
NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty Second (32nd) Annual General Meeting of the Shareholders of DECCAN GOLD MINES LIMITED ("THE COMPANY") will be held on Wednesday, September 28, 2016 at Boundary Hall, 1st Floor, Mumbai Cricket Association Recreation Centre, RG-2, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051 at 2.00 pm. to transact the following Business:

ORDINARY BUSINESS:

1. To consider and adopt:
 - (a) The audited financial statements of the Company for the financial year ended March 31, 2016, along with the Reports of the Board of Directors and the Auditors' thereon.
 - (b) The audited consolidated financial statements of the Company for the year ended March 31, 2016.
2. To appoint a Director in place of Mr. Charles Edward English Devenish (DIN: 01252091), who retires by rotation and being eligible, has offered himself for reappointment.
3. To re-appoint M/s. V.K. Beswal & Associates, Chartered Accountants (Firm Registration No. 101083W), as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their Remuneration.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules made there under, as amended from time to time, read with Schedule V to the Act and as per the recommendation of the Nomination and Remuneration Committee (NRC) and the Board of Directors of the Company, consent of the Company be accorded to the reappointment of Mr. Sandeep Lakhwara (DIN: 01049978) as Managing Director of the Company for a period of 2 years with effect from May 1, 2016 with liberty to either party to terminate the appointment upon three months notice in writing to the other, on a salary of INR 7,00,000/- per month with further liberty to the Board of Directors to revise the terms of employment, from time to time subject however to the restrictions, if any, contained in the Companies Act, 2013, including Schedule V thereto, as amended up to date.

RESOLVED FURTHER THAT where, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay the above referred salary to the Managing Director as and by way of minimum remuneration subject to the applicable provisions of Schedule V of the said Act.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

By order of the Board
for DECCAN GOLD MINES LIMITED

S. Subramaniam
Company Secretary
ACS 12110

Place : Mumbai
Date : August 1, 2016

CIN: L51900MH1984PLC034662

REGISTERED OFFICE:

Parinee Crescenzo, C38-C39, G Block, Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051. Tel .No.:022-033040797 Fax No.: 022-33040779.
Email.: info@deccangoldmines.com Website.: www.deccangoldmines.com

DECCAN GOLD MINES LIMITED

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY, TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND THAT A PROXY NEED NOT BE A MEMBER.** A person can act as a proxy on behalf of the members not exceeding fifty (50) and holding in aggregate not more than 10% of the total share capital of the Company carrying voting rights. A Member holding more than 10% of the total share capital carrying voting rights may appoint a single person as Proxy and such person cannot act as proxy for any other member.
2. Proxies, if any, in order to be valid and effective, must be received at the Company's Registered Office not later than 48 (forty-eight hours) before the time fixed for commencement of the meeting.
3. Corporate members who intend to send their authorized representatives to attend and vote at the meeting should send a certified copy of their board resolution to this effect.
4. The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, in respect of special businesses to be transacted at the meeting, is annexed.
5. The physical copies of notice of 32nd Annual General Meeting and the Annual Report 2015-16 shall be open for inspection at the Registered Office of the Company during business hours between 11.00 am to 1.00 pm except on holidays, up to the date of the Annual General Meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 9.00 a.m., Monday, September 19, 2016 to 5.00 p.m., Wednesday, September 28, 2016 (both days inclusive) for the purpose of the Annual General Meeting.
7. In terms of Section 152 of the Companies Act, 2013 Mr. Charles Edward English Devenish (DIN: 01252091), Director, retires by rotation at the meeting and being eligible, offers himself for re-appointment. The Board of Directors of the Company recommend his re-appointment.
8. Brief resume of Directors / Managing Director proposed to be re-appointed, nature of their expertise in specific functional areas, names of public companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under the applicable stock exchange regulations, are provided in the Corporate Governance Report forming part of the Annual Report and elsewhere in this Notice.
9. Members are requested to update their bank mandate / NECS / Direct credit details / name / address / power of attorney and update their Core Banking Solutions enabled account number:
 - **For shares held in physical form:** with the Registrar and Transfer Agent of the Company.
 - **For shares held in dematerialized form:** with the depository participant with whom they maintain their demat account.

Request to members:

1. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their queries to the Investor Relations Department, so as to reach the Corporate Office of the Company at least seven working days before the date of the meeting, to enable the Company to make available the required information at the meeting, to the extent practicable.
2. Members / proxy are requested to bring a copy of Annual Report and attendance slip to the meeting.
3. Members who hold shares in the dematerialized form are requested to write their Client ID and DP ID and those who hold shares in the physical form are requested to write their folio number in the attendance slip.

4. Non Resident Indian members are requested to immediately inform their depository participant (in case of shares held in dematerialized form) or the Registrars and Transfer Agents of the Company (in case of shares held in physical form), as the case may be, about:
- (i) the change in the residential status on return to India for permanent settlement;
 - (ii) the particulars of the NRE account with a bank in India, if not furnished earlier.
5. Pursuant to Section 101 and Section 136 of the Companies Act, 2013 read with relevant Companies (Management and Administration Rules), 2014, companies can serve Annual Reports and other communications through electronic mode to those Members who have registered their e-mail address either with the Company or with the Depository. Members who have not registered their e-mail address with the Company are requested to submit their request with their valid e-mail address to Link Intime India Private Limited, the Registrar and Share Transfer Agent of the Company. Members holding shares in demat form are requested to register/update their e-mail address with their Depository Participant(s) directly. Members of the Company, who have registered their email-address, are entitled to receive such communication in physical form upon request.
- 6. E-Voting**
- I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended, Regulation 44 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards 2,, the Company is pleased to provide members the facility to exercise their right to vote at the 32nd Annual General Meeting (AGM) by electronic means viz. Remote E-voting and voting through ballot (at the venue of the AGM) and all the business contained in the Notice may be transacted through e-voting services provided by Central Depository Services (India) Limited (CDSL).

The instructions for shareholders voting electronically are as under:

- (i) The Remote E-voting period begins on Saturday, September 24, 2016 (9.00 am) and ends on Tuesday, September 27, 2016 (5.00 pm). During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e., Wednesday, September 21, 2016, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iv) Click on Shareholders.
- (v) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

DECCAN GOLD MINES LIMITED

For Members holding shares in Demat Form and Physical Form

| | |
|-----------------------|--|
| PAN | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) |
| | Members who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number which is printed on Postal Ballot / Attendance Slip indicated in the PAN field. |
| DOB | Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. |
| Dividend Bank Details | Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. |
| | Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv). |

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for the relevant "DECCAN GOLD MINES LIMITED" on which you choose to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/ NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xviii) If Demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. I phone and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after June 30, 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xx) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

(xxii) Any person, who acquires shares of the Company and becomes a member after dispatch of the notice and holding shares as on the cut-off Date i.e., Wednesday, September 21, 2016 may obtain the login and password by sending a request @ helpdesk.evoting@cdsoindia.com.

However, if you are already registered with CDSL for remote e-voting, then you can use your existing user ID and password for casting your vote.

- II. The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date of Wednesday, September 21, 2016. A person who is not a member as on the cut off date should treat this notice for information purposes only.
- III. A copy of this notice has been/ shall be placed on the website of the Company and the website of CDSL
- IV. Mr. Himanshu S. Kamdar, Partner of M/s. Rathi & Associates, Practicing Company Secretaries, Mumbai (Membership No. 5171, Certificate of Practice No. 3030) has been appointed as the Scrutinizer to scrutinize the Remote e-voting and physical ballot process in a fair and transparent manner.
- V. The Chairman, shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of “Ballot Paper” for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- VI. The Scrutinizer shall immediately after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two (2) witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated Scrutinizer’s Report of the total votes cast in favour or against, if any, to the Chairman of the Company or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- VII. The members who have cast their votes by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.
- VIII. The Results declared along with the Report of the Scrutinizer shall be placed on the website of the Company www.deccangoldmines.com and on the website of CDSL immediately after the declaration of results by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to BSE Limited, Mumbai, and the Stock Exchange is required to place the same on their website. The same shall also be placed on the website of CDSL.
- IX. Members are requested to send all communications relating to shares to the Company’s Registrar & Share Transfer Agent (R & T Agent) at the following address:
LINK INTIME INDIA PRIVATE LIMITED
C-13, Pannalal Silk Mills Compound,
LBC Marg, Bhandup (West), Mumbai – 400078.
Phone No. (022) 25963838 Fax No. (022) 25946969
Email: rnt.helpdesk@linkintime.co.in

DECCAN GOLD MINES LIMITED

7. Members / Proxies are requested to bring the attendance slips duly filled in to the Meeting.

By order of the Board
for DECCAN GOLD MINES LIMITED

Place : Mumbai
Date : August 1, 2016

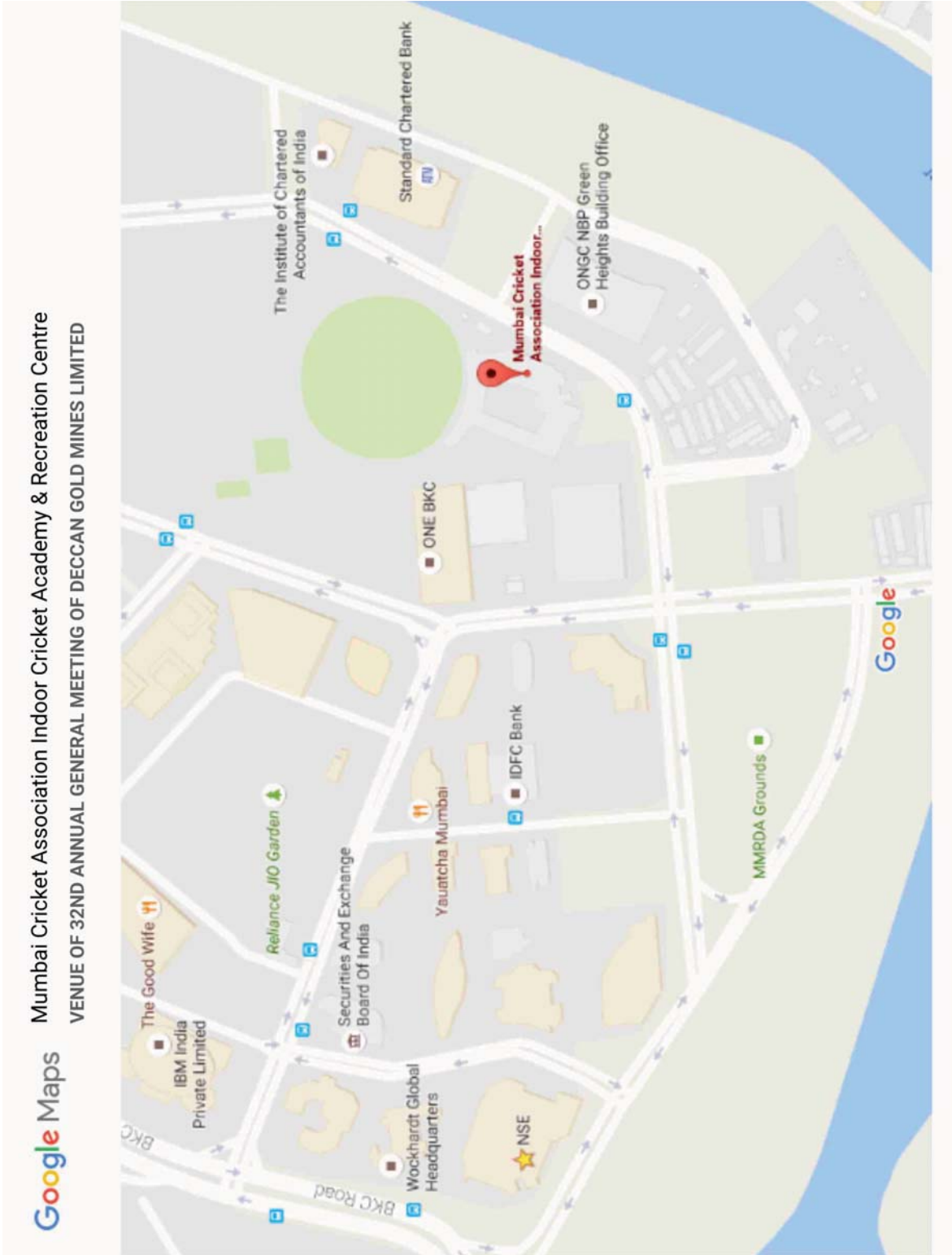
S. Subramaniam
Company Secretary
ACS 12110

CIN: L51900MH1984PLC034662

REGISTERED OFFICE:

Parinee Crescenzo, C38-C39, G Block, Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051. Tel .No.:022-033040797 Fax No.: 022-33040779.
Email.: info@deccangoldmines.com Website.: www.deccangoldmines.com

Route Map for Boundary Hall, 1st Floor, Mumbai Cricket Association Recreation Centre, RG-2, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051



DECCAN GOLD MINES LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 4:

Mr. Sandeep Lakhwara (DIN: 01049978) was appointed as Managing Director of your Company for a period of 3 years with effect from May 1, 2013 with the approval of shareholders at their 29th Annual General Meeting (AGM) held on December 11, 2013. Keeping in mind the scaling up in the operations of the Company, his monthly remuneration was revised to INR 700,000/- from January 1, 2015 for the remainder of his term up to April 30, 2016 with the approval of the shareholders obtained by way of Special Resolution at the 30th AGM held on December 30, 2014.

The Nomination and Remuneration Committee and Board of Directors at their respective meetings held on March 4, 2016 considered and recommended the re-appointment of Mr. Sandeep Lakhwara as Managing Director of the Company for a period of 2 years with effect from May 1, 2016 upon the existing terms and conditions of his appointment including remuneration of INR 700,000/- per month, subject to the approval of the Members of the Company.

The aggregate of the remuneration as aforesaid shall be in compliance with the provisions of Sections 196 and 197 read with Schedule V to the Act, as amended and as in force from time to time.

As per provisions of Section 196, 197 read with Part II Section II of Schedule V of the Companies Act, 2013, it would be necessary to seek the approval of members for re-appointment of Managing Director and hence the same is placed for approval of members.

The disclosure required in terms of Part II Section II of Schedule V of the Companies Act, 2013 is given hereunder.

I. GENERAL INFORMATION:

| | |
|---|--|
| Nature of Industry | Gold exploration |
| Date or expected date of commencement of commercial production | Expected commencement of commercial production is early 2018 subject to issue of Letter of Intent / Grant Notification Letter and execution of Mining Lease thereafter in respect of Ganajur Gold Project whose details are given below. |
| In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not applicable |

Financial performance based on given indicators:

| Particulars | (INR in '000s) | | |
|--------------------------------------|----------------|---------------|---------------|
| | 2015-16 | 2014-15 | 2013-14 |
| Total Income | 3,459 | 3,804 | 5,895 |
| Profit/(Loss) before Taxation | (68,954) | (16,049) | (3,359) |
| Profit/(Loss) after Tax | (68,954) | (16,049) | (3,359) |
| Balance brought forward | (82,899) | (66,826) | (63,467) |
| Balance transferred to Balance Sheet | (151,853) | (82,899) | (66,826) |
| | No. of shares | No. of shares | No. of shares |
| Paid-up capital | 89,227,375 | 59,218,250 | 58,867,250 |

The Company is a Gold exploration Company and awaits issue of Letter of Intent / Grant Notification Letter in respect of the Ganajur Gold Project of its wholly-owned subsidiary i.e., Deccan Exploration Services Private Limited.

Foreign investments or collaborations, if any:

Rama Mines Mauritius Limited, Mauritius (RMML) is the promoter of the Company and as on date i.e., August 1, 2016 holds 25,784,541 equity shares of Re.1/- each translating to 28.54% stake in the Company.

II Information about the appointee:

| Sr. No. | Particulars | |
|---------|--|---|
| 1 | Background details | Sandeep Lakhwara has several years of 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 lived in Australia for 25 years, headed various organizations in the past, at times taking small start-ups to fully developed successful businesses, and moved to Bangalore, India during 2002 to oversee the development of the mineral exploration projects in India. |
| 2 | Recognition or awards | 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 print and electronic media. |
| 3 | Past remuneration | INR 700,000/- (Rupees Seven Lacs only) per month. |
| 4 | Job profile and his suitability | Sandeep has been functioning as the Managing Director of the Company and is primarily responsible for the acquisition, growth and operations of Deccan Gold Mines Limited since 2002. |
| 5 | Remuneration proposed | INR 700,000/- (Rupees Seven Lacs only) per month (in terms of the proviso to Part II Section II (A) of Schedule V to the Companies, Act, 2013) |
| 6 | Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin). | At present, Deccan Gold Mines Limited is the only gold exploration company in India that is listed on the BSE Limited (BSE). Hence, there is no comparative remuneration profile available in India. |
| 7 | Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. | Nil |

DECCAN GOLD MINES LIMITED

III Other information:

| | |
|---|---|
| Reasons of loss or inadequate profits | <p>Revenue / profits can only be generated post commencement of commercial production of gold.</p> <p>Deccan Gold Mines Limited is a gold exploration company and is yet to commence commercial production.</p> <p>The Company would commence the commercial production of gold exploration after the grant of Mining Lease in respect of the Ganajur Gold Project of its wholly-owned subsidiary viz., Deccan Exploration Services Private Limited (DESPL) which is presently under the active consideration of the State Government of Karnataka for issue of Letter of Intent / Grant Notification Letter followed by execution of Mining Lease Deed between DESPL and the State Government of Karnataka.</p> |
| Steps taken or proposed to be taken for improvement | <p>The Company has been vigorously pursuing the grant of mineral concession applications lodged by it and its wholly-owned subsidiary with specific focus over the Ganajur Gold Project of its wholly-owned subsidiary DESPL. Post commencement of production, the Company is expected to earn revenues.</p> |
| Expected increase in productivity and profits in measurable terms | <p>Revenue / profits can only be generated post commencement of commercial production of gold. Commercial production can commence only after grant of Mining Lease in respect of the Ganajur Gold Project of DESPL, a wholly-owned subsidiary of the Company.</p> <p>It may be noted that DESPL commissioned an independent agency, viz., SRK Mining Services (India) Private Limited (SRK) to prepare a mineral resource estimate of the Ganajur Gold Project. SRK estimated a JORC (an internationally accepted Code for measuring mineral resources) compliant total resource of 308,000 Ozs of gold, out of which 301,000 Ozs is categorized under 'Indicated' and the rest under 'Inferred' category.</p> <p>A Bankable Feasibility Study (BFS) is currently being undertaken by Snowden, an international mining and geological consultant based in Perth, Australia and elsewhere. The BFS will cover every aspect of gold mining at Ganajur and is expected to be completed by December 2016 and will give a clear idea about the productivity and profits in measurable terms.</p> |

IV DISCLOSURES:

The remuneration package along with relevant details of remuneration paid to Mr. Sandeep Lakhwara during the financial year 2015-16 has been mentioned hereinabove.

Copy of Memorandum setting out the terms of re-appointment of the Managing Director shall remain open for inspection by members upto the date of Annual General Meeting, except on holidays, from 11.00 a.m. to 1.00 p.m.

Your Directors recommend this resolution as a Special Resolution in terms of provisions of Sections 196, 197 read

with and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Rules made thereunder, as amended from time to time, read with Schedule V to the Act.

Apart from Mr. Sandeep Lakhwara, none of the other persons specified in Section 102 of the Companies Act, 2013, namely the Promoters, Directors, Key Managerial Persons, Relatives of Promoters, Directors and Key Managerial Persons or the entities comprising the interest of Promoters, Directors or Key Managerial Persons, are concerned or interested financially or otherwise in the above resolution.

By order of the Board
for DECCAN GOLD MINES LIMITED

S. Subramaniam
Company Secretary
ACS 12110

Place : Mumbai
Date : August 1, 2016

CIN: L51900MH1984PLC034662

REGISTERED OFFICE:

Parinee Crescenzo, C38-C39, G Block, Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051. Tel .No.:022-033040797 Fax No.: 022-33040779.
Email.: info@deccangoldmines.com Website.: www.deccangoldmines.com

DECCAN GOLD MINES LIMITED

**INFORMATION ABOUT DIRECTORS SEEKING
APPOINTMENT / REAPPOINTMENT AT THE ANNUAL GENERAL MEETING**
[Pursuant to Secretarial Standards – 2 and Regulation 36(3) of the SEBI
(Listing Obligations and Disclosure Requirements) Regulations, 2015]

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

| | | |
|--|--|---|
| Name | Mr. Charles Edward English Devenish | Mr. Sandeep Lakhwara |
| Director Identification Number (DIN) | 01252091 | 01049978 |
| Age / Date of Birth | 76 years / October 24, 1940 | 61 years / September 5, 1955 |
| Appointed on | January 21, 2003 | July 31, 2002 |
| Qualification | School Leaving Certificate | B.Bus (Curtin University, Western Australia) |
| | | Certified Practising Accountant (CPA, Australia) |
| Experience / Expertise in specific functional areas | Promoter of mineral exploration companies | Managing and developing mineral exploration businesses |
| Terms and conditions of appointment | Retirement by rotation and reappointment | Reappointment as Managing Director for a period of 2 years with effect from May 1, 2016. Remuneration of INR 700,000 per month and liberty to terminate the appointment with 3 months' notice in writing. |
| Details of remuneration sought to be paid | Nil | INR 700,000 per month |
| Remuneration last drawn by person | Nil | INR 700,000 per month |
| Relationship with other Directors / Manager and other KMP | Nil | Nil |
| Number of Board Meetings attended during the year | 10 | 12 |
| Directorship held in Companies (other than Deccan Gold Mines Limited) | (1) Vasundhara Metal Mining Private Limited | (1) Indo Australian Chamber of Commerce |
| | (2) Australian Indian Rural Development Foundation | |
| | (3) Vajra Diamond Mining Private Limited | |
| Membership / Chairmanships of Committees across Companies (other than Deccan Gold Mines Limited) | Nil | Nil |
| No. of shares held in the Company | Nil | 551,000 |

There are no inter-se relationships amongst the Directors.

Regd. Office : ParineeCrescenzo, C38-C39, G Block, BandraKurla Complex, Bandra (E), Mumbai – 400 051

CIN : L51900MH1984PLC034662

Tel.: +91 022 33040797 Fax: +91 022 33040779

ATTENDANCE SLIP

32ndAnnual General Meeting – Wednesday, 28TH September, 2016.

Sr. No. :

| | |
|--|--|
| Registered Folio/DP ID & Client Id | |
| Name and Address of the Shareholder | |
| Joint Holder 1 Joint Holder 2 | |
| Name of Proxy/ Representative, if any | |
| No. of Shares held | |

1. I hereby record my presence at the **32nd ANNUAL GENERAL MEETING** of the Company held on Wednesday, **28th September, 2016** at 2:00 p.m. at Boundary Hall, 1st Floor, Mumbai Cricket Association Recreation Centre, RG-2, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 and/or any adjournment thereof.

2. Signature of the Shareholder/ Proxy Present

3. Shareholder / Proxy attending meeting must bring the Attendance Slip to the meeting and handover at the entrance duly signed.

4. Shareholder/ Proxy desiring to attend the meeting may bring his/her copy of the Annual Report for reference at the meeting.

5. Bodies Corporate, whether a Company or not, who are members, may attend through their authorised representatives appointed under Section 113 of the Companies Act, 2013. A copy of authorisation should be deposited with the Company.

Note: PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP TO THE MEETING.

.....

ELECTRONIC VOTING PARTICULARS

| Electronic Voting Sequence Number (EVSN) | User ID | Default Pan |
|--|---------|-------------|
| 160831047 | | |

Note: Please read the instructions printed in the Notes attached to the Notice dated August 1, 2016 convening the 32nd Annual General Meeting. The voting period starts from 9.00 a.m. on Saturday, 24th September, 2016 and ends at 5.00 p.m. on Tuesday, 27th September, 2016. The voting module shall be disabled by CDSL for voting thereafter.

DECCAN GOLD MINES LIMITED

Parinee Crescenzo, C38-C39, G Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400051

CIN: L51900MH1984PLC034662

Proxy Form

Form No. MGT-11

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014)

| | |
|--|---|
| Name of the member (s): Registered address: E-mail Id: | Folio No: *Client Id: *DP ID: |
|--|---|

*applicable for investors holding shares in electronic form)

I/ We, being the member (s) of shares of the above named company, hereby appoint:

1. Name

Address.....
.....

E-mail id:Signature:..... or failing him.

2. Name

Address.....
.....

E-mail id:Signature:..... or failing him.

3. Name

Address.....
.....

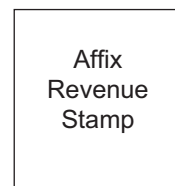
E-mail id:Signature:..... or failing him.

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company, to be held on Wednesday, September 28, 2016 at 2:00 p.m. at Boundary Hall, 1st Floor, Mumbai Cricket Association Recreation Centre, RG-2, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 and at any adjournment thereof in respect of such resolutions as are indicated below:

**I wish my proxy to vote in the manner as indicated in the box below:

| Item No. | Description | Type of resolution (Ordinary / Special) | For | Against |
|----------|---|---|-----|---------|
| 1. | Adoption of the audited standalone and consolidated Balance Sheet and Profit & Loss Account for the year ended March 31, 2016 and the reports of the Board of Directors and Auditors thereon. | Ordinary | | |
| 2. | Appointment of Director in place of Mr. Charles Edward English Devenish (DIN: 01252091) who retires by rotation and being eligible offers himself for re-appointment. | Ordinary | | |
| 3. | Appointment of M/s. V.K. Beswal & Associates, Chartered Accountants (Firm Registration No. 101083W) as Statutory Auditors and fixing of their remuneration. | Ordinary | | |
| 4. | Re-appointment of Mr. Sandeep Lakhwara (DIN: 01049978) as Managing Director for a term of 2 years with effect from May 1, 2016. | Special | | |

Signed this..... day of..... 20....



Signature of Shareholder

Signature of Proxy holder(s)

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. A proxy need not be member of the Company.
3. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
4. ** This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate. In terms of Regulation 44(4) of SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2013, Equity shareholders may vote either for or against each resolution as proposed in the Notice of Annual General Meeting.
5. In case of joint holders, the signature of any other holder will be sufficient, but names of all the joint holders should be stated.

DECCAN GOLD MINES LIMITED

CIN: L51900MH1984PLC034662

Registered Office:

Parinee Crescenzo, C38-C39,
G Block, Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051.

Tel No. : 022-33040797

Fax No. : 022-33040779

Web site: www.deccangoldmines.com

Email. : info@deccangoldmines.com

CHAIRMAN'S LETTER

Dear Shareholders,

I am happy to report that the past year has seen some serious and positive moves in the right direction.

Deccan Gold Mines Limited (Deccan) has moved forward in a very positive and constructive manner and I sincerely thank its Management for doing so. The appointment of Snowden Mining Industry Consultants (Pty) Ltd, an international group of mining consultants to undertake feasibility studies over the Ganajur Gold Project was an excellent decision. The bankable feasibility study which is being managed by their team in Perth will help bring considerable confidence to both bankers and our shareholders.

The independent study is expected to be completed in December 2016

The appointment of our Consultant Metallurgist who has had considerable experience in successfully running gold plants internationally and other new experts from Australia and India who will play a major role in the development of Ganajur and other mines in the Deccan pipeline, is to be commended. The mining plan is nearly completed and will be submitted to the Indian Bureau of Mines, once the Letter of Intent (LoI) is granted

We are closely monitoring developments with the Government authorities responsible for the issue of LoI. All indications are that it is progressing well and the LoI will be issued without much further delay.

Considerable work has gone into upgrading facilities in the local village at Ganajur, cleaning out the water tank, organizing removal of rubbish, repairing and painting the bus shelter, planting trees and various other awareness programs that will help bridge a long term relationship with people living close to our mine.

Our Company has a very exciting future with a portfolio of excellent projects. The Ganajur project is robust and will help to give Deccan a major gold platform in India. Interestingly, I believe that the Ganajur Gold mine is a significant piece of history in the making as the first new economic gold discovery in India since many years. The Hutti and Kolar Mines were ancient discoveries, but Ganajur is a new virgin discovery, so full credit should go to our team at Deccan for making this discovery.

I am also happy to report that plans to take the Ganajur mine into production in early 2018 are on target.

Several fund raising options are currently being examined with the assistance of investment bankers & other professional consultants. We will keep the market updated in this respect.

We believe the Supreme Court case over Hutti will be heard shortly. We are expecting the case to go in our favour, resulting in the highly prospective Hiranagnur Gold deposit coming back into our portfolio. Hiranagnur has all the ingredients to make it a major gold mine.

The long term outlook for Deccan is extremely positive and exciting and I strongly believe that we will make many new discoveries over the next few years which will result in Deccan becoming a major global player in gold mining.

We are fortunate to have a strong professional Management and Board of Directors who each bring many years of experience to our Company. I sincerely thank them for their commitment, inputs and achievements.

This coming year will see the turning point for our Company as we move towards the development of the first gold mine to be owned by a publicly listed Indian company.

Yours truly

Charles E.E. Devenish



DECCAN GOLD MINES LIMITED

ANNUAL REPORT 2016



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DECCAN GOLD MINES LIMITED

CORPORATE INFORMATION

| | | |
|------------------------------------|---|--|
| Chairman | : | Mr. Charles E.E. Devenish |
| Managing Director | : | Mr. Sandeep Lakhwara |
| Directors | : | Mr. K.R. Krishnamurthy Ms. Pratima Ram Prof. V.K. Gaur Dr. M. Ramakrishnan* *till November 18, 2015 |
| Chief Financial Officer | : | Mr. K. Karunakaran |
| Head-Legal & Company Secretary | : | Mr. S. Subramaniam |
| Auditors | : | M/s. V.K. Beswal & Associates Chartered Accountants, Mumbai. |
| 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 |
| CIN | : | L51900MH1984PLC034662 |
| Bankers | : | Kotak Mahindra Bank |
| Registered Office | : | Parinee Crescenzo, C38-C39, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Tel : 91-22-33040797 Fax : 91-22-33040779 Email : info@deccangoldmines.com Web : www.deccangoldmines.com |
| Corporate Office | : | No. 5, 19th Main Road, 4th Sector, HSR Layout, Bengaluru – 560 102 Tel : 91-80-67155700 Fax : 91-80-67155701 Email : info@deccangoldmines.com |

PROFILE OF DIRECTORS

CHARLES E.E. DEVENISH

Chairman

Charles has strong involvement in mineral exploration in Australia and overseas for decades. 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. Charles moved to India in August, 2002 and ever since 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. He was appointed to the Board of our company in July 2002.

SANDEEP LAKHWARA (B.BUS., CPA)

Managing Director

Sandeep has over 15 years experience in the exploration and mining sector. 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, mergers and acquisition and corporate regulatory requirements for publicly listed companies. He was appointed on the Board of our Company in July 2002 and since then is primarily responsible for the development 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.

K.R. KRISHNAMURTHY

Independent Director

K.R. Krishnamurthy is a well known Mining Engineer, practising as a consultant since 1990. He is B.Sc., Chartered Engineer (from Institute of Engineers (India)) and holds a Diploma in mining & First Class Mine Managers Certificate of Competency with over five decades of experience in the mining sector. Earlier he has worked for Kolar Gold Mining Undertakings in Kolar Gold Fields, Indian Copper Corporation Limited, Chitradurga Copper Company Limited and Ashanti Gold Fields Corporation Limited (Ghana, West Africa). He is a mining consultant and advises many mineral based industries in India and abroad.

Ms. PRATIMA RAM

Independent Director

Pratima Ram graduated from the University of Virginia, USA and Bangalore University. She is an experienced banker with three decades in corporate, international and investment banking and has held the position of Chief General Manager and Country Head of United States operations of State Bank of India and prior to this she was the CEO of the South African operations of the Bank. At SBI Capital Markets, Pratima led the Corporate Advisory, M&A, & Project Appraisal businesses. While at SBI, she also headed the Diamond Financing business of the Bank. She later joined the private sector in the infrastructure space as Group President, Finance, at Punj Lloyd Group which has diversified operations in more than 15 countries. Till recently she was the CEO of India Infoline Finance Ltd, an NBFC focused on lending to small businesses, real estate and health care sectors. She is now Advisor to India Infoline Finance Ltd. She has held Board positions in SBI California Ltd, USA and India Infoline Finance Ltd, Mumbai.

DECCAN GOLD MINES LIMITED

PROF VINOD KUMAR GAUR

Independent Director

Prof. Gaur is an eminent geoscientist. He is holder of Doctorate of Philosophy from University of London. He is a former Director of the National Geophysical Research Institute, Professor at Professional University of Roorkee and the Indian Institute of Astrophysics. He has also been Secretary to the Government of India between 1989-96.

KEY PERSONNEL

Mr. S.C.R.PESHWA, FGS (LOND), MGS (SA)
Director (Exploration)

Peshwa has nearly 32 years of experience as a mining and exploration geologist and specializes in gold exploration and resource modeling. He worked as a Mining & Exploration Geologist for 13 years with Bharat Gold Mines Limited. He has the distinction of working in the world famous Champion Reef Mine and carried out detailed exploration of Champion lode system both in deep and shallow levels. This has resulted in delineating new parallel lodes of the Champion Lode system. From 1996 to 2002 he worked as a Project Manager with ACC Limited and was involved in exploration of gold and other minerals. He successfully carried out gold prospecting in the Red Sea hills region of Sudan. Mr. Peshwa is responsible for the development of DGML's Gold Projects and has implemented different exploration methods as per international standards including QA/QC programmes. He has international exposure for different styles for gold mineralization. Being a Fellow of Geological Society of London and Member of Geological Society of South Africa qualifies him as a competent person as defined by the JORC Code. Mr. Peshwa is also an RQP (Recognition as Qualified Person) awarded by Indian Bureau of Mines.

Mr. JOHN FODOR
Process Engineer

John has twenty five years of metallurgical operations experience, five years of study management and six years as a technical advisor.

Highlights of his career include:

- Commissioning and start-up of gold process plant facilities – this involved preparation and implementation of SOP/STP's, business readiness operational plans, project management of capital projects, preventative maintenance and shutdown planning / optimization, process plant debottlenecking / optimization and process circuit / equipment commissioning
- Study Management – Scoping through to definitive Bankable feasibility studies, financial modeling
- Technical – Gold and silver metallurgy, crushing and grinding circuit design and operational optimization, geo-metallurgical modelling, development and supervision of metallurgical test work programs

John holds a B.Sc Degree in Metallurgy and is a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM).

Mr. C. SHANMUGAM
Mining Engineer

Shanmugam hold a Bachelors Degree in Engineering (Mining) from Bangalore University and an M.Tech. (Open Cost Mining) from Indian School of Mines, Dhanbad. since 1994, he worked with Mysore Minerals Limited as Mining Engineer in their different Mines and Quarries. In 2014, Shanmugam joined Ashapura Group, Gujarat as General Manager (Mines) and was also their Mining Agent for statutory purposes. He was also involved in obtaining environment clearances and other statutory permissions for their mines.

DECCAN GOLD MINES LIMITED

Mr. K. KARUNAKARAN

Chief Finance Officer

Karunakaran is a Certified Management Accountant from CMA (Australia) and also holds a Diploma in Management Accounting from CIMA, UK. He has a Masters Degree in Commerce. He possesses nearly three decades of experience in the field of Finance, Accounts and Audit and has worked in organisations in India and abroad. He has got wide experience in matters relating to Indian corporate laws, Banking matters and taxation. Apart from working in reputed corporate in India, Karun worked for 5 years in one of the leading multi divisional company in Sultanate of Oman – Muscat, in the internal audit department and advised management on methodologies to strengthen their internal control systems.

Mr. S. SUBRAMANIAM

Head-Legal & Company Secretary

Subramaniam is an Associate Member of Institute of Company Secretaries of India and Chartered Management Accountant from CIMA, UK. Also holds a Law Degree from Bangalore University. He has 19 years of experience in the field of Company Law and other corporate laws. During his career, he has handled corporate restructuring exercises including mergers / demergers, amalgamations, joint ventures, foreign collaborations, fund raisings & listing of securities on domestic and foreign stock exchanges. He is in charge of the corporate legal and company secretarial matters and also functions as the Compliance Officer of the Company.

Dr. S.B. HARISH KUMAR

Exploration Manager

Harish has nearly 18 years of experience in mineral exploration, particularly in the States of Karnataka, Andhra Pradesh, Tamil Nadu and Kerala. He was a key member of the exploration team of DGML involved in the discovery of Ganjaur gold deposit. Since then he has been actively involved in the exploration and development of the Ganajur gold project at all stages, including, geological mapping, ground geophysical surveys, execution of drilling programmes, Scoping studies, EIA and EMP studies etc. Besides, he has also been involved in the exploration of Mangalagatti and Bhavihal prospects of DGML.

Mr. RAJEEV P. HANAMASAGAR (M.SC IT)

GIS - IT Manager

Rajeev has 12 years of experience in Mining and GIS software and its applications to geological and mineral exploration programs. He has developed expertise in generating maps on GIS platform to international standards.

REPORT ON EXPLORATION ACTIVITIES

GANAJUR MAIN GOLD DEPOSIT

(1) BACKGROUND INFORMATION

Dharwar-Shimoga greenstone belt project forms part of Archaean Western Dharwar Craton in the State of Karnataka. Deccan Exploration Services Private Limited (DESPL), a subsidiary of Deccan Gold Mines Limited (DGML), explored an area of around 5000sq km of the Dharwar-Shimoga Greenstone belt covered under 2 RP blocks and identified 22 gold prospects (**Fig-1, 2**). Gold mineralization in all the prospects is hosted within sulphidic banded ferruginous chert. Prospects around Dharwar towards north (Dharwar Cluster) and Haveri in the south (Ganajur-Karajgi Cluster) are considered as significant discoveries.

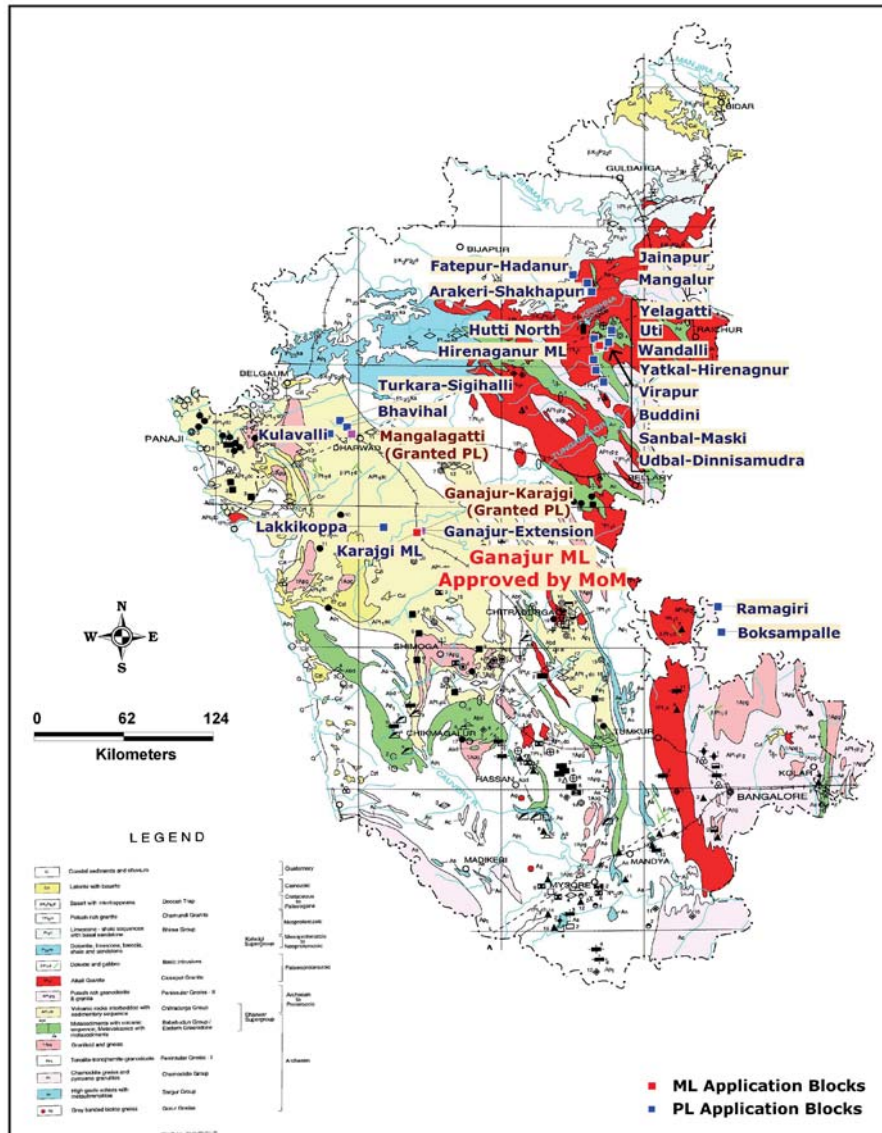


Fig-1 Geological map of Karnataka showing DGML related applications

DECCAN GOLD MINES LIMITED

DESPL submitted a total of Seven (7) Prospecting License (PL) and two (2) Mining Lease (ML) applications, covering all the important prospects of Dharwar-Shimoga basin. All these applications of DESPL are in compliance with the provisions of Section 10 A of the New Mines & Minerals (Development & Regulations) Act –(MMD & R) act that was promulgated by the Government of India in March 2015.

