

DE GREY MINING LTD

QUARTERLY REPORT

FOR THE QUARTER ENDING 30 SEPTEMBER 2014

27th October 2014

ASX: DEG

Shares on Issue

914,768,846

Board of Directors

Peter Batten
Executive Chairman

Darren Townsend
Director

Simon Lill
Director

Company Secretary

Craig Nelmes

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HIGHLIGHTS FOR THE QUARTER

Turner River Base Metals Project

- A Programme of Work has been accepted and De Grey plans to commence a drilling programme to increase resources and delineate potential by early November
- A six hole, 1,850m, programme is planned for the Tabba Tabba and Discovery zinc and silver prospects
- Drilling designed to:
 - ❖ Extend shallow mineralisation at Discovery;
 - ❖ Target existing IP anomalies along strike at Discovery;
 - ❖ Test a deeper chargeability anomaly to the west of Discovery;
 - ❖ Test a series of IP anomalies at Tabba Tabba, including a zone showing the highest IP anomaly seen to date at the Turner River Base Metals Project

Great Northern Gold Project

- Partner Rugby Mining Limited (TSX-V: RUG) commence second drilling programme at Wingina Well

Corporate

Financial guarantee provided by Dilato Holdings Pty Ltd secures financial support for the Company subsequent to the end of the quarter.

Cash on hand at end of the quarter of \$438k.



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2014

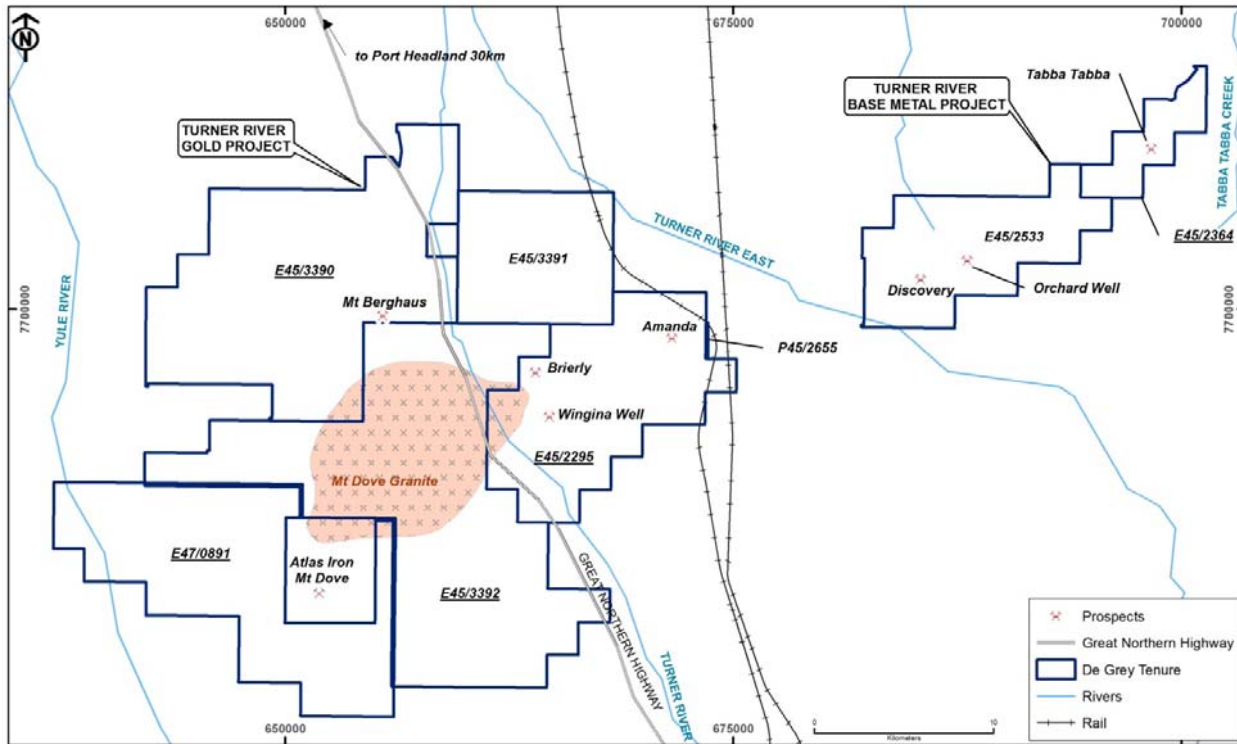


Figure 1: Location Plan for Turner River Projects

Turner River Base Metals (TRBMP)

The proposed programme comprises six Reverse Circulation (RC) holes for a total of 1,850m. The drilling is split between the Discovery Prospect and the Tappa Tappa prospect.

