

Over 800koz in Resources

More to come; DEG now a developer

Recommendation

Strong BUY, Very High Risk

Price

5.0c

Risked, NPV based Valuation

25c

Commodity

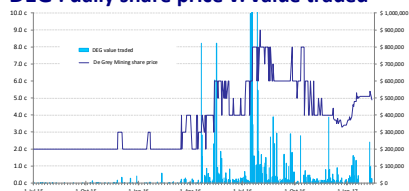
Gold

- On 8 February, 2017, DEG announced the acquisition of the Indee Gold project, for a deferred payment of \$15m.
- Indee has JORC (2004) Resources of 345koz, from 6.68Mt at an average grade of 1.6g/t, plus further high grade mineralisation evidenced by drilling that is not yet included in Resources.
- Indee is based on the Mallina shear, along strike from DEG's Turner River tenements, giving DEG over 160km of strike of the Mallina and Tabbatabba shears.
- DEG now controls over 800koz, from 16Mt grading 1.5g/t, in Resources; Beer & Co expects this to increase.
- With this acquisition, DEG transitions from an explorer to a gold project developer, with granted MLs. Beer & Co expects first gold in about 2 years.

Snapshot

Market Cap	\$8.7m
Cash on hand (31 Dec 2016)	\$0.95m
Shares on Issue	173.4m
52 Week High	10.0c
52 Week Low	2.0c
1 month / 6 month VWAP	5.2c / 5.1c

DEG : daily share price v. value traded



DEG acquired Turner River (Pilbara) tenements in April 2003 and the discovery of Wingina Well was announced in December 2003.

After a change in management in December 2015, DEG focussed on its Turner River project, which has gold and base metals (VMS).

DEG announced the potential acquisition of the Indee gold project in February 2017. Indee is along strike from Turner River.

Combined, Turner River and Indee have over 800koz of JORC Resources, with significant further potential.

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DEG Acquired Indee for Deferred Payment

On 8 February 2017, DEG announced acquisition of the Indee gold project. The consideration is an initial payment of \$50k, plus a further \$50k within 3 months, with the balance of \$15m to be paid by August 2018. In addition, DEG is required to spend \$0.6m on the tenements.

In Beer & Co.'s view, the timing of the payment of \$15m means it can be part of the project financing, rather than requiring significant equity at this time.

Indee is contiguous with DEG's Turner River tenements

Indee straddles the Mallina Shear, giving DEG over 100km of continuous strike. DEG is able to develop the previously separate projects as a single development, with multiple ore sources.

DEG now has over 800koz in Resources, grading 1.5g/t.

DEG now has nearly 10Mt in Measured + Indicated Resources, for a total of nearly 500koz, at an average grade of 1.6g/t, within a total of over 800koz, in more than 16Mt.

There is significant further mineralisation not yet included in Resources.

DEG – now a project developer.

Beer & Co expects a series of Resource upgrades over the balance of 2017, along with results of a scoping study and then a FS by the end of 2017.

The volume, grade and nature of mineralisation gives Beer & Co confidence.

Beer & Co's risked valuation is 25c/share

Beer & Co has modelled DEG based on developing Indee – Turner River as a single project, at a rate of 2.0Mt/yr. Beer & Co has estimated capital costs from similar projects and we have estimated operating cost using our database, cross-checked with other public data.

Beer & Co has a Strong BUY rating; Very High Risk

Beer & Co's valuation is many times the share price. There is significant upside to our valuation, but it is based on our estimates.

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DEG : Turner River + Indee = Development

Resources

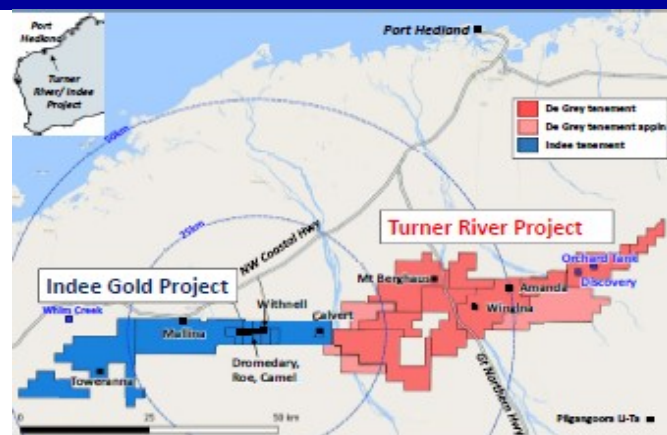
DEG to acquire Indee

On 8 February, 2017, DEG announced that it had secured an exclusive and binding option to acquire the Indee gold project in 12 months.

As shown in Figure 1, the Indee gold project comprises 414km² in area and is contiguous with DEG's Turner River project which comprises 823km² in area, and comprises many areas of mineralisation.

Indee extends DEG's existing tenement area, Turner River

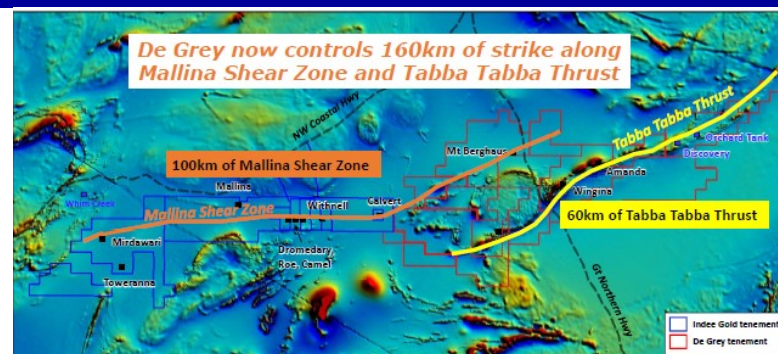
Figure 1 :Indee project, adjacent to Turner River



Source : DEG presentation, February 2017

Figure 2 shows that, with the acquisition of Indee, DEG now controls 100km of the Mallina shear and 60km of the Tabbatabba shear, both of which are highly mineralised, with many further prospects.

Figure 2 :DEG now has over 160kn of highly prospective shear zone



Source : DEG presentation, February 2017

DEG will now control 100km of the Mallina shear and 60km of the Tabbatabba shear

With the acquisition of Indee, DEG has increased its total Resources in gold projects from Turner River plus Indee, as shown in Figure 3.

Figure 3 : JORC Resources currently controlled by DEG

	Measured			Indicated			Inferred			TOTAL		
Indee	0.65 Mt	1.5 g/t	31 koz	4.84 Mt	1.5 g/t	236 koz	1.19 Mt	2.0 g/t	78 koz	6.68 Mt	1.6 g/t	345 koz
Turner River	3.08 Mt	1.7 g/t	172 koz	1.20 Mt	1.4 g/t	56 koz	5.40 Mt	1.4 g/t	236 koz	9.68 Mt	1.5 g/t	464 koz
TOTAL	3.73 Mt	1.7 g/t	203 koz	6.04 Mt	1.5 g/t	292 koz	6.59 Mt	1.5 g/t	314 koz	16.37 Mt	1.5 g/t	809 koz

Source : DEG ASX announcements, 28 October 2016, 25 January and 8 February 2017, Beer & Co

Further Potential

DEG will have 809koz in JORC Resources

Indee - gold

Beer & Co.'s previous research report on DEG ([DeGreyMining_2016November09.pdf](#)) showed many areas of further gold mineralisation at Wingina, Mt Berghaus as well as Wallareenya.

In their 25 January, 2017, announcement upgrading their Resource estimate for Mt Berghaus, DEG indicated that further drilling, to being in March / April, is expected to result in further upgrades to their Resource estimate

Beer & Co sees many areas in which the total Mineral Resource Estimate will be increased

Mallina

In their 8 February, 2017, announcement DEG gave an Exploration Target for Mallina (see Figure1; about 15km west of Withnell) of

- 1.4Mt to 2.6Mt in size;
- Grading 1.2g.t to 1.5g/t.

DEG will be drilling Mallina in about May / June and expect to report a Resource estimate soon.

Withnell Trend

At Appendix 3 of their 8 February, 2017, announcement DEG gave many very good intercepts of drilling around Withnell that are outside the Resource envelope. DEG showed details of 105 intercepts. Some of the results reported can be described as spectacular, with :

- 12m grading 28.5g/t gold, from 75m down-hole at Camel;
- 6m grading 11.5g/t gold, from 76m down-hole at Camel;
- 12m grading 10.8g/t gold, from 64m down-hole at Withnell;
- 11m grading 10.8g/t gold, from 84m down-hole at Camel;
- 3m grading 10.5g/t gold, from 65m down-hole at Withnell;
- 4m grading 10.5g/t gold, from 60m down-hole at Withnell;
- 5m grading 10.1g/t gold, from 129m down-hole at Withnell;
- 7m grading 9.8g/t gold, from 74m down-hole at Withnell.

Of the 89 intercepts to a depth of not greater than 160m :

- The total width is 796m;
- For 3,293gram-metres;
- Averaging 4.14g/t.

Further drilling will bring this into Resources.

Indee – base metals and spodumene (lithium)

Beer & Co.'s previous research report on DEG showed 3.5Mt of Resources from Volcanic Massive Sulphides, grading 0.8g/t of gold, for 3.6g/t of gold equivalent (Beer & Co estimate).

DEG has also shown pegmatites prospective for spodumene in its tenements.

Development Timetable

With this acquisition, DEG is transformed from an explorer to a developer.

In their 8 February announcement, DEG state that, after a scoping study, a feasibility study is expected to be started during the June quarter. Figure 4 shows Beer & Co.'s assessment of the timing.

Both in size and in confidence

The core of Indee is granted Mining Leases

Figure 4 : Timetable

Scoping Study	3 months	June 2017
Feasibility Study	8 months	Feb 2018
Finance	1 month	Mar 2018
Construction	10 months	Dec 2018
Commission	2 months	Feb 2019

Source : Beer & Co estimates

In our analysis, Beer & Co has allowed for costs as follows :

- Scoping Study : \$1.0m;
- Feasibility Study : \$3.5m'
- Corporate costs / overhead : \$0.25m each month.

DEG expects to begin a feasibility study by June 2017

Beer & Co expects DEG to be able to get into production from Indee relatively quickly as Indee is on a granted Mining Lease, with relevant environmental approvals, and as it has been an operating mine, has significant infrastructure in place.

Indee – Turner River Project Development

Mining Inventory

Figure 5 shows that Beer & Co has started with the reported Measured + Indicated Resources, increasing the volume by 5% / 10%, but at a grade that is 2.5% / 7.5% lower than the Resource grade, to allow for mining dilution.

