BELL POTTER

Speculative
See key risks on Page 12. Speculative securities may not be suitable for retail clients

24 September 2020

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De Grey Mining Ltd (DEG)

New discoveries boost Resource potential

Recommendation
Hold (Buy)
Price
$1.34
Valuation
$1.53
Risk
Speculative

GICS Sector

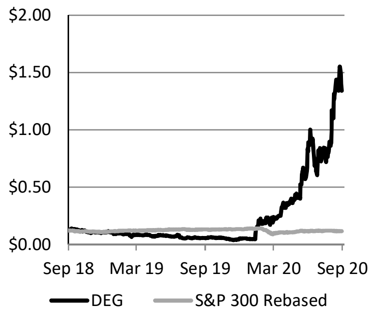
Materials

Expected Return	
Capital growth	**14.2%**
Dividend yield	**0.0%**
Total expected return	**14.2%**
Company Data & Ratios	
Enterprise value	**$1,596.8m**
Market cap	**$1,721.5m**
Issued capital	**1,284.7m**
Free float	**80%**
Avg. daily val. (52wk)	**$6.6m**
12 month price range	**$0.039-$1.60**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.83	0.57	0.06
Absolute (%)	61.4	135.1	2336.4
Rel market (%)	64.4	135.1	2347.9

Absolute Price



SOURCE: IRESS

Falcon discovery materially expands Hemi footprint

Ongoing shallow aircore drilling at the Hemi discovery, within DEG's 100%-owned Mallina Gold Project, has identified an extensively sulphide altered intrusion extending west and south of the Aquila gold zone. This is interpreted to be a new gold discovery, discrete from the Aquila zone, and has been named the Falcon zone. Falcon has so far been defined over a strike length of 2.4km, is up to 80m thick and remains open to the south and at depth. It shows strong similarities to the Aquila zone, the highest grade of the four zones that comprise the Hemi discovery. Deeper RC and diamond drilling has followed up to test the depth extents of the Falcon zone and results to date have confirmed broad gold mineralisation to a depth of up to 250mbs. In our view the discovery of the Falcon zone is a further significant development at the Hemi discovery. These new intersections have identified a material, additional ore zone and significantly increased the overall footprint of the Hemi discovery.

High grade Crow intersections

Another emerging positive from recent drilling at Hemi are high grade intersections returned from the Crow zone. Results include the wide bonanza-style intersection of 64m @ 13.4g/t Au, including 19m @ 42g/t Au. These are the best results returned to date from the Mallina Gold Project. Combined with recent drilling success, the Crow Zone has grown to ~1,000m x 400m and remains open. In our view, these results are very encouraging, in that they appear to be detecting high grade plunging shoots that were not picked up by wider-spaced drilling. These have the potential to add to the gold endowment and assist Resource to Reserve conversion.

Investment thesis – Hold (Speculative), valuation $1.53/sh

The consistent run of excellent drilling results from the Hemi discovery has continued to build the case that it will support a Tier 1 operation – being defined as a gold mine that can produce +300kozpa for +10 years. The mineralised footprint at Hemi (combining the Crow, Aquila, Brolga and Falcon Zones) now covers some 3.0km north-south and 2.0km east-west. These four zones are located almost immediately adjacent to each other and have the potential to supply a large scale, base-load ore feed to a large processing plant.

With the recent completion of a $100m capital raise (83.4m shares at $1.20/sh) we estimate that DEG now holds ~$124m in cash and is exceptionally well funded to drill-test the Hemi discovery and materially grow the MGP Resource.

We now expect Resource growth potential at Hemi of between 3.5Moz and 5.9Moz for a midpoint of 4.7Moz and for total potential Resource at the MGP of 6.8Moz. We also measure an increased EV/Resource oz metric in the market, leading us to apply an increased rate of A$300/oz to our blended valuation for DEG. We also apply increased CAPEX to our notional NPV-based valuation, for a higher production rate and shorter mine life which again delivers a higher valuation. We lift our valuation 122% to $1.53/sh, but lower our recommendation to Hold (Speculative) due to significant share price appreciation.

New discoveries boost Resource potential

Falcon discovery materially expands Hemi footprint

First pass shallow aircore drilling defines new Falcon zone

Ongoing shallow aircore drilling at the Hemi discovery, within DEG's 100%-owned Mallina Gold Project (MGP), has identified a highly brecciated and extensively sulphide altered sub-vertical intrusion extending west and south of the Aquila gold zone. This is now interpreted to be a new gold discovery, discrete from the Aquila zone, and has been named the Falcon zone.

This new altered intrusion strikes north-south, has so far been defined over a strike length of 2.4km, is up to 80m thick and remains open to the south and at depth. The intense alteration and style of mineralisation shows strong similarities to the Aquila zone, which is the highest grade of the Crow, Brolga, and Aquila Zones that comprise the Hemi discovery.