A Mining Lease application covering the most important Ganajur Gold Deposit has been approved by the Ministry of Mines, Government of India on 24th July 2015. The Grant Notification from the Karnataka State Government is awaited.

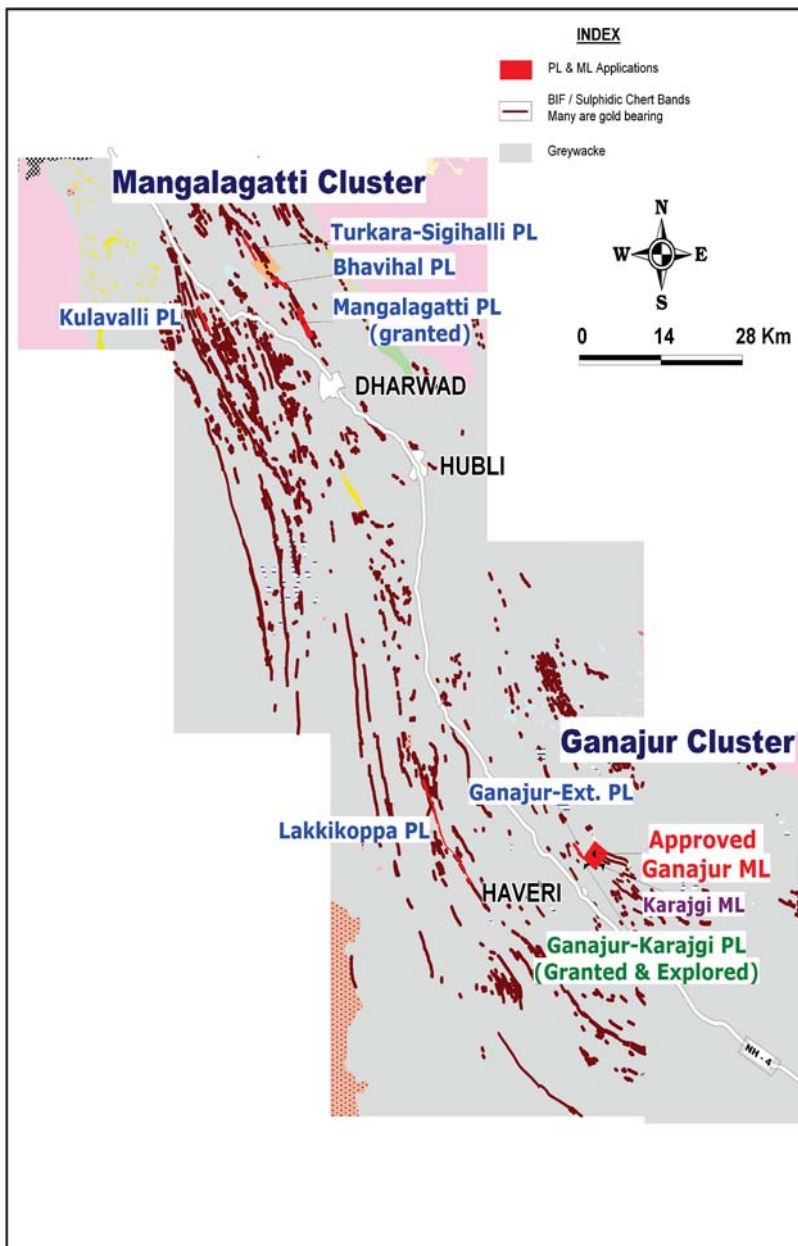


Fig-2 : Dharwar -Shimoga Basin, Details of Leases/Applications

RESOURCE

Ganajur Main Gold Deposit:

As already reported, DGML appointed SRK Mining Services (India) Pvt Ltd., in the year 2011 to independently review the data and submit a mineral resource estimate and preliminary economic assessment of the Ganajur Main Gold Deposit. **SRK has estimated a JORC compliant resource of 3,08,000oz of gold to a depth of 120 meters of which most of it is under indicated category (Table-1).** The resource is equivalent of 121 category as per UNFC classification. The 3D model was subdivided into two domains (**Fig-3**) viz, Oxide and Sulphide domains based on the lithological observation of the drilled core.

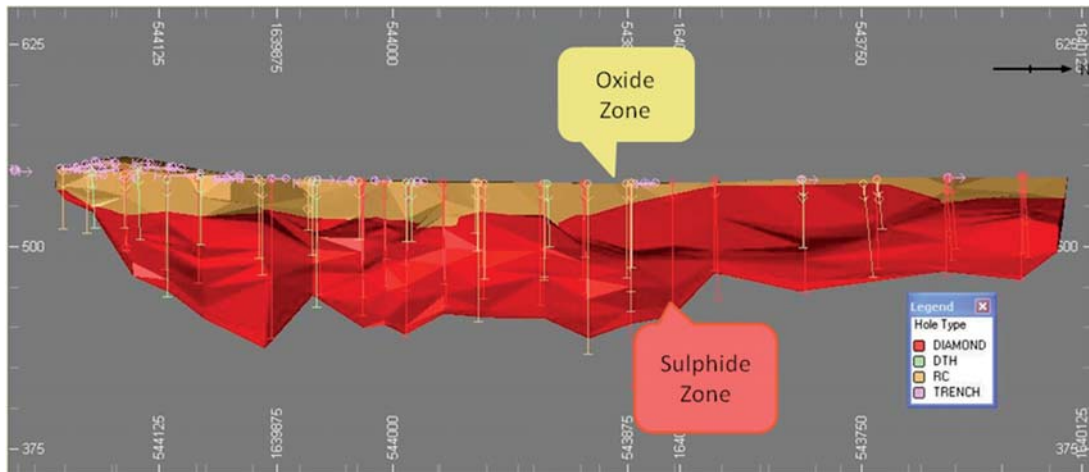


Fig-3: Longitudinal Section Looking West Showing the Two Modelled Resource Domains: Oxide and Sulphide.

TABLE – 1

MINERAL RESOURCE STATEMENT OF GANAJUR MAIN GOLD DEPOSIT

| CATEGORY (JORC) | UNFC CODE | Quantity (tonnes) | Grade (g/t) | Gold (ounces) |
|------------------------|-----------|-------------------|-------------|---------------|
| 1. INDICATED | 121 | | | |
| A. SULPHIDE | | 1,921,000 | 3.83 | 237,000 |
| B. OXIDE | | 631,000 | 3.19 | 65,000 |
| TOTAL INDICATED | 121 | 2,552,000 | 3.67 | 301,000 |
| 2. INFERRED | | | | |
| A. SULPHIDE | 221 | 93,000 | 1.82 | 5,000 |
| B. OXIDE | | 17,000 | 3.26 | 2,000 |
| TOTAL INFERRED | 221 | 109,000 | 2.06 | 7,000 |

The Scoping study carried out by SRK addressed the mine optimization, process design, waste disposal and management plans, site lay out and infrastructure, capital /operating expenditure estimates, project economics (including key risks and opportunities) and future work programme. The Study has revealed that project economics is technically and economically viable that could be improved upon considering the fact that there are a number of highly prospective gold bearing targets in the PL block with distinct possibilities of adding to the existing mineral resource. SRK's scoping studies have demonstrated that at a sustainable gold price greater than USD850/oz, the Ganajur Main Project has the potential to be developed into a viable open-pit mining operation. The key aspect of the scoping study was cash flow projection and project valuation.

DECCAN GOLD MINES LIMITED

(2) SUMMARY OF EXPLORATION WORK CARRIED OUT:

GANAJUR MAIN GOLD DEPOSIT & ITS SATELLITE PROSPECTS IN THE GANAJUR – KARAJGI CLUSTER

Ganajur-Karajgi Cluster consisting of the all important Ganajur Main Gold Deposit, a discovery of DESPL was explored extensively under a prospecting licence covering an area of 2.2 sq.kms between the years 2009 and 2016. The Ganajur – Karajgi cluster also includes seven satellite gold prospects, viz., Ganajur East, Ganajur South, Ganajur South East, Ganajur Central, Karajgi Main, Karajgi East and Hut prospects (**Fig. 4**).

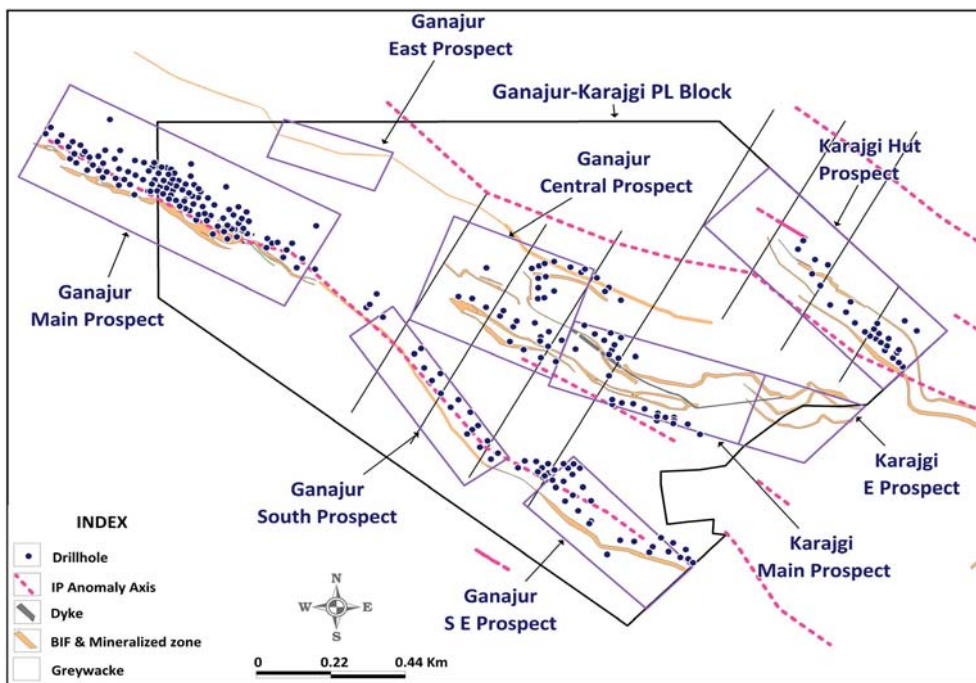


Fig-4: Ganajur-Karajgi Cluster showing the Ganajur Main and other key gold prospects.

DESPL has been exploring the Ganajur-Karajgi Block since the RP was granted in the 2004. Exploration was carried out under different phases as per international norms. The discovery of an open pittable mineable resource in Ganajur Main has been one of the significant achievements for the company. DESPL's sustained exploration efforts during the last 7 years has resulted in overall value addition of the whole block in general and Ganajur Main Gold Deposit in particular. Gold resources were also estimated in two other satellite prospects viz Ganajur SE and Karajgi Main prospect. The exploration data generated so far revealed that this block is a major mineral corridor with substantial potential to host significant ore resource.

While the focus of our exploration activities is on Ganajur Main Gold project, DESPL carried out additional drilling, Geophysical Survey, trenching and sampling, Topographic Survey in the Ganajur-Karajgi Cluster as well during the current year. A total of 5686.28 metres of drilling and 896 m of trenching was accomplished during the latest exploration campaign in the block with the aim of improving the overall economics of the Project.

Please refer to Status of Applications for an update on application for other prospects (**Fig-5**).

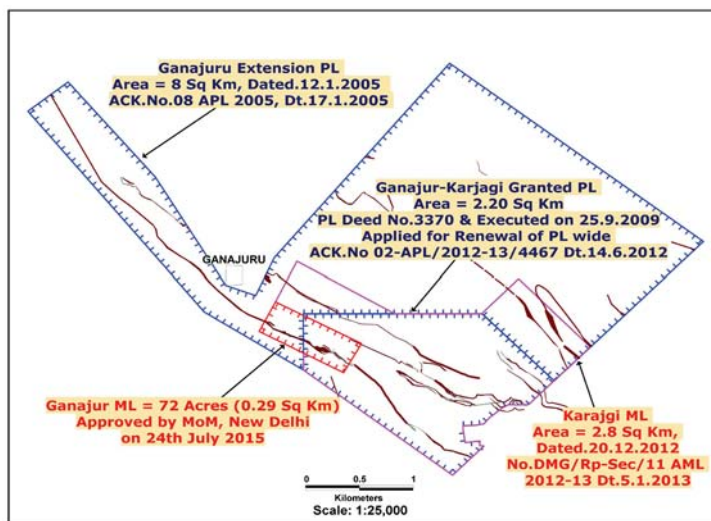


Fig-5 : Ganajur-Karajgi Cluster showing the Ganajur M.L, other leases and applications.

The complete summary of the work carried out between years 2009 and 2016 in the Ganajur-Karajgi Block is given hereunder Table-2.

Table-2
SUMMARY OF EXPLORATION WORK CARRIED OUT IN GANAJUR-KARAJGI PL BLOCK

| SL NO | TYPE OF EXPLORATION | UNIT | QUANTUM |
|-------|--|--------------------|----------|
| 1 | TOPOGRAPHIC SURVEY | SQ.KMS | 2.2 |
| 2 | GEOLOGICAL MAPPING (1: 2000 AND 1:5000 SCALE) | SQ.KMS | 2.2 |
| 3 | GROUND GEOPHYSICAL MAGNETIC SURVEY | LINE KMS | 288 |
| 4 | GROUND GEOPHYSICAL SP-RESISTIVITY SURVEY | LINE KMS | 20.15 |
| 5 | GROUND GEOPHYSICAL IP SURVEY | LINE KMS | 31.25 |
| 6 | GROUND GEOPHYSICAL EM SURVEY | LINE KMS | 9 |
| 7 | TRENCHING | LENGTH (M) | 2825 |
| 8 | SAMPLING AND ANALYSIS | Nos | 6406 |
| 9 | DRILLING | | |
| | A. RC DRILLING (69 DRILL HOLES) | METRES | 3861 |
| | B. DIAMOND CORE DRILLING (143 DRILL HOLES) | METRES | 10300.48 |
| | TOTAL DRILLING | | 14161.48 |
| 10 | COMPREHENSIVE METALLURGICAL STUDIES OXIDE & SULPHIDE (AMMTEC) | KGS | 300 |
| 11 | DETAILED METALLURGICAL VARIABILITY STUDIES AND PFD | IN PROCESS | |
| 12 | ENVIRONMENTAL BASE LINE DATA COLLECTION (AIR, DUST FALL, NOISE, WATER, SOIL) | COMPLETED | |
| 13 | MINERAL RESOURCE ESTIMATION FOR GANAJUR MAIN BY SRK (AS PER JORC) | COMPLETED | |
| 14 | MINERAL RESOURCE ESTIMATION FOR GANAJUR SE PROSPECT | COMPLETED | |
| 15 | FEASIBILITY STUDIES (for Ganajur Main Gold Project) | IN PROGRESS | |
| 16 | LAND ACQUISITION | IN PROCESS | |

DECCAN GOLD MINES LIMITED

(3) DRILLING:

DESPL has undertaken additional close spaced drilling i.e step-out and infill drilling in order to upgrade the existing category of resources and also increase to whatever extent possible the overall resources. DESPL's exploration so far has defined an ore body for a strike length of 600 metres. Depth of the ore body has been established for 120 metres.



Fig-6: Diamond Core Drilling operation Ganajur Main Prospect

An exploration programme involving 2213 metres of diamond core drilling and trenching was carried out in the Ganajur Main Prospect (Fig. 6) . That included additional drilling towards North-West and South Eastern extension of the Ganajur Main ore body. It is to be noted that there are limitations in undertaking step-out drilling beyond 900 metres that marks the Mining Lease boundary. Drilling was therefore restricted for exploring:

- NW and SE extension of the Ganajur Main Ore body that covers an extent of 250 metres.
- For Metallurgical Studies.
- Geotechnical Studies
- The infill drilling to fill up the gaps.
- To test the deep seated IP Geophysical Anomaly

We have achieved the first four objectives and drilling for exploring the deep seated IP anomaly is in progress.

Results at Ganajur Main are consistent with our earlier results and all the gaps were filled in by drilling. One of the drill holes GMC 67 has intersected 27 metre wide mineralization with a significant gold grade averaging 9.12 g/t (**Fig-7**). The new data along with the previous data will be submitted to Snowden to prepare an updated resource model for estimating the ore resource and reserves as per JORC 2012. This revised data will be part of the bankable feasibility studies for the Ganajur Gold Project.

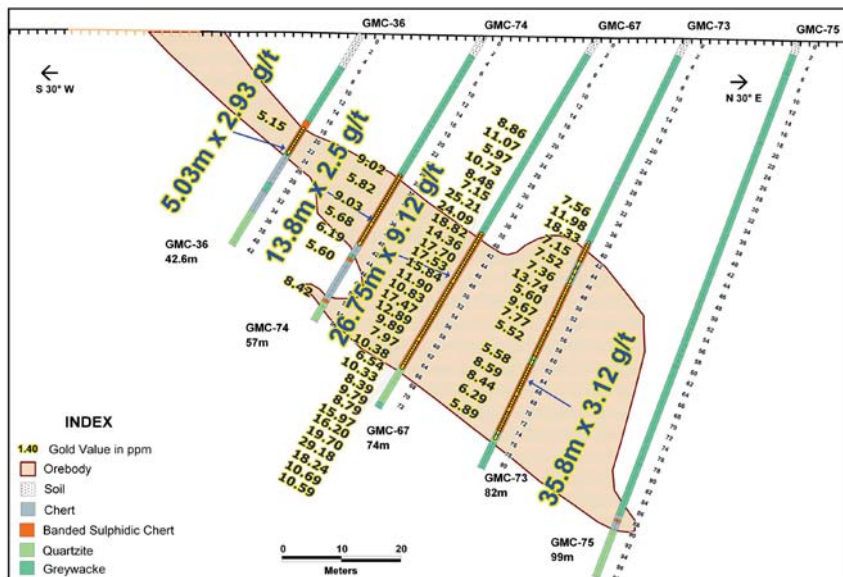


Fig-7: Drill hole cross section GMC-36-74-67-73-75, Ganajur Main Prospect

(4) TRENCHING

DESPL also explored the NW and SE part of the ML area by exposing trenches (**Fig- 8**). The objective of trenching was to explore the possibility of oxide ore which has been proved to be good for yielding higher gold recovery as indicated by recent metallurgical test work. A total of 13 trenches were excavated to expose ore mineralised zone. Some of the trenches have exposed mineralised zone with significant gold values over considerable width.

In addition to drilling and trenching, Total Station and DGPS survey of the Ganajur ML area, geotechnical drilling, hydrogeological studies Environmental studies are being carried out as part of the ongoing Feasibility studies. As already reported we have appointed Snowden Mining Industry Consultants (Snowden) an internationally recognized geological and mining consultant for undertaking bankable feasibility studies for the Ganajur Gold Project.



Fig-8: A typical Trench exposed at Ganajur Main Prospect

(5) IP SURVEY

Based on the results of our earlier IP survey (**Fig- 9**) we have discovered that gold mineralization in the Ganajur-Karajgi Block has one to one correlation with the Geophysical IP anomalies. The Geophysical IP survey has been very successful in tracing new zones of possible gold mineralization, which is comparable to some of the well known world class gold deposits.

Considering the above characteristics of gold mineralization and its correlation to IP survey we appointed DMT Consulting Pvt Ltd, Kolkata to study the previous geophysical IP and Magnetic survey data along with the geological information to prepare a detailed interpretation report for delineation of prominent anomalous zones as probable locations for gold mineralization. The report by DMT has revealed significant IP anomalies centering around Ganajur South, Ganajur SE, Karajgi Main, Hut and Ganajur Main prospects (**Fig 10, 11,**). Based on these observations an additional survey was proposed for exploring the gaps and also for probing the depth extension of the Ganajur Main ore body.

DESPL through DMT Consulting (P) Ltd carried out 13.85 line kms of additional IP geophysical survey covering all the known prospects. The IP Survey was carried out using the Instrument IP/Res Receiver IPR-12 Scintrex with 8 Channel Make and Elrec PRO IRIS instruments with 10 channels and IP/Res Transmitter VIP5000 with 10KW power generator (**Fig-9**).



Fig-9: IP Survey Operation, Ganajur-Karajgi Cluster

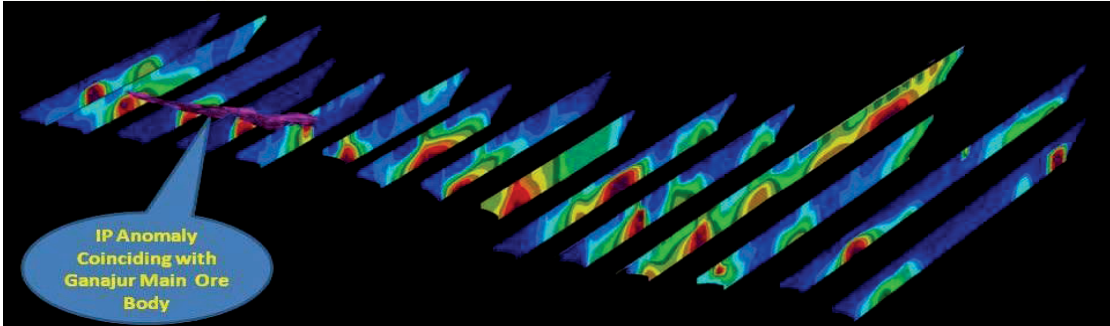


Fig-10: IP Inversion Model showing the IP anomaly coinciding with Ganajur Main orebody

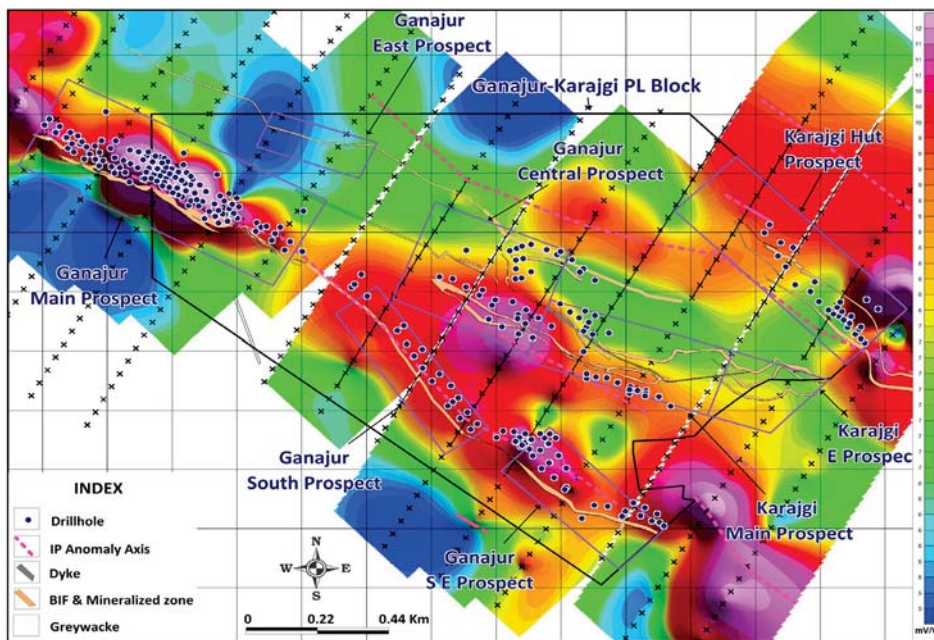


Fig-11: Slice plan at 50m depth showing IP chargeability anomalies.

(6) TOPOGRAPHIC SURVEY

Our Surveyors completed topographical and revenue survey of the ML Block of 72 acres. The survey covered the following aspects:

- With the help of high accuracy GPS equipment (Sokkia's GRX 1 model) the ML boundary corners were fixed.
- After establishing the ML boundary, individual land boundaries, as per the survey and sub-survey numbers and approach roads were surveyed using total station survey equipment. The survey was done in presence of the individual land owners.
- Obtained all the survey records, land records from the concerned government department and the surveyed data was super-imposed on the field survey drawing for cross verification. A comprehensive drawing was prepared.
- Based on the survey, a document consisting of the details of individual land owner, his survey number and extent of land etc. was prepared which will be useful at the time of land acquisition. The details need to be submitted to the KIADB.
- Precise locations of the drill hole locations were surveyed that will be used for final resource estimation.

(7) FEASIBILITY STUDIES:

Deccan Gold Mines Limited has appointed an internationally reputed Geological and Mining Consultant Snowden Mining Industry Consultants (Snowden) based in Perth for undertaking bankable feasibility studies (FS) for the Ganajur Gold Project of its subsidiary Deccan Exploration Services Private Limited (DESPL). We are also pleased to inform that the team from Snowden visited the Ganajur Project recently as part of their studies to get a first hand experience of the project and also for undertaking due diligence and review of the information provided by DESPL. The team included a Mining Engineer / Manager, Resource Geologist, Geotechnical Engineer and an Environmental and tailings specialist (**Fig- 12**). Snowden has expressed satisfaction at the level of work being carried out by DESPL and the potentiality of the project as a whole.

Feasibility study comprises of several disciplines such as Resource geology, Mine planning, Geochemistry, Process and metallurgy, plant designing and engineering, Tailings disposal and design of the tailing dump, Geotechnical engineering, hydrology and hydro-geology, environmental studies etc. As per the scope of work agreed upon DESPL and Snowden, Snowden will be responsible for estimation of ore resource and reserves, mine planning, geochemistry, design of the tailings dump, and financial modeling. DESPL through its consultants will be undertaking studies related to Environment, Hydro geology, hydrology and geotechnical engineering. DESPL will also undertake all the work related to processing and plant design. The data and the report prepared by DESPL Consultants will be peer reviewed by Snowden who will then compile a comprehensive report as per JORC standards.



Fig-12: Snowden group of experts visited Ganajur Gold Project for due diligence as part of Feasibility Studies.

We are happy to note that the studies are progressing well and are scheduled to be completed by the end of December 2016. Updates on the progress of work related to the disciplines for which DESPL's Indian Consultants are responsible are presented below:

a. Geotechnical Studies

DESPL has appointed Sarathy Geotech & Engineering Services Private Limited (Sarathy), Bangalore for undertaking detailed geotechnical studies for the open pit mine, plant location, waste rock dump and tailings dam (**Fig- 13**). It may be mentioned that Sarathy have a number of experts in this field and some of them are doctorates from the prestigious Indian Institute of Science, Bangalore.

Drilling for geotechnical studies is underway and as per the plan all the four geotechnical drill holes have been completed. The geotechnical logging was completed and the drill cores have been sent to the laboratory for testing.



Fig-13: Geotechnical Drilling and logging, Ganajur Main Prospect

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The purpose of geotechnical drilling is to assist with determining the mining pit wall stability and then refining the pit design accordingly. Other aspects of the Geotechnical Engineering studies include, Rock Mass structure, development of geotechnical domain classification, slope stability analysis, waste rock dump assessment, vibration studies, etc.

Similar geotechnical drilling as well as pitting has been proposed in the processing plant area that also includes water storage tank, tailings dam. The test work proposed in the processing plant area will help in designing the tailings dam, foundation for the plant and the water storage area.

The drill hole locations and the test work programme were decided after a detailed discussion between Snowden, DESPL and Sarathy.

b. Hydrogeology

DESPL has appointed Mr. M.C.Reddy and Mr. Jayakumar both retired Directors from the Central Ground Water Board for undertaking ground water related studies for the project. Our consultants have completed detailed hydro-geological studies as per the scope of work defined by Snowden that included, pumping tests, ground water potential, quality, aquifer characteristics, rainwater harvesting measures, water requirement and utilization for the project at different stages (**Fig-14**).The field studies and the draft report is being prepared. The study also addressed the conditions prescribed by the MOEF in the TOR.

DESPL has identified the Varada river located at a distance of 4.0 kms from the proposed mine as a potential source of water for the project. The State High Level Clearance Committee (SHLCC) has approved our request for drawing the water from Varada River. However a judicious tapping of ground water is also considered as an alternative to the Varada river if need arises. Thus the detailed ground water study undertaken would be helpful to



Fig-14: Hydrogeological consultant carrying out ground water tests

identify potential water resources in and around the Mining Lease area. In this connection DESPL had also carried out a detailed Geophysical Resistivity survey for locating suitable points with ground water potential. A total of 84 points were surveyed using Vertical Electrical Sounding (VES) method. The data from these studies indicate ground water potential areas that would be useful for the project.

c. Hydrology:

DESPL has appointed EI Technologies, Bangalore for undertaking hydrological studies in around the project area that involves, surface water design criteria, hydrological modelling, preparation of flood map and water balance, water quality analysis, water management including risks etc

d. Environmental Studies

Our Consultant B.S. Envitech has already completed the collection of base line data that includes ambient air quality, water, soil, noise, etc for the summer season. Now draft EIA/EMP report is being prepared.

The EIA/EMP report will address not only the Indian regulatory requirements but will also be prepared as per international feasibility standards indicated by Snowden.

Plant TOR: DESPL had submitted a fresh TOR application for 1000 tpd processing facility to be established at Ganajur Project for processing the gold ore. We presented the new proposal before the Expert appraisal committee constituted by the MOEF on 25-2-2015. We are happy to announce that the MOEF has accepted our application and granted the TOR on 7-4-2016.

e. Metallurgical Test Work and Process Design:

Ganajur Gold Project is an interlinked project with the proposed ore processing unit to be located at a distance of 1.5 kms south of the proposed gold mine. DGML has taken several steps in understanding the chemistry and process mineralogy of the gold ore so that it helps in designing a suitable flow sheet for processing the gold ore. A representative sample (200 Kgs) of the Ganajur sulphide gold ore drawn from the drill cores was sent to AMMTEC Laboratory, Perth in Australia for carrying out comprehensive metallurgical testing and gold recovery studies. Similarly another batch of samples from the oxide ore was also sent to the same laboratory for understanding the metallurgical properties.

The initial results were quite encouraging and indicate that the overall recovery through gravity and cyanide leaching is 87.72% including 31 % through gravity separation. The leach profile indicates that the gold leach kinetics is very fast with all the cyanidable gold being recovered after only 2 hours.

Based on these encouraging results, further metallurgical investigations at a Feasibility Study level on the Ganajur Main gold resource is being taken up since March 2016. Representative ore samples from diamond drill core within the gold resource were selected along the strike and at depth of the ore body in order to confirm its metallurgical behavior and response and also to test the variability of the gold bearing ore at different locations.

A testwork programme has been developed for testing at the metallurgical laboratory in Perth, Western Australia with the following objectives:

- Confirm the gold recovery for the oxide and sulphide resource.
- Assess the ore comminution characteristics in order to determine the power requirements and equipment sizing of the crushing and grinding circuits.
- Development of the overall process flowsheet which provides a gold recovery for the Ganajur Main resource at an optimum project NPV.
- Identify and mitigate any potential environmental impacts on processing the Ganajur Main ore.

Presently the testwork programme is 75% complete with further refinement on gold recovery optimization, settling tests and cyanide destruction test work remaining to be completed. Based on the test results an optimum flow sheet consisting of the following circuits - three stage crushing, single stage ball milling, flotation with ultrafine grinding (UFG) of the concentrates, carbon in pulp cyanidation of the flotation concentrates, elution, cyanide destruction and tailing disposal is being considered.

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Based on the current test work data, major equipment sizing has been evaluated for the crushing, grinding and flotation circuits. DGML has shortlisted Engineering consultants for developing a basic engineering design for the processing plant. The scope of work for the engineering consultants would includewater and power supply for the process plant, estimation of overall capital cost to construct the process plant etc.

Work on the operating costs estimate for production of gold from the processing plant will also form part of the FS. We are in the process of identifying key contractors for the processing plant.

(8) LAND ACQUISITION PROCESS

- DESPL received a Government Order (G.O.) on 28th April 2012 for allotment of 200 acres of land for the Ganajur Main Gold Mining and Ore Processing Plant.
- The G.O. has also facilitated land acquisition process through Karnataka Industrial Areas Development Board (KIADB), for which DESPL has submitted application to the KIADB on 25th March, 2013.
- DESPL has obtained 90% consent from land owners.
- DESPL's long term lease agreement with land owners of the proposed gold mine will be an added advantage in the land acquisition process.
- A new agreement with the farmers belonging to ML area was entered into to pay the farmers an advance of Rs. 1.25 lac per acre which is linked to the final settlement on acquiring the land.
- We are required to remit 40% of the tentative cost of land along with Board service charges before submission of preliminary notifications U/s - 3(1), 1(3) and 28(1) of the KIAD Act, 1966 to the Govt. in Commerce & Industries Department for approval.
- We have obtained NOC from Haveri Tehsildar and the same was forwarded to the KIADB.
- We are in the process of now undertaking total station survey

(9) PROGRESS OF GANAJUR MINING LEASE APPLICATION

DESPL's Mining Lease application covering the all important Ganajur Gold deposit was approved by the Ministry of Mines, Government of India on 24.7.2014 vide Letter No 4/113/2010-M.IV over an area of 0.29 sq.kms for a period of 50 years. The ML was approved per Section 5(1) and 10 (A)2(b) of the New MMDR Act 2015.

The State Government of Karnataka introduced a new system of internal checklists for all mineral concession applications awaiting approval. As a result of this new system, issue of grant notification / Letter of Intent for Ganajur Mining License was delayed in order to ensure compliance with the internal checklists prepared by the State Government. However we are happy to inform that the much awaited check list for all cases covered under section 10(A)2(b) as per the New MMDR Act 2015 was finalized by the State Government and a GO was issued to the DMG for processing the pending MLs as per the new check list.

The Department of Mines & Geology, Government of Karnataka (DMG) has started processing the pending Mining Lease (ML) files for compliance with their internal checklist that was notified recently through a Government Order. It may be noted that the Internal checklist requires sign-off / certification from certain Divisions of DMG and Indian Bureau of Mines prior to the issue of the Lol.

We understand that our Ganajur ML file has been taken up for processing and DMG has now received the required certification from IBM. We also understand that the process for obtaining other sign-off / confirmations has been initiated and the Lol would be issued shortly.

Details of Satellite Prospects:

Ganajur South East Prospect:

Ganajur southeast prospect is located 1.2 km SE of Ganajur Main prospect (**Fig 15**). The mineralized body is a gossanous banded sulphidic chert hosted by greywacke & traversed by fine stringers of quartz-carbonate veins and is considered as the southeastern extension of Ganajur Main Gold Deposit. The prospect was discovered during exploration under an RP that was further confirmed by detailed trenching and drilling during the PL stage.

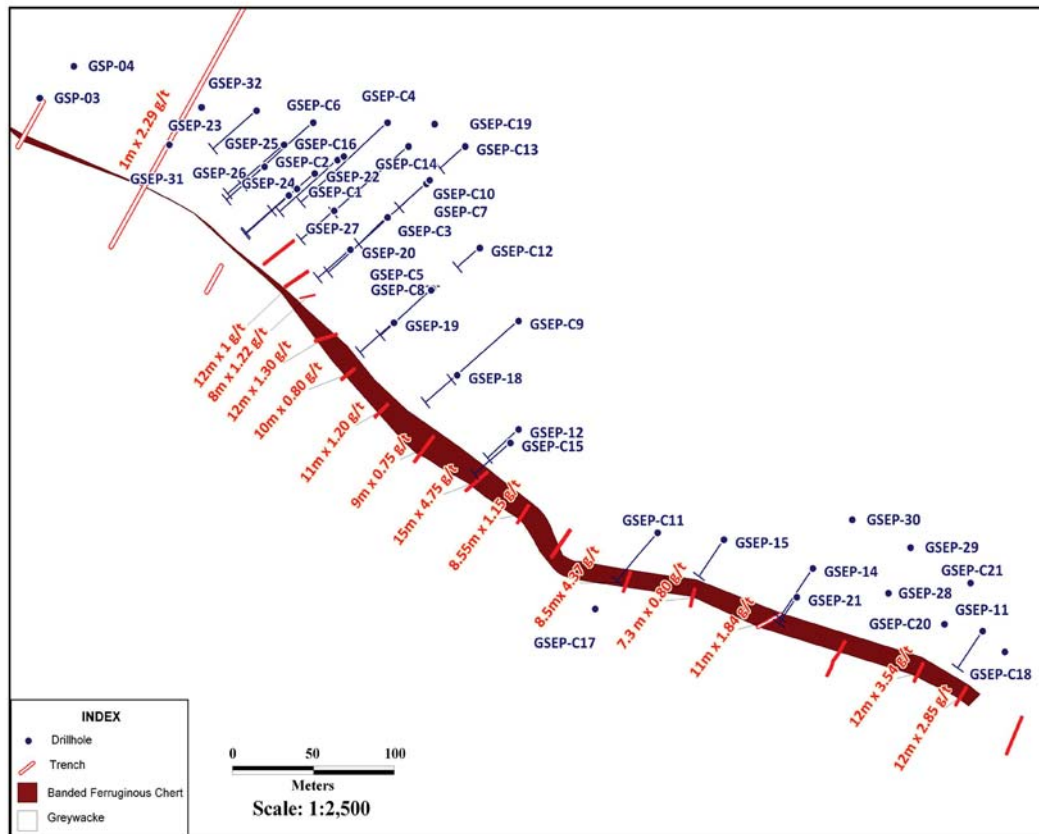


Fig-15: Geological map of Ganajur SE Prospect with drill hole locations and trenches.

Exploration under the RP and PL stage also defined gold mineralized zone for a length of 455 metres. Significant intersections were obtained that included gold value of 6.23 g/t over 15.0m width in one of the drill holes. Follow up geophysical IP survey had indicated significant chargeability anomaly extending for nearly 2.8 kms that included Ganajur SE prospect.

Encouraged by these findings a close spaced diamond core drilling programme was carried out under PL. The drilling was in accordance with the international best practices and QA/QC procedures. Most of the drill holes intersected a sulphidic chert band carrying significant gold values. DESPL estimated a resource of 35000 ozs of gold that could be classified as indicated as per JORC standards (Subject to validation by an Independent Competent person).

The outcome of the preliminary exploration in Ganajur SE Prospect has confirmed our interpretation of finding additional gold Resources in the satellite prospects surrounding the Ganajur Main Gold Deposit.

Study of the recent Geophysical I.P. Survey data has suggested several cohesive and discrete I.P. anomalies in the entire Block and some of this co-incides with Ganajur SE Prospect. Based on these additional observations DESPL carried out additional exploration by way of drilling (diamond core & RC) and trenching. The focus of this exploration campaign was to examine the strike extension of the mineralization already defined. A total of 475 metres inclusive of 223 metres of diamond core and 252 metres of RC drilling was completed. Details of mineralization intersected in the latest drill holes are given in Table-3.

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**TABLE-3 - DETAILS OF MINERALISED ZONES INTERSECTED
IN THE DRILL HOLES - GANAJUR SE PROSPECT**

| DRILL HOLE | FROM (M) | TO (M) | WIDTH -M | GRADE- Au g/t | HIGHEST Au VALUE |
|------------|----------|--------|----------|---------------|------------------|
| GSEP-C18 | 14.5 | 16.5 | 2 | 3.14 | 5.07 |
| GSEP-C19 | 81.2 | 82.9 | 0.7 | 4.4 | 4.4 |
| | 85.5 | 87.3 | 1.8 | 5.5 | 7.2 |
| | 91.5 | 92.2 | 0.7 | 7.3 | 7.3 |
| | 94.1 | 96.55 | 2.45 | 6.68 | 13.9 |
| GSEP-C20 | 15 | 20.4 | 5.4 | 3.82 | 12.4 |

Karajgi Hut Prospect:

The Karajgi Hut prospect is located around 600m NE of Karajgi Main prospect. Geological mapping during PL indicated presence of two parallel BIF bands with a cumulative strike length of 530 metres. Ground IP geophysical survey has indicated a moderate IP anomaly in this block. DESPL carried out a systematic resistivity survey towards NW part of this prospect in order to examine possibility of finding concealed mineralized chert bands if any and also to explore NW extension of the mineralised chert bands already known. The data reveal two NW-SE trending moderately resistive anomalies that could be interpreted as two limbs of a folded structure. These anomalies are interpreted as the North West extension of the mineralised chert band of Hut Prospect.

Karajgi Hut prospect was reviewed very critically that involved interpretation of existing geological, structural information along with the IP and magnetic data. The information revealed favourable signature for hosting gold mineralization. A desk top study was undertaken for understanding the possible targets for gold mineralization. The entire data was plotted and a systematic and meticulous planning was carried for locating the possible drill targets.

A total of 16 shallow drill holes were completed in Karajgi Hut Prospect involving a total of 816.80 meters and 8 Shallow R.C. drilling of 351 meters. Results of drilling are furnished in Table-4.

Table-4

DETAILS OF MINERALISED ZONES INTERSECTED IN THE DRILL HOLES - KARAJGI HUT PROSPECT

| DRILL HOLE | FROM (M) | TO (M) | WIDTH -m | GRADE Au g/t | HIGHEST Au VALUE |
|------------|----------|--------|----------|--------------|------------------|
| HPC-01 | 22.7 | 26.5 | 3.8 | 3.4 | 6.73 |
| HPC-02 | 48.2 | 52 | 3.8 | 1.75 | 3.9 |
| HPC-03 | 28.2 | 30 | 1.8 | 4.75 | 8.39 |
| HPC-04 | 31.4 | 32.45 | 1.05 | 1.6 | 3.4 |
| HPC-05 | 29.15 | 31.6 | 2.45 | 3.86 | 14.6 |
| HPC-06 | 26.8 | 28.3 | 1.7 | 21.5 | 41.3 |
| HPC-07 | 21.1 | 23.5 | 2.4 | 6.92 | 17.9 |
| HPC-08 | 31.2 | 32.8 | 1.6 | 3.5 | 7.3 |
| HPC-10 | 41 | 42.9 | 1.9 | 5.7 | 14.9 |
| HPC-13 | 33.5 | 35.2 | 1.7 | 4.88 | 10 |
| HPC-15 | 58.6 | 59.3 | 0.7 | 4.72 | 5 |
| HPC-16 | 21.2 | 25.5 | 3.3 | 1.2 | 4.7 |

The highlight of the drilling programme were the excellent results in Karajgi prospect which now looks to be a host for high grade gold mineralization.