Beer & Co has estimated a Mining Inventory of over 1.0 Moz

With a key addition from drill results at Withnell reported by DEG, but not included in Resources

Figure 5 : Estimated Mining Inventory

Measured + Indicated Resources				Waste : Ore	Dilution		Distance to mill	Recovery
				tonnes	grade			
Indee - Withnell, CCT	5.77 Mt	1.5 g/t	274 koz	5.0 : 1	+ 5 %	(- 2.5%)	4.0 km	94 %
Wingina Well Lode	0.99 Mt	3.8 g/t	121 koz	12.5 : 1	+ 10 %	(- 7.5%)	40 km	94 %
Mt Berghaus	0.23 Mt	1.7 g/t	13 koz	6.0 : 1	+ 10 %	(- 7.5%)	35 km	94 %
Inferred Resources								
Indee - T + R	0.71 Mt	2.2 g/t	51 koz	6.0 : 1	(- 15%)	(- 5%)	35 km	94 %
Mt Berghaus	2.64 Mt	1.1 g/t	92 koz	6.0 : 1	(- 20%)	(- 10%)	35 km	90 %
Sub-Total	10.34 Mt	1.7 g/t	550 koz					
ROM pad	0.85 Mt	1.0 g/t	27 koz	0.0 : 1			0 km	90 %
Extensions - Indee	3.89 Mt	3.3 g/t	413 koz	10.0 : 1	(- 25%)	(- 20%)	5.0 km	83 %
Mallina	2.00 Mt	1.4 g/t	87 koz	7.0 : 1			15 km	85 %
Extensions - Turner River							40 km	85 %
TOTAL	17.08 Mt	2.0 g/t	1,078 koz					

Source : Beer & Co estimates

Similarly, Beer & Co has assumed that the Inferred Resources are upgraded by infill drilling, but at lower tonnes and lower grade. We have also made our own estimates for other mineralisation, as described above, with discounts to both volume and grade.

Figure 5 also shows the recovery assumed for each of the sources of mineralisation.

Capital Costs

Beer & Co has estimated a capital cost of \$84m for a 2.0Mt/yr operation, including EPCM, owner's costs, commissioning and working capital.

Projected Production

Figure 6 shows Beer & Co.'s projected production from DEG's Indee-Turner River project.

Figure 6 : Beer & Co.'s projected production for DEG's Indee-Turner River

	Average / Total	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Waste moved	116 Mt	0 kt	9,750 kt	15,808 kt	10,000 kt	10,581 kt	19,501 kt	20,000 kt	12,060 kt	13,342 kt	4,607 kt
Ore Mined	16.2 Mt	0 kt	1,575 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	658 kt
Ore processed	16.6 Mt	450 kt	1,975 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	658 kt
Gold head grade	1.9 g/t	1.00 g/t	1.65 g/t	2.36 g/t	1.48 g/t	1.70 g/t	2.90 g/t	2.94 g/t	1.10 g/t	1.26 g/t	1.35 g/t
Recovery	91.9 %	85 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %
Gold produced	947 koz	12,350 oz	96,177 oz	139,654 oz	87,284 oz	100,395 oz	171,355 oz	173,942 oz	65,130 oz	74,750 oz	26,285 oz

Source : Beer & Co estimates

Beer & Co has estimated production averaging just over 100koz/yr

DEG has significant scope to improve Beer & Co.'s projected production profile

Beer & Co expects that the operation will commence using the material presently on the RoM pad, and then focus on Indee material until Turner River is approved for mining, after allowing for environmental studies.

Beer & Co further assumes :

- Material is sequenced as shown in Figure 5, which offers potential upside from optimised sequencing following from DEG's subsequent drilling focussing on the higher grade areas; and
- Mill feed material from the Turner River area is sourced at a rate of no more than 1.0Mt/yr, with Indee feed providing the balance.

Operating Costs

Beer & Co has estimated production costs on a bottoms-up basis, strongly informed by our modelling of other operations. Figure 7 shows the results.

Beer & Co.'s estimated costs are low, due to the relatively high grade for shallow open cut mining.

Figure 7 : Beer & Co.'s projected production costs

TOTAL MINING COST	\$ 318m	\$ 38.0m	\$ 51.3m	\$ 33.4m	\$ 30.5m	\$ 41.1m	\$ 41.6m	\$ 35.1m	\$ 35.2m	\$ 12.1m
AUD /t ore	\$ 19.6/t	\$ 24.1/t	\$ 25.7/t	\$ 16.7/t	\$ 15.3/t	\$ 20.5/t	\$ 20.8/t	\$ 17.6/t	\$ 17.6/t	\$ 18.4/t
PROCESSING	\$ 156m	\$ 23.3m	\$ 23.5m	\$ 23.5m	\$ 16.0m	\$ 16.0m	\$ 16.0m	\$ 16.0m	\$ 16.0m	\$ 5.3m
AUD /t ore	\$ 10.0/t	\$ 11.8/t	\$ 11.8/t	\$ 11.8/t	\$ 8.0/t	\$ 8.0/t	\$ 8.0/t	\$ 8.0/t	\$ 8.0/t	\$ 8.1/t
SITE G & A	\$ 43m	\$ 5.0m	\$ 5.5m	\$ 4.9m	\$ 5.0m	\$ 5.9m	\$ 5.9m	\$ 4.6m	\$ 4.7m	\$ 1.6m
AUD /t ore	\$ 2.7/t	\$ 2.5/t	\$ 2.7/t	\$ 2.4/t	\$ 2.5/t	\$ 2.9/t	\$ 2.9/t	\$ 2.3/t	\$ 2.4/t	\$ 2.5/t
TOTAL	\$ 517m	\$ 66.3m	\$ 80.3m	\$ 61.8m	\$ 51.6m	\$ 63.0m	\$ 63.5m	\$ 55.7m	\$ 55.9m	\$ 19.1m
	\$ 32.3/t	\$ 38.5/t	\$ 40.2/t	\$ 30.9/t	\$ 25.8/t	\$ 31.5/t	\$ 31.7/t	\$ 27.9/t	\$ 28.0/t	\$ 29.0/t

Source : Beer & Co estimates

Figure 8a shows that Beer & Co.'s estimated Life of Mine (LoM) All-In costs are \$A 684/oz, which is low. However, Figure 5 shows that the LoM average grade is 1.9g/t. Figure 8b shows that Beer & Co.'s expected AISC rises to over \$A 930/oz if a top cut of 1.5g/t is applied to material processed.

Beer & Co.'s estimated costs are in line with others if the grade is "normalised"

Figure 8a : Beer & Co.'s base case projected costs

AUD / oz	Average	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
C 1	\$A 551/oz	681	563	693	503	362	360	885	795	785
A I S C	\$A 684/oz	790	683	863	658	476	474	1,101	927	873

Source : Beer & Co estimates

Figure 8b : Beer & Co.'s projected costs, normalised for grade

AUD / oz	Average	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
C 1	\$A 768/oz	826	887	693	574	767	779	895	795	785
A I S C	\$A 932/oz	946	1,044	863	743	948	961	1,113	927	873

Source : Beer & Co estimates

In Beer & Co.'s view, this test shows that our cost estimates are in line with what should be expected, especially given that

- DEG's Indee-Turner River is less remote than many other projects, being less than 100km from Port Hedland, giving lower costs for supplies; and
- The project is "post-boom" so can expect lower labour and related costs.

Indee – Turner River Project Cashflows

Based on Beer & Co.'s projected production, shown in Figure 6, and costs shown in Figure 7, Figure 9 shows Beer & Co.'s projections for cash generated by DEG's Indee-Turner River project.

Applying a discount rate of 12% to the project cashflow shown in Figure 9 generates a Net Present Value for DEG's Indee-Turner River project of

- \$333m, as of 1 July 2016; or
- \$360m as of the date of this report.

Figure 9 : Beer & Co.'s projected cashflows, Indee-Turner River

AUD m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
AUD/USD	0.741	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750
Gold price (USD/oz)	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz
Gold sold	0 oz	0 oz	12,350 oz	97,299 oz	142,690 oz	89,181 oz	102,578 oz	174,101 oz	176,304 oz	62,990 oz	70,258 oz	24,285 oz
Revenue	0.0	0.0	20.2	158.9	233.1	145.7	167.5	284.4	288.0	102.9	114.8	39.7
Cash Costs	0.0	0.0	(7.3)	(66.3)	(80.4)	(61.8)	(51.6)	(63.0)	(63.5)	(55.7)	(55.9)	(19.1)
Royalties	0.0	0.0	(0.7)	(5.6)	(8.2)	(5.1)	(5.9)	(10.0)	(10.1)	(3.6)	(4.0)	(1.4)
Dep'n & Amort'n	0.0	0.0	(6.2)	(27.0)	(27.4)	(31.3)	(24.4)	(5.0)	(5.0)	(5.0)	(5.0)	(1.3)
E B I T	0.0	0.0	6.0	60.0	117.2	47.4	85.7	206.4	209.4	38.6	49.9	18.0
Feasibility, etc	(1.0)	(7.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Purchase	0.0	0.0	(15.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction, etc	0.0	(41.9)	(41.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sus Cap Ex	0.0	0.0	0.0	0.0	(3.9)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(1.3)	0.0
Project Cashflow	(1.0)	(49.4)	(44.8)	87.1	140.6	73.7	105.1	206.4	209.4	38.6	53.6	19.2

Source : Beer & Co estimates

Beer & Co projects
strong cashflows from
DEG's Indee – Turner
River project

Valuation of De Grey Mining

DEG cashflows

The Indee-Turner River gold project is DEG's only active project, so Beer & Co.'s projection of DEG's cashflows is heavily based on Figure 9, adjusted for

- Corporate costs;
- Taxes, allowing for DEG's \$39m in carried forward tax losses; and
- Financing, with interest expense and debt and equity raisings.

This is shown in Figure 10, which shows Beer & Co.'s projections for changes in :

- DEG's debt levels, increasing as the project is developed, and then being reduced out of the cashflows from the project; and
- DEG's equity issued.