Highlight intersections from the shallow aircore drilling include:

- 21m @ 3.4g/t Au from 40m and 19m @ 2.1g/t Au from 68m in BXAC501;
- 29m @ 1.3g/t Au from 56m in BXAC546;
- 12m @ 2.0g/t Au from 93m in BXAC502; and
- 21m @ 1.1g/t Au from 102m in BXAC506.

Aircore drilling is continuing to advance southwards, testing for further strike extensions to the Falcon zone, which remains open in all directions.

Deeper, follow-up RC and diamond drilling confirms Falcon depth extents

Deeper RC and diamond drilling has followed the aircore drilling to test the depth extents of the Falcon zone. So far this drilling has covered the first 320m of strike and results to date have confirmed broad gold mineralisation to a depth of up to 250mbs (metres below surface). Over 2km of strike remains to be RC and diamond drill tested.

Highlight intersections from the deeper RC drilling include:

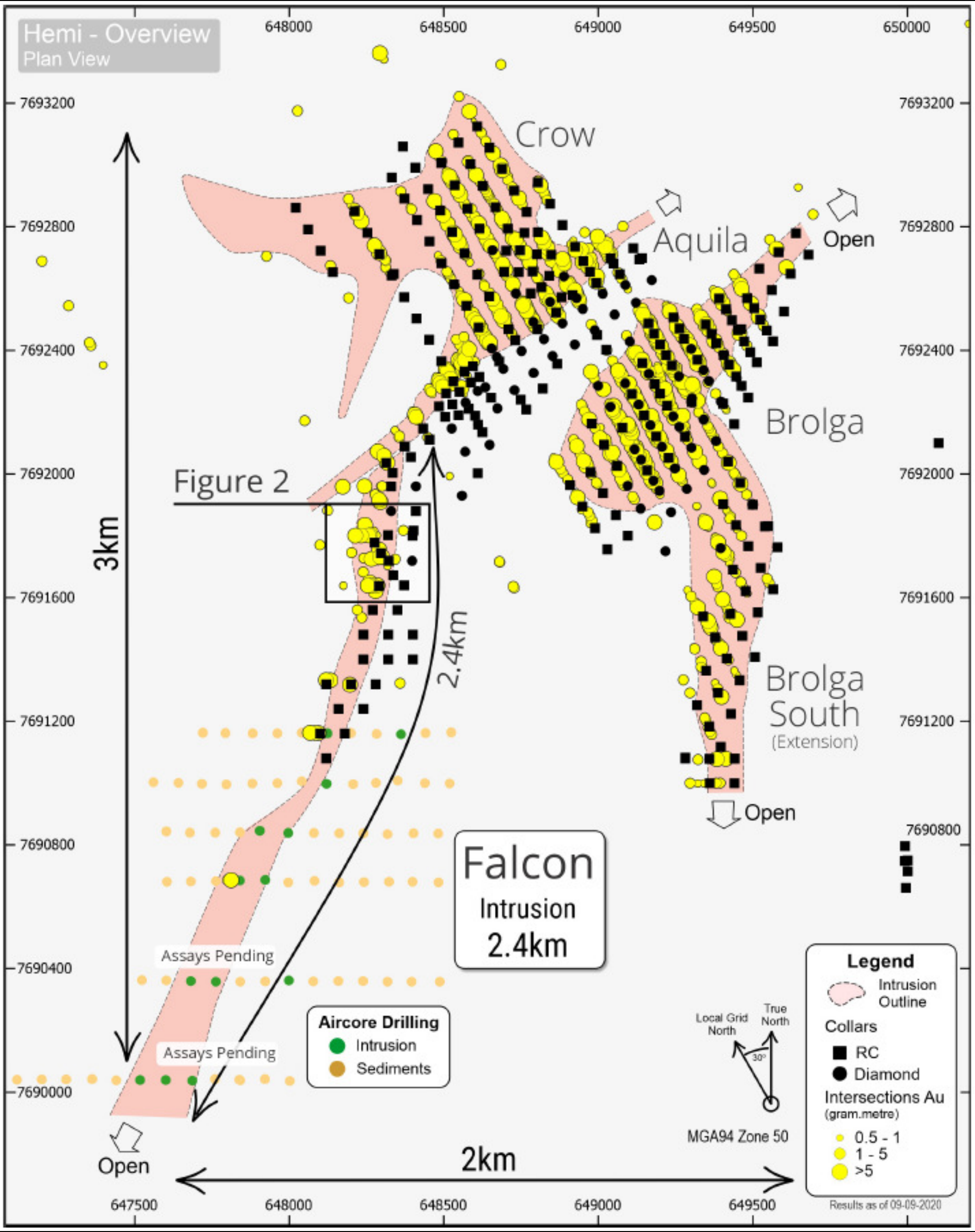
- 92m @ 1.3g/t Au from 167m HERC233D;
- 66m @ 1.1g/t Au from 114m in HERC253;
- 51m @ 1.5g/t Au from 205m in HERC254D;
- 58m @ 2.1g/t Au from 64m in HERC232 (incl. 9m @ 4.4g/t Au and logged visible gold);
- 11m @ 1.2g/t Au from 199m in HERC231;
- 31m @ 1.3g/t Au from 88m in HERC234; and
- 16m @ 3.7g/t Au from 43m in HERC141.

