



DECCAN GOLD MINES LIMITED

ANNUAL REPORT 2009

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DECCAN GOLD MINES LIMITED**CORPORATE INFORMATION**

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	: Link Intime India Private Limited Pannalal Silk Mills Compound, C-13, LBS Marg, Bandhup (West), Mumbai – 400 078. Tel : 91-22-55555454 Fax : 91-22-55555353 Email: mumbai@linkintime.co.in
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 : 91-22-40764444 Fax : 91-22-24911666 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

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PROFILE OF DIRECTORS

CHARLES E.E. DEVENISH

Chairman

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

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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.

GEOLOGICAL CONSULTANT**S.C.R. PESHWA**

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 for gold, copper and nickel in the supra crustal belts in parts of Mahakoshal belt, Betul and Sakoli belt in Central India.

GEOLOGICAL CONSULTANT**DR. SALEEM AHMED 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 and a Law Graduate. 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

DHARWAR-SHIMOGA BELT PROJECT

In the late Archaean Dharwar-Shimoga belt gold mineralisation is hosted by sulphidic banded cherts. DGML explored the entire area of 5,329 sq km under 3 RP blocks and succeeded in identifying a number of gold bearing prospects (Fig-1). Amongst these, two clusters centering around Ganajur-Karajgi and Mangalagatti-Bhavihal are considered the most potential blocks for detailed exploration that could lead to eventual mining.

A total of 7 PL and 2 ML applications were submitted covering the above prospects. The salient aspects of the best prospects are as follows.

Ganajur Main Prospect: The Ganajur Main Prospect is a highly rated discovery of DGML that has now progressed into an advanced exploration project. The prospect is located 8 kms east of Haveri town on National Highway-4 and 1.5 kms south east of Ganajur village. DGML explored this prospect by RC drilling in addition to channel sampling and geological mapping to delineate a 350 metres long mineralized zone. Some of the drill intersections include 15m @ 3.79g/t, 40m @ 4.71 g/t, 39m @ 7.71 g/t and 34m @ 5.36 g/t Au (Fig-2). DGML processed the Ganajur Main data with the help of State of the art geological modeling software Datamine. An inferred

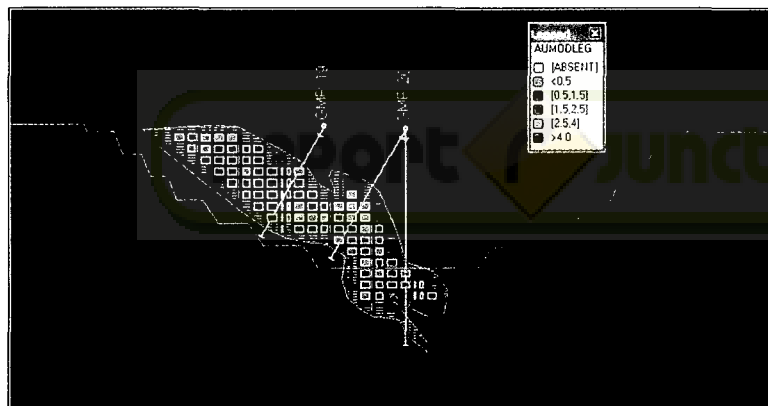


Fig-2 : Cross section along boreholes GMP-19 & GMP-20 showing grade-wise block model for gold, Ganajur Main Prospect