Figure 10 : Beer & Co.'s projected financial outcomes for DEG

AUD m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Sales revenue	0.0	0.0	0.0	20.2	158.9	233.1	145.7	167.5	284.4	288.0	102.9	114.8	39.7
Interest revenue	0.0	0.0	0.1	0.0	0.4	1.8	2.7	3.3	4.9	7.3	8.7	9.1	9.7
Total Revenue	0.0	0.0	0.1	20.2	159.3	234.9	148.4	170.9	289.3	295.2	111.6	123.9	49.4
Cash Costs	(0.4)	(1.2)	0.0	(8.0)	(71.9)	(88.5)	(66.9)	(57.5)	(72.9)	(73.6)	(59.3)	(59.9)	(20.4)
Corporate Costs	(0.4)	(1.8)	(3.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(4.0)	(0.8)
Interest Expense	0.0	0.0	0.0	(4.1)	(6.0)	(4.6)	(3.0)	(1.2)	0.0	0.0	0.0	0.0	0.0
Dep'n & Amort'n	(0.0)	0.0	0.0	(6.2)	(27.0)	(27.4)	(31.3)	(24.4)	(5.0)	(5.0)	(5.0)	(5.0)	(1.3)
Pre-Tax Profit	(0.8)	(3.0)	(2.9)	(3.1)	49.5	109.4	42.2	82.8	206.4	211.7	42.2	55.0	26.9
Tax Expense	0.0	0.0	0.0	(0.1)	(13.8)	(30.6)	(11.8)	(23.2)	(57.8)	(59.3)	(11.8)	(15.4)	(7.5)
NPAT	(0.8)	(3.0)	(2.9)	(3.3)	35.6	78.8	30.4	59.6	148.6	152.4	30.4	39.6	19.4
Net Debt / (cash)	(1.2)	(0.5)	4.8	57.7	(18.8)	(132.9)	(183.0)	(271.7)	(434.2)	(586.9)	(593.5)	(639.4)	(652.9)
Change in Equity	0.0	3.5	47.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary shares - year	166.2m	215.7m	791.1m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m	815.0m
Earnings per Share	(0.5c)	(1.7c)	(0.7c)	(0.4c)	4.4 c	9.7 c	3.7 c	7.3 c	18.2 c	18.7 c	3.7 c	4.9 c	2.4 c

Source : Beer & Co estimates

DEG base case valuation

Figure 11 : Beer & Co.'s base case valuation of DEG

discount rate = 12.0 %		30 June 2016		20-Feb-17	
	risk :	100%	Product	per share	
Indee-Turner River					
M + I Resources	75 %	\$ 115m	\$ 86m	10.5 c	11.4 c
franking credits	45 %	\$ 24m	\$ 11m	1.3 c	1.4 c
Other Resources	60 %	\$ 18m	\$ 11m	1.3 c	1.4 c
franking credits	36 %	\$ 15m	\$ 6m	0.7 c	0.7 c
Extensions	40 %	\$ 125m	\$ 50m	6.1 c	6.6 c
franking credits	24 %	\$ 44m	\$ 11m	1.3 c	1.4 c
Lithium, base metals	nom.	\$ 2m	\$ 2m	0.2 c	0.3 c
Corporate	100 %	(\$26m)	(\$26m)	(3.2c)	(3.2c)
Equity raisings	100 %	\$ 41m	\$ 41m	5.1 c	5.2 c
Cash / Debt	100 %	\$ 1m	\$ 1m	0.1 c	0.1 c
TOTAL		\$ 360m	\$ 192m	23.6 c	25.3 c
		166.2m	F P O shares:	48.0m	Options
		619.9m	later	28.9m	exercised

Source : Beer & Co estimates

Beer & Co.'s risked base
case valuation of DEG is
25c/share

Our valuation is sensitive to grade

Figure 11 shows the asset by asset detail of Beer & Co.'s risk weighted, base case valuation, showing the risk applied to mineralisation expected to be processed, but presently having less certainty.

Figure 11 also shows that Beer & Co has given a nominal valuation for DEG's 3.5Mt in base metal, VMS, resources, and for DEG's spodumene mineralisation.

but robust to all other estimated parameters

Figure 12 shows the sensitivity of our valuation to changes in key parameters :

- Gold price;
- Ore mined and processed each year, through the lower throughput also has a lower capital cost, which Beer & Co has estimated to be \$A 71m, compared with \$A 84m in the base case; and
- Average grade of ore treated, with the base case being 1.9g/t and the test case being 1.4g/t, as per the discussion around Figure 8.

Figure 12 : Sensitivity of Beer & Co.'s valuation

Gold price	Base case grade		Low grade	
	1.5 Mt/yr	2.0 Mt/yr	1.5 Mt/yr	2.0 Mt/yr
\$ 1,200/oz	22.2 c	24.4 c	11.0 c	12.8 c
\$ 1,225/oz	23.1 c	25.3 c	11.7 c	13.5 c
\$ 1,250/oz	24.1 c	26.3 c	12.4 c	14.2 c
\$ 1,300/oz	25.9 c	28.3 c	13.9 c	15.7 c

Source : Beer & Co estimates

Figure 12 shows that while our valuation varies with changes in the gold price and the throughput, the key is grade; "grade is king".

Summary

Beer & Co.'s base case valuation is based on a mining inventory that includes Inferred Resources, and Exploration Target and Beer & Co.'s interpretation of announced drill results, all risk weighted to varying extents.

Beer & Co projects that DEG will produce over 100koz/yr for more than 8 years, at an All-In cost of just under \$A 700/oz, after total capital of \$91m.

Beer & Co is confident that DEG will, through the feasibility study process, improve the quality of the project through upgraded resource estimates and a focus on processing higher grade earlier in the mine life.

Beer & Co.'s estimated valuation is a multiple of the share price

Conclusion

Assuming current commodity prices, Beer & Co.'s risk weighted base case valuation is 25c/share. Our valuation is robust with respect to most parameters tested, though very sensitive to throughput grade.

Beer & Co.'s valuation is a significant premium to the current share price, and Beer & Co sees significant further upside potential.

As a result, Beer & Co initiates research on DEG with a Strong BUY as our risk weighted valuation, based on current commodity prices is a multiple of the current share prices

Beer & Co assigns a Very High Risk weighting as our valuation is based on Beer & Co.'s estimates for mining inventory, annual throughput, grade, production, capital costs and operating costs.

Beer & Co has a Strong BUY recommendation on DEG

Beer & Co assesses Very High Risk, as our valuation uses many estimates made by Beer & Co

De Grey acquired Indee

On 8 February, 2017, DEG announced that it had secured an exclusive and binding option to acquire the Indee gold project in 12 months.

Indee - Description

As shown in Figure 13, the Indee gold project :

- Is contiguous with DEG's Turner River project; and
- Comprises a number of areas of mineralisation, with a core area comprising Withnell, Dromedary, Camel and Roe, and nearby areas of Calvert to the east and Mallina and Towerana to the west.

Figure 13 :Indee project, adjacent to Turner River



Source : DEG presentation, February 2017

Figure 13 also shows the distance of the various areas of mineralisation from a central processing facility based on the previous Indee operations. It shows that all the areas of gold are within 50km of this central location.

As shown in Figure 14, the Indee project has about 345koz in JROC 2012 compliant Resources, of which 267koz, or over 77%, is in the Measured and Indicated category

Figure 14 : Indee gold Project, Mineral Resource Estimate

	Measured		Indicated		Inferred		TOTAL		
Withnell North	0.65 Mt	1.5 g/t	1.12 Mt	1.5 g/t	0.1 Mt	1.4 g/t	1.86 Mt	1.5 g/t	88 koz
Withnell South			0.74 Mt	1.6 g/t			0.74 Mt	1.6 g/t	38 koz
Withnell East			0.12 Mt	2.2 g/t			0.12 Mt	2.2 g/t	9 koz
Withnell West			0.74 Mt	1.4 g/t	0.3 Mt	1.3 g/t	1.01 Mt	1.4 g/t	44 koz
Camel 1			0.67 Mt	2.1 g/t			0.67 Mt	2.1 g/t	45 koz
Calvert			1.25 Mt	1.2 g/t			1.25 Mt	1.2 g/t	47 koz
Dromedary			0.20 Mt	1.9 g/t			0.20 Mt	1.9 g/t	12 koz
Towerana					0.4 Mt	2.1 g/t	0.44 Mt	2.1 g/t	30 koz
Roe					0.4 Mt	2.6 g/t	0.39 Mt	2.6 g/t	33 koz
TOTAL	0.65 Mt	1.5 g/t	4.84 Mt	1.5 g/t	1.2 Mt	2.0 g/t	6.68 Mt	1.6 g/t	345 koz

Source : DEG ASX announcement, 8 February 2017

Comparing Figure 14 with Figure 13 shows that Mallina is an area of identified mineralisation for which a Resource estimate is not able to be given at this time.

Cost to DEG of Indee

The cost to DEG of the acquisition is :

- \$50k up front, which has been paid;
- A further \$50k within 3 months; and
- A final payment to \$14.9m within 18 months of the acquisition.

In addition, DEG is required to spend at least \$0.6m on the Indee project, of which at least half must be in the ground in the Indee tenement area. However, we expect that DEG will spend more than this on its feasibility studies.

Strategic Considerations

This amount of \$15m, is :

- Greater than DEG's current market capitalisation; and
- A cost of \$43 for each acquired resource ounce, or about 2.5x DEG's current market capitalisation, based on gold (or about 4x based on gold equivalent).

Despite this, in Beer & Co.'s view, this is a great acquisition for DEG as :

- The combination of Indee and Turner River transforms DEG from an explorer with good prospects, to a junior that will be producing at a rate of 100koz/yr in a little over 2 years; and
- There is significant upside potential from mineralisation at Indee that has not been included in the Resource estimate.

Mineralisation Potential

Mallina

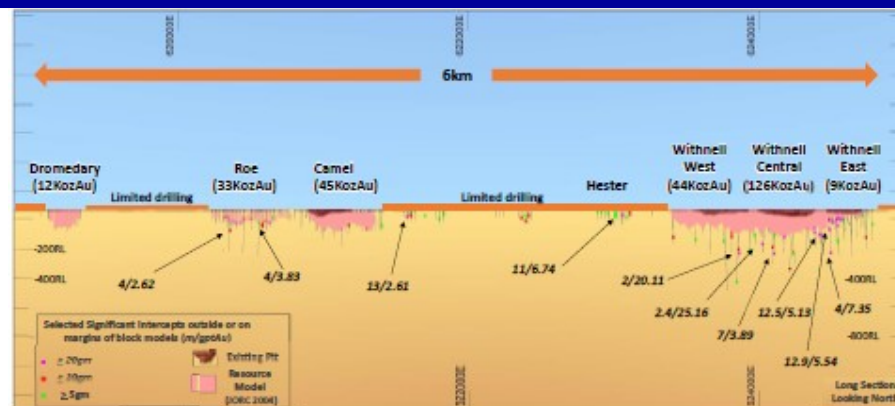
In their 8 February announcement, DEG advised an exploration target for Mallina :

- From 1.4Mt to 2.6Mt in size
- Ranging from 1.2g/t to 1.5g/t in grade; and as a result
- Ranging from 53koz to 125koz in contained gold.

Withnell – further drilling

Figure 13 showed that the Indee operations are centred on Withnell. Figure 15 shows mineralisation at Withnell and nearby areas.

Figure 15: Withnell mineralisation



Source : DEG presentation, February 2017

Figure 15 shows many areas of further mineralisation at Withnell.

In their 8 February, 2017, announcement to the ASX, DEG stated that the vendor had undertaken significant drilling which had not been publicly reported as the vendor was a private company. Those drill results were included as an appendix to DEG's ASX announcement.

Some of the results reported can be described as spectacular, with :

- 12m grading 28.5g/t gold, from 75m down-hole at Camel;
- 6m grading 11.5g/t gold, from 76m down-hole at Camel;
- 12m grading 10.8g/t gold, from 64m down-hole at Withnell;
- 11m grading 10.8g/t gold, from 84m down-hole at Camel;
- 3m grading 10.5g/t gold, from 65m down-hole at Withnell;
- 4m grading 10.5g/t gold, from 60m down-hole at Withnell;
- 5m grading 10.1g/t gold, from 129m down-hole at Withnell;
- 7m grading 9.8g/t gold, from 74m down-hole at Withnell.

Figure 16 summarises the results, showing data from 105 intercepts.

It shows many significant intercepts for potential open pit operations.

