

# DE GREY MINING LTD

## De Grey Signs Option Agreement to Acquire Majority Interest in Diamond Project

Located Within the World Class Kimberley Diamond District of South Africa

**ASX: DEG**

### Shares on Issue

1,143,461,058

### Board of Directors

*Peter Batten*  
Chairman

*Simon Lill*  
Director

*Steve Morris*  
Director

### Company Secretary

*Craig Nelmes*

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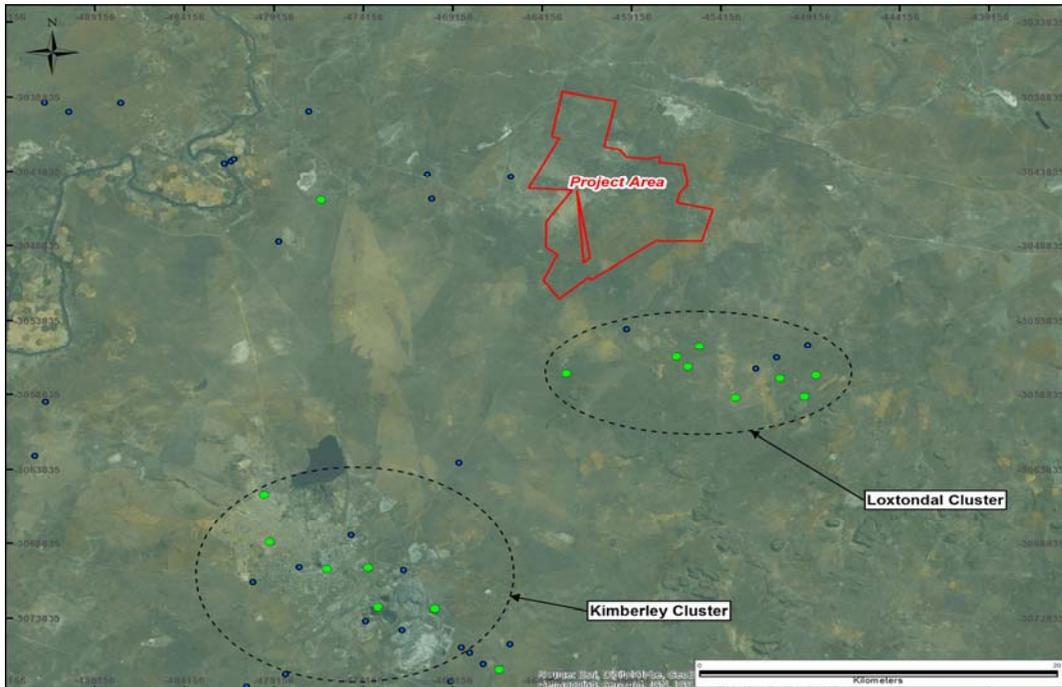
11 June 2015

