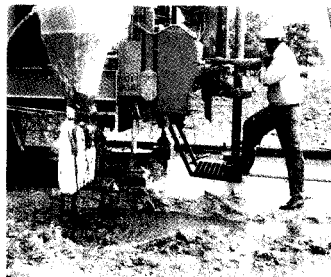
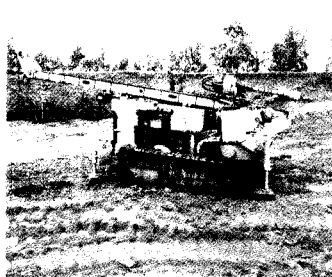
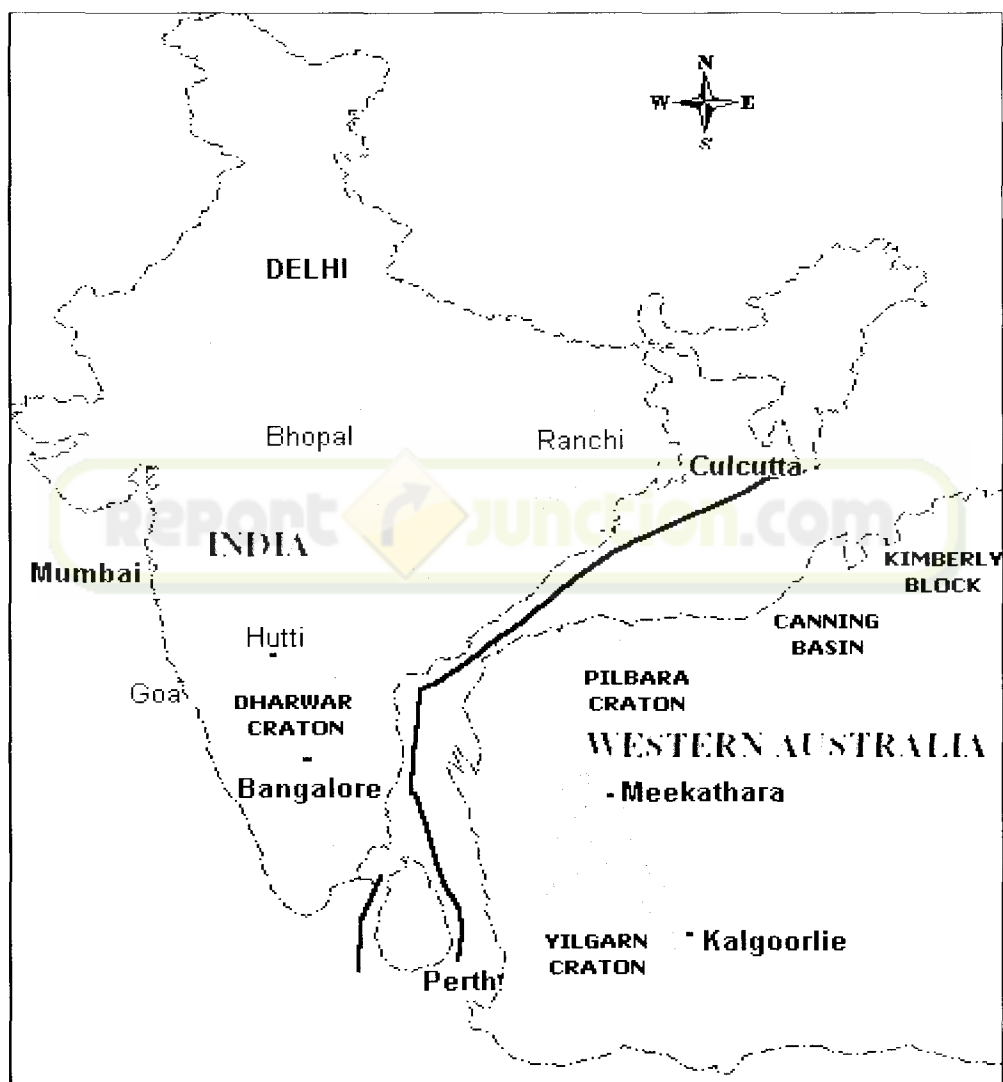




# DECCAN GOLD MINES LIMITED

20th ANNUAL REPORT-2004







## DECCAN GOLD MINES LIMITED

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

Chairman

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

### **Sandeep Lakhwara**

Managing Director

Mr. Sandeep Lakhwara is a certified Practicing Accountant and has headed various organizations in the past. He is well versed in the gold and base metal exploration arena both as an investor and Managing Director, and has made several presentations on capital raisings, corporate regulatory requirements and international commodity sector. Mr. Lakhwara moved to the Company's headquarters in Bangalore, India in August 2002 from Australia to oversee and develop the Company's operations in India and internationally. He was primarily responsible for the acquisition and development of Deccan Gold Mines Limited.