There are some high grade intercepts at under-ground mining depths below Withnell, including :

- 3m grading 25.2g/t gold, from 272m; and
- 2m grading 20.1g/t gold, from 340m.

Figure 16 : Summary of drilling

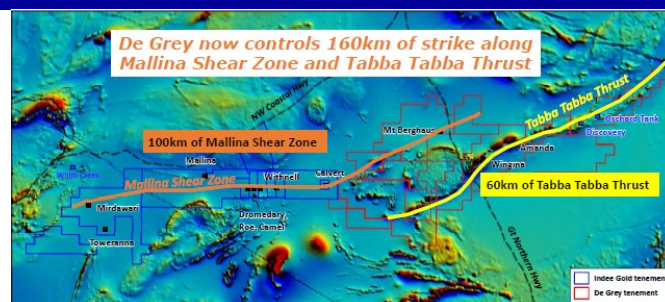
	Intercepts	total size	average
Camel 1	17	897 g-m	53 g-m
Camel 2	22	784 g-m	36 g-m
Connector	4	73 g-m	18 g-m
Hester	3	97 g-m	32 g-m
Roe	13	257 g-m	20 g-m
Withnell, to 150m	31	1,196 g-m	39 g-m
Withnell, below 150m	15	386 g-m	26 g-m
TOTAL	105		

Source : DEG ASX announcement, 8 February 2017, Beer & Co

160km of Mallina and Tabba Tabba Shears

Figure 17 shows that by combining DEG's Turner River tenements with Indee gives DEG control over 100km of the Mallina shear, in addition to 60km of the Tabba Tabba thrust.

Figure 17 : DEG controls 160km of shear



Source : DEG Presentation February 2017

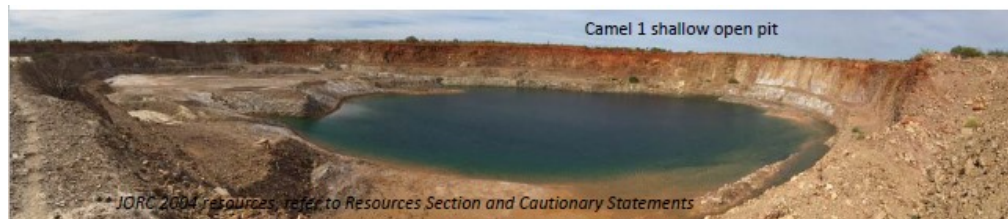
This offers DEG with the potential for significant areas still to be tested for mineralisation.

Further Value to DEG

Indee has been previously developed and mined. Its closure was announced in September 2007 when the price of gold was \$700/oz. It has been developed as a heap leach operation, but its performance had been adversely affected by severe cyclonic weather. The legacy of this operation includes :

- A developed mining centre, including infrastructure including a camp, some buildings, civil works and some utilities;
- Existing Mining Licences; and
- Some developed, though flooded, open pit mines, as shown in Figure 18.

Figure 18 : Camel open pit, Indee gold project



Source : DEG presentation, February 2017

DEG will need this water for its processing operations.

The core of Indee is granted Mining Leases which means that any operation can be expected to begin more quickly and at a lower cost than a greenfields site.

Indee – Turner River Development

Resources

Figure 14 showed that Indee currently has a JORC 2012 compliant Mineral Resource Estimate totalling 345koz, which is summarised in Figure 19.

Figure 19 : Indee gold project, Mineral Resource estimate

Measured			Indicated			Inferred			TOTAL		
0.65 Mt	1.5 g/t	31 koz	4.84 Mt	1.5 g/t	236 koz	1.19 Mt	2.0 g/t	78 koz	6.68 Mt	1.6 g/t	345 koz

Source : DEG ASX announcement, 8 February 2017, Beer & Co

Our previous research report on DEG, [DeGreyMining_2016November09.pdf](#), showed a Mineral Resource Estimate comprising :

- 464koz in 9.7Mt across 3 gold projects; plus
- A further 92koz of gold within 3.4Mt of base metal resources.

In total, as shown in Figure 20, DEG had a total of over 900koz in gold equivalent, according to Beer & Co.'s estimates, contained in 13.2Mt of resources.

Figure 20 : MRE, Turner River

	Volume	Contained Gold
Wingina Well	5,490 kt	288 koz
Mt Berghaus	3,520 kt	141 koz
Amanda	680 kt	35 koz
Gold Projects	9,690 kt	464 koz
Discovery	1,390 kt	46 koz
Orchard Tank	2,100 kt	46 koz
Total Gold	13,180 kt	555 koz
Gold equivalent in other metals		
Discovery		139 koz
Orchard Tank		217 koz
TOTAL	13,180 kt	911 koz

Source : DEG announcements, Beer & Co

Beer & Co indicated in our previous research report that there was significant upside potential to DEG's Resource estimate. On 25 January, 2017, DEG announced a resource upgrade at Mt Berghaus. Figure 21 shows the revised, updated MRE for DEG's Turner River, showing

- 464koz of gold contained in 9.68Mt in Total Resources of; of which
- 258koz of contained gold in 4.28Mt is in Measured + Indicated Resources.

Figure 21 : Current Mineral Resource Estimate, Turner River

	Measured		Indicated		Inferred		TOTAL		
Wingina Well									
Lode	0.78 Mt	4.1 g/t	0.12 Mt	3.8 g/t	0.2 Mt	4.1 g/t	1.09 Mt	4.1 g/t	144 koz
Halo	2.30 Mt	0.9 g/t	0.86 Mt	1.0 g/t	1.2 Mt	1.2 g/t	4.39 Mt	1.0 g/t	144 koz
Sub-Total, Wingina Well	3.08 Mt	1.7 g/t	0.99 Mt	1.4 g/t	1.42 Mt	1.6 g/t	5.49 Mt	1.6 g/t	288 koz
Mt Berghaus									
Central			0.21 Mt	1.8 g/t	2.33 Mt	1.2 g/t	2.54 Mt	1.3 g/t	106 koz
North Lode					0.43 Mt	1.5 g/t	0.43 Mt	1.5 g/t	21 koz
West Berghaus					0.54 Mt	0.8 g/t	0.54 Mt	0.8 g/t	14 koz
Sub-Total, Mt Berghaus			0.21 Mt	1.8 g/t	3.30 Mt	1.2 g/t	3.52 Mt	1.2 g/t	141 koz
Amanda					0.7 Mt	1.6 g/t	0.7 Mt	1.6 g/t	35 koz
TOTAL	3.08 Mt	1.7 g/t	1.20 Mt	1.4 g/t	5.40 Mt	1.4 g/t	9.68 Mt	1.5 g/t	464 koz

Source : DEG ASX announcements, 28 October 2016, 25 January 2017, Beer & Co

Putting together the Mineral Resource Estimates shown in Figures 19 and 21 gives a total Mineral Resource Estimate, as shown in Figure 22, for DEG of :

- Total Resources of over 800koz of gold contained in 16.4Mt; of which
- Measured + Indicated Resources is 495koz of gold in 9.8Mt.

Figure 22 : DEG's total Mineral Resource Estimate

Measured			Indicated			Inferred			TOTAL	
3.73 Mt	1.7 g/t	203 koz	6.04 Mt	1.5 g/t	292 koz	6.59 Mt	1.5 g/t	314 koz	16.37 Mt	1.5 g/t 809 koz

Source : DEG ASX announcements, 28 Oct. 2016, 25 Jan. & 8 Feb.2017, Beer & Co

DEG's Mining Potential

DEG has about 10Mt in Measured + Indicated Resources, plus more than 6Mt more in Inferred Resources.

DEG's announcement to the ASX of 8 February outlined a work programme that Beer & Co expects will result in a much greater volume of material for processing.

Further Potential

In their 8 February announcement, DEG included drill results for 105 intercepts of at least 10g-m, which are summarised in Figure 16. In that announcement, DEG stated this data was being reviewed with a consequent update of the Mineral Resource Estimate for Indee expected in March 2017.

DEG also stated that Indee has 851,836t of ore on a heap leach pad that has been only partially irrigated and DEG's sampling of this heap has yielded an average grade of about 1gt, for 27koz of contained gold.

The discussion above Figure 15 gave an Exploration Target for Mallina. In that same announcement, DEG stated that an infill drill programme is being prepared to be able to report a MRE at Mallina.

In their 25 January 2017 announcement, DEG stated that a further update of the MRE for Mt Berghaus is expected during the second quarter of 2017, following further drilling expected to being in March / April.

Beer & Co.'s report on DEG of 9 November 2016 showed significant further mineralisation potential in the Turner River area.

Beer & Co.'s estimated Mining Inventory

Figure 23 shows the mining inventory used by Beer & Co in this analysis of DEG, along with other attributes used in this analysis.

It shows that Beer & Co has started with the reported Measured + Indicated Resources, increasing the volume by 5% / 10%, but at a grade that is 2.5% / 7.5% lower than the Resource grade, to allow for mining dilution.

Figure 23 : Estimated Mining Inventory

				Waste :	Dilution		Distance	
Measured + Indicated Resources				Ore	tonnes	grade	to mill	Recovery
Indee - Withnell, CC1	5.77 Mt	1.5 g/t	274 koz	5.0 : 1	+ 5 %	(- 2.5%)	4.0 km	94 %
Wingina Well Lode	0.99 Mt	3.8 g/t	121 koz	12.5 : 1	+ 10 %	(- 7.5%)	40 km	94 %
Mt Berghaus	0.23 Mt	1.7 g/t	13 koz	6.0 : 1	+ 10 %	(- 7.5%)	35 km	94 %
Inferred Resources								
Indee - T + R	0.71 Mt	2.2 g/t	51 koz	6.0 : 1	(- 15%)	(- 5%)	35 km	94 %
Mt Berghaus	2.64 Mt	1.1 g/t	92 koz	6.0 : 1	(- 20%)	(- 10%)	35 km	90 %
Sub-Total	10.34 Mt	1.7 g/t	550 koz					
ROM pad	0.85 Mt	1.0 g/t	27 koz	0.0 : 1			0 km	90 %
Extensions - Indee	3.89 Mt	3.3 g/t	413 koz	10.0 : 1	(- 25%)	(- 20%)	5.0 km	83 %
Mallina	2.00 Mt	1.4 g/t	87 koz	7.0 : 1			15 km	85 %
Extensions - Turner River							40 km	85 %
TOTAL	17.08 Mt	1.96 g/t	1,078 koz					

Source : Beer & Co estimates

Similarly, Beer & Co has assumed that the Inferred Resources are upgraded by infill drilling, but at lower tonnes and lower grade.

For Mallina, Beer & Co has assumed the average of the range given by DEG for the Exploration Target.

Indee Extensions

Beer & Co tabulated all the drill intercepts reported by DEG in Table 3 in the Appendix to their 8 February ASX announcement. To make an estimate of the extent of mineralisation requires plotting of the intercepts using the grid location of the hole, its azimuth and dip, coupled with information about the deviation of the drill hole.

In the absence of this detail, to give an indication of the order of magnitude of the mineralisation, Beer & Co calculated the gram-metre intercepts. To this was added a distance of 25m both down dip and up dip (except if the intercept is less than 25m below the surface, in which case the distance to surface was used).