## HIGHLIGHTS

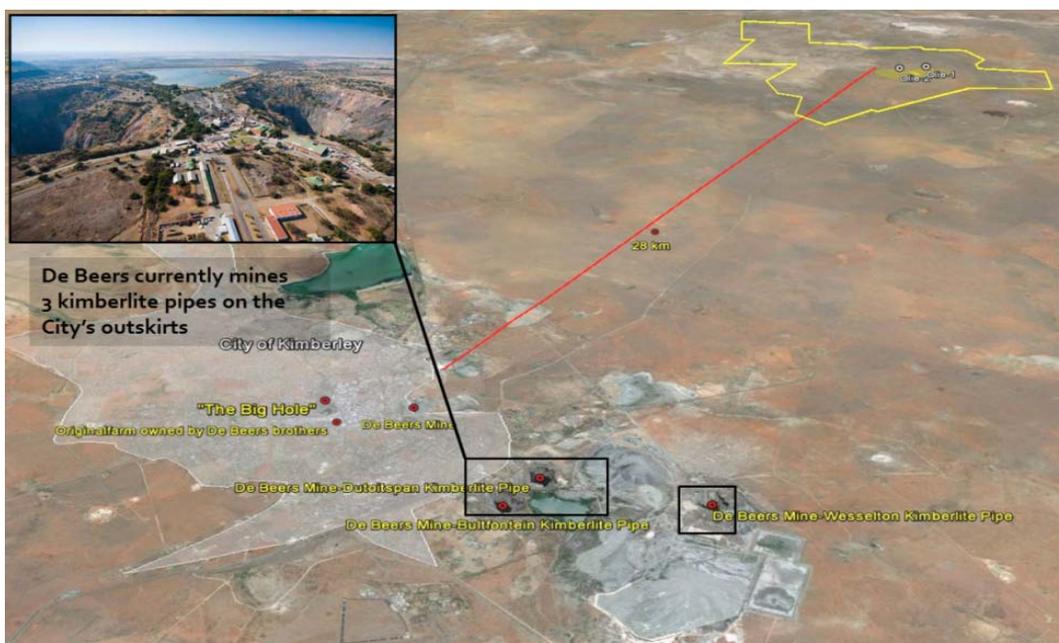
- A first-mover opportunity to secure control of a prospective diamond exploration asset in the backyard of the diamond majors;
- ~ 8,000 Ha of highly prospective land within the world class Kimberley diamond field of South Africa;
- Only 28kms from the original kimberlite discovery site and world-renowned Kimberley Diamond mine owned and operated by De Beers;
- First pass methodical vendor exploration work identified two high priority target areas indicative of diamondiferous kimberlites:
  - Initial airborne and ground-based magnetic surveys already completed to define high priority target areas
  - Soil sampling over targets has yielded abundant Kimberlite Indicator Minerals (KIMs) Independent assessment of KIM textures indicates close proximity to a kimberlite source
- Soil samples (untested) taken by De Grey to validate vendor testwork which has indicated presence of microdiamonds:
  - De Grey's geological consultant has independently taken samples and overseen transfer to a suitable laboratory to ensure chain of custody issues are not compromised.
  - Laboratory results should be available within 14 days (presence of KIM's), 21 days (analysis of KIM's for proximity to source and 28 days (presence of microdiamonds)
- Capacity to fast-track exploration activities to drill ready targets;
- The project offers substantial exploration upside, with eight additional kimberlite pipe and dyke anomalies already identified through the vendor's exploration program.

## 1. PROJECT OVERVIEW

De Grey Mining Ltd (ASX: DEG) is pleased to announce that it has secured an outstanding exploration opportunity in one of the world's premier diamond provinces after it entered into an Option Agreement (Option) with Verdi Farm Trust ("Verdi") and Invest in Property 111 Pty Ltd ("IIP") for the potential acquisition of a 69% interest in IIP from Verdi, the owner of Prospect PR 856 in the Kimberley district of South Africa.



In the diagram above, the green dots are previous diamond mines (most are worked out/abandoned) and the blue dots are known kimberlite shows/occurrences/deposits.



Located in the prolific Kimberley Diamond Field, the Prospecting Right covers a total surface area of ~ 8,000 Ha and is located within 30kms of world class diamond deposits. These include De Beers Kimberley Mines (~30km SW) and the Loxton Dal kimberlite cluster (~15km SE) that consist of at least 3 kimberlite pipes with historic grades of 35-100 carats per hundred tonnes (“cpht”).

The De Beers Group of Companies remain active in the region. They recently undertook an extensive regional assessment resulting in 70 applications for Exploration Licences within the broader Kimberley region of Northern Cape and Freestate.

The Project will provide De Grey with a unique combination of immediate, walk-up diamond exploration targets, as well as at least 8 high priority areas that require additional work to confirm the positive results received from initial exploration work.

In light of the strong market outlook for diamonds in the medium term, De Grey believes that this transaction – which follows an extensive search for suitable acquisition opportunities – represents a potential company making opportunity for the company and its shareholders.

The acquisition of the Kimberley Diamond Project also balances De Greys existing portfolio of Australian base metal and gold assets, The Great Northern Gold Project (subject to farm in) and Turner River Base Metals. Both have ongoing work planned on them.

## I. The Prospect

The Project is located in the Kimberley Diamond Field in South Africa, the world's premier diamond province where over 14 million carats had already been produced by 1914 ('The Big Hole' – claimed to be one of the world's largest holes, manually dug by man, with a surface area of 17 Ha).

