | Hutti South | Raichur | Karnataka | 1000 | 26.2.2004 |
| DGML-RP-3 | Hiriyur | Chitradurga & Tumkur | Karnataka | 596 | 17.3.2004 |
| DGML-RP-4 | Harapanahalli (Konganahosuru Area) | Chitradurga, Bellary & Dharwad | Karnataka | 1370 | 3.3.2004 |
| DGML-RP-5 | Ramagiri | Anantapur | Andhra Pradesh | 2430 | 19.6.2004 |
| DGML-RP-7 | Mangalur Jainapur | Gulbarga | Karnataka | 408 | 3.8.2004 |
| DGML-RP-8 | Mavinahole | Shimoga | Karnataka | 188 | 10.1.2005 |
| DGML-RP-10 | Ranibennur | Haveri, Bellary & Chitradurga | Karnataka | 2685 | 5.1.2006 |
| DGML-RP-9 | Nilambur | Malappuram | Kerala | 1200 | 7.3.2005 |

TOTAL : 9 RP's = 10,711 sq km

* RP granted by Government of Kerala
RP = Reconnaissance Permit