



# De Grey Mining Ltd

A.B.N. 65 094 206 292

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## ASX/MEDIA RELEASE

# De Grey Opts Out of Agreement to Acquire Interest in Diamond Project

### Background

On 11 June 2015, De Grey Mining Ltd (“De Grey”, or “Company”) announced that it had entered into an Option Agreement (Option) with Verdi Farm Trust (“Verdi”) and Invest in Property111 Pty Ltd (“IIP”) for the acquisition of a 69% interest in IIP from Verdi, the owner of Prospect PR 856 in the Kimberley district of South Africa.

Following this announcement De Grey entered a Due Diligence process that included both a site inspection and sampling programme undertaken by Mr. Andrew Cunningham (De Grey Geological Consultant) who has signed this announcement as a Competent Person.

The programme was intended to confirm results presented to De Grey by the vendors and promoters in the lead up to the entering of the Option. The vendor results were reported in our announcement of 11 June 2015. The vendor stated that their results showed the presence of Kimberlitic Indicator Minerals (“KIMs”) and that they were likely to have come from a source within 1 km of the sample, as well as the presence of microdiamonds.

The samples from which the vendor results had been obtained did not meet the requirements of the International Reporting Codes with respect to diamond exploration in that there existed chain of custody issues.

It was deemed a critical part of the De Grey Due Diligence process that these technical results be validated, and from a final and legal standpoint that:

- audited financial accounts of the companies involved be provided; and
- correspondence confirming that the Black Economic Empowerment (“BEE”) partners consented to the Option and overall Agreement.

The Due Diligence process was to be concluded by mid to late July. However for reasons outlined below it has only recently been concluded.

### Validation of initial vendor results

In seeking to validate the initial vendor results, a total of four check samples were collected in close proximity to these anomalous sample positions by the Company’s representative and sent for analyses to an independent laboratory.

These samples were collected at targets Olie 2, VH8, Rusoord 12 and VC5 (Olie 2 and VH8 are essentially the same anomaly and only 40m apart). At both Olie 2 and VC5 the disturbed ground of the previous soil sample positions was noted.

Care was taken to sample only undisturbed areas and only the A-horizon (sub-deflation surface) was sampled. The soil was loosened to a depth of approximately 5cm between grass tufts and collected in sample bags. No in-field screening was done. Each bag was numbered with a unique sample number and the corresponding ticket was placed within the bag with the soil sample. All bags were sealed with a ziplock and "double bagged".

Two drill chip locations were also sampled from RAB holes previously drilled at VH1 and VH5, noting that no historic logs or results exist for these holes, with the chips collected from around the collar of the holes.

The six samples were couriered to Mineral Services Laboratories (Pty) Ltd ("MSA") in Capetown for processing and analysis. The two drill chip samples were inspected and crushed as required to ensure maximum liberation of KIMs from drill chips. All samples then underwent wet-screening followed by heavy mineral separation. Resulting concentrates were visually sorted for all possible KIMs. A particular focus was given to the sorting for all diamonds >300 micron in size from the concentrates.

The results for the drill chips were negative in all aspects and no further work was undertaken on these samples.

A total of 305 KIMs (considered above average) were recovered from the 4 remaining samples. Significantly, no chrome diopside, olivine nor diamonds were recovered in the +300 micron concentrates. The heavy mineral separation concentrates – also known as the Kimberlitic Indicator Minerals were visually inspected to determine a possible source from surface textures.

The abundance of the KIMs indicated the potential for a proximal kimberlite source.

However independent analysis of the surface texture characteristics and angularity of the grains implied that the kimberlite source was most likely distal to the sample sites.

The project area is considered within the "correct" geology, i.e. over a stable part of the Kaapvaal Craton, and in close proximity to a number of world class diamond mines. Hence the presence of KIMs is not surprising.

However the conflicting results were recognized and De Grey sought to resolve the issue through further test work.

Through this period the vendor had not provided the key accounts and BEE confirmation that was also critical to the DD process. The parties mutually agreed to extend the Due Diligence period until early September.

### **Further Testwork**

In seeking to clarify the inconclusive outcome, De Grey authorised the KIMs initially concentrated by MSA to be sent to Mike Scott and Associates (Pty) Ltd in Johannesburg ("MSA") for check analysis. Four duplicate samples were also couriered to SGS South Africa (Pty) Ltd in Johannesburg for caustic fusion and microdiamond recovery processing. The caustic fusion process was supervised by MSA personnel.

MSA reported that based on several transport case studies and over 40 years' experience of surface texture analysis of KIMs, they estimated that these abraded KIMs have most probably been derived from distal sources more than 10 to 20 km from the anomalous sample sites. As noted this is not surprising given the proximity to several world class regional diamond mines.

SGS also reported the recovery of nil microdiamonds from any of the four duplicate samples in the 75 to 300 micron range.

### **Summary of Results and Due Diligence work**

De Grey Mining sampled four of the indicated exploration sites presented as most likely to host a kimberlitic intrusive (dyke, pipe or sill). The subsequent processing results indicate that all the KIMs were transported, and were distal rather than proximal to the source, possibly from as far as 20 kilometres away. If the area was isolated this result may still be of interest. However as the project area is 30 kilometres from the town of Kimberley and its historic diamond mines with the Loxtondal Kimberlite Cluster being only 10 kilometres from PR856, the presence of KIMs is not surprising.

Previous operators had completed several drillholes at a number of sites considered, at the time, as high priority. The lack of positive indicators from the drilling at these sites were verbally communicated to DEG and confirmed by collar samples by DEG.

The negative sample results and confirmation of the negative drilling results have eliminated 6 of the potential sites indicated by previous geophysical and geochemical work. Other sites remain to be tested. De Grey has not considered, and is not planning to consider, these additional sites.

The due diligence period ran for some 11 weeks with sampling, processing and check analysis. The transported nature of the KIMs and the negative results from all six sites have led De Grey to the decision to withdraw from the Option to Acquire an interest in PR856 from Verdi Farm Trust and Invest in Property111 (Pty) Ltd.

By the end of this process, and as part of De Grey's decision matrix, it should be noted that De Grey did not received audited financial accounts of the companies involved, nor correspondence confirming that the Black Economic Empowerment partners in the project consented to the Option and overall Agreement.

De Grey continues to evaluate the Turner River Base Metals project as well as other minerals exploration opportunities.

### **For further information:**

#### **Simon Lill (Director) or Craig Nelmes (Company Secretary/CFO)**

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#### ***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.*