Further, Beer & Co used a distance of 50m of strike either side of the reported intercept. As such, a volume of mineralisation was estimated by the multiplication of the length of intercept, by 100m of strike by up to 50m of up-dip – down dip extension. To this volume was then applied a Specific Gravity of 2.7.

This was done for a maximum down-hole intercept of 160m (ie. assumed open cut depth). The resulting amount of material totals 5.2Mt. To this was applied a discount of 25%.

The weighted average of the grade of the intercepts was 3.44g/t. To this was applied a discount of 15%.

The resulting mining inventory is over 400koz, as shown in Figure 23.

Timetable

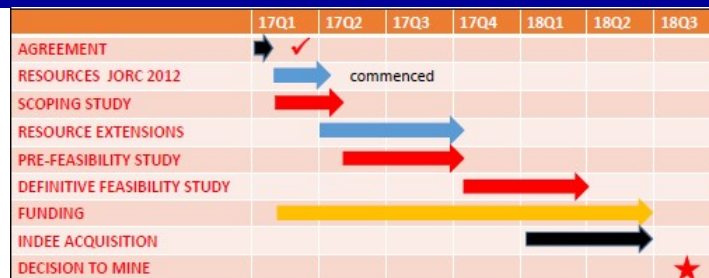
In their 8 February 2017 announcement, DEG outlined their proposed next steps, including

- Initial resource estimate for the drilling carried out at Camel, Withnell and nearby areas, summarised in Figure 4, expected in March;

- Initial resource estimate for Mallina, after some infill drilling in March-April, with the resource update expected, by Beer & Co in May;
- Scoping Study in about May 2017, to allow the Feasibility Study to commence during the 2nd quarter.

Figure 24 shows DEG's timetable to development, from their February 2017 presentation. It shows project construction commencing in July 2018.

Figure 24 : DEG's timetable for development



Source : DEG presentation, February 2017

Beer & Co view

DEG has significant information available from :

- The vendor; and
- The previous operation by Range River Gold (RNG.ASX).

In Beer & Co.'s view, DEG should be able to progress to feasibility study, with a focus in metallurgical performance. Figure 25 shows the timing Beer & Co has assumed, leading to first gold in February 2019.

Figure 25 : DEG timetable

Scoping Study	3 months	June 2017
Feasibility Study	8 months	Feb 2018
Finance	1 month	Mar 2018
Construction	10 months	Dec 2018
Commission	2 months	Feb 2019

Source : Beer & Co estimates

Costs

Beer & Co allows costs of :

- \$1.0m for the scoping study, given that it involves only a small amount of drilling;
- \$3.5m for the FS, which involves infill drilling to upgrade Resource estimates and metallurgical test-work to satisfy the needs of debt financiers.

In addition, Beer & Co allows \$0.25m a month for DEG corporate costs. This is much greater than DEG has reported to date as it includes the costs of geologists managing the project.

Operations

Processing Rate : 2.0Mt/yr

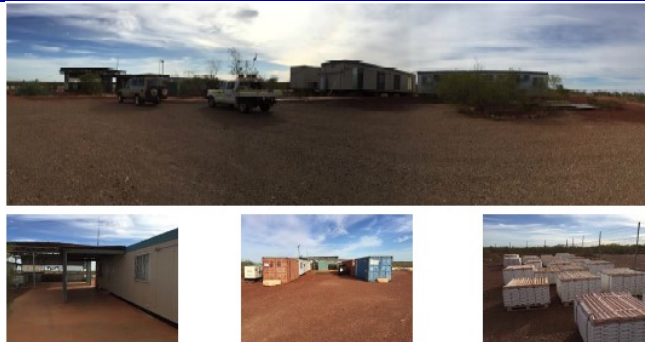
As shown in Figure 23, Beer & Co has estimated a mining inventory of 17Mt for DEG's Indee-Turner River project.

In our view, this more than justifies a mining and processing rate of 2.0Mt/yr.

Capital Costs

Indee is NOT a greenfield site; it already has significant infrastructure in place, as shown in Figure 26, which shows the Indee camp and associated infrastructure and utilities.

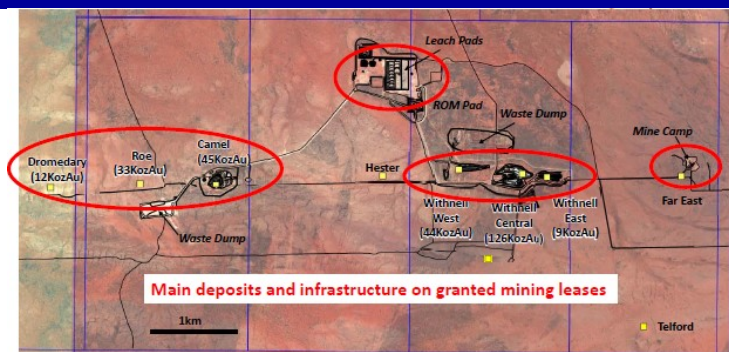
Figure 26 : Indee camp in place



Source : DEG February 2017 presentation

Figure 27 shows that, as a former mine operation, Indee has developed mines, roads, and heap leach pads, all near significant resources.

Figure 27 : Indee mine infrastructure in place



Source : DEG February 2017 presentation

Beer & Co has estimated project capital costs of \$84m, the detail of which is shown in Figure 28. Given the extent of infrastructure in place, Beer & Co expects that the actual costs will be lower, but until the metallurgical testwork has been done to determine the optimum circuit, we prefer to use a heavier estimate.

Figure 29 shows relevant data from other WA projects for comparison.

Beer & Co expects that DEG's costs would be lower than others due to

- The amount of infrastructure already in place; and
- It is located less than 100km from Port Hedland, and so it is less remote than other projects.

Figure 28 : Est'd capital cost

Crusher	\$A 2.5m
Ball mill	\$A 5.0m
Gravity	\$A 2.5m
Float	\$A 3.0m
C I L	\$A 5.0m
Control	\$A 5.0m
Piping, mechanicals	\$A 10.0m
Gold Room	\$A 3.0m
Site Civil + TSF	\$A 10.0m
Utilities	\$A 7.5m
Buildings	\$A 2.5m
Commission / w/c	\$A 5.0m
Contingencies	\$A 8.4m
E P C M	\$A 6.9m
Environmental Bond	\$A 5.0m
Owner	\$A 2.5m
TOTAL	\$A 83.8m

Source : Beer & Co estimates

Figure 29 : Gold development projects in WA

ASX code	Company Name	Resources		Mining inventory		Processing Rate	Project Capital	AISC	Status
		size	grade	size	grade				
CMM	Capricorn Metals	25.5 Mt	1.1 g/t			3.0 Mt/yr			Scoping study July 2016; DFS 2017 Q2
DCN	Dacian Gold	44.7 Mt	2.3 g/t	18.6 Mt	2.0 g/t	2.5 Mt/yr	\$A 172m	\$A 1,039/oz	FS November 2016
KIN	Kin Mining	11.8 Mt	1.9 g/t	6.3 Mt	1.7 g/t	0.75 Mt/yr	\$A 35m	\$A 1,084/oz	PFS December 2016; DFS mid 2017
GCY	Gascoyne Resources	25.7 Mt	1.4 g/t	14.1 Mt	1.3 g/t	2.5 Mt/yr	\$A 86m	\$A 931/oz	FS November 2016
GOR	Gold Road	153.6 Mt	1.3 g/t	91.6 Mt	1.2 g/t	7.5 Mt/yr	\$A 507m	\$A 945/oz	FS January 2017

Source : various ASX announcements, Beer & Co

Operations

As shown in Figure 25, Beer & Co expects first material to be processed in January 2019, with first gold in February. Figure 30 shows Beer & Co.'s estimate of production by source by year for DEG's Indee-Turner River operations.

Figure 30 : Estimated production profile, Indee-Turner River

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
ROM pad	450 kt	400 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
	1.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
Measured + Indicated Resources										
Indee - Withne	0 kt	1,325 kt	1,024 kt	2,000 kt	1,419 kt	0 kt	0 kt	0 kt	0 kt	0 kt
	1.48 g/t	1.48 g/t	1.48 g/t	1.48 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
Wingina Well I	0 kt	250 kt	743 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
	3.79 g/t	3.79 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
Mt Berghaus	0 kt	0 kt	233 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt
	1.68 g/t	1.68 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
Inferred Resources										
Indee - T + R	0 kt	0 kt	0 kt	0 kt	581 kt	125 kt	0 kt	0 kt	0 kt	0 kt
	2.24 g/t	2.24 g/t	2.24 g/t	2.24 g/t	2.24 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t	0.00 g/t
Mt Berghaus	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	1,985 kt	658 kt	0 kt
	1.09 g/t	1.09 g/t	1.09 g/t	1.09 g/t	1.09 g/t	1.09 g/t	1.09 g/t	1.09 g/t	0.00 g/t	0.00 g/t
Extensions										
Extensions - In	0 kt	0 kt	0 kt	0 kt	0 kt	1,875 kt	2,000 kt	15 kt	0 kt	0 kt
	3.30 g/t	3.30 g/t	3.30 g/t	3.30 g/t	3.30 g/t	3.30 g/t	3.30 g/t	0.00 g/t	0.00 g/t	0.00 g/t
Mallina	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	0 kt	1,342 kt	658 kt	0 kt
	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	1.35 g/t	0.00 g/t
Total processed	450 kt	1,975 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	658 kt
	1.00 g/t	1.65 g/t	2.36 g/t	1.48 g/t	1.70 g/t	3.24 g/t	3.30 g/t	1.10 g/t	1.26 g/t	1.35 g/t

Source : Beer & Co estimates

Figure 30 shows that Beer & Co has assumed a production profile prioritising the quality of the mineralisation estimate, followed by grade, with the exception of the Heap Leach material which is treated first.

Figure 31 shows the production resulting from the production profile shown in Figure 30, and the related parameters shown in Figure 23.

Figure 31 : Beer & Co's estimated production, Indee-Turner River

	Average / Total	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Waste moved	116 Mt	0 kt	9,750 kt	15,808 kt	10,000 kt	10,581 kt	19,501 kt	20,000 kt	12,060 kt	13,342 kt	4,607 kt
Ore Mined	16.2 Mt	0 kt	1,575 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	658 kt
Ore processed	17.1 Mt	450 kt	1,975 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	2,000 kt	658 kt
Gold head grade	1.96 g/t	1.00 g/t	1.65 g/t	2.36 g/t	1.48 g/t	1.70 g/t	3.24 g/t	3.30 g/t	1.10 g/t	1.26 g/t	1.35 g/t
Recovery	88.4 %	85 %	93 %	94 %	94 %	94 %	84 %	83 %	89 %	86 %	85 %
Gold produced	952 koz	12,350 oz	97,299 oz	142,690 oz	89,181 oz	102,578 oz	174,101 oz	176,304 oz	62,990 oz	70,258 oz	24,285 oz

Source : Beer & Co estimates

Recoveries

As shown in Figure 23, Beer & Co assumes that recoveries vary with the mineralisation:

- There is a start-up period of lower recovery;
- Oxide material is assumed to recovery 94% of the gold; and
- Deeper material, has a lower recovery, of 83% - 85%.

