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# FIRST TAKE

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## De Grey Mining

### Crow keeping up with the flock

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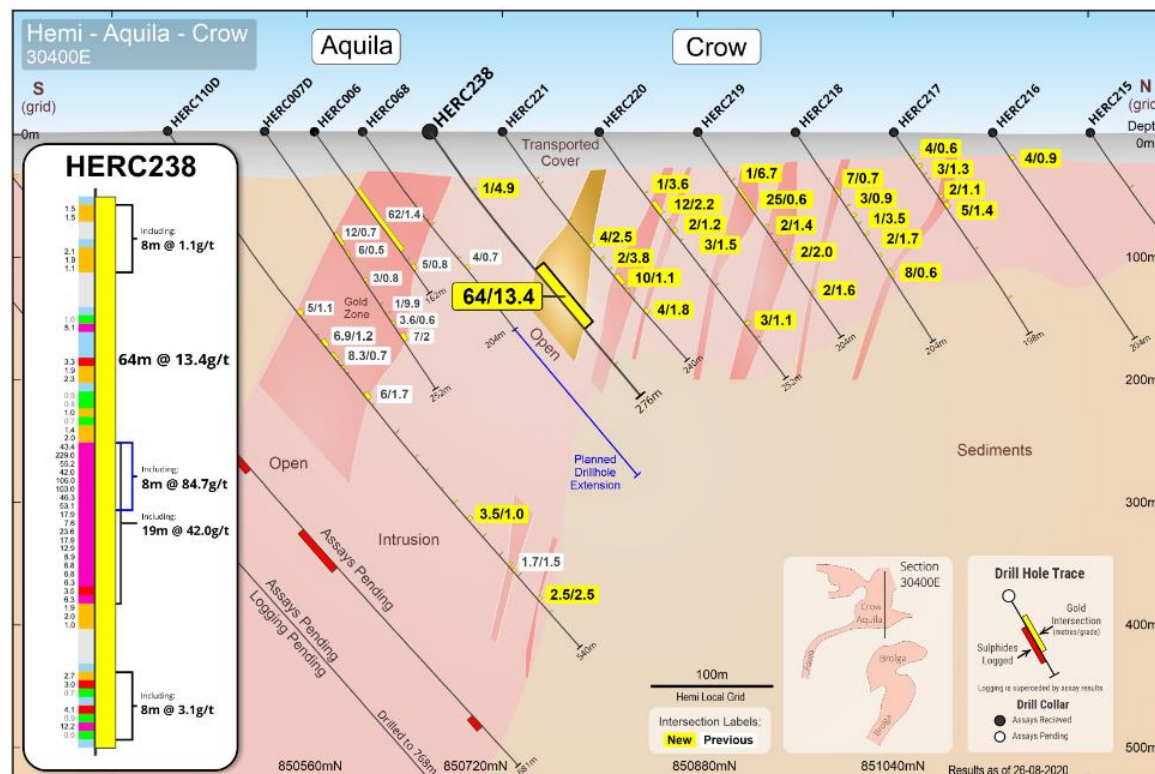
<b>Stock</b>	<b>De Grey Mining (DEG)</b>
<b>Recommendation</b>	<b>SPEC BUY</b>
<b>Current Price</b>	<b>\$0.99</b>
<b>Valuation</b>	<b>\$1.45</b>
<b>Target Price</b>	<b>\$1.16</b>

### Event and First Take | Spectacular Drill intercept - Positive

**Long high-grade hit from the Crow Zone:** De Grey Mining (DEG) has intercepted 64m @ 13.4g/t Au in a sub-vertical lode within the Crow Zone of the Hemi discovery, part of the Mallina Project in Western Australia. Crow is the northernmost zone of Hemi and was previously thought to contain a lower grade mineralisation compared to the Brolga and Aquila zones. This understanding is changing with the recent discovery of a higher grade, sub-vertical lode within Crow, which runs parallel to the Aquila Zone. Reported drill intercepts included:

- 64m @ 13.4g/t Au from 141m in HERC238, incl. 19m @ 42.0g/t Au from 170m
- 12m @ 2.4g/t Au from 109m in HERC175
- 24m @ 1.1g/t Au from 51m in HERC225
- 31m @ 2.2g/t Au from 69m in HERC227

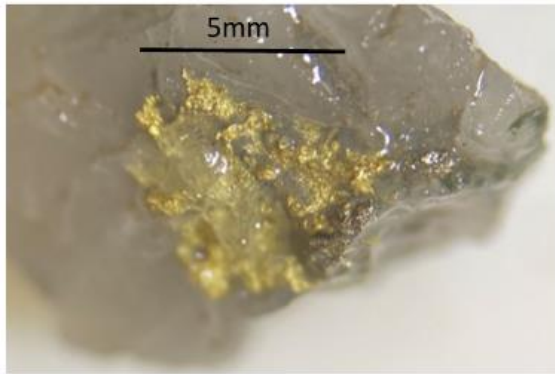
Figure 1. Cross section showing the spectacular drill intercept in hole HERC238



Source: DEG

Drill hole HERC238 into Crow contained sulphide rich altered and brecciated intrusive rocks, which is a similar style of mineralisation to Broлга and Aquila. However, it also contained visible gold, which is less common at Hemi.

