

DE GREY MINING LTD

QUARTERLY REPORT

FOR THE QUARTER ENDING 30 JUNE 2014

ASX: DEG

Shares on Issue

914,768,846

Board of Directors

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Executive Chairman

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31 July 2014

HIGHLIGHTS FOR THE QUARTER

Great Northern Gold Project

- Partner Rugby Mining Limited (TSX-V: RUG) complete first drilling program at Berghaus prospect
- Encouraging results reported subsequent to end of quarter
- Preliminary gold assays received for all drill holes and significant drill results include:
 - RDD001 **0.5m @ 11.9 g/t gold** from 47.2m
 - RDD002 **1.0m @ 17.4 g/t gold** from 15.5m
 - RDD003 **3.4m @ 6.25 g/t gold** from 20.1m
 - RDD006 **1.4m @ 16.1 g/t gold** from 63.2m
 - RDD008 **0.5m @ 10.7 g/t gold** from 43.0m
- Plans now underway for a second drilling program at Wingina Well

Turner River Base Metals Project

- Updated Inferred Resources (JORC 2012 compliant) consisting of:
 - Orchard Tank - 1.40M tonnes @ 2.70% Zn, 84.44 g/t Ag, 1.10% Pb, 0.08% Cu, 0.56g/t Au (1.0% Zn cut off)
 - Discovery – 1.05M tonnes @ 2.63% Zn, 94.54 g/t Ag, 1.03% Pb, 0.12% Cu, 0.88g/t Au (1.0% Zn cut off)
- Resource estimated from 2 out of 10 prospects identified from drilling on only 7kms of 23km of prospective strike
- Mineralisation remains open along strike and at depth
- Geophysics identifies new strong anomalies at Tabba Tabba - priority target
- A Programme of Work has been submitted as part of plans to commence a drilling programme to increase resources and delineate potential

Royalties

- \$336k in iron-ore royalties received from Atlas Mining with respect to the Mt. Dove deposit

Corporate

Cash on hand at end of the quarter of \$553k (\$402k at end of March 2014 Quarter)



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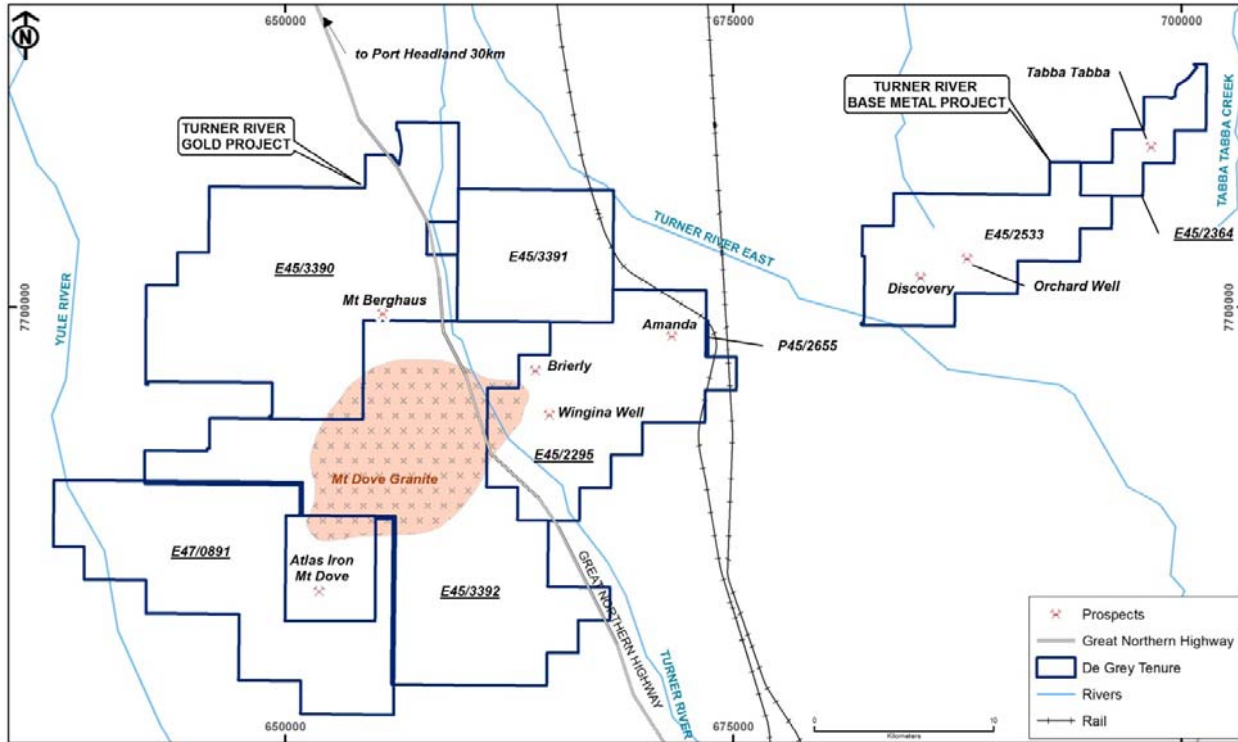