A total of 300 metres of strike length was delineated based on the drill results. The mineralization is open along strike and depth. The mineralization is a banded ferruginous chert (oxidized upto a depth of 40 metres) with distinct banding, carbonate alteration, quartz veining and presence of significant pits and box works. The dip is around 45-50o towards North-east. The gold values range between 1 to 41.3 g/t (Fig- 16). The mineralized zone is narrow with a maximum width of 3.8 metres. However the gold values are rich. The ore from this can act as sweetener for the Ganajur Main ore at the time of processing.

A total of 379 meters of trenching was excavated from 14 trenches to expose the Banded ferruginous chert in the soil covered area. Analytical results indicated gold values upto 7.64 g/t Au.

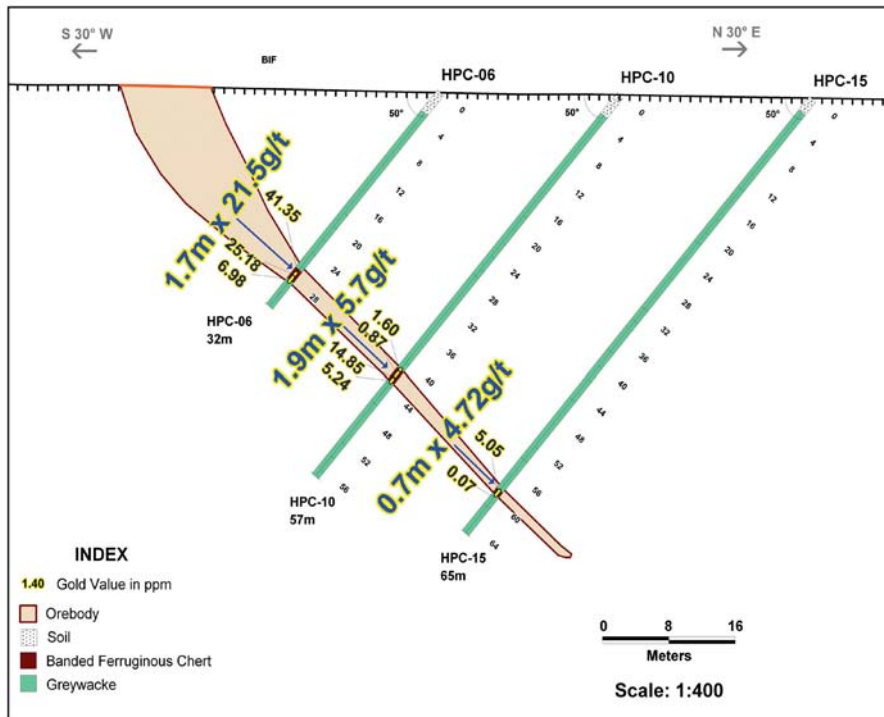


Fig-16: Drill hole cross section along HPC-06-10-15, Karajgi Hut Prospect.

Karajgi Main Prospect

Karajgi Main is located 1 km South East of Ganajur Main Prospect. It is rated by DGML as an important prospect in the PL block. Karajgi Main comprises of a southern auriferous BIF and two sulphidic chert bands towards the northern slope area designated as A and B with significant grade and width. DESPL estimated an inferred resource of 90000 tonnes averaging 2.3 g/t Au based on the initial information obtained through RC drilling during the RP tenure. Number of old workings are noticed all along these chert bands. The gold mineralization in the Karajgi Main Prospect is associated with a deformed iron formation. The gold mineralization is characterized by sulphide mineralization, silica breccia and minor quartz veining developed within a sulphidic chert unit. The initial drilling during RP and PL revealed high grade gold intersections in many of the drill holes. Apart from this, significant IP geophysical signatures were observed over this prospect indicating potentiality of the same.

DESPL completed 2 diamond core drill holes at Karajgi Main prospect in order to test the geophysical IP anomaly and also to understand structural controls of gold mineralisation. Out of two holes drilled, KMC-01 intersected two significant zones of gold mineralisation. The first one is 5.0 m thick which passed through between 45.50 to 50.50m averaging 7.43 g/t. gold including a high value of 33.60 g/t. The second zone is 9.0 m thick and was encountered between 71.1 and 80.1m averaging 3.19 g/t gold. The results from Karajgi Main Prospect have confirmed the existence of high grade gold bearing zones and distinct possibility of finding additional resources.

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During last year DESPL completed a limited drilling program for the Band A located in the northern slope of the Karajgi Hill that involved three drill holes involving 162.2 metres from three drill holes. KMC-03 intersected 1.10 m of mineralization between 44.75 to 45.85 m averaging 1.17g/t. One of the drill holes KMC-04 drilled to test the deeper extension of the earlier drilled R.C. drill hole KMP-28 intersected a mineralised zone of 1.30 m assaying 7.44 g/t Au.

DESPL compiled all the data generated under RP and PL stages in Karajgi Main prospect and a 3D resource model was generated. The ore body section was constructed using 0.5 g/t Au as cut off and a minimum width of 1m. A total of 3 auriferous zones were defined trending northwest and dipping towards northeast (**Fig-17**). Zone-1 and 2 with cumulative strike length of 360 metres with steep dips towards NE are the two branches that constitute the Karajgi main mineralised zone. Zone-3 is on the northern slope of the Karajgi Main hill that is correlated to Band-A. Zone-3 has a strike length of 140 metres dipping at 30 to 35o towards NE.

Based on these data DESPL re-estimated a resource of 26800 ozs averaging 3.06 g/t Au under JORC Indicated and Inferred categories equivalent of UNFC 211 and 221 categories. The resource was estimated up to a vertical depth of 80 metres. The true thickness of the ore body varies between 1.45 to 9.0 metres.

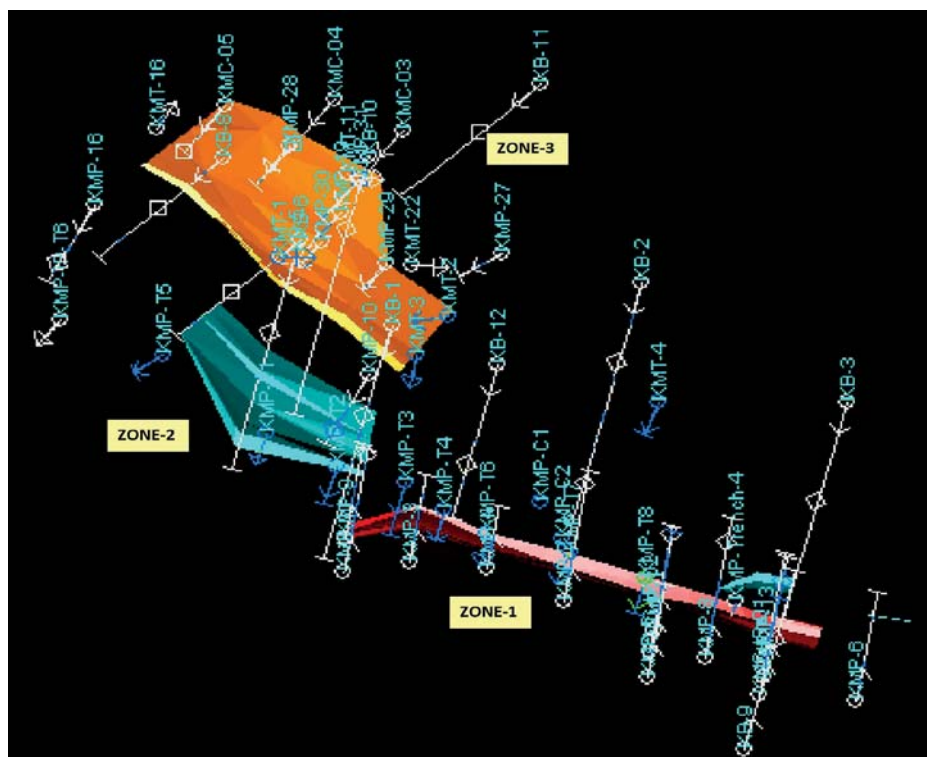


Fig-17: Plan View of the Karajgi Main Ore body.

Ganajur South Prospect

Ganajur South Prospect is located between Ganajur Main and Ganajur SE Prospect. Based on the preliminary mapping and sampling an area consisting of 850 metres strike was delineated as potential target for detailed exploration.

IP geophysical data revealed a linear like intrusive structure with high resistivity and chargeability IP anomaly towards south east of the Ganajur Main Prospect. This anomaly coincides with the Ganajur South and South East Prospects. DESPL completed 424 metres of diamond core and 436 metres of RC drilling in order to explore the IP anomalies. All the holes were targeted for intersecting mineralization at shallow depths. Two of the drill holes intersected mineralized chert analysing 5.67 g/t Au over 2.5metres and 2.23 g/t over 2.0 metres width.

Rest of the drill holes did not yield significant gold values inspite of intersecting BIF bands.

Ganajur Central Prospect:

Systematic Trenching and R.C. and Diamond core drilling exploration work has been carried out in the Ganajur Central Prospect. A total 150.5 meters was excavated from 4 trenches and 17 samples for gold assay were collected with the Au assay values ranging from 0.01 ppm to 3.58 ppm.

A total of 12 RC boreholes comprising 523 meters of RC drilling and 2 diamond core boreholes comprising 99 meters of core drilling have been drilled at the prospect.

Table-5 showing the BH meterage and Average and highest Au assay in Ganajur Central Prospect.

Table-5: Details of Au mineralization's in the drill holes of Ganajur Central Prospects.

| DRILL HOLE | FROM (M) | TO (M) | WIDTH -M | GRADE g/t | HIGHEST Au VALUE |
|------------|----------|--------|----------|-----------|------------------|
| GCP-17 | 32 | 34 | 2 | 3.8 | 6.75 |
| GCP-18 | 19 | 20 | 1 | 2.37 | 2.37 |
| GCP-19 | 13 | 15 | 2 | 4.48 | 5.63 |
| GCP-20 | 20 | 24 | 4 | 2.23 | 4.12 |
| GCP-21 | 16 | 18 | 2 | 1.07 | 2.33 |
| GCP-23 | 14.00 | 15.00 | 1 | 1.2 | 1.2 |
| GCP-24 | 15 | 17 | 2 | 2.6 | 4.48 |
| GCP-24 | 34.00 | 35.00 | 1 | 1.41 | 1.41 |
| GCP-28 | 29 | 32 | 3 | 7.9 | 11.59 |
| GCP-C4 | 36.8 | 42.5 | 5.7 | 0.9 | 1.98 |
| GCP-C5 | 26.50 | 27.00 | 0.5 | 4.27 | 4.27 |
| GCP-C5 | 30.00 | 31.10 | 1.1 | 0.63 | 0.63 |
| GCP-C5 | 36.80 | 37.40 | 0.6 | 2.92 | 2.92 |

DHARWAR CLUSTER

DESPL explored a total of 3450 sq.kms under Dharwar RP to identify gold bearing prospects Mangalagatti and Bhavihal prospects are located 12 to 20 kms north of Dharwar city. They form part of the 'Dharwar Cluster' of gold bearing sulphidic Chert bands. The Dharwar cluster comprises of Mangalagatti SE, Mangalagatti Main, East and Bhavihal prospects. All these are considered as highly potential like the Ganajur-Karajgi cluster near Haveri.

Mangalagatti Prospect:

Initial exploration during the RP tenure in the Mangalagatti SE prospect by RC drilling and channel sampling had revealed significant gold mineralization. Gold mineralization is hosted by south-easterly plunging folded banded iron formation. Two auriferous zones extending for nearly 500 metres over a width of 30 metres were defined. An ancient working and adjacent pounding marks indicates ancient mining activity in the area (**Fig-18**).

An inferred resource of 1.5 million tonnes@ 1.63 g/t Au was estimated based upon results of shallow RC drilling programme. After the successful exploration by geophysical methods in the Ganajur-Karajgi PL block, DGML conducted Induced Polarization (IP) survey in the PL block to investigate the existence of possible



Fig-18: Old working in Mangalagatti Prospect.

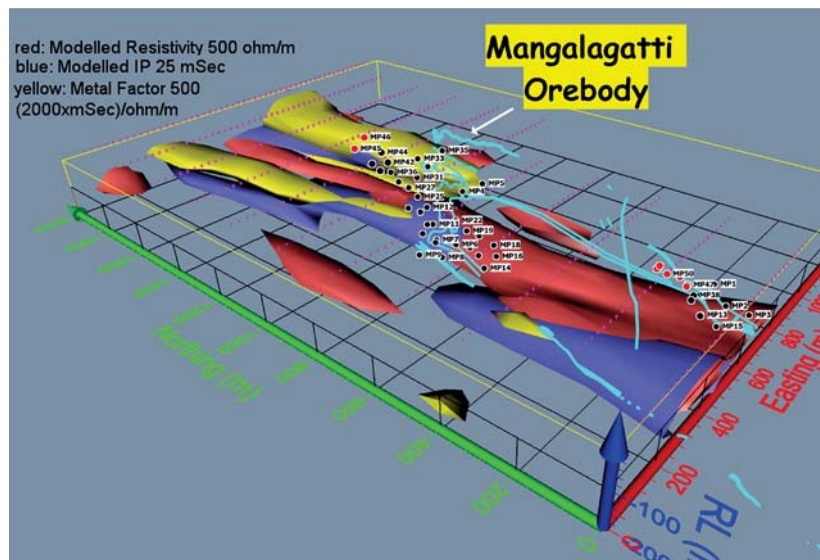


Fig-19: Mangalagatti 3D IP Geophysical Model.

mineralised zones in addition to those already explored. The IP survey was carried out on 12 lines by dipole-dipole configuration at 50 to 100 m dipole spacing involving 19.7 line kms.

The results of the IP survey revealed a 300 to 400 metres wide broad based chargeability anomaly suggesting that the mineralization is controlled by a folded structure. More interestingly the IP anomaly has been traced all along for a distance of 2.0 kms and the anomaly is still open(**Fig-19**).

DGML also tested the depth extension of the IP anomaly by carrying out the survey at larger dipole separation. The survey indicates that the IP anomaly continue to greater depths

below 200 metres with sharp increase in the intensity of the anomaly.

These results are very positive and warrants detailed exploration by drilling. DGML will launch resource drilling in Mangalagatti SE prospect and its adjacent targets once the PL is executed. DESPL has proposed to drill around 5000 metres of diamond core/RC drilling in the PL Block.

Please refer to “Status of Applications” for an update on the Mangalagatti PL application.

Bhavihal Prospect :

Is located at a distance of 8 kms NW of Mangalagatti prospect. Preliminary channel sampling followed by RC drilling during the RP tenure had clearly brought out surface expression of a wide ore body hosted in cherty BIF. The limited RC drilling was also intended to examine open pittable resource similar to Mangalagatti SE prospect. As a result of this preliminary investigation an area of 400 metres was delineated and an inferred resource of 74,000 oz of Au was estimated averaging 1.76 g/t. A preliminary IP survey was initiated on 3 lines to understand the IP signature . It is very encouraging to note that all the three lines have brought out two moderate chargeability anomalies with co-incident resistivity highs. With this positive information, it is planned to go ahead with additional IP survey to explore the depth and strike continuity of the mineralization. DESPL is pursuing this PL application application vigorously.

Please refer to “Status of Applications” for an update on the Bhavihal PL application.

Hutti – Maski Belt Projects

Hutti Maski Greenstone belt is one of the most important Archaean gold bearing belts in India. The Hutti-Maski belt hosts world class Hutti Gold deposit that is being mined by The Hutti Gold Mines Limited. DGML has carried out exploration over an area 851 sq km in the Hutti Belt, which has resulted in identifying 21 gold bearing blocks. A total of 12 prospecting licenses (PLs) applications covering the 21 gold targets and 1 Mining lease (ML) application in Hirenagur have been filed with the Karnataka State Government (**Fig. 20**)

Our share holders are aware that DGML is contesting the Order passed by the Hon'ble High Court of Karnataka in the month of April, 2012 favouring Hutti Gold Mines Limited (HGML) regarding the Hutti Belt projects. A Special Leave Petition (SLP) was lodged in the Hon'ble Supreme Court of India, which was admitted in the month of July, 2012. While admitting the SLP, the Hon'ble Supreme Court has also observed that the final decision on the grant of the PL's over Hutti Belt, to be made by the Central Government, shall be subject to the outcome of the present SLP.

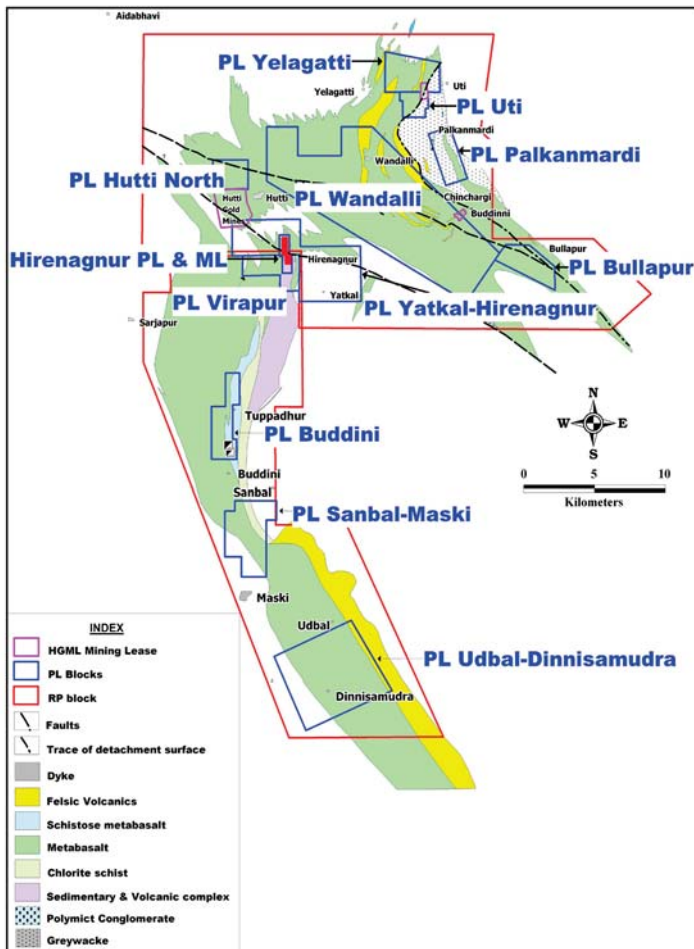


Fig20: Geological map of Hutti-Maski Greenstone Belt showing key gold prospects and PL/ML applications.

Revision Petition in case of Hutti North PL application:

1. DESPL as a result of work under a Reconnaissance Permit identified a highly prospective area in the Hutti North area and filed an application on 1.8.2003 seeking grant of Prospecting License (PL) for gold over the said area of 4.9 sq km vide P.L.
2. State Government on 8.5.2006, issued a Govt. Order bearing No. CL 68:MMM 2004, rejecting the PL application dt. 1.8.2003 of DESPL. DESPL enjoys preferential rights over this area as per Section 10A of the New MMDR act 2015.
3. As per the directive of the Hon^{ble} High Court of Karnataka, DESPL filed Revision Petition against this Rejection Order on 27-6-2012.
4. DESPL believes that the Revision application will be upheld by the Tribunal since the grounds for rejection is not as per the existing law and New MMDR Act 2015. DGML's earlier Revision Petition in the Hutti Belt area was also upheld by the RA.
5. We are awaiting outcome of the SLP that will have a bearing on our revision application.

Due to delays in grant of PLs, DGML was unable to undertake further detailed exploration in the Hutti-Maski belt. However the highlights of the key prospects which were explored by DGML during its RP tenure are presented below in Table-6.

Leading advocates have been appointed to argue the case in our favour.

Since then, multiple listings have taken place before the Hon'ble Supreme Court and the case was listed again on 29th March 2016 and was heard partly.

Our SLP was re-listed for hearing on July 21, 2016. As our matter was part heard on March 29, 2016 by a Bench comprising two Judges and one of those Judges was transferred to a Constitution Bench of the Supreme Court (SC), our hearing listed for July 21, 2016 was deferred.

Our lawyers have since checked with the SC Registry and their Listing Department and were informed that our SLP will be listed before the same Bench which had heard the matter partly earlier. We understand that upon conclusion of the matter being heard by the Constitution Bench, our SLP will be taken up for final hearing by the same Judges as before. A date for such hearing will be given by the SC shortly.

Analysis of the various provisions of the MMDR Act. MCR and recent Supreme Court judgement involving State of Kerala Vs Kerala Rare Earth & Minerals Limited indicate that we have a strong case and are hopeful of getting the judgment in our favour.

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Table-6 -SUMMARY OF EXPLORATION WORK CARRIED OUT IN HUTTI NORTH RP BLOCK

| SL NO | TYPE OF EXPLORATION | UNIT | QUANTUM |
|-------|---|----------|---------------|
| 1 | TOPOGRAPHIC SURVEY | SQ.KMS | 5 |
| 2 | GEOLOGICAL MAPPING (1: 2000 AND 1:5000 SCALE) | SQ.KMS | 500 |
| 3 | GROUND GEOPHYSICAL MAGNETIC SURVEY | LINE KMS | 145 |
| 4 | GROUND GEOPHYSICAL IP SURVEY | LINE KMS | 9 |
| 5 | SAMPLING AND ANALYSIS | | |
| | A. STREAM GEOCHEMICAL SAMPLING | Nos | 347 |
| | B. ROCK CHIP | Nos | 953 |
| | C. CHANNEL | Nos | 1646 |
| | D. TERMITE MOUND SAMPLES | Nos | 85 |
| | E. SOIL SAMPLES | Nos | 819 |
| | F. BED ROCK GEOCHEMICAL SAMPLES | Nos | 3980 |
| | G. RAB DRILL SAMPLES | Nos | 598 |
| | H. RC DRILL SAMPLES | Nos | 1319 |
| | I. DIAMOND CORE SAMPLES | Nos | 387 |
| | TOTAL SAMPLES | | 10134 |
| 5 | DRILLING | | |
| | A. RAB DRILLING (18 DRILL HOLES) | | 862.5 |
| | B. RC DRILLING (36 DRILL HOLES) | METRES | 2186 |
| | C. DIAMOND CORE DRILLING (4 DRILL HOLES) | METRES | 807.7 |
| | TOTAL DRILLING | | 3856.2 |

Hutti Mine North Prospect

This block is located immediately north of the currently operating Hutti Gold Mine located 80 kms west of Raichur town in Karnataka. A total of eight parallel gold bearing quartz-sulphide veins are known to exist in the currently operating Hutti Mines. DGML's exploration such as IP geophysical survey, Bedrock-geochemical sampling, trenching, and limited drilling has resulted in tracing the extensions of atleast 5 of these lodes into DGML's PL block north of the Hutti Gold mine (**Fig-21**). The best finding was extension of the New East Reef which has analysed upto 10.0 g/t gold and the extension of the Main Reef that has analysed upto 16.0 g/t Gold. Strike Reef was explored by DGML by limited drilling with positive results.

DGML has applied for a Prospecting Licence that covers all the mineralized zones. A detailed drilling programme will

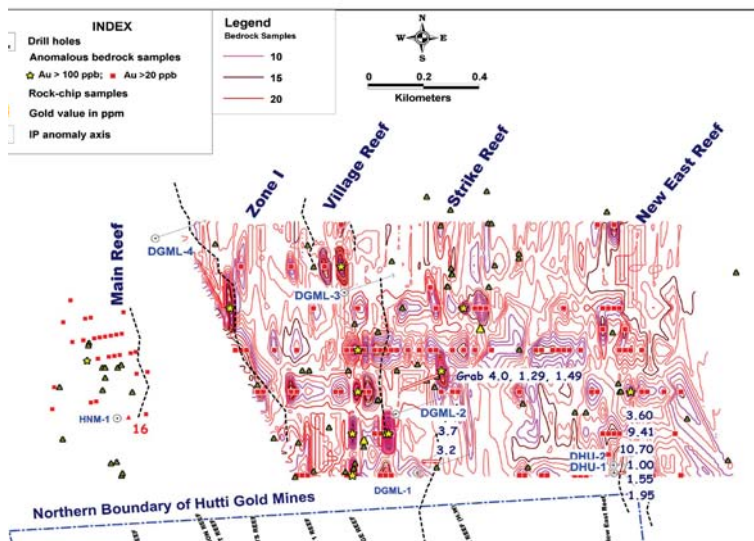


Fig-21 Map showing Soil Geochemical & IP Geophysical Anomalies, Hutti North Prospect.

be undertaken to explore the highly prospective North Hutti Block once the PL is granted.

Hirenagnur Prospect:

DGML considers Hirenagnur prospect as one of its best discoveries which is located 5 kms southeast of Hutti Gold Mines. 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 indicates presence of 4 parallel mineralised zones of which the eastern most zone i.e zone III has a strike length of 600 metres. The drill hole data was processed by using Datamine Geological software which shows that all the 4 ore zones are open along strike and depth that would be investigated by detailed drilling. The data generated also suggests possibility of open pit mining of the Hirenagnur ore body (**Fig-22**). Some of the best drill intercepts are furnished below:

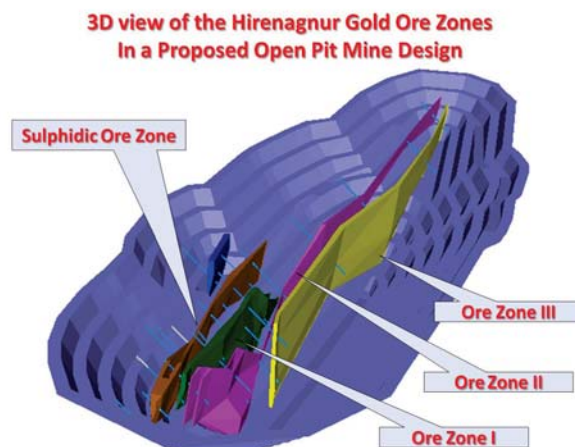


Fig-22: 3D view of the Hirenagnur Gold Ore Zones and Open Pit Mine Design.

| Drill hole No | Width (m) | Grade(g/t) |
|---------------|-----------|------------|
| IHN-2 | 8 | 3.52 |
| 1HN-5 | 8 | 5.02 |
| DHN-5 | 19 | 3.02 |
| DHN-6 | 16 | 6.38 |
| DHN-16 | 11 | 4.52 |

This prospect is an open ended N-S trendingzone revealed initially by a single rock-chip sample that assayed 7.13 g/t Au and subsequently by systematic bed-rock sampling and ground magnetic surveys.

Ore beneficiation studies of Hirenagnur ore was carried out at the India Bureau of Mines, Bangalore. The studies indicate that the ore is free milling and 91% of gold recovery was achievable by carbon –in- leach technique. Pre-treatment of the ore can result in 97% recovery. Detailed drilling will follow the grant of prospecting licence over this prospect. Based on the initial exploration under RP, DGML estimated an inferred resource of 200,000 ozs averaging 2.72 g/t Au.

DGML also carried out detailed ground magnetic survey to explore strike extension of the mineralization towards north and south. The magnetic survey was successful in tracing a high magnetic anomaly for a length of 3.2 km coinciding with the main Hirenagnur mineralization and its extension towards north and south. 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.

Please refer to “Status of Applications” for an update.

Uti Gold Prospect- Southern and Northern continuity of the Uti Mine Lodes:

The Uti Mine is owned and operated, as an open pit mine, by Hutti Gold Mines Ltd. Bed rock sampling at 20m 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 3.5km to the south west 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. Old diggings by ancient miners and

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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.

Chinchergi –Wandalli Prospect:

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 Chinchergi Prospect and Wandalli Prospect. Several ancient workings are seen all along this block.

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.

In order to locate new targets in addition to tracing extensions of Wandalli and Chinchergi mineralisation, a bedrock geochemical programme was carried out involving 22 profiles and 1500 samples. The exploration has resulted in delineating two geochemical gold anomalies for 3.6 kms south and west of Chinchergi Prospect.

Preliminary reconnaissance reverse circulation (RC) drilling indicated anomalous gold values considered encouraging that warrants further drilling.

Bullapur Prospect:

In the course of geological traversing along the major structural discontinuity south east of Chinchergi 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.

Yatkal Prospect:

Yatkal prospect is situated 10 kms south-east of Hutti. Gold mineralization is noticed in quartz veins emplaced along sheared and fractured granite. Mineralisation is controlled by a NE-SW trending fracture system along which several quartz veins are emplaced. During its Reconnaissance Permit, DESPL carried out detailed geochemical exploration, rock chip sampling and ground magnetic survey. The geochemical data processed reveals a 950 metre long NE-SW trending gold anomaly spread over 150 metres width. Most of the high gold values analysed in rock chip samples (1.0 to 32.05 g/t Au) fall within the 950 m long geochem anomaly. The geochemical anomaly matches very well with ground magnetic anomaly. Detailed drilling is warranted under a prospecting license.

RAMAGIRI BELT PROJECT

The Ramagiri belt forms the southern half of the Ramagiri-Penkacherla greenstone belt falling in Andhra Pradesh. 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 (**Fig. 23**).

Ramagiri RP block is part of the 13 km long Ramagiri Gold Field (RGF). This area experienced 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.

Exploration during the RP tenure resulted in defining two prospective blocks for further exploration that are covered under PL applications. The details of the PL blocks are given below:

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

PL applications are under processing with the Government of Andhra Pradesh, hence no exploration work has been carried out in this year.

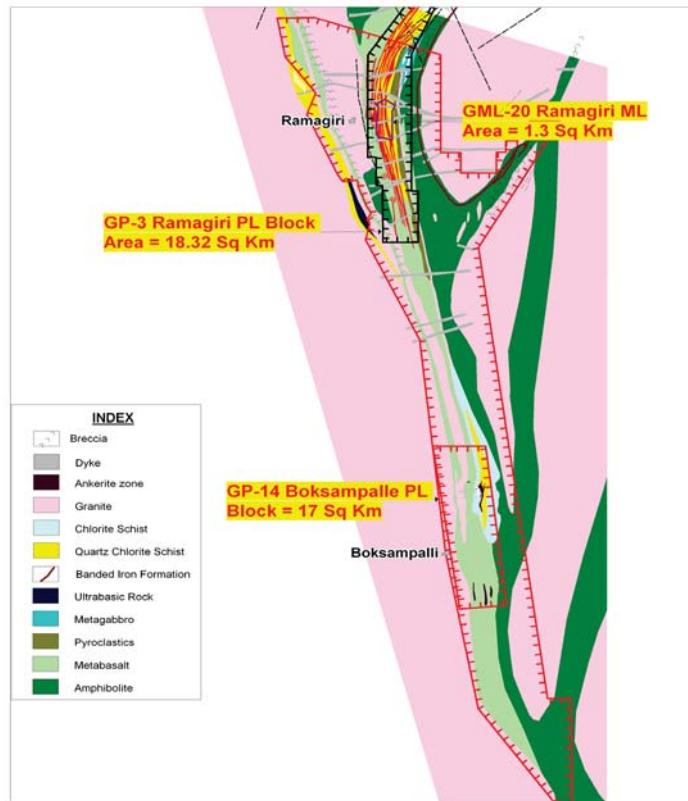


Fig-23: Regional geological map of Ramagiri Greenstone belt showing DGML's applied Prospecting license area and key prospects.

MANGALUR- JAINAPUR RP BLOCK

The Government of Karnataka granted Mangalur-Jainapur Reconnaissance permit over an area of 243.34 sq.kms and the same was executed on 30-6-2010. This RP block covers the western portion of the Mangalur greenstone belt and comprises of granitic rocks and sediments of Bhima Basis. DGML as part of the Reconnaissance reviewed all the historical data followed by Remote Sensing studies, Stream Geochemical sampling, Ground Magnetic Survey and follow up geological traverses.

The results of the exploration did not indicate any signs of gold mineralization and it looks like that gold mineralization is only confined to the Mangalur Greenstone Belt located towards eastern side of the RP Block that was previously explored by DGML with positive results.

However during the course of exploration DGML identified extensive deposits of good quality limestone within the RP area. The flat bedded good quality limestone of Arakeri-Yadahalli-Kachakanur ridge in particular looks good for manufacture of cement with 48- 53% CaO content. Based on these findings two Prospecting Licence applications were submitted for limestone, Au and other minerals covering areas of 60 and 30 sq,kms respectively (**Fig-24**).

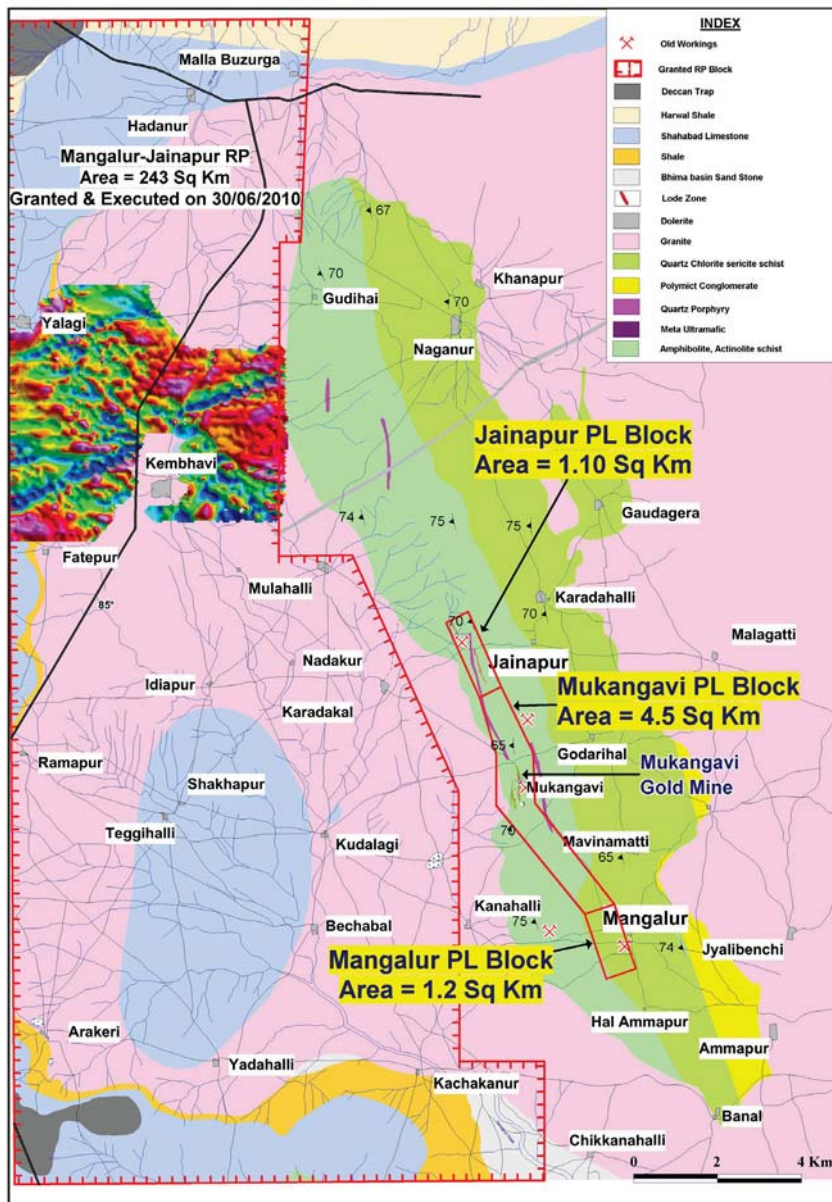


Fig-24: Regional Geological map of Mangalur Greenstone belt showing the applied PL Areas.