### **Vince Roberts**

Exploration Director

Mr. Vince Roberts has over 39 years of experience of Gold and Nickel exploration in Australia, Fiji, Zimbabwe, Mozambique, Papua New Guinea, Republic of Yemen, Brazil and USA. He is a Fellow Member of the Australian Institute of Mining and Metallurgy with Chartered Status and Fellow of Society of Economic Geologists, USA. He is also a Member of Mineral Industry Consultants Association, Society of Exploration Geophysicists. Some of the discoveries of mineral deposits and/or ore bodies Mr. Roberts has been closely associated with are: Sandy Creek Alluvial Gold Mine, Normay Gold Mine, North Morning Star Gold Mine, Monarch Gold Deposits, Inco's Mt. Edwards Nickel Mine (Western Australia), Suwar Nickel Copper Deposit (Republic of Yemen), Serra da Fortaleza Nickel Mines (Brazil). Vince is based in Bangalore. His role is to oversee the Company's exploration activities and more particularly lead the advanced projects to feasibility studies to determine the economics of mining.

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

Chief Geologist

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

### **Ashok Kumar Gupta**

Director

Mr. Ashok Kumar Gupta is a Fellow Member of the Institute of Chartered Accountants of India and has a substantial practice based in Mumbai, India. He is also on the Board of other listed/unlisted companies. Mr. Gupta has wide exposure of financial activities and has sound knowledge and experience on funds mobilisation, project advisory and financing, working capital arrangements, etc.

### **Professor V K Gaur**

Director

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

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

Director

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

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

Director

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

### **Manoj Deshmukh**

Head-Legal & Company Secretary

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



## DECCAN GOLD MINES LIMITED

### Letter from the Chairman

**Dear Shareholders**

It gives me great pleasure to address you as Chairman of India's first listed gold exploration company.

Whilst Deccan Gold Mines Limited in its present form is only about a year old, its genesis can be traced back to 1994 when its founding investors recognized the significance of the Indian Government's decision to allow private investment in mining for gold and base metals after nearly 50 years of state monopoly. This was largely brought about by substantial amendments to the Mines and Mineral (Development and Regulation) Act 1957 (MMDR) and more recent changes, which has created a legislative and regulatory framework for companies like Deccan Gold to operate.

It has been my ambition for the last several years to develop India's huge gold mining potential through detailed exploration of various areas in the country. Some of these areas share a close geological and metallogenic similarity with parts of Western Australia and Africa where large gold deposits have been found. We have now prepared a comprehensive data base on the geology and mining history of India for gold, based on which Deccan Gold undertakes exploration activities.

India's mineral potential has now attracted the interest of some of the world's largest mining houses including BHP Billiton, De Beers, and RTZ. As we see it, India has opened a window of opportunity for free enterprise to create a new world class mining house. Our vision is to see Deccan Gold grow into a large Indian gold mining corporation on par with the best in the world. In this respect, I note that we have been approached by some major international gold companies to join hands with us to fast track the development of Deccan Gold into this large gold mining corporation.

I remain absolutely confident that within our projects are hidden some large gold deposits. It is a matter of using the best exploratory techniques, an expert geological team, appropriate funding and persistence to get to these deposits. As our attached annual report on "Progress in Exploration for Gold in India" indicates we have made some very satisfying progress in this respect. Please do take the time to read it and feel free to contact any member of our team of geologists to assist you with understanding the report.

Finally, let me thank our shareholders for their support during the recent rights issue. I would also like to emphasize to all of you that Deccan Gold is the end result of our 10 years of presence in India and that your management is absolutely committed to ensuring its long term success.

Warm Regards,

**Charles E. E. Devenish**  
Chairman



## DECCAN GOLD MINES LIMITED

<b>Chairman</b>	Mr. Charles E. E. Devenish
<b>Managing Director</b>	Mr. Sandeep Lakhwara
<b>Directors</b>	Mr. Ashok Kumar Gupta Prof. V.K.Gaur Dr. M. Ramakrishnan Mr. K.R. Krishnamurthy Mr. M. R. Menon (Alternate Director to Mr. Charles Devenish)
<b>Head Legal &amp; Company Secretary</b>	Mr. Manoj Deshmukh
<b>Auditors</b>	V.K. Beswal & Associates Chartered Accountants, Mumbai
<b>Solicitors</b>	Kochhar & Co, Mumbai
<b>Bankers</b>	Standard Chartered Bank
<b>Registrars &amp; Share Transfer Agents</b>	Intime Spectrum Registry Limited Pannalal Silk Mills Compound, C-13, L.B.S. Marg, Bhandup (West) Mumbai - 400 078 Tel : 91 22 55555454 Fax : 91 22 55555353 E-mail : isrl@vsnl.com
<b>Registered Office</b>	49A Nariman Bhavan Nariman Point, MUMBAI 400 021 Tel: 91 22 22066026/ 22874839 Fax: 91 22 22020820 E-mail : info@deccangoldmines.com www.deccangoldmines.com
<b>Corporate Office</b>	12 SBI Colony, 7th Main, 3rd Block, Koramangala, BANGALORE 560 034 Tel: 91 80 25506974/ 91 80 25506977 Fax: 91 80 25506973 E-mail : info@deccangoldmines.com