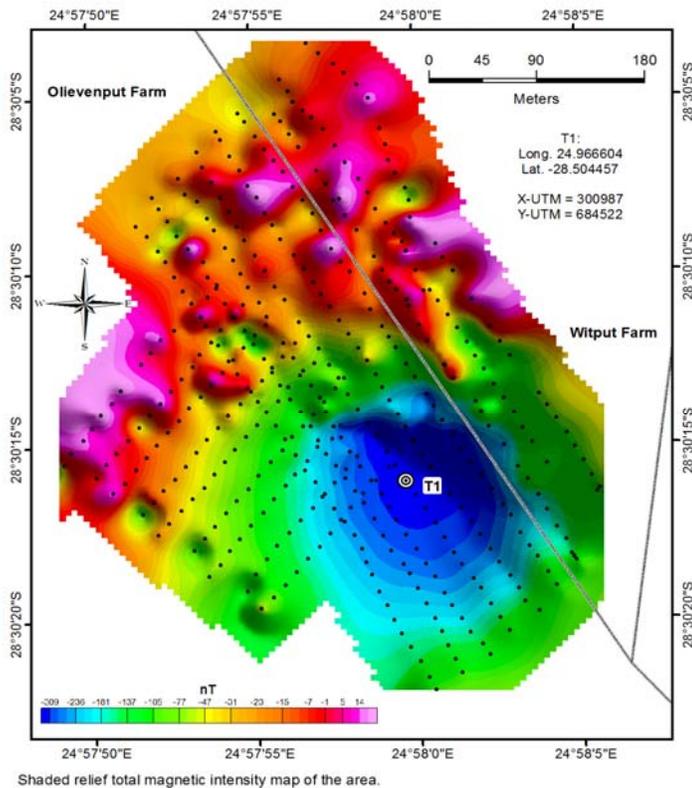


Geology in the region is typified by Karoo aged sediments with dolerite sills common, especially in the south east of the permit area. Kimberlites in this area are generally sub-cropping and Cretaceous in age. Many kimberlites in this area are closely associated with dolerite emplacement structures including faults and dykes and can often show slight positive topography as a result of resistive calcrete caps associated with the kimberlites. Although unlikely, the presence of older (pre- to syn-Karoo age) kimberlites cannot be discounted.

## II. Preliminary Exploration by Vendors

Preliminary exploration work has been conducted in a methodical fashion resulting in a number of targets being identified which warrant follow up without the need of initial extensive reconnaissance work. A synopsis of the work to date is as below:

- Soil Sampling was done on a 500m x 500m grid over entire area. Positive results were followed up by a 100m x 100m grid over selected areas (300m x 200m).
- Interpretation of the available geophysics and remote sensing (ASTER) was completed the license area. Targets were generated in conjunction with the soil sampling data.
- Limited ground magnetic surveys were conducted over selected targets (Diagram 1).
- The targets were followed up with a small soil sampling program and a single line of ground magnetics over each target.



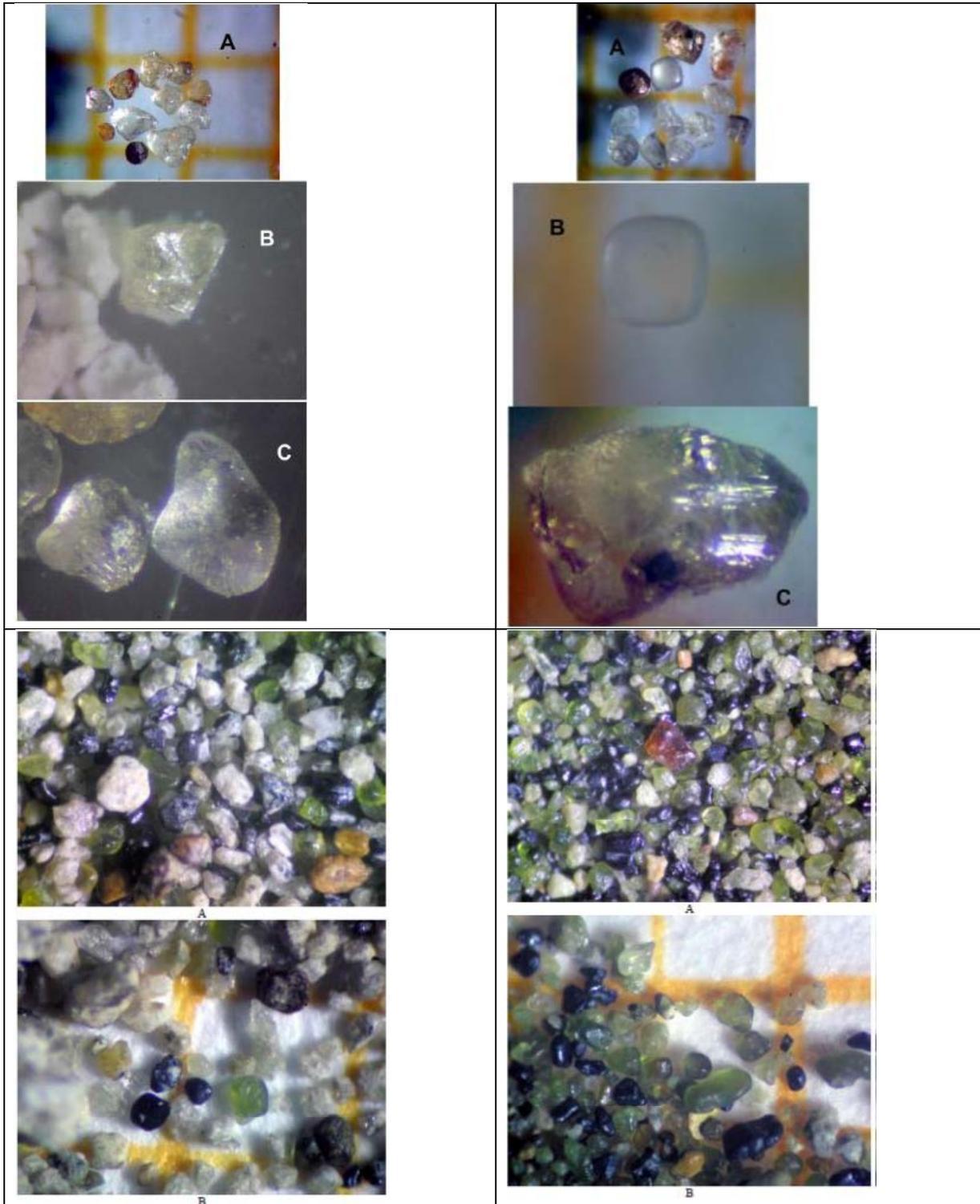
At different stages sub-deflation (horizon A/B) soil samples were collected over anomalies for both **Kimberlitic Indicator Mineral (KIM)** and **Micro-Diamonds (MiDA)** analysis, the latter following caustic fusion conducted by SGS. Results, especially over anomaly VH8 (also known as Olie-2) are positive, especially considering there is little evidence of an alluvial system that would be able to concentrate heavy minerals in such abundance.