In our view the discovery of the Falcon zone is a further significant development at the Hemi discovery. These new intersections have identified a material, additional ore zone and significantly increased the overall footprint of the Hemi discovery. We are encouraged by the initial aircore results being comparable to many of the intersections achieved in the early stages of the Aquila discovery and the similar style of mineralisation that has been reported. Confidence in the discovery is also increased due to the first phase of follow-up RC drilling having so far returned broad gold intercepts showing continuation of the intrusion to depths of up to 250m along the first 320m of the 2.4km strike.

Aircore drilling continues to trace the Falcon zone along strike to the south, in which direction it remains open, and RC drilling is following from the north end of Falcon to test its depth extents. We will be watching assay results from the Falcon zone carefully, to hopefully see this discovery firm up and, in particular, to get a sense of how the grades compare to the Aquila Zone.

DEG's latest interpretation of the overall geology shows the Aquila intrusion strikes for 1.2km in a south-west orientation, remaining open to the west. The Falcon intrusion strikes for over 2.4km in a north-south orientation, remaining open to the south.

Figure 1 - Drill hole location plan and latest geological interpretation

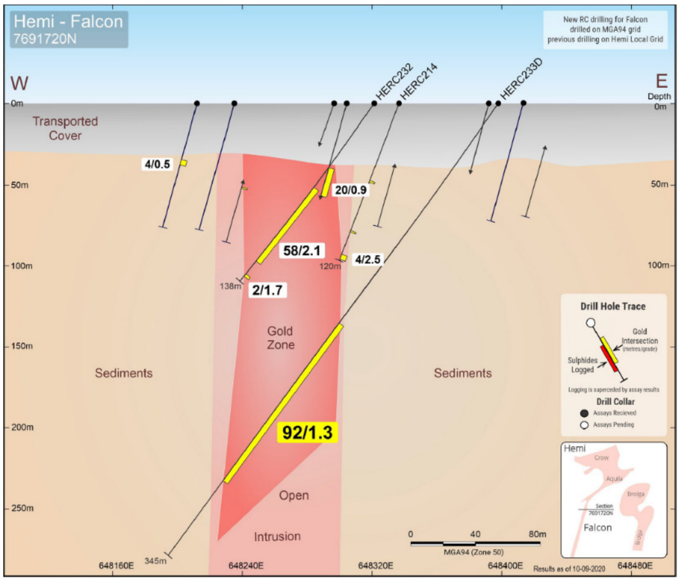


SOURCE: COMPANY DATA

Apart from the increased Resource potential this drilling has defined, it also shows the Hemi discovery continuing to deliver consistent, wide, ore-grade intersections. The positive for us is that this points to orebody geometries that are conducive to productive, large-scale, low-cost open-pit mining methods.

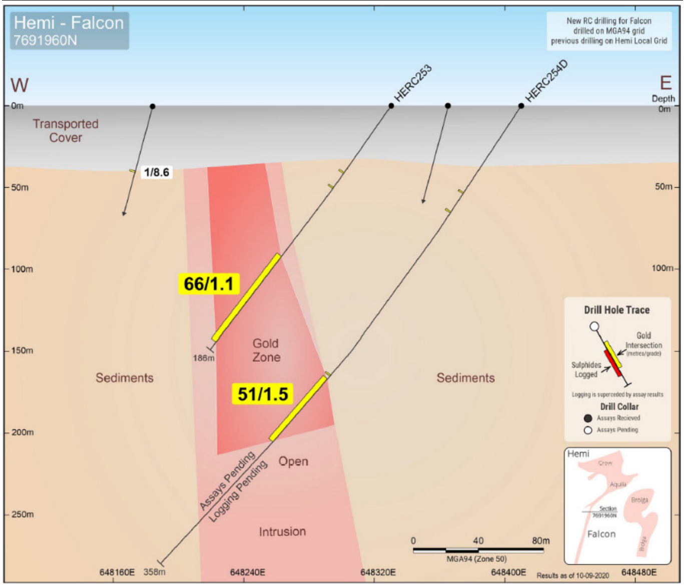
While it is too early to be definitive about how this will play out in Feasibility Studies, it is further evidence that mining costs may be relatively low and favourable to project economics. The cross-sections overleaf (240m apart) are consistent with this scenario.

Figure 2 - Falcon: cross-section 7691720N



SOURCE: COMPANY DATA

Figure 3 - Falcon: cross-section 7691960N



SOURCE: COMPANY DATA

High grade Crow intersections

Another emerging positive from recent drilling at Hemi are the high grade intersections returned from the Crow zone. The most recent drilling results from Crow include the wide bonanza-style intersection of 64m @ 13.4g/t Au, including 19m @ 42g/t Au. These are the best results returned to date from the Mallina Gold Project. Combined with recent drilling success, the Crow Zone has grown to ~1,000m x 400m and remains open.