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## DECCAN GOLD MINES LIMITED

### REPORT ON EXPLORATION ACTIVITIES

Deccan Gold Mines Limited (DGML) has seized the recent, early bird opportunity to select and acquire mineral exploration rights on some of the best sections of India's major mineralized belts. DGML's strategy is to apply to India, those techniques and processes of funding, exploration and mining which have proved so successful in U.S., Canada and Australia over the past 25 years.

DGML has entered into agreements to acquire 5 prospects originally covering a total of 5,936 sq km with a further 3630 sq km in 3 renewal applications. These areas represent prime mineralised exploration targets.

The following report highlights the exploration work and the progress made within DGML's prospects. This report is intended to give an overview of each of Deccan's Projects, with additional detail only intended to demonstrate the exploration stage and the results achieved, rather than to provide exhaustive detail.

#### The 500 Sq km RP block covering the North Hutti Greenstone Belt in Karnataka (Fig. 1):

This RP block encompasses hundreds of ancient diggings for gold and about 20 gold exploration targets. The block is located north of India's only operating major gold mine operated by Government owned Hutti Gold Mines Ltd (production + reserves = 3.3 m ounces or about 100 tonnes) currently producing about 2.8 tonnes of gold per annum. The Hutti Gold Mine and its two satellite mines at Uti and Hira-Buddini are the only currently operating gold mines in India.

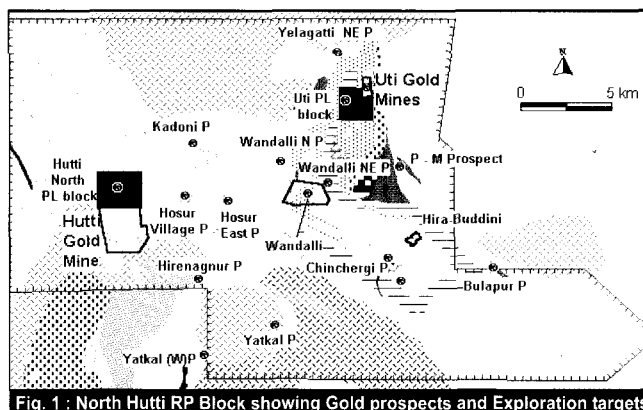


Fig. 1 : North Hutti RP Block showing Gold prospects and Exploration targets

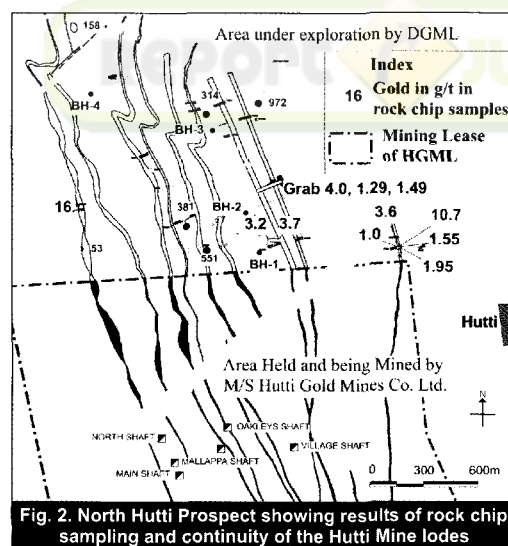


Fig. 2 : North Hutti Prospect showing results of rock chip sampling and continuity of the Hutti Mine lodes

