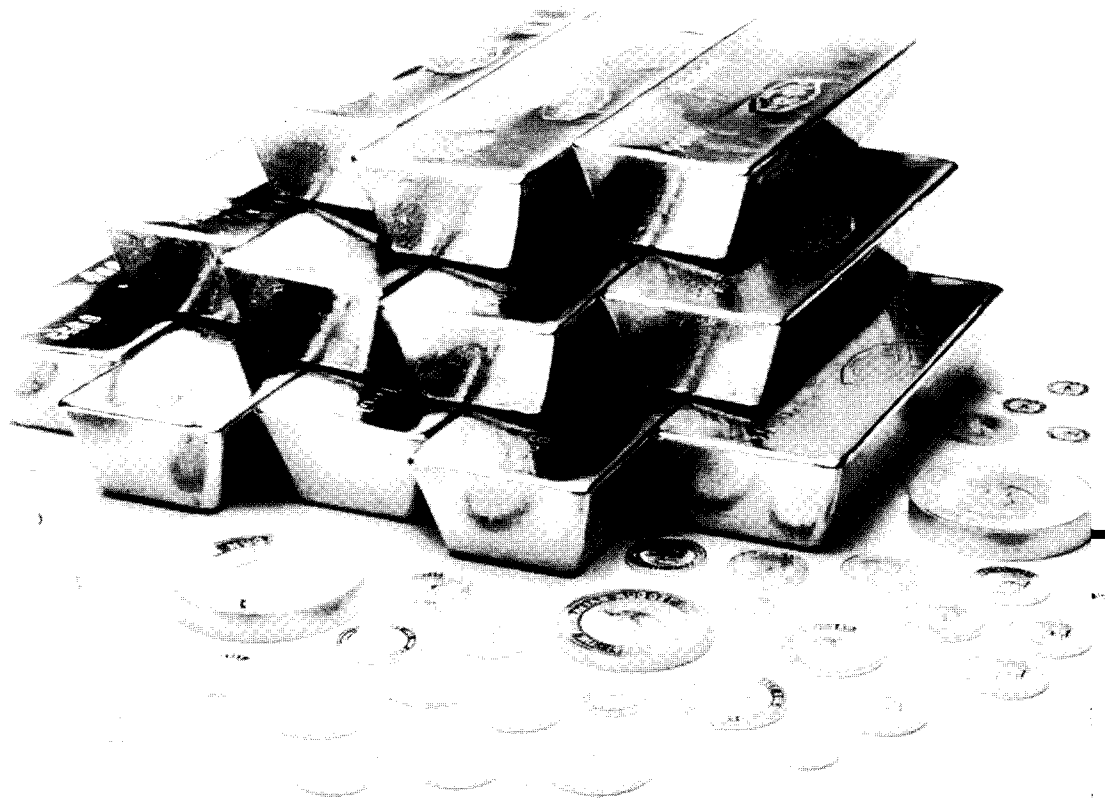




DECCAN GOLD MINES LIMITED

ANNUAL REPORT 2008

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CONTENTS

Directors and Others	2
Profile of Directors and Key Personnel	3
Report on Exploration Activities	6
Exploration Permits and Applications	10

Deccan Gold Mines Limited

Directors' Report	14
Section 212 Statement	17
Management Discussion & Analysis	18
Report on Corporate Governance	21
Auditors' Report	32
Balance Sheet	35
Profit and Loss Account	36
Schedules and Notes to Accounts	37
Cash Flow Statement	43
Balance Sheet Abstract	44

Subsidiary Company

Deccan Gold Exploration Services Private Limited

Directors' Report	45
Auditors' Report	47
Balance Sheet	48
Profit and Loss Account	49
Schedules and Notes to Accounts	50
Balance Sheet Abstract	53

Consolidated Accounts of

Deccan Gold Mines Limited and Deccan Gold Exploration Services Private Limited

Auditors' Report on Consolidated Accounts	54
Consolidated Balance Sheet	55
Consolidated Profit and Loss Account	56
Schedules and Notes to Consolidated Accounts	57
Consolidated Cash Flow Statement	62
Consolidated Balance Sheet Abstract	63