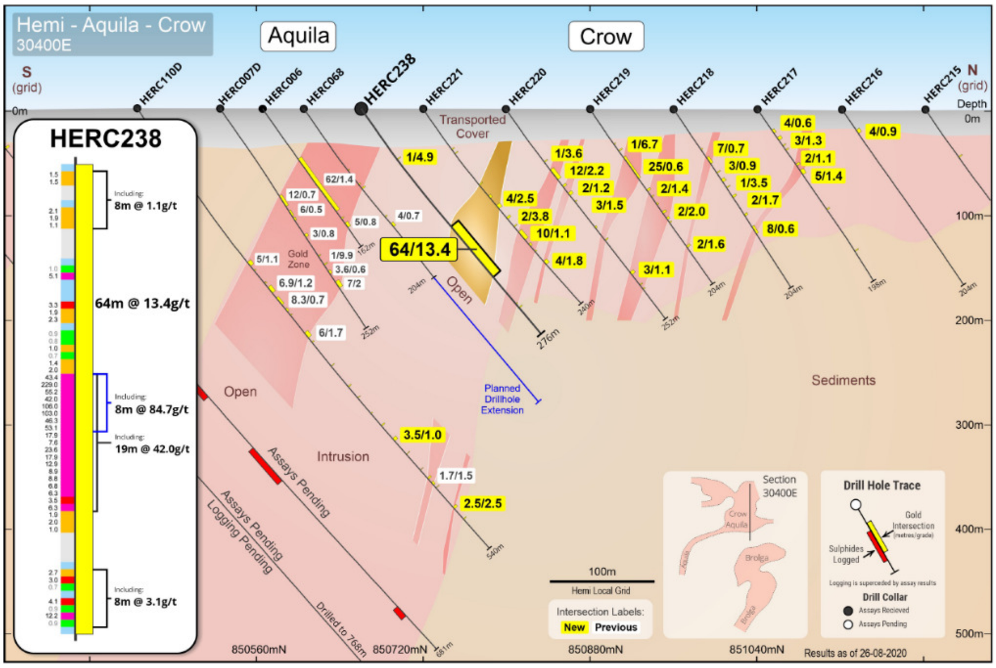
Highlight intersections from the latest drilling include:

- 64m @ 13.4g/t Au from 141m in HERC238 (including 19m @ 42g/t Au and logged visible gold);
- 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; and
- 12m @ 2.2g/t Au from 72m in HERC220.

Crow, which had initially been perceived as a large but low-grade potential supplement to the Aquila and Brolga Zones is now showing higher grades that could not only make a greater contribution to the Resource but also improve the economics of going deeper on the adjacent and higher grade Aquila Zone – thus capturing more ounces overall.

In our view, these results are very encouraging, in that they appear to be detecting high grade plunging shoots that were not picked up by wider-spaced drilling. As the infill drill spacing at Crow continues to tighten up, we may see more of these high grade zones defined within the broader zones of low grade mineralisation, adding to the gold endowment and assisting Resource to Reserve conversion.

Figure 4 - Aquila-Crow cross-section showing high grade shoot



SOURCE: COMPANY DATA

Foundations of a Tier 1 asset

The consistent run of excellent drilling results from the Hemi discovery has continued to build the case that it will support a Tier 1 operation – being defined as a gold mine that can produce +300kozpa for +10 years. The mineralised footprint at Hemi (combining the Crow, Aquila, Brolga and Falcon Zones) now covers some 3.0km north-south and 2.0km east-west. These four zones are located almost immediately adjacent to each other and have the potential to supply a large scale, base-load ore feed to a large processing plant.

Drilling is underway across the wider Mallina project with initial testing of a number of Hemi look-alike targets having now commenced – leaving significant exploration upside in the story.

Valuation

We have based our valuation for DEG on the following:

1. EV/Resource oz metric for exploration companies; and
2. NPV valuation of the MGP based on notional project assumptions.

EV/Resource ounce valuation

DEG is currently trading at an Enterprise Value per ounce of gold in Resource (EV/oz) valuation of ~A$770/oz. This is a clear premium to the sector average we currently measure in the market of ~A$140/oz.

In our view, there are a number of factors driving this premium including:

- The Resource growth and discovery potential of the Hemi discovery, together with six other intrusion related targets showing similar characteristics. Some of these have confirmed mineralisation but not yet been effectively tested;

- A Resource grade comparable with numerous active WA open-pit gold mines and the scale and geometry of the mineralisation at Hemi being conducive to low-cost, open-pit mining methods;
- The strategic land positon DEG has built up since 2016. The MGP tenements now cover over 1,500km^2 and are comparable in scale to the Yandal Gold Belt;
- The pathway and timeframe to production and its location in WA, which we would argue is the world's best mining jurisdiction. Located 60km from Port Hedland, access to infrastructure and services is excellent and should result in reduced capital costs; and
- Metallurgical factors and refractory ore characteristics of fresh ore at the MGP are probably the main risk and negative factor pertaining to DEG. However, the grade and scale of the MGP Resource would likely comfortably cover the additional costs of a refractory ore processing circuit. Technical risks are mitigated by a long mine life.