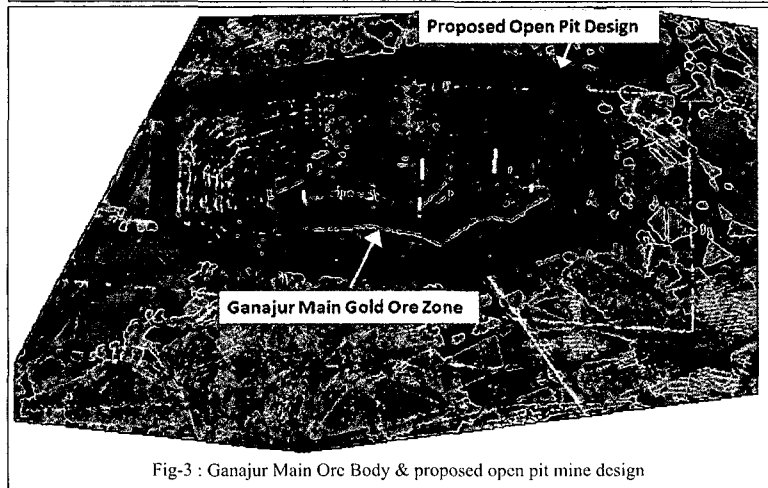


Fig-3 : Ganajur Main Ore Body & proposed open pit mine design

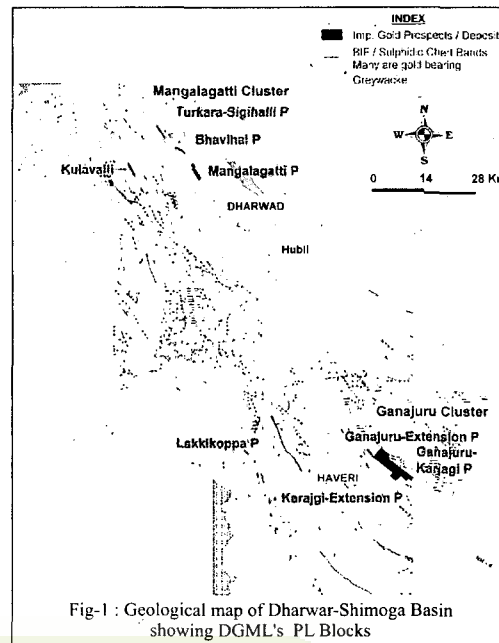


Fig-1 : Geological map of Dharwar-Shimoga Basin showing DGML's PL Blocks

resource of Fig-1 : Geological map of Dharwar-Shimoga Basin showing DGML's PL Blocks 186000 ounces of gold has been estimated averaging 3.87 g/t. The ore-body is wide and suitable for open cast mining (Fig-3). A detailed resource drilling programme will be carried out under the new PL that is expected to increase the resource further.

Karajgi Main Prospect: Located 1 km East of Ganajur Main prospect and it was explored by geological mapping, channel sampling and RAB/RC drilling. An inferred resource of 90000 tonnes at 2.23 g/t has been estimated.

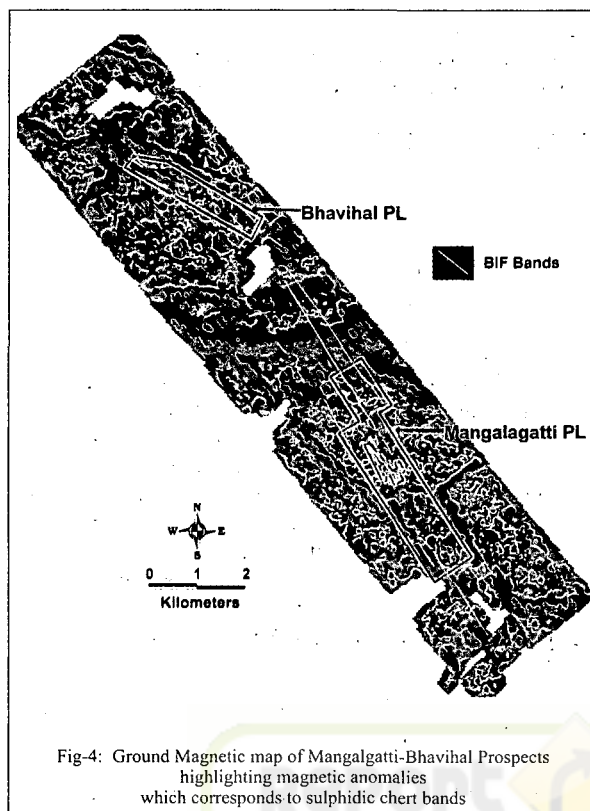
DGML has also identified after initial exploration a number of prospects around Ganajur Main block having potential to develop into small scale resource. These are Ganajur Central Prospect, Ganajur SE and East prospects and Karajgi East prospect.

Ganajur-Karajgi PL has received approval from the Ministry of Mines in Delhi and is now awaiting the final approval from the Karnataka State Government.

Mangalagatti SE Prospect: This prospect is located 12 kms north of Dharwar city. RC drilling and channel sampling has revealed significant mineralization with high grade patches of gold. Two auriferous zones extending for nearly 500



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exploration efforts included structural and geological mapping, geochemical sampling, geophysical surveys, Reverse circulation, Rotary air blast and Diamond core drilling etc. These systematic exploration efforts of DGML resulted in delineating 21 gold bearing prospects.