Figure 1: Location Plan for Turner River Projects

Turner River Base Metals (TRBMP)

Final handover of all data and reports was completed in early March and De Grey has completed processing of the data in the current quarter.

De Grey's Base metals project consists of;

- two initial independently estimated resource areas (Discovery and Orchard Tank) with mineralization open at both sites,
- six prospects with mineralization intersected in drilling,
- untested IP chargeability anomalies downplunge from mineralization at Tabba Tabba (Figure 4)
- several kilometres of untested geological horizons (Figure 7).

Resource Tables – De Grey Mining Limited (as reported to the ASX on 16 July 2014)

Table 1: Resource Summary, June 2014 at a 1.0 % Zn cut-off							
Deposit	Classification	Tonnes (Mt)	Zn (%)	Ag (g/t)	Pb (%)	Cu (%)	Au (g/t)
Orchard Tank	Inferred	1.40	2.70	84.44	1.10	0.08	0.56
Discovery	Inferred	1.05	2.63	94.54	1.03	0.12	0.88

Mt is an abbreviation for million tonnes.



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Table 2: Resource Summary, June 2014 at a 0.5 % Zn cut-off

Deposit	Classification	Tonnes (Mt)	Zn (%)	Ag (g/t)	Pb (%)	Cu (%)	Au (g/t)
Orchard Tank	Inferred	1.68	2.38	78.56	0.99	0.07	0.52
Discovery	Inferred	1.24	2.34	86.98	0.94	0.11	0.83

Mt is an abbreviation for million tonnes.

Qualifying Notes for All Estimates

Resource estimates are based on RC and diamond core drillhole data deriving from work by both De Grey and Lansdowne Resources Pty Ltd. Industry standard procedures maintained during those works include:

- Drillhole collars located to +/- 20cm by differential GPS;
- Down-hole surveys sufficient to reliably track hole paths;
- Sampling and assay quality controls including regular inclusion of blank and reference samples.

Ravensgate has accepted the sampling and assay data upon which the resource estimates are based as being sufficiently reliable for the estimation of Inferred Resources.

Discovery Estimate Supporting Notes

Mineralization Geometry: The Discovery deposit comprises a single lens of mineralization striking east-west and dipping to the south at about 70 degrees (Figure 2). Mineralization is interpreted to extend over 240m strike x 250m depth x 8m average thickness. Potential remains for extensions to the east and down-dip.

Drill Coverage: Mineralization is delineated by aircore, RC and diamond core drill holes. Drill coverage is on north-south cross-sections mainly at 40m spacing with holes on section planes typically spaced at about 20m. Parts of the deposit are defined only by drilling on about 80m spacing. Resource grade estimates are informed by total of 215 one-metre sample composites that lie within mineralization wireframes that derive from 30 RC and diamond core holes.

Grade Interpolation: Experimental semi-variograms were calculated for each of the metals and variogram models fitted. Ordinary kriging was used to estimate grades into regular blocks with dimensions 10mE x 2mN x 5mRL with only sample composites lying within mineralization wireframes being permitted to inform grade estimates. Search ellipsoids were oriented to reflect the geometry of mineralization. The spatial influence of high-grade assays was limited by applying “cut-off distance restrictions” to constrain the influence of Zn assays above 15%, Pb assays above 6%, Ag assays above 500g/t and Au assays above 5g/t (generally the 99th percentile of each sample grade population) to a distance of 18m.



