

De Grey Mining Ltd (ASX:DEG) Hard Rock Asset Continues to Grow

Company Comment

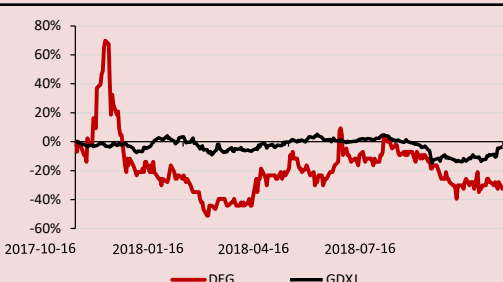
(Currency is AUD\$ unless noted otherwise)

Closing Price	\$0.15	
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)	\$52.6	
Enterprise Value (\$MM)	\$46.5	
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*	\$35	0.39x
De Grey Mining Limited	\$27	NA

*Capital IQ Consensus

MAJOR SHAREHOLDERS

Management (10.59%), Kirkland Lake Gold Ltd. (9.18%), DGO Gold Limited (6.89%), Troca Enterprises Pty Ltd (2.75%), Distinct Racing & Breeding Pty. . (2.05%)

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 explores for and develops mineral properties in Australia and Argentina. It focuses on exploring gold, silver, zinc, and base metals, as well as iron ore and sand deposits. The company's principal project includes the Turner River project that is 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

Results point to continued resource growth for De Grey's hard rock assets. The company's exploration results from Toweranna and Mallina are likely to add to the company's growing inventory of mineable ounces. These results follow a recent resource update where the company **more than doubled mineable ounces**. This news supports our theory that the project has significant room to grow (Company aims to build a 3Moz Au resource - Figure 1).

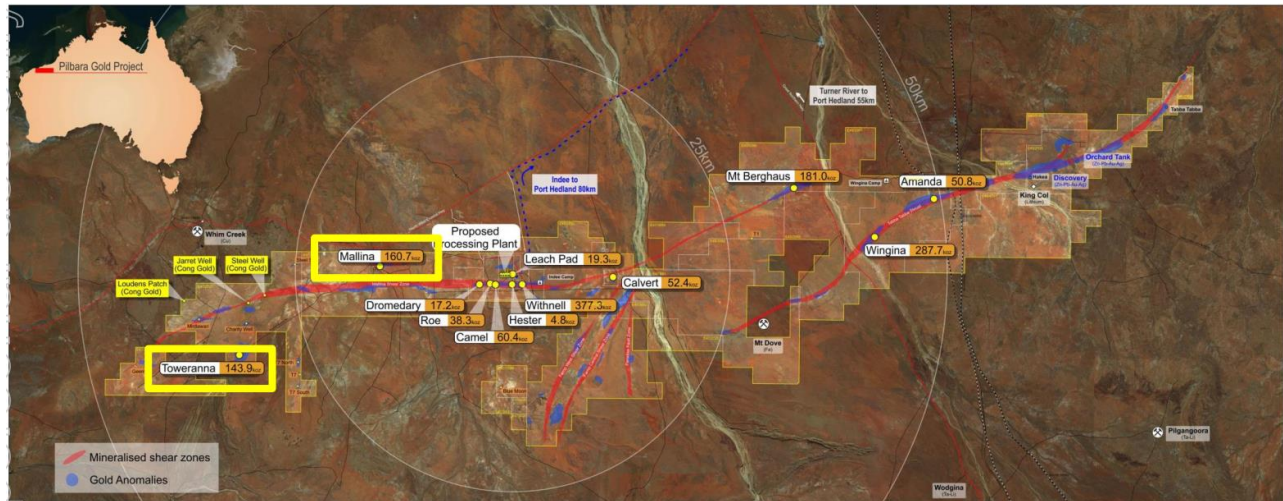
Highlights:

- **Near surface drilling continues to impress.** Following a 254% increase in total resources at Toweranna to 144koz Au (2Mt @ 2.2g/t Au), drilling is continuing to highlight its near-surface expansion potential with 17.3m grading 3.91g/t Au from 50m (TRC052D). Now that the company has defined a high-grade near-surface deposit, focus is shifting to targeting depth extensions. Deeper drilling success opens the door to a potential higher-grade underground resource, which the company intends to highlight in a Scoping Study following the Open Pit PFS.
- **3km of shallow gold zones largely untested at Mallina.** The company is testing 3km of extensive shallow gold zones at Mallina. Results were highlighted intercept of 56m grading 3.04g/t Au (MLRC214D). Following a 9% increase in total resources to 161koz Au (3.8Mt @ 1.3g/t Au) in the last update, Mallina remains an important near-surface target (<100m depth) for step-out drilling.
- **Expanding resources suggests a larger mine may be possible.** The company's current scoping assumes production of ~58k oz/year (RCKS est. ~56koz/year); however continued exploration success could see this potential mine exceed 100koz/year.

Valuation:

Current share price does not reflect hard rock value; let alone conglomerate optionality. Our recently updated preliminary estimate for De Grey's hard rock assets is A\$0.30-0.45/share. While this reflects a potential doubling of the current A\$0.15 share price, 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: Pilbara Gold Project – Mallina and Toweranna



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	\$0.15	-9%	363	\$53	\$1	\$0	\$51	\$27	NA
Anaconda Mining Inc.	TSX:ANX	\$0.27	-34%	119	\$32	\$4	\$1	\$29	\$12	0.26x
Osisko Mining Inc.	TSX:OSK	\$2.63	-22%	373	\$982	\$59	\$0	\$923	\$92	0.66x
K92 Mining Inc.	TSXV:KNT	\$0.97	80%	189	\$184	\$6	\$9	\$186	\$43	0.38x
IDM Mining Ltd.	TSXV:IDM	\$0.06	-43%	449	\$27	\$4	\$0	\$23	\$22	0.36x
Lion One Metals Limited**	TSXV:LIO	\$0.46	-27%	103	\$47	\$20	\$0	\$28	\$14	0.25x
Victoria Gold Corp.	TSXV:VIT	\$0.39	-11%	785	\$302	\$142	\$0	\$160	\$26	0.45x
Median									\$24	0.37x
Average									\$35	0.39x

*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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