DECCAN GOLD MINES LIMITED



DIRECTORS AND OTHERS

Chairman	: Mr. Charles E.E. Devenish
Managing Director	: Mr. Sandeep Lakhwara
Directors	: Mr. Vaidyanathan Sivakumar Mr. K.R. Krishnamurthy Dr. M. Ramakrishnan Prof. V. K. Gaur Mr. M. R. Menon* (Alternate Director to Mr. Charles E.E. Devenish)
Head-Legal & Company Secretary	: Mr. S. Subramaniam
Auditors	: M/s. V.K. Beswal & Associates Chartered Accountants, Mumbai.
Legal Advisors	: M/s. Crest Law Partners No. F-3, Ligoury Court, 7, Palmgrove Road, Victoria Layout, Bangalore – 560 047.
Registrars & Share Transfer Agents	: Intime Spectrum Registry Limited Pannalal Silk Mills Compound, C-13, LBS Marg, Bandhup (West), Mumbai – 400 078. Tel : 91-22-55555454 Fax : 91-22-55555353 Email: isrl@vsnl.com
Bankers	: Standard Chartered Bank
Registered Office	: A-303, “Prathamesh”, 3 rd Floor, Raghuvanshi Mills Compound, 11-12, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013. Tel : 91-22-24911222, 40764444 Fax : 91-22-40764466 Email : info@deccangoldmines.com Web : www.deccangoldmines.com
Corporate Office	: ‘Raja Ikon Building’, # 89/1, 4 th Floor, Marathahalli Outer Ring Road, Bangalore – 560 037. Tel : 91-80-40428400 Fax : 91-80-40428401 Email : info@deccangoldmines.com



PROFILE OF DIRECTORS

CHARLES E.E. DEVENISH

Chairman

Charles Devenish was the founder and first chairman of two publicly listed companies in the 1980's and 1990'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.

SANDEEPLAKHWARA

Managing Director

Sandeep Lakhwara has several years experience advising junior Australian exploration and mining companies on development strategies. Educated at Curtin University in Western Australia, and a member of the Australian Society of Certified Practising Accountants (CPAs), Sandeep has been a principal and partner of several Australian based accounting practices specializing in capital raisings for the mineral industry, financial planning and corporate regulatory requirements for publicly listed companies. He has lived in Australia for about 25 years, headed various organizations in the past, at times taking small start-ups to fully developed successful businesses, and moved to Bangalore, India in 2002 to oversee the development of mineral projects in India. He is primarily responsible for the acquisition and growth of Deccan Gold Mines Limited. Sandeep has made various presentations on factors influencing gold pricing, the operation and business model of international mineral exploration companies, and is regularly called upon to contribute articles on the gold mining industry to various newspapers and magazines.

VAIDYANATHAN SIVAKUMAR

Director

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

PROF. V. K. GAUR

Director

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

DECCAN GOLD MINES LIMITED



DR. M. RAMAKRISHNAN

Director

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

K.R. KRISHNAMURTHY

Director

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





KEY PERSONNEL

CHIEF CONSULTING GEOLOGIST

DR. V. N. VASUDEV

Dr. V.N. Vasudev is Chief Consulting Geologist. An INSA Young Scientist Awardee with several years of experience in mineral exploration, Dr. Vasudev has published several papers on the geology structure, gold and sulphide mineralization in Archean greenstone belts of Dharwar Craton. He has also undertaken overseas research in Southeast Greenland and was associated with Russian geologists in a research project on Kolar Gold Fields, India. He was with Government of Karnataka, Department of Mines and Geology as a Senior Geologist and Mining Geologist of Chitradurga Copper Company Limited. He has carried out extensive literature research and field reconnaissance through India for the Company.

TECHNICAL ADVISOR

DR. R. SRINIVASAN

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

GEOLOGICAL CONSULTANT

S.C.R. PESHA, M.Sc., FGS

Mr. Peshwa worked as a Mining & Exploration Geologist for 13 years up to 1996 with the Bharat Gold Mines Limited. From 1996 to 2002 worked as a Project Manager with ACC Limited and was involved in exploration of gold and other minerals. He successfully carried out gold prospecting to Red Sea hills region of Sudan. Mr. Peshwa is responsible for all the Company's projects in the Hutti region.

