



ASX Announcement

22 February 2019

De Grey increases study scale to 2Mtpa

De Grey Mining Limited (ASX: "DEG", "De Grey") wishes to advise that its Board has decided to expand the scale of the Pilbara Gold Project's development study to a 2Mtpa plant throughput.

The Board's decision to increase scale has arisen as a result of:

- An increase in resources to 1.4M¹ ounces from the previous 1M ounces on which the 2017 Scoping Study³ was based;
- Recent exploration results coupled with the ongoing exploration potential of De Grey's tenements; and
- The recent material increases in gold recoveries², to between 90% to 94% and a simplified processing plant flowsheet.

The decision to increase the development study scale is further supported by:

- Improved gold outlook and recent price increases;
- Economies of scale with reduced unit operating costs;
- Confidence in defining new resource additions; and
- Potential for higher grade underground lodes below at least 4 deposits.

The 2017 Scoping Study³ was based on a proposed 1Mtpa processing plant, with highlighted gold production outputs ranging from 65,000 oz in Year 1 to 51,000oz in Year 4 and also noted lower unit operating costs are to be expected with increased scale.

GR Engineering Services is nearing completion on design and costing of a proposed 2Mtpa processing plant. This work will be completed to PFS standard (+/- 20%) and will form a critical aspect of defining operating costs to be used in further open pit and underground optimisations and evaluations.

Cube Consulting will then undertake revised open pit optimisations based on the new operating and mining costs. From this work any additional drilling to expand both open pit and underground resources, metallurgy and geotechnical activities and associated timeframes will be determined.

To rapidly advance resource extension drilling, two drilling rigs are already operating. A diamond rig is continuing to target the encouraging underground high-grade lodes and an RC rig is currently targeting the shallower targets beneath the existing Withnell pits. Subsequently, both rigs will move to test and extend resources to a depth >200m at Toweranna, where previous optimisations indicate pit shells are restricted by the depth of drilling and the high-grade quartz lodes show potential for open pit resource extensions and underground lodes to at least 400m depth.

Further drilling is planned to target resource extensions at the Mallina and Mt Berghaus deposits for shallow open pit resources along strike and depth extensions where higher grade zones are becoming evident.

De Grey Chairman, Simon Lill, commented:

“De Grey is an exciting Australian gold growth story with a material and near-term development opportunity in one of the world’s best mining jurisdictions.

Our vision is very simple; we have our foot on a significant new gold province, two drill rigs on site, aiming to grow resources towards 3.0Moz and ultimately transition De Grey into a new Australian gold producer.

¹ ASX: 3 October 2018 – *“2018 Total Gold Mineral Resource increases to 1.4M oz’s”*

² ASX: 12 February 2019 – *“Positive gold recoveries enhance Pilbara Gold Project potential”*

³ ASX: 4 August 2017 – *“Positive Scoping Study completed at Pilbara Gold Project”*

For further information:

Simon Lill (Executive Chairman) or

Andy Beckwith (Technical Director and Operations Manager)

De Grey Mining Ltd

Phone +61 8 6117 9328

admin@degreymining.com.au