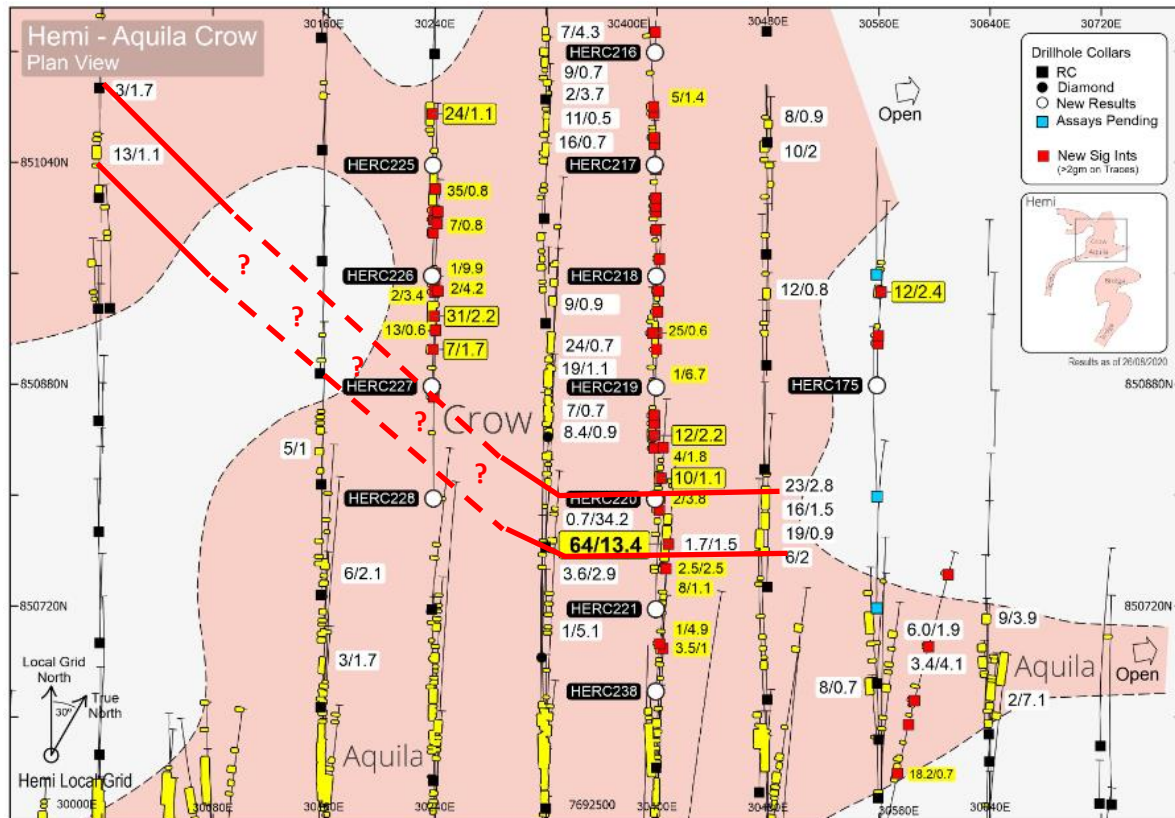
Figure 2. Visible gold in drill hole HERC238



Source: DEG

**Building scale:** The Crow Zone is >1km long and >400m wide based on drilling to date. DEG plans to further define the extents of the sub-vertical lode, which has been intercepted over two 80m spaced drill lines along the centre line of the project (lines 30,400E to 30,480E) and again 400m to the northwest (line 30,000E).

Figure 3. Map of the Crow Zone showing the interpreted trend of the sub-vertical lode (red line)



Source: DEG, edited by Argonaut

**Argonaut estimates Hemi could already contain ~3.9Moz:** Hemi is amassing significant scale and now extends ~2.2km north-south and ~2km east-west. Figure 4 below overlays the current extents of Hemi with the KCGM Super Pit (Fimiston) to provide an analogy for the scale of the system. Argonaut’s latest estimate for the endowment of Hemi is ~3.9Moz at 1.8g/t gold, applying a polygonal method within current drill intercepts. All three zones defined to date remain open in most directions. Current drilling at nearby Hemi lookalikes, namely Scooby, Shaggy and Antwerp, has the potential to significantly increase gold mineralisation in the region. More broadly, Argonaut sees potential for the Mallina Project to grow beyond 10Moz within 2-4 years, including the existing 2.2Moz outside of Hemi. Under a mining scenario, Hemi would support a large scale, low strip open pit, which we believe could be staged with initial grades up to 2g/t Au.