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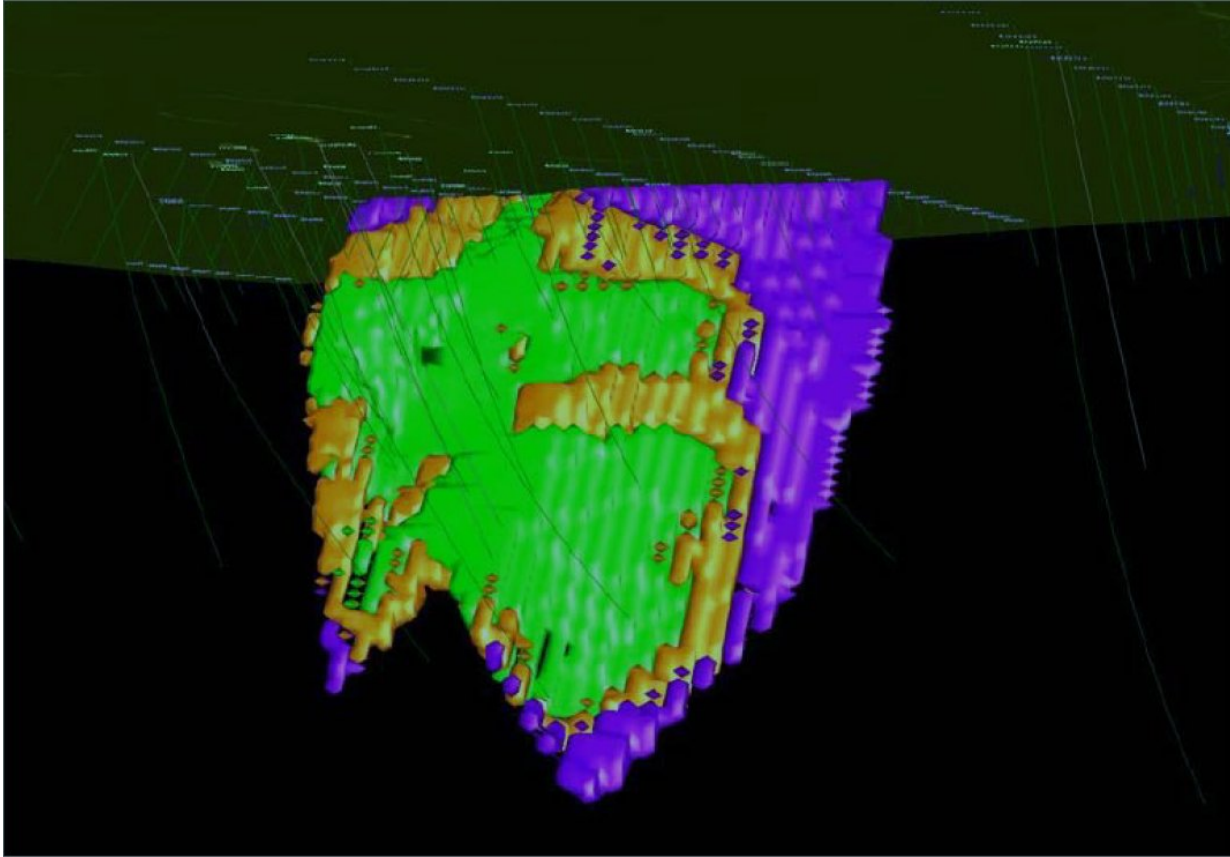


Figure 2: Discovery resource model looking NW. Blocks coloured green and orange represent Inferred Resources, purple blocks represent areas where drilling is insufficient to define resources.

Tonnage Estimates: Based on drill hole geological logging, triangulated surfaces were constructed to represent topography, the base of completely weathered and oxidized material and the top of fresh rock. Only limited measurements of bulk densities of drill core are available.

Based on these and industry experience, bulk densities were applied as:

- 2.2t/m³ for oxide material,
- 2.4t/m³ for partially weathered material and
- 2.8t/m³ for fresh mineralization.

Only those portions of blocks lying within the mineralization wireframes contribute to resource tonnage estimates (i.e. a block proportion in/out factor was applied).

Resource Confidence Category: In conjunction with considerations of data reliability, sampling and assay quality and confidence of geological interpretations, blocks with grade estimates informed by 11 or more samples within a maximum ellipsoidal search radius of 80 metres and kriging variance not exceeding 4.0 have been accepted as defining Inferred Resources.



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Orchard Tank Supporting Notes

Mineralization Geometry: The Orchard Tank deposit comprises several stacked lenses of mineralization striking east-west and dipping to the north at about 85 degrees (Figure 3).

Mineralization is interpreted to extend over approximately 400m strike and to at least 400m depth. Potential remains for extensions down-dip.

