

De Grey Mining Ltd (ASX:DEG) Conglomerate Results Additive to Hard Rock Story

Exploration Update

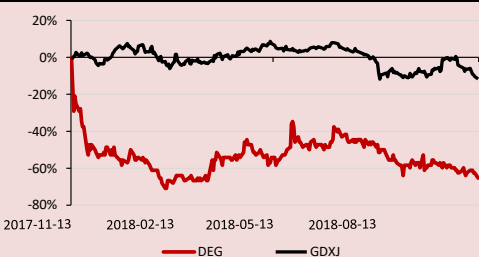
(Currency is AUD\$ unless noted otherwise)

Closing Price	\$0.13	
Consensus NAVPS	NA	
52 Week Low / High	\$0.10 / \$0.38	
Consensus P/NAV	NA	
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	363.0	473.3
Market Capitalization (\$MM)	\$45.4	
Enterprise Value (\$MM)	\$39.2	
Last Reported Quarter Cash (\$MM)	\$6.2	
Total Debt (\$MM)	\$0.0	

STOCK CHART



RELATIVE PERFORMANCE



RELATIVE VALUATION	US\$EV/oz AuEq	P/NAV
Peer Group Average*	\$33	0.35x
De Grey Mining Limited	\$20	NA

*Capital IQ Consensus

MAJOR SHAREHOLDERS

Management (6.4%), Kirkland Lake Gold Ltd. (9.18%), DGO Gold Limited (6.89%), Troca Enterprises Pty Ltd (2.75%)

DISCLOSURE CODE: 1,2,3,4

(Please refer to the disclosures listed on the back page)

Source: RCKS, Company Information, Capital IQ

Company Description

De Grey Mining Limited engages in the exploration and development activities in Australia. It explores gold, silver, zinc, lead, and base metals. The company's primarily holds interests in the Pilbara Gold project covering an area of 980 square kilometer located to the south of Port Hedland, Pilbara region of Western Australia. De Grey Mining Limited was founded in 2002 and is based in Subiaco, Australia.

Impact: Mildly Positive

Conglomerate gold potential at De Grey's Loudens West target provides a potential sweetener in both grade and ounces to the company's hard rock assets. The company has announced the results of three small tonnage (250kg) bulk samples at Loudens West, which supports our view for the company's conglomerate gold optionality in the Pilbara of Western Australia, which we do not currently factor into our estimates.

Highlights:

- **Grades in the high range of comparable Novo results and support overarching geological thesis.** Trenching is expected to uncover up to 60m of exposure in the current trench. Samples from Loudens West over 6m of strike returned grades of 0.82g/t, 3.92g/t and 7.92g/t (average of 4.22g/t), which compares favourably to the weighted average grade of 2.4g/t Au for Novo's conglomerate sampling (both small and large bulk samples).
- **Small bulk sample testing may accelerate assessment of conglomerate target potential.** Conglomerate bulk samples are able to be quickly processed at the company's recently commissioned crushing and gravity sampling circuit, which may be valuable in providing quick turnover between discovery and assessment of the target host. We expect the company is likely to require larger sample tonnages to establish accurate grade measurements.
- **Results are additive to the hard rock story.** While assessing the conglomerate units at Loudens in addition to both the Jarret Well and Steel Well areas, the company is simultaneously exploring its hard rock assets where promising drill results have found underground extensions of the mineralization. It appears that the conglomerate assets may provide a nice grade sweetener to the hard rock assets, where the average resource grade currently stands at 1.6g/t Au.

Valuation:

Share price action driven by expiring warrants and not fundamental value of both hard rock and conglomerate assets. Our preliminary estimate for De Grey's hard rock assets is A\$0.30-0.45/share, which we plan to refine, following our site visit this week. Near-term headwinds for the share price may include 60M in-the-money options (at A\$0.10, expiring November 30) and the remaining A\$10.4M cash payment for the Indee project. **Upcoming catalysts:** 1) Additional exploration results and 2) PFS in Q4/18.

Figure 1: Coarse Gold at Louden



Source: Company Reports

Figure 2: Company Comparables

Company	Ticker	Price (C\$/sh)	YTD Perf.	Shares (M)	Mkt. Cap C\$M	Cash C\$M	Debt C\$M	EV C\$M	US\$EV/oz AuEq	Consensus P/NAV
De Grey Mining Limited*	ASX:DEG	\$0.13	-22%	363	\$45	\$6	\$0	\$39	\$20	NA
Anaconda Mining Inc.	TSX:ANX	\$0.20	-51%	119	\$23	\$4	\$1	\$21	\$8	0.14x
Osisko Mining Inc.	TSX:OSK	\$2.53	-25%	374	\$945	\$102	\$0	\$844	\$84	0.64x
K92 Mining Inc.	TSXV:KNT	\$0.77	43%	187	\$144	\$6	\$9	\$146	\$34	0.30x
IDM Mining Ltd.	TSXV:IDM	\$0.06	-48%	481	\$26	\$4	\$0	\$23	\$21	0.33x
Lion One Metals Limited**	TSXV:LIO	\$0.45	-29%	103	\$46	\$20	\$0	\$27	\$14	0.24x
Victoria Gold Corp.	TSXV:VIT	\$0.37	-15%	786	\$291	\$58	\$13	\$245	\$40	0.43x

Median	\$28	0.32x
Average	\$33	0.35x

*Currency in Australian Dollars

**RCKS Estimates

Source: RCKS Estimates, Capital IQ

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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
De Grey Mining Ltd.	ASX:DEG	1, 2, 3, 4

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