STATUS OF MINERAL CONCESSION APPLICATIONS

(POST MMDR AMENDMENT ACT, 2015)

(AS ON AUGUST 19, 2016)

| PROSPECTING LICENCE (PL) APPLICATIONS | | | | | | |
|---------------------------------------|------------------|----------|---------------|---------------------|---|---|
| PL No. | Block Name | District | Area in sq km | Date of Application | Ref. No. & Date | Status |
| KARNATAKA STATE | | | | | | |
| DGML.PL-11 | Fatehpur-Hadanur | Yadgir | 30 | 25.3.2013 | No.DMG/RP-Sec/01-APL/2013, dt.3.4.2013 | Comes under seamless transition category in terms of Section 10(A)(2) (b) of MMDR Amendment Act, 2015 (MMDR). The State Government of Karnataka is in the process of framing internal checklists / Standard Operating Procedures for processing of files that fall under 'seamless' transition category under Section 10A(2) (b) of MMDR for progression from Reconnaissance Permit to PL. Post this, the file will be taken up for processing. |
| DGML.PL-12 | Arakeri-Shakhpur | Yadgir | 60 | 25.3.2013 | No.DMG/RP-Sec/02-APL/2013, dt.3.4.2013 | Comes under seamless transition category in terms of Section 10(A)(2) (b) of MMDR. The State Government of Karnataka is in the process of framing internal checklists / Standard Operating Procedures for processing of files that fall under 'seamless' transition category under Section 10A(2)(b) of MMDR for progression from Reconnaissance Permit to PL. Post this, the file will be taken up for processing. |
| DES.PL-2 | Ganajuru-Karajgi | Haveri | 2.2 | 17.10.2003 | PL Deed no. 3370 & Executed on 25.9.2009 Renewal Ack. No.02-APL/2012-13/4467, dt.14.6.2012. The PL tenure expired 24-9-2014 | 1) DESPL has applied for Mining Lease (ML) (DES ML-5) over an area of 2.8 sq km on December 20, 2012. It is under processing at Government of Karnataka. This ML is in addition to the ML applied over an area of 72 acres (0.29 sq kms) covering Ganajur Main Gold deposit which is presently under processing at Government of Karnataka. 2) During the pendency of these ML applications DESPL can continue prospecting operations beyond expiry of the Prospecting Licence (PL) in September, 2014 as per the provision in the PL Deed Part IV, para (4) |

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|-----------|--------------|---------|-----|------------|--|--|
| DES.PL-10 | Mangalagatti | Dharwar | 4 | 11.1.2005 | No.07 APL 2005, Dt.17.1.2005 (CI 61 MMM 07 is Old file number) (CI 242 CMC 2015 dated 9.10.2015) | Although Grant Notification was issued by the Government of Karnataka on October 11, 2012 vide Order No. CI 61 MMM 2007, the same could not be executed since the time period for execution (within 3 months of grant notification) of PL Deed expired. The State Government of Karnataka is in the process of framing internal checklists / Standard Operating Procedures for processing of files that fall under 'seamless' transition category under Section 10A(2) (b) of MMDR for progression from Reconnaissance Permit to PL. |
| DES.PL-6 | Kulavalli | Belgaum | 2 | 15.10.2004 | No.127APL 2004, Dt.2 4.11.2004 CI 112 MMM 07 | Now, the State Government of Karnataka is in the process of framing internal checklists / Standard Operating Procedures for processing of files that fall under 'seamless' transition category under Section 10A(2) (b) of MMDR for progression from Reconnaissance Permit to PL. |
| DES.PL-9 | Bhavihal | Dharwad | 1.5 | 4.1.2005 | No.02 APL 2005, Dt. 6.1.2005 CI 66 MMM 2010 | DMG had recommended the file to the State Government, who returned the file DMG with an advise to obtain fresh 'NOC' from District Commissioner. The concerned District Commissioner forwarded the file to Tehshildar, Dharwar for further action. On July 12, 2016 Tehshildar has forwarded all the required details to the District Commissioner for further action. The file is under process at the District Commissioner's Office for issue of NOC. |
| DES.PL-12 | Lakkikoppa | Haveri | 5 | 22.3.2005 | No.85 APL 05, CI 64 MMM 2010 | DMG had recommended the file to the State Government, who returned the file to DMG with an advise to obtain fresh 'NOC' from District Commissioner. The concerned District Commissioner forwarded the file to Tehshildar, Haveri for further action. The Tehshildar has forwarded the file to the concerned Revenue Inspector. The Revenue Inspector has advised us to forward details of the 'Record of Rights' in respect of the area applied for. |

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|-----------|--------------------|---------|-----|------------|--|---|
| | | | | | | We are in the process of collecting details of 'Record of Rights' and would forward the same to the Revenue Inspector shortly. |
| DES-PL-8 | Turkara-Sigihalli | Belgaum | 1.7 | 31.12.2004 | No.181 APL 04/14744, dt.3.1.2005 | Comes under seamless transition category in terms of Section 10(A)(2)(b) of MMDR. Under processing at DMG. |
| DES.PL-11 | Ganajuru Extension | Haveri | 8 | 12.1.2005 | No.08 APL 2005, Dt.17.1.2005 CI 218 MMM 06 | The State Government of Karnataka is in the process of framing internal checklists / Standard Operating Procedures for processing of files that fall under 'seamless' transition category under Section 10A(2)(b) of MMDR for progression from Reconnaissance Permit to PL. |
| DES.PL-1 | Hutti North | Raichur | 5 | 1.8.2003 | No.24 APL 03, Dt.18.8.2003 CI 155 MMM 2004 | This PL application comes under seamless transition category in terms of Section 10(A)(2)(b) of MMDR (similar to Section 11 (1) of MMDR Act, 1957) for progression from Reconnaissance Permit to PL. Despite this, the State Government rejected the PL application. Matter is now being contested before the Tribunal at Ministry of Mines, New Delhi (MoM). Please also see comments under DES. PL-3 as the same will have an impact on this PL Application. |
| DES.PL-3 | Uti | Raichur | 2.9 | 14.1.2004 | No.06APL04/16815, Dt.16.1.2004 | Even though we had preferential right to obtain PL under Section 11(1) of MMDR, 1957, the State Government of Karnataka recommended the area for reservation in favour of Hutti Gold Mines Limited, its own undertaking. As shareholders are aware, the matter was contested at the Tribunal, MoM and thereafter at the High Court of Karnataka. The judgment of the High Court of Karnataka dated April 3, 2012 in favour of Hutti Gold Mines Limited is being contested by the Company before the Supreme Court through a Special Leave Petition (SLP). MoM has also filed an SLP in the matter and their stand is in our favour. Both the above SLPs have been clubbed and are being heard together. |

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| | | | | | | Since then multiple hearings took place before the Supreme Court Bench and lastly, our SLP was listed for hearing on July 21, 2016. As our matter was part heard on March 29, 2016 by a Bench comprising two Judges and one of those Judges was transferred to a Constitution Bench of the Supreme Court (SC), our hearing listed for July 21, 2016 was deferred. Our lawyers have since checked with the SC Registry and their Listing Department and were informed that our SLP will be listed before the same Bench which had heard the matter partly earlier. We understand that upon conclusion of the matter being heard by the Constitution Bench, our SLP will be taken up for final hearing by the same Judges as before. A date for such hearing will be given by the SC shortly. |
| DES.PL-4 | Yatkal-Hirenagnur | Raichur | 21 | 1.10.2004 | No.106 APL04/ 11544, Dt.18.10.2004 | -do- |
| DES.PL-4A | Hirenagnur | Raichur | 1.8 | 28.4.2006 | No. 54 APL 06 Dt.5.5.2006 | -do- |
| DES.PL-5 | Wandalli | Raichur | 90 | 21.10.2004 | No.11APL04/ 10976, Dt.28.10.2004 | -do- |
| DES.PL-7 | Yelagatti | Raichur | 9 | 17.12.2004 | No.162 APL04/ 13923, Dt.20.12.2004 | -do- |
| DES.PL-13 | Palkanmardi | Raichur | 6 | 28.2.2006 | No. 39 APL 06 / 17, Dt.29.3.2006 | -do- |
| DES.PL-14 | Bullapur | Raichur | 7 | 15.3.2006 | No. 36 APL 06/ 15624, Dt.25.3.2006 | -do- |

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|-----------|--------------|----------|------|-----------|---|--|
| GMSI.PL-8 | Jainapur | Gulbarga | 1.1 | 7.11.2003 | No.47 APL 03/ 13967, Dt .10.11.2003 CI 59 MMM 05 | Approved by MoM, Government of India vide letter no. 4/34/2008-M. IV dated September 16, 2009. Grant Order is awaited. The State Government of Karnataka is in the process of framing internal checklists / Standard Operating Procedures for processing of files that fall under 'seamless' transition category under Section 10A(2) (b) of MMDR for progression from Reconnaissance Permit to PL. |
| GMSI.PL-7 | Mangalur | Gulbarga | 1.2 | 7.11.2003 | No.46 APL 03, Dt.10.11.2003 CI 134 MMM 06 | The State Government of Karnataka is in the process of framing internal checklists / Standard Operating Procedures for processing of files that fall under 'seamless' transition category under Section 10A(2) (b) of MMDR for progression from Reconnaissance Permit to PL. |
| GMSI.PL-4 | Sanbal-Maski | Raichur | 14.7 | 29.8.2003 | No. 32 APL 2003, Dt. 29.8.2003 | Even though we had preferential right to obtain PL under Section 11(1) of MMDR, 1957, the State Government of Karnataka recommended the area for reservation in favour of Hutti Gold Mines Limited, its own undertaking. As shareholders are aware, the matter was contested at the Tribunal, MoM and thereafter at the High Court of Karnataka. The judgment of the High Court of Karnataka dated April 3, 2012 in favour of Hutti Gold Mines Limited is being contested by the Company before the Supreme Court through a Special Leave Petition (SLP). MoM has also filed an SLP in the matter and their stand is in our favour. Both the above SLPs have been clubbed and are being heard together. |

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|----------------------|-------------------------|-----------|-------|-----------|--------------------------------------|---|
| | | | | | | Since then multiple hearings took place before the Supreme Court Bench and lastly, our SLP was listed for hearing on July 21, 2016. As our matter was part heard on March 29, 2016 by a Bench comprising two Judges and one of those Judges was transferred to a Constitution Bench of the Supreme Court (SC), our hearing listed for July 21, 2016 was deferred. Our lawyers have since checked with the SC Registry and their Listing Department and were informed that our SLP will be listed before the same Bench which had heard the matter partly earlier. We understand that upon conclusion of the matter being heard by the Constitution Bench, our SLP will be taken up for final hearing by the same Judges as before. A date for such hearing will be given by the SC shortly. |
| GMSI.PL-5 | Buddini | Raichur | 8 | 29.8.2003 | No. 31 APL 2003, Dt. 29.8.2003 | -do- |
| GMSI.PL-12 | Udbal- Dinni samudra | Raichur | 35 | 14.1.2004 | No.9 APL 04, Dt. 29.7.2004 | -do- |
| ANDHRA PRADESH STATE | | | | | | |
| GMSI.PL-3 | Ramagiri | Anantapur | 18.32 | 23.8.2003 | No.2095/ M2/2003, Dt.23.8.2003 | Pending at DMG, Hyderabad. |
| GMSI.PL-14 | Boksampalle | Anantapur | 17 | 26.8.2004 | No.1903/ PL/04, Dt.26.8.2004 | Pending at DMG, Hyderabad. |

MINING LEASE (ML) APPLICATIONS

| ML No. | Block Name | District | State | Area in sq km | Date of Application | Ref. No. | Status |
|-----------|------------|----------|-----------|-----------------|---------------------|---|---|
| DES. ML-2 | Ganajuru | Haveri | Karnataka | 0.29 (72 acres) | 8.6.2006 | No.567 AML 06/3389 (CI 30 MMM 2010, dt. 8.11.2010 is old file No.) CI 199 CMC 2015 dated 7.8.2015 | On July 24, 2015, Ministry of Mines, Government of India (MoM) approved grant of Mining Lease vide Letter No 4/113/2010-M.IV. DMG has started processing the pending Mining Lease (ML) files for compliance with their internal checklist that was notified recently through a Government Order. It may be noted that the checklist requires sign-off / certification from certain Divisions of DMG and Indian Bureau of Mines prior to the issue of the Letter of Intent (LoI). Our Ganajur ML file has been taken up for processing and DMG has received the required certification from IBM on July 13, 2016. We also understand that the process for obtaining other sign-off / confirmations has been initiated and the LoI would be issued shortly. |
| DES. ML-5 | Karajgi | Haveri | Karnataka | 2.8 | 20.12.2012 | No. DMG / Rp - Sec / 11 AML 2012-13 Dt.5.1.2013 | DMG has started processing the pending Mining Lease (ML) files for compliance with their internal checklist that was notified recently through a Government Order. It may be noted that the checklist requires sign-off / certification from certain |

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| | | | | | | | |
|----------------|----------|-----------|------------------------|-----|-----------|--|--|
| | | | | | | | Divisions of DMG and Indian Bureau of Mines prior to forwarding the file to State Government. This file has been taken for processing and DMG has received the required certification from IBM on July 13, 2016. |
| GMSI. ML-20 | Ramagiri | Anantapur | A n d h r a Pradesh | 1.3 | 10.4.2008 | Ack.No.1770/ M/08, Dt. 11.4.2008 | Pending at the Asst. Director's Office in Anantapur. |

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the 32nd Annual Report of the Company together with the Audited Statement of Accounts for the year ended March 31, 2016.

1. FINANCIAL STATEMENTS & RESULTS:

a. FINANCIAL RESULTS

The Company's performance during the year ended March 31, 2016 as compared to the previous financial year, is summarized below:

| Particular | For the financial year ended March 31, 2016 | For the financial year ended March 31, 2015 |
|----------------------------------|--|--|
| Income | 3459 | 3804 |
| Less: Expenses | 72413 | 19853 |
| Profit/ (Loss) before tax | (68954) | (16049) |
| Less: Provision for tax | - | - |
| Profit / (Loss) after Tax | (68954) | (16049) |
| Balance brought forward | (82899) | (66826) |
| Balance carried to Balance Sheet | (151853) | (82899) |

b. OPERATIONS:

Details on the operations of the Company during the period under review are given under the head "Report on Exploration Activities" and the segment titled "Status of mineral concession applications" and in "Management Discussion & Analysis" which forms part of this Report.

Your Company is the only gold exploration company listed on the BSE Limited (BSE) with a portfolio of green-field and advanced stage gold projects. Along with its subsidiary, Deccan Exploration Services Private Limited (DESPL), it has been accumulating and developing some of India's finest gold prospects and is today at the cusp of bringing into production India's first private sector gold mine for decades in the State of Karnataka, South India.

The key project is the Ganajur Gold Project of DESPL situated in the State of Karnataka over which our Mining Lease application covering an area of 0.29 sq kms, is under the active consideration of the Government of Karnataka for issue of Letter of Intent (LoI). Following compliance with the terms and conditions of the LoI, we expect the Mining Lease execution to happen over the next 8-10 months.

The Department of Mines & Geology, Government of Karnataka (DMG) has started processing the pending Mining Lease (ML) files for compliance with their internal checklist that was notified recently through a Government Order. It may be noted that the Internal Checklist requires sign-off / certification from certain Divisions of DMG and Indian Bureau of Mines prior to the issue of the LoI.

Ganajur ML application has been taken up for processing and DMG has now received the required certification from IBM. The process for obtaining other sign-off / confirmations has been initiated and the LoI should be issued shortly.

Your Directors are pleased to note that the Bankable Feasibility Studies over the Ganajur Gold Project being undertaken by Snowden Mining Industry Consultants, Perth, Australia (Snowden) are progressing well and expected to be completed by the end of December, 2016.

Your Company and its subsidiary have also got high potential Projects in the pipeline that are at various stages of development like Mangalagatti, Bhavihal and Hirenagnur Projects in the State of Karnataka. Exploratory work in some of these Prospects has demonstrated great results.

DECCAN GOLD MINES LIMITED

More details about the Company's projects and operations as well as market announcements made from time to time can be accessed at (www.deccangoldmines.com).

There was no change in nature of the business of the Company, during the year under review.

c. REPORT ON PERFORMANCE OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES:

The performance and financial position of Deccan Exploration Services Private Limited, subsidiary company for the year ended March 31, 2016 is attached and marked as Annexure I and forms part of this Report.

d. DIVIDEND:

In view of the fact that the Company is yet to commence its commercial operations, your Directors express their inability to recommend dividend for the financial year under review.

e. TRANSFER TO RESERVES:

In view of loss incurred during the year under review, the Board of Directors has not recommended transfer of any amount to reserves.

f. REVISION OF FINANCIAL STATEMENT:

During year under review, there were no revisions of the financial statements of any previous financial years.

g. DEPOSITS

The Company has not accepted or renewed any amount falling within the purview of provisions of Section 73 of the Companies Act 2013 ("the Act") read with the Companies (Acceptance of Deposit) Rules, 2014 during the year under review. Hence, the requirement for furnishing of details of deposits which are not in compliance with Chapter V of the Act is not applicable.

h. DISCLOSURES UNDER SECTION 134(3)(I) OF THE COMPANIES ACT, 2013:

Except as disclosed elsewhere in this report, no material changes and commitments which could affect the Company's financial position, have occurred between the end of the financial year of the Company and date of this report.

i. DISCLOSURE OF INTERNAL FINANCIAL CONTROLS:

The Internal Financial Controls with reference to financial statements as designed and implemented by the Company are adequate. During the year under review, no material or serious observation has been observed for inefficiency or inadequacy of such controls.

j. DISCLOSURE OF ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNAL

No orders have been passed by any Regulator or Court or Tribunal which can have impact on the going concern status and the Company's operations in future.

k. PARTICULARS OF CONTRACT OR ARRANGEMENT WITH RELATED PARTIES

During the year under review, the Company has not entered into any contracts or arrangements with related parties that fall within the purview of Section 188 of the Companies Act, 2013.

I. PARTICULARS OF LOANS, GUARANTEES, INVESTMENTS AND SECURITIES:

During the year under review, the Company did not provide any loan or furnish any guarantees. The Company made an investment of Rs. 34.20 crore (approx) into its subsidiary, Deccan Exploration Services Private Limited (DESPL) in accordance with its Rights Issue Letter of Offer and was issued 2,899 equity shares of DESPL at an Issue Price of Rs. 118,000/- per share. Details of investments made are furnished in Annexure II and forms part of this Report.

m. DISCLOSURE UNDER SECTION 43(a)(ii) OF THE COMPANIES ACT, 2013:

The Company has not issued any shares with differential rights and hence no information as per provisions of Section 43(a)(ii) of the Act read with Rule 4(4) of the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

n. DISCLOSURE UNDER SECTION 54(1)(d) OF THE COMPANIES ACT, 2013:

The Company has not issued any sweat equity shares during the year under review and hence no information as per provisions of Section 54(1)(d) of the Act read with Rule 8(13) of the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

o. DISCLOSURE UNDER SECTION 62(1)(b) OF THE COMPANIES ACT, 2013:

As per provisions of Section 62(1)(b) of the Act read with Rule 12(9) of the Companies (Share Capital and Debenture) Rules, 2014 and other applicable Regulations, details of equity shares issued under Employees Stock Option Scheme during the financial year under review is furnished in Annexure III attached herewith which forms part of this Report.

p. DISCLOSURE UNDER SECTION 67(3) OF THE COMPANIES ACT, 2013:

During the year under review, there were no instances of non-exercising of voting rights in respect of shares purchased directly by employees under a scheme pursuant to Section 67(3) of the Act read with Rule 16(4) of Companies (Share Capital and Debentures) Rules, 2014.

2. MATTERS RELATED TO DIRECTORS AND KEY MANAGERIAL PERSONNEL**a) BOARD OF DIRECTORS & KEY MANAGERIAL PERSONNEL**

In accordance with the provisions of the Act, none of the Independent Directors is liable to retire by rotation.

As per the provisions of Section 152 of the Companies Act, 2013, Mr. Charles Edward English Devenish retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Your Directors recommend his re-appointment.

Further, Mr Sandeep Lakhwara, has been re-appointed as Managing Director for a period of 2 years with effect from May 1, 2016 subject to the approval of the shareholders. Your Directors recommend his re-appointment.

The required details under the Companies Act, 2013 read with applicable Secretarial Standards in respect of Mr Charles E.E. Devenish and Mr Sandeep Lakhwara are furnished as an Annexure to the Notice convening the Annual General Meeting.

Dr. Moni Ramakrishnan resigned as a Director with effect from November 18, 2015, due to his other occupations. Your Directors place on record their appreciation of the services and contribution of Dr. Ramakrishnan during the tenure of his Directorship.

b. DECLARATIONS BY INDEPENDENT DIRECTORS:

The Company has received declarations from all the Independent Directors under Section 149(6) of the Companies Act, 2013, confirming their independence vis-à-vis the Company.

3. DISCLOSURES RELATED TO BOARD, COMMITTEES AND POLICIES**a. BOARD MEETINGS:**

The Board of Directors met twelve (12) times during the financial year ended March 31, 2016 in accordance with the provisions of the Companies Act, 2013 and rules made thereunder.

b. DIRECTOR'S RESPONSIBILITY STATEMENT:

In terms of Section 134(5) of the Companies Act, 2013, in relation to the audited financial statements of the Company for the year ended March 31, 2016, the Board of Directors hereby confirms that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. such accounting policies have been selected and applied consistently and the Directors 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 March 31, 2016 and of the loss of the Company for that year;

DECCAN GOLD MINES LIMITED

- c. proper and sufficient care was taken 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;
- d. the annual accounts of the Company have been prepared on a going concern basis;
- e. internal financial controls have been laid down to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- f. proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively;

c. NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee of Directors was constituted by the Board of Directors of the Company in accordance with the requirements of Section 178 of the Act.

The composition of the committee is as under:

1. Mr. K.R. Krishnamurthy, Chairman,
2. Ms. Pratima Ram, Director and
3. Prof V.K. Gaur, Director.

The Board has in accordance with the provisions of sub-section (3) of Section 178 of the Companies Act, 2013, formulated the policy setting out the criteria for determining qualifications, positive attributes, independence of a Director and policy relating to remuneration for Directors, Key Managerial Personnel and other employees.

Major criteria defined in the policy framed for appointment of and payment of remuneration to the Directors of the Company, are based upon their experience, qualifications, capability to make independent judgment and value addition.

d. AUDIT COMMITTEE:

The Audit Committee of Directors was constituted pursuant to the provisions of Section 177 of the Companies Act, 2013. The composition of the Audit Committee is in conformity with the provisions of the said section. The Audit Committee comprises of:

1. Ms. Pratima Ram, Independent Director - Chairperson,
2. Mr. K.R. Krishnamurthy, Independent Director – Member and
3. Prof V.K. Gaur, Independent Director – Member.

The scope and terms of reference of the Audit Committee have been aligned in accordance with the Act and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

During the year under review, the Board of Directors of the Company had accepted all the recommendations of the Committee.

e. STAKEHOLDERS RELATIONSHIP COMMITTEE:

During the year under review, pursuant to Section 178 of the Companies Act, 2013, the Board of Directors of the Company has constituted the Stakeholder's Relationship Committee, comprising Mr. K.R. Krishnamurthy, Chairman; Ms Pratima Ram and Mr. Sandeep Lakhwara as its members.

Mr. K.R. Krishnamurthy has been appointed the Chairman of the Stakeholders' Relationship Committee. The Company Secretary acts as the Secretary of the Stakeholders' Relationship Committee.

f. VIGIL MECHANISM POLICY FOR THE DIRECTORS AND EMPLOYEES: (if applicable)

The Board of Directors of the Company has, pursuant to the provisions of Section 178(9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014, framed "Vigil Mechanism

Policy” for Directors and employees of the Company to provide a mechanism which ensures adequate safeguards to employees and Directors from any victimization on raising of concerns of any violations of legal or regulatory requirements, incorrect or misrepresentation of any, financial statements and reports, etc.

The employees of the Company have the right/option to report their concern / grievance to the Chairman of the Audit Committee.

The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations.

g. FRAUD REPORTING:

During the year under review no instances of fraud were reported by the Statutory Auditors of the Company.

h. RISK MANAGEMENT POLICY:

The Board of Directors of the Company has designed Risk Management Policy and Guidelines to avoid events, situations or circumstances which may lead to negative consequences on the Company's businesses, and define a structured approach to manage uncertainty and to make use of these in their decision making pertaining to all business divisions and corporate functions. Key business risks and their mitigation are considered in the annual/ strategic business plans and in periodic management reviews.

i. CORPORATE SOCIAL RESPONSIBILITY POLICY:

Section 135 of the Companies Act, 2013, mandates the constitution of a Corporate Social Responsibility Committee by companies having networth of Rs. 500 crore or more OR turnover of Rs. 1000 crore or more OR a net profit of Rs. 5 crore or more during any financial year. However, considering the said applicability criteria, this provision is presently not applicable in the case of the Company.

j. SEXUAL HARASSMENT:

The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace and has also established Investigation and Redressal Committee, as stipulated by The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules thereunder. During the year under review, no complaints in relation to such harassment at workplace have been reported.

k. ANNUAL EVALUATION OF DIRECTORS, COMMITTEE AND BOARD:

A statement indicating the manner for evaluation of performance of the Board and its committee, individual Directors is attached with the Board Report as Annexure IV and forms part of this Report.

l. INTERNAL CONTROL SYSTEMS:

Adequate internal control systems commensurate with the nature of the Company's business and size and complexity of its operations are in place and have been operating satisfactorily. Internal control systems comprising of policies and procedures are designed to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedure, applicable laws and regulations and that all assets and resources are acquired economically, used efficiently and adequately protected.

m. DISCLOSURE UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 AND OTHER DISCLOSURES AS PER RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION) RULES, 2014:

The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year under review has been marked as Annexure V.

n. PAYMENT OF REMUNERATION / COMMISSION TO DIRECTORS FROM HOLDING OR SUBSIDIARY COMPANIES:

The Managing Director of the Company is not in receipt of remuneration/commission from the Holding or Subsidiary Company of the Company. Apart from the Managing Director, the Company does not have any other managerial personnel.

DECCAN GOLD MINES LIMITED

4. AUDITORS AND REPORTS

The matters related to Auditors and their Reports are as under:

a. OBSERVATIONS OF STATUTORY AUDITORS ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2016:

The observations made by the Statutory Auditors in their report for the financial year ended March 31, 2016 read with the explanatory notes therein are self-explanatory and therefore, do not call for any further explanation or comments from the Board under Section 134(3) of the Companies Act, 2013.

b. SECRETARIAL AUDIT REPORT FOR THE YEAR ENDED MARCH 31, 2016:

Provisions of Section 204 read with Section 134(3) of the Companies Act, 2013, mandates to obtain Secretarial Audit Report from Practicing Company Secretary. M/s Rathi and Associates, Company Secretaries had been appointed to issue Secretarial Audit Report for the financial year 2015-16.

Secretarial Audit Report issued by M/s. Rathi and Associates, Practicing Company Secretaries in Form MR-3 for the financial year 2015-16 is attached and forms part to this report. The said report does not contain any observation or qualification requiring explanation or comments from the Board under Section 134(3) of the Companies Act, 2013.

c. RATIFICATION OF APPOINTMENT OF AUDITORS:

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, M/s. V. K. Beswal & Associates, Chartered Accountants, Mumbai, the Statutory Auditors of the Company, hold office up to the conclusion of the ensuing Annual General Meeting. The consent of the Auditors along with certificate under Section 139 of the Act have been obtained from the Auditors to the effect that their appointment, if made, shall be in accordance with the prescribed conditions and that they are eligible to hold the office of Auditors of the Company.

The Board recommends the appointment of M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai, as the Statutory Auditors of the Company.

Necessary resolution for reappointment of the said Auditors is included in the Notice of AGM for seeking approval of members.

d. COST AUDITORS:

The provisions of Section 148 of the Companies Act, 2013 relating to cost audit are not applicable to the Company.

5. OTHER DISCLOSURES

Other disclosures as per provisions of Section 134 of the Act read with Companies (Accounts) Rules, 2014 are furnished as under:

a. EXTRACT OF ANNUAL RETURN:

Pursuant to the provisions of Section 134(3)(a) of the Companies Act, 2013, Extract of the Annual Return for the financial year ended March 31, 2016 made under the provisions of Section 92(3) of the Act is attached as Annexure VI which forms part of this Report.

b. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars as required under the provisions of Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 in respect of conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the Company during the year under review.

During the year under review, the Company has neither earned nor used any foreign exchange.

c. CORPORATE GOVERNANCE:

As per the provisions of Section II of the Schedule V of the Companies Act, 2013, the details of remuneration paid to Mr. Sandeep Lakhwara, Managing Director are furnished as under:

| | |
|--|---|
| All elements of remuneration package such as salary, benefits, bonuses, stock options | Rs. 7 lakhs per month |
| Details of fixed component and performance linked incentives along with the performance criteria | Nil |
| Service contracts, notice period, severance fees | Notice period of 3 months. |
| No stipulation of severance fee. | |
| Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable | Granted 1,500,000 stock options under the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014 Granted further 750,000 stock options under the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014 (amended 2016). The said Options have been granted at the price of Rs. 7/- per option and the Managing Director shall have right to subscribe for shares within the period of 12 months from the date of vesting. |

6. ACKNOWLEDGEMENTS AND APPRECIATION:

Your Directors take this opportunity to express their gratitude to all the business associates 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 : 1 August 2016

Charles E.E. Devenish
Chairman
DIN : 01252091

CIN: L51900MH1984PLC034662

Registered Office:

Parinee Crescenzo, C38-C39,
G Block, Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051.

Tel No. : 022-33040797
Fax No. : 022-33040779
Web site: www.deccangoldmines.com
Email. : info@deccangoldmines.com

DECCAN GOLD MINES LIMITED

ANNEXURE-1

FORM AOC-1

PERFORMANCE OF SUBSIDIARY COMPANY

[Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014]

(Information in respect of subsidiary with amounts in Rs)

| | | |
|----|--|---|
| 1 | Name of the subsidiary | Deccan Exploration Services Private Limited |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | Not applicable |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial Year in the case of foreign subsidiaries. | Not applicable |
| 4 | Share capital | 13,000 equity shares of Rs.10/- each |
| 5 | Reserves and Surplus | 359,060,897 |
| 6 | Total Assets | 375,781,072 |
| 7 | Total Liabilities | 16,720,175 |
| 8 | Investments | Nil |
| 9 | Turnover | Nil |
| 10 | Profit before taxation | 1,560,875 |
| 11 | Provision for taxation | (745,157) |
| 12 | Profit after taxation | 815,718 |
| 13 | Proposed Dividend | Nil |
| 14 | % of shareholding | 100% |

The Company does not have any associate / joint venture companies.

For and on behalf of the Board

Place : Bangalore
Date : 1 August 2016

Charles E.E. Devenish
Chairman
DIN : 01252091

ANNEXURE II

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details for loans & investments:

| Name of the party | Nature & Purpose of transactions | Amount at the beginning of the year | Transactions during the year | Balance at the end of the year |
|---|----------------------------------|-------------------------------------|------------------------------|--------------------------------|
| Deccan Exploration Services Private Limited (wholly-owned subsidiary) | Equity investment | 100000 | 354082000 | 354182000 |

Details of guarantees given – Nil

DECCAN GOLD MINES LIMITED

ANNEXURE III

Disclosure of details pertaining to shares allotted under Employees Stock Option Scheme under the provisions of Section 62 (1)(b) of Companies Act, 2013 and SEBI (Share Based Employee Benefits) Regulations, 2014 during the year 2015-16

DECCAN GOLD MINES LIMITED ESOP, 2014

| | |
|---|---|
| Total No. of Shares covered by ESOP Scheme approved by the Shareholders | 3,000,000 |
| Options granted | 3,000,000 |
| Options vested | 1,500,000 |
| Options exercised | 400,000 |
| The total number of shares arising as a result of exercise of options | 3,000,000 |
| Options forfeited | Nil |
| Options lapsed | Nil |
| Extinguishment of modification of options | Nil |
| Exercise Price | Rs.7/- per share |
| Pricing Formula | As per the recommendation of Nomination & Remuneration Committee at its meeting held on January 14, 2015 after considering relevant factors such as future scaling up in the operations of the Company and the impending Rights Issue of the Company. |
| Variation in terms of options | Nil |
| Money realised by exercise of options | Rs. 2,800,000/- |
| Total number of options in force | 3,000,000 |
| Employee wise details of options granted to | |
| Key Managerial Personnel & Senior Managerial Personnel | Mr. Sandeep Lakhwara, Managing Director (1,500,000 stock options) |
| | Mr. Saradchandra Rao Peshwa, Exploration Director & Director of subsidiary Company (483,000 stock options) |
| | Mr. S. Subramaniam, Head-Legal & Company Secretary (291,800 stock options) |
| | Mr. K. Karunakaran, Chief Financial Officer (291,800 stock options) |
| Any other employee who receives grant of options in any one year amounting to 5% of more of options granted during that year | Nil |
| Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. | Mr. Sandeep Lakhwara, Managing Director (1,500,000 stock options) |
| Issued Capital (excluding outstanding warrants and conversions of the Company at the time of grant) | Rs.59,218,250 (59,218,250 equity shares of face value of Re.1/- each) |
| Diluted EPS calculated in accordance with International Accounting Standard (IAS 33) | Rs. |

DECCAN GOLD MINES LIMITED ESOP, 2014 (AMENDED 2016) (*See note below)

| | |
|---|---|
| Total No. of Shares covered by ESOP Scheme approved by the Shareholders | 1,500,000 |
| Options granted | 1,500,000 |
| Options vested | Nil |
| Options exercised | Nil |
| The total number of shares arising as a result of exercise of options | 1,500,000 |
| Options forfeited | Nil |
| Options lapsed | Nil |
| Extinguishment of modification of options | Nil |
| Exercise Price | Rs.7/- per share |
| Pricing Formula | Please see note below |
| Variation in terms of options | Nil |
| Money realised by exercise of options | Nil |
| Total number of options in force | 1,500,000 |
| Employee wise details of options granted to | |
| Key Managerial Personnel & Senior Managerial Personnel | Mr Sandeep Lakhwara, Managing Director (750,000 stock options) |
| | Mr Saradchandra Rao Peshwa, Exploration Director & Director of subsidiary Company (241,500 stock options) |
| | Mr S. Subramaniam, Head-Legal & Company Secretary (145,900 stock options) |
| | Mr K. Karunakaran, Chief Financial Officer (145,900 stock options) |
| Any other employee who receives grant of options in any one year amounting to 5% of more of options granted during that year | Nil |
| Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. | Nil |
| Issued Capital (excluding outstanding warrants and conversions of the Company at the time of grant) | Rs.89,227,375 (89,227,375 equity shares of face value of Re.1/- each) |
| Diluted EPS calculated in accordance with International Accounting Standard (IAS 33) | Rs. |

***Note:**

The shareholders of the Company, at their 30th AGM held on December 30, 2014 approved the introduction of the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014 (Scheme). Clause 5 of the Scheme provides that the limit of 3,000,000 stock options may be revised by the Nomination and Remuneration Committee (NRC) of the Board (which is empowered to administer the Scheme in accordance with SEBI Regulations) in case of any corporate action necessitating the same. Further, clause 21 of the Scheme states that in the event of any rights issue, bonus issue, stock split, merger, restructuring or any such event happening subsequent to the Grant of

DECCAN GOLD MINES LIMITED

Options, the NRC shall have the power to make appropriate amendments to the Scheme, including changes in the number of Options, the Exercise Price, floating a new Scheme / extending the application of the existing Scheme or any other fair and just mechanism including acceleration of Options, if deemed essential, in accordance with law as it deems fit, while striving to ensure that the rights of the employees are not adversely affected.

It may be noted that subsequent to the grant of options under the Scheme, the Company has completed fund raising of INR 503.36 million through a 1 for 2 Rights Issue that was kept open during October, 2015. Pre rights issue, the share capital of the Company was 59,218,250 equity shares and on this basis, 29,609,125 rights shares were issued and allotted on November 6, 2015 to the successful applicants. Accordingly, post the rights issue, the paid-up capital of the Company stood at 88,827,375 equity shares i.e., the paid-up capital increased by 50%

In view of the above corporate action (rights issue), it became necessary to revise the number of stock options reserved under the Scheme from 3,000,000 to 4,500,000 by the addition of 1,500,000 new stock options.

The Board of Directors of the Company, at their meeting held on February 12, 2016 approved amendment to the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014 (Scheme) on account of the Company's rights issue during October, 2015.

Further, the NRC at its meeting held on March 4, 2016 decided that the Exercise Price of the 1,500,000 new stock options would be fixed as Rs.7/- per stock option (as was the case with the original 3,000,000 stock options).

For and on behalf of the Board

Place : Bangalore
Date : 1 August 2016

Charles E.E. Devenish
Chairman
DIN : 01252091

ANNEXURE IV

STATEMENT ON MANNER OF EVALUATION OF BOARD OF DIRECTORS, COMMITTEE AND INDIVIDUAL DIRECTORS:

The Companies Act, 2013 has prescribed a new set of meeting known as exclusive meeting by Independent Directors to assign more responsibility and power to Independent Directors. As per schedule IV of the Companies Act, 2013, the Independent Directors shall hold at least one meeting in a year, without the attendance of Non-Independent Directors and members of the management and all such directors shall strive to be present at the meeting.

The Independent Directors of the Company held such meeting on January 8, 2016. Amongst other matters, they reviewed the performance of Non-Independent Directors, and the Board as a whole, the performance of the Chairperson of the Company, taking into account the views of Executive Director and Non-executive Directors; and assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Evaluation Criteria of the Board's performance:

During the year under review, the Board adopted a formal mechanism for evaluating its performance as well as that of its Committees and individual Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Board functioning such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligations, governance issues etc., Separate exercise was carried out to evaluate the performance of individual Directors including the Board Chairman who were evaluated on parameters such as attendance, contribution at the meetings and otherwise, independent judgment, safeguarding of minority shareholders interest etc., The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman and the Non-Independent Directors were carried out by the Independent Directors. The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

For and on behalf of the Board

Place : Bangalore
Date : 1 August 2016

Charles E.E. Devenish
Chairman
DIN : 01252091

DECCAN GOLD MINES LIMITED

ANNEXURE V

DISCLOSURE FOR RATIO OF REMUNERATION OF EACH DIRECTOR TO THE MEDIAN EMPLOYEE'S REMUNERATION AND OTHER DETAILS AS PER RULE 5 OF THE COMPANIES (APPOINTMENT & REMUNERATION) RULES, 2014

Median remuneration is Rs.639,000/- per annum. It may be noted that Mr. Sandeep Lakhwara, Managing Director is the only Director who draws remuneration of Rs. 8,400,000/- per annum. The ratio of the median remuneration to his remuneration is 1 : 13 (approx).

During the financial year, the %age increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary is 'Nil'.

Mr. Sandeep Lakhwara, Managing Director was re-appointed for a term of 2 years with effect from May 1, 2016 at a monthly remuneration of Rs. 700,000/- subject to the approval of the shareholders at their ensuing 32nd AGM scheduled on September 28, 2016.

The remuneration drawn by Mr. S. Subramaniam, Head-Legal & Company Secretary was Rs. 31.92/- lac per annum.

The remuneration drawn by Mr. K. Karunakaran, Chief Financial Officer was Rs. 25.20 lac per annum.

Details of remuneration of the Key Management Personnel are also furnished in Annexure VI to the Directors' Report.

The %age increase in the median remuneration of employees in the financial year is 'NIL'.

As at the end of the year, there were 16 permanent employees on the rolls of the Company.

Explanation / comparison on the relationship between average increase in remuneration of employees / key management personnel and company performance – not applicable since there was no salary increase during the year 2015-16.

| | March 31, 2016 | March 31, 2015 | % increase (decrease) |
|--------------------------------------|----------------|----------------|-----------------------|
| Market Capitalisation (Rs. in crore) | 306.05 | 178.84 | 71.13 |

The closing price of the Company's shares on BSE as on March 31, 2016 being Rs. 34.30 per equity share of face value of Re.1/- each has increased by 13.58% when compared with the closing price of Rs. 30.20 as on March 31, 2015. During the year, the Company had made a rights issue at a price of Rs.17/- per equity share of face value of Re.1/- each.

The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year - Not applicable

It is affirmed that the remuneration is as per the remuneration policy of the Company.

Since the Company is in the process of obtaining the approval from Central Government for mining, it is yet to commence the mining operations and therefore there are very few statutorily required employees deputed by the Company.

Further there is only one executive director in the Company viz Managing Director and all other director's are non executive, therefore the ratio of remuneration of each director to the median remuneration of the employees of the Company for the financial year is not essential to be compared and hence not furnished.

**STATEMENT PURSUANT TO RULE 5(2) OF COMPANIES
(APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

| | |
|---|--|
| Name of employee | Sandeep Lakhwara |
| Designation of employee | Managing Director |
| Remuneration received | Rs. 84,00,000/- |
| Nature of employment, whether contractual or otherwise | Re-appointed for a term of 2 years with effect from May 1, 2016 subject to approval of the shareholders. |
| Qualifications and experience of the employee | B.Bus., CPA (Australia) |
| Date of commencement of employment | July 31, 2002 |
| Age of such employee | 61 years |
| Last employment held by such employee before joining the Company | Independent Accounting Practice in Australia |
| % of equity shares held by the employee in the Company | 0.61% |
| Whether any such employee is a relative of any Director or Manager of the Company and if so, name of such Director or Manager | No |

For and on behalf of the Board

Place : Bangalore
Date : 1 August 2016

Charles E.E. Devenish
Chairman
DIN : 01252091

DECCAN GOLD MINES LIMITED

ANNEXURE VI

EXTRACT OF ANNUAL RETURN AS ON FINANCIAL YEAR ENDED ON MARCH 31, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

| | |
|--|--|
| CIN | L51900MH1984PLC034662 |
| Registration Date | November 29, 1984 |
| Name of the Company | DECCAN GOLD MINES LIMITED |
| Category / Sub-Category of the Company | Public Limited Company |
| Address of the Registered office and contact details | Parinee Crescenzo, C38-C39, G Block, |
| | Bandra Kurla Complex, Bandra (East) |
| | Mumbai 400051 |
| | Tel No: 022-3304 0797 Fax No.: 022-3304 0779 |
| | Mail Id: info@deccangoldmines.com |
| Website: www.deccangoldmines.com | |
| Whether listed company | Yes |
| Name, Address and Contact details of Registrar and Transfer Agent, if any: | Link Intime India Private Limited |
| | C-13, Pannalal Silk Mills Compound, |
| | LBS Marg, Bhandup (West) Mumbai – 400 078 |
| | Tel No: 022-6171 5400 |
| | Fax No.: 022-2596 0329 |
| Mail Id: mumbai@linkintime.co.in. | |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

| Sl. No. | Name and Description of main products/ services | NIC Code of the Product / service | % to total turnover of the Company |
|---------|---|-----------------------------------|------------------------------------|
| 1 | Gold exploration & mining | 7295 | 100% |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sr. No. | Name and address of the Company | CIN / GLN | Holding / subsidiary / associate | % of shares held | Applicable section |
|---------|---|-----------------------|----------------------------------|------------------|--------------------|
| 1 | Deccan Exploration Services Private Limited | U27205KA1997PTC022819 | Subsidiary | 100% | 2 (87)(ii) |

I SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL Equity):

i. Category-wise Share Holding:

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|--|---|----------|----------|-------------------|---|----------|----------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/HUF | - | - | - | - | - | - | - | - | - |
| b) Central Govt | - | - | - | - | - | - | - | - | - |
| c) State Govt(s) | - | - | - | - | - | - | - | - | - |
| d) Bodies Corp. | - | - | - | - | - | - | - | - | - |
| e) Banks / FI | - | - | - | - | - | - | - | - | - |
| f) Any other | - | - | - | - | - | - | - | - | - |
| Sub-total(A)(1): | - | - | - | - | - | - | - | - | - |
| (2) Foreign | | | | | | | | | |
| a) NRIs - Individuals | - | - | - | - | - | - | - | - | - |
| b) Other – Individuals | - | - | - | - | - | - | - | - | - |
| c) Bodies Corp. | 24654746 | - | 24654746 | 41.63 | 25994641 | - | 25994641 | 29.13 | (12.5) |
| d) Banks / FI | - | - | - | - | - | - | - | - | - |
| e) Any other | - | - | - | - | - | - | - | - | - |
| Sub-total (A)(2): | 24654746 | - | 24654746 | 41.63 | 25994641 | - | 25994641 | 29.13 | (12.5) |
| Total shareholding of Promoter (A) = (A)(1) + (A)(2) | 24654746 | - | 24654746 | 41.63 | 25994641 | - | 25994641 | 29.13 | (12.5) |
| B. Public Shareholding | | | | | | | | | |
| (1) Institutions | - | - | - | - | | | | | |
| a) Mutual Funds | - | - | - | - | | | | | |
| b) Banks / FI | - | - | - | - | | | | | |
| c) Central Govt | - | - | - | - | | | | | |
| d) State Govt(s) | - | - | - | - | | | | | |
| e) Venture Capital Funds | - | - | - | - | | | | | |
| f) Insurance Companies | - | - | - | - | | | | | |
| g) FIs | 1316473 | - | 1316473 | 2.22 | 3983355 | - | 3983355 | 4.46 | 2.24 |
| h) Foreign Venture Capital Funds | - | - | - | - | | | | | |
| i) Others – HUF | - | - | - | - | 1908477 | - | 1908477 | 2.15 | 2.15 |
| Sub-total (B)(1): | 1316473 | - | 1316473 | 2.22 | 5891832 | - | 5891832 | 6.60 | 4.39 |
| (2) Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | 2929130 | - | 2929130 | 4.95 | 4505264 | - | 4505264 | 5.05 | 0.10 |
| ii) Overseas | - | - | - | - | | | | | |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto Rs. 1 lakh | 20506515 | 91450 | 20597965 | 34.78 | 26922833 | 131536 | 27054369 | 30.32 | (4.46) |

DECCAN GOLD MINES LIMITED

| | | | | | | | | | |
|--|----------|-------|----------|-------|----------|--------|----------|-------|--------|
| ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | 4598132 | - | 4598132 | 7.76 | 15464493 | 0 | 15464493 | 17.33 | 9.57 |
| c) Others – clearing member | | | | | | | | | |
| (specify) | 362215 | - | 362215 | 0.62 | 566843 | - | 566843 | 0.63 | 0.01 |
| d) Others – NRIs (Repatriable) | 4298569 | - | 4298569 | 7.26 | 6550234 | - | 6550234 | 7.34 | 0.08 |
| e) Others – NRIs (Non-Repatriable) | 349710 | - | 349710 | 0.59 | 512035 | - | 512035 | 0.57 | (0.02) |
| f) Others – Foreign Portfolio Investors (Corporate) | 1310 | - | 1310 | - | 2232664 | - | 2232664 | - | 2.50 |
| f) Others - Directors | 110000 | - | 110000 | 0.19 | 455000 | - | 455000 | 0.51 | 0.32 |
| Sub-total(B)(2): | 33155581 | 91450 | 33247031 | 56.15 | 57209366 | 131536 | 57340902 | 64.26 | 8.11 |
| Total Public Shareholding (B)=(B)(1)+(B)(2) | 34472054 | 91450 | 34563504 | 58.37 | 63101198 | 131536 | 63232734 | 70.87 | 12.50 |
| C. Shares held by | | | | | | | | | |
| Custodian for | | | | | | | | | |
| GDRs & ADRs | - | - | - | - | | | | | |
| Grand Total (A+B+C) | 59126800 | 91450 | 59218250 | 100 | 89095839 | 131536 | 89227375 | 100 | |

II. SHAREHOLDING OF PROMOTERS:

| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Share holding at the end of the year | | | % change in share holding during the year |
|---------|---|---|----------------------------------|--|--------------------------------------|----------------------------------|--|---|
| | | No. of Shares | % of total Shares of the Company | % of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the Company | % of Shares Pledged / encumbered to total shares | |
| 1 | Rama Mines Mauritius Limited, Mauritius | 24654746 | 41.63 | Nil | 25994641 | 29.13 | Nil | (12.50) |
| | Total | 24654746 | 41.63 | Nil | 25994641 | 29.13 | Nil | (12.50) |

iii. CHANGE IN PROMOTERS' SHAREHOLDING (PLEASE SPECIFY, IF THERE IS NO CHANGE):

| Sl. No. | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|-------------------------------------|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| | At the beginning of the year | 24654746 | 41.63 | | |
| | Date-wise Increase / (Decrease) | | | | |
| | April 21, 2015 (Sale) | (24,998) | (0.04) | 24629748 | 41.59 |
| | June 18, 2015 (Sale) | (12,441) | (0.02) | 24617307 | 41.57 |
| | August 5 -6, 2015 (Sale) | (86,217) | (0.15) | 24531090 | 41.42 |
| | September 2, 2015 (Sale) | (87,430) | (0.14) | 24443660 | 41.28 |
| | November 6, 2015# | Nil | (13.76) | 24443660 | 27.52 |
| | November 6, 2015# | 1,560,000 | 1.75 | 26003660 | 29.27# |
| | December 18, 2015 (Sale) | (9,019) | (0.01) | 25994641 | 29.26 |
| | February 17, 2016* | Nil | (0.13) | 25994641 | 29.13 |
| | At the End of the year | 25994641 | 29.13 | | |

At the beginning of the year, the Company's paid-up capital was 59,218,250 equity shares. The Company had issued and allotted 29,609,125 equity shares under its Rights Issue on November 6, 2015 and accordingly the paid-up capital went up to 88,827,375 equity shares. Due to this, the shareholding %age of the Promoter went down from 41.28% to 27.52%. However, the Promoter subscribed to and was allotted 1,560,000 equity shares under the said Rights Issue on account of which its shareholding %age went up from 27.52% to 29.27%.