A total of 12 prospecting license applications and covering the 21 gold targets and 1 Mining lease application in Hirenagur have been filed with the Karnataka State Government. Due to delay in grant of the licenses and pending revision petition application with Central Government, DGML could not undertake detailed exploration in the prospective blocks as planned.

Highlights of some of the work carried out earlier on some of these prospects is presented below:

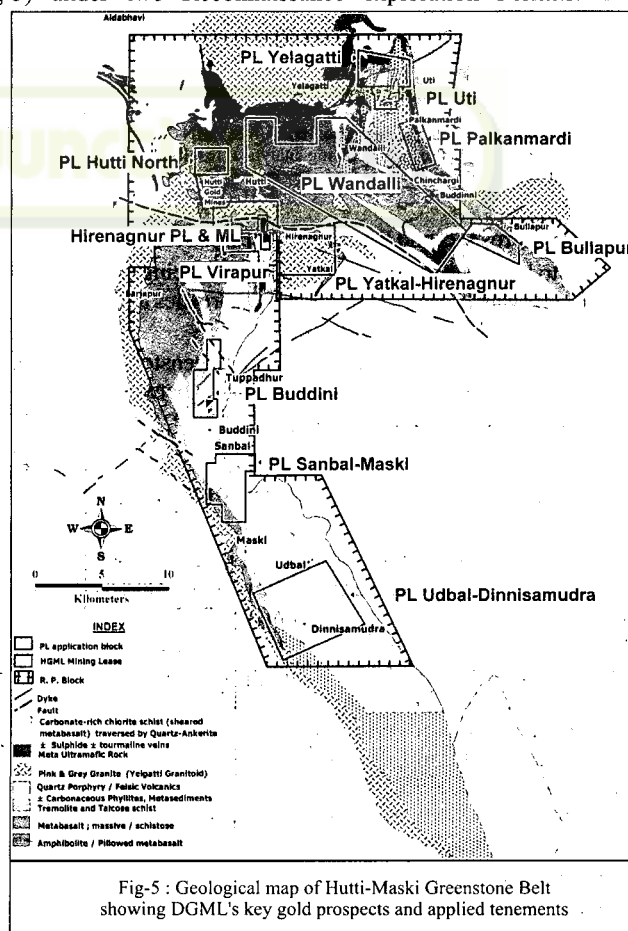
Hirenagur Prospect: Hirenagur Prospect is amongst the best discovery of DGML geologists. Hirenagur is located 5 kms southeast of Hutti Gold Mines operated by HGML. Systematic exploration by means of geochemistry, ground geophysics, RC drilling and structural mapping has established a mineralized system of 2 kms length over a width of nearly 50 metres. Preliminary drilling was concentrated in the Hirenagur Central Block. A total of 4 mineralised zones were delineated of which the eastern most zone i.e zone III has a strike length of 600 metres (Fig-6). The drill hole data was

metres over a width of 30 metres are defined. A probable resource of 80000 ounces of gold is estimated based upon results of shallow drilling programme. Detailed resource drilling will be undertaken once the Prospecting License is granted. Other prospects in and around Mangalagatti include Mangalagatti NW and Mangalagatti E.

DGML conducted a detailed ground magnetic survey to explore the extensions of the Mangalagatti-Bhavihal cluster. The ground magnetic data has revealed a NW-SE trending magnetic anomaly for a length of 8.0 kms (Fig-4). The data also reveals the possible extensions of Mangalagatti and Bhavihal gold bearing sulphidic cherts.

DGML has also identified several promising prospects at Kuluvali, Lakkikoppa and Badamgatti, worthy of detailed exploration.