Table 1 - ASX-listed gold exploration company comparables

Company	ASX Code	Price (A$/sh)	Market Cap (A$m)	Net cash (debt) (A$m)	Available funding (A$m)	EV (A$m)	Resources (Moz)	Grade (g/t Au)	EV/ Res oz (A$/oz)
De Grey Mining Limited	DEG	$1.40	$1,784.2	$124.0	$124.0	$1,660.2	2.165	1.80	$767
Bellevue Gold Limited	BGL	$1.08	$907.1	$151.0	$151.0	$756.1	2.260	10.00	$335
Capricorn Metals Ltd	CMM	$2.02	$694.6	$76.7	$176.7	$617.9	2.145	0.80	$288
Cardinal Resources Limited	CDV	$1.06	$563.2	-$17.6	$17.4	$580.8	6.990	1.13	$83
Ora Banda Mining Ltd	OBM	$0.35	$293.4	$65.9	$65.9	$227.5	2.130	2.80	$107
Musgrave Minerals Limited	MGV	$0.56	$263.1	$9.1	$9.1	$254.0	0.613	3.00	$414
Magnetic Resources NL	MAU	$1.19	$257.1	$11.0	$11.0	$246.1	0.000	0.00	na
DGO Gold Limited	DGO	$3.45	$240.8	$30.0	$30.0	$210.8	0.446	1.75	$473
Catalyst Metals Limited	CYL	$2.38	$196.1	$18.3	$18.3	$177.8	0.000	0.00	na
Genesis Minerals Limited	GMD	$0.08	$159.8	$24.0	$24.0	$135.8	1.280	2.34	$106
Calidus Resources Limited	CAI	$0.58	$156.1	$31.0	$31.0	$125.1	1.714	1.20	$6
Bardoc Gold Limited	BDC	$0.08	$136.7	$35.0	$35.0	$101.7	3.022	1.90	$34
Antipa Minerals Limited	AZY	$0.05	$123.8	$9.2	$9.2	$114.6	1.733	1.14	$66
Rox Resources Limited	RXL	$0.06	$116.6	$10.6	$10.6	$106.0	0.922	2.94	$115
KIN Mining NL	KIN	$0.17	$115.1	$9.1	$9.1	$106.0	0.945	1.40	$112
Vango Mining Limited	VAN	$0.10	$99.4	$15.0	$15.0	$84.4	1.002	3.00	$84
Apollo Consolidated Limited	AOP	$0.33	$87.5	$15.1	$15.1	$72.4	1.035	1.20	$70
Tanami Gold NL	TAM	$0.06	$74.0	$29.0	$29.0	$45.1	1.646	2.80	$27
Saturn Metals Limited	STN	$0.68	$73.8	$16.0	$16.0	$57.8	0.781	1.00	$74
Horizon Minerals Limited	HRZ	$0.14	$68.9	$18.0	$22.0	$50.9	1.175	1.55	$43
Breaker Resources NL	BRB	$0.23	$62.5	$23.0	$23.0	$39.5	0.981	1.30	$40
NTM Gold Limited	NTM	$0.09	$58.8	$6.7	$6.7	$52.1	0.679	1.60	$77
Ausgold Limited	AUC	$0.04	$49.4	$6.0	$6.0	$43.4	1.201	1.10	$36
Middle Island Resources Limited	MDI	$0.02	$46.3	$4.7	$4.7	$41.6	0.657	1.13	$63
Encounter Resources Limited	ENR	$0.15	$40.7	$1.9	$1.9	$38.8	0.000	0.00	na
Prodigy Gold NL	PRX	$0.06	$37.2	$10.7	$10.7	$26.5	1.010	2.00	$26
Venus Metals Corporation Limited	VMC	$0.24	$36.3	$8.0	$8.0	$28.3	0.357	2.97	$79
Alto Metals Limited	AME	$0.08	$25.0	$4.6	$6.6	$20.4	0.331	1.70	$62
Total / average			**$6,858**				**38.9**	**2.2**	**$140**

SOURCE: IRESS COMPANY REPORTS, BELL POTTER ESTIMATES, PRICED AS AT SEPTEMBER 22 2020

We have made estimates of the Resource growth potential at the MGP of between 3.5Moz and 5.9Moz for a midpoint of 4.7Moz. Our estimates are based on:

- Our estimates of potential orebody dimensions across the currently defined Aquila, Brolga, Crow and Falcon Zones, applying representative grades and S.G's; and
- The Hemi discovery alone – i.e. our estimates do not account for any Resource growth at the deposits already in the MGP Resource.