The drilling proposed for the Discovery Prospect will target IP anomalies along strike from the existing mineralisation. The drilling is designed to extend the shallow (~100m) mineralisation to the west of the existing resource at Discovery (Figure 2) with one hole designed to test a deeper chargeability anomaly to the west (Figure 3).

The programme is for three holes of RC drilling for a total of 750m.

Should the drilling be successful the results could significantly extend the strike of the mineralisation at Discovery and further enhance the prospectivity of the project.



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2014

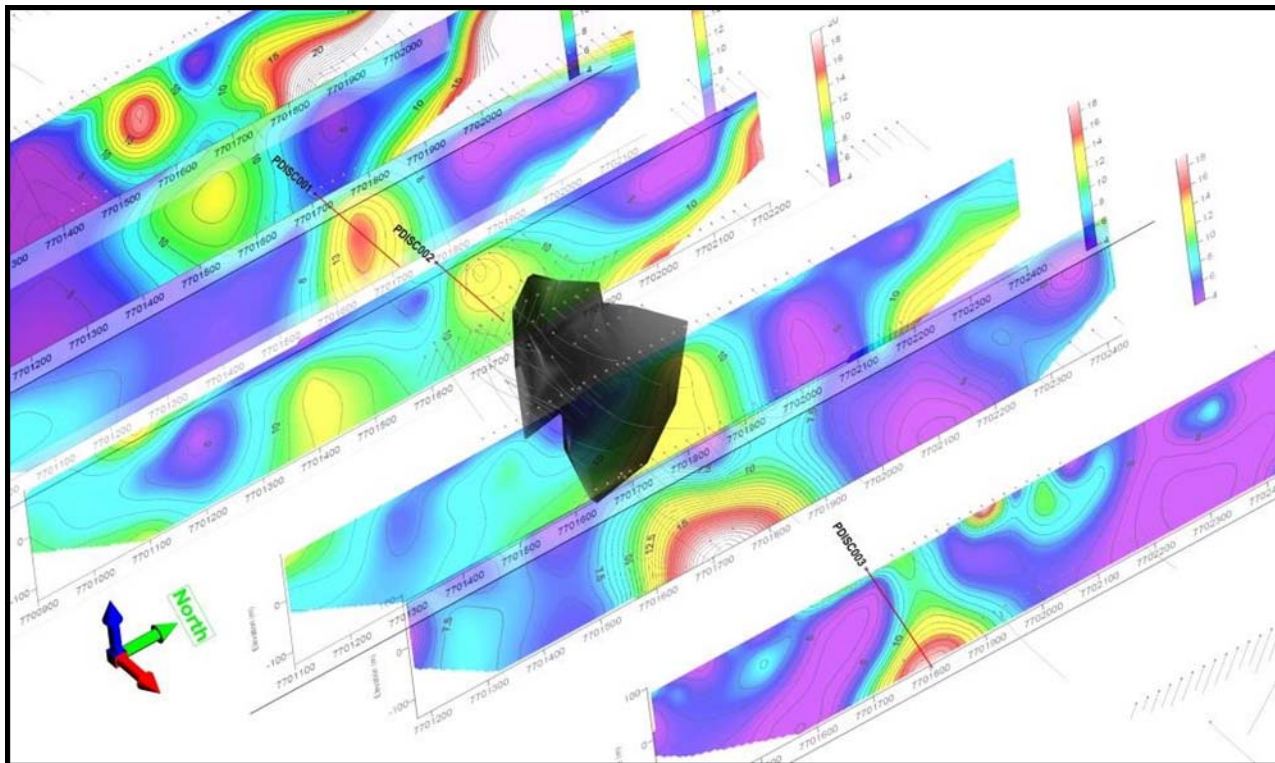


Figure 2: Discovery Prospect –proposed drillhole plan with existing mineralisation (dark solid), from drilling, and stacked IP chargeability profiles.