Over its relatively short operating life, Range River Gold (RNG.ASX), the former operator of Indee, achieved a recovery of 72% of the gold on the heap leach. In Beer & Co.'s view, this is an outstanding rate of recovery for a heap leach operation, where about 68% is expected on average, with the Indee operations having the potential to achieve better results over its life if it had been allowed to fully mature.

This leads us to expect recovery of 94% from a CIL operation, which is a "normal" rate of recovery of oxide gold. It compares with 96% to 98% in some other projects.

More metallurgical test-work is required to be done to determine the recovery of gold from the transitional and primary material.

Overall Production

Figure 31 shows that Beer & Co has estimated that, based on the mining inventory shown in Figure 23, DEG's Indee-Turner River project has a life of 9 years during which 950koz is produced.

Omitting the first 2 quarters of ramp up and the final quarter, this gives an annualised production rate of 105koz/yr. Figure 31 shows significant variation around this average.

Beer & Co is confident that DEG will improve the production profile by prioritising drilling, and hence upgrade of the quality of the resource estimate and its timing into production, onto higher grade areas.

Operating Costs

Beer & Co has estimated operating cost for DEG's potential Indee-Turner River operations from bottom-up principles, based on

- Mining productivity;
- Drill and blast productivity;
- Trucking distances for waste and ore;
- Mining staff overhead;
- Mill staffing and Site General and Admin staffing level.

In general, the first 3 costs are variable (ie. the unit cost is relatively stable and the total costs vary with the volume), while mill and site costs are generally fixed.

Figure 32 shows the costs estimated by Beer & Co, on a "bottoms-up" basis, related to the production volumes shown in Figure 31.

Figure 32 : Beer & Co's estimated operating costs, Indee-Turner River

AUD	Average / Total	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
WASTE REMOVAL	\$ 210m	\$ 10.3m	\$ 30.5m	\$ 20.5m	\$ 18.2m	\$ 26.4m	\$ 31.1m	\$ 27.9m	\$ 24.8m	\$ 20.4m
AUD /t ore	\$ 12.9/t	\$ 17.1/t	\$ 15.2/t	\$ 10.2/t	\$ 9.1/t	\$ 13.2/t	\$ 15.5/t	\$ 14.0/t	\$ 12.4/t	\$ 12.5/t
AUD /t material	\$ 1.7/t	\$ 2.1/t	\$ 1.9/t	\$ 2.0/t	\$ 1.8/t	\$ 1.6/t	\$ 1.6/t	\$ 1.6/t	\$ 1.7/t	\$ 1.7/t
ORE EXTRACTION	\$ 52m	\$ 4.2m	\$ 10.3m	\$ 7.4m	\$ 5.2m	\$ 5.2m	\$ 5.2m	\$ 5.2m	\$ 5.2m	\$ 4.3m
AUD /t ore	\$ 3.2/t	\$ 7.0/t	\$ 5.1/t	\$ 3.7/t	\$ 2.6/t	\$ 2.6/t	\$ 2.6/t	\$ 2.6/t	\$ 2.6/t	\$ 2.6/t
ORE TRANSPORT	\$ 25m	\$ 2.3m	\$ 6.6m	\$ 1.2m	\$ 0.8m	\$ 2.6m	\$ 1.0m	\$ 3.4m	\$ 5.1m	\$ 2.1m
AUD /t ore	\$ 1.6/t	\$ 3.9/t	\$ 3.3/t	\$ 0.6/t	\$ 0.4/t	\$ 1.3/t	\$ 0.5/t	\$ 1.7/t	\$ 2.6/t	\$ 1.3/t
MINE OVERHEAD	\$ 35m	\$ 1.5m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 4.3m	\$ 3.7m
AUD /t ore	\$ 2.2/t	\$ 2.5/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.1/t	\$ 2.2/t
TOTAL MINING COST	\$ 323m	\$ 18.3m	\$ 51.7m	\$ 33.4m	\$ 28.6m	\$ 38.5m	\$ 41.6m	\$ 40.8m	\$ 39.4m	\$ 30.5m
AUD /t ore	\$ 19.9/t	\$ 30.5/t	\$ 25.8/t	\$ 16.7/t	\$ 14.3/t	\$ 19.3/t	\$ 20.8/t	\$ 20.4/t	\$ 19.7/t	\$ 18.7/t
PROCESSING	\$ 158m	\$ 17.7m	\$ 23.5m	\$ 23.5m	\$ 16.0m	\$ 16.0m	\$ 16.0m	\$ 16.0m	\$ 16.0m	\$ 13.2m
AUD /t ore	\$ 9.7/t	\$ 12.2/t	\$ 11.8/t	\$ 11.8/t	\$ 8.0/t	\$ 8.0/t	\$ 8.0/t	\$ 8.0/t	\$ 8.0/t	\$ 8.1/t
SITE G & A	\$ 45m	\$ 3.9m	\$ 5.5m	\$ 4.9m	\$ 4.9m	\$ 5.5m	\$ 5.9m	\$ 5.2m	\$ 4.7m	\$ 4.0m
AUD /t ore	\$ 2.7/t	\$ 2.7/t	\$ 2.7/t	\$ 2.4/t	\$ 2.4/t	\$ 2.8/t	\$ 2.9/t	\$ 2.6/t	\$ 2.3/t	\$ 2.5/t
TOTAL	\$ 525m	\$ 40.0m	\$ 80.7m	\$ 61.8m	\$ 49.5m	\$ 60.0m	\$ 63.5m	\$ 62.0m	\$ 60.1m	\$ 47.8m
	\$ 32.4/t	\$ 45.4/t	\$ 40.3/t	\$ 30.9/t	\$ 24.7/t	\$ 30.0/t	\$ 31.7/t	\$ 31.0/t	\$ 30.0/t	\$ 29.3/t

Source : Beer & Co estimates

Figure 33 shows the same costs in terms of AUD/oz, showing Life of Mine :

- C1, or cash, costs (ie. the total shown in Figure 32) of \$A 555/oz; and
- AISC (All-In Sustaining Costs, which includes royalties, sustaining capital, including exploration, and corporate overhead directly related to the mining operations) of \$A 689/oz.

Figure 33 : Beer & Co.'s estimated cash costs, Indee-Turner River, base case

AUD / oz	Average	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
C 1	\$A 551/oz	681	563	693	503	362	360	885	795	785
A I S C	\$A 684/oz	790	683	863	658	476	474	1,101	927	873

Source : Beer & Co estimates

Analysis

Comparing Beer & Co.'s projected AISC, of \$A 684/oz, to the values shown in Figure 29 shows that our projected costs for DEG's Indee-Turner River operations appear to be low.

Figure 33 shows significant variation in Beer & Co.'s cost estimate, which relate to variability in the grade of ore processed, as shown in Figure 31.

Costs generally lower

Beer & Co expects that costs for DEG's Indee-Turner River operations should be lower than many others as :

- Indee is less than 100km from Port Hedland, and hence less remote for labour and other supplies, especially energy; and
- Projects from the boom time, especially 2013 – 2015, have embedded higher costs, and it is difficult to adjust labour costs down; it may be that new hires get paid at current, lower market rates, but overall costs drift down only slowly.

Grades higher

Figure 22 shows that the average grade of ore for the Indee-Turner River project is over 1.9g/t, which is high for an open cut project.

Figure 34 shows that Beer & Co.'s estimated AISC rises to over \$A 930/oz if the maximum grade assumed is 1.5g/t, giving an average grade of 1.4g/t.

Figure 34 : Beer & Co.'s estimated cash costs, Indee-Turner River, max 1.5g/t

AUD / oz	Average	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
C 1	\$A 768/oz	826	887	693	574	767	779	895	795	785
A I S C	\$A 932/oz	946	1,044	863	743	948	961	1,113	927	873

Source : Beer & Co estimates

Valuation

Indee-Turner River Project

In this analysis, Beer & Co has shown our projections for :

- Project development timetable, in Figure 25, and associated costs for feasibility assessments;
- Project capital costs, in Figure 28;
- Expected production, in Figure 31; and
- Expected operating costs, in Figure 32.

Figure 35 shows the resulting project cashflows, assuming current commodity prices.

Figure 35 : Beer & Co.'s projected cashflows, Indee-Turner River

AUD m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
AUD/USD	0.739	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750
Gold price (USD/oz)	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz	\$ 1,225/oz
Gold sold	0 oz	0 oz	0 oz	66,910 oz	139,654 oz	87,284 oz	87,284 oz	141,818 oz	173,048 oz	118,133 oz	67,163 oz	65,222 oz
Revenue	0.0	0.0	0.0	109.3	228.1	142.6	142.6	231.6	282.6	193.0	109.7	106.5
Cash Costs	0.0	0.0	0.0	(40.0)	(80.7)	(61.8)	(49.5)	(60.0)	(63.5)	(62.0)	(60.1)	(47.8)
Royalties	0.0	0.0	0.0	(3.8)	(8.0)	(5.0)	(5.0)	(8.1)	(9.9)	(6.8)	(3.8)	(3.7)
Dep'n & Amort'n	0.0	0.0	0.0	(19.1)	(26.3)	(27.8)	(31.3)	(10.2)	(5.0)	(5.0)	(5.0)	(3.8)
E B I T	0.0	0.0	0.0	46.4	113.1	47.9	56.8	153.3	204.3	119.2	40.8	51.3
Feasibility, etc	(1.0)	(6.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project Purchase	0.0	0.0	(15.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction, etc	0.0	0.0	(80.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sus Cap Ex	0.0	0.0	0.0	0.0	(1.5)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(3.8)	0.0
Project Cashflow	(1.0)	(6.5)	(95.8)	65.5	138.0	70.8	83.1	158.5	204.3	119.2	42.0	55.0

Source : Beer & Co estimates

The Net Present Value of the cashflows shown in Figure 35 is \$A 339m, as at 1 July 2016, or \$A 366m as at the date of this report.

Figure 35 also shows that the NPV of the project at the time the DFS has been completed will be \$A 476m.

De Grey Mining : Projected Cashflows

The valuation of DEG is based on the Indee-Turner River project, but it needs to take into account :

- debt and equity financing;
- corporate and other costs / values.

Financing

In our analysis, Beer & Co assumes :

- DEG raises equity to complete each of the scoping study, PFS and DFS, with the issue price rising progressively over time, though being the first raising is at a discount to the current share price;
- DEG raises project finance debt for 65% of the combined total cost of the project developed PLUS the project purchase price.

Beer & Co is confident that DEG will be able to use a significant portion of debt to pay the \$15m purchase price of the project as DEG will have executed a Definitive Feasibility Study on the project by the time the payment is due.

Corporate and other costs

Figure 36 shows the resulting net cashflows to DEG after allowing for all costs.

