

De Grey Mining Limited

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De Grey Mining targets 3-million-ounce resource as investors vote for 100% project ownership

De Grey Mining Limited (ASX:DEG) shareholders have backed the company's acquisition of Chinese company Indee Gold Pty Ltd giving the Western Australian company the all-clear to take its stake in the flagship Pilbara Gold Project to 100%.

The result is a boost for the company as it focuses on a newly-unveiled target of defining a 3-million-ounce resource.

READ: De Grey Mining boosts gold bounty at Pilbara project to almost 1.4 million ounces

De Grey executive chairman Simon Lill told Proactive Investors yesterday afternoon the company's shareholders had given their approved for the company to complete the Indee acquisition in a not unexpected endorsement.

Chairman Lill said: "We recognised the value in that ground - and shareholders - so the shareholder hands at the meeting were very much in favour of it."

The majority of investors in the Subiaco company put their hands up to 11 resolutions yesterday.

Among these were a change in the Pilbara-focused company's scale of operations, the buy-up of all of Indee's shares and the swallow-up of the Indee Gold Project.

Lill highlighted most of the 15% increase to the company's Pilbara project structural gold resources this week to 1.4 million ounces had come from the Indee ground.

He emphasized the acquisition's other strengths, such as its mining licence, mine camp, water bore licences, haul roads and other good infrastructure.

Lill said: "We're pretty happy with the acquisition price that will continue to look better as we continue to work on that ground."

Settlement process

That settlement process is currently approved to take place in the next three months, with De Grey reporting today that ASX Ltd (ASX:ASX) had declined its application for a waiver that would allow it to delay the issue of shares valued at \$3 million to seller Northwest Nonferrous Australia Mining Pty Ltd.

The price of the shares was to be divided by 90% of a volume-weighted price.

If De Grey decides it wants to delay an issue of shares to the seller past the next three months, it can present a resolution at another meeting.

Price: 0.18

Market Cap: \$186.94 m

1 Year Share Price Graph



Share Information

Code: DEG

Listing: ASX

52 week High Low
0.23 0.039

Sector: Gold & silver

Website: www.degremining.com.au

Company Synopsis:

De Grey Mining Ltd (ASX:DEG) has made a discovery at the Hemi Prospect within the Mallina Gold Project in Western Australia.

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Chairman Lill said: "We have the option with the Indee acquisition to defer settlement by another 6 months and we are looking through all our options at the moment as to how we settle the option for the Indee agreement anyway, so it's possible we have to go back to shareholders at some stage."

The chairman indicated the company could hold another vote in April or mid-May if it was working towards a July 27, 2019 delayed settlement deadline.

Indee gold

Indee brings 746,200 ounces to the Pilbara Gold Project which became 1.4 million structural gold ounces earlier this week with a resource update that added 15% to project resources.

Lill said: "Our resources overall have increased to 1.4 million ounces, that were previously just over 1.2, most of those increases are on the Indee land in part that's because that's where most of our drilling had been but also in part that's where we had specifically been targeting some increases.

"We've come up, with the resource upgrade, that the acquisition of Indee is now at \$17 an ounce and that price will continue to reduce, as we find more resources."

READ: De Grey Mining excavating conglomerate gold horizon in Pilbara Gold Rush territory

De Grey's Pilbara Gold Project land tenure.

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READ: De Grey Mining excavating conglomerate gold horizon in Pilbara Gold Rush territory

De Grey's updated Pilbara estimate shared on Wednesday includes all drilling up to the end of July 2018 and incorporates 11.02 million tonnes at 1.5 g/t for 529,900 ounces in oxide mineralisation and 16.23 million tonnes at 1.7 g/t in fresh material.

Indee features 385 square kilometres of what De Grey views as prospective tenure, a 20-man expandable camp and the Loudens Patch, Steel Well and Jarret Well conglomerate gold targets.

Next steps — a PFS and ambitious drilling target

This week De Grey has been updating investors on its next steps — sharing a presentation delivered by executive chairman Simon Lill at the Precious Metals Investment Symposium in Perth late yesterday and to be shared on the road by technical director, geologist Andrew Beckwith, who is undertaking a North American roadshow.

Beckwith said in July: "The more drilling we do, the more gold we find."

Lill confirmed yesterday the company was working on its pre-feasibility study which it believed it would be useful, telling Proactive Investors that unlike other PFS-producers, the company did not plan to move straight on to a definitive feasibility study.

De Grey is focused instead on a key corporate goal Lill and the company unveiled yesterday in a presentation, to define more than 3 million ounces at the project.

Lill said: "We will look forward to the outcomes."

READ: De Grey Mining finds high-grade gold lodes beneath Withnell open pit

The company's key message with its presentation is it strongly believes the Pilbara project has the potential to host multi-million-ounces of resource and it was ensuring "growth through discovery".

Lill said: "We're working out what we do have and how big this thing could be.

"We are now talking scale — 1.4 million ounces is a nice figure, 3 million ounces, that's also a nice figure. Let's have a look and say when we get to 3 million ounces let's ask ourselves, 'Is this going to 5 (million ounces) and beyond?' So that's going to be the excitement over the next 2 years for us."