*On account of issue and allotment of 400,000 equity shares under Deccan Gold Mines Limited ESOP, 2014, the paid-up capital of the Company went up from 88,827,375 equity shares to 89,227,375 equity shares with effect from February 17, 2015. Due to this, again the shareholding %age of the Promoter went down from 29.27% to 29.13%.

IV. SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS AND HOLDERS OF GDRS AND ADRS):

Attached to this Report as Annexure VI-A.

V. SHAREHOLDING OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

| Sl. No. | For each of the Directors and KMP | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|--|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| (1) | Mr. Sandeep Lakhwara, Managing Director | | | | |
| | At the beginning of the year | 110,000 | 0.19 | | |
| | Date-wise Increase / (Decrease) | | | | |
| | November 6, 2015 (Rights Issue)# | Nil | (0.07) | 110,000 | 0.12# |
| | November 6, 2015 (issue of shares under Rights Issue# | 55,000 | 0.07 | 165,000 | 0.19# |
| | February 17, 2016 - issue of shares under DGML ESOP, 2014* | 400,000 | 0.44 | 565,000 | 0.63* |
| | March 8-9, 2016 (Sale) | (110,000) | (0.12) | 455,000 | 0.51 |
| | At the End of the year* | 455,000 | 0.51 | | |
| (2) | Mr. S.Subramaniam, Head-Legal & Company Secretary | | | | |
| | At the beginning of the year | 48,000 | 0.08 | | |
| | Date-wise Increase / (Decrease) | | | | |
| | November 6, 2015 (Rights Issue)# | Nil | (0.03) | 48,000 | 0.05# |
| | November 6, 2015 (issue of shares under Rights Issue# | 19,000 | 0.02 | 67,000 | 0.07# |
| | At the End of the year* | 67000 | 0.07 | | |
| (3) | Mr. K. Karunakaran, Chief Financial Officer | | | | |
| | At the beginning of the year | 36,000 | 0.06 | | |
| | Date-wise Increase / (Decrease) | | | | |
| | November 6, 2015 (Rights Issue)# | Nil | (0.02) | 36,000 | 0.04# |
| | November 6, 2015 (issue of shares under Rights Issue# | 20,000 | 0.02 | 56,000 | 0.06# |
| | At the End of the year* | 56,000 | 0.06 | | |

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At the beginning of the year, the Company's paid-up capital was 59,218,250 equity shares. The Company had issued and allotted 29,609,125 equity shares under its Rights Issue on November 6, 2015 and accordingly the paid-up capital went up to 88,827,375 equity shares. Shareholding %ages have been calculated accordingly.

*On account of issue and allotment of 400,000 equity shares under Deccan Gold Mines Limited ESOP, 2014, the paid-up capital of the Company went up from 88,827,375 equity shares to 89,227,375 equity shares with effect from February 17, 2015. Shareholding %ages have been calculated accordingly.

None of the other Directors held any equity shares in the Company during the year under review and as on March 31, 2016.

II INDEBTEDNESS:

Indebtedness of the Company including interest outstanding/accrued but not due for payment - Nil

III REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(in Rs.)

| S I . No. | Particulars of Remuneration | Name of Managing Director | | | Total Amount |
|--------------|---|---------------------------|-------|-------|--------------|
| | | Mr. Sandeep Lakhwara | _____ | _____ | _____ |
| 1 | Gross salary | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 8,400,000 | | | 8,400,000 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | Nil | | | Nil |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | Nil | | | Nil |
| 2 | Stock Option | 10,300,000# | | | 10,300,000 |
| 3 | Sweat Equity | Nil | | | Nil |
| 4 | Commission | Nil | | | Nil |
| | - as % of profit | | | | |
| | - others, specify | | | | |
| 5 | Others, please specify | Nil | | | |
| | Total (A) | 18,700,000 | | | 18,700,000 |
| | Ceiling as per the Act | 84,00,000# | | | 84,00,000# |

Mr Sandeep Lakhwara was granted 1,500,000 stock options under the Deccan Gold Mines Limited ESOP, 2014. Out of this 750,000 stock options were vested upon him during 2015-16 and he has exercised 400,000 stock options on February 17, 2016 at an Exercise Price of Rs.7/- per share. The difference between the market price of the equity shares of the Company as on the date of exercise and the Exercise Price multiplied by the number of stock options exercised (400,000) is reflected as Rs. 10,300,000 in the table above as the value of stock options.

Further, Mr Sandeep Lakhwara has been granted 750,000 stock options under the Deccan Gold Mines Limited ESOP, 2014 (amended 2016) during 2015-16.

B. REMUNERATION TO OTHER DIRECTORS: (in Rs.)

| Sl. No. | Particulars of Remuneration | Name of Directors | | | | Total Amount |
|---------|--|--|------------------------|-------------------------|------------------|--------------|
| | | K.R. Krishnamurthy (Mr) | Moni Ramakrishnan (Dr) | Vinod Kumar Gaur (Prof) | Pratima Ram (Ms) | |
| | 1. Independent Directors | | | | | |
| | Fee for attending board / committee meetings | 85000 | 50000 | 65000 | 195000 | 395000 |
| | Commission | Nil | Nil | Nil | | Nil |
| | Others, please specify | Nil | Nil | Nil | | Nil |
| | Total (1) | 85000 | 50000 | 65000 | 195000 | 395000 |
| | 2. Other Non-Executive Directors | Nil | Nil | Nil | | Nil |
| | Fee for attending board / committee meetings | Nil | Nil | Nil | | Nil |
| | Commission | Nil | Nil | Nil | | Nil |
| | Others, please specify | Nil | Nil | Nil | | Nil |
| | Total (2) | Nil | Nil | Nil | | Nil |
| | Total (B) = (1 + 2) | 85000 | 50000 | 65000 | 195000 | 395000 |
| | Total Managerial Remuneration | 85000 | 50000 | 65000 | 195000 | 395000 |
| | Overall Ceiling as per the Act | The Non-Executive Directors have not been paid any remuneration except Sitting fees. | | | | |

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | | Total |
|---------|---|--------------------------|-------------------|-----------|-----------|
| | | | Company Secretary | CFO | |
| 1 | Gross salary | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | | 31,92,000 | 25,20,000 | 57,12,000 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | | Nil | Nil | Nil |
| | (c) Profits in lieu of salary under section 17(3) Income tax Act, 1961 | | Nil | Nil | Nil |
| 2 | Stock Option | | Nil | Nil | Nil |
| 3 | Sweat Equity | | Nil | Nil | Nil |
| 4 | Commission | | Nil | Nil | Nil |
| | - as % of profit | | | | |
| | - others, specify | | | | |
| 5 | Others, please specify | | Nil | Nil | Nil |
| | Total | | 31,92,000 | 25,20,000 | 57,12,000 |

*On March 10, 2015 CFO and Company Secretary have each been granted 291,800 stock options under the Deccan Gold Mines Limited ESOP, 2014.

On March 4, 2016 the CFO and Company Secretary have each been granted 145,900 stock options under the Deccan Gold Mines Limited ESOP, 2014 (amended 2016).

DECCAN GOLD MINES LIMITED

IV PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: - NIL

*On March 10, 2015 CFO and Company Secretary have each been granted 291,800 stock options under the Deccan Gold Mines Limited ESOP, 2014.

On March 4, 2016 the CFO and Company Secretary have each been granted 145,900 stock options under the Deccan Gold Mines Limited ESOP, 2014 (amended 2016).

IV PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: - NIL

For and on behalf of the Board

Place : Bangalore
Date : 1 August 2016

Charles E.E. Devenish
Chairman
DIN : 01252091

ANNEXURE VI A

DECCAN GOLD MINES LIMITED ISIN : INE945F01025

MGT-9 IV. SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS

| Sr No. | Name & Type of Transaction | Shareholding at the beginning of the year - 2015 | | Transactions during the year | | Cumulative Shareholding at the end of the year - 2016 | |
|--------|--|--|----------------------------------|------------------------------|---------------|---|----------------------------------|
| | | NO.OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY | DATE OF TRANSACTION | NO. OF SHARES | NO OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY |
| 1 | National Westminster Bank Plc As Trustee Of The Jupiter India Fund | 658237 | 0.7377 | | | 658237 | 1.1115 |
| | Transfer | | | 13 Nov 2015 | 3325118 | 3983355 | 4.4844 |
| | AT THE END OF THE YEAR | | | | | 3983355 | 4.4643 |
| 2 | GOVIND SUBHASH SAMANT | 1840000 | 2.0621 | | | 1840000 | 3.1072 |
| | Transfer | | | 10 Apr 2015 | 34421 | 1874421 | 3.1653 |
| | Transfer | | | 17 Apr 2015 | 10579 | 1885000 | 3.1831 |
| | Transfer | | | 24 Apr 2015 | 15000 | 1900000 | 3.2085 |
| | Transfer | | | 16 Oct 2015 | (5000) | 1895000 | 3.2000 |
| | Transfer | | | 13 Nov 2015 | 1150000 | 3045000 | 3.4280 |
| | Transfer | | | 18 Dec 2015 | 4650 | 3049650 | 3.4332 |
| | Transfer | | | 25 Dec 2015 | 25000 | 3074650 | 3.4614 |
| | Transfer | | | 15 Jan 2016 | 27639 | 3102289 | 3.4925 |
| | Transfer | | | 22 Jan 2016 | 21089 | 3123378 | 3.5162 |
| | Transfer | | | 29 Jan 2016 | 41622 | 3165000 | 3.5631 |
| | Transfer | | | 05 Feb 2016 | 30000 | 3195000 | 3.5969 |
| | AT THE END OF THE YEAR | | | | | 3195000 | 3.5807 |
| 3 | MAHENDRA RATILAL SARVAIYA | 240000 | 0.2690 | | | 240000 | 0.4053 |
| | Transfer | | | 31 Jul 2015 | (5000) | 235000 | 0.3968 |
| | Transfer | | | 30 Oct 2015 | (2500) | 232500 | 0.3926 |
| | Transfer | | | 13 Nov 2015 | 2117500 | 2350000 | 2.6456 |
| | Transfer | | | 15 Jan 2016 | (5000) | 2345000 | 2.6400 |
| | AT THE END OF THE YEAR | | | | | 2345000 | 2.6281 |
| 4 | Jupiter South Asia Investment Company Limited - South Asia Access Fund | 658236 | 0.7377 | | | 658236 | 1.1115 |
| | Transfer | | | 13 Nov 2015 | 1573118 | 2231354 | 2.5120 |
| | AT THE END OF THE YEAR | | | | | 2231354 | 2.5008 |
| 5 | ANAND MAHENDRA SARVAIYA | 1610000 | 1.8044 | | | 1610000 | 2.7188 |
| | Transfer | | | 31 Jul 2015 | (76000) | 1534000 | 2.5904 |
| | Transfer | | | 07 Aug 2015 | (84000) | 1450000 | 2.4486 |
| | Transfer | | | 21 Aug 2015 | 1000 | 1451000 | 2.4503 |
| | Transfer | | | 28 Aug 2015 | (20001) | 1430999 | 2.4165 |
| | Transfer | | | 04 Sep 2015 | (19999) | 1411000 | 2.3827 |
| | Transfer | | | 25 Sep 2015 | (5000) | 1406000 | 2.3743 |
| | Transfer | | | 30 Sep 2015 | (2500) | 1403500 | 2.3700 |
| | Transfer | | | 09 Oct 2015 | (5000) | 1398500 | 2.3616 |
| | Transfer | | | 23 Oct 2015 | (18000) | 1380500 | 2.3312 |

DECCAN GOLD MINES LIMITED

| | | | | | | | |
|---|------------------------|---------|--------|-------------|---------|---------|--------|
| | Transfer | | | 30 Oct 2015 | (41000) | 1339500 | 2.2620 |
| | Transfer | | | 13 Nov 2015 | 705500 | 2045000 | 2.3022 |
| | Transfer | | | 27 Nov 2015 | (16240) | 2028760 | 2.2839 |
| | Transfer | | | 04 Dec 2015 | (73760) | 1955000 | 2.2009 |
| | Transfer | | | 11 Dec 2015 | (22000) | 1933000 | 2.1761 |
| | Transfer | | | 08 Jan 2016 | (8000) | 1925000 | 2.1671 |
| | Transfer | | | 19 Feb 2016 | (5000) | 1920000 | 2.1518 |
| | Transfer | | | 26 Feb 2016 | (10111) | 1909889 | 2.1405 |
| | AT THE END OF THE YEAR | | | | | 1909889 | 2.1405 |
| 6 | DEVIINDER GUPTA | 148300 | 0.1662 | | | 148300 | 0.2504 |
| | Transfer | | | 06 Nov 2015 | 1351700 | 1500000 | 1.6887 |
| | Transfer | | | 27 Nov 2015 | 184491 | 1684491 | 1.8964 |
| | Transfer | | | 29 Jan 2016 | 148300 | 1832791 | 2.0633 |
| | AT THE END OF THE YEAR | | | | | 1832791 | 2.0541 |
| 7 | MSPL LIMITED | 1542899 | 1.7292 | | | 1542899 | 2.6054 |
| | Transfer | | | 10 Apr 2015 | 5600 | 1548499 | 2.6149 |
| | Transfer | | | 17 Apr 2015 | 5030 | 1553529 | 2.6234 |
| | Transfer | | | 24 Apr 2015 | 14320 | 1567849 | 2.6476 |
| | Transfer | | | 01 May 2015 | 2575 | 1570424 | 2.6519 |
| | Transfer | | | 08 May 2015 | 2580 | 1573004 | 2.6563 |
| | Transfer | | | 15 May 2015 | 2400 | 1575404 | 2.6603 |
| | Transfer | | | 22 May 2015 | 7480 | 1582884 | 2.6730 |
| | Transfer | | | 29 May 2015 | 2550 | 1585434 | 2.6773 |
| | Transfer | | | 12 Jun 2015 | 5680 | 1591114 | 2.6869 |
| | Transfer | | | 19 Jun 2015 | 2500 | 1593614 | 2.6911 |
| | Transfer | | | 30 Jun 2015 | (6875) | 1586739 | 2.6795 |
| | Transfer | | | 03 Jul 2015 | (16231) | 1570508 | 2.6521 |
| | Transfer | | | 17 Jul 2015 | 2050 | 1572558 | 2.6555 |
| | Transfer | | | 24 Jul 2015 | (43660) | 1528898 | 2.5818 |
| | Transfer | | | 07 Aug 2015 | 9560 | 1538458 | 2.5979 |
| | Transfer | | | 14 Aug 2015 | 7600 | 1546058 | 2.6108 |
| | Transfer | | | 21 Aug 2015 | 9800 | 1555858 | 2.6273 |
| | Transfer | | | 28 Aug 2015 | 2760 | 1558618 | 2.6320 |
| | Transfer | | | 11 Sep 2015 | 8225 | 1566843 | 2.6459 |
| | Transfer | | | 18 Sep 2015 | 11128 | 1577971 | 2.6647 |
| | Transfer | | | 30 Sep 2015 | 11115 | 1589086 | 2.6834 |
| | Transfer | | | 09 Oct 2015 | 2880 | 1591966 | 2.6883 |
| | Transfer | | | 16 Oct 2015 | (18609) | 1573357 | 2.6569 |
| | Transfer | | | 30 Oct 2015 | (36000) | 1537357 | 2.5961 |
| | Transfer | | | 06 Nov 2015 | 6590 | 1543947 | 1.7381 |
| | Transfer | | | 11 Dec 2015 | 3400 | 1547347 | 1.7420 |
| | Transfer | | | 25 Dec 2015 | 2950 | 1550297 | 1.7453 |
| | Transfer | | | 15 Jan 2016 | 14350 | 1564647 | 1.7614 |
| | Transfer | | | 22 Jan 2016 | 2585 | 1567232 | 1.7644 |
| | Transfer | | | 05 Feb 2016 | (2778) | 1564454 | 1.7612 |

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| | | | | | | | |
|----|------------------------|--------|--------|-------------|----------|---------|--------|
| | Transfer | | | 19 Feb 2016 | (9184) | 1555270 | 1.7430 |
| | Transfer | | | 26 Feb 2016 | (4196) | 1551074 | 1.7383 |
| | Transfer | | | 04 Mar 2016 | (6575) | 1544499 | 1.7310 |
| | AT THE END OF THE YEAR | | | | | 1544499 | 1.7310 |
| 8 | MOTILAL GOPILAL OSWAL | 800000 | 0.8966 | | | 800000 | 1.3509 |
| | Transfer | | | 16 Oct 2015 | (242000) | 558000 | 0.9423 |
| | Transfer | | | 23 Oct 2015 | (308000) | 250000 | 0.4222 |
| | Transfer | | | 13 Nov 2015 | 800000 | 1050000 | 1.1821 |
| | AT THE END OF THE YEAR | | | | | 1050000 | 1.1768 |
| 9 | VIMLA DEVI SONKIA | 481522 | 0.5397 | | | 481522 | 0.8131 |
| | Transfer | | | 13 Nov 2015 | 264837 | 746359 | 0.8402 |
| | AT THE END OF THE YEAR | | | | | 746359 | 0.8365 |
| 10 | SANDHYA GUPTA | 150001 | 0.1681 | | | 150001 | 0.2533 |
| | Transfer | | | 10 Apr 2015 | 87500 | 237501 | 0.4011 |
| | Transfer | | | 07 Aug 2015 | 68326 | 305827 | 0.5164 |
| | Transfer | | | 30 Oct 2015 | (83900) | 221927 | 0.3748 |
| | Transfer | | | 06 Nov 2015 | 104375 | 326302 | 0.3673 |
| | Transfer | | | 13 Nov 2015 | 276089 | 602391 | 0.6782 |
| | Transfer | | | 29 Jan 2016 | 83900 | 686291 | 0.7726 |
| | AT THE END OF THE YEAR | | | | | 686291 | 0.7691 |

- Note:
1. Paid up Share Capital of the Company (Face Value Rs. 1.00) at the end of the year is 89227375 Shares.
 2. The details of holding has been clubbed based on PAN.
 3. % of total Shares of the Company is based on the paid up Capital of the Company at the end of the Year.

DECCAN GOLD MINES LIMITED

SECRETARIAL AUDIT REPORT

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2016

To

The Members

DECCAN GOLD MINES LIMITED

Parinee Crescenzo, C38-C39, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai -400051

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate governance practice by Deccan Gold Mines Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's Books, Papers, Minutes Books, Forms and Returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended 31st March, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. We have examined the books, papers, minute books, forms and returns filed and other records maintained by Deccan Gold Mines Limited ("the Company") as given in Annexure I, for the financial year ended on 31st March, 2016, according to the provisions of:
 - (i) The Companies Act, 2013 (the Act) and the rules made thereunder.
 - (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
 - (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
 - (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment;
 - (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - i. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (effective upto 14th May 2015) and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (with effect from 15th May 2015);
 - ii. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - iii. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - iv. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
2. Provisions of the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') were not applicable to the Company under the financial year under report:-
 - i. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - ii. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - iii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

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- iv. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - v. The Securities and Exchange Board of India (Registrars to a Issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client; and
3. We further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with other Acts, Laws and Regulations applicable specifically to the Company as per the list given in Annexure II.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India under the provisions of Companies Act, 2013; and
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s) (upto 30th November, 2015) / the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (w.e.f. 1st December, 2015);

During the financial year under report, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. No changes in the composition of the Board of Directors took place during the financial year under report.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the year under report, the Company issued and offered 2,96,09,125 Equity Shares of Face Value of Re. 1/- per Equity Share for cash at premium of Rs. 14/- per Equity Share on Rights Basis. Subsequently, the premium amount was raised to Rs. 16/- per share. The said Rights Issue remained opened during the period from 14th October 2015 to 30th October 2015 and as per the basis of allotment approved by BSE Limited, the Board of Directors of the Company at their meeting held on 6th November 2015 allotted 2,96,09,125 Equity Shares of Face Value of Re. 1/- per Equity Share.

Apart from the Right Issue as per details given above, the Company has not undertaken event/action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

For **RATHI & ASSOCIATES**
COMPANY SECRETARIES

JAYESH M. SHAH
PARTNER
FCS No. 5637
COP No. 2535

Date: 1st August 2016
Place: Mumbai

Note: This report should be read with our letter of even date which is annexed as Annexure III and forms are integral part of this report.

ANNEXURE - I

LIST OF DOCUMENTS VERIFIED

1. Memorandum & Articles of Association of the Company;
2. Annual Report for the financial year ended 31st March, 2015;
3. Minutes of the meetings of the Board of Directors, Audit Committee, Nomination & Remuneration Committee, Compensation Committee and Investor & Shareholder grievance Committee (Stakeholders' Relationship Committee) held during the financial year under report along with the respective Attendance Registers;
4. Minutes of General Body Meetings held during the financial year under report;
5. Proof of circulation & Delivery of notice for Board Meetings and Committee Meetings;
6. Proof of circulation of draft as well as certified signed Board & Committee Meetings minutes as per Secretarial Standards;
7. Policies framed by the Company viz.
 - Policy On Related Party Transactions
 - Risk Management Policy
 - Whistle Blower Policy
 - Policy On Material Subsidiaries
 - Nomination And Remuneration Policy
 - Corporate Social Responsibility Policy
 - Board Diversity Policy
 - Archival Policy
 - Policy For Determination Of Material Events
8. Statutory Registers viz.
 - Register of Directors & KMP and their Shareholding
 - Register of Employee Stock Options
 - Register of loans, guarantees and security and acquisition made by the Company (Form No. MBP-2)
 - Register of Investments (Form No. MBP-3)
9. Copies of Notice, Agenda and Notes to Agenda submitted to all the directors / members for the Board Meetings and Committee Meetings as well as resolutions passed by circulation;
10. Declarations received from the Directors of the Company pursuant to the provisions of Section 184(1), Section 164(2) and Section 149(7) of the Companies Act, 2013;
11. Intimations received from directors under the prohibition of Insider Trading Code;
12. E-Forms filed by the Company, from time to time, under applicable provisions of the Companies Act, 2013 and attachments thereof during the financial year under report;
13. Intimations/documents/reports/returns filed with the Stock Exchanges pursuant to the provisions of Listing Agreement entered with the Stock Exchanges/ Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year under report;
14. Documents related to payments of dividend made to its shareholders during the financial year under report;
15. Documents related to issue of shares under ESOP Scheme viz. ESOP Scheme, Exercise forms, Listing applications, Corporate Action Form, etc. filed with Stock Exchanges and Listing approvals received thereon;
16. Compliance Certificate placed before the Board of Directors from time to time;
17. Details of Related Party Transactions entered into by the Company during the financial year under report;
18. Intimation(s) given to employees of the Company for closure of trading window from time to time;
19. Details of Sitting Fees paid to all directors for attending the Board Meetings and Committees; and
20. Filings made with Reserve Bank of India.

ANNEXURE – II
LIST OF APPLICABLE LAWS TO THE COMPANY

1. The Mines and Minerals (Regulation and Development) Act, 1957
2. The Mines Act, 1952
3. The Mines Rules, 1955
4. The Mineral Concession Rules, 1960
5. The Mineral Conservation and Development Rules, 1988
6. Maternity Benefit (Mines) Rules, 1963
7. Mines Rescue Rules, 1985
8. The Forest (Conservation) Act, 1980
9. The Forest (Conservation) Rules, 1981
10. The Karnataka Shops and Commercial Establishments Act, 1961
11. The Karnataka Tax On Professions, Trades, Callings And Employment Act, 1976
12. The Bombay Shop & Establishment Act, 1948
13. Income Tax Act, 1961
14. Companies Act, 2013

DECCAN GOLD MINES LIMITED

ANNEXURE - III

To,
The Members
DECCAN GOLD MINES LIMITED
Parinee Crescenzo, C38-C39, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **RATHI & ASSOCIATES**
COMPANY SECRETARIES

JAYESH M. SHAH
PARTNER
FCS No. 5637
COP No. 2535

Date: 1st August 2016
Place: Mumbai

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INTRODUCTION

Deccan Gold Mines Limited (“DGML”) is the first and only gold exploration Company listed on the Bombay Stock Exchange Limited (BSE) with a portfolio of green-field and advanced stage gold projects. Established in the year 2003 by Australian Promoters with vast experience in gold exploration and mining, DGML has been accumulating and developing some of India’s finest gold prospects and is today at the cusp of bringing into production India’s first private sector gold mine for decades in the State of Karnataka, South India.

Since inception, DGML / its wholly owned subsidiary Deccan Exploration Services Private Limited (DESPL) have actively pursued gold exploration activities in all of its exploration prospects that resulted in identification of probable gold resources at several locations. DGML & DESPL now have a large portfolio of gold exploration prospects primarily in the State of Karnataka.

The key project of DESPL is the Ganajur Gold Project situated in the State of Karnataka. A Mining Lease over the Ganajur Gold Project has been approved by the Ministry of Mines, Government of India (MoM) during July, 2015 to whom it was recommended by the State Government of Karnataka. The file is presently under the active consideration of the State Government of Karnataka for issue of grant notification letter. Following compliance with the terms & conditions of the grant notification letter, we expect the execution of the Mining Lease between DESPL and the Government of Karnataka to happen in the next 8 to 10 months.

DGML and DESPL have also got high potential pipeline of Projects that are at various stages of development like Mangalagatti, Bhavihal and Hirenagur Projects in the State of Karnataka.

Details on the results of DGML’s exploration work has been provided under the heading “Report on Exploration Activities”.

A comprehensive list of the prospects of DGML and DESPL has been provided under the heading “Status of important applications for RP / PL / ML”.

The length of time it takes to develop gold mining projects and bring them to production, often up to a decade or longer, means exploration companies have long gestation periods to which DGML is no exception. This gestation period has been further impacted by the delays in grant of mineral concession licences by the Government authorities.

INDUSTRY REVIEW

Indian mining industry is characterized by a large number of small operational mines. The number of mines which reported mineral production (excluding minor minerals, crude petroleum, natural gas and atomic minerals) in India was 3318 in 2014-15 as against 3722 in the previous year. (Source : E-book on Mineral Sector, Ministry of Mines, Government of India, February, 2016).

India is one of the largest importers of gold in the World and the imports mainly take care of demand from its jewellery industry. During the period from April 2015 to February 2016, gold import stood at about 941.1 tonnes, while for the entire 2014-15 fiscal the same was 900 tonnes. (Source: profitndtv.com and inreuters.com).

The above details point out the fact that the present and future production of gold will not be sufficient to meet the ever increasing demand. Therefore, efforts will be required to reduce the gap between production and demand.

It is therefore imperative that the Government of India should promote and facilitate gold exploration and mining by improving the regulatory environment and fast-tracking grant of mineral concession licences to enable increased gold production in the country.

PERFORMANCE

Full details of exploration work undertaken by the Company are contained in “Report on Exploration Activities” forming part of this Annual Report. The status of our applications is contained in this Annual Report under the

DECCAN GOLD MINES LIMITED

heading "Status of important applications for RP / PL / ML".

DGML incurred a total expenditure of Rs. 1394.55 lac (cumulative) on exploration on its prospects as on March 31, 2016. The amount of exploration expenditure (cumulative) incurred as on March 31, 2015 was Rs. 1368.05 lac.

The net loss (after tax) of the company for the year ended March 31, 2016 was Rs. 68.95 lac compared to Rs. 160.49 lac for the year ended March 31, 2015.

It is pertinent to note that exploration companies by their very nature will not generate mining revenues until commencement of mining operations.

RISKS AND CONCERNS

The Company is engaged in the business of gold exploration and mining, but has not commenced mining operations. Our exploration and mining activities depend on the timely grant, renewal and continuance in force of prospecting / mining leases which are valid only for a definite period of time and may provide for early termination. Other risks include actual resources differing from estimates, operational delays and availability of equipment, personnel and infrastructure.

Stakeholders should be aware that a number of important factors could cause actual results to differ materially from our plans, objectives, expectations, estimates and intentions. These factors include, but are not limited, to:

- (a) General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- (b) Increasing competition in or other factors affecting the industry segment in which our Company operates;
- (c) Changes in laws and regulations relating to the industry in which we operate;
- (d) Our ability to meet our capital expenditure requirements and / or increase in capital expenditure;
- (e) Fluctuations in operating costs and impact on the financial results;
- (f) Our ability to attract and retain qualified personnel;
- (g) Changes in technology in future;
- (h) Changes in political and social conditions in India or in countries that we may enter, the monetary policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- (i) The performance of the financial markets in India and globally; and
- (j) Any adverse outcome in the legal proceedings in which we are involved.

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

OUTLOOK AND OPPORTUNITIES

Minerals are valuable natural resources that are finite and non-renewable. The history of mineral extraction in India dates back to the days of the Harappan civilization. India is a mineral rich country with wide availability of minerals in the form of abundant rich reserves and the eco-geological conditions that make it very conducive for the growth and development of the mining sector in India.

However, the favourable geological milieu of India is yet to be fully explored, assessed and exploited. Its geological set up is similar in many ways to that of resource rich countries like Canada, Australia, Brazil, South Africa, Chile and Mexico.

Most of the exploration activities in the country are of conventional type with restricted input from geochemistry, geophysics and remote sensing. The finds so far, are located near the surface (mostly up to a vertical depth of 100 m). Therefore, with fast depletion of easily accessible and shallow or near surface ore bodies and decline in the rate of locating new mineral deposits within shallow depths, opportunities lie in identifying new area for

locating near surface deposits and “deep seated” and “concealed / hidden” ore bodies like gold through modern and sophisticated exploration methods / techniques.

In India, the Obvious Geological Potential Area in respect of gold is 102,809 sq kms. Despite having such good potential, there has been abysmally low exploration activity and minimal private sector participation, particularly in exploration of strategic and deep-seated mineral deposits requiring state-of-the-art technologies and risk capital. Because of lack of exploration, the incremental growth in mineral commodities in the country has been negligible. (Source : Ebook on Mineral Sector, Ministry of Mines, February, 2016)

To overcome the exploration-deficit in the country, the MMDR Amendment Act, 2015 has provided for the constitution of National Mineral Exploration Trust to which every mining lessee or prospecting license cum mining lessee shall pay a sum equivalent to 2% of the royalty for the respective mineral. Subsequently, National Mineral Exploration Trust Rules have also been notified.

As per the dispensation, it is obvious that all future exploration will now be funded out of the National Mineral Exploration Trust. The exploration agencies which are mostly government agencies or public sector units, have also been identified and help of private sector will be taken whenever required through open-ended bids. It is expected that the Amendments and Rules would help in overcoming many challenges associated with the minerals and mining sector such as low level mineral exploration and exploitation, low technology deployment, fragmented and small concession areas.

However, in the case of deep seated / concealed mineral deposits like gold, exploration is a highly competitive and specialized job. So far private sector participation in the exploration of these strategic and deep-seated deposits was thwarted. The expertise and technology to explore and extract is available in private companies popularly known as junior exploration companies. Mineral rich countries such as US, Canada and Australia encourage such junior exploration companies to undertake detailed exploration by providing various incentives and security of tenure besides priority in grant of concessions as well as freedom to sell / transfer the concessions.

Given the high odds and risk in exploration, India needs to create an attractive exploration policy which will encourage private investment to take part in exploration. If a proper blend of strategy and policy is adopted, which is attractive, stable and long-term, time may not be far when the country will be self-sufficient in terms of these vital minerals / metals.

ADEQUACY OF INTERNAL CONTROL

The Company has in place adequate internal control systems commensurate with its size and operations, 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.

SUSTAINABLE DEVELOPMENT

DGML is committed to sustainable development; we believe in creating sustainable values that our employees, business partners and shareholders can uphold and believe in. We strive to meet the needs of all our stakeholders. DGML believes in making a positive contribution to the community in which we are involved. Our mission is to increase the known gold resources base of the country in a way that enhances the well being of its people, the environment, and the investors and stakeholders of the Company.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Deccan Gold Mines Limited,

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of Deccan Gold Mines Limited (“the Company”), which comprises the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT’S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

The Company’s Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these standalone financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act; safeguarding the assets of the Company; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made there under. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the company’s Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- (b) In the case of statement of Profit and Loss, of the Loss for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, we report that:

- a) We have sought and 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 standalone financial statements dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) rules, 2014 (as amended);
- e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164(2) of the Act;
- f) We have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as of 31st March, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 18th May 2016 as per annexure- II expressed.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - i) The company does not have any pending litigations which would impact its financial position in its standalone financial statements
 - ii) The company does not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the company.

For V. K. BESWAL & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGN NO 101083W

CA K.V. BESWAL
PARTNER
Membership Number: 131054

Place : Mumbai
Dated : 18th May 2016

DECCAN GOLDMINES LIMITED

ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE

(Referred to in paragraph 1 thereof)

1. In respect of Fixed Assets:
 - a) The Company has maintained proper records showing full particulars, quantitative details and situation of its 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) The Company does not have any immovable properties.
2. Based on our scrutiny of the company's books of accounts and other records and according to the information and explanations given to us, we are of the opinion that the company has not purchased/sold goods during the year nor is there any opening stocks, therefore, requirement on reporting on physical verification of stocks or maintenance of inventory records, in our opinion, does not arise.
3. The Company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
4. Based on our scrutiny of the company's books of accounts and other records and according to the information and explanations given to us, we are of the opinion that the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of Loans, Investments, Guarantees and security given.
5. According to the information and explanations given to us, the Company has not accepted any deposits from public.
6. As informed to us, the Central Government has not prescribed the maintenance of Cost records under section 148 of the Companies Act, 2013 for any of the activities of the company.
7. In respect of Statutory Dues:
 - (a) According to record of the Company produced before us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues applicable to it.
 - (b) According to the information and explanations given, no undisputed amounts payable in respect of Income-Tax, sales tax, wealth tax, service tax, customs duty, excise duty/cess were outstanding as at 31.03.2016 for a period of more than six months from the date they became payable.
 - (c) According to the records of the company there are no dues of Income-Tax, sales tax, wealth tax, service tax, customs duty, excise duty/cess which have not been deposited on account of any dispute
8. As per the information and explanations given to us the company has not obtained any loan from any financial institutions or banks and issued debentures.
9. According to the records of the Company, the Company has utilized the money raised by way of right issue for the purpose for which it was raised.
10. 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.
11. According to the records of the Company, the Managerial Remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
12. 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 not a Nidhi Company. Hence, in our opinion, the requirements of para3 (xii) of the Order do not apply to the company.
13. According to the information and explanations given to us, the Company in respect to transactions with related parties has complied provisions of sections 177 and 188 of Companies Act, 2013 and has disclosed all particulars in Financial Statements.

14. The company has not made any preferential allotment or private placement of shares, therefore comments under this clause are not called for
15. 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 has not entered into any non-cash transaction with directors or persons connected with him and no provisions of section 192 have been contravened.
16. 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 not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For V. K. BESWAL & ASSOCIATES

CHARTERED ACCOUNTANTS

FIRM REGN NO 101083W

CA K.V. BESWAL

PARTNER

Membership Number: 131054

Place : Mumbai

Dated : 18th May 2016

ANNEXURE II

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the standalone financial statements of Deccan Goldmines Ltd ("the Company") as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the company of as of that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the criteria being specified by management. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the criteria being specified by management.