GEOLOGICAL CONSULTANT

DR. MODALI H. PRASAD

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

GEOLOGICAL CONSULTANT

DR. SALEEMAHMED KHAN

Mr. Khan has over 28 years of field experience in geological mapping of different terrains ranging from high grade granulites and granite-greenstone, belts of South India to the tertiary sediments occupying the mountainous North Eastern Himalayas. He has succeeded in locating, delineating and establishing gold and silver reserves in Chitradurga, schist belt, besides delineating several prospects in Dharwar-Shimoga belts in Karnataka. He is presently engaged in the task of delineating gold bearing zones in North Kolar areas.

HEAD-LEGAL & COMPANY SECRETARY

S. SUBRAMANIAM

Mr. Subramaniam is an Associate Member of the Institute of Company Secretaries of India. He has 12 years of experience in the field of Company Law and other corporate laws. During his career, he has handled mergers, amalgamations, joint ventures, foreign collaborations etc., He is in charge of the legal and company secretarial matters and also functions as the Compliance Officer of the Company.



EXPLORATION REPORT

THE NEW KARADIPPARA GOLD PROSPECT IN ATTAPPADY RP BLOCK, KERALA STATE:

The results of earlier exploration in Attappady RP block in Kerala State is depicted in Fig.1. A new zone of gold mineralization which we have named "KARADIPPARA PROSPECT" has emerged as a potential target (Fig.2). Ground checking of magnetic anomalies and 84 stream sediment samples reported Au assay values ranging from <10 ppb to 1251 ppb. Significant rock chip sample results were obtained in Paravalavu (0.60 g/t Au), Mundapura south (8.48 g/t), Tumbapara (3.82 g/t) and Nakkupathi (2.27 g/t Au) prospects.

After a review of the results, it was decided to concentrate exploration in about 13 sq km area in the southwestern extension of GSI's Puttumala block, which covers parts of Karadippara, the NSS farm and Govt Tribal farm.

In the Puttumala-Karadippara area, a band of garnet – sulphide bearing chert is exposed intermittently for nearly 800m with thickness varying from 2m to 5m. Disseminations of pyrites are observed along with azurite and chalcocite in the chert band.

Quartz veins have been emplaced between the amphibolite and the chert bands and are exposed at places along the ridge axis. The quartz veins extend for about 350m intermittently along ENE-WSW and dip steeply to NNW. These veins also show gossanous nature at places with box work after pyrite and local development of limonite. The width of the quartz vein varies from 30cm to 2 meters.

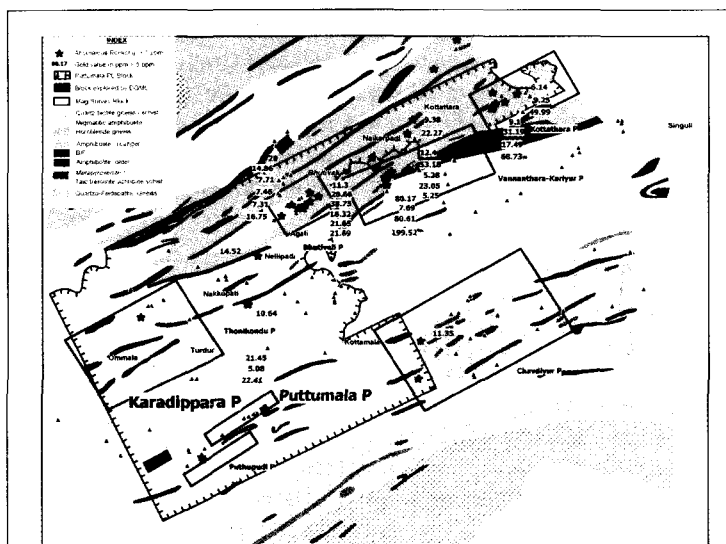


Fig. 1 Geological map of the Attappady RP block highlighting Karadippara Gold Prospect, Kerala State.