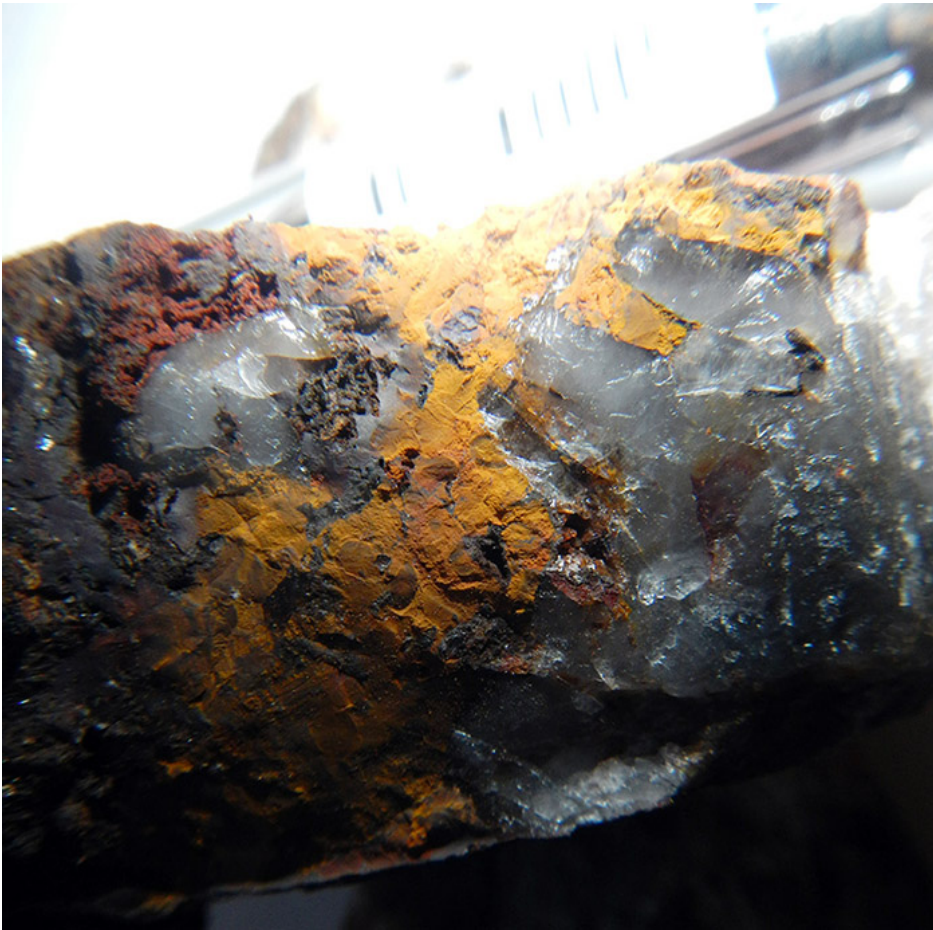
The company expects to go deeper with its drilling and define more resources, with two drilling programs underway.

Lill said: We are seeing grades increase as we go deeper.

"There is a huge opportunity to add ounces."

De Grey hopes to model building a standalone gold-mining centre in its PFS and take production to 10 kilo-ounces a year during a 7-year-or-longer mine life.

The company reported on Thursday it was making a significant rate of return on investment and had sufficient cashflow to take it through to production.



Major shareholder back ounce-building

The company's existing shareholder base includes supportive major shareholder Kirkland Lake Gold Ltd (ASX:KLA) (TSE:KL) (NYSE:KL) (FRA:NGDA) which held 9.2% and neighbour DGO Gold Limited, which had 6.9% in a stake controlled by explorer and company investor Eduard Eshuys.

Lill acknowledged yesterday: "We have two significant shareholders, DGO Gold (and) Kirkland Lake, Kirkland Lake is a very large company with a growing balance sheet, both of them are invested very much so in our shear zone."

Two months ago, explorer Eshuys told I his company viewed De Grey prospectivity as having "enormous potential".

Eshuys said: "We think that on the De Grey land we should be able to find gold at something like \$10 an ounce."

DGO's estimate of De Grey's cost of finding resources is \$15 less an ounce than the \$25 average costs estimated in a recent industry review and \$2 an ounce cheaper than the current estimate of the Indee pick-up.

De Grey's chairman said both the company's significant shareholders supported growing resources over pursuing near-term production opportunities.

Lill said: "They want to see us developing, drilling, working out what we do have and what this thing could be."

De Grey's open-pit pre-feasibility study for the northwest project is expected to outline near-term mining options and is expected in the new year.

Lill said the company had seen how the market responded to junior companies wanting to jump into production.

Chairman Lill said: "We have talked about getting into production as quickly as we can (but) I think what we're looking at in the stock market arena though is the production profile of juniors, the ASX is not rewarding them for saying they're going to go into production — they're penalising them.

"I think we're better off going the route that we are, looking at the scale, having a really good look at it and that's where our two major shareholders wish us to go as well.

"We've got their support, so it's great."

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