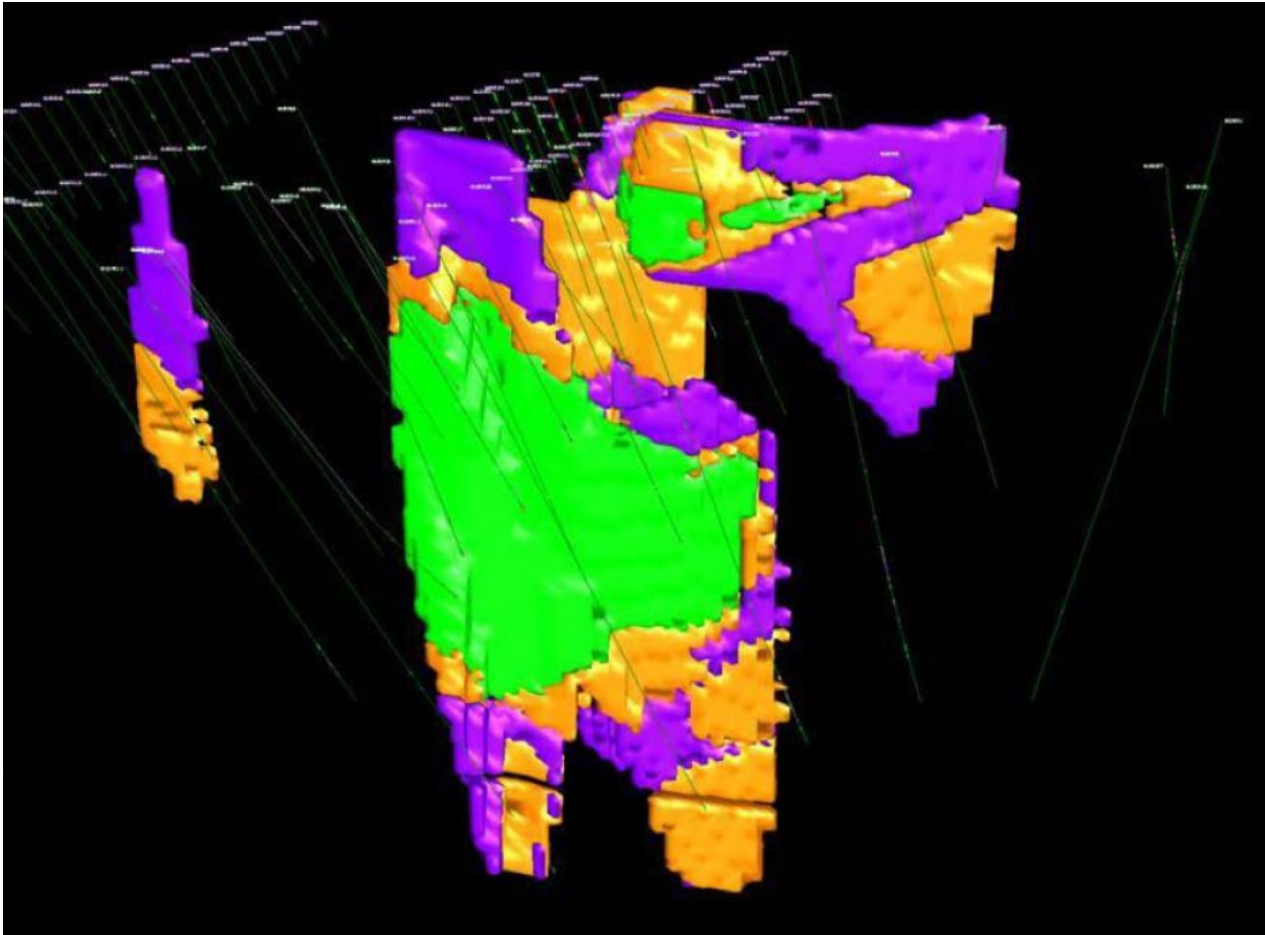


Figure 3: Orchard Tank resource model looking SE. Blocks coloured green and orange represent Inferred Resources, purple blocks represent areas where drilling is insufficient to define resources.

Drill Coverage: Mineralization is delineated by aircore, RC and diamond core drill holes.

Drill coverage is on north-south cross-sections mainly at 50m spacing with holes on section planes typically spaced at 20-50m. Parts of the deposit are defined only by drilling on about 80m spacing. Resource grade estimates are informed by approximately 320 one-metre sample composites that lie within mineralization wireframes, deriving from 21 RC and diamond core drill holes.



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Grade Interpolation: Experimental semi-variograms were calculated for each of the metals and variogram models fitted. Ordinary kriging was used to estimate grades into regular blocks with dimensions 10mE x 2mN x 5mRL with only sample composites lying within mineralization wireframes being permitted to inform grade estimates. Search ellipsoids were oriented to reflect the geometry of mineralization. The spatial influence of high-grade assays was limited by applying “cut-off distance restrictions” to constrain the influence of Zn assays above 12%, Pb assays above 8%, Ag assays above 440g/t and Au assays above 5g/t (generally the 98th percentile of each sample grade population) to a distance of 20m.