The gold bearing lodes of the Hutti mines are suspected to continue beyond the northern boundary of the Mining Lease of the Hutti Mines into DGML's North Hutti prospect. The demonstrated success rate for discovery of major new gold mines adjacent to major old gold mines, in Western Australia, is approximately 83%. To date, DGML's early stage exploration has been encouraging. Northerly continuity of the Hutti Mine lodes is not in doubt as demonstrated by the significant results obtained by rock chip sampling, ground geophysical surveys and core drilling (refer to Fig. 2 for the gold values of rock chip sampling and Fig. 3 for the geophysical anomalies). Drilling has demonstrated the existence of intensely schistose alteration zones with sulphides and quartz that are characteristic of mineralized shear zones (drill intersections are 5.3 g/t over 2.05 metres, 3.19 g/t over 2.71 metres and 0.65 g/t over 6.3 metres for the Strike Reef and (untested) trench assays of 4.26 g/t over 1.0 m, including 16.28 g/t over 0.10 m, for the Main Reef and 2.6 g/t over 2.0 m and 10.7 g/t over 0.30 m for the New East Reef). The Zone I Reef was recognised in drilling but did not give a significant grade at that point. At least three of the nine parallel Hutti Reefs appear to extend under alluvial cover on to DGML's ground. Therefore, extensive systematic exploration is proceeding over the adjacent strike extensions for 3 km to the north. A Prospecting Licence (PL) application is being processed by the Government of Karnataka, grant of which will enable us to take up a detailed drilling programme needed to define the subsurface extensions and grades of the mineralized zones.

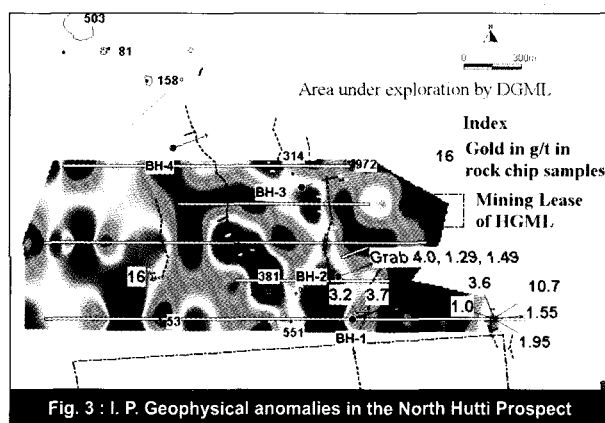


Fig. 3 : I. P. Geophysical anomalies in the North Hutti Prospect



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**Structural Geological mapping by an internationally reputed geologist:** Dr. Brian Chadwick, formerly of Exeter University, UK, was invited to take up structural mapping of the Hutti greenstone belt. The mapping was carried out with inputs from in house geologists - Dr. V.N. Vasudev and S.C.R. Peshwa. The structural map has identified a major 20 km long structure in the eastern part of the belt. The known gold occurrences and stream geochemical anomalies fall close to this structure highlighting its importance in future exploration. The structural mapping has further indicated a major WNW trending fault zone, movement on which appears to have widened the zone of mineralisation in the northern part of the Hutti mine. A number of stream geochemical anomalies (values: 139 to 339 ppb gold) and old workings are found close to this WNW trending major structure thereby attesting to the importance of this structure in future exploration.

**Gold prospects near Uti (Fig. 4):** The Uti Mine is owned and operated by The Hutti Gold Mines Ltd. Broken ore is trucked some 20 km for treatment at the Hutti Mine's plant. Total production, reserves and resources are thought to total around 4m tonnes grading around 2.8 g/t gold. The situation at Uti is similar to that at Hutti, albeit that Uti is a substantially smaller deposit than Hutti. The Uti mine is situated right on top of the major discordant structure picked up by Dr. Brian Chadwick. Preliminary drilling by DGML has been directed at the southern continuation of the two parallel ore bodies known at Uti. A third parallel zone of gold mineralization was also discovered by DGML and also received preliminary DTH drilling. Drilling results to date show that at least one (the western) of the Uti gold ore bodies continues onto DGML's tenement (3.49 g/t over 4 metres), and that the newly discovered Eastern zone also contains significant gold mineralization (2.49 g/t over 5 metres). The mineralized zones have potential to extend 3 km north of the Uti tenement boundary and more than 4 km south. Therefore, as at Hutti, systematic geophysical and geochemical surveys are planned, before further drilling to identify the most favourable drill targets within these strike extensions.