### III. Preliminary Analysis for Vendors

An analysis of results was completed by Professor Jaime Presser of Paraguay. 100g sinks from ~15kg soil sample yielded abundant KIM's including garnets (Ga), ilmenites (Il), spinels (Sp), chrome diopsides (CDs), olivine and zircon. Of interest are the CDs and olivine which commonly serve as indicators of a proximal source. The proximity is likely to be less than 1 km as these KIM's rarely survive beyond this distance from source.

The sample also yielded a number of microdiamonds. This result was to a large degree confirmed in a subsequent proof sample which, taken from roughly the same location, also yielded microdiamonds.

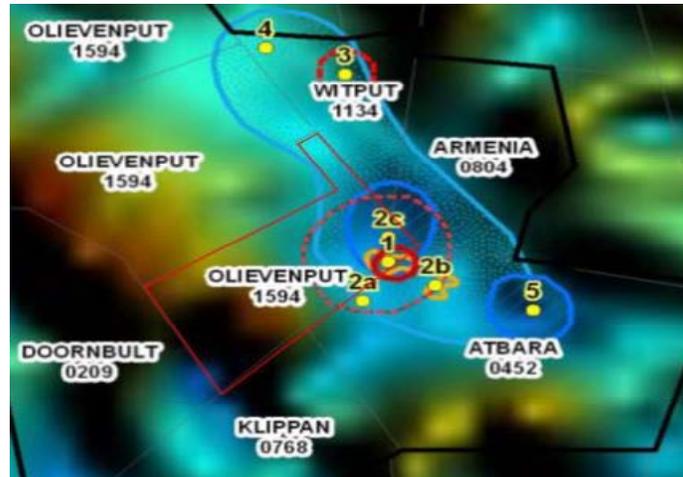
Concerns exist on chain of custody issues for the sampling which do not allow the results to be reported in greater detail. De Grey has already taken samples independently and according to industry best practice over the identified anomalous areas, seeking to replicate these results as part of its Due Diligence activities.



**Photo extracts from Prof. Jaime Presser's report showing MiDA (top) & KIM (bottom) recoveries from soil samples over anomalies Olie-1 (left) & VH8 (Olie-2) (right)**

The available data provides evidence of a high probability that there will be kimberlites within or in close proximity to the lease area. The risks of the project are that the KIM's and diamonds are from kimberlite fissures (thin/steeply dipping) or that they are from sub or uneconomic kimberlites. The only way to determine this will be through a focused and systematic exploration program which can be determined once a due-diligence on the project has been completed.