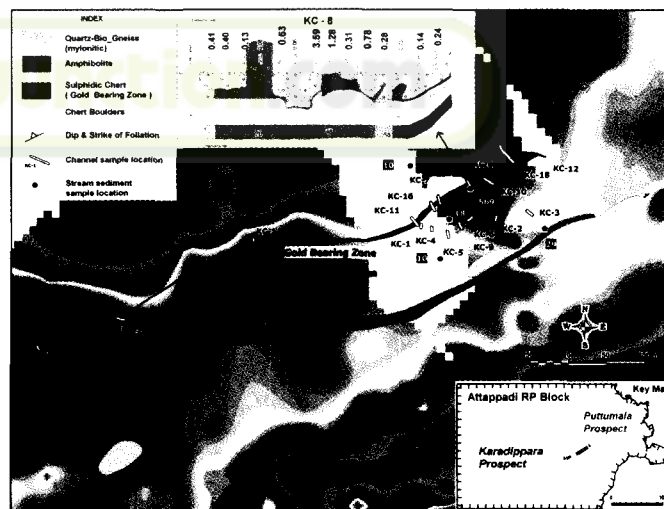
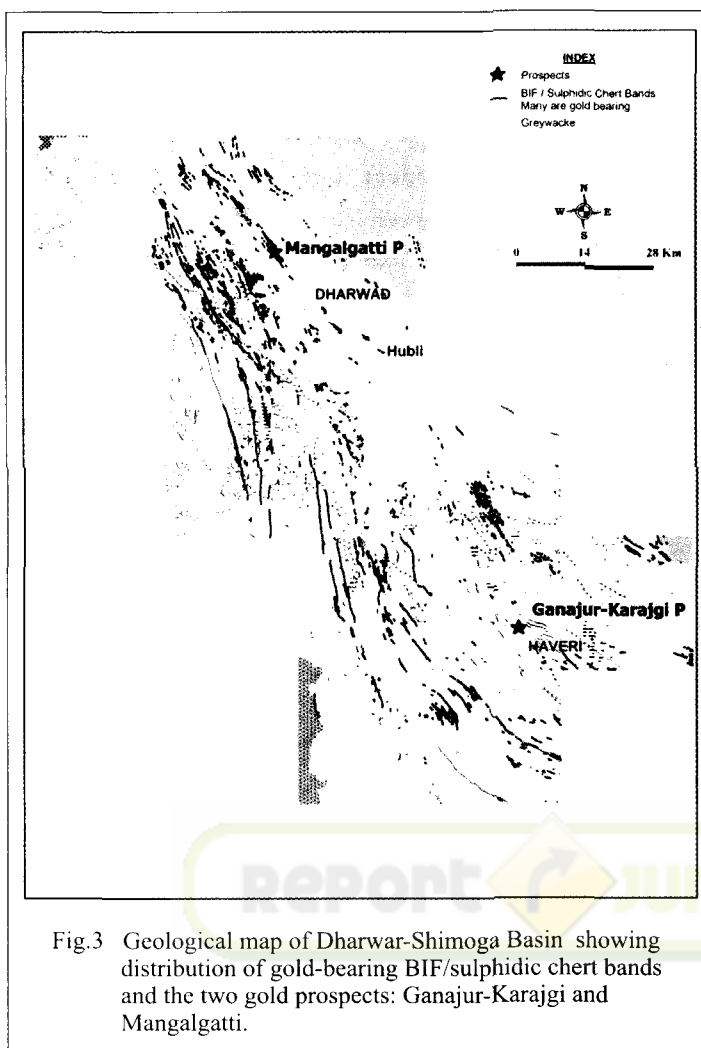


Fig.2 Geological map of the Karadippara Prospect superimposed on Magnetic map, showing locations of stream sediment, rock-chip and channel rock-chip samples

The quartz veins and the sulphidic chert were exposed through trenching. Five trenches (KC-1 through 5) were made in the quartz veins and two trenches (KC-7 and 8) were made in the sulphidic chert. The distance between the trenches was kept around 30m. Fourteen samples were collected from the quartz veins and fifteen samples were collected from the sulphidic chert.