Table 2 - MGP Resource potential estimate: midpoint

Current Resource (Moz)	**2.165**
Expected Resource Growth (Moz)	
Aquila	1.170
Brolga	2.315
Crow	0.694
Falcon	0.502
Subtotal	**4.681**
Total Resource (Moz)	**6.846**

SOURCE: BELL POTTER SECURITIES ESTIMATES

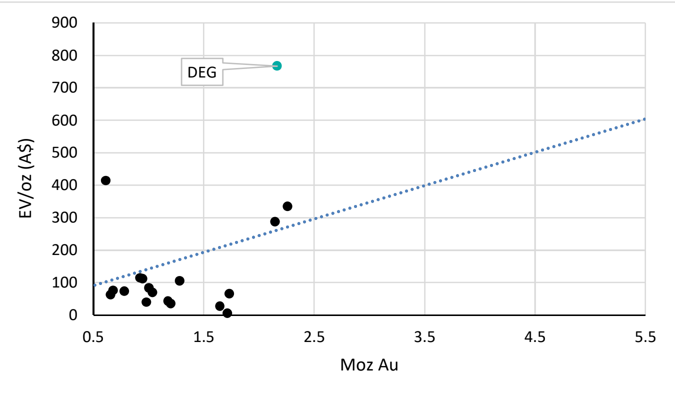
This represents an 18% increase from the upper end of our previous total Resource estimate of 5.8Moz for the MGP and has been driven by:

- The discovery of the Falcon Zone;
- Successful extension drilling at both the Brolga and Aquila Zones; and
- High grade intercepts returned from the Crow Zone, as well as successful extension drilling there.

In applying an EV/Resource oz metric to the scale of Resource we are anticipating at the MGP, we have considered the premium that the market might pay for Resource scale and the other advantageous factors we see for development of the MGP. The charts below indicate that the market pays a premium for Resource scale and that a valuation of between A$260/oz and A$550/oz for a 4.5-5.0Moz Resource for producers and explorers respectively might be applied.

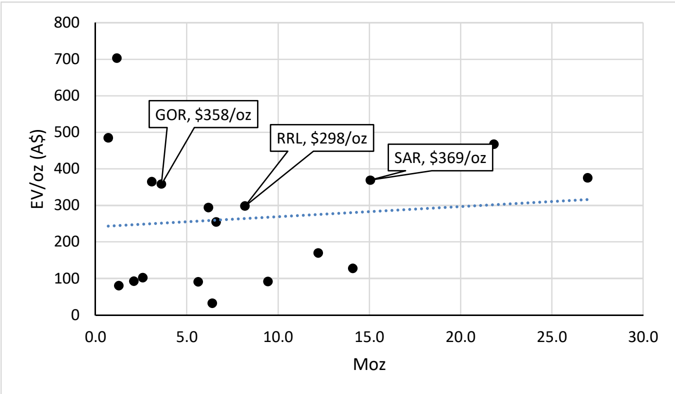
In referencing current producers, in our view, DEG's closest peers are Gold Road (GOR, Hold, TP$1.75), Regis Resources (RRL, Buy, TP$5.72) and Saracen Minerals (not rated).

Figure 5 - EV/Resource oz explorers



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 6 - EV/Resource oz producers



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

In deriving our EV/Resource valuation for DEG, we have applied an EV/Resource oz metric of A$300/oz to the midpoint of our estimate of likely Resource growth at the Hemi discovery, for an Enterprise Valuation of $2,053.7m

Table 3 – Valuation range for lower-end and upper-end potential Resource bases at the MGP

	Resource est. lower end			Resource est. midpoint (Base Case)			Resource est. upper end		
EV/Resource oz valuation (A$/oz)	$240	$300	$360	$240	$300	$360	$240	$300	$360
Current Resource (Moz)	2.165	2.165	2.165	2.165	2.165	2.165	2.165	2.165	2.165
Resource growth est	3.511	3.511	3.511	4.681	4.681	4.681	5.851	5.851	5.851
Total Resource	5.675	5.675	5.675	6.846	6.846	6.846	8.016	8.016	8.016
Target EV (A$m)	$1,362.1	$1,702.6	$2,043.1	$1,643.0	$2,053.7	$2,464.4	$1,923.8	$2,404.8	$2,885.7

SOURCE: BELL POTTER SECURITIES ESTIMATES

NPV-based valuation – notional assumptions

To put our EV/oz valuation into context we have made some notional assumptions around what an open-pit mining operation based on the expanded MGP Resource might look like. Key parameters and outcomes are summarised below:

Table 4 - Notional project parameters and risk-adjusted NPV

Assumed Resource	6.8Moz @1.2g/t Au
Assumed Reserve	4.6Moz @ 1.4g/t Au (67% conversion)
Gold price (A$/oz)	$2,400/oz
CAPEX (A$m)	$550m
Average annual production	315,000 ozpa
Life-Of-Mine (lom)	13yrs
Metallurgical recovery	90%
AISC (A$/oz)	A$1,050/oz
NPV (8% real)	**A$1,853m**
Project Stage risk adjustment	60%
Risk-adjusted NPV	**A$1,112m**

SOURCE: BELL POTTER SECURITIES ESTIMATES

We have updated this from our previous notional scenario which was based on production of ~200kozpa at AISC of A$1,100/oz over a 16.5 year lom. Our higher throughput is supported by the increased assumed Resource base and higher CAPEX (up from A$240m to A$550m).