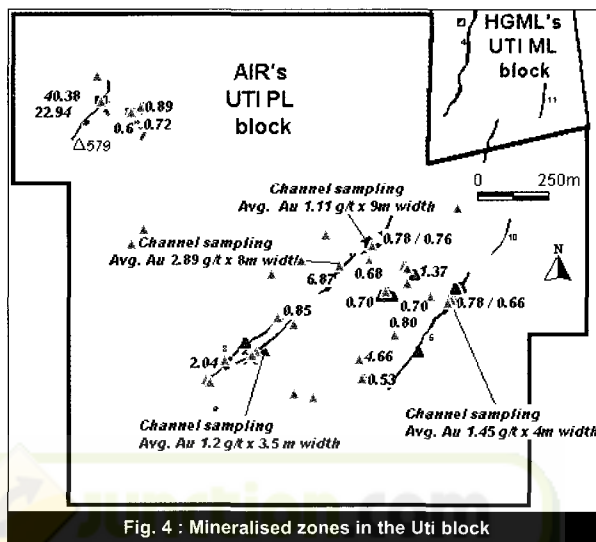


Fig. 4 : Mineralised zones in the Uti block

**Uti Temple block prospect:** Old diggings and recent channel sampling has shown three sub-parallel mineralized zones, in an area 1.2 km west of the Uti Mine. Surface samples have given assays up to 22.94 g/t and 40.38 g/t gold. Initial scout drilling (2 DTH holes) failed to locate the mineralization, so that further geological mapping will be carried out before consideration for more drilling. Much of the mineralisation appears to have some associated magnetic response, so that extensive magnetic surveys are planned, to define the geological structure, and as a prospecting tool, to help identify higher grade zones.

**Hirenagpur Prospect:** Reconnaissance surface sampling of ferruginous rocks within sericitised, schistose, basic volcanics has given assays up to 7.3 g/t gold. Preliminary ground magnetic survey delineated 50 m wide and 250 m long magnetic anomaly. Minor scout drilling (two holes) by DGML gave a very significant intersection of 2.17 g/t over 11 metres. Geological mapping and geochemical surveys are being continued.

**Chincherggi Prospect:** Substantial, ancient diggings over an area of about 400 X 20 metres of soil covered basaltic volcanics indicate the possibility of a broad mineralized zone. Some diamond drilling has been carried out by The Geological Survey of India (GSI) but results are not currently available. Coverage by systematic magnetic and bedrock soil geochemical surveys are planned to identify optimal locations for drill testing. Attempts are also being made to access the GSI drill hole data.

**Wandalli NE Prospect:** The old Wandalli Gold Mine was a substantial mining operation during the 19th-20th Century as well as in ancient times.

Recent stream geochemical sampling by DGML geologists showed a number of significant gold anomalies in the range of 120 to 843 ppb gold around 1.5 kms to the NE of the old Wandalli Gold Mines. These anomalies fall close to the major WNW trending structure identified by Dr. Brian Chadwick. Encouraged by these development. DGML geologists launched a bedrock geochemical sampling programme which revealed several gold anomalies in the range of 30-22" ppb. Preliminary rock chip sampling has indicated all values upto 1.94 g/t. Many old gold workings also came to light. Detailed geochemical sampling is in progress, which will be followed up by ground geophysical surveys and re-drilling.



## DECCAN GOLD MINES LIMITED

**Yatkal Prospect (Fig. 5):** About 2 km to the east of Yatkal village, there are many ancient diggings in granites that were discovered independently by both DGML and GSI geologists. GSI is currently carrying out a drilling programme whilst, DGML has been carrying out geochemical soil and bed rock sampling in order to establish what appears to be a wide zone of fracture controlled gold mineralisation in granites. The zone is highlighted by stream geochemical samples of 136 and 305 ppb gold. The work so far done has been successful in demarcating an area of 37 hectares as geochemically anomalous. The prominent set of mineralized fractures as well as the line of old workings trend N60°E

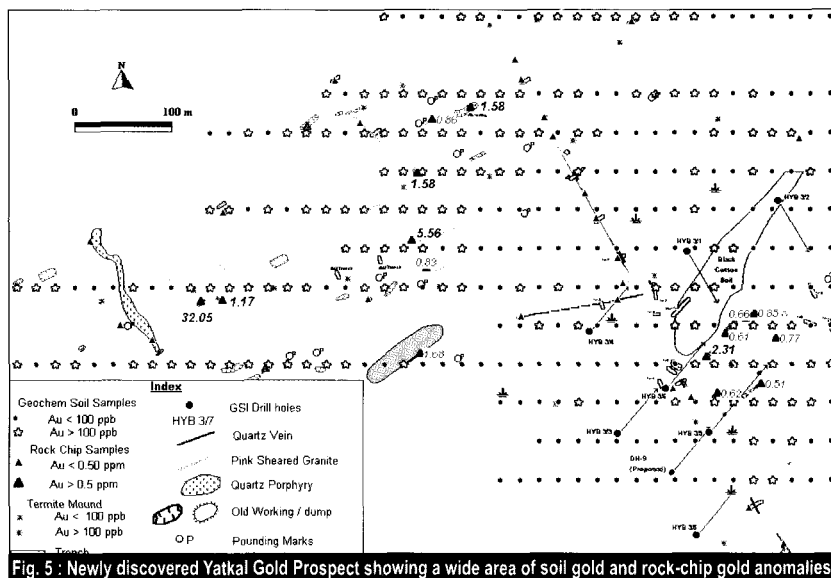


Fig. 5 : Newly discovered Yatkal Gold Prospect showing a wide area of soil gold and rock-chip gold anomalies.