## V. Infrastructure

The city of Kimberley is the home of diamond mining in South Africa and the birthplace of DeBeers. There are numerous operating kimberlite mines in the region, providing excellent access to very well qualified people and relevant contractors and suppliers. In many ways Kimberley is synonymous with diamonds as Kalgoorlie is with gold.

The project is located approximately 28km from Kimberley along a major sealed highway and well-developed access roads. The topography is characterised by flat rolling hills covered by sparse bushes and farm paddocks. These make access for people and machinery is extremely easy. Given the proximity to Kimberley City, there is also no requirement for mining or exploration camps to be established.

The project area covers a number of farms. The vendor has developed a very good relationship with the farm owners, who are very supportive of the planned exploration work and project development.

De Grey's consulting geologist on the project, Mr. Andrew Cunningham, has worked for over 5 years with De Beers and in the Kimberley region.

### **Competent Persons Declaration**

*The information in this announcement that relates to exploration results is based on information compiled by or under the supervision of Andrew Cunningham. Mr Cunningham is a geological consultant to De Grey Mining Ltd and a Member of the Australian Institute of Geoscientists. Mr Cunningham has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results. Mr Cunningham consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## 2. TRANSACTION DETAILS

De Grey has secured a 12 month Option through execution of an Agreement on 5 June 2015 to acquire a 69% stake in Invest In Property 111 Pty Ltd, which owns 100% of the Project, from Verdi Farms Trust. Key terms of the Agreement are:

- Payment of USD 100,000 to Verdi Farms Trust upon signing of the Agreement. This was paid on the 9<sup>th</sup> of June; and
- A further payment of USD 100,000 is payable to Verdi Farms Trust upon completion of a Due Diligence and tranche 2 capital raising process. The DD process will include analysis of soil samples from the identified target areas.

The above payments will provide De Grey with exclusivity over the Project for the 12 month period commencing from the execution of the Agreement.

There are the usual condition's precedent ("CP's") for this type of transaction that will need to be satisfied to effect settlement in the event the Option is exercised. These include:

- Regulatory approvals in South Africa required for the transfer of a majority stake in a SA company including Competition approval, Exchange Control approval and Mineral Resource & Petroleum Development Act.
- Regulatory, shareholder and ASX approvals for the acquisition and the issue shares
- Invest In Property 111 Pty Ltd shareholder approval for the share transfer and royalty agreement

At any time during the option period, De Grey is able to exercise the Option. If De Grey choose to exercise the Option to acquire 69% of IIP, the following are the key terms to the transaction:

- De Grey will:
  - Issue 400,000,000 shares in De Grey to Verdi Farms Trust (or their nominee);
  - Pay USD 1,000,000 to Verdi Farms Trust (or their nominee);
  - Issue 240,000,000 shares, with attaching Series B Options to the arrangers of the transaction; and
  - Enter into a Royalty Agreement whereby Verdi will receive 3% of gross sales of diamonds recovered from the Project to be paid by Invest in Property 111 Pty Ltd to Verdi Farms Trust (or their nominee).

As the transaction progresses through the stages of Due Diligence, Capital Raising, and Option Exercise there will be certain Board changes at De Grey. In the first instance, and on successful completion of the due diligence process, Mr David Leavy will join the Board. Mr Leavy has over 20 years in banking and mining finance, more specifically in the last 7 years he has CFO and director roles in a number of African focused mining and development companies. Most recently he negotiated and oversaw the integration of Allotropes Diamonds by Newfield Resources Ltd (ASX: NWF). Since this acquisition, the market capitalisation of NWF has increased from \$30 mil to \$180 mil. He is also currently a director of Mount Magnet South Ltd.

### **3. CAPITAL RAISING**

#### **Tranche One Capital Raising – Private Placement**

The Company has finalised a placement to sophisticated investors of 228,692,212 shares at an average price of \$0.0005 to raise \$114,000. This placement has been done in two parts, as follows:

- 137,215,327 shares, being 15% of the Company's capital, at a price of \$0.0003, to raise \$41,164 under LR 7.1; and
- 91,476,885 shares being 10% of the Company's capital at a price of \$0.0008 to raise \$73,182 under LR 7.1A.

Each of the above shares will have, subject to shareholder approval, an attaching Series A Option exercisable at \$0.002 per Option at any stage in the 4 years from the Tranche One issue date.

The capital raised through the Tranche One placement is not subject to capital raising commissions.