For V. K. BESWAL & ASSOCIATES

CHARTERED ACCOUNTANTS

FIRM REGN NO 101083W

CA K.V. BESWAL

PARTNER

Membership Number: 131054

Place : Mumbai

Dated : 18th May 2016

DECCAN GOLD MINES LIMITED

DECCAN GOLD MINES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2016

(Amount in '000)

| Particulars | Note No. | As at 31-03-2016 | As at 31-03-2015 |
|---------------------------------------|----------|------------------|------------------|
| I. EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| (a) Share capital | 1 | 89,227 | 59,218 |
| (b) Reserves and surplus | 2 | 3,21,409 | (93,035) |
| (c) Employee Stock Option Outstanding | | 40,953 | 7,063 |
| (d) Share Application Money | | 4,576 | - |
| | | 4,56,165 | (26,754) |
| Non-current liabilities | | | |
| (a) Long-term provisions | 3 | 1,427 | 950 |
| | | 1,427 | 950 |
| Current liabilities | | | |
| (a) Trade payables | 4 | - | 41,248 |
| (b) Other current liabilities | 5 | 5,558 | 2,156 |
| | | 5,558 | 43,405 |
| TOTAL (I) | | 4,63,150 | 17,601 |
| II. ASSETS | | | |
| Non-Current Assets | | | |
| (a) Fixed Assets | 6 | | |
| (i) Tangible Assets | | 203 | 344 |
| (ii) Intangible Assets | | 161 | 246 |
| (iii) Capital Work-in-Progress | | - | - |
| (b) Non-Current Investments | 7 | 3,54,182 | 100 |
| (c) Other Non-Current Assets | 8 | 6,817 | 2,642 |
| | | 3,61,363 | 3,332 |
| Current assets | | | |
| (a) Trade Receivable | 9 | 7,543 | 825 |
| (b) Cash and Cash Equivalents | 10 | 81,540 | 3,637 |
| (c) Short-term Loans and Advances | 11 | 12,704 | 9,808 |
| | | 1,01,787 | 14,269 |
| TOTAL (II) | | 4,63,150 | 17,601 |

Notes are integral part of the Balance Sheet and Profit & Loss Account

As per our report of even date,

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

CHARTERED ACCOUNTANTS

FIRM REGN NO 101083W

For and on behalf of the Board

CA K.V. BESWAL

PARTNER

Membership Number: 131054

Charles E.E.Devenish

Chairman

Sandeep Lakhwara

Managing Director

Place : Mumbai

Dated : 18th May 2016

K Karunakaran

Chief Finance Officer

S. Subramaniam

Company Secretary

Place : Bengaluru

Dated : 18th May 2016

DECCAN GOLD MINES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2016

(Amount in '000)

| Particulars | Note No. | For the year ended 31-03-2016 | For the year ended 31-03-2015 |
|--|----------|----------------------------------|----------------------------------|
| Other Income | 12 | 3,459 | 3,804 |
| Total Revenue | | 3,459 | 3,804 |
| Expenses: | | | |
| Employee benefits expenses | 13 | 56,433 | 10,915 |
| Finance costs | 14 | 140 | 38 |
| Depreciation and amortization expenses | 6 | 306 | 251 |
| Other expenses | 15 | 15,534 | 8,649 |
| Total expenses | | 72,413 | 19,853 |
| Loss before extraordinary items and tax | | (68,954) | (16,049) |
| Extraordinary Items | | - | - |
| Prior year adjustments | | - | - |
| Loss before tax | | (68,954) | (16,049) |
| Tax expense: | | | |
| (1) Current tax | | - | - |
| Loss for the period | | (68,954) | (16,049) |
| Earnings per equity share: Basic (in ₹) | | (0.97) | (0.27) |
| Earnings per equity share: Diluted (in ₹) | | (0.93) | (0.26) |

Notes are integral part of the balance sheet & profit & loss account 1A

As per our report of even date,
For **V. K. BESWAL & ASSOCIATES**
CHARTERED ACCOUNTANTS
FIRM REGN NO 101083W

For and on behalf of the Board

CA K.V. BESWAL
PARTNER
Membership Number: 131054

Charles E.E. Devenish
Chairman

Sandeep Lakhwara
Managing Director

Place : Mumbai
Dated : 18th May 2016

K Karunakaran
Chief Finance Officer

S. Subramaniam
Company Secretary

Place : Bengaluru
Dated : 18th May 2016

DECCAN GOLD MINES LIMITED

DECCAN GOLD MINES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Note : 1 Share Capital

| A | Particulars | As at 31 March 2016 | | As at 31 March 2015 | |
|---|--|---------------------|-----------------|---------------------|-----------------|
| | | Numbers | ₹ ('000) | Numbers | ₹ ('000) |
| | Authorised Equity Shares of ₹ 1 each | 25,00,00,000 | 2,50,000 | 25,00,00,000 | 2,50,000 |
| | | 25,00,00,000 | 2,50,000 | 25,00,00,000 | 2,50,000 |
| | Issued, Subscribed & Fully Paid up Equity Shares of ₹ 1 each | 8,92,27,375 | 89,227 | 5,92,18,250 | 59,218 |
| | Total | 8,92,27,375 | 89,227 | 5,92,18,250 | 59,218 |

B Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| Particulars | Equity Shares | | | |
|--|---------------------|---------------|---------------------|---------------|
| | As at 31 March 2016 | | As at 31 March 2015 | |
| | Numbers | ₹ ('000) | Numbers | ₹ ('000) |
| At the beginning of the year | 5,92,18,250 | 59,218 | 5,88,67,250 | 58,867 |
| Add : Shares Issued on exercise of Employee Stock Options | 4,00,000 | 400 | 3,51,000 | 351 |
| Add: Shares issued by way of Right issues | 2,96,09,125 | 29,609 | - | - |
| At the end of the year | 8,92,27,375 | 89,227 | 5,92,18,250 | 59,218 |

C Shares held by holding company / ultimate holding company and/or their subsidiaries/associates

| Particulars | Nature of Relationship | As at 31 March 2016 | As at 31 March 2015 |
|---------------|------------------------|---------------------|---------------------|
| Equity Shares | | NIL | |

D Detail of shareholders holding more than 5% of shares in the company

| Name of Shareholder | Equity Shares | | | |
|--------------------------------|-----------------------|-----------------|-----------------------|-----------------|
| | As at 31 March 2016 | | As at 31 March 2015 | |
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Rama Mines (Mauritius) Limited | 2,59,94,641 | 29.13 | 2,46,54,746 | 41.63 |

E (1) (1) During the financial year 2010-11, the Company has granted 30,00,000 options to the eligible employees at a price of ₹16.95/- per option plus all applicable taxes. The options would vest over a maximum period of 3 years as decided by the Compensation Committee from the date of grant based on specified criteria. As of 31 March, 2015 there are no outstanding options under said Scheme since the Scheme has come to an end during June, 2014 itself.

(2) During the financial year 2014-15, the Company had granted 30,00,000 stock options to the eligible employees (15,00,000 options on 14 January, 2015 and 15,00,000 options on 10 March, 2015) under the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014. These options have been granted at a price of ₹ 7/- per option plus all applicable taxes. The options would vest over a period of 2 years (post a lock-in period of 1 year from the date of grant) as decided by the Nomination & Remuneration Committee from the date of grant based on specified criteria. Out of 15,00,000 stock options vested during 2015-16, 4,00,000 stock options have been exercised on 17th February 2016.

(3) During the financial year 2015-16, the Company had granted stock options to the eligible employees (15,00,000 options on 4th March, 2016) under the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014. These options have been granted at a price of ₹ 7/- per option plus all applicable taxes. The options would vest over a period of 1 year as decided by the Nomination & Remuneration Committee from the date of grant based on specified criteria.

F. Aggregate numbers of shares issued as fully paid up for consideration other than cash, bonus shares issued and shares bought back during the period of 5 years immediately preceding the reporting date.

| Particulars | Aggregate No. of Shares (for last 5 Financial Years) |
|--|---|
| Equity Shares : | |
| Fully paid up pursuant to contract(s) without payment being received in cash | NIL |
| Fully paid up by way of bonus shares | NIL |
| Shares bought back | NIL |

Note - 2 : Reserve and surplus

| Particulars | As at 31 March 2016 ₹ ('000) | As at 31 March 2015 ₹ ('000) |
|--|---------------------------------|---------------------------------|
| a. Capital Reserves | | |
| Opening Balance | 16,726 | 16,726 |
| (+)/(-) Transfer | - | - |
| Closing Balance | 16,726 | 16,726 |
| b. Securities Premium Account | | |
| Opening Balance | 1,09,943 | 1,05,542 |
| (+) on allotment of Equity Shares | 4,90,966 | 7,582 |
| (-) Expenses for Increase in Authorised Capital | - | 1,846 |
| (-) Right Issue Expenses | 4,918 | 1,336 |
| Closing Balance | 5,95,990 | 1,09,943 |
| c. Profit & Loss Account | | |
| Opening balance | (82,899) | (66,826) |
| (+) Net Loss For the current year | (68,954) | (16,049) |
| (-) Adjustment related to fixed assets (Refer Note 26) | - | (23) |
| Closing Balance | (1,51,853) | (82,899) |
| d. Preoperative Expenses | | |
| Opening balance | (1,36,805) | (1,26,695) |
| (+) Incurred during the year | (2,650) | (10,110) |
| Closing Balance | (1,39,455) | (1,36,805) |
| Total (a+b+c+d) | 3,21,409 | (93,035) |

Note - 3 : Long Term Provisions

| Particulars | As at 31 March 2016 ₹ ('000) | As at 31 March 2015 ₹ ('000) |
|------------------------|---------------------------------|---------------------------------|
| Provision for Gratuity | 1,427 | 950 |
| | 1,427 | 950 |

Note - 4 : Trade payables

| Particulars | As at 31 March 2016 ₹ ('000) | As at 31 March 2015 ₹ ('000) |
|--|---------------------------------|---------------------------------|
| Due to Mirco, small and medium enterprises | - | - |
| Due to Others | - | 41,248 |
| Total | - | 41,248 |

Note: Based on the information available with the Company, there are no suppliers who are registered as micro small & Medium enterprises under The Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2016.

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Note - 5 : Other Current Liabilities

| Particulars | As at 31 March 2016 ₹ ('000) | As at 31 March 2015 ₹ ('000) |
|----------------------|---------------------------------|---------------------------------|
| (i) Statutory dues | 5,348 | 593 |
| (ii) other liability | 210 | 1,563 |
| Total | 5,558 | 2,156 |

Note 6 : Fixed Assets

(Amount in '000)

| Fixed Assets | Gross Block | | | | Accumulated Depreciation | | | | | Net Block (WDV) | |
|-------------------------------------|--------------------------|-----------|-----------|--------------------------|--------------------------|--------------|---------------------|--------------|--------------------------|--------------------------|--------------------------|
| | Balance as at 01-04-2015 | Additions | Disposals | Balance as at 31-03-2016 | Balance as at 01-04-2015 | For the year | Transfer to Reserve | Written back | Balance as at 31-03-2016 | Balance as at 31-03-2016 | Balance as at 31-03-2015 |
| Tangible Assets : | | | | | | | | | | | |
| Land - Lease hold | - | - | - | - | - | - | - | - | - | - | - |
| Plant and Equipment | 1,138 | - | - | 1,138 | 959 | 90 | - | - | 1,049 | 89 | 179 |
| Vehicles | 502 | - | - | 502 | 502 | - | - | - | 502 | - | 0 |
| Computer | 268 | 6 | - | 274 | 268 | 1 | - | - | 269 | 5 | 0 |
| Furniture and Fixtures | 563 | - | - | 563 | 496 | 67 | - | - | 563 | - | 67 |
| Office equipment | 452 | 75 | - | 527 | 354 | 64 | - | - | 418 | 109 | 98 |
| Total | 2,924 | 81 | - | 3,005 | 2,579 | 222 | - | - | 2,801 | 203 | 344 |
| Intangible Assets : | | | | | | | | | | | |
| Computer software | 396 | - | - | 396 | 150 | 83 | - | - | 233 | 161 | 246 |
| Total | 396 | - | - | 396 | 150 | 83 | - | - | 233 | 161 | 246 |
| Capital Work In Progress | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - | - | - |
| Intangible assets under Development | - | - | - | - | - | - | - | - | - | - | - |
| Total | 3,320 | 81 | - | 3,401 | 2,729 | 306 | - | - | 3,035 | 364 | 590 |
| Previous Year | 5,934 | 250 | 2,864 | 3,320 | 5,320 | 251 | 23 | 2,864 | 2,730 | 590 | 614 |

Note - 7 : Non-current investments

| Particulars | As at 31 March 2016 ₹ ('000) | As at 31 March 2015 ₹ ('000) |
|---|---------------------------------|---------------------------------|
| Investments in Subsidiary Company: 13000 (10000) fully paid equity shares of ₹ 10/- each of Deccan Exploration Services Pvt Ltd | 3,54,182 | 100 |
| Total | 3,54,182 | 100 |

Note - 8 : Other Non-current Assets

| Particulars | As at 31 March 2016 ₹ ('000) | As at 31 March 2015 ₹ ('000) |
|-------------------|---------------------------------|---------------------------------|
| Security Deposits | 6,817 | 2,642 |
| Total | 6,817 | 2,642 |

Note - 9 : Trade Receivable

| Particulars | As at 31 March 2016 ₹ ('000) | As at 31 March 2015 ₹ ('000) |
|----------------------------|---------------------------------|---------------------------------|
| Unsecured, considered good | | |
| Over Six months | 3,791 | - |
| Others | 3,752 | 825 |
| Total | 7,543 | 825 |

Note - 10 : Cash and Cash Equivalents

| Particulars | As at 31 March 2016 ₹ ('000) | As at 31 March 2015 ₹ ('000) |
|---------------------------------------|---------------------------------|---------------------------------|
| a. Balances with banks | | |
| On current accounts in scheduled bank | 21,420 | 3,609 |
| On Term Deposits | 60,100 | - |
| b. Cash on hand | 20 | 28 |
| Total | 81,540 | 3,637 |

Note - 11 : Short-term Loans and Advances

| Particulars | As at 31 March 2016 ₹ ('000) | As at 31 March 2015 ₹ ('000) |
|-------------------------------------|---------------------------------|---------------------------------|
| Advance receivable in cash or kind | 3,649 | 3,699 |
| Advances given to Subsidiary | 2,500 | - |
| Balance with Government Authorities | | |
| Income Taxes (Net) | 2,807 | 2,327 |
| Service Tax | 3,748 | 3,782 |
| Total | 12,704 | 9,808 |

Note - 12 : Other Income

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|--|-------------------------------------|-------------------------------------|
| Conslutancy Income | - | 933 |
| Reversal of Expenses on Employee Stock Option Scheme | - | 2,785 |
| Interest Income | 3,459 | 85 |
| Total | 3,459 | 3,804 |

Note - 13 : Employee Benefit Expenses

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|--|-------------------------------------|-------------------------------------|
| Salaries & wages | 7,470 | 3,775 |
| Expenses on Employee Stock Option Scheme | 48,710 | 7,063 |
| Staff welfare expenses | 254 | 78 |
| Total | 56,433 | 10,915 |

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Note - 14 : Finance costs

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|---------------|-------------------------------------|-------------------------------------|
| Bank Charges | 64 | 27 |
| Interest Paid | 76 | 11 |
| Total | 140 | 38 |

Note - 15 : Other expenses

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|---|-------------------------------------|-------------------------------------|
| Electricity Expenses | 39 | 132 |
| Listing Fees | 586 | 305 |
| Rent | 1,467 | 2,056 |
| Rates and taxes | 29 | 48 |
| Repair and maintenance | 711 | 628 |
| Directors Remuneration | 8,400 | 3,000 |
| Business promotion & Advertiesment Exp. | 75 | 81 |
| Travelling and conveyance | 269 | 321 |
| Communication Expenses | 429 | 85 |
| Legal and Professional fees | 1,163 | 655 |
| Directors' sitting fees | 395 | 108 |
| Auditor's remuneration | 145 | 153 |
| Brokerage and Commission | - | 125 |
| Miscellaneous expenses | 1,291 | 918 |
| Membership & Subscription fees | 536 | 35 |
| Total | 15,534 | 8,649 |

Payments to Auditor

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|----------------------------|-------------------------------------|-------------------------------------|
| For Audit Fee | 130 | 130 |
| For Certification & Others | 15 | 23 |
| Total | 145 | 153 |

**NOTE `(1A)' OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES
ANNEXED TO BALANCE SHEET AS AT 31st MARCH, 2016**
(i) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:**A. Basis of accounting:**

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the Companies (Accounts) Rules, 2014 and the relevant provision of Companies Act, 2013. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statement are consistent with those of previous year.

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:

1. Depreciation on Fixed Assets is provided based on the useful life of the assets in the manner prescribed in Schedule II to the Companies Act, 2013.
2. Depreciation on fixed assets added /disposed off during the year is provided on pro-rata basis.

D. Foreign Currency transactions

Transactions of foreign currencies are recorded at the exchange rates prevailing on the date of the transaction or at the exchange rate under related forward exchange contracts. The realized exchange gains/losses are recognized in the Profit & Loss Account. All foreign currency assets/ liabilities are translated in rupees at the rates prevailing on the date of Balance Sheet.

E. Investments:

- (a) Long term investments are carried at cost after providing for any diminution in value, if such diminution is of other than temporary nature.
- (b) Current investments are carried at the lower of cost and market value. The determination of carrying cost of such investments is done on the basis of specific identification.

F. Taxes on income:

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

G. Impairment of Assets:

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.

H. Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- i. Exploration Income is recognized when services are rendered.
- ii. Interest Income is recognized on accrual basis
- iii. Dividend Income is accounted on accrual basis when the right to receive the dividend is established
- iv. Consultancy Income is recognized as and when services are rendered.

I. Employee Benefits

- Leave encashment : The company does not have a policy of carry forward of pending leaves and hence no provision for the same is made as mentioned under AS - 15 issued by ICAI.
- Gratuity : Gratuity provision is made for qualifying employees. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit cost method.

J. Provisions , contingent liabilities and contingent assets

Estimation of the probability of any loss that might be incurred on outcome of contingencies on basis of information available upto the date on which the financial statements are prepared. A provision is recognised when an enterprise has

DECCAN GOLD MINES LIMITED

a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimates required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonable possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statement. The company does not account for or disclose contingent asset, if any.

K. Stock Option Granted

The stock options granted are accounted for as per the accounting treatment prescribed by Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (earlier SEBI Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India, whereby the intrinsic value of the option is recognised as deferred employee compensation.

The deferred employee compensation is charged to Profit & Loss Account on straight-line basis over the vesting period of the option. The employee stock option outstanding account is shown net of any unamortized deferred employee compensation.

NOTES TO THE ACCOUNTS:

Note 16

| S No | PARTICULARS | As at 31.03.2016 ₹ ('000) | As at 31.03.2015 ₹ ('000) |
|------|---|------------------------------|------------------------------|
| 1. | Capital Commitments | Nil | Nil |
| 2. | Claims made against the company but not acknowledged as debts | Nil | Nil |
| 3. | Contingent Liabilities on disputed Income Tax | Nil | Nil |

Note 17. Expenditure and Earning in foreign currency :

| | Particulars | As at 31.03.2016 ₹ ('000) | As at 31.03.2015 ₹ ('000) |
|----|---------------------------------|------------------------------|------------------------------|
| 1. | Expenditure in foreign currency | NIL | NIL |
| 2. | Earning in foreign currency | NIL | NIL |

Note 18. Related party disclosure

a) Name of related parties and relationship

| S. No. | Name of the party | Relationship |
|--------|---|-------------------------|
| 1 | Deccan Exploration Services Private Limited | Wholly owned subsidiary |
| 2 | Sandeep Lakhwara | Managing Director |
| 3 | Charles E.E. Devenish | Chairman |
| 4 | K.R.Krishnamurthy | Director |
| 5 | Dr.M.Ramakrishnan (resigned w.e.f. November 18, 2015) | Director |
| 6 | V.K.Gaur | Director |
| 7 | Pratima Ram | Director |

b) Transactions with related parties:-

| Sr. No. | Nature | As at 31.03.2016 ₹ ('000) | As at 31.03.2015 ₹ ('000) |
|---------|--|------------------------------|------------------------------|
| 1 | Reimbursement of Exploration Expenses Given to Subsidiary | NIL | 7994.56 |
| 2 | Reimbursement of Exploration Expenses Received from Subsidiary | 7588.12 | NIL |
| 3 | Advances given to Subsidiary | 2454.94 | NIL |
| 4 | Managerial Remuneration paid to director | 8400.00 | 3000.00 |
| 5 | Directors Sitting Fees & Audit Committee fees | 395.00 | 107.50 |
| 6 | Rent for Guest House to Managing Director | - | 240.00 |

Note 19: 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 ₹.2650 Lacs as noted in Note '2 d' 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.

Note 20: Disclosure in respect of Employee Stock Option Scheme
Employee Stock Option Scheme, 2008 :

| Particulars | Tranche-I | Tranche-II | Tranche-III |
|--|-----------------|------------|-------------|
| No of Options | 750,000 | 1,050,000 | 1,200,000 |
| Method of Accounting | Intrinsic Value | | |
| Vesting Period | 02/06/2011 | 02/06/2012 | 02/06/2013 |
| Exercise Period | 1 year | 1 year | 1 year |
| Grant Date | 02/06/2010 | 02/06/2010 | 02/06/2010 |
| Grant/Exercise Price (₹16.95 per share) | 16.95 | 16.95 | 16.95 |
| Market Price on the date prior to the date of grant of option) | 22.60 | 22.60 | 22.60 |

Movement of Options granted

| Particulars | 01.04.2015 to 31.03.2016 | 01.04.2014 to 31.03.2015 |
|--|--------------------------|--------------------------|
| Options outstanding at the beginning of the year | - | 8,44,000 |
| Exercised during the year | - | 3,51,000 |
| Options Lapsed during the year | - | 4,93,000 |
| Option Lapsed on account of Employee resignation | - | - |
| Options outstanding at the end of the year | - | - |
| Option unvested at the end of the year | - | - |
| Option exercisable at end of the year | - | - |

Disclosure in respect of Deccan Gold Mines Limited Employee Stock Option Scheme 2014

| Particulars | Tranche-1 | Tranche-2 |
|---|--------------------------|--------------------------|
| No. of Options | 7,50,000 | 7,50,000 |
| Method of Accounting | Intrinsic Value | |
| Vesting Period | 14/01/2016 | 14/01/2017 |
| Exercise Period | 14/01/2016 to 13/01/2017 | 14/01/2017 to 13/01/2018 |
| Grant Date | 14/01/2015 | 14/01/2015 |
| Grant / Exercise Price per share | ₹ 7 | ₹ 7 |
| Market Price on the date prior to the date of grant of option | ₹ 44.05 | ₹ 44.05 |
| Particulars | Tranche-1 | Tranche-2 |
| No. of Options | 7,50,000 | 7,50,000 |
| Method of Accounting | Intrinsic Value | |
| Vesting Date | 10/03/2016 | 10/03/2017 |
| Vesting Period | 10/03/2016 to 09/03/2017 | 10/03/2017 to 09/03/2018 |
| Exercise Period | 3/10/2015 | 3/10/2015 |
| Grant Date | 14/01/2015 | 14/01/2015 |
| Grant / Exercise Price per share | ₹ 7 | ₹ 7 |
| Market Price on the date prior to the date of grant of option | ₹ 30.80 | ₹ 30.80 |

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| Particulars | 01/04/2015 to 31/03/2016 | 01/04/2014 to 31/03/2015 |
|---|--------------------------|--------------------------|
| Options outstanding at the beginning of the year | 30,00,000 | Nil |
| Options granted during the year | Nil | 30,00,000 |
| Options vested during the year | 15,00,000 | Nil |
| Exercised during the year | 4,00,000 | Nil |
| Options lapsed during the year | Nil | Nil |
| Options lapsed on account of employee resignation | Nil | Nil |
| Options outstanding at the end of the year | 11,00,000 | Nil |
| Options unvested at the end of the year | 15,00,000 | 30,00,000 |

Employee Stock Option Outstanding account ₹1,165.05 Lacs (PY ₹ 912.75 Lacs & Deferred Employee Compensation account ₹ 755.52 Lacs (PY ₹ 842.12 Lacs). Employee Compensation Expenses amounting to ₹487.10 Lacs (PY ₹70.62 Lacs) is included under the head Salaries and other benefits. Reversal of Employee Compensation Expenses amounting to ₹ NIL (PY ₹27.85 Lacs) is included under the head Other Income.

Disclosure in respect of Deccan Gold Mines Limited Employee Stock Option Scheme 2014 (amended 2016)

| Particulars | Tranche-1 |
|---|--------------------------|
| No. of Options | 15,00,000 |
| Method of Accounting | Intrinsic Value |
| Vesting Date | 04/03/2017 |
| Exercise Period | 04/03/2017 to 03/03/2018 |
| Grant Date | 04/03/2016 |
| Grant / Exercise Price per share | ₹.7 |
| Market Price on the date prior to the date of grant of option | ₹33.70 |

| Particulars | 01/04/2015 to 31/03/2016 |
|---|--------------------------|
| Options outstanding at the beginning of the year | Nil |
| Options granted during the year | 15,00,000 |
| Options vested during the year | Nil |
| Exercised during the year | Nil |
| Options lapsed during the year | Nil |
| Options lapsed on account of employee resignation | Nil |
| Options outstanding at the end of the year | Nil |
| Options unvested at the end of the year | 15,00,000 |

Note: It may be noted that the Board of Directors of the Company, at their meeting held on February 12, 2016 approved amendment to the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014 (Scheme) on account of the Company's rights issue during October, 2015. Under the amended Scheme, the number of stock options reserved for grant has been revised from 30,00,000 stock options to 45,00,000 stock options. Further, the Nomination & Remuneration Committee of the Board (NRC), at its meeting held on March 4, 2016 fixed the Exercise Price of the 15,00,000 new stock options as ₹ 7/- per stock option (as was the case with the original 30,00,000 stock options). The NRC also granted these 15,00,000 new stock options to the respective allottee (s) in the same proportion as they were granted the original 30,00,000 stock options. Further, it was also decided that 100% of the new stock options would be vested on the allottee (s) post the mandatory lock-in period of 1 year from the date of grant and the exercise period shall remain at 12 months from the date of vesting.

On May 11, 2016, the Company received 'in-principle' approval of BSE in respect of the 15,00,000 new stock options.

Note 21: Defined benefit Plans: -

A The amounts (in ₹) recognised in the statement of Profit and Loss are as follows:

Defined benefit Obligation

| Sr No. | Particulars | 31.3.2016 | 31.3.2015 |
|--------|---|-----------|-----------|
| 1 | Current service cost | 2,54,980 | 96,138 |
| 2 | Interest on obligation | 72,826 | 71,059 |
| 3 | Expected return on plan assets | - | - |
| 4 | Net actuarial losses (gains) recognised in year ended | 1,49,022 | (10,102) |
| 5 | Past service cost | - | - |
| 6 | Losses (gains) on curtailments and settlement | - | - |
| | Total, included in 'Employee Benefit Expense | 4,76,828 | 1,57,095 |

B Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Defined benefit Obligation

| Sr No. | Particulars | 31.3.2016 | 31.3.2015 |
|--------|--|-----------|-----------|
| 1 | Opening Defined Benefit Obligation | 9,49,971 | 7,92,876 |
| 2 | Service cost for the year | 2,54,980 | 96,138 |
| 3 | Interest cost for the year on opening D.B.O. | 72,826 | 71,059 |
| 4 | Actuarial losses (gains) | 1,49,022 | (10,102) |
| 5 | Losses (gains) on curtailments | - | - |
| 6 | Liabilities extinguished on settlements | - | - |
| 7 | Liabilities assumed in an amalgamation in the nature of purchase | - | - |
| 8 | Exchange differences on foreign plans | - | - |
| 9 | Benefits paid | - | - |
| | Closing defined benefit obligation | 14,26,799 | 9,49,971 |

C. Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Not Applicable as the Liability is not funded.

D. Principal actuarial assumptions at the balance sheet date

| | (expressed as weighted averages): | 31.3.2016 | 31.3.2015 |
|---|---|-----------|-----------|
| 1 | Discount rate | 7.65% | 7.80% |
| 2 | Expected return on plan assets | - | - |
| 3 | Proportion of employees opting for early retirement | - | - |
| 4 | Annual increase in Salary costs | 6.00% | 6.00% |

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Note 22: Earning Per Share

₹ (in '000)

| Particulars | 31.03.2016 | 31.03.2015 |
|--|-------------|-------------|
| Net Profit / (Loss) available to Equity Shareholders | (68,954) | (16,049) |
| Weighted Average No of Equity Shares | 7,11,90,144 | 5,91,99,634 |
| Basic Earning Per Shares (in ₹) | (0.97) | (0.27) |
| Diluted Earning Per Shares (in ₹) | (0.93) | (0.26) |

DECCAN GOLD MINES LIMITED

Note 23 : "During Financial 2013-14, Geomysore Services (India) Private Limited (GMSI), a Bangalore-based gold exploration company approached Deccan Gold Mines Limited (DGML) for being taken over as a wholly-owned subsidiary. The Board of Directors of DGML at their meeting held on 27 August, 2013 decided to consider the offer of GMSI. After completion of the necessary due diligence on GMSI, the Board of Directors of DGML, at their meeting held on 3 December, 2013 accorded their 'in-principle' approval to amalgamate Australian Indian Resources Limited, Australia with DGML pursuant to a Scheme of Arrangement under the provisions of Sections 391-394 of the Companies Act, 1956. It may be noted that AIR held 38.80% stake in GMSI at that point in time. Under this arrangement, DGML also proposes to acquire the balance of 61.20% stake from the other resident /non-resident shareholders of GMSI on the same terms as offered to AIR. Upon the acquisition of shares as aforesaid, GMSI would become a wholly-owned subsidiary of DGML. The Board also authorised the Managing Director of DGML to do the needful in this regard including appointment of merchant bankers and valuation experts to carry out the valuation exercise.

Accordingly, the valuation of the projects of DGML and GMSI are underway and DGML is also evaluating the proposal from an Australian perspective since the proposal involves the amalgamation of an Australian Company into DGML.

The proposal is subject to the final approval of the Boards of DGML and AIR / GMSI of the proposed terms of the amalgamation including but not limited to the relevant valuation of shares and the share exchange ratio.

Note 24 : Note on Rights Issue

During the year the company has raised ₹50.34 crores through Rights Issue of equity shares. The shares were issued at issue price of ₹17 per share (inclusive of premium of ₹16 per share). The shares were issued at the ratio of 1:2 to the shareholders.

The paid up capital of the company prior to this Rights issue stood at 5,92,18,250 equity shares of ₹ 1 each. Accordingly 2,96,09,125 equity shares were offered on Rights issue basis and the scheme was kept open from 14th October 2015 to 30th October, 2015.

The Rights issue was subscribed 1.3 times of the issue size & the process of the allotment was completed by November, 2015.

The additional shares so issued were admitted for listing/trading on the Bombay Stock Exchange (BSE) with effect from 11th Nov.2015.

The rights issue proceeds were sought to be utilized for financing the following objects :

- Investment in Subsidiary Company
- General Corporate Purpose ; and
- Expenses for the Issue

Post the allotment of the shares under the Rights Issue as above, the promoters i.e. Rama Mines, Mauritius Ltd. held approximately 29% stake in the company, with the balance 71% being widely held with a significant participation by FIIs and Non-resident investors.

Utilization of proceeds of rights issue as on 31.03.2016 by the Company is as under : (in ₹)

| | | |
|---|--------------|--------------------|
| Proceeds from Rights Issue | | 50,33,55,125 |
| Amount Utilized: | | |
| Investment into DESPL shares | 35,40,82,000 | |
| (3000 Equity Shares of Rs.10 each – Face Value ₹ 30,000 and Aggregate Premium of ₹35,40,52,000/-) | | |
| Expenses for the issue | | |
| Rights Issue expenses | 49,18,253 | |
| SEBI deposit | 55,40,000 | |
| General Corporate Purposes: | | |
| Staff cost and other administration Expenses | 2,30,04,000 | |
| Sundry Creditors, Exploration expenses and other expenses | 3,42,70,957 | 42,18,15,210 |
| Closing balance as on 31.3.2016 | | 8,15,39,915 |

Note 25 : Segment Reporting:

The Company is mainly engaged in the business of gold exploration and mining. Considering the nature of business and financial reporting of the Company, the Company has only one segment viz; Gold Mining and Exploration as reportable segment.

Note 26 : Pursuant to the enactment of Companies Act 2013, the company has applied the estimated useful lives as specified in Schedule II. Accordingly the unamortised carrying value is being depreciated / amortised over the revised/ remaining useful lives. The written down value of Fixed Assets whose lives have expired as at 1st April 2014 have been adjusted, in the opening balance of Profit and Loss Account for the year ended 31.03.2015 amounting to ₹ 23 (in thousands). Had the company provided depreciation as per old companies act, 1956, the change for depreciation for the financial year 2014-15 would have been lower by ₹ 0.99 Lac

Note 27 – Salaries and wages incurred during the year ₹ 1,64,56,667/- of which ₹ 66,70,215/- was recovered from subsidiary and ₹ 23,16,016/- was transferred to Exploration Expenditure resulting in a net salary expense of ₹ 74,70,436/-.

Note 28 : Previous year figures have been re-grouped, re-arranged wherever considered necessary.

As per our report of even date,
For **V. K. BESWAL & ASSOCIATES**
CHARTERED ACCOUNTANTS
FIRM REGN NO 101083W

For and on behalf of the Board

CA K.V. BESWAL
PARTNER
Membership Number: 131054

Charles E.E.Devenish
Chairman

Sandeep Lakhwara
Managing Director

Place : Mumbai
Dated : 18th May 2016

K Karunakaran
Chief Finance Officer

S. Subramaniam
Company Secretary

Place : Bengaluru
Dated : 18th May 2016

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016

| | For the year ended 31.03.2016 (₹ '000) | For the year ended 31.03.2015 (₹ '000) |
|---|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit/(Loss)before Tax and after Extraordinary items | (68,954) | (16,049) |
| Adjustment For : | | |
| Depreciation | 306 | 251 |
| Interest & Finance charges | 140 | 38 |
| Interest received | (3,459) | (85) |
| Expenses on Employee Stock option | 48,710 | 7,062 |
| Reversal of Expenses on Employee Stock Option Scheme | - | (2,785) |
| Operative Loss before Working Capital Changes | (23,257) | (11,568) |
| Adjustment For : | | |
| Trade and Other Receivables | (13,309) | (2,917) |
| Trade & Other liability | (37,370) | 24,127 |
| Cash Generation from Operations | (73,936) | 9,642 |
| Direct Taxes | (480) | (102) |
| Net Cash Flow from operating activities | (74,415) | 9,540 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Pre-operative Expenses | (2,650) | (10,110) |
| Interest received | 3,459 | 85 |
| Purchase of Fixed Assets | (81) | (250) |
| Investment in Subsidiary Company | (3,54,082) | - |
| Net Cash used in investing activities | (3,53,354) | (10,275) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Share Issue | 5,06,155 | 1,491 |
| Right Issue Expenses | (4,918) | (1,336) |
| Expenses for Increase in Authorised Capital - | - | (1,846) |
| Share Application Money Received | 4,576 | - |
| Financial Charges | (140) | (38) |
| Net Cash used in financing activities | 5,05,672 | (1,728) |
| D. NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) | 77,903 | (2,463) |
| Cash and Cash Equivalents as at 1st April 2015 | 3,637 | 6,100 |
| Cash and Cash Equivalents as at 31st March 2016 | 81,540 | 3,637 |

As per our report of even date,

For **V. K. BESWAL & ASSOCIATES**
 CHARTERED ACCOUNTANTS
 FIRM REGN NO 101083W

CA K.V. BESWAL
 PARTNER
 Membership Number: 131054

Place : Mumbai
 Dated : 18th May 2016

For and on behalf of the Board

Charles E.E.Devenish
 Chairman

K Karunakaran
 Chief Finance Officer
 Place : Bengaluru
 Dated : 18th May 2016

Sandeep Lakhwara
 Managing Director

S. Subramaniam
 Company Secretary

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

DIRECTOR'S REPORT

To the Members,
Deccan Exploration Services Private Limited
Bengaluru.

Your Directors have pleasure in submitting their 18th Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2016.

1. FINANCIAL SUMMARY

Amount in ₹

| Particulars | As at the end of current reporting period | As at the end of previous reporting period |
|--|---|--|
| Total Revenue | 59,87,526 | 91,93,902 |
| Total Expenses | 44,26,651 | 95,39,084 |
| Profit or Loss before Exceptional and Extraordinary items and Tax | 15,60,875 | (3,45,182) |
| Less: Exceptional Items | - | (3,512) |
| Less: Extraordinary Items | - | - |
| Profit or Loss before Tax | 15,60,875 | (3,48,694) |
| Less: Current Tax | - | - |
| Deferred Tax | 7,45,157 | 1,15,862 |
| Profit or Loss After Tax | 8,15,718 | (2,32,832) |
| Add: Balance as per last Balance Sheet | 1,61,01,641 | 68,70,620 |
| Less: Transfer to Reserves | 34,29,59,346 | 92,31,021 |
| Balance Transferred to Balance Sheet | 35,90,60,987 | 1,61,01,641 |

2. DIVIDEND

No Dividend was declared for the current financial year.

3. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as there was no dividend declared and paid last year.

4. REVIEW OF BUSINESS OPERATIONS AND FUTURE PROSPECTS:

Your Directors are pleased to report that the Company's Mining Lease application covering an area of 0.29 sq kms, is under the active consideration of the Government of Karnataka for issue of Letter of Intent (Lol).

The Department of Mines & Geology, Government of Karnataka (DMG) has started processing the pending Mining Lease (ML) files for compliance with their internal checklist that was notified recently through a Government Order. It may be noted that the Internal Checklist requires sign-off / certification from certain Divisions of DMG and Indian Bureau of Mines prior to the issue of the Lol.

Ganajur ML application has been taken up for processing and DMG has now received the required certification from IBM. The process for obtaining other sign-off / confirmations has been initiated and the Lol would be issued shortly.

Your Directors are pleased to note that the Bankable Feasibility Studies over the Ganajur Gold Project being undertaken by Snowden Mining Industry Consultants, Perth, Australia (Snowden) are progressing well and expected to be completed by the end of December, 2016.

DECCAN GOLD MINES LIMITED

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

As regards the Special Leave Petitions (SLP) filed over the Hutti belt prospects, it may be noted that the same was listed for hearing on July 21, 2016. As our matter was part heard on March 29, 2016 by a Bench comprising two Judges and one of those Judges was transferred to a Constitution Bench of the Supreme Court (SC), our hearing listed for July 21, 2016 was deferred.

Our lawyers have since checked with the SC Registry and their Listing Department and were informed that our SLP will be listed before the same Bench which had heard the matter partly earlier. We understand that upon conclusion of the matter being heard by the Constitution Bench, our SLP will be taken up for final hearing by the same Judges as before. A date for such hearing will be given by the SC shortly.

There was no change in nature of the business of the Company, during the year under review.

5. MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statements relate on the date of this report.

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions of Section 134(m) of the Companies Act, 2013 do not apply to our Company. There was no foreign exchange earnings and outgo during the year under review.

7. STATEMENT CONCERNING DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY OF THE COMPANY

Keeping in mind the size and operations of the Company, the Company does not have any risk management policy.

8. DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Company has not developed and implemented any Corporate Social Responsibility initiatives as the said provisions are not applicable.

9. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES - NIL

11. EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE BY THE AUDITORS AND THE PRACTICING COMPANY SECRETARY IN THEIR REPORTS

There are no qualifications, reservations or adverse remarks made by the Auditors in their report. The provisions relating to submission of Secretarial Audit Report is not applicable to the Company.

12. COMPANY'S POLICY RELATING TO DIRECTORS APPOINTMENT, PAYMENT OF REMUNERATION AND DISCHARGE OF THEIR DUTIES

The provisions of Section 178(1) relating to constitution of Nomination and Remuneration Committee are not applicable to the Company

13. ANNUAL RETURN

The extracts of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is furnished in Annexure A and is attached to this Report.

14. NUMBER OF BOARD MEETINGS CONDUCTED DURING THE YEAR UNDER REVIEW

The Company has conducted 7 Board meetings during the financial year under review on the following dates – April 9, 2015; April 30, 2015; August 3, 2015; August 14, 2015; November 17, 2015; December 17, 2015 and January 6, 2016.

DECCAN EXPLORATION SERVICES PRIVATE LIMITED**15. DIRECTORS RESPONSIBILITY STATEMENT**

In accordance with the provisions of Section 134(5) of the Companies Act, 2013 the Board of Directors state that:

- (a) in the preparation of annual accounts, applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) they had 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 and of the profit and loss of the company for that period;
- (c) they had 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;
- (d) they had prepared the annual accounts on a going concern basis;
- (e) the Company being unlisted, sub clause (e) of section 134(3) of the Companies Act, 2013 pertaining to laying down internal financial controls is not applicable to the Company; and
- (f) they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

16. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

The Company does not have any subsidiaries, joint ventures or associate companies.

17. DEPOSITS

The Company has neither accepted nor renewed any deposits during the year under review.

18. DIRECTORS

Dr. Moni Ramakrishnan ceased to be a Director of the Company with effect from November 18, 2015 consequent upon resignation due to preoccupation. Your Directors place on record the services rendered by Dr Ramakrishnan during the tenure of his Directorship.

The Company is not mandatorily required to appoint any whole time Key Management Personnel (KMP).

19. DECLARATION OF INDEPENDENT DIRECTORS

The provisions of Section 149 for appointment of Independent Directors are not applicable to the Company.

20. ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

The Company has in place adequate internal financial controls with reference to financial statements. During the year under review, such controls were tested and no reportable material weakness in the design or operation were observed.

21. STATUTORY AUDITORS

M/s. Rao & Venkatesulu, Chartered Accountants were appointed as Statutory Auditors for a period of 1 year in the Annual General Meeting held in the year 2014 and are eligible for reappointment, subject to ratification of members at ensuing Annual General Meeting of the company.

22. DISCLOSURE OF COMPOSITION OF AUDIT COMMITTEE AND PROVIDING VIGIL MECHANISM

The provisions of Section 177 of the Companies Act, 2013 read with Rule 6 and 7 of the Companies (Meetings of the Board and its Powers) Rules, 2013 are not applicable to the Company.

23. SHARES

During the year under review, the company has undertaken following transactions:

| Increase in Share Capital | Buy Back of Securities | Sweat Equity | Bonus Shares | Employees Stock Option Plan |
|--|------------------------|--------------|--------------|-----------------------------|
| Issue of 2899 equity shares of ₹ 10/- each | NIL | NIL | NIL | NIL |

DECCAN GOLD MINES LIMITED

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

24 DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS, COURTS AND TRIBUNALS

No significant and material order has been passed by the regulators, courts, tribunals impacting the going concern status and Company's operations in future.

25. ACKNOWLEDGEMENT

Your Directors acknowledge the co-operation and support extended by one and all.