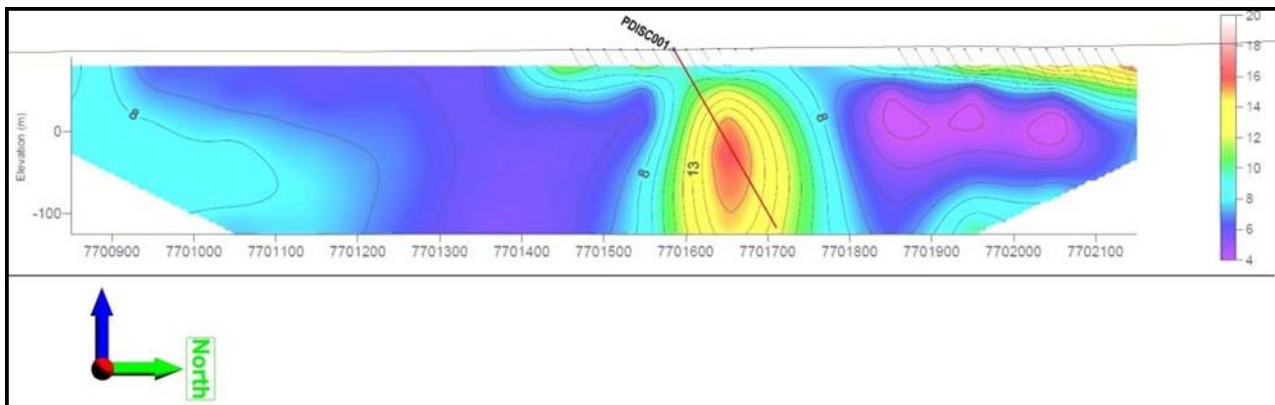


Figure 3: Discovery Prospect –proposed drillhole section targeting IP chargeability anomaly.

The drilling proposed for the Tabbatabba Prospect is intended to test IP chargeability anomalies that were the product of a survey completed before the project was returned to De Grey’s management in early 2014.

These anomalies represent a series of parallel zones and **include the highest IP anomaly**, IP Zone 2 (Figure 5) produced to date at Turner River. The high order anomalies (Figure 6) extend to the west of the survey and survey did not completely delineate the extent of the anomalies with the strike of the anomalies open to the southwest.



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2014

Although these anomalies have not been drilled the southernmost anomaly, IP Zone 1, is in the strike trend of mineralisation identified from drilling and reported already at Tabba Tabba (Figure 4).