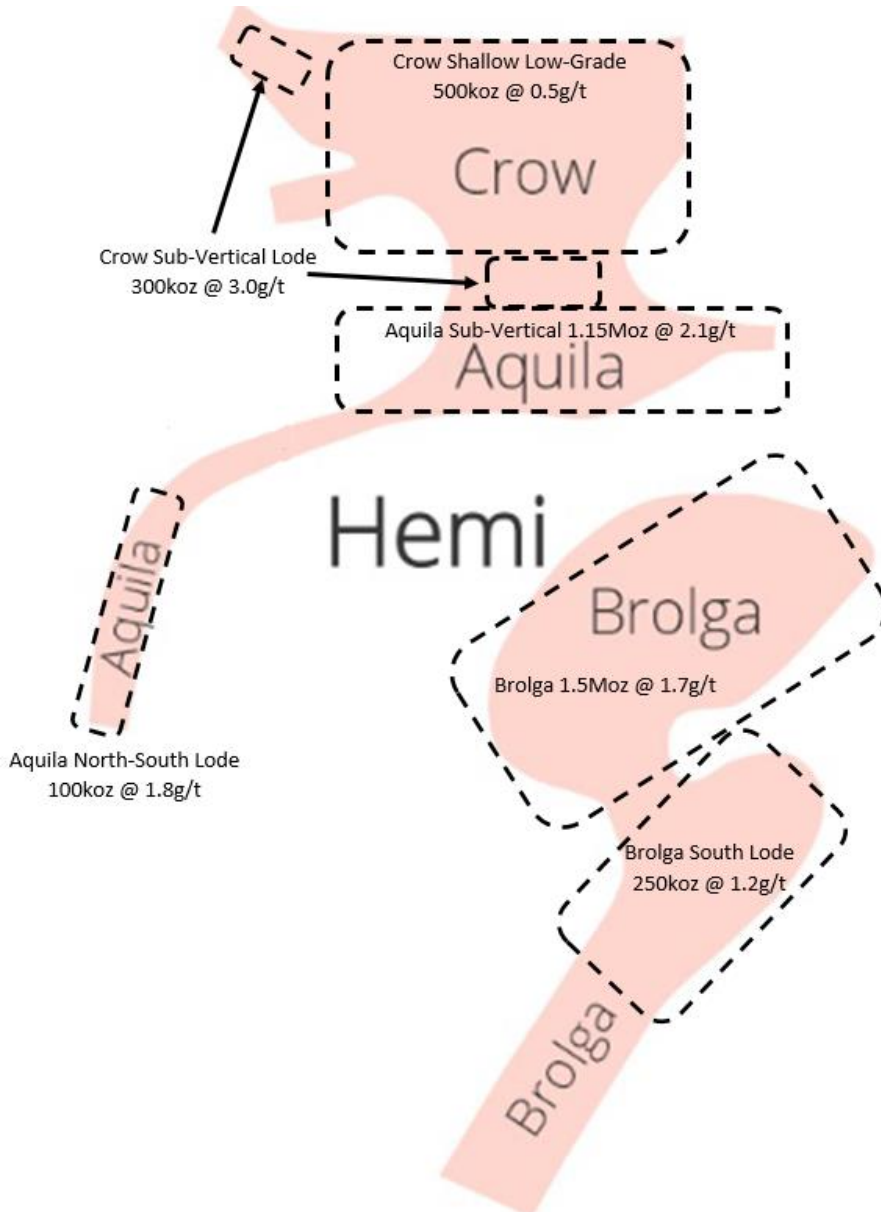
Figure 4: Hemi discovery overlain on the KCGM Super Pit at scale



Source: DEG and Google earth base maps edited by Argonaut



Figure 5: Argonaut's estimated gold endowment for Hemi broken down by lode (please note this is an estimate only derived from rudimentary polygonal volumes based on drill intercepts released to date)



Source: DEG base map edited by Argonaut

**Aggressive drill campaign ongoing:** DEG is currently drilling in and around Hemi with six rigs. The current targets for these rigs include:

- A diamond rig testing down-dip extensions to hole HERC238 at Crow
- A diamond rig to test Aquila mineralisation down to ~400m vertical depth (also likely to intercept Brolga up-hole)
- A RC rig at the far west of Aquila drilling near the recently discovered north-west lode (including an intercept of 16m @ 3.7g/t Au)
- A RC rig testing the sub-vertical Crow lode to the northwest where previously reported drilling intercepted 13m @ 1.1g/t Au
- An aircore rig testing extensions southwest of Brolga
- An aircore rig testing Hemi lookalikes including Scooby and Antwerp (also some RC drilling)

## Recommendation

Argonaut maintains a SPEC BUY recommendation with a \$1.16/sh target price. Please see [link to previous research](#) for further detail of our valuation and target price.

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Argonaut acted as Joint Lead Manager in respect of the Placement that raised \$31.2M in April 2020 and received fees commensurate with this service. Argonaut holds or controls 124,000 DEG Shares.

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