for a cumulative length of 130 m. A total of 390 soil samples has revealed 152 anomalous (+100 ppb) gold locations. 23 samples of termite mounds have shown 12 anomalous + 100 ppb gold locations. Among the 53 rock-chip samples 8 gave significant gold values in the range of 1.17 upto 32.05 g/t and 9 gave in the range of 0.51 to 0.86 g/t. Trenching and/or minor scout drilling are planned for initial investigation to determine the character of the mineralization.

### The 315 Sq km RP block covering the South Hutti Greenstone Belt (Fig. 6) :

This RP block was a scene of extensive 3000 year old ancient mining activity which was reopened by the Nizam of Hyderabad and some British minors. Among the several old diggings, DGML has chosen the following targets for intensive exploration based on highly encouraging gold values during preliminary geochemical sampling.

**Tuppadhur-Buddini Prospect:** This prospect is based on a series of ancient pits and inclined shafts occurring over a strike length of about 2.6 km. These occur along a major, shear zone (locally known as the Central Shear Zone) that also includes Buddini, Sanbal and Maski. The gold mineralisation within this shear zone is generally found in quartz ankerite veins with the wall rock showing intense chlorite and carbonate alteration. DGML has plans to undertake detailed geochemical soil and ground magnetic surveys over an expanded area of interest.

At **Buddini**, four parallel lodes have been identified. Extensive old workings occur along two of them, the Main and Mopla Lodes. Recent sampling by DGML gave assays up to 19.3 g/t gold.

**Sanbal Prospect:** Five sub-parallel zones of mineralisation have been identified in this prospect of which Zone I consisting of highly folded quartz veins, assayed up to 500 g/t gold. A small open pit was sunk by the Hutti Gold Mines Limited (HGML) on Zone I and about 2000 tonnes of ore at a grade of 7.5 g/t gold was treated. DGML plans to carry out detailed geological mapping and sampling, followed by a program of scout drilling.

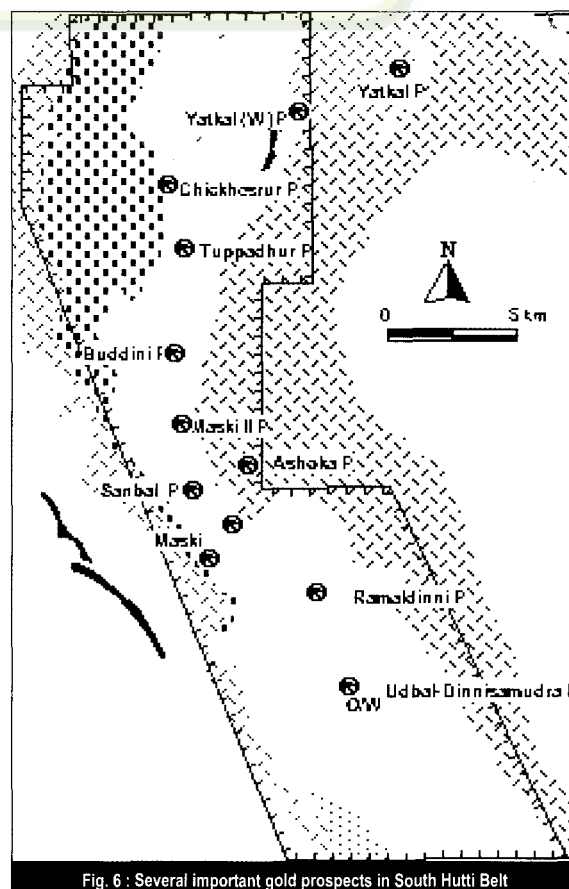


Fig. 6 : Several important gold prospects in South Hutti Belt





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**Maski Prospect:** Thirteen old workings were reported at this prospect in the early 1900s, by the Hyderabad Geological Survey. M/s John Taylor and Sons then developed one of these workings with a 35 metre shaft and drove levels north and south for an average grade of 30 g/t gold. All of the diggings are now filled and covered by the surrounding "black cotton soil". However, recent rock chip sampling undertaken by DGML in the area has given some high gold assays, including 8.93 g/t from the soil around a water bore, up to 11.6 g/t from soil-rock interface to bedrock and up to 33.86 g/t from surface "float" samples. Based on these results, DGML carried out detailed, auger-bedrock geochemistry and excavated several long trenches. This work revealed five broad gold anomalies which require to be detailed by additional geochemistry.