We reiterate however that these are notional assumptions. The MGP is a relatively early stage development project. Assumptions made at this stage may be very different to parameters derived from more advanced stage studies. As such, valuation ranges can be high risk, wide and relatively subjective.

Blended valuation

We make our valuation for DEG's MGP project on the basis of an 80:20 blend of our EV/Resource oz valuation and our notional risk-adjusted NPV for the MGP. We put the greater 80% weighting on the EV/Resource oz valuation, taking the view it is based on measurable market metrics and a realistically achievable Resource base for the MGP. Our risk-adjusted NPV for an expanded MGP is based in part on development studies completed on the MGP and in part on industry rules-of-thumb and our own estimates. While we believe they are representative they may carry a wide margin of error compared to parameters eventually derived for a potential operation.

Table 5 – Blended valuation - MGP

EV/Resource oz (A$m)	$2,053.7	80%
Notional NPV (A$m)	$1,112.0	20%
Blended valuation (A$m)	**$1,865.4**	**Total**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Upcoming catalysts

Upcoming catalysts for DEG include:

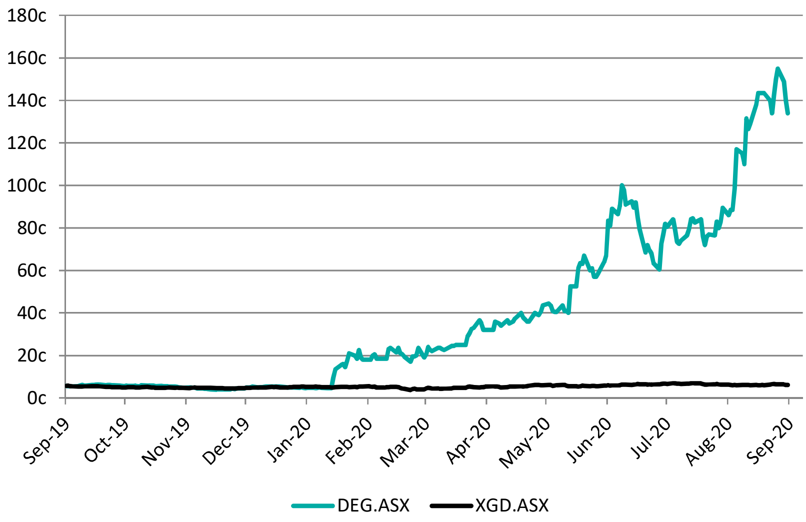
- Ongoing results from the Hemi prospect, where drilling is continuing to test for and identify extensions to the Aquila, Brolga, Crow and Falcon gold zones;
- Drilling results from upcoming exploration programs testing the several identified intrusion-related targets along the SAST. These could lead to new discoveries that repeat the success of Hemi, multiplying the Resource growth potential at the MGP;
- The release of updates from development and feasibility studies evaluating potential production operations at the MGP. Metallurgical testwork will be of particular interest;

- The release of a maiden Resource for the Hemi discovery. In our view the multiple gold zones identified at Hemi may be more than double the current Resource at the MGP; and
- Indications of any corporate activity. While DEG's valuation is high, limiting the field of potential ASX-listed partners, 49% of the current Resource is in the higher confidence Measured and Indicated categories and drilling from the Hemi discovery is near-surface, consistent and continuous. These factors make it a simpler proposition for external parties to assess, cheaper to drill out to Reserve status and quicker to develop – lowering the risk for a potential partner.

Share price performance vs ASX Gold Index

Relative performance chart below:

Figure 7 - DEG relative share price performance vs XGD



SOURCE: BLOOMBERG AND BELL POTTER SECURITIES ESTIMATES

De Grey Mining Ltd (DEG)

Company description

DEG is an exploration and development company that is advancing its 100%-owned Mallina Gold Project (MGP) located 60km south of Port Hedland in WA. The tenement package is prospective for gold, base metals (Zn-Ag-Pb) and lithium. Over the last four years, DEG has expanded the area of the MGP to cover 1,500km^2 and consolidated its ownership. During that time it has grown the Resource base ~525%, from 346koz @ 1.6g/t Au in February 2016 to 2.2Moz @ 1.8g/t Au as at April 2020. DEG estimates a project-wide discovery cost of <$20/oz and that this has dropped to $15-$20/oz for the most recent Resource estimates.

In 2019, a new style of intrusion-related gold mineralisation was recognised at the MGP and seven new targets identified for testing. The first of these to be tested was the Hemi prospect, which has since delivered a string of impressive results and confirmed gold mineralisation across four defined zones. DEG is now ramping up its exploration efforts across these targets, with the objective of delivering significant Resource growth and an updated Mineral Resource Estimate by mid-2021.