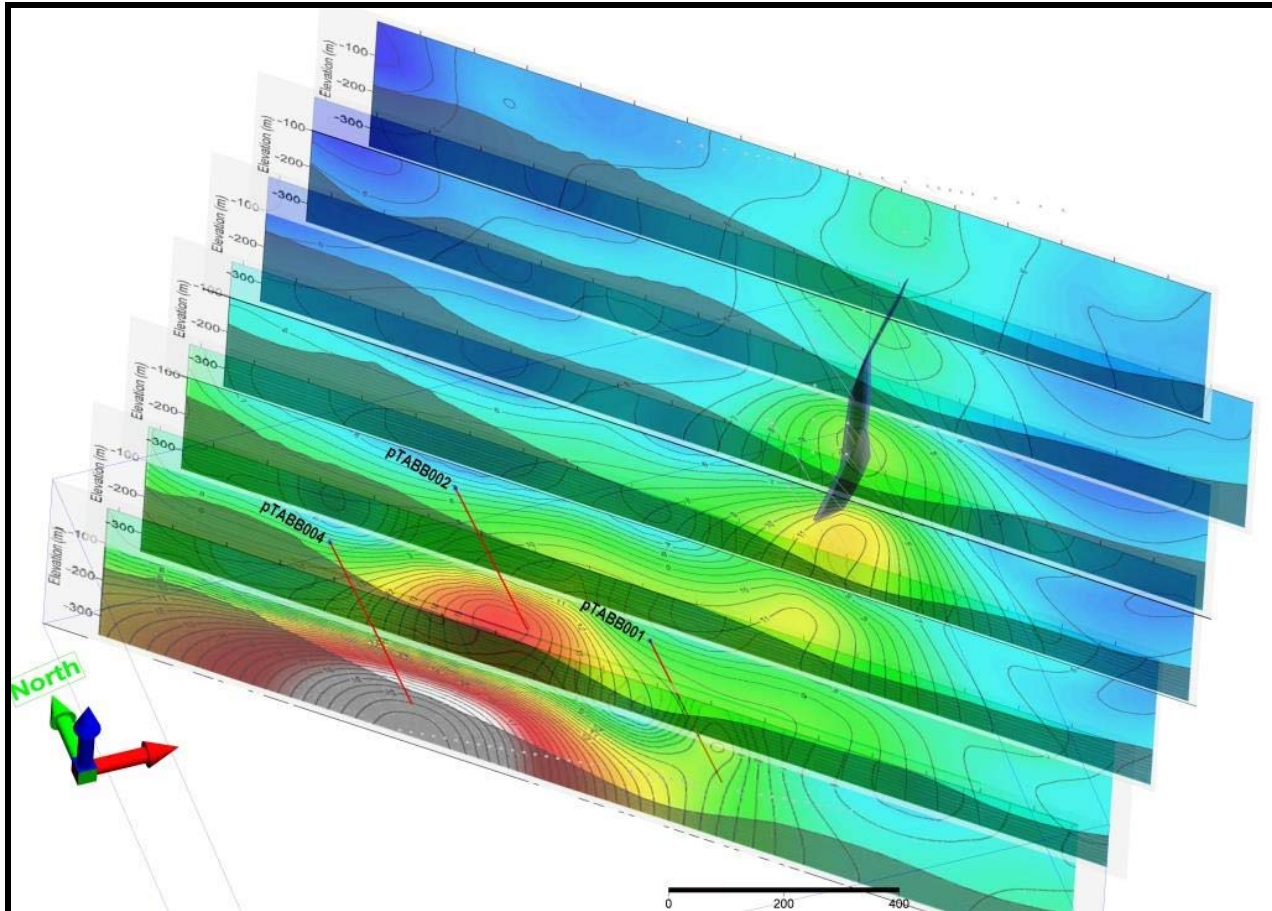


Figure 4: Tabba Tabba Prospect –proposed drillhole plan with existing mineralisation (dark solid), from drilling, and stacked IP chargeability profiles.

The current drilling density at Tabba Tabba is not sufficient for a resource estimate and this proposed drilling will not improve this situation. The drilling if successful will effectively extend the potential for zinc and silver mineralization in excess of three times the known strike length of mineralisation at Tabba Tabba.

The proposed programme is for three RC holes for a total of 1,100m.



