

De Grey Mining Ltd. (ASX:DEG) Toweranna Continues to Grow

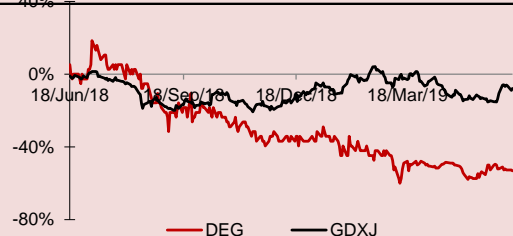
Exploration Update

Closing Price	\$0.09
NAV (C\$/sh)	\$0.50
Fair Value Estimate	\$0.35
52 Week Low / High	\$0.08 / \$0.23
P/NAV	0.18x
CAPITALIZATION	
Shares Outstanding (M)	Basic 423.0 Diluted 496.7
Market Capitalization (\$MM)	\$37.6
Enterprise Value (\$MM)	\$34.5
Last Reported Cash Balance (\$MM)	\$3.2
Last Reported Debt (\$MM)	\$0.0

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE	(\$M)	(\$/Sh)
Pilbara Gold Project - Open-Pit (100%)	\$259.00	\$0.32
Pilbara Gold Project - Underground (100%)	\$188.43	\$0.23
Taxes	(\$141.95)	(\$0.18)
Other Assets	\$66.67	\$0.08
Corporate G&A	(\$28.07)	(\$0.04)
Future Financing Cash Flows	\$59.15	\$0.07
Working Capital	\$1.58	\$0.00
Total NAV	\$404.82	\$0.50

MAJOR SHAREHOLDERS

Management & Insiders (7%)

DISCLOSURE CODE: 1,2,3,4

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

Source: RCKS Estimates, 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 greater than 1,200 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

De Grey has announced the final batch of drill results from its RC drill program at Toweranna and has announced its transition into scout drilling to test the deposit at greater depths. The update continues to support the company's target of 2Moz for its entire Pilbara project which would provide upside beyond our current 1.58Moz estimate. **We reiterate our fair value estimate of A\$0.35/sh (unchanged) which we expect could be realised with coming positive milestones for the company.**

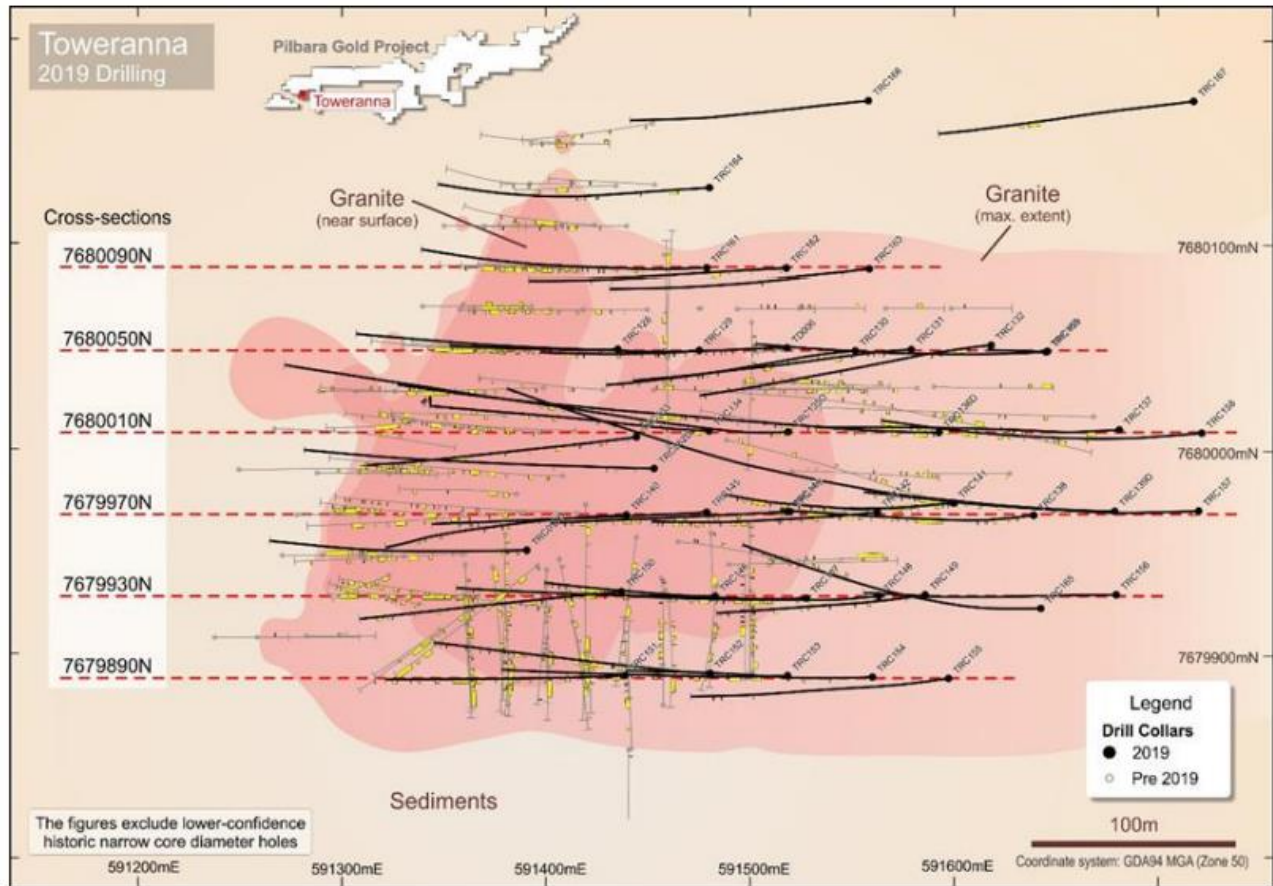
Highlights:

- **Toweranna – how big could it be?** Drilling continues to intersect stacked high-grade gold lodes laterally and at depth and demonstrate promising continuity. The company is looking to upgrade its small shallow (<120m) open pit resource at Toweranna with a target of 680-800k oz Au. Highlights include 23m at 1.54g/t Au from 246m and we note that the mineralized body continues to be constrained only by the limits of drilling. As a result, we look forward to the next set of scout drill results as the company tests 200-600m of depth.
- **Positioning Toweranna for production.** We model 424koz at 2.2 g/t Au for Toweranna which currently hosts a small resource of 143.9k oz at 2.2g/t Au. We continue to believe that the resource update in Q3/19 could exceed our estimates. Moving forward, De Grey has outlined a work plan for Toweranna which includes, additional drilling, additional ore sorting test-work and open pit mine optimization for a PFS expected in 2019 following the new resource.
- **Pending Indee payment. by July 2019 should lift overhang.** De Grey has a final payment of A\$9.3M in cash and A\$3M of De Grey shares by July 24, 2019. We believe the company should be able to fund this commitment, and the removal of this overhang should see some of the recent exploration success, reflected in the share price.

Valuation:

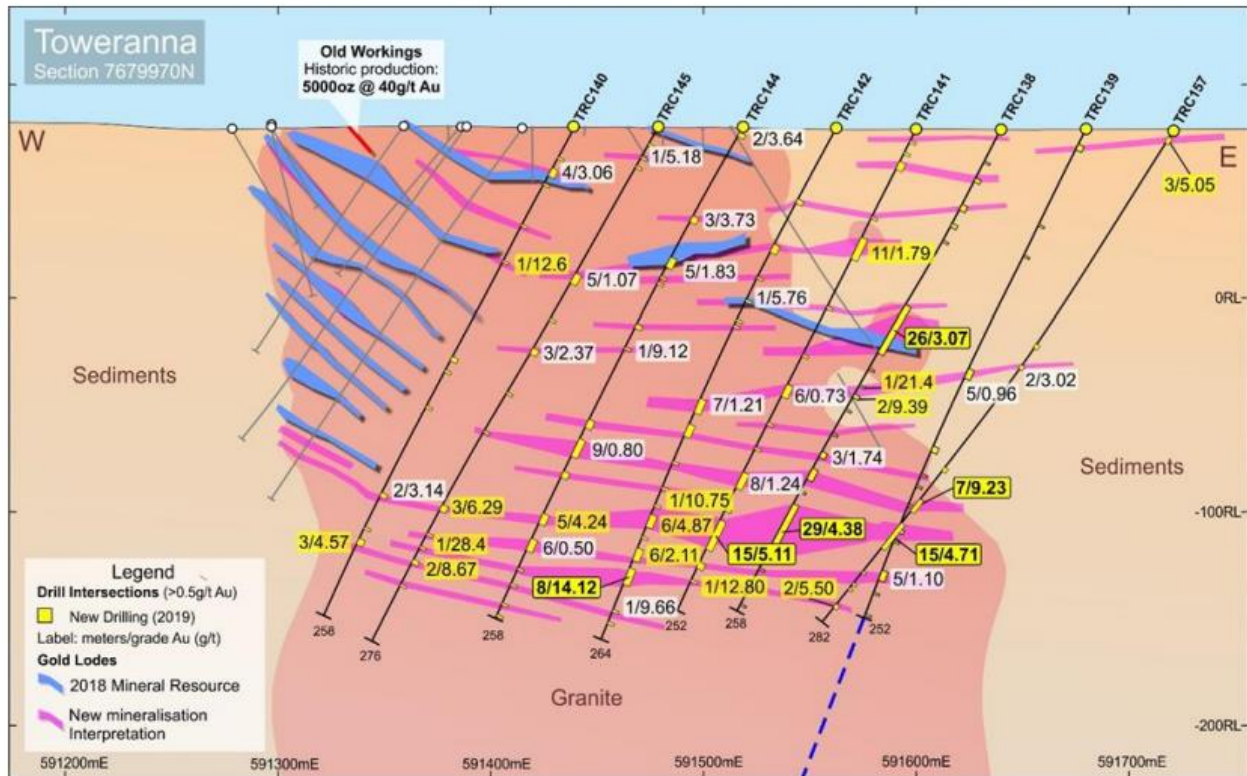
Positive catalysts should drive re-rating following pending payment. We continue to value De Grey at A\$0.35/sh (unchanged) based on 0.70x our NAVPS_{8%} estimate of A\$0.50 (unchanged). The company trades at 0.18x.NAV, a discount to peers at 0.71x. We believe that once the funding for pending payment is in place, the stock could materially re-rate, reflecting some of the recent exploration success. **Upcoming catalysts:** 1) Ongoing exploration results, 2) Project development updates 3) Final project payment (July 2019).

Figure 1: Toweranna Plan



Source: Company Reports

Figure 2: Toweranna Cross Section



Source: Company Reports

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Company Specific Disclosure Details

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

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