**Ashoka Prospect:** This prospect owes its discovery entirely to DGML's efforts. Ashoka Prospect (named after the great Indian emperor whose inscriptions are seen in the district) is 2 kms NE of Maski. A recent geochemical survey by DGML identified a strong and cohesive gold anomaly in streams draining sheared, pink, potassic granite. Follow-up rock chip sampling gave assays to 4.9 g/t gold and 0.63% copper in brecciated quartz-carbonate-haematite veins. Geological mapping has revealed a WNW trending zone of fracture controlled gold mineralisation in granites. Systematic bed rock sampling is planned prior to preliminary drilling.

DGML has filed a fresh Reconnaissance Permit application over an area of 1000 sq km covering the entire South Hutti belt including the gold prospects discussed above.

### The 5,329 sq km Dharwar-Shimoga Belt in Karnataka (Fig. 7):

The **Dharwar-Shimoga Belt** is a large, 100 km wide, highly potential ground for discovery of Banded Iron Formation (BIF) hosted gold deposits. Three Reconnaissance Permits with a total area of 5329 sq km cover a strike length of 155 km of this auriferous belt. This broad belt contains numerous occurrences of Banded Ferruginous Chert (BIFs), some with widths in excess of 10 metres, within a greywacke sequence. The cherts are commonly sulphidic, veined with quartz, carbonate and carry gold values in the range of 0.5 to 40.16 g/t. To date, about 1370 BIF bands have been examined and sampled by DGML and 22 target blocks have been selected for detailed surface channel sampling. Impressive results have been obtained in hundreds of channel sampling. This phase of work enabled us to select 7 important prospects for exploration by drilling which are discussed below. Preliminary Down The Hole Hammer (DTH) drilling has been carried out on four of the prospects with very significant results being obtained in three of them.