Figure 36 : Beer & Co.'s projected cashflows, De Grey Mining

AUD m	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Sales revenue	0.0	0.0	0.0	0.0	109.3	228.1	142.6	142.6	231.6	282.6	193.0	109.7	106.5
Interest revenue	0.0	0.0	0.0	0.1	0.2	1.6	2.3	2.8	3.8	5.8	7.5	7.6	8.1
Total Revenue	0.0	0.0	0.0	0.1	109.5	229.7	144.9	145.3	235.5	288.5	200.5	117.3	114.6
Cash Costs	(0.4)	(1.2)	0.0	0.0	(43.8)	(88.6)	(66.8)	(54.5)	(68.1)	(73.3)	(68.8)	(63.9)	(51.5)
Corporate Costs	(0.4)	(1.8)	(3.0)	(4.5)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(2.3)
Interest Expense	0.0	0.0	0.0	(0.8)	(4.5)	(3.6)	(2.0)	(0.3)	0.0	0.0	0.0	0.0	0.0
Dep'n & Amort'n	(0.0)	0.0	0.0	0.0	(19.1)	(26.3)	(27.8)	(31.3)	(10.2)	(5.0)	(5.0)	(5.0)	(3.8)
Pre-Tax Profit	(0.8)	(3.0)	(3.0)	(5.2)	37.1	106.1	43.3	54.2	152.1	205.1	121.7	43.4	57.1
Tax Expense	0.0	0.0	0.0	0.0	(10.4)	(29.7)	(12.1)	(15.2)	(42.6)	(57.4)	(34.1)	(12.1)	(16.0)
NPAT	(0.8)	(3.0)	(3.0)	(5.2)	26.7	76.4	31.1	39.0	109.5	147.7	87.6	31.2	41.1
Net Debt / (cash)	(1.2)	(0.2)	(0.5)	44.6	(11.6)	(128.3)	(162.1)	(223.0)	(350.2)	(484.1)	(519.7)	(524.9)	(564.1)
Change in Equity	0.0	3.3	9.8	40.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary shares - year end	166.2m	210.4m	363.8m	811.7m	811.7m	811.7m	811.7m	811.7m	811.7m	811.7m	811.7m	811.7m	811.7m
Earnings per Share	(0.5c)	(1.7c)	(0.9c)	(0.6c)	3.3 c	9.4 c	3.8 c	4.8 c	13.5 c	18.2 c	10.8 c	3.8 c	5.1 c

Source : Beer & Co estimates

Figure 36 also shows the impact of both equity raisings, through the number of shares on issue over time, and also debt through both interest expense and also the net debt / (cash).

Figure 36 shows projected earnings per share (eps) near the current share price, to a multiple of the current share price.

DEG Valuation

Figure 37 shows the asset based detail of Beer & Co.'s base case valuation of DEG.

Figure 37 : Beer & Co.'s base case valuation

discount rate = 12.0 %		30 June 2016			20-Feb-17
	risk :	100%	Product	per share	
<u>Indee-Turner River</u>					
M + I Resources	75 %	\$ 115m	\$ 86m	10.5 c	11.4 c
franking credits	45 %	\$ 24m	\$ 11m	1.3 c	1.4 c
Other Resources	60 %	\$ 18m	\$ 11m	1.3 c	1.4 c
franking credits	36 %	\$ 15m	\$ 6m	0.7 c	0.7 c
Extensions	40 %	\$ 125m	\$ 50m	6.1 c	6.6 c
franking credits	24 %	\$ 44m	\$ 11m	1.3 c	1.4 c
Lithium, base metals	nom.	\$ 2m	\$ 2m	0.2 c	0.3 c
Corporate	100 %	(\$26m)	(\$26m)	(3.2c)	(3.2c)
Equity raisings	100 %	\$ 41m	\$ 41m	5.1 c	5.2 c
Cash / Debt	100 %	\$ 1m	\$ 1m	0.1 c	0.1 c
TOTAL		\$ 360m	\$ 192m	23.6 c	25.4 c
		166.2m	F P O share:	48.0m	Options
		619.9m	later	28.9m	exercised

Source : Beer & Co estimates

Point to note about Beer & Co.'s base case valuation of DEG include :

- Beer & Co uses a base case discount rate of 12% on the after-tax cashflows, noting that DEG has about \$39m in carried forward losses, with some credit for Australian taxes paid
 - While this is a much higher discount rate than is often used, it is consistent with Beer & Co.'s experience in modelling share prices
- Beer & Co. risk weights for uncertainty, so that as a project is progressed the valuation climbs due to :
 - The reduction in uncertainty; and
 - Getting nearer to positive cashflow.
- Beer & Co has given no value to the lithium prospects, determined by drilling, or the base metal resources within DEG.

Sensitivity Analyses

Figure 37 shows Beer & Co.'s base case valuation. Figure 36 shows the sensitivity of our valuation to changes in key parameters.

Figure 38 : Beer & Co.'s valuation sensitivity

Gold price	Base case grade		Low grade	
	1.5 Mt/yr	2.0 Mt/yr	1.5 Mt/yr	2.0 Mt/yr
\$ 1,200/oz	22.2 c	24.4 c	11.0 c	12.8 c
\$ 1,225/oz	23.1 c	25.4 c	11.7 c	13.5 c
\$ 1,250/oz	24.1 c	26.3 c	12.4 c	14.2 c
\$ 1,300/oz	25.9 c	28.3 c	13.9 c	15.7 c

Source : Beer & Co estimates

Figure 36 shows that while our valuation varies with changes in the gold price and the throughput, the key is grade; "grade is king".

Key parameters tested for include :

- Gold price, as shown in Figure 38;
- Ore mined and processed each year, through the lower throughput also has a lower capital cost, which Beer & Co has estimated to be \$A 71m, compared with \$A 84m in the base case; and
- Average grade of ore treated, with the base case being nearly 2.0g/t and the test case being 1.4g/t, as per the discussion around Figure 32.

Figure 39 shows the impact of Beer & Co.'s risk weighting on the resulting valuation.

Figure 39a : Highly risked valuation

Gold price	Base case grade		Low grade	
	1.5 Mt/yr	2.0 Mt/yr	1.5 Mt/yr	2.0 Mt/yr
\$ 1,200/oz	14.2 c	16.0 c	7.3 c	8.6 c
\$ 1,225/oz	14.8 c	16.6 c	7.8 c	9.0 c
\$ 1,250/oz	15.4 c	17.2 c	8.2 c	9.5 c
\$ 1,300/oz	16.5 c	18.5 c	9.1 c	10.4 c

Source : Beer & Co estimates

Figure 39b :Un-risked valuation

Gold price	Base case grade		Low grade	
	1.5 Mt/yr	2.0 Mt/yr	1.5 Mt/yr	2.0 Mt/yr
\$ 1,200/oz	37.2 c	41.5 c	17.1 c	19.9 c
\$ 1,225/oz	38.8 c	43.1 c	18.2 c	21.1 c
\$ 1,250/oz	40.3 c	44.7 c	19.3 c	22.2 c
\$ 1,300/oz	43.3 c	47.9 c	21.5 c	24.5 c

Source : Beer & Co estimates

Figure 39 shows that the un-risked valuation, which is the result if DEG executes the Indee-Turner River project in the manner projected by Beer & Co, results in valuations that are a significant multiple of the present share price.

It also shows that for more risk averse investors that DEG still offers further upside. In this case, the rise in the valuation is much steeper as the project is progressively de-risked.

Conclusions

Summary

DEG acquired Turner River in December 2003. The management of DEG was changed late in 2014 and the company was progressively focussed on its Pilbara operations, at Turner river.

DEG has increased its position near Turner River and announced the acquisition of Indee, on deferred terms, on 8 February, 2017. This immediately boosted DEG to over 800koz of gold in Resources, and transitioned DEG from an explorer to a developer.

DEG is now reviewing data acquired and expects to announce a resource upgrade in March, with a further upgrade, from infill drilling at Mallina, in May.

Beer & Co.'s base case valuation is based on a mining inventory that includes Inferred Resources, and Exploration Target and Beer & Co.'s interpretation of announced drill results, all risk weighted to varying extents.

Beer & Co projects that DEG will produce over 100koz/yr for more than 8 years, at an All-In cost of just under \$A 700/oz, after total capital of \$91m.

Beer & Co is confident that DEG will, through the feasibility study process, improve the quality of the project through upgraded resource estimates and a focus on processing higher grade earlier in the mine life.

Delivery

Bad management will defeat a good project.

The current management has been in place in DEG for less than 18 months and in that time has gone from nowhere to a defined, viable project.

DEG has brought in good people to deliver the project, as can be seen in the Appendix.

The Indee-Turner River project is similar to other projects that have been delivered by the people at DEG, and Beer & Co is confident that DEG will continue to evolve to have the right people and to deliver.

Conclusion

Assuming current commodity prices, Beer & Co.'s risk weighted base case valuation is 25c/share. Our valuation is robust with respect to most parameters tested, though very sensitive to throughput grade.

Beer & Co.'s valuation is a significant premium to the current share price, and Beer & Co sees significant further upside potential, from

- Optimisation of the project definition;
- Increasing the confidence in the known mineralisation;
- Increasing the mining inventory; and
- Effective project delivery.

As a result, Beer & Co initiates research on DEG with a Strong BUY as our risk weighted valuation, based on current commodity prices is a multiple of the current share prices

Beer & Co assigns a Very High Risk weighting as our valuation is based on Beer & Co.'s estimates for mining inventory, annual throughput, grade, production, capital costs and operating costs. .

Appendix**Senior Consulting Geologist Andrew Beckwith**

Andrew Beckwith is a geologist with 30 years' industry experience, mainly in gold and base metals. His experience includes senior technical management roles with Normandy NFM, Helix Resources, Acacia Resources, AngloGold Ashanti and predominantly focussed on regional exploration, near mine resource evaluation and project acquisition/divestment.

More recently Andrew was managing director of Westgold Resources for a period of 5 years, prior to merging with Metals X. During his time at Westgold, he was intimately involved in the discovery of the Explorer 108 (Pb-Zn-Ag) and Rover 1 (Au-Cu) deposits, when the company was named "Explorer of the Year 2008" by GMJ. Westgold's gold assets grew to over 5million ounces through a combination of organic exploration and project/corporate acquisitions. Westgold has recently re-listed to the ASX and is now producing over 250,000 ounces of gold.

Andrew is a consultant to De Grey and has lead the renewed focus on building De Grey's exploration assets and the recent Indee acquisition.

Andrew has a Bachelor of Science Degree in Geology and is a member of the AusIMM.

Consulting Geologist Philip Tornatora

Philip Tornatora is a geologist with 25 years' experience in various commodities, mainly gold and lithium. His experience has been principally in exploration including regional, near mine and resource development roles in Australia, Africa and SE Asia. He has previously worked for AngloGold Ashanti in various senior roles including Exploration Manager, Mali. He served as Exploration and Geology Manager for lithium/tantalum producer Galaxy Resources for 3 years. Prior to his current position, he spent 4 years as General Manager, Exploration for Northern Star Resources. During this time Northern Star advanced from a single mine operation to a multi-mine company producing around 500Koz gold per annum.

Philip has a Bachelor of Science (Hons) Degree and a Master of Economic Geology Degree and is a member of the AusIMM and AIG.