The results show good indications of gold mineralization in the entire 7m width of the sulphidic chert sampled in Trench No.8. In this trench the maximum gold value obtained is 3.59g/t. Trench no.7, located about 30m west of Trench No.8, also shows good indications of Au mineralization. Panning of sulphidic chert and quartz indicated visible gold. The geological setting of this new zone is favourable for gold mineralization and it also happens to be the south western strike extension of the well known Puttumala prospect drilled by the GSI.



DGML has drawn up plans to carry out detailed ground geophysical surveys, detailed channel sampling in the Karadippara prospect. If the results are encouraging we would go ahead with a programme of reconnaissance drilling.

NEW TARGETS IN GANAJUR

KARAJGI PL APPLICATION BLOCK:

Exploration so far carried out in the 5000 sq km area of Dharwar-Shimoga basin in the NW part of Karnataka has revealed a number of gold bearing sulphidic banded chert formations (Fig.3). A total of 7 PL and 2 ML applications cover most of the potential gold bearing blocks. These are under various stages of processing at the State and Central Governments.

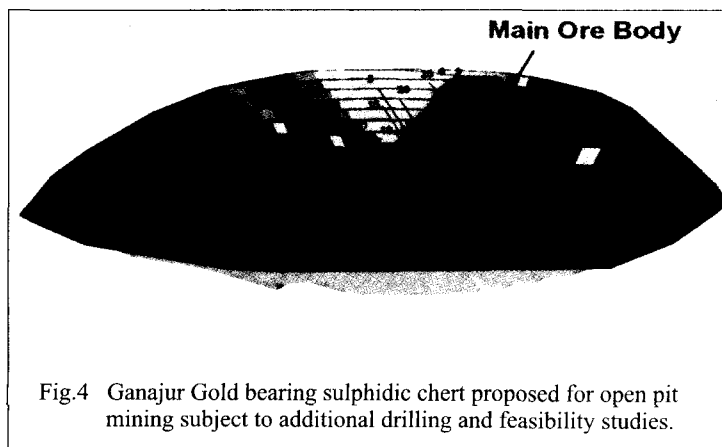
DGML has been pursuing exploration in the Dharwar-Shimoga particularly in areas applied for PL. The focus was on tracing the extensions of the gold bearing sulphidic chert bands between Ganajur main block and Karajgi main block. Drilling at the Ganajur main block has indicated an open pittable resource which has been tentatively proposed for mining (Fig.4). Ground magnetic surveys, geological mapping and follow up sampling in areas of mag anomalies have yielded encouraging results. Several new targets have

come into focus. Amongst them, new gold bearing sulphidic chert bands within the 2.3 sq km Ganajur-Karajgi PL block are worthy of highlighting (Fig.5).

Ground magnetic survey over an area of 10 sq km involving 90 line km has revealed a 3.6 km long high magnetic anomaly in the extensions of Ganajur Main and Karajgi prospects. A PL application has been filed covering the new extensions. Another magnetic anomaly was noticed at 1.5 km NNE of the Ganajur Main prospect that extends along WNW for about 1.5 km.

Field checking and sampling of the magnetic anomalies have indicated several significant gold values eg. 5m x 2.7g/t; 3.5m x 4.99g/t; 2.5m x 1.29g/t; 3.55m x 1.19g/t; 2.6m x 1.9g/t; 3.9m x 1.5g/t and 2m x 9.8 g/t (Fig.6).

The results of exploration are pointing to the existence of several small scale open pittable targets which would constitute our future focus of exploration.