For and on behalf of the Board
Deccan Exploration Services Private Limited

Place : Bengaluru
Date : August 1, 2016

S.C.R. Peshwa
Director

K. Karunakaran
Director

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2016

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

| | | |
|---|--|---|
| 1 | CIN | U27205KA1997PTC022819 |
| 2 | Registration Date | 25-09-1997 |
| 3 | Name of the Company | DECCAN EXPLORATION SERVICES PRIVATE LIMITED |
| 4 | Category/Sub-category of the Company | PRIVATE LIMITED INDIAN NON GOVERNMENT COMPANY |
| 5 | Address of the Registered office & contact details | No. 5, 19th Main Road, 4th Sector, HSR Layout, Bengaluru 560102 |
| 6 | Whether listed company | NO |
| 7 | Name, Address & contact details of the Registrar & Transfer Agent, if any. | Not Applicable |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

| S. No. | Name and Description of main products / services | NIC Code of the Product/service | % to total turnover of the company |
|--------|--|---------------------------------|------------------------------------|
| 1 | Mining | 7295 | 100 |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| S N | Name and address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held" | "Applicable Section" |
|-----|---------------------------------|-----------------------|--------------------------------|-------------------|----------------------|
| 1 | DECCAN GOLD MINES LIMITED | L51900MH1984PLC034662 | HOLDING | 100 | 2 (46) |

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

| Category of Shareholders | "No. of Shares held at the beginning of the year [As on 31-March-2015]" | | | | "No. of Shares held at the end of the year [As on 31-March-2016]" | | | | % Change during the year |
|---|---|----------|-------|-------------------|---|----------|--------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| c) Bodies Corp. | - | 9,999 | 9,999 | 98.99% | | 12,999 | 12,999 | 99.99% | 1.00% |
| Sub Total (A) (2) | - | 9,999 | 9,999 | 98.99% | | 12,999 | 12,999 | 99.99% | 1.00% |
| B. Public Shareholding | | | | | | | | | |
| 2. Non-Institutions | | | | | | | | | |
| b) (i) Individual shareholders holding nominal share capital up to Rs. 1 lakh | | 1 | 1 | 0.01% | | 1 | 1 | 0.01% | 0.00% |
| c) Others (NRI) | | 101 | 101 | 1.00% | | 0 | 0 | 0.00% | -1.00% |

DECCAN GOLD MINES LIMITED

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

| | | | | | | | | | |
|---|---|--------|--------|---------|---|--------|--------|---------|--------|
| Sub-total (B)(2):- | - | 101 | 101 | 1.00% | - | - | - | 0.00% | -1.00% |
| C. Shares held by Custodian for GDRs & ADRs | | NIL | - | | | | | | |
| Grand Total (A+B+C) | - | 10,101 | 10,101 | 100.00% | - | 13,000 | 13,000 | 100.00% | 0.00% |

(ii) Shareholding of Promoter

| SN | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in shareholding during the year* |
|----|---------------------------|---|----------------------------------|---|-------------------------------------|----------------------------------|--|---|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged/ encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| 1 | Deccan Gold Mines Limited | 9,999 | 98.99% | 0 | 12,999 | 99.99% | 0 | 1.00% |

*Change due to increase in paid up capital

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

| SN | Particulars | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|----|------------------------------|---|-------------------|---|-------------------|
| | | No. of shares | % of total shares | No. of shares | % of total shares |
| | At the beginning of the year | 9,999 | 98.99% | | |
| | Changes during the year | 3,000 | | 12,999 | 99.99% |
| | At the end of the year | | | 12,999 | 99.99% |

Note: No change in the number of shares held. Change in % due to increase in paid up capital

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

| SN | For each of the Top 10 shareholders | Date | Reason | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|----------------|-------------------------------------|------|--------|---|-------------------|---|-------------------|
| | | | | No. of shares | % of total shares | No. of shares | % of total shares |
| Not applicable | | | | | | | |

(v) Shareholding of Directors and Key Managerial Personnel:

K. Karunakaran - 1 equity share of Rs.10/- each as nominee of holding company.

V. INDEBTEDNESS

NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

NIL

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

NIL

| T type | | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|--------|---------------------------|------------------------------|-------------------|---|------------------------------|------------------------------------|
| A | COMPANY | NIL | | | | |
| B | DIRECTORS | NIL | | | | |
| C | OTHER OFFICERS IN DEFAULT | | | | | |

Place : Bengaluru
Date : August 1, 2016

S.C.R. Peshwa
Director

K. Karunakaran
Director

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

AUDITOR'S REPORT

**TO THE MEMBERS OF
DECCAN EXPLORATION SERVICES PRIVATE LIMITED**

Report on the Financial Statements:

We have audited the accompanying financial statements of DECCAN EXPLORATION SERVICES PRIVATE LIMITED, which comprise of the Balance Sheet as at 31st March, 2016 and the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, and a summary of significant accounting policies and other explanatory information, attached thereto.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors and the management are responsible under Section 134 (5) of the Companies Act, 2013 for:

- (a) Preparation and presentation of the aforesaid financial statements in accordance with the accounting principles generally accepted in India and with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and for explaining any material departures;
- (b) for selecting the accounting policies and for application of the same consistently and to make the judgments and estimates reasonably and prudently so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for the year;
- (c) to take proper and adequate care for the maintenance of the required accounting records in the manner so required under the Act for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) for preparation of the annual accounts on a going concern basis;
- (e) for laying down internal financial controls to be followed by the company and that such internal financial controls are adequate and are operating effectively; and
- (f) for devising proper systems to ensure compliance with the provisions of all applicable laws and that the same are adequate and are operating effectively.

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the Accounting and Auditing Standards and matters which are required to be included in the audit report under the provisions of the Act and the rules and regulations made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Companies Act, 2013. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depends upon our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the said financial statements.

DECCAN GOLD MINES LIMITED

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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, 2016;
- (ii) in the case of Statement of Profit and Loss, of the Profit for the year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the cash flows during the year ended on that date.

Report on Other Legal and Regulatory Matters:

As required by Section 143 (3) of the Companies Act, 2013 and orders issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give our findings on the matters specified in the paragraph (3) and (4) of the Order, to the extent applicable, in the annexure "A" hereto.

As required by Section 143(3) of the Act, we further report that:

1. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. In our opinion proper books of accounts as required by law have been kept by the Company so far it appears from our examination of those books;
3. The Balance Sheet and the Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
4. In our opinion, the aforesaid Financial Statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014;
5. On the basis of the written information received from the Directors as on 31st March, 2016 and taken on record by the Board of Directors, none of the Directors is disqualified from being appointed as a Director in terms of Section 164(2) of the Act, as on 31st March, 2016;
6. With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls our findings are given in our separate report attached herewith as "Annexure B": and
7. With respect to other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, In our opinion and to the best of our information and according to the explanations given to us:
 - i. the company has no pending litigation which may impact the Company's Financial position;
 - ii. The Company did not have any long term contracts including Derivatives Contract for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to Investor Education & Protection fund by the Company.

For **RAO & VENKATESULU**
Chartered Accountants

K.Y. NINGOJI RAO

Partner

Membership No. : 018278

FR No. 003108S

Place : Bengaluru
Date : 30th APRIL, 2016

DECCAN EXPLORATION SERVICES PRIVATE LIMITED**ANNEXURE “A” REFERRED TO IN THE AUDIT REPORT****TO THE MEMBERS OF
DECCAN EXPLORATION SERVICES PRIVATE LIMITED**

We report our following findings on the matters stated in para (3) and (4) of the Companies (Auditor’s Report) Order, 2016:

1. In respect of the Fixed Assets:
 - (a) the company has maintained proper records showing their full particulars including their quantitative details and situation;
 - (b) no immovable properties are held in the name of the company; and
 - (c) they have been physically verified at reasonable periodical interval by the management and as per the information given to us no discrepancy has been noticed.
2. In respect of Inventory:
 - (a) The management has physically verified the inventory at reasonable periodical intervals during the year; and
 - (b) No discrepancies are found during the year.
3. The company has not granted any loans to parties covered in the register maintained under section 189 of the Companies Act, 2013.
4. According to the information and explanation given to us, the company has not given any loans and advances, investments or guarantees as contemplated u/s 185 and 186 of the Act.
5. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits as contemplated under section 73 to 76 of the Companies Act, 2013.
6. That as per the information given to us by the company, the Company has not availed any term loan during the year from Financial Institutions or Banks.
7. As per our information the cost records prescribed to the company by the Central Government u/s section 148 (1) of the Companies Act, 2013 are not applicable.
8. In respect of statutory liabilities and obligations:
 - (a) The company has according to the information and explanations given to us and on the basis of such checks as we considered necessary, been regular in depositing such undisputed statutory dues with the appropriate authority, in respect of the statutory liability in respect of Central Excise Duty, Provident Fund, Employees State Insurance, Income Tax, Entry Tax, Service Tax and other statutory dues and there are no dues, which are due for more than a period of six months which remained outstanding as at 31st March 2016;
 - (b) There are no dues in respect of Central Excise Duty, Provident Fund, Employees State Insurance, Income Tax, Entry Tax, Service Tax, and Sales Tax which have remained unpaid owing to pending dispute.
9. The company did not raise any money by way of initial public offer or further public offer.
10. According to our information and to the explanations given to us no fraud by the company or on the company by its officers or employees has been noticed or reported during the year.
11. The company is not a Nidhi Company.
12. According to the information and explanations given to us and based on our examination of the company, the company has made preferential allotment of shares on private placement during the year.

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13. According to information and explanations given to us and based on our examination of the records of the company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable and the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards and Companies Act, 2013.
14. According to information and explanations given to us and based on our examination of the records of the company, the company has not entered into non-cash transactions with the directors or persons connected with them as contemplated under section 192 of the Companies Act, 2013.

For **RAO & VENKATESULU**
Chartered Accountants

K.Y. NINGOJI RAO
Partner
Membership No. : 018278
FR No. 003108S

Place : Bengaluru
Date : 30th APRIL, 2016

DECCAN EXPLORATION SERVICES PRIVATE LIMITED**ANNEXURE – B TO THE AUDITOR’S REPORT****Report on the Internal Financial Controls under (i) of Sub-Section 3 of
Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of Deccan Exploration Services Private Limited as of 31 March 2016 in conjunction with our audit of the financial statements of the company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s Management is responsible for establishment and maintaining internal financial controls based on the internal control over financial reporting established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’).

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We Conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting and the standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. These Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and that such controls operated effectively in all material respects.

Our Audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial controls over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatement due to error or fraud that may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are

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subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial reporting issued by the Institute of Chartered Accountants of India.

For **RAO & VENKATESULU**
Chartered Accountants

K.Y. NINGOJI RAO
Partner
Membership No. : 018278
FR No. 003108S

Place : Bengaluru
Date : 30th APRIL, 2016

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2016

(Amount in '000)

| Particulars | Sch No | As at 31.3.2016 | As at 31.3.2015 |
|---|--------|-----------------|-----------------|
| I EQUITY AND LIABILITIES | | | |
| 1 Shareholder's Funds: | | | |
| a Share Capital | 1 | 130 | 18,101 |
| b Reserves and Surpluses | 2 | 3,59,061 | 16,102 |
| c Money Received Against Share Warrants | | - | - |
| 2 Share Application Money Pending Allotment | | - | 5,701 |
| 3 Non-Current Liabilities: | | | |
| a Long Term Borrowings | | - | - |
| b Deferred Tax Liabilities (Net) | 3 | 280 | - |
| c Other Long Term Liabilities | | - | - |
| d Long Term Provisions | | - | - |
| 4 Current Liabilities: | | | |
| a Short Term Borrowings | | - | - |
| b Trade Payables | 4 | 15,060 | 10,358 |
| c Other Current Liabilities | 5 | 936 | 369 |
| d Short Term Provisions | 6 | 314 | - |
| TOTAL | | 3,75,781 | 50,631 |
| II ASSETS | | | |
| 1 Non Current Assets: | | | |
| a Fixed Assets: | | | |
| (i) Tangible Assets | 7 | 3,464 | 372 |
| (ii) Intangible Assets | 7 | 2,958 | - |
| (iii) Capital work-in-progress | 7 | 43,584 | - |
| (iv) Intangible Assets Under Development | | - | - |
| b Non Current Investments | | - | - |
| c Deferred Tax Assets (net) | 8 | - | 151 |
| d Long Term Loans and Advances | 9 | 1,008 | 282 |
| e Other Non Current Assets | 10 | 1,125 | 285 |
| 2. Current Assets: | | | |
| a Current Investments | | - | - |
| b Inventories | | - | - |
| c Trade Receivables | 11 | 156 | 41,309 |
| d Cash and Cash Equivalents | 12 | 3,19,514 | 7,755 |
| e Short Term Loans and Advances | 13 | 3,972 | 477 |
| f Other Current Assets | | - | - |
| TOTAL | | 3,75,781 | 50,631 |

Schedules referred to above and notes attached there to form an integral part of Balance Sheet

For and on behalf of the Board

As per our report of even date attached.

For **Rao & Venkatesulu**
Chartered AccountantsS.C.R PESHWA
DirectorK.KARUNAKARAN
DirectorK Y Ningoji Rao
Partner
Membership No. :018278Place : Bengaluru
Date : 30 April 2016

FRN: 003108S

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED ON 31ST MARCH, 2016

(Amount in '000)

| Particulars | Sch No | For the year ended 31.3.2016 | For the year ended 31.3.2015 |
|---|--------|------------------------------|------------------------------|
| REVENUES: | | | |
| I. Revenue From Operations | 14 | 467 | 9,164 |
| II. Other Income | 14 | 5,520 | 30 |
| III. Total Revenue (I +II) | | 5,988 | 9,194 |
| IV. EXPENSES: | | | |
| 1 Exploration Expenses | 15 | - | 9,234 |
| 2 Changes in Inventories of Finished Goods Work-in-Progress and Stock-in-Trade | | - | - |
| 3 Employee Benefit Expense | 16 | 450 | - |
| 4 Financial Costs | 17 | 1,140 | 6 |
| 5 Depreciation and Amortization Expense | 18 | 689 | 199 |
| 6 Other Expenses | 19 | 2,148 | 100 |
| Total Expenses | | 4,427 | 9,539 |
| V. Profit Before Exceptional and Extraordinary Items & Tax | | 1,561 | (345) |
| VI. Exceptional Items | 20 | - | 4 |
| VII. Profit Before Extraordinary Items and Tax | | 1,561 | (349) |
| VIII. Extraordinary Items | | - | - |
| IX. Profit Before Tax | | 1,561 | (349) |
| X Tax Expense: | | | |
| 1 Current Tax | | 315 | - |
| 2 Earlier Year Taxes | | - | - |
| 3 Deferred Tax | | 430 | (116) |
| XI Profit (Loss) For The Period From Continuing Operations | | 816 | (233) |
| XII Profit/(Loss) from Discontinuing Operations | | - | - |
| XIII Tax Expense of Discounting Operations | | - | - |
| XIV Profit/(Loss) From Discontinuing Operations | | - | - |
| XV Profit/(Loss) For The Period | | 816 | (233) |
| Earning Per Equity Share: | | | |
| 1 Basic ₹ | | 62.75 | (23.05) |
| 2 Diluted ₹ | | 62.75 | (23.05) |

Schedules referred to above and notes attached there to form part of Profit & Loss Account

For and on behalf of the Board

As per our report of even date attached.

For **Rao & Venkatesulu**
Chartered Accountants

S.C.R PESHWA
Director

K.KARUNAKARAN
Director

K Y Ningoji Rao
Partner
Membership No. :018278

Place : Bengaluru
Date : 30 April 2016

FRN: 003108S

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

NOTES FORMING PART OF ANNUAL ACCOUNTS

1. Share Capital:

(₹ '000)

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|--|-----------------|-----------------|
| A. Authorized Capital: | | |
| 20,000,(P.Y. 20,000) Equity Shares of ₹ 10/- Each | 200 | 200 |
| 3,50,000,(P.Y.3,50,000) 1% Redeemable Preference shares of ₹100/- Each | 35,000 | 35,000 |
| B. Issued, Subscribed & Paid Up Capital: | | |
| 13,000 (P.Y.10,101) Equity Shares of ₹ 10/- Each, Fully Paid Up | 130 | 101 |
| Nil (P.Y.1,80,000) 0.0001% Redeemable Preference Shares of ₹ 100/- Each, Fully Paid Up | Nil | 18,000 |
| Total | 130 | 18,101 |

Reconciliation of Number of Shares:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|-----------------------------------|-----------------|-----------------|
| Equity Shares: | | |
| Balance at the beginning | 10,101 | 10,000 |
| Add: Number of Shares Allotted | 2,899 | 101 |
| Balance at close | 13,000 | 10,101 |
| 0.0001% Preference Shares: | | |
| Balance at the beginning | 1,80,000 | Nil |
| Add: Number of Shares Allotted | Nil | 1,80,000 |
| Less; Number of Shares Redeemed | 1,80,000 | Nil |
| Balance at close | Nil | 1,80,000 |

Number of Shares issued for consideration other wise than for cash:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|--|-----------------|-----------------|
| Equity Shares of ₹ 10/- Each | Nil | Nil |
| 1% Redeemable Preference Shares of ₹ 100/- | Nil | Nil |

Rights, preferences and restrictions attached to each class of shares:
Equity Share of ₹ 10/- each & 0.0001% Redeemable Preference Shares of ₹ 100/- Each fully paid-up:

| | |
|---|---------------------------------------|
| a | Right to dividend on pari passu |
| b | Voting rights one vote per each share |
| c | No preferential rights are attached |
| d | No restrictions are attached. |

Name of shareholders holding more than 5% of Equity Shares:

| Name of Shareholders | As At 31.3.2016 | As At 31.3.2015 | % of Shares As at 31.3.2016 | % of Shares As at 31.3.2015 |
|----------------------|-----------------|-----------------|--------------------------------|--------------------------------|
| Deccan Gold Limited | 13,000 | 9,999 | 100% | 98.99% |

Name of shareholders holding more than 5% of Preference Shares:

| Name of Shareholders | As At 31.3.2016 | As At 31.3.2015 | % of Shares |
|-------------------------------|-----------------|-----------------|-------------|
| Mr. Mahindra Ratilal Sarvaiya | Nil | 1,50,000 | 83.33% |
| Mr. Samir Madhusudhan Thakur | Nil | 30,000 | 16.67% |

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DECCAN EXPLORATION SERVICES PRIVATE LIMITED

2. Particulars of Reserves and Surpluses:

(₹ '000)

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|--|-----------------|-----------------|
| A. Capital Reserves: | Nil | Nil |
| B. Capital Redemption Reserve | Nil | Nil |
| C. Share Premium: | 3,54,052 | 11,999 |
| D. Profit & Loss Account: | | |
| Opening Balance Brought Forward | 6,638 | 6,871 |
| Add: Current Year Profit | 816 | (233) |
| Closing Balance Carried Forward | 7,454 | 6,638 |
| E. Other Reserves; | | |
| Pre-Operative Expenditure | (2,082) | (2,082) |
| Preliminary Expenses | (362) | (453) |
| Closing Balance | (2,444) | (2,535) |
| Total (A+B+C+D+E) | 3,59,061 | 16,102 |

3. Net Deferred Tax Assets:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|-----------------------------------|-----------------|-----------------|
| A. Deferred Tax Liability | 280 | Nil |
| B. Less; Deferred Tax Assets | Nil | Nil |
| Net Deferred Tax Liability | 280 | Nil |

4. Trade Payables:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|--------------------|-----------------|-----------------|
| A. Trade Creditors | 14,117 | 10,184 |
| B. Others | 943 | 174 |
| Total | 15,060 | 10,358 |

5. Other Current Liabilities:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|---------------------------|-----------------|-----------------|
| A. Service Tax Payable | Nil | 238 |
| B. Income Tax TDS Payable | 934 | 131 |
| C. Others | 2 | Nil |
| Total | 936 | 369 |

6. Short Term Provisions:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|-----------------------|-----------------|-----------------|
| A. Income Tax Payable | 315 | Nil |
| B. Others | Nil | Nil |
| Total | 315 | Nil |

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7. Fixed Assets

(₹ '000)

| Sl. No. | Particulars | Useful life in Yrs. | Gross Block | | | Accumulated Depreciation | | | | Net Block (WDV) | |
|------------|--|---------------------|--------------------------|---------------|-----------|--------------------------|--------------------------|--------------|--------------|--------------------------|--------------------------|
| | | | Balance as at 01-04-2015 | Additions | Disposals | Balance as at 31-03-2016 | Balance as at 01-04-2015 | For the year | Written back | Balance as at 31-03-2016 | Balance as at 31-03-2016 |
| I | Tangible Assets : | | | | | | | | | | |
| 1 | Land | | - | - | - | - | - | - | - | - | - |
| 2 | Buildings | | - | - | - | - | - | - | - | - | - |
| 3 | Plant & Machinery | 15 | - | - | - | - | - | - | - | - | - |
| 4 | Vehicles | 8 | 844 | 2,192 | - | 3,036 | 499 | 366 | - | 865 | 2,171 |
| 5 | Furniture & Fixtures | 10 | - | 228 | - | 228 | - | 6 | - | 6 | 222 |
| 6 | Office Equipments | 10 | 13 | 75 | - | 88 | 8 | 10 | - | 18 | 70 |
| 7 | UPS | 3 | 33 | 21 | - | 54 | 22 | 144 | - | 36 | 19 |
| 8 | Computer | 3 | 49 | 1,082 | - | 1,131 | 39 | 109 | - | 148 | 983 |
| | SUB TOTAL (A) | | 939 | 3,598 | - | 4,538 | 567 | 506 | - | 1,074 | 3,464 |
| II | Intangible Assets | | | | | | | | | | |
| 1 | Software | 3 | - | 3,142 | - | 3,142 | - | 183 | - | 1,83 | 2,958 |
| | SUB TOTAL (B) | | - | 3,142 | - | 3,142 | - | 183 | - | 1,83 | 2,958 |
| III | Capital Work-in-progress | | - | 43,584 | - | 43,584 | | | | - | 43,584 |
| | Capital Expenditure pending for allocation | | - | | - | | | | | | |
| | SUB TOTAL (C) | | - | 43,584 | - | 43,584 | | | | - | 43,584 |
| IV | Intangible Assets Under Development | | - | | - | | | | | - | |
| | SUB TOTAL (D) | | - | - | - | - | - | - | - | - | - |
| | Total Current Year [A + B + C + D] | | 939 | 50,324 | - | 51,263 | 568 | 689 | - | 1,257 | 50,006 |
| | Total Previous Year | | 939 | - | - | 939 | 369 | 199 | - | 568 | 372 |

8. Net Deferred Tax Assets:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|---------------------------------|-----------------|-----------------|
| A. Deferred Tax Asset | Nil | (120) |
| B. Less; Deferred Tax Liability | Nil | (31) |
| Net Deferred Tax Asset | Nil | (151) |

Particulars of Deferred Tax liability provided in the accounts are as follows:

| Particulars | Current Year | Previous Year |
|--|--------------|---------------|
| Written Down Value As Per Books | 6,422 | 372 |
| Written Down Value As Per Income Tax | 5,560 | 467 |
| Difference in WDV | 862 | (95) |
| Deferred Tax Liability | 280 | (31) |
| Disallowances U/s 40(a) & 43B | Nil | Nil |
| Unabsorbed depreciation & Business Loss | Nil | 353 |
| Deferred Tax Asset | Nil | 120 |
| Net Deferred Tax Asset/Liability | (280) | 150 |
| Deferred Tax Provided in earlier years | (150) | 35 |
| Deferred Tax Provided(+)/Withdrawn(-) in the year | 430 | (116) |

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9. Long Term Loans & Advances:

(₹ '000)

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|---------------------------|-----------------|-----------------|
| A. Security Deposit | 127 | 127 |
| B. Other Loans & Advances | 880 | 155 |
| Total | 1,007 | 282 |

10. Other Non-Current Assets:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|--------------------------------------|-----------------|-----------------|
| A. Long Term Trade Receivables | Nil | Nil |
| B. Advances with Revenue Authorities | 1,125 | 285 |
| Total | 1,125 | 285 |

11. Trade Receivables:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|---|-----------------|-----------------|
| A. Outstanding for more than Six Months | Nil | 9,351 |
| B. Others | 156 | 31,958 |
| Total | 156 | 41,309 |

12. Cash & Cash Equivalents::

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|-----------------|-----------------|-----------------|
| A. Cash In Hand | 9 | 84 |
| B. Bank Balance | 3,19,506 | 7,671 |
| Total | 3,19,514 | 7,755 |

Bank Balances Include:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|---|-----------------|-----------------|
| i. Unpaid Dividends | Nil | Nil |
| ii. Margin Money | Nil | Nil |
| III. Deposits with not more than 12 months maturity | 3,13,517 | Nil |
| iv. Cheques & Drafts On Hand | Nil | Nil |
| v. Others | 5,988 | 7,671 |
| Total | 3,19,506 | 7,671 |

13. Short Term Loans & Advances:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|--|-----------------|-----------------|
| A. Loans & Advances to Related Parties | Nil | Nil |
| B. Advances with Revenue Authorities | 3,340 | 430 |
| C. Other Loans & Advances | 632 | 48 |
| Total | 3,972 | 477 |

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

14. Sales & Other Incomes:

(₹ '000)

| | Particulars | Current Year | Previous Year |
|-----------|---------------------------------|--------------|---------------|
| A. | Revenue from Operation : | | |
| | Exploration Contract | Nil | 7,492 |
| | Consultancy Receipts | 467 | 1,169 |
| | Total - A | 467 | 9,164 |
| B. | Other Incomes: | | |
| | Interest on Deposits & Others | 5,520 | 30 |
| | Miscellaneous Receipts | | |
| | Total - B | 5,520 | 30 |
| | Total (A + B) | 5,988 | 9,194 |

15. Exploration Expenses:

| | Particulars | Current Year | Previous Year |
|--|--|---------------|---------------|
| | Analysis Charges | 2,514 | 183 |
| | Boarding & Lodging Charges | 444 | 9 |
| | Electricity Charges | 20 | - |
| | Camp Expenses | 546 | 231 |
| | Printing & Duplicating Charges | 21 | 1 |
| | Field Supplies & Consumables | 207 | 65 |
| | Field Vehicle Maintenance | 684 | 91 |
| | Rent | 465 | 231 |
| | Land & Crop Compensation | 7,561 | 468 |
| | Field Travel Expenses | 1,476 | 199 |
| | Exploration Contract Expenses | 6,670 | 4,234 |
| | Telephone & Communication Expenses | 85 | - |
| | Professional & Consultancy Fees | 10,783 | 1,402 |
| | Freight & Transportation Charges | 77 | - |
| | Trenching, Drilling & Pitting Charges | 11,918 | 2,104 |
| | Other Camp Expenses | 115 | 14 |
| | Total | 43,584 | 9,234 |
| | Less: Transferred to Capital Expenditure W I P | 43,584 | - |
| | Total | - | 9,234 |

16. Employment Benefit Expenses:

| | Particulars | Current Year | Previous Year |
|----|--|--------------|---------------|
| A. | Salaries, Wages, Bonus, Gratuity, Leave Encashment | 375 | Nil |
| B. | Staff Welfare & Medical Expenses | 75 | Nil |
| | Total | 450 | Nil |

DECCAN GOLD MINES LIMITED

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

17. Financial Cost:

(₹ '000)

| Particulars | Current Year | Previous Year |
|--------------------------------|--------------|---------------|
| A Interest on Other Loans | 1,107 | Nil |
| B Bank Charges & Other Charges | 33 | 6 |
| Total | 1,140 | 6 |

18. Depreciation Amortized Cost:

| Particulars | Current Year | Previous Year |
|-----------------------------------|--------------|---------------|
| A. Depreciation | 689 | 199 |
| B. Preliminary Expenses Amortized | Nil | Nil |
| Total | 689 | 199 |

19. Other Expenses:

| Particulars | Current Year | Previous Year |
|------------------------------------|--------------|---------------|
| Office Expenses | 320 | 9 |
| Postage & Telegrams | 27 | 0 |
| Filing Fees | 8 | 0 |
| Telephone Expenses | 43 | 6 |
| Printing & Stationery Expenses | 47 | 11 |
| Electricity Charges | 110 | 4 |
| Insurance Charges | 46 | 25 |
| Repairs & Maintenance | 406 | 10 |
| Professional Fees | 48 | 6 |
| Telephone & Communication Expenses | 70 | 0 |
| Rent | 525 | 0 |
| Vehicle Maintenance | 178 | 0 |
| Water Charges | 25 | 0 |
| Membership & Subscription | 19 | 0 |
| Recruitment Charges | 112 | 0 |
| Rates & Taxes | 38 | 0 |
| Preliminary Expenses Written off | 91 | 0 |
| AUDITORS REMUNERATION: | | |
| For Audit | 23 | 22 |
| For Taxation | 6 | 4 |
| For Expenses | 5 | 1 |
| Total | 2,148 | 100 |

20. Exceptional Items:

| Particulars | Current Year | Previous Year |
|------------------------------------|--------------|---------------|
| A. Penal Interest & Other Expenses | 0 | 4 |
| Total | Nil | 4 |

DECCAN EXPLORATION SERVICES PRIVATE LIMITED**21. Contingent Liabilities: Nil (P.Y Nil)****22. Trade Receivables:**

Classified as Current: ₹ 1,56,097/- (P.Y. ₹ 4,13,08,714/-) includes:

(₹ '000)

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|--|-----------------|-----------------|
| i. Debts Due for a period: | | |
| a. more than Six Months from the due date | Nil | 9,351 |
| b. Others | 156 | 31,958 |
| ii. Debts considered good and secured | Nil | Nil |
| iii. Debts considered good but not secured (i + ii) | 156 | 41,309 |
| iv. Debts considered unsecured and doubtful of recovery and not provided for | Nil | Nil |
| v. Debts due from: | Nil | Nil |
| a. Directors | | |
| b. Other Officers | Nil | Nil |
| c. Companies in which the Directors of the company is Directors | Nil | Nil |
| d. Firms in which Directors of the company are interested as partners | Nil | Nil |

23. Loans and Advances:

Classified as Current: ₹ 39,71,780 /- (P.Y. ₹ 4,77,475/-) includes:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|---|-----------------|-----------------|
| i. Short Term Loans & Advances: | | |
| a. Capital Advances | Nil | Nil |
| b. Security Deposits | Nil | Nil |
| c. Due From Related Parties | Nil | Nil |
| d. Others | 3,972 | 477 |
| ii. Loans and advances which are: | | |
| a. Secured and considered good | Nil | Nil |
| b. Unsecured and Considered Good | 3,972 | 477 |
| c. Doubtful | Nil | Nil |
| III. Loans & Advances due from: | | |
| a. Directors | Nil | Nil |
| b. Directors Relatives | Nil | Nil |
| c. Companies in which the Directors of the company is Directors | | Nil |
| d. Firms in which Directors of the company are interested as partners | Nil | Nil |

DECCAN GOLD MINES LIMITED

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

24. Loans and Advances:

Classified as Non-Current: ₹ 10,07,434/- (P.Y. ₹ 2,82,434/-) includes:

(₹ '000)

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|---|-----------------|-----------------|
| i. Long Term Loans & Advances: | | |
| a. Capital Advances | Nil | Nil |
| b. Security Deposits | 127 | 127 |
| c. Due From Related Parties | Nil | Nil |
| d. Others | 880 | 155 |
| ii. Loans and advances which are: | | |
| a. Secured and considered good | Nil | Nil |
| b. Unsecured and Considered Good | 1,007 | 282 |
| c. Doubtful | Nil | Nil |
| III. Loans & Advances due from: | | |
| a. Directors | Nil | Nil |
| b. Directors Relatives | Nil | Nil |
| c. Companies in which the Directors of the company is Directors | Nil | Nil |
| d. Firms in which Directors of the company are interested as partners | Nil | Nil |

Classified as Other Non-Current: ₹ 11,25,126/- (P.Y ₹ 2,84,552/-) includes:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|---|-----------------|-----------------|
| i. Long Term Loans & Advances: | | |
| a. Capital Advances | Nil | Nil |
| b. Security Deposits | | |
| c. Due From Related Parties | Nil | Nil |
| d. Others | 1,125 | 285 |
| ii. Loans and advances which are: | | |
| a. Secured and considered good | Nil | Nil |
| b. Unsecured and Considered Good | 1,125 | 285 |
| c. Doubtful | Nil | Nil |
| III. Loans & Advances due from: | | |
| a. Directors | Nil | Nil |
| b. Directors Relatives | Nil | Nil |
| c. Companies in which the Directors of the company is Directors | Nil | Nil |
| d. Firms in which Directors of the company are interested as partners | Nil | Nil |

25. Amounts due to and From Related Parties:

Amounts due to Related Parties: Nil

Amounts due from Related Parties:

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|-------------------------|-----------------|-----------------|
| I Deccan Gold Mines Ltd | Nil | 41,248 |
| Total | Nil | 41,248 |

DECCAN EXPLORATION SERVICES PRIVATE LIMITED**Amounts due to Related Parties:****(₹ '000)**

| Particulars | As At 31.3.2016 | As At 31.3.2015 |
|-------------------------|--------------------|-----------------|
| I Deccan Gold Mines Ltd | 10,043 | Nil |
| Total | 10,043 | Nil |

26. Operating Cycles of the various businesses considered by the management are:

| Particulars | Period of operation cycle |
|-------------------------------|---------------------------|
| i Mining Exploration Contract | One Year |
| ii Mining Consultancy | Six Months |

27. The particulars of Gross Sales and Net of Duties are:

| Particulars | Gross Value | Less: Duty | Net of Duty |
|--------------------------------------|-------------|------------|-------------|
| I Mining Exploration Contract | | | |
| Mining Consultancy | 530 | 62 | 467 |
| Total | 482 | 62 | 467 |

28. The particulars of Foreign Exchange Earnings and Expenditure are:

| Particulars | Current Year | Previous Year |
|-------------------------------------|--------------|---------------|
| Earnings: | | |
| I Exports | Nil | Nil |
| Expenditure: | | |
| i Import of Materials | Nil | Nil |
| ii Import of Consumables | Nil | Nil |
| iii Import of Machinery | Nil | Nil |
| iv Travelling , Proff & consultancy | 3,683 | Nil |
| Total | Nil | Nil |

29. Particulars of amounts contributed to various funds for Employees benefit:

| Particulars | Current Year | Previous Year |
|---------------------|--------------|---------------|
| Provident Fund | Nil | Nil |
| ESI Contribution | Nil | Nil |
| Labour Welfare Fund | Nil | Nil |
| Total | Nil | Nil |

DECCAN GOLD MINES LIMITED

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

30. RELATED PARTY TRANSACTIONS DISCLOSURES:

In ₹

| Particulars | Subsidiary, Directors & Relatives | Key Management Personnel | TOTAL |
|--|-----------------------------------|--------------------------|----------|
| Exploration & Other Expenses Paid | | | |
| Exploration Contract Receipts | | | |
| Financial Transactions: | | | |
| a. Loan Borrowed | 11,600 | Nil | 11,600 |
| b. Loan Repaid | 11,600 | Nil | 11,600 |
| c. Interest Paid | 499 | Nil | 499 |
| d. Equity Share Capital | 3,42,082 | Nil | 3,42,082 |
| e. Share Application | Nil | Nil | Nil |
| f. Advances Recovered | Nil | Nil | Nil |
| g. Advances Paid | Nil | Nil | Nil |
| h. Refundable Deposit paid under Joint Development agreement | Nil | Nil | Nil |
| Sale Of Fixed Assets | Nil | Nil | Nil |
| Purchase Of Fixed Assets | Nil | Nil | Nil |
| Receiving Of Services | 7,588 | Nil | Nil |
| Rendering Of Services | Nil | Nil | Nil |
| Guarantees & Collaterals: | Nil | Nil | Nil |
| Associated Concerns: | None | | |
| Share Holders & Relatives: | a. M/s Deccan Gold Mines Ltd | | |
| Key Management Personnel | a. Mr. S.C.R.Peshwa - Director | | |
| | b. Mr. K. Karunakaran - Director | | |

31. Previous figures have been rearranged and regrouped so as to make them comparable with current figures.

32. SIGNIFICANT ACCOUNTING POLICIES :

A. REVENUE RECOGNITION:

1. Sales revenues and Contract Receipts are accounted on accrual basis goods.
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 and contract expenses 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 realizable value whichever is lower.

D. FIXED ASSETS:

For financial year 2015-2016 the depreciation on fixed assets is provided on estimated useful life as specified in schedule II to the Companies Act, 2013.

E. INVESTMENTS:

Investments are valued at cost.

DECCAN EXPLORATION SERVICES PRIVATE LIMITED**F. TAXES ON INCOME:**

- a. Current Liability towards Taxes On Income is recognized as per the estimates made as per the provisions of the Income Tax.
- b. Deferred Tax Asset and liabilities is recognized as per AS 22 issued by the ICAI; and

G. AMORTISATION OF INTAGIBLE ASSETS:

All Intangible Assets are amortized as per AS 26 issued by the ICAI.

33. Particulars of number of employees drawing remuneration exceeding a sum of ₹ 60,00,000 per annum or ₹ 5,00,000 per month is Nil.

34. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**I. Registration Details:**

| | | | |
|------------------|-------|------------|----|
| Registration No. | 22819 | State Code | 08 |
|------------------|-------|------------|----|

BALANCE SHEET AS AT 31st MARCH, 2016:**II. Capital raised during the year:**

Rs. in Lakhs

| Particulars | Current Year | Previous Year |
|-------------------|--------------|---------------|
| Public Issue | Nil | Nil |
| Right Issue | Nil | Nil |
| Bonus Issue | Nil | Nil |
| Private Placement | Nil | Nil |

III. Position of mobilization and deployment of funds:

Rs. in Lakhs

| | | |
|-------------------|-----------|---------|
| Total Liabilities | 3,757.811 | 506.308 |
| Total Assets | 3757.811 | 506.308 |

Sources of Funds:

| | | |
|----------------------------|-----------|---------|
| Paid Up Capital | 1.300 | 181.010 |
| Reserves & Surpluses | 3,590.609 | 161.016 |
| Share Application Money | Nil | 57.010 |
| Net Deferred Tax Liability | 2.797 | Nil |
| Non Current Liabilities | Nil | Nil |
| Current Liabilities | 163.105 | 107.272 |

Application Of Funds:

| | | |
|--------------------------|-----------|---------|
| Net Fixed Assets | 500.063 | 3.718 |
| Net Deferred Tax Asset | Nil | 1.508 |
| Non Current Investments | Nil | Nil |
| Other Non Current Assets | 21.326 | 5.669 |
| Current assets | 3,236.422 | 495.413 |

DECCAN GOLD MINES LIMITED

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

IV. Performance of the Company:

₹ in Lakhs

| | | |
|---------------------------------------|--------|---------|
| Total Turnover & Income | 59.875 | 86.916 |
| Total Expenditure | 44.267 | 90.367 |
| Exceptional Items | Nil | 0.035 |
| Profit Before Tax | 15.608 | (3.486) |
| Profit After Tax | 8.157 | (1.158) |
| Earning Per Share [Basic & Diluted] ₹ | 62.75 | (23.27) |
| Dividend- Interim/Proposed Per Share | Nil | Nil |

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

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

For and on behalf of the Board

S.C.R PESHWA
Director

K.KARUNAKARAN
Director

As per our report of even date attached.

For **Rao & Venkatesulu**
Chartered Accountants

K Y Ningoji Rao
Partner
Membership No. :018278
FRN: 003108S

Place : Bengaluru
Date : 30 April 2016

DECCAN EXPLORATION SERVICES PRIVATE LIMITED

Cash Flow For The Year Ended On 31st March, 2016

₹ in Lakhs

| Cash Flow From Operating Activities: | Current Year | | Previous Year | |
|--|--------------|-----------------|---------------|--------------|
| Net Profit Before Tax & Extraordinary items Adjustments For : | | 15.61 | | (3.49) |
| Depreciation | 6.89 | | 1.99 | |
| Miscellaneous Expenditure Written off | - | | - | |
| Provision For Gratuity & Earned Leave Payable | - | | - | |
| Profit/Loss on Sale of Investments | - | | - | |
| Profit/Loss on Sale of Assets | - | | - | |
| Investments Written Off | - | | - | |
| Interest, Dividends Etc | (55.20) | | (0.30) | |
| Finance Cost | 11.40 | (36.91) | 0.06 | 1.75 |
| Operating Profit Before Working Capital Changes Adjustments for : | | (21.30) | | (1.74) |
| Trade Receivables | 411.53 | | (225.52) | |
| Inventories | - | | - | |
| Other Receivables | (34.94) | | (4.19) | |
| Other Current Assets | - | | - | |
| Trade Payables & Current Liabilities | 55.83 | 432.42 | (33.68) | (263.39) |
| Cash Generated From Operations | | 411.12 | | (265.13) |
| Finance Cost | (11.40) | | (0.06) | |
| Direct Taxes Paid | (3.15) | | - | |
| Dividend Paid | - | (14.55) | - | (0.06) |
| Cash flow before extra ordinary items Sales Assets | | 396.57 | | (265.19) |
| Net Prior Period Expenses | | | | |
| Net Cash Flow From Operating Activities | | 396.57 | | (265.19) |
| Cash Flow from Investing Activities | - | | - | |
| Purchase of Fixed Assets | (503.24) | | 0.01 | |
| Purchase of Investments | - | | - | |
| Sale of Assets | - | | - | |
| Increase In Preliminary Expenses | 0.91 | | (25.35) | |
| Interest Received | 55.20 | | 0.30 | |
| Dividend Received | - | (447.13) | - | (25.04) |
| Net Cash used in investing activities | | (50.56) | | (290.23) |
| Cash Flow from Financing Activities | | | | |
| Other Non-Current Assets | (8.41) | | 4.27 | |
| Long Term Loans & Advances | (7.25) | | (0.01) | |
| Proceeds from issue of Capital | 3,240.82 | | 300.00 | |
| Proceeds from issue of Share Application Money | (57.01) | | 57.01 | |
| Proceeds from Long Term Borrowings | - | | - | |
| Repayment of Finance Lease Liabilities | - | | - | |
| Work in Capital Loan | - | | - | |
| Investment Subsidy | - | 3,168.15 | - | 361.27 |
| Net Cash Used in Financing Activities | | 3,117.59 | | 71.04 |
| Net Increase/Decrease in Cash & Cash Equivalents | | | | |
| Opening Balance of Cash & Cash Equivalents | | 77.55 | | 6.51 |
| Closing Balance of Cash & Cash Equivalents | | 3,195.14 | | 77.55 |

We have verified the Cash Flow Statement of Deccan Exploration Services Private Limited derived from the Audited Statements and the Books and Records maintained by the company for the year ended on 31st March, 2016 and found the same in agreement therewith.