Beer & Co Research

De Grey Mining (DEG.ASX)

February 2017

Year ended June	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Section 1 - P&L							
Sales revenue	\$A m	0	0	0	20	159	233
Interest revenue	\$A m	0	0	0	0	2	3
Other revenue	\$A m	0	0	0	0	0	0
Total Revenue	\$A m	0	0	0	20	159	235
Cost of Goods Sold	\$A m	0	0	0	(7)	(66)	(80)
Royalties	\$A m	0	0	0	(1)	(6)	(8)
Corporate Costs	\$A m	(0)	(2)	(3)	(5)	(5)	(5)
Exploration Expense	\$A m	(0)	(1)	0	0	0	0
Other Operating Expenses	\$A m	(0)	0	0	0	0	0
Total Operating Expenses	\$A m	(1)	(3)	(3)	(13)	(77)	(94)
EBITDA	\$A m	(1)	(3)	(3)	7	82	141
Dep'n & Amort'n	\$A m	(0)	0	0	(6)	(27)	(31)
EBIT	\$A m	(1)	(3)	(3)	1	55	114
Interest Expense	\$A m	0	0	0	(4)	(6)	(5)
Other	\$A m	0	0	0	0	0	0
Pre-Tax Profit	\$A m	(1)	(3)	(3)	49	109	42
Tax Expense	\$A m	0	0	0	(0)	(14)	(12)
NPAT	\$A m	(1)	(3)	(3)	36	79	30

Section 2 - Key Data

Ordinary shares - year end	m	166.2	215.7	791.1	815.0	815.0	815.0
Fully diluted shares on issue	m	166.2	215.7	791.1	815.0	815.0	815.0
Weighted # shares	m	166.2	182.1	543.7	797.1	815.0	815.0
Earnings per Share		(0.5c)	(1.7c)	(0.7c)	(0.4c)	4.4 c	9.7 c
Dividends Per Share		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c

Section 3 - Balance Sheet

Cash	\$A m	1	0	3	11	76	173
Receivables	\$A m	0	0	0	2	7	4
Other	\$A m	0	0	0	2	8	5
CURRENT ASSETS	\$A m	1	0	3	14	91	183
Receivables	\$A m	0	0	0	0	0	0
P, P & E	\$A m	0	0	0	0	0	0
Mining Properties / Exploration	\$A m	0	0	42	79	58	37
Other	\$A m	0	1	9	22	16	10
NON-CURRENT ASSETS	\$A m	0	1	50	101	74	47
TOTAL ASSETS	\$A m	1	1	53	116	165	230
Payables	\$A m	0	0	0	0	0	0
Debt	\$A m	0	0	0	0	18	19
Other	\$A m	0	0	0	0	0	0
CURRENT LIABILITIES	\$A m	0	0	0	0	18	19
Long Term Debt	\$A m	0	0	7	68	40	21
Other	\$A m	0	0	0	0	0	0
Provisions	\$A m	0	0	0	0	0	0
NON-CURRENT LIABILITIES	\$A m	0	0	7	68	40	21
TOTAL LIABILITIES	\$A m	0	0	7	68	58	40
NET ASSETS	\$A m	1	1	46	47	108	190
Accumulated Profit (Loss)	\$A m	(45)	(48)	(51)	(54)	(18)	60
Reserves	\$A m	0	0	0	4	29	32
Contributed Equity	\$A m	46	49	97	97	97	97
Total Equity	\$A m	1	1	46	47	108	190

Section 4 - Cashflow

Net Cashflow from operations	\$A m	(1)	(3)	(3)	7	82	141
Net Interest Paid	\$A m	0	0	0	(4)	(6)	(3)
Taxes Paid	\$A m	0	0	0	0	0	(18)
Change in Working Capital	\$A m	0	(0)	0	(2)	(5)	3
OPERATING CASHFLOW	\$A m	(1)	(3)	(3)	1	72	123
Exploration + Feasibility	\$A m	0	(1)	(8)	0	0	0
Maintenance Capex	\$A m	0	0	0	0	0	(4)
Expansion Capex	\$A m	0	0	(42)	(57)	0	0
PPE Acquisitions (Total Capex)	\$A m	0	(1)	(49)	(57)	0	(4)
PPE Divestments	\$A m	0	0	0	0	0	0
INVESTING CASHFLOW	\$A m	0	(1)	(49)	(57)	0	(4)
Change in Equity	\$A m	0	4	47	1	0	0
Dividends Paid	\$A m	0	0	0	0	0	0
Change in Debt	\$A m	0	0	7	61	(11)	(18)
FINANCING CASHFLOW	\$A m	0	4	54	62	(11)	(18)
Free Cashflow	\$A m	(1)	(4)	(52)	(56)	72	119
Net Cashflow	\$A m	(1)	(1)	2	6	61	101

Commodity price assumptions

Year ended June	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
AUD/USD	0.741	0.750	0.750	0.750	0.750	0.750	0.750	0.750
Gold price	USD/oz	1,225	1,225	1,225	1,225	1,225	1,225	1,225

Mine Production / Sales

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Gold	000 oz	12	97	143	89	103	174	176

Resources, Reserves and assumed mining inventory**Indee - Mineral Resources**

	Measured		Indicated		Inferred		TOTAL		
Withnell North	0.65 Mt	1.5 g/t	1.12 Mt	1.5 g/t	0.09 Mt	1.4 g/t	1.86 Mt	1.5 g/t	88 koz
Withnell South			0.74 Mt	1.6 g/t			0.74 Mt	1.6 g/t	38 koz
Withnell East			0.12 Mt	2.2 g/t			0.12 Mt	2.2 g/t	9 koz
Withnell West			0.74 Mt	1.4 g/t	0.27 Mt	1.3 g/t	1.01 Mt	1.4 g/t	44 koz
Camel 1			0.67 Mt	2.1 g/t			0.67 Mt	2.1 g/t	45 koz
Calvert			1.25 Mt	1.2 g/t			1.25 Mt	1.2 g/t	47 koz
Dromedary			0.20 Mt	1.9 g/t			0.20 Mt	1.9 g/t	12 koz
Toweranna					0.44 Mt	2.1 g/t	0.44 Mt	2.1 g/t	30 koz
Roe					0.39 Mt	2.6 g/t	0.39 Mt	2.6 g/t	33 koz
TOTAL	0.65 Mt	1.5 g/t	4.84 Mt	1.5 g/t	1.2 Mt	2.0 g/t	6.68 Mt	1.6 g/t	345 koz

Turner River - Mineral Resources

	Measured		Indicated		Inferred		TOTAL		
Wingina Well - Halo	0.78 Mt	4.1 g/t	0.12 Mt	3.8 g/t	0.19 Mt	4.1 g/t	1.09 Mt	4.1 g/t	144 koz
Wingina Well - Lode	2.30 Mt	0.9 g/t	0.86 Mt	1.0 g/t	1.23 Mt	1.2 g/t	4.39 Mt	1.0 g/t	144 koz
Mt Berghaus			0.21 Mt	1.8 g/t	3.30 Mt	1.2 g/t	3.52 Mt	1.2 g/t	141 koz
Amanda					0.68 Mt	1.6 g/t	0.68 Mt	1.6 g/t	35 koz
TOTAL	6.16 Mt	1.7 g/t	2.18 Mt	1.4 g/t	6.8 Mt	1.4 g/t	15.17 Mt	1.5 g/t	752 koz

Beer & Co assumed mining inventory

Measured + Indicated Resources				Waste : Ore	Distance to mill
Indee - Withnell, CCT	5.77 Mt	1.5 g/t	274 koz	5.0 : 1	4.0 km
Wingina Well Lode	0.99 Mt	3.8 g/t	121 koz	12.5 : 1	40 km
Mt Berghaus	0.23 Mt	1.7 g/t	13 koz	6.0 : 1	35 km
Inferred Resources					
Indee - T + R	0.71 Mt	2.2 g/t	51 koz	6.0 : 1	35 km
Mt Berghaus	2.64 Mt	1.1 g/t	92 koz	6.0 : 1	35 km
Sub-Total	10.34 Mt	1.7 g/t	550 koz	0.0 : 1	0 km
ROM pad	0.85 Mt	1.0 g/t	27 koz	0.0 : 1	0 km
Extensions - Indee	3.89 Mt	3.3 g/t	413 koz	10.0 : 1	5 km
Mallina	2.00 Mt	1.35 g/t	87 koz	7.0 : 1	15 km
Extensions - Turner River	0.00 Mt	0.0 g/t			40 km
TOTAL	17.08 Mt	2.0 g/t	1,078 koz		

Asset based Valuation

discount rate = 12.0 %	risk :	100%	30 June 2016	Product	per share	20-Feb-17
Indee-Turner River						
M + I Resources	75 %	\$ 115m	\$ 86m	10.5 c	11.4 c	
franking credits	45 %	\$ 24m	\$ 11m	1.3 c	1.4 c	
Other Resources	60 %	\$ 18m	\$ 11m	1.3 c	1.4 c	
franking credits	36 %	\$ 15m	\$ 6m	0.7 c	0.7 c	
Extensions	40 %	\$ 125m	\$ 50m	6.1 c	6.6 c	
franking credits	24 %	\$ 44m	\$ 11m	1.3 c	1.4 c	
Lithium, base metals	nom.	\$ 2m	\$ 2m	0.2 c	0.3 c	
Corporate	100 %	(\$ 26m)	(\$ 26m)	(3.2c)	(3.2c)	
Equity raisings	100 %	\$ 41m	\$ 41m	5.1 c	5.2 c	
Cash / Debt	100 %	\$ 1m	\$ 1m	0.1 c	0.1 c	
TOTAL		\$ 360m	\$ 192m	23.6 c	25.4 c	
Shares on issue		166.2m	F P O shares to be issued	48.0m	Options exercised	
		619.9m		28.9m		

Financial Ratios

Year ended June	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue	\$A m	0	0	20	159	235
EBITDA	\$A m	(3)	(3)	7	82	141
EBIT	\$A m	(3)	(3)	1	55	114
NPAT (reported)	\$A m	(3)	(3)	36	79	30
Adjusted EPS (cps)		(1.7c)	(0.7c)	(0.4c)	4.4 c	9.7 c
EPS Growth (%)			59 %	39 %	1,156 %	121 %
DPS (c)		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c
Dividend Yield (%)		0 %	0 %	0 %	0 %	0 %
PE adj. (x)	x	(2.4)	(7.3)	(12.1)	1.1	0.5
EV / EBITDA (x)	x	(1.8)	(3.5)	6.2	1.2	0.2
EV / EBIT (x)	x	(1.8)	(3.5)	44.8	1.8	0.2
Gearing (%)		0 %	14 %	59 %	35 %	17 %
Return on Assets		(205%)	(5%)	1 %	34 %	50 %
Return on Equity		(205%)	(6%)	(7%)	33 %	42 %
EBITDA Margin (%)		n/a	n/a	n/a	35 %	52 %
Interest Cover (x)	x	n/a	n/a	n/a	0.2	9.3

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