DECCAN GOLD MINES LIMITED

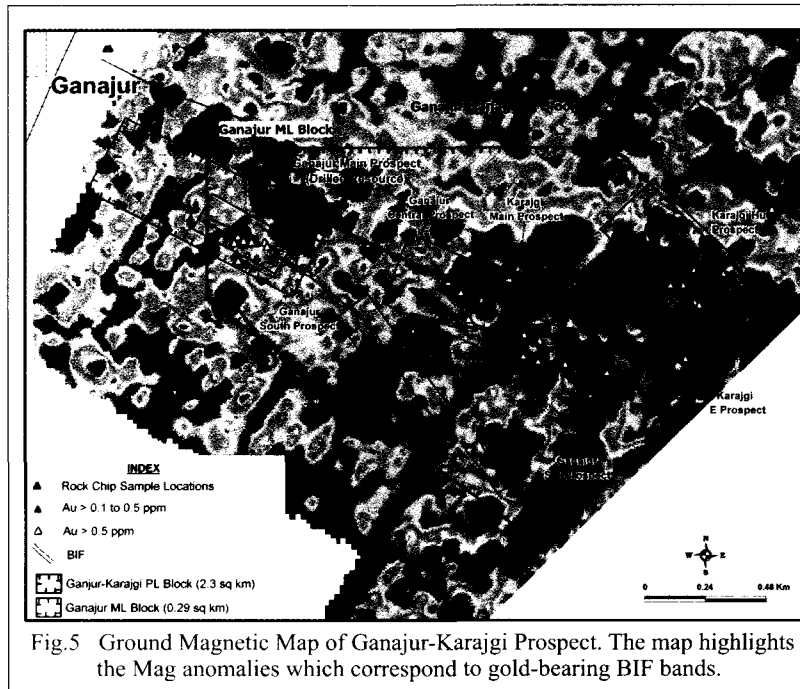


Fig.5 Ground Magnetic Map of Ganajur-Karajgi Prospect. The map highlights the Mag anomalies which correspond to gold-bearing BIF bands.

BADAMGATTI-BELAVATTI PROSPECT:

On the basis of earlier results another prospect viz. Badamgatti-Belavatti prospect in the Dharwar-Shimoga basin was taken up for investigation. This prospect lies in the southern extensions of the GSI-drilled Lakkikoppa block. Geological mapping and sampling of sulphidic chert in this prospect have yielded gold values in the range of 0.28 to 6.42 g/t.

GEOPHYSICAL SURVEYS HAVE REVEALED ADDITIONAL 1.2 KM STRIKE LENGTH IN HIRENAGNUR GOLD PROSPECT:

A highlight of our previous work has been the discovery of the Hirenagnur prospect located 5km to southeast of Hutti Gold Mines (Fig 7). A resource has been established through RC drilling at Hirenagnur as reported earlier. Four mineralized zones have been delineated of which the eastern most zone i.e. Zone-III has a strike length of 600m drill hole data was processed using DATAMINE software. It is intended to mine this resource (Fig.8) subject to the results of detailed drilling