#### **Tranche Two Capital Raising – Rights Issue**

The Company intends to complete a non-renounceable rights issue to raise at least AUD\$550,000 at a price of \$0.001, thereby enabling all shareholders the opportunity to participate. This would be on the basis of a 1 for 2 entitlement.

The Company must necessarily await the results of its Due Diligence process before determining the rights issue entitlement date and the exact terms of the issue. The Board has determined, however, that the issue price will be at \$0.001 per share.

More details, including the timetable for rights issue with follow. It will include an invitation to eligible shareholders to apply for additional shares together with an attaching option in excess of their entitlement.

The Terms and Conditions of the Series A and Series B Options are contained in Appendix One.

## APPENDIX ONE

### Terms and Conditions of Series A Options

- (a) Each Series A Option entitles the holder (Option Holder) to subscribe for a Share in the Company at the exercise price of \$0.002 per Share.
- (b) The Series A Options are, subject to any restriction on the Series A Options vesting in the Option Holder, able to be exercised at any stage prior to the Expiry Date, which will be 48 months from the date of Issue.
- (c) The Series A Options will expire at 5.00pm (Central Standard Time in Australia) on the first day after the 48th Calendar Month from the date of issue (Expiry Date). Any Series A Options not exercised on or before the expiry date will automatically lapse.
- (d) All Shares in the Company issued on the exercise of Series A Options will rank equally in all respects with the then existing Shares.
- (e) The Company must apply for quotation of all Shares in the Company allotted pursuant to the exercise of Series A Options not later than 10 Business Days after the date of issue.
- (f) Application will be made to ASX for quotation of the Series A Options.
- (g) An Option Holder may only participate in Series A issues of securities (Series A Issue) to holders of Shares in the Company if the Series A Options have been exercised and Shares allotted in respect of the Series A Options before the record date for determining entitlements to the Series A Issue. The Company must give to the Option Holder at least 7 Business Days notice of any Series A Issue before the record date for determining entitlements to the Series A Issue in accordance with the Listing Rules.
- (h) There will be no change to the exercise price of the Series A Options or the number of Shares over which the Series A Options are exercisable in the event of the Company making a pro-rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).
- (i) If there is a bonus issue to the holders of Shares in the Company (Bonus Issue), the number of Shares over which the Series A Options are exercisable will be increased by the number of Shares which an Option Holder would have received if the Series A Option had been exercised before the record date for the Bonus Issue (Bonus Shares). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares on issue as the date of issue of the Bonus Shares.
- (j) If prior to the expiry date there is a re-organisation of the issued capital of the Company, the Series A Options are to be treated in the manner set out in the Listing Rules.

## Terms and Conditions of Series B Options

- (a) Each Series B Option (Series B Option) entitles the holder (Option Holder) to subscribe for a Share in the Company at the exercise price of \$0.004 per Share.
- (b) The Series B Options are, subject to any restriction on the Series B Options vesting in the Option Holder, able to be exercised at any stage prior to the Expiry Date, which will be 36 months from the date of Issue.
- (c) The Series B Options will expire at 5.00pm (Central Standard Time in Australia) on the first day after the 36th Calendar Month from the date of Issue (Expiry Date). Any Series B Options not exercised on or before the expiry date will automatically lapse.
- (d) All Shares in the Company issued on the exercise of Series B Options will rank equally in all respects with the then existing Shares.
- (e) The Company must apply for quotation of all Shares in the Company allotted pursuant to the exercise of Series B Options not later than 10 Business Days after the date of issue.
- (f) Application will be made to ASX for quotation of the Series B Options.
- (g) An Option Holder may only participate in Series B issues of securities (Series B Issue) to holders of Shares in the Company if the Series B Options have been exercised and Shares allotted in respect of the Series B Options before the record date for determining entitlements to the Series B Issue. The Company must give to the Option Holder at least 7 Business Days notice of any Series B Issue before the record date for determining entitlements to the Series B Issue in accordance with the Listing Rules.
- (h) There will be no change to the exercise price of the Series B Options or the number of Shares over which the Series B Options are exercisable in the event of the Company making a pro-rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).
- (i) If there is a bonus issue to the holders of Shares in the Company (Bonus Issue), the number of Shares over which the Series B Options are exercisable will be increased by the number of Shares which an Option Holder would have received if the Series B Option had been exercised before the record date for the Bonus Issue (Bonus Shares). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares on issue as the date of issue of the Bonus Shares.
- (j) If prior to the expiry date there is a re-organisation of the issued capital of the Company, the Series B Options are to be treated in the manner set out in the Listing Rules.