Tonnage Estimates: Based on drill hole geological logging, triangulated surfaces were constructed to represent topography, the base of completely weathered and oxidized material and the top of fresh rock. Only limited measurements of bulk densities of drill core are available. Based on these and industry experience, bulk densities were applied as:

- 2.2t/m³ for oxide material,
- 2.4t/m³ for partially weathered material and
- 2.8t/m³ for fresh mineralization.

Only those portions of blocks lying within the mineralization wireframes contribute to resource tonnage estimates (i.e. a block proportion in/out factor was applied).

Resource Confidence Category: In conjunction with considerations of data reliability, sampling and assay quality and confidence of geological interpretations, blocks with grade estimates informed by 11 or more samples within a maximum ellipsoidal search radius of 80 metres and kriging variance not exceeding 4.0 have been accepted as defining Inferred Resources.

Other Prospects

Along with the two main zones at Turner River (Orchard Tank, Discovery) there are eight other prospects (Tabba Tabba, Hakea, Acacia, Cassia, Gwajai, Clay Pan Well, Tabba Tabba 2 and TRN027, Figure 7) that have been identified from mineralization with only five of these having been drilled to date.

The Tabba Tabba prospect lies at the northern limit of the current exploration completed to date. Surface mineralization was mapped and sampled with follow up drilling. Continuous mineralization was intersected but no resource estimate has been undertaken at this point.

During the JV period with Lansdowne Resources Pty Ltd a geophysical survey was conducted over the Tabba Tabba prospect and extended to the south of the current Tabba Tabba mineralization along strike. The IP survey results show anomalous chargeability responses in parallel lines (Figure 4) with the southern line consistent with a down strike and, given the projected depth of the anomaly, downplunge extension for the known mineralization at Tabba Tabba.

The best responses were received from conductors sitting in the western portion of the survey with the anomalism extending beyond the survey limits. If the chargeability anomalies are consistent with base metal mineralization then the potential exists to more than triple the strike length of mineralization based on the current limits of the geophysical survey results and more if the anomalism on the western edge of the survey continues to the southwest.

The strongest response was from IP zone 2 (Figure 4), a target to the north and parallel to current known mineralization. Interestingly, the current mineralization returned a moderate chargeability response with the downplunge untested strike extension of this position returning the higher response suggesting stronger sulphide mineralization at depth.



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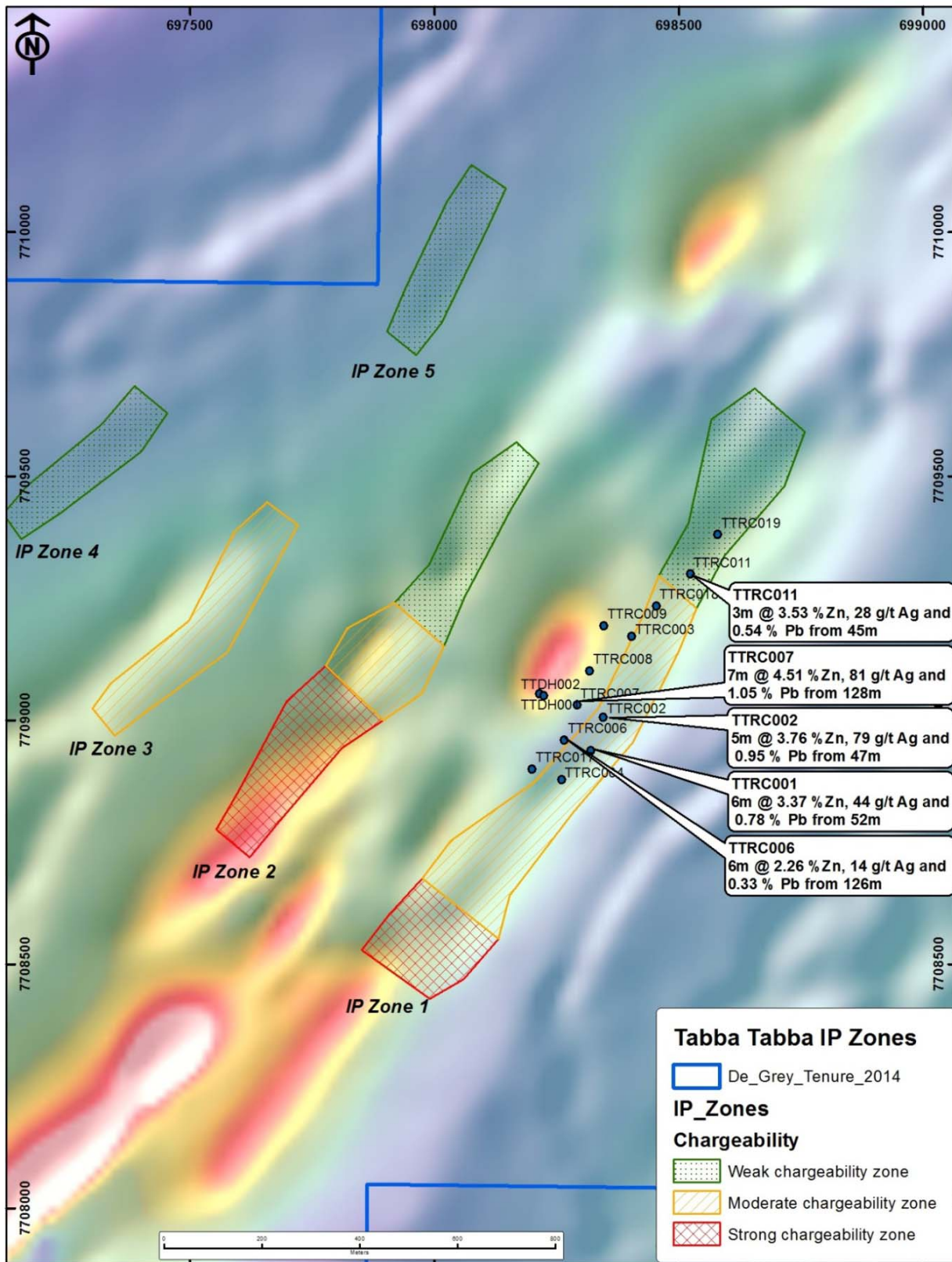