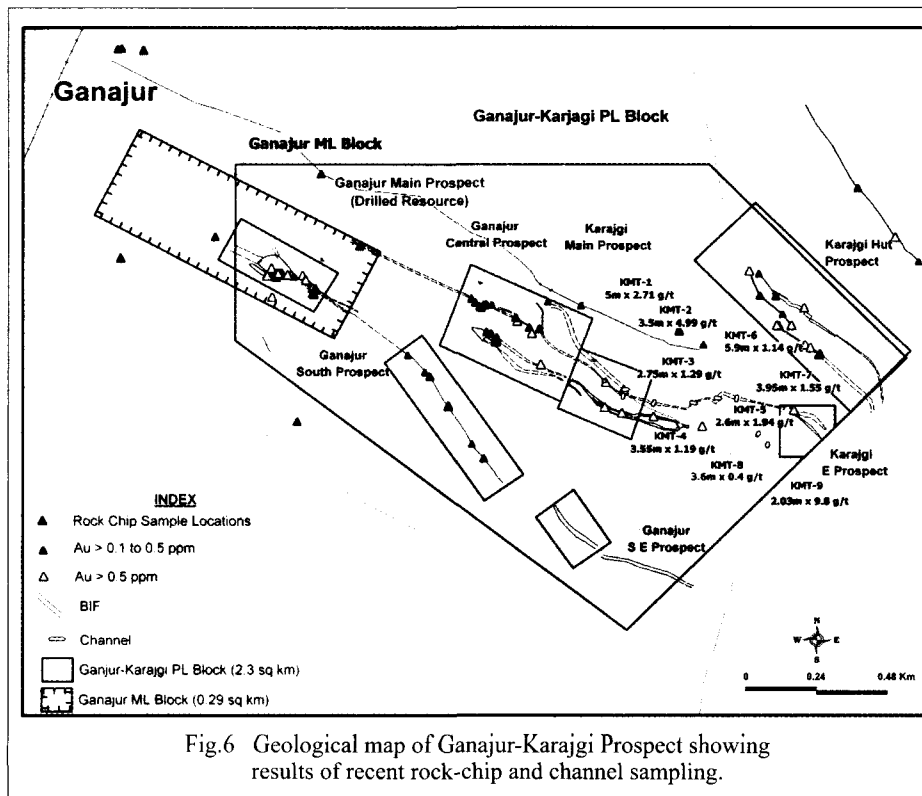
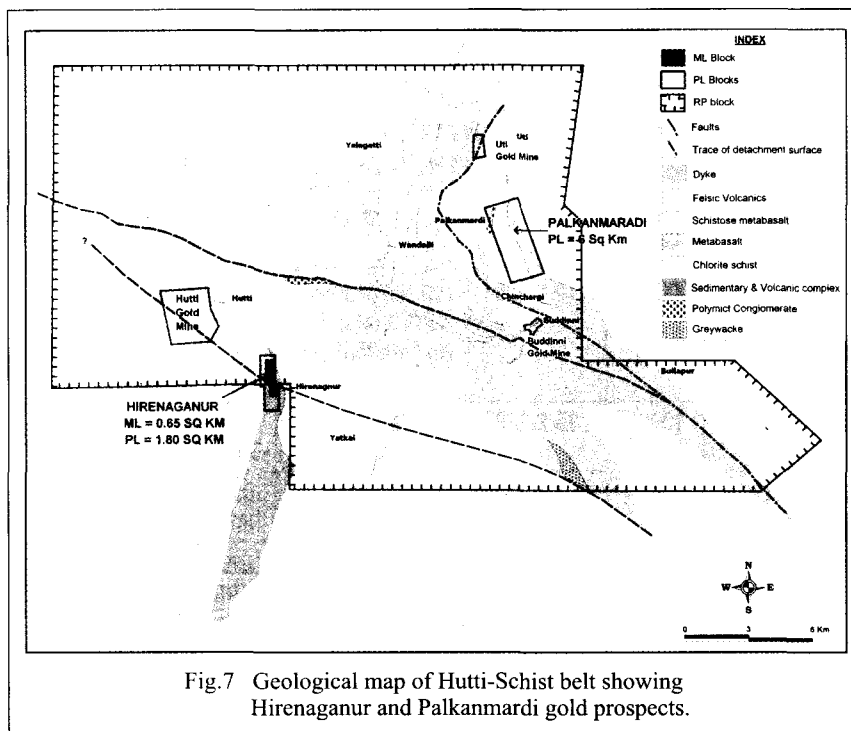


Fig.6 Geological map of Ganajur-Karajgi Prospect showing results of recent rock-chip and channel sampling.

proposed to be carried out under a Prospecting Licence.

An earlier attempt of ground magnetic survey over Hirenagnur prospect was helpful in picking up a mag anomaly of 1.2 km strike length of the mineralized zone. Therefore, as a follow up, detailed mag survey was carried out over an area of 14.5 sq km involving 425 line km. This effort was successful in tracing an additional 1.2 km of the southern extension of the known Hirenagnur prospect (Fig.9). Mag survey was followed up by a SP-Resistivity survey involving



6.5 line km length. The survey revealed a 700 metre long low SP, low resistivity anomaly which coincided with the magnetic anomaly, thus confirming the potentiality of this new target.

GROUND MAGNETIC SURVEY IN PALKANMARDI-CHINCHERGI BLOCK:

This block is located south of the Uti gold mines being operated by M/s Hutti Gold Mines Ltd. During the initial stage of exploration in the North Hutti RP block, a significant stream geochemical anomaly was observed in the Chinchergi-Palkanmardi area. Encouraged by this anomaly, we targeted a prospective zone along the contact between conglomerate and meta volcanic units.

DGML carried out a detailed magnetic survey covering 30 sq km consisting of 245 line km. The data indicates a 2.0 km long NS trending magnetic anomaly. Interestingly the southern portion of this anomaly coincides with geochemical anomaly.

A NE-SW trending mag anomaly is also noticed for 3.0 km that appears to be the extension of the mineralization seen in the Uti South and SE blocks.