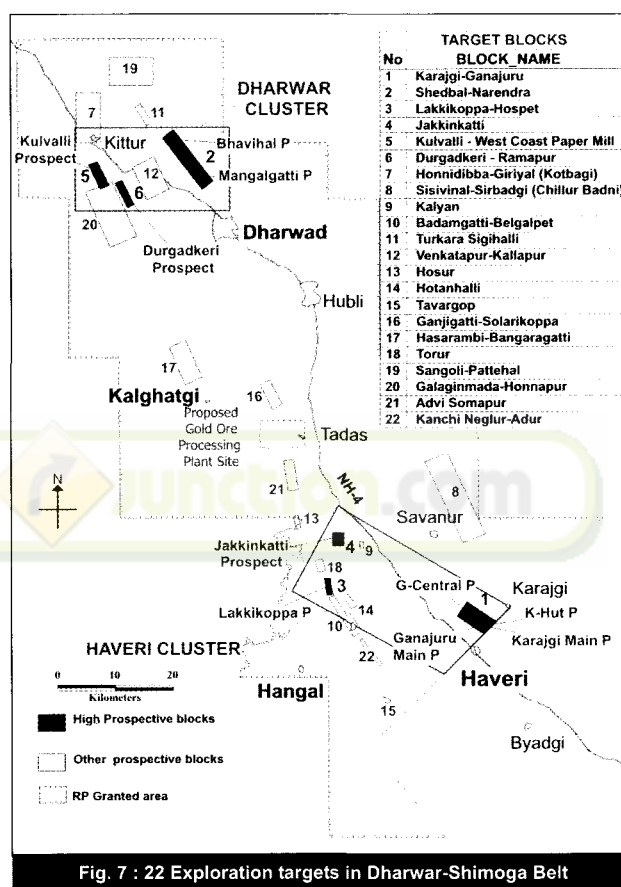


Fig. 7 : 22 Exploration targets in Dharwar-Shimoga Belt

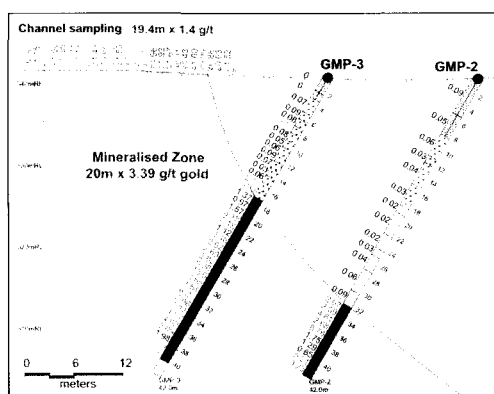


Fig. 8 : Cross section of drill holes : Ganajur Gold prospect

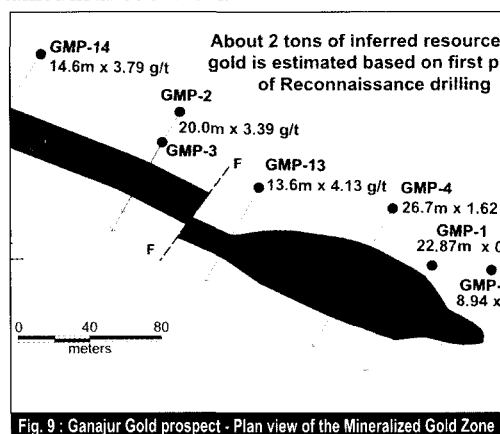


Fig. 9 : Ganajur Gold prospect - Plan view of the Mineralized Gold Zone

**Ganajur Prospect (Fig. 8 & 9):** Eleven of the 13 DTH holes collared over a strike length of 470 metres, gave strong gold intersections (best are tabulated below). Based on this drilling, a potential resource to 50 metre depth has been estimated at approximately 800,000 tonnes grading 2.4 g/t (approximately 60,000 ounces of



## DECCAN GOLD MINES LIMITED

contained gold). One of the holes which did not give an intersection is considered to have been not deep enough, while the other is thought to have passed through a minor "fault-blank". Therefore the deposit is considered to be open in both strike directions, and at depth, so that future drilling is expected to increase the size of the potential resource.

### INTERSECTION

DTH Hole No.	COORDINATES		BEARING (Degrees)	ANGLE (Degrees)	FROM (metres)	LENGTH (metres)	GOLD GRADE
GMP 1	1639868	544153	213	60	3.0	23.0	0.83 g/t
GMP 2	1639953	544012	210	60	32.0	8.0	3.65 g/t
GMP 3	1639937	54403	210	60	17.0	21.0	3.89 g/t
GMP 4	1639900	544131	210	60	14.0	27.0	1.62 g/t
GMP 7	1640045	543786	210	52	39.0	4.0	1.29 g/t
GMP 8	1639865	544186	214	52	13.0	9.0	1.96 g/t
GMP 13	1639912	544047	210	60	38.0	15.0	4.13 g/t
GMP 14	1639986	543935	214	60	25.0	15.0	3.79 g/t

**Mangalagatti Prospect:** Preliminary rock-chip sampling in this prospect by DGML has led to a large underground old working. Further surface rock-chip samples gave up to 29.68 g/t gold, while channel and trench sampling gave assays up to 3.30 g/t over 12 metres. Surface sampling has indicated three main lodes over a strike length of some 600 metres. 15 DTH drill holes gave relatively subdued intersections within strongly weathered rocks. The strongly weathered zone extends beyond 50 metres depth, as occurs in many parts of the Western Australian goldfields. The subdued intersections are typical of the strongly leached profile, which commonly occur above a zone of supergene enrichment in such weathering profiles. Therefore, future drilling will be deeper targeting the enriched zone and the underlying primary deposit.

The mineralised intersections are tabulated below:

### INTERSECTION

DTH Hole No.	COORDINATES		BEARING (Degrees)	ANGLE (Degrees)	FROM (metres)	LENGTH (metres)	GOLD GRADE
MP 4	1717326	495460	20	60	1.0	8.0	0.66 g/t
MP 5	1717324	495403	30	60	17.0	6.0	1.01 g/t
MP 6	1717453	495525	60	50	25.0	7.0	3.94 g/t
MP 7	1717424	495570	259	49	14.0	10.0	0.67 g/t
MP 8	1717473	495572	42	65	25.0	3.0	1.50 g/t
MP 9	1717446	495627	240	45	38.0	4.0	1.16 g/t
MP 10	1717429	495575	60	60	1.0	4.0	1.95 g/t
					and 13.0	9.0	2.95 g/t
					(including: 16.0	5.0	4.87 g/t)
MP 11	1717382	495565	249	50	13.0	8.0	1.02 g/t
MP 12	1717333	495565	258	50	10.0	7.0	0.96 g/t
					and 26.0	6.0	0.79 g/t
MP 13	1717855	494973	250	50	45.0	3.0	1.07 g/t
MP 15	1717899	494945	240	55	50.0	5.0	1.60 g/t

**Bhavihal Prospect:** The prospect is located 6 km NW of Mangalagatti. Surface channel sampling have given high values upto 29 g/t. Two DTH scout holes were drilled at Bhavihal. Hole BVL 1 was drilled under a trench which assayed 0.9 g/t over a 41 metre width (including 1.91 g/t over 8 m), while BVL 2 tested the same zone, 280 metres to the north. The mineralized sections of both holes were strongly weathered so that the intersections (below) are thought to be quite subdued due to severe leaching. A second round of preliminary drill testing will be carried out in the coming months.