Figure 4: Tappa Tappa IP chargeability anomalies and drilling on magnetic image



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Structural mapping, soil sampling and drilling have identified anomalism for gold and copper at the TRBMP. The splay fault off the Tabba Tabba Shear Zone (TTSZ) that is host to the Claypan Well prospect shows strong anomalism for copper, lead, arsenic and gold (Figures 5 and 6).

These splays off the TTSZ are strong structural targets and as the soil results indicate follow up exploration is required.

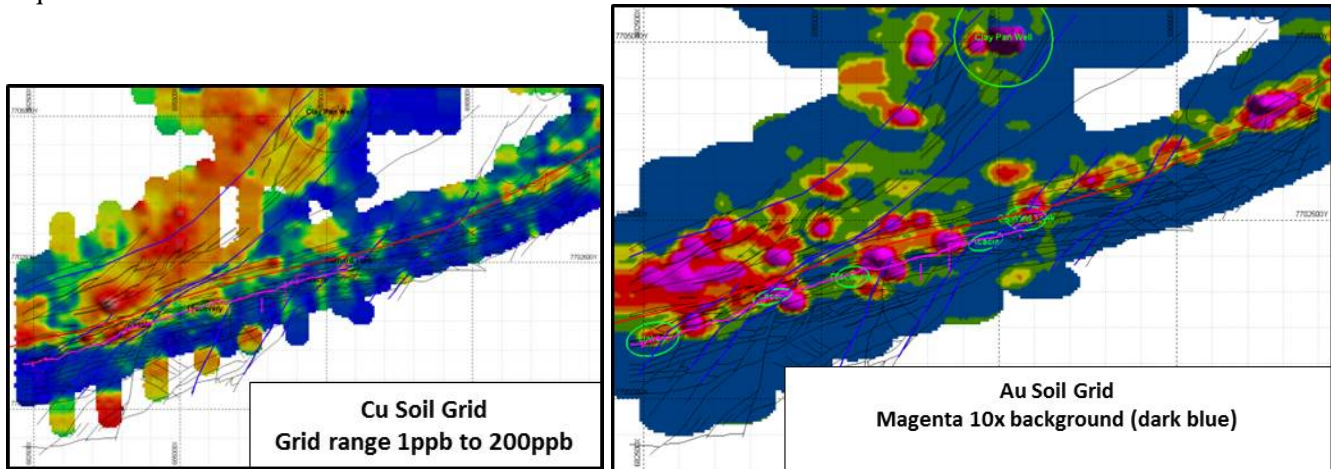


Figure 5 and 6 – soil sampling for TRBMP

The Company believes the prospect of significantly enhancing the current resources for both tonnages and grade is high, for the following reasons:

- Current resource estimates are based on only two out of ten prospects covering only 7kms drilled out of a potential 23km strike length of favourable geology;
- Resource estimates based solely on the Discovery and Orchard Tank prospects. Mineralisation at both prospects remains open at depth and on strike. Discovery considered the best potential for significant increases with resource estimate based on 400m of a 1,000m strike length;
- Mineralisation is known to exist at Cassia, Acacia, Hakea and Tabba Tabba, with additional mineralisation (minimal testing) at Gwajai, Clay Pan Well, Tabba Tabba 2 and TRN 027;
- IP Survey results at Tabba Tabba show parallel zones to existing mineralisation, as well as a strong IP signature which may be indicative of increased sulphides in untested targets;

All ten prospects require additional work with the extents of mineralization over eight of the ten prospects having not been properly tested. In addition, exploration to identify all the Turner River prospects has only covered 7 kilometres of the 23 kilometre strike with any level of detail.

The opportunity for further discoveries exists adding to what is already a considerable number of prospects that still require exploration to identify the limits and tenure of the prospect mineralization.

The Company has planned a limited drilling programme to test the Tabba Tabba geophysical anomalies and potential mineralization extensions at Tabba Tabba and Discovery. De Grey has submitted a Programme of Work to Department of Mines and Petroleum which has been approved.



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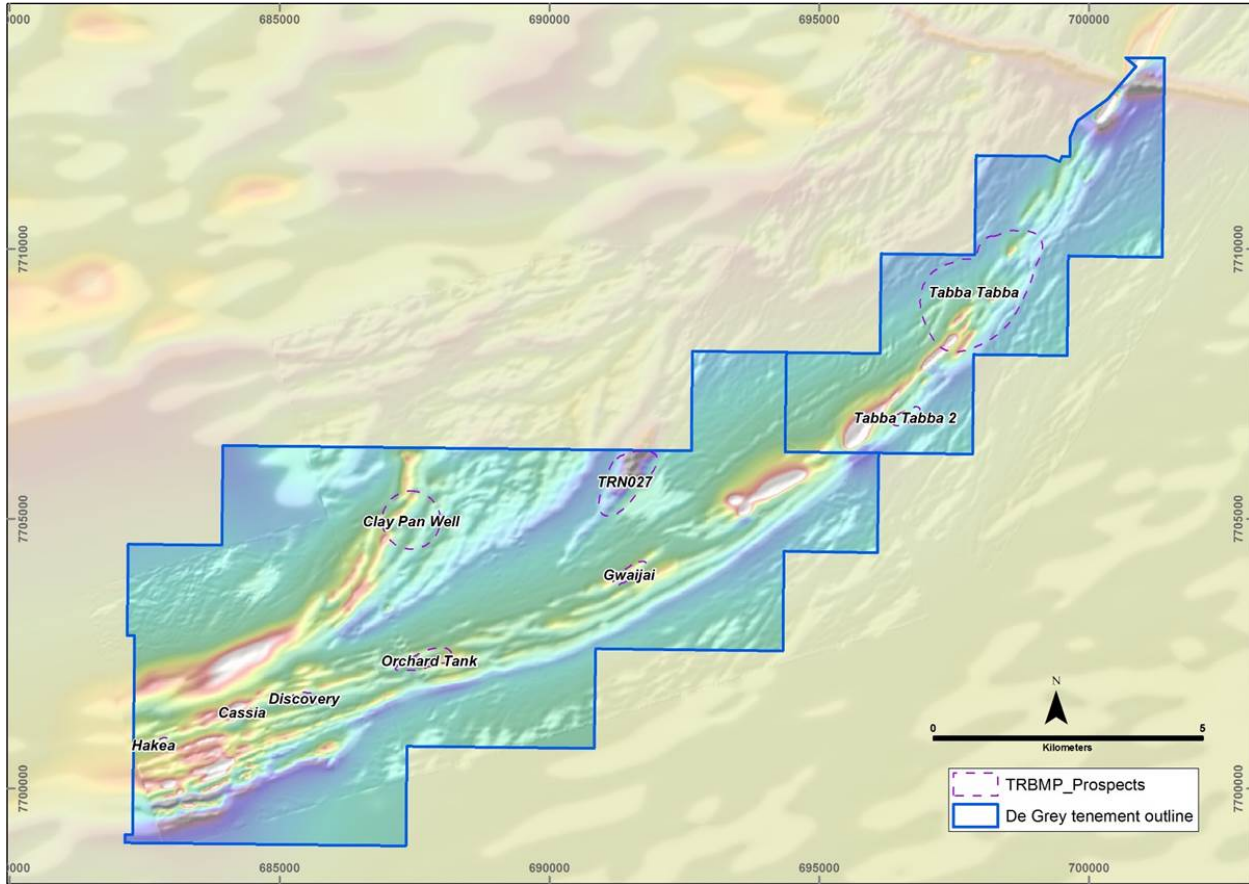


Figure 7: Turner River Base Metals Project identified prospects on magnetic image

No exploration work was carried out on the project during the quarter.