For and on behalf of the Board

S.C.R PESHWA
Director

K.KARUNAKARAN
Director

As per our report of even date attached.

For **Rao & Venkatesulu**
Chartered Accountants

K Y Ningoji Rao
Partner

Membership No. :018278
FRN: 003108S

Place : Bengaluru
Date : 30 April 2016

DECCAN GOLD MINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Deccan Gold Mines Limited,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Deccan Gold Mines Limited (herein referred to as "the Holding Company") and its subsidiary (the holding company and its subsidiary together referred to as "the Group"), comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information(herein referred to as the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these financial statements in terms of the requirements of the companies Act, 2013(herein referred to as "the act") that give a true and fair view of the consolidated financial position, consolidated financial performance and cash flows of the group in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act, read with the rule 7 of the companies (accounts) rules, 2014. The respective board of directors of the companies included in the group are responsible for maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for insuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated financial statements by the directors of the holding company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made there under.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the holding company has an adequate internal financial control system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the holding company's board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor's in terms of their reports referred to in sub-paragraph(a) of the other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the group, its associates and jointly controlled entities as at 31st March, 2016,

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- (b) In the case of statement of Profit and Loss, of the LOSS for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matters

- (a) We did not audit the financial statements/ financial information of 1 subsidiary, whose financial statement/ financial information reflect the total assets of Rs. 3757.81 lacs as at 31st March,2016, total revenues of Rs.59.88 Lacs and net cash flows amounting to Rs.3117.59 Lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements/ financial information have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relate to the amounts and disclosures included in respect of subsidiary and our reports in terms of sub section (3) & (11) of section 143 of the Act in so far as it relates to the aforesaid subsidiary is based solely on the report of the other auditors.

Our opinion on the consolidated financial statements, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, we report, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
- b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) rules,2014;
- e) On the basis of written representations received from the directors of the Holding Company as on March 31, 2016, and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164(2) of the Act;
- f) We have audited internal financial controls over financial reporting (IFCoFR) of the company as of 31st March,2016 in conjunction with our audit of financial statement of the Group Company for the year ended on that date and our report dated 18/05/2016 as per Annexure I expressing our unmodified opinion on adequacy and operating effectiveness of the internal financial control over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules,2014, in our opinion and to the best of our information and

DECCAN GOLD MINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

according to the explanations given to us;

- i) There were no pending litigations which would impact the consolidated financial position of the Group.
- ii) The Group did not have any material, foreseeable losses on long-term contracts including derivative contracts.
- iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India.

For V. K. BESWAL & ASSOCIATES

CHARTERED ACCOUNTANTS

FIRM REGN NO 101083W

CA K.V. BESWAL

PARTNER

Membership Number: 131054

Place : Mumbai

Dated : 18th May 2016

CONSOLIDATED FINANCIAL STATEMENTS**Annexure I****Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

1. In conjunction with our audit of the consolidated financial statements of **Deccan Gold Mines Limited ("the Holding Company")** and its Indian subsidiary companies (the holding company and its subsidiaries together referred to as "the Group"), as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting (IFCoFR) of the company of as of that date.

Management's Responsibility for Internal Financial Controls

2. The Respective Board of Directors of the Holding Company and its subsidiary companies, which are companies incorporated in India are responsible for establishing and maintaining internal financial controls based on the criteria being specified by management. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the required under the Companies Act, 2013.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Group's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A Company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

DECCAN GOLD MINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on the Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For V. K. BESWAL & ASSOCIATES

CHARTERED ACCOUNTANTS

FIRM REGN NO 101083W

CA K.V. BESWAL

PARTNER

Membership Number: 131054

Place : Mumbai

Dated : 18th May 2016

DECCAN GOLD MINES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2016

(₹ in '000)

| Particulars | Note No. | As at 31-03-2016 | As at 31-03-2015 |
|---------------------------------------|----------|------------------|------------------|
| I. EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| (a) Share capital | 1 | 89,227 | 77,218 |
| (b) Reserves and surplus | 2 | 2,83,484 | (76,735) |
| (c) Employee Stock option Outstanding | | 40,953 | 7,063 |
| (d) Share Application Money | | 4,576 | 5,701 |
| (e) Minority Interest | | - | - |
| | | 4,18,240 | 13,247 |
| Non-Current Liabilities | | | |
| (a) Long-term Provisions | 3 | 1,427 | 950 |
| (b) Deferred Tax Liabilities | | 280 | - |
| | | 1,707 | 950 |
| Current Liabilities | | | |
| (a) Trade payables | 4 | 5,017 | 10,358 |
| (b) Other current liabilities | 5 | 6,494 | 2,525 |
| (c) Short Term Provisions | 6 | 315 | - |
| | | 11,825 | 12,883 |
| TOTAL (I) | | 4,31,771 | 27,080 |
| II. ASSETS | | | |
| Non-Current Assets | | | |
| (a) Goodwill on Consolidation | | 648 | 197 |
| (b) Fixed assets | 7 | | |
| (i) Tangible assets | | 3,667 | 716 |
| (ii) Intangible assets | | 3,121 | 246 |
| (c) Long Term Loans and Advances | 8 | 7,824 | 3,209 |
| (d) Deferred Tax Assets | | - | 151 |
| | | 15,260 | 4,519 |
| Current assets | | | |
| (a) Trade Receivables | 9 | 156 | 885 |
| (b) Cash and cash equivalents | 10 | 4,01,054 | 11,392 |
| (c) Short-term loans and advances | 11 | 15,301 | 10,284 |
| | | 4,16,511 | 22,562 |
| TOTAL (II) | | 4,31,771 | 27,080 |

Notes are integral part of the balance sheet & profit & loss account 1A

As per our report of even date,
For **V. K. BESWAL & ASSOCIATES**
CHARTERED ACCOUNTANTS
FIRM REGN NO 101083W

CA K.V. BESWAL
PARTNER
Membership Number: 131054

Place : Mumbai
Dated : 18th May 2016

For and on behalf of the Board

Charles E.E. Devenish
Chairman

K Karunakaran
Chief Finance Officer
Place : Bengaluru
Dated : 18th May 2016

Sandeep Lakhwara
Managing Director

S. Subramaniam
Company Secretary

DECCAN GOLD MINES LIMITED

DECCAN GOLD MINES LIMITED

STATEMENT OF CONSOLIDATED PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2016

(Amount in '000)

| Particulars | Note No. | For the year ended 31-03-2016 | For the year ended 31-03-2015 |
|--|----------|----------------------------------|----------------------------------|
| Other income | 12 | 9,446 | 5,002 |
| Total Revenue | | 9,446 | 5,002 |
| Expenses: | | | |
| Employee benefits expense | 13 | 56,883 | 10,924 |
| Finance costs | 14 | 1,280 | 47 |
| Depreciation and amortization expense | 6 | 995 | 449 |
| Other expenses | 15 | 17,681 | 9,980 |
| Total expenses | | 76,839 | 21,400 |
| Loss before extraordinary items and tax | | (67,393) | (16,398) |
| Extraordinary Items Prior year adjustments | | - | - |
| Loss before tax | | (67,393) | (16,398) |
| Tax expense: (Add)/Less : | | | |
| (1) Current tax | | 315 | - |
| (2) Deferred Tax | | 430 | 116 |
| Profit (Loss) for the period before MI | | (68,139) | (16,282) |
| Less : Minority Interest | | - | 1 |
| Loss for the Period | | (68,139) | (16,281) |
| Earnings per equity share: Basic (in ₹) | | (0.96) | (0.28) |
| Earnings per equity share: Diluted (in ₹) | | (0.92) | (0.26) |

Notes are integral part of the balance sheet & profit & loss account 1A

As per our report of even date,
For **V. K. BESWAL & ASSOCIATES**
CHARTERED ACCOUNTANTS
FIRM REGN NO 101083W

CA K.V. BESWAL
PARTNER
Membership Number: 131054

Place : Mumbai
Dated : 18th May 2016

For and on behalf of the Board

Charles E.E. Devenish
Chairman

K Karunakaran
Chief Finance Officer
Place : Bengaluru
Dated : 18th May 2016

Sandeep Lakhwara
Managing Director

S. Subramaniam
Company Secretary

DECCAN GOLD MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Note : 1 Share Capital

| A | Particulars | As at 31 March 2016 | | As at 31 March 2015 | |
|---|---|---------------------|---------------|---------------------|---------------|
| | | Numbers | ₹ ('000) | Numbers | ₹ ('000) |
| | Authorised | | | | |
| | Equity Shares of ₹1 each | 25,00,00,000 | 2,50,000 | 25,00,00,000 | 2,50,000 |
| | Preference Share of Rs. 100 each | 3,50,000 | 35,000 | 3,50,000 | 35,000 |
| | | 25,03,50,000 | 2,85,000 | 25,03,50,000 | 2,85,000 |
| | Issued, Subscribed & Fully Paid up | | | | |
| | Equity Shares of ₹ 1 each | 8,92,27,375 | 89,227 | 5,92,18,250 | 59,218 |
| | 1,80,000 Redeemable Preference Shares of Rs 100/- each, fully paid up | - | - | 1,80,000 | 18,000 |
| | Total | 8,92,27,375 | 89,227 | 5,93,98,250 | 77,218 |

B Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| Particulars | Equity Shares | | | |
|---|---------------------|---------------|---------------------|---------------|
| | As at 31 March 2016 | | As at 31 March 2015 | |
| | Numbers | ₹ ('000) | Numbers | ₹ ('000) |
| At the beginning of the year | 5,92,18,250 | 59,218 | 5,88,67,250 | 58,867 |
| Add : Shares Issued on exercise of Employee Stock Options | 4,00,000 | 400 | 3,51,000 | 351 |
| Add : Shares issued by way of Right issues | 2,96,09,125 | 29,609 | - | - |
| At the end of the year | 8,92,27,375 | 89,227 | 5,92,18,250 | 59,218 |

| Particulars | Preference Shares | | | |
|-------------------------------------|---------------------|----------|---------------------|---------------|
| | As at 31 March 2016 | | As at 31 March 2015 | |
| | Numbers | ₹ ('000) | Numbers | ₹ ('000) |
| At the beginning of the year | 1,80,000 | 18,000 | - | - |
| Add : Shares Issued during the year | - | - | 1,80,000 | 18,000 |
| Less : Redeemed during the year | 1,80,000 | 18,000 | - | - |
| At the end of the year | - | - | 1,80,000 | 18,000 |

C Shares held by holding company / ultimate holding company and/or their subsidiaries/associates

| Particulars | Nature of Relationship | As at 31 March 2016 | As at 31 March 2015 |
|---------------|------------------------|---------------------|---------------------|
| Equity Shares | | NIL | |

D Detail of shareholders holding more than 5% of shares in the company

| Name of Shareholder | Equity Shares | | | |
|--------------------------------|---------------------|--------------|---------------------|--------------|
| | As at 31 March 2016 | | As at 31 March 2015 | |
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Rama Mines (Mauritius) Limited | 2,59,94,641 | 29.13 | 2,46,54,746 | 41.63 |

DECCAN GOLD MINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

| Name of Shareholder | Preference Shares | | | |
|---------------------------|---------------------|--------------|---------------------|--------------|
| | As at 31 March 2016 | | As at 31 March 2015 | |
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Mahendra Ratilal Sarvaiya | - | - | 1,50,000 | 83.33 |
| Samir Madhusudhan Thakur | - | - | 30,000 | 16.67 |

- E (1) During the financial year 2010-11, the Company has granted 30,00,000 options to the eligible employees at a price of ₹16.95/- per option plus all applicable taxes. The options would vest over a maximum period of 3 years as decided by the Compensation Committee from the date of grant based on specified criteria. As of 31 March, 2015 there are no outstanding options under said Scheme since the Scheme has come to an end during June, 2014 itself.
- (2) During the financial year 2014-15, the Company had granted 30,00,000 stock options to the eligible employees (15,00,000 options on 14 January, 2015 and 15,00,000 options on 10 March, 2015) under the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014. These options have been granted at a price of ₹ 7/- per option plus all applicable taxes. The options would vest over a period of 2 years (post a lock-in period of 1 year from the date of grant) as decided by the Nomination & Remuneration Committee from the date of grant based on specified criteria. Out of 15,00,000 stock options vested during 2015-16, 4,00,000 stock options have been exercised on 17th February 2016.
- (3) During the financial year 2015-16, the Company had granted stock options to the eligible employees (15,00,000 options on 4th March, 2016) under the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014. These options have been granted at a price of ₹.7/- per option plus all applicable taxes. The options would vest over a period of 1 year as decided by the Nomination & Remuneration Committee from the date of grant based on specified criteria.
- F. Aggregate numbers of shares issued as fully paid up for consideration other than cash, bonus shares issued and shares bought back during the period of 5 years immediately preceding the reporting date.

| Particulars | Aggregate No. of Shares (for last 5 Financial Years) |
|--|---|
| Equity Shares : | |
| Fully paid up pursuant to contract(s) without payment being received in cash | NIL |
| Fully paid up by way of bonus shares | NIL |
| Shares bought back | NIL |

Note - 2 : Reserve and surplus

₹ ('000)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|--|---------------------|---------------------|
| a. Capital Reserves | | |
| Opening Balance | 16,726 | 16,726 |
| (+)/(-) Transfer | - | - |
| Closing Balance | 16,726 | 16,726 |
| b. Capital Redemption Reserve | | |
| Opening Balance | - | - |
| (+) Transfer from Share Premium Reserves | - | 11,546 |
| Closing Balance | - | 11,546 |
| c. Securities Premium Account | | |
| Opening Balance | 1,09,942 | 1,05,542 |
| (+) on allotment of Equity Shares | 4,90,966 | 7,582 |
| (-) Expenses for Increase in Authorise Capital | - | (1,846) |
| (-) Right issue expenses | (4,918) | (1,336) |
| Closing Balance | 5,95,990 | 1,09,942 |

CONSOLIDATED FINANCIAL STATEMENTS

| | | |
|--|-------------------|-------------------|
| d. Profit & Loss Account | | |
| Opening balance | (81,893) | (65,589) |
| (+) Net Loss /ProfitFor the current year | (68,139) | (16,281) |
| (-) Adjustment to fixed assets (Refer Note No 25) | - | (23) |
| Closing Balance | (1,50,032) | (81,893) |
| e. Preoperative Expenses | | |
| Opening balance | (1,33,056) | (1,20,864) |
| (+) Incurred during the year (Refer Note No 18) | (46,234) | (12,192) |
| (+) written off and charged to Profit and Loss Account | 91 | - |
| Closing Balance | (1,79,200) | (1,33,056) |
| Total (a+b+c+d+e) | 2,83,484 | (76,735) |

Note - 3 : Long Term Provisions

₹ ('000)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|------------------------|---------------------|---------------------|
| Provision for Gratuity | 1,427 | 950 |
| Total | 1,427 | 950 |

Note - 4 : Trade payables

₹ ('000)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|--|---------------------|---------------------|
| Due to Mirco, small and medium enterprises | - | - |
| Due to Others | 5,017 | 10,358 |
| Total | 5,017 | 10,358 |

Note: Based on the information available with the Company, there are no suppliers who are registered as micro small & Medium enterprises under The Micro, Small and Medium Enterprises Development Act, 2006, as at 31st March 2016

Note - 5 : Other Current Liabilities

₹ ('000)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|----------------------|---------------------|---------------------|
| (i) Statutory dues | 6,284 | 962 |
| (ii) Other liability | 210 | 1,563 |
| Total | 6,494 | 2,525 |

Note - 6 : Short Term Provisions

₹ ('000)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|----------------------------------|---------------------|---------------------|
| (i) Provisions For Current Taxes | 315 | - |
| Total | 315 | - |

DECCAN GOLD MINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

Note 7 : Fixed Assets

₹ ('000)

| Fixed Assets | Gross Block | | | | Accumulated Depreciation | | | | Net Block (WDV) | | |
|-------------------------------------|--------------------------|--------------|-----------|--------------------------|--------------------------|--------------|----------------------|--------------|--------------------------|--------------------------|--------------------------|
| | Balance as at 01-04-2015 | Additions | Disposals | Balance as at 31-03-2016 | Balance as at 01-04-2015 | for the Year | Transfer to reserve* | Written back | Balance as at 31-03-2016 | Balance as at 31-03-2016 | Balance as at 31-03-2015 |
| Tangible Assets : | | | | | | | | | | | |
| Land - Lease hold | - | - | - | - | - | - | - | - | - | - | - |
| Plant and Equipment | 1,138 | - | - | 1,138 | 969 | 90 | - | - | 1,059 | 79 | 169 |
| Vehicles | 1,346 | 2,192 | - | 3,538 | 1,001 | 366 | - | - | 1,367 | 2,171 | 345 |
| Computer | 350 | 1,109 | - | 1,459 | 319 | 124 | - | - | 444 | 1,016 | 31 |
| Furniture and Fixtures | 563 | 228 | - | 791 | 496 | 74 | - | - | 570 | 222 | 67 |
| Office equipment | 466 | 150 | - | 616 | 362 | 74 | - | - | 436 | 180 | 104 |
| Total | 3,864 | 3,679 | - | 7,543 | 3,147 | 728 | - | - | 3,876 | 3,667 | 716 |
| Intangible Assets : | | | | | | | | | | | |
| Computer software | 396 | 3,142 | - | 3,538 | 150 | 267 | - | - | 417 | 3,121 | 246 |
| Total | 396 | 3,142 | - | 3,538 | 150 | 267 | - | - | 417 | 3,121 | 246 |
| Capital Work In Progress | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - | - | - |
| Intangible assets under Development | - | - | - | - | - | - | - | - | - | - | - |
| Total | 4,260 | 6,821 | - | 11,081 | 3,298 | 995 | - | - | 4,293 | 6,788 | 962 |
| Previous Year | 6,874 | 250 | 2,864 | 4,260 | 5,689 | 449 | 23 | 2,864 | 3,298 | 962 | - |

Note - 8 : Other Non-current Assets

₹ ('000)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|--------------------|---------------------|---------------------|
| Security Deposits | 7,824 | 2,924 |
| Others receivables | - | 285 |
| Total | 7,824 | 3,209 |

Note - 9 : Trade Receivables

₹ ('000)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|-----------------------------------|---------------------|---------------------|
| Unsecured, considered good | | |
| Over Six months | - | 3 |
| Others | 156 | 883 |
| Total | 156 | 885 |

Note - 10 : Cash and Cash Equivalents

₹ ('000)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|---------------------------------------|---------------------|---------------------|
| a. Balances with banks | | |
| On current accounts in scheduled bank | 3,73,617 | - |
| On current accounts in scheduled bank | 27,408 | 11,280 |
| b. Cash on hand | 29 | 112 |
| Total | 4,01,054 | 11,392 |

Note - 11 : Short-term loans and advances

₹ ('000)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|-------------------------------------|---------------------|---------------------|
| Advance receivable in cash or kind | 4,280 | 3,698 |
| Balance with Government Authorities | | |
| Income Taxes (Net) | 3,502 | 2,327 |
| Service Tax | 7,518 | 4,212 |
| Others | - | 48 |
| Total | 15,301 | 10,284 |

CONSOLIDATED FINANCIAL STATEMENTS

Note - 12 : Other Income

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|--|-------------------------------------|-------------------------------------|
| Reversal of Expenses on Employee Stock Option Scheme | - | 2,785 |
| Interest Income | 8,979 | 115 |
| Consultancy Income | 467 | 2,102 |
| Total | 9,446 | 5,002 |

Note - 13 : Employee Benefit Expenses

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|--|-------------------------------------|-------------------------------------|
| Salaries & wages | 7,845 | 3,775 |
| Expenses on Employee Stock Option Scheme | 48,710 | 7,062 |
| Staff welfare expenses | 329 | 87 |
| Total | 56,883 | 10,924 |

Note - 14 : Finance costs

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|---------------|-------------------------------------|-------------------------------------|
| Bank Charges | 97 | 33 |
| Interest Paid | 1,183 | 15 |
| Total | 1,280 | 47 |

Note - 15 : Other expenses

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|---|-------------------------------------|-------------------------------------|
| Electricity Expenses | 149 | 136 |
| Listing Fees | 586 | 305 |
| Rent | 1,992 | 2,056 |
| Rates and taxes | 68 | 48 |
| Repair and maintenance | 1,613 | 638 |
| Directors Remuneration | 8,400 | 3,000 |
| Business promotion & Advertiesment Exp. | 75 | 81 |
| Travelling and conveyance | 269 | 321 |
| Communication Expenses | 568 | 102 |
| Legal and Professional fees | 1,323 | 661 |
| Directors' sitting fees | 395 | 108 |
| Exploration Expenses | - | 1,239 |
| Auditor's remuneration | 179 | 181 |
| Preliminary Expenses Written off | 91 | - |
| Miscellaneous expenses | 1,419 | 943 |
| Membership & Subscription fees | 556 | 35 |
| Total | 17,681 | 9,980 |

Payments to Auditor

₹ ('000)

| Particulars | for the year ended 31 March 2016 | for the year ended 31 March 2015 |
|----------------------------|-------------------------------------|-------------------------------------|
| For Audit Fee | 153 | 152 |
| For Certification & Others | 26 | 28 |
| Total | 179 | 181 |

DECCAN GOLD MINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

NOTE `(1A)' OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES ANNEXED TO BALANCE SHEET AS AT 31st MARCH, 2016

(i) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

A. Principles of Consolidation

The Consolidated financial statements relate to Deccan Gold mines Limited and its subsidiary Company.

The Consolidated financial statements have been prepared on following basis:

- a) The financial statement of the company and its subsidiary Company are combined on line-by- line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group transactions resulting in unrealized profits/losses in accordance with accounting standard (AS) 21 "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India.
- b) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements

B. Basis of accounting

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the Companies (Accounts) Rules, 2014 and the relevant provision of Companies Act, 2013. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statement are consistent with those of previous year.

C. 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.

D. Depreciation

1. Depreciation on Fixed Assets is provided based on the useful life of the assets in the manner prescribed in Schedule II to the Companies Act, 2013.
2. Depreciation on fixed assets added /disposed off during the year is provided on pro-rata basis

E. Foreign Currency transactions

Transactions of foreign currencies are recorded at the exchange rates prevailing on the date of the transaction or at the exchange rate under related forward exchange contracts. The realized exchange gains/losses are recognized in the Profit & Loss Account. All foreign currency assets/ liabilities are translated in rupees at the rates prevailing on the date of Balance Sheet.

F. Investments

- (a) Long term investments are carried at cost after providing for any diminution in value, if such diminution is of other than temporary nature.
- (b) Current investments are carried at the lower of cost and market value. The determination of carrying cost of such investments is done on the basis of specific identification.

G. Taxes on income

- i. i. Provision for current tax is made with reference to taxable income computed for the accounting period, for which the financial statements are prepared by applying the tax rates as applicable.
- ii. Deferred tax is recognized subject to the consideration of prudence, on timing differences being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is 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 extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

CONSOLIDATED FINANCIAL STATEMENTS**H. Impairment of Assets**

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

I. Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- i. Exploration Income is recognised when services are rendered.
- ii. Interest Income is recognised on accrual basis
- iii. Dividend Income is accounted on accrual basis when the right to receive the dividend is established
- iv. Consultancy Income is recognized as and when services are rendered.

J. Employee Benefits

Leave encashment: - The company does not have a policy of carry forward of pending leaves and hence no provision for the same is made as mentioned under AS - 15 issued by ICAI.

Gratuity : - Gratuity provision is made for qualifying employees. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit cost method.

K. Provisions, Contingent Liabilities and Contingent Assets

Estimation of the probability of any loss that might be incurred on outcome of contingencies on basis of information available upto the date on which the financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimates required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonable possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statement. The company does not account for or disclose contingent asset, if any.

L. Stock options scheme

The stock options granted are accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999, issued by Securities and Exchange Board of India, whereby the intrinsic value of the option is recognised as deferred employee compensation.

The deferred employee compensation is charged to Profit & Loss Account on straight-line basis over the vesting period of the option. The employee stock option outstanding account is shown net of any unamortized deferred employee compensation.

NOTES TO THE ACCOUNTS:**Note 16:**

| Particulars | 31.03.2016 | 31.03.2015 |
|--|------------|------------|
| | ₹ ('000) | ₹ ('000) |
| 1. Capital Commitments | NIL | NIL |
| 2. Claims made against the company but not acknowledged as debts | NIL | NIL |
| 3. Contingent Liabilities | NIL | NIL |

Note 17: Expenditure and Earning in foreign currency:

| Particulars | 31.03.2016 | 31.03.2015 |
|------------------------------------|------------|------------|
| | ₹ ('000) | ₹ ('000) |
| 1. Expenditure in foreign currency | 3682.85 | NIL |
| 2. Earning in foreign currency | NIL | NIL |

DECCAN GOLD MINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

Note 18: Related party disclosure

a) Name of related parties and relationship

| S. No. | Name of the party | Relationship |
|--------|---|-------------------|
| 1 | Sandeep Lakhwara | Managing Director |
| 2 | Charles E.E. Devenish | Chairman |
| 3 | K.R.Krishnamurthy | Director |
| 4 | Dr.M.Ramakrishnan (resigned w.e.f. November 18, 2015) | Director |
| 5 | V.K.Gaur | Director |

b) Transactions with related parties:-

| Sr. No. | Nature | 31.03.2016 | 31.03.2015 |
|---------|---|------------|------------|
| | | ₹ ('000) | ₹ ('000) |
| 1 | Managerial Remuneration paid to directors | 8,400.00 | 3,000.00 |
| 2 | Directors Sitting Fees & Audit Committee fees | 395.00 | 107.50 |
| 3 | Rent for Guest House to Managing Director | - | 240.00 |

Note 19: 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 ₹1,792 Lacs as noted in schedule '2 d' 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.

Note 20: Disclosure in respect of Employee Stock Option Scheme

a. Employee Stock Option Scheme 2008:

| Particulars | Tranche-I | Tranche-II | Tranche-III |
|--|-----------------|------------|-------------|
| No of Options | 750,000 | 1,050,000 | 1,200,000 |
| Method of Accounting | Intrinsic Value | | |
| Vesting Period | 02/06/2011 | 02/06/2012 | 02/06/2013 |
| Exercise Period | 1 year | 1 year | 1 year |
| Grant Date | 02/06/2010 | 02/06/2010 | 02/06/2010 |
| Grant/Exercise Price (₹16.95 per share) | 16.95 | 16.95 | 16.95 |
| Market Price on the date prior to the date of grant of option) | 22.60 | 22.60 | 22.60 |

b. Movement of Options granted

| Particulars | 01.04.2015 to 31.03.2016 | 01.04.2014 to 31.03.2015 |
|--|--------------------------|--------------------------|
| Options outstanding at the beginning of the year | - | 8,44,000 |
| Exercised during the year | - | 3,51,000 |
| Options Lapsed during the year | - | 4,93,000 |
| Option Lapsed on account of Employee resignation | - | - |
| Options outstanding at the end of the year | - | - |
| Option unvested at the end of the year | - | - |
| Option exercisable at end of the year | - | 8,44,000 |

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Disclosure in respect of Deccan Gold Mines Limited Employee Stock Option Scheme 2014

| Particulars | Tranche-1 | Tranche-2 |
|---|--------------------------|--------------------------|
| No. of Options | 750,000 | 750,000 |
| Method of Accounting | Intrinsic Value | |
| Vesting Date | 14/01/2016 | 14/01/2017 |
| Vesting Period | 14/01/2016 to 13/01/2017 | 14/01/2017 to 13/01/2018 |
| Exercise Period | 1 year | 1 year |
| Grant Date | 14/01/2015 | 14/01/2015 |
| Grant / Exercise Price per share | ₹ 7 | ₹ 7 |
| Market Price on the date prior to the date of grant of option | ₹ 44.05 | ₹ 44.05 |

| Particulars | Tranche-1 | Tranche-2 |
|---|--------------------------|--------------------------|
| No. of Options | 750,000 | 750,000 |
| Method of Accounting | Intrinsic Value | |
| Vesting Date | 10/01/2016 | 10/01/2017 |
| Vesting Period | 10/03/2016 to 09/03/2017 | 10/03/2017 to 09/03/2018 |
| Exercise Period | 1 year | 1 year |
| Grant Date | 10/03/2015 | 10/03/2015 |
| Grant / Exercise Price per share | ₹ 7 | ₹ 7 |
| Market Price on the date prior to the date of grant of option | ₹ 30.80 | ₹ 30.80 |

| Particulars | 01/04/2015 to 31/03/2016 | 01/04/2014 to 31/03/2015 |
|---|--------------------------|--------------------------|
| Options outstanding at the beginning of the year | 30,00,000 | Nil |
| Options granted during the year | Nil | 30,00,000 |
| Options vested during the year | 15,00,000 | Nil |
| Exercised during the year | 4,00,000 | Nil |
| Options lapsed during the year | Nil | Nil |
| Options lapsed on account of employee resignation | Nil | Nil |
| Options outstanding at the end of the year | 11,00,000 | Nil |
| Options unvested at the end of the year | 15,00,000 | 30,00,000 |

Employee Stock Option Outstanding account ₹ 1,165.05 Lacs (PY ₹ 912.75 Lacs & Deferred Employee Compensation account ₹ 755.52 Lacs (PY ₹ 842.12 Lacs). Employee Compensation Expenses amounting to ₹ 487.10 Lacs (PY ₹ 70.62 Lacs) is included under the head Salaries and other benefits. Reversal of Employee Compensation Expenses amounting to Rs. NIL (PY ₹ 27.85 Lacs) is included under the head Other Income.

Disclosure in respect of Deccan Gold Mines Limited Employee Stock Option Scheme 2014 (amended 2016)

| Particulars | Tranche-1 |
|---|--------------------------|
| No. of Options | 15,00,000 |
| Method of Accounting | Intrinsic Value |
| Vesting Date | 04/03/2017 |
| Exercise Period | 04/03/2017 to 03/03/2018 |
| Grant Date | 04/03/2016 |
| Grant / Exercise Price per share | ₹ 7 |
| Market Price on the date prior to the date of grant of option | ₹ 33.70 |

DECCAN GOLD MINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

| Particulars | 01/04/2015 to 31/03/2016 |
|---|--------------------------|
| Options outstanding at the beginning of the year | Nil |
| Options granted during the year | 15,00,000 |
| Options vested during the year | Nil |
| Exercised during the year | Nil |
| Options lapsed during the year | Nil |
| Options lapsed on account of employee resignation | Nil |
| Options outstanding at the end of the year | Nil |
| Options unvested at the end of the year | 15,00,000 |

Note: It may be noted that the Board of Directors of the Company, at their meeting held on February 12, 2016 approved amendment to the Deccan Gold Mines Limited Employee Stock Option Scheme, 2014 (Scheme) on account of the Company's rights issue during October, 2015. Under the amended Scheme, the number of stock options reserved for grant has been revised from 3,000,000 stock options to 4,500,000 stock options. Further, the Nomination & Remuneration Committee of the Board (NRC), at its meeting held on March 4, 2016 fixed the Exercise Price of the 1,500,000 new stock options as ₹ 7/- per stock option (as was the case with the original 3,000,000 stock options). The NRC also granted these 1,500,000 new stock options to the respective allottee (s) in the same proportion as they were granted the original 3,000,000 stock options. Further, it was also decided that 100% of the new stock options would be vested on the allottee (s) post the mandatory lock-in period of 1 year from the date of grant and the exercise period shall remain at 12 months from the date of vesting.

On May 11, 2016, the Company received 'in-principle' approval of BSE in respect of the 1,500,000 new stock options and is awaiting BSE's approval

Note 21: Defined benefit Plans: -

A. The amounts (in Rs.) recognised in the statement of Profit and Loss are as follows:

Defined benefit Obligation

| Sr No. | Particulars | 31.3.2016 | 31.3.2012 |
|--------|---|-----------------|-----------------|
| 1 | Current service cost | 2,54,980 | 96,138 |
| 2 | Interest on obligation | 72,826 | 71,059 |
| 3 | Expected return on plan assets | - | - |
| 4 | Net actuarial losses (gains) recognized in year ended | 1,49,022 | (10,102) |
| 5 | Past service cost | - | - |
| 6 | Losses (gains) on curtailments and settlement | - | - |
| | Total, included in 'Employee Benefit Expense' | 4,76,828 | 1,57,095 |

CONSOLIDATED FINANCIAL STATEMENTS**B. Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:****Defined benefit Obligation**

| Sr No | Particulars | 31.3.2016 | 31.3.2015 |
|-------|--|------------------|-----------------|
| 1 | Opening Defined Benefit Obligation | 9,49,971 | 7,92,876 |
| 2 | Service cost for the year | 2,54,980 | 96,138 |
| 3 | Interest cost for the year on opening D.B.O. | 72,826 | 71,059 |
| 4 | Actuarial losses (gains) | 1,49,022 | (10,102) |
| 5 | Losses (gains) on curtailment | - | - |
| 6 | Liabilities extinguished on settlements | - | - |
| 7 | Liabilities assumed in an amalgamation in the nature of purchase | - | - |
| 8 | Exchange differences on foreign plans | - | - |
| 9 | Benefits paid | - | - |
| | Closing defined benefit obligation | - | - |
| | TOTAL | 14,26,799 | 9,49,971 |

C. Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

Not Applicable as the Liability is not funded.

D. Principal actuarial assumptions at the balance sheet date

| | (expressed as weighted averages) | 31.3.2016 | 31.3.2015 |
|---|---|-----------|-----------|
| 1 | Discount rate | 7.65% | 7.80% |
| 2 | Expected return on plan assets | - | - |
| 3 | Proportion of employees opting for early retirement | - | - |
| 4 | Annual increase in Salary costs | 6.00% | 6.00% |

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Note 22: Earnings Per Share

₹ ('000)

| Particulars | 31.03.2016 | 31.03.2015 |
|--|-------------|-------------|
| Net Profit / (Loss) available to Equity Shareholders | (68139) | (16281) |
| Weighted Average No of Equity Shares | 7,11,90,144 | 5,91,99,634 |
| Basic Earning Per Shares (in Rs.) | (0.96) | (0.27) |
| Diluted Earning Per Shares (in Rs.) | (0.92) | (0.26) |

Note 23: "During Financial 2013-14, Geomysore Services (India) Private Limited (GMSI), a Bangalore-based gold exploration company approached Deccan Gold Mines Limited (DGML) for being taken over as a wholly-owned subsidiary. The Board of Directors of DGML at their meeting held on 27 August, 2013 decided to consider the offer of GMSI. After completion of the necessary due diligence on GMSI, the Board of Directors of DGML, at their meeting held on 3 December, 2013 accorded their 'in-principle' approval to amalgamate Australian Indian Resources Limited, Australia with DGML pursuant to a Scheme of Arrangement under the provisions of Sections 391-394 of the Companies Act, 1956. It may be noted that AIR holds a 38.80% stake in GMSI. Under this arrangement, DGML also proposes to acquire the balance of 61.20% stake from the other resident /non-resident shareholders of GMSI on the same terms as offered to AIR. Upon the acquisition of shares as aforesaid, GMSI would become a wholly-owned subsidiary of DGML. The Board also authorised the Managing Director of DGML to do the needful in this regard including appointment of merchant bankers and valuation experts to carry out the valuation exercise.

DECCAN GOLD MINES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

Accordingly, the valuation of the projects of DGML and GMSI are underway and DGML is also evaluating the proposal from an Australian perspective since the proposal involves the amalgamation of an Australian Company into DGML.

The proposal is subject to the final approval of the Boards of DGML and AIR / GMSI of the proposed terms of the amalgamation including but not limited to the relevant valuation of shares and the share exchange ratio.

Note 24: Note on Rights Issue

During the year the company has raised ₹50.34 crores through Rights Issue of equity shares. The shares were issued at issue price of ₹17 per share (inclusive of premium of Rs.16 per share). The shares were issued at the ratio of 1:2 to the shareholders.

The paid up capital of the company prior to this Rights issue stood at 5,92,18,250 equity shares of Re.1 each. Accordingly 2,96,09,125 equity shares were offered on Rights issue basis and the scheme was kept open from 14th October 2015 to 30th October, 2015.

The Rights issue was subscribed 1.3 times of the issue size & the process of the allotment was completed by November, 2015.

The additional shares so issued were admitted for listing/trading on the Bombay Stock Exchange (BSE) with effect from 11th Nov.2015.

The rights issue proceeds were sought to be utilized for financing the following objects :

- Investment in Subsidiary Company
- General Corporate Purpose ; and
- Expenses for the Issue

Post the allotment of the shares under the Rights Issue as above, the promoters i.e. Rama Mines, Mauritius Ltd. held approximately 29% stake in the company, with the balance 71% being widely held with a significant participation by FII's and Non-resident investors.

Note 25 : Segment Reporting:

The Company is mainly engaged in the business of gold exploration and mining. Considering the nature of business and financial reporting of the Company, the Company has only one segment viz; Gold Mining and Exploration as reportable segment.

Note 26 : Pursuant to the enactment of Companies Act 2013, the company has applied the estimated useful lives as specified in Schedule II. Accordingly the unamortised carrying value is being depreciated / amortised over the revised/ remaining useful lives. The written down value of Fixed Assets whose lives have expired as at 1st April 2014 have been adjusted, in the opening balance of Profit and Loss Account amounting to ₹.23 (in thousands).

Previous year figures have been re-grouped, re-arranged wherever considered necessary.

As per our report of even date,
For **V. K. BESWAL & ASSOCIATES**
CHARTERED ACCOUNTANTS
FIRM REGN NO 101083W

CA K.V. BESWAL
PARTNER
Membership Number: 131054

Place : Mumbai
Dated : 18th May 2016

For and on behalf of the Board

Charles E.E.Devenish
Chairman

K Karunakaran
Chief Finance Officer
Place : Bengaluru
Dated : 18th May 2016

Sandeep Lakhwara
Managing Director

S. Subramaniam
Company Secretary

DECCAN GOLD MINES LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

| | For the year ended 31.03.2016 (₹ '000) | For the year ended 31.03.2015 (₹ '000) |
|--|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net (Loss) before Tax and after Extraordinary items | (67,393) | (16,398) |
| Adjustment For : | | |
| Depreciation | 995 | 449 |
| Preliminary Expenses Written off | 91 | - |
| Interest & Finance charges | 1,280 | 47 |
| Interest received | (8,979) | (115) |
| Expenses on Employee Stock option | 48,710 | 7,062 |
| Reversal of Expenses on Employee Stock Option Scheme | - | (2,785) |
| Operative Loss before Working Capital Changes | (25,296) | (11,740) |
| Adjustment For : | | |
| Non Current & Current Assets | (7,727) | -3,674 |
| Trade & Other liability | (895) | (1,736) |
| Cash Generation from Operations | (33,918) | (17,150) |
| Direct Taxes | (1,175) | 610 |
| Net Cash Flow from operating activities | (35,093) | (16,541) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Pre-operative Expenses | (46,234) | (12,192) |
| Proceeds from investments | - | - |
| Purchases of fixed assets | (6,821) | (250) |
| Dividend Income | - | - |
| Purchase of shares from Minority Shareholders | (12,000) | - |
| Interest Received | 8,979 | 115 |
| Net Cash used in investing activities | (56,076) | (12,327) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Share Issue and Share Application Money Received | 5,05,029 | 36,739 |
| Repayment to Preference shareholders | (18,000) | - |
| Right Issue Expenses | (4,918) | (1,336) |
| Expenses for Increase in Authorised Capital | - | (1,846) |
| Financial Charges | (1,280) | (47) |
| Net Cash used in financing activities | 4,80,831 | 33,510 |
| D. NET CHANGE IN CASH AND CASH EQUIVALENTS | | |
| (A+B+C) | 3,89,662 | 4,642 |
| Cash and Cash Equivalents as at 1st April 2015 | 11,392 | 6,751 |
| Cash and Cash Equivalents as at 31st March 2016 | 4,01,054 | 11,392 |

As per our report of even date,
For **V. K. BESWAL & ASSOCIATES**
CHARTERED ACCOUNTANTS
FIRM REGN NO 101083W

CA K.V. BESWAL
PARTNER
Membership Number: 131054
Place : Mumbai
Dated : 18th May 2016

For and on behalf of the Board

Charles E.E.Devenish
Chairman

K Karunakaran
Chief Finance Officer
Place : Bengaluru
Dated : 18th May 2016

Sandeep Lakhwara
Managing Director

S. Subramaniam
Company Secretary



DECCAN GOLD MINES LIMITED

REGISTERED OFFICE

Parinee Crescenzo, C38-39, G Block, Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051 Tel : +91 22 33040797 Fax : +91 22 33040779
Email : info@deccangoldmines.com Web : www.deccangoldmines.com

CORPORATE OFFICE

No. 5, 19th Main Road, 4th Sector HSR Layout, Bengaluru-560102
Tel : +91 80 67155700 Fax : +91 80 67155701
Email : info@deccangoldmines.com Web : www.deccangoldmines.com