

SRK Mining Services (India) Private Limited (SRK) issue Updated Mineral Resource Statement for the Ganajur Main Gold Prospect as part of the ongoing Scoping Study

Bangalore, India
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Deccan Gold Mines Limited – “DGML” (BSE Scrip Code: 512068) is pleased to announce that SRK Mining Services (India) Pvt. Ltd, (SRK) has recently released an Updated Mineral Resource Statement (SRK had estimated the initial mineral resource statement in 2010) on the Ganajur Main Gold Prospect as part of its **ongoing Scoping Study to evaluate the economic viability of an open pit mine on the Ganajur Main Gold Prospect. The full text of the Memo dated 3 September, 2011 issued by SRK is available on the website of the company (www.deccangoldmines.com). Shareholders are encouraged to read the full text of the Memo. The Scoping Study is presently ongoing.**

SRK was retained during February, 2011 to undertake a comprehensive Scoping Study to assess the mining potential of the Ganajur Main Gold Prospect located in the Ganajur-Karjagi Block of Haveri District in the State of Karnataka. Following the mineral resource statement provided by SRK in 2010, DGML carried out further exploration in terms of an in-fill and step-out drilling.

Key features of SRK’s Updated Mineral Resource Estimate

- a) The Updated Mineral Resource Statement dated 31st August 2011 has been reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia (“the JORC Code”) under the supervision of “Independent Competent Person (s)” as defined by this.
- b) The Updated Mineral Resource Statement is reported at a cut-off grade of 1.0 gramme of gold per tonne and include all modeled blocks inside a conceptual pit envelope as follows:

CATEGORY	Quantity (tonnes)	Grade (g/t)	Gold (ounces)
1. INDICATED			
A. SULPHIDE	1,921,000	3.83	237,000
B. OXIDE	631,000	3.19	65,000
TOTAL INDICATED	2,552,000	3.67	301,000
2. INFERRED			
A. SULPHIDE	93,000	1.82	5,000

B. OXIDE	17,000	3.26	2,000
TOTAL INFERRED	109,000	2.06	7,000

- c) There has been an increase in the overall resource from 265,000 ounces (estimated in 2010) to 308,000 ounces of gold, of which more than 95% of the resource i.e., 301,000 ounces of gold is under the “Indicated” category. This estimate been limited to that material that has reasonable prospects for eventual economic extraction by constraining this within an optimized pit shell.
- d) The modeled gold zones extend from surface to a depth of approximately 120 metres.
- e.) The optimization parameters were selected by SRK based on experience and benchmarking against similar projects. These included a gold price of US\$1,600 per ounce, metallurgical recovery of 90 percent for the oxide and sulphide mineralization; mining costs of US\$ 12 per tonne, processing costs of US\$15 per tonne, administration and royalty charges of US\$ 2 per gramme and pit slope angles of 45 degrees. It is cautioned that the pit optimization was undertaken solely for the purpose of testing “reasonable prospects” for eventual economic extraction and does not represent an attempt to estimate mineral reserves. The optimization parameters may change at the end of detailed feasibility studies.
- e) Shareholders are cautioned that mineral resources are not mineral reserves and that the economic viability of the deposit will be confirmed only after carrying out detailed feasibility studies.

DGML has also carried out comprehensive metallurgical studies at the internationally accredited AMMTEC Laboratory in Australia as part of the ongoing Scoping Study. The results from AMMTEC are being studied in association with SRK derive a suitable flow sheet, and plant design, for the proposed 2,000 tonnes per day (tpd) processing plant for the Ganajur Main Gold Prospect.

As reported earlier, the Government of Karnataka has issued an Order agreeing to allot land and water required for establishment of a 2000 tpd gold ore processing plant near Ganajur. DGML is touch with the local authorities in finalizing the site for the proposed plant.

The Mining Lease application of Deccan Exploration Services Private Limited (DESPL), a wholly-owned subsidiary of DGML over the Ganajur Main Gold Prospect covering an area of 0.29 sq km is under the consideration of the Ministry of Mines, Government of India, New Delhi to whom it was recommended by the State Government of Karnataka.

“The information in this press release that relates to Mineral Resources is based on information compiled under the direction of Dr. Jean-François Couture, who is a

Professional Geologist, APGO (#01797). Dr. Jean-François Couture is a full time employee of SRK Consulting (Canada) Inc. and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr. Jean-François Couture has reviewed this press release and consents to the inclusion in the press release of the matters based on his information in the form and context in which this appears."