Hutti-Maski belt projects: The Hutti Maski Greenstone belt is one of the most important Archaean gold bearing belts in India. The Auriferous tracts of Hutti greenstone belt are remarkably similar to the classic Archaean Superior Craton in Canada, the Yilgarn Craton in Western Australia and the Kolar greenstone belt in India. DGML carried out exploration over an area 851 sq km in the Hutti Belt (Fig-5) under two Reconnaissance exploration Permits. The



INDEX

- Hirenagnur Hill, Borehole
- Borehole sample location with $Au = 0.5$ g/t
- Geological sample location with $Au = 0.5$ g/t
- Mineralized zone
- Mineralized sample (D) holes
- Dihl holes number
- Chained sample line
- width (m) x g/t grade in g/t

Ore Zone II

Ore Zone III

Sulphidic Ore Zone

1.2 km Southern extension, to be explored in detail under P/F

DHN-6

DHN-7

Channel 1

Channel 2

Channel 3

Channel 4

Channel 5

Channel 6

Channel 7

Channel 8

Channel 9

Channel 10

Channel 11

Channel 12

Channel 13

Channel 14

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Fig-6: Borehole Cross Section DHN-6 & DHN-7, Hirenagnur Prospect showing analytical results

Drill hole No	Width (m)	Grade(g/t)
IHN-2	8	3.52
IHN-5	8	5.02
DHN-5	19	3.02
DHN-6	16	6.38
DHN-16	11	4.52

Chinchergi-Wandalli Block: This block is an excellent exploration target defined by DGML as a result of extensive geochemical exploration, geological mapping, ground magnetic survey and limited Reverse Circulation drilling. DGML targeted a part of the major WNW trending Chinchergi- Amareshwara lineament between

ASTER images processed for the Hutti greenstone belt reveals a significant NNE-SSE trending mineral alteration halo with possible sulphides over a length of 16.0 kms between Buddini in the south to Hirenagnur in the north (Fig-9).

Channel sampling, ground magnetic surveys, resistivity surveys were carried out in the selected exploration blocks. Among the targets identified, only limited test drilling could be undertaken in

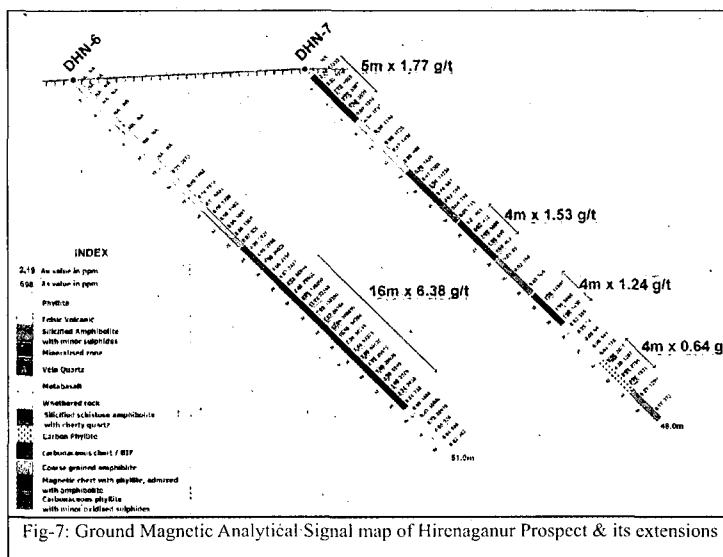


Fig-7: Ground Magnetic Analytical Signal map of Hirenaganur Prospect & its extensions



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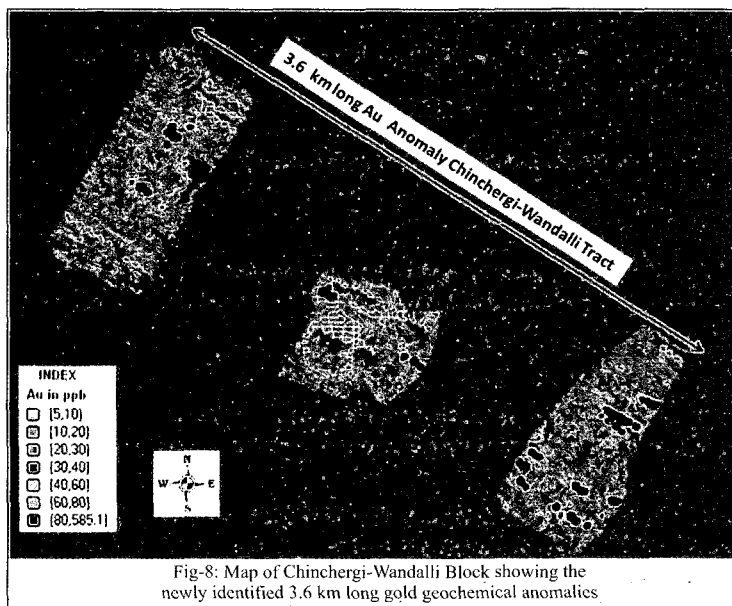


Fig-8: Map of Chinchergu-Wandalli Block showing the newly identified 3.6 km long gold geochemical anomalies

Vannanthara and Karaiyur areas because of the restrictions on the number of bore holes that can be drilled under Reconnaissance Permit. The results in Vannanthara and Karaiyur Prospects were not encouraging. The Karadippara prospect which is west of the known Puttumala prospect, appears to be worth taking up further detailed investigation, once the Prospecting License is granted.