Competent Person Statement: *The information in this report that relates to the Mineral Resources and Ore Reserves were first reported by the Company in compliance with JORC 2012 in market releases dated as follows:*

Turner River Update – 16 July 2014.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcements referred to above and further confirms that all material assumptions and technical parameters underpinning the ore reserve and mineral resource estimates contained in those market releases continue to apply and have not materially changed.



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Great Northern Gold Project – JV with Rugby Mining Ltd

Following the agreement to joint venture the gold project at Turner River with Rugby Mining Ltd (TSX-V:RUG) last quarter, Rugby initiated its first drill programme in May 2014.

The initial drilling program was conducted at the early stage Berghaus prospect (Figure 1), located approximately 9 kilometres to the northwest of Wingina (Figure 8). Eight shallow holes for a total of 640 metres (“m”) were drilled along 750 m of strike to target high grade gold mineralization associated with a series of northeast-trending structures in meta-sedimentary rocks. Two of the eight holes intersected visible gold mineralization. Preliminary gold assays have been received for all the drill holes and significant drill results include:

- RDD001 **0.5m @ 11.9 g/t gold** from 47.2m
- RDD002 **1.0m @ 17.4 g/t gold** from 15.5m
- RDD003 **3.4m @ 6.25 g/t gold** from 20.1m
- RDD006 **1.4m @ 16.1 g/t gold** from 63.2m
- RDD008 **0.5m @ 10.7 g/t gold** from 43.0m

Rugby reported that they expect to commence their second drill programme shortly at Wingina Well (Figure 1). The objective at Wingina, is to test for potential depth extensions to the very high grade footwall gold zone intersected in historic drilling (previously reported). The host rocks appear favourable for extensions of the high grade to significant depths. A 2,000 m drilling program is expected to commence early Q4, subject to permitting and drill rig availability.”

The Agreement with Rugby grants them an option to earn an 80% interest in a 714 square kilometre (“km”) tenement package (the “**Tenements**”) through exploration and drilling expenditure and an additional option to purchase an 80% interest in a near surface historical resource at Wingina Well (together with the Tenements, the “**Great Northern Gold Project**”).

The information in this report that relates to the Great Northern Gold Project was first reported by the Company in compliance with JORC 2012 in a market release dated 29 July 2014. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 29 July 2014.

Mt Dove Royalty

De Grey has sold the rights to iron ore minerals on certain tenement areas in the Turner River Gold and Turner River Base Metal projects to Atlas Iron Ltd. The agreements provide for royalties payable to De Grey from iron ore production by Atlas.

Royalties from the initial 2,000,000 tonnes of production had been pre-sold by De Grey.

A Royalty payment for the March 2014 quarter sales from Atlas Iron Ltd totalled \$336,359.



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Sands Royalty

In the December quarter 2013 De Grey completed an agreement with Mobile Concrete Solutions Pty Ltd (MCS), a Karratha building company, for the excising of a single graticular block from Exploration Licence 45/3390 for the purpose of extracting sand, shingle and limestone blocks.

Subsequent to the June 2014 quarter, De Grey has received royalty payments covering the production from this block for both the December 2013 and March 2014 quarters, totaling \$10,072.

Beyondie

The magnetite iron ore project at Beyondie is managed by joint venture partner Emergent Resources Ltd (ASX:EMG, "Emergent"). The joint venture is managed by Emergent with an 80% interest earned in the project.

In February Emergent announced a substantial increase in the Inferred Resource at Beyondie. The announcement was reported by Emergent on 29 February 2014 and can be viewed on the Emergent website www.emergentresources.com.au

New Zealand

The Company continues to explore means of advancing its interests in this project.

Corporate

The cash on hand at end of the quarter of \$553k compares favourably with the balance as at end of the March 2014 Quarter of \$402k.

Competent Person

The information in this report that relates to exploration results is based on information compiled by Mr. Peter Batten, who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of De Grey Mining Limited. Mr. Batten has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code). Mr. Batten consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.