Investment thesis – Hold (Speculative), valuation $1.53/sh

The consistent run of excellent drilling results from the Hemi discovery has continued to build the case that it will support a Tier 1 operation – being defined as a gold mine that can produce +300kozpa for +10 years. The mineralised footprint at Hemi (combining the Crow, Aquila, Brolga and Falcon Zones) now covers some 3.0km north-south and 2.0km east-west. These four zones are located almost immediately adjacent to each other and have the potential to supply a large scale, base-load ore feed to a large processing plant.

We now expect Resource growth potential at Hemi of between 3.5Moz and 5.9Moz for a midpoint of 4.7Moz, for a total potential Resource at the MGP of 6.8Moz. We also measure an increased EV/Resource oz metric in the market, leading us to apply an increased rate of A$300/oz to our blended valuation for DEG. We also apply increased CAPEX to our notional NPV-based valuation, for a higher production rate and shorter mine life which again delivers a higher valuation. We lift our valuation 122% to $1.53/sh, but lower our recommendation to Hold (Speculative) due to significant share price appreciation.

Valuation

Our target price for DEG is based upon our blended EV/Resource oz valuation (80%) and our NPV valuation (20%) of notional project parameters.

Table 6 – DEG valuation summary

Ordinary shares (m)		**1,284.7**
Options outstanding (m)		12.2
Assumed equity raise (m)		-
Diluted m		**1,296.9**
Sum-of-the-parts	**$m**	**$/sh**
Blended exploration valuation	1,865.4	1.45
Corporate overheads	(6.3)	(0.00)
Subtotal (EV)	1,859.1	1.45
Net cash (debt)	124.7	0.10
Total (undiluted)	**1,983.8**	**1.54**
Cash from options	2.8	@ 0.23
Assumed equity raise	-	@ 0.00
Total (fully diluted)	**1,986.6**	**1.53**

SOURCE: BELL POTTER ESTIMATES

With upside of 14.2% from the last closing share price to our target price, we lower our recommendation from Speculative Buy to Speculative Hold.

Current Mineral Resource – March 2020

The most recent Resource Statement was published in early April 2020 based on all drilling completed to December 2019. It totalled **37.4Mt @ 1.8g/t Au for 2.2Moz contained**. The latest Resource update delivered a 29% increase in total contained gold and an incremental (2%) grade increase. The Resource includes oxide ore totalling 13.6Mt @ 1.5g/t Au for 0.64Moz (30% of the contained gold) and fresh ore totalling 23.9Mt @ 2.0g/t Au for 1.52Moz (70% of the contained gold). It does not include any estimate for the Hemi discovery.

Table 7 – Mallina Gold Project – Total gold Mineral Resource (March 2020)

Pilbara Gold Project		Mt	g/t Au	(koz)
Mineral Resources				
Measured	Oxide	3.660	1.8	209.7
	Fresh	1.060	1.6	55.3
	Total	**4.720**	**1.7**	**265.0**
Indicated	Oxide	5.330	1.5	254.3
	Fresh	8.910	1.9	531.7
	Total	**14.240**	**1.7**	**786.0**
Inferred	Oxide	4.570	1.2	177.2
	Fresh	13.900	2.1	935.0
	Total	**18.470**	**1.9**	**1,112.2**
Total	Oxide	13.560	1.5	641.2
	Fresh	23.870	2.0	1,522.0
	Total	**37.440**	**1.8**	**2,164.5**

SOURCE: COMPANY DATA

Capital structure

DEG's current capital structure is summarised below. DEG last raised equity via an oversubscribed equity placement in September 2020 when 83.4m shares were issued at $1.20/sh, raising approximately $100m.

Table 8 - DEG capital structure summary

Shares on issue	m		1,274.4
Performance shares / other	m		10.3
Total shares on issue	**m**		**1,284.7**
Share price	**$/sh**		**1.34**
Market capitalisation	$m		1,721.5
Net cash	$m		124.7
Enterprise value (undiluted)	**$m**		**1,596.8**
Options outstanding (m)	m	(wtd avg ex. price $0.23 per share)	12.2
Options (in the money)	m		12.2
Issued shares (diluted for itm options)	m		1,296.9
Market capitalisation (diluted)	m		1,737.9
Net cash + options	$m		127.5
Enterprise value (diluted)	**$m**		**1,610.4**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Top shareholders

DEG's largest shareholder is DGO Gold (DGO), which made a $5m strategic investment in DEG in May 2018, when it subscribed for 25m shares at $0.20/sh for a 7.0% interest in DEG. DGO has subsequently invested a further $40m via options and equity placements to lift its shareholding to ~15.8%. DGO has the right to appoint two Non-Executive Directors to the DEG Board and is currently represented by Ed Eshuys and Bruce Parncutt.

Table 9 - DEG top shareholders

Shareholder	%	m
DGO Gold	15.8%	203.6
Van Eck (GDXJ)	5.6%	71.9
Northwest Nonferrous International	4.6%	59.1

SOURCE: IRESS, COMPANY REPORTS

Resource sector risks

Risks to De Grey Mining include, but are not limited to:

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions.

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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