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De Grey Mining Ltd. – ASX:DEG

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Another Corporate Takes a Significant Interest in De Grey

Impact: Mildly Positive

De Grey Mining announced that DGO Gold Ltd (ASX:DGO) is investing A\$5M at A\$0.20 per share (25M shares). With each two shares purchased DGO is also receiving an option at A\$0.25/share expiring November 2019 (12.5M options) and an option at A\$0.30 expiring May 2021(12.5M options). DGO’s shares are subject to a voluntary 12-month hold.

- DGO now owns 7% of the basic shares outstanding (13% partially diluted), making it the second significant corporate investor – recall Kirkland Lake Gold (TSX:KL) owns 9.3% of the basic shares outstanding (17% partially diluted).
- DGO plans to complete a [rights offering](#), which is backed by its significant shareholders, to fund its investment; however, we would note that barring continued significant support from its major shareholders, DGO may have issues maintaining its pro-rata position or funding its option exercises
- DGO investment is based on the potential of the traditional hard rock shear zones, which currently hosts a resource of 1.2M oz Au, whereas Kirkland Lake’s interest is primarily on the conglomerates

In our opinion, adding a second significant shareholder, at a 17.6% premium to the current share price, is positive. We continue to believe that De Grey’s current valuation provides investors a low-cost option on the conglomerates and on the resource growth on the traditional hard rock assets.

Company Information: De Grey Mining Ltd. (ASX: DEG)																																																						
De Grey Mining is a gold explorer focused on unlocking value in the Pilbara district of Western Australia. Unlike most gold explorers in the Pilbara, De Grey has a hardrock asset with a 1.2 Moz Au resource to underpin the valuation. In addition to the hardrock gold resource, the company has three conglomerate gold targets where gold nuggets have already been discovered. The company is currently drilling at its hardrock project to include in an upcoming resource update and Pre-Feasibility Study. De Grey is also actively exploring conglomerate gold targets with bulk sampling taking place this year.																																																						
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Sources: RCKS, Thomson Reuters, Company Reports

Priced as of prior trading day's market close, EDT (unless otherwise noted).
 All values in USD unless otherwise noted.

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Company Name	Ticker Symbol	Disclosures
De Grey Mining Ltd.	ASX:DEG	1
DGO Gold Ltd.	ASX:DGO	None

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