RAMGIRI BELT PROJECT

The grant of Prospecting licenses in Ramagiri belt is awaited and as a result no further updates can be reported for the period under review. However a summarized report of the work done earlier in Ramagiri project is presented below:

The Ramagiri belt forms the southern half of the Ramagiri-Penkacherla greenstone belt. Ramagiri is located 40km south-southeast of Anantapur and 180km due north of Bangalore. It is one of the important gold-bearing greenstone belts of the Eastern Dharwar Craton.

The Ramagiri Reconnaissance Permit 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. 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, has reported gold ore resource of 590,000 tonnes @ 3.7 g/t under different categories from the RGF and also an inferred resource of 3.96 million tonnes averaging 1.32 g/t to 5.6 g/t of gold.

DGML's Exploration resulted in delineating 3 blocks (Fig-10) 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

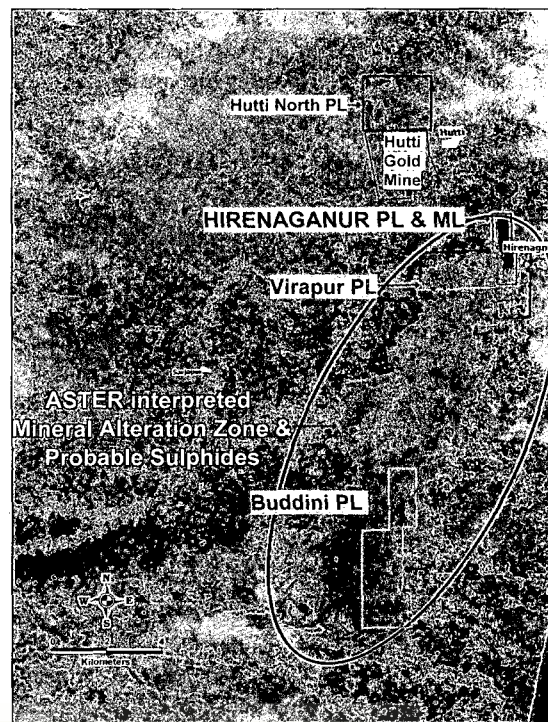


Fig-9 : ASTER imagery of Hutti Belt showing 16 km long Mineral Alteration Zone and probable sulphides

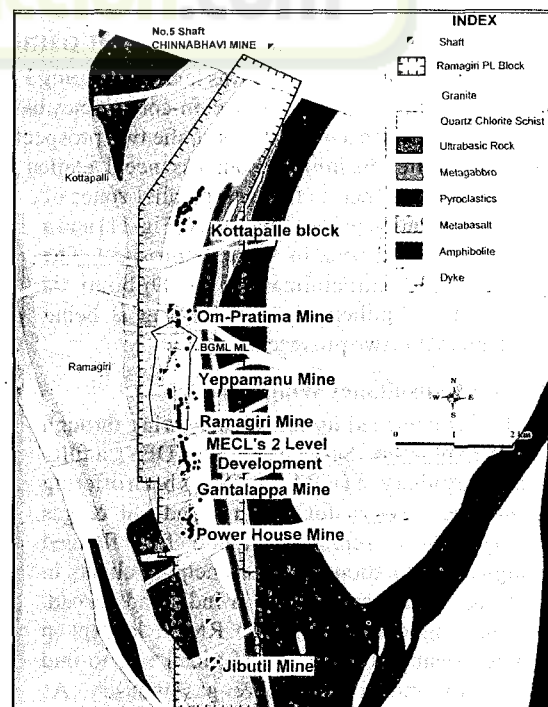


Fig-10 : Regional geological map of Ramagiri Greenstone belt showing DGML's applied prospecting license area and key prospects