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2014

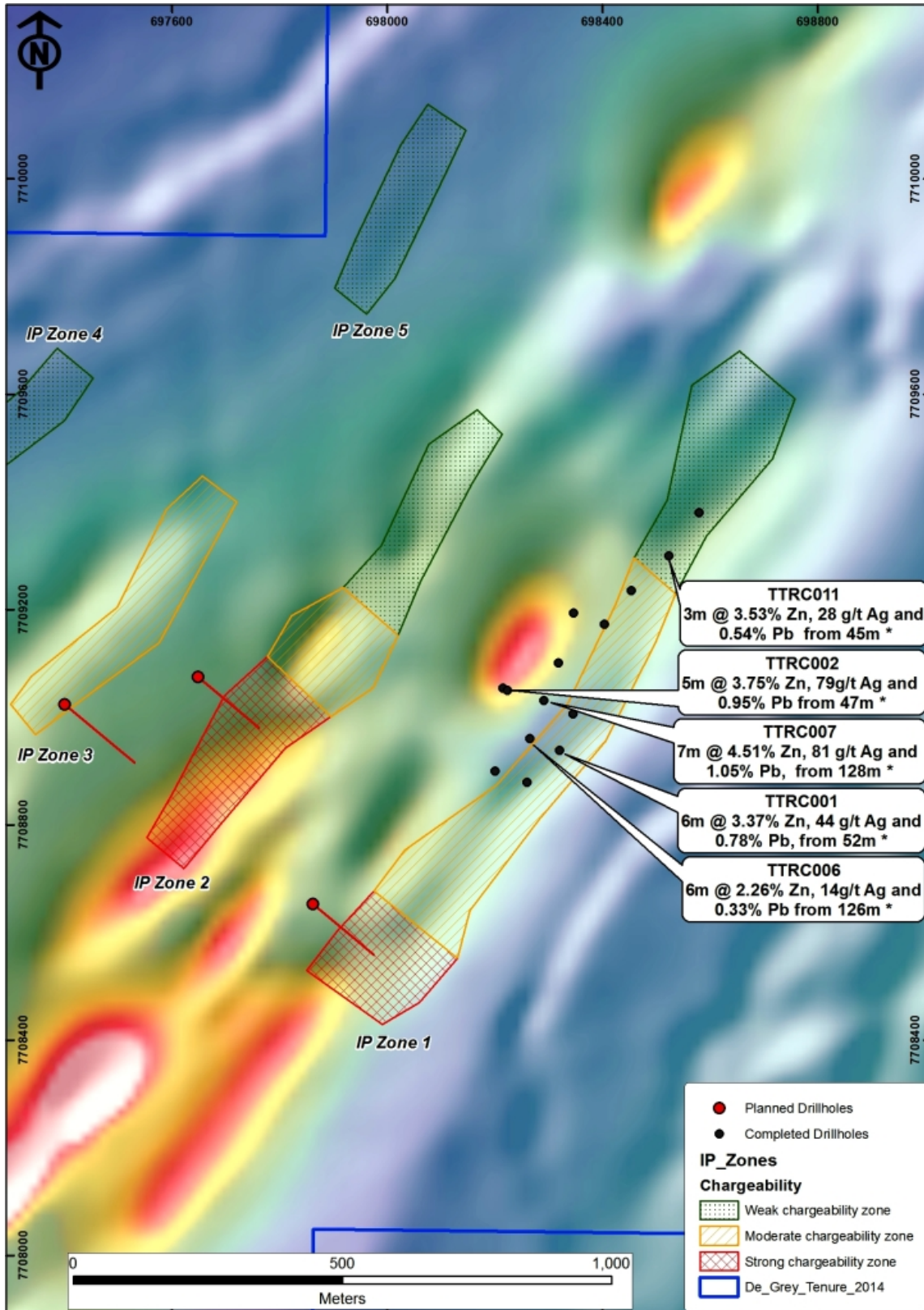


Figure 5: Tappa Tappa Prospect –proposed drillhole plan with previously reported drilling and hatched IP chargeability zones.
* denotes previously reported results



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2014

Table 1: Tabba Tabba Prospect –proposed RC drillholes

PreholeID	EAST	NORTH	RL	AZI	DIP	EOH	COMMENTS
pTABB001	697861	7708653	100.00	130	-65	350	SE ext IP Z1. High chargeable feature -100m
pTABB002	697648	7709075	100.00	130	-65	350	SE ext IP Z2. High chargeable feature -100m (Highest)
pTABB004	697400	7709024	100.00	130	-65	400	SE ext IP Z2. Multi chargeability zones merging - IP Zone 3
PDISC001	685005	7701585	100.00	0	-60	250	Large IP bullseye on favourable horizon
PDISC002	685245	7701630	101.00	0	-60	250	IP anomaly to depth. Extension of Discovery
PDISC003	686200	7701715	100.00	0	-70	250	IP anomaly at depth. Anomalous base metals in RAB.

Great Northern Gold Project – JV with Rugby Mining Ltd

Rugby Mining Ltd (TSX-V:RUG) reported that they would be commencing their second drill programme at Wingina Well (Figure 1). The objective at Wingina is to test for potential depth extensions to the 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 programme commenced early in October.

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 been notified by Atlas that no production was undertaken from Mt Dove and no material sourced from Mt Dove was exported during the period,

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.

De Grey has received notice that royalty payments covering the production for the September 2014 quarter, total \$9,004.85.

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.

Progress and further updates can be viewed on the Emergent website www.emergentresources.com.au



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2014

New Zealand

The main tenement at Puhipuhi, 51985, expires on October 19 2014. De Grey has applied for an extension and awaits notification from the New Zealand Petroleum and Minerals ministry as to the outcome of the application. As part of an extension the tenement area needs to be reduced by 50%.

During the quarter the Company determined to relinquish Permit 55058.

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

Tenement Holdings and Movements for the Quarter

Refer to Table 1.

Corporate

Financial Guarantee. Whilst recognising the opportunity provided by exploration of the Turner River Base Metals project, the Board is also extremely cognisant of its cash resources and did not wish to proceed with the drilling programme without having a suitable financing plan in the event that the drilling programme does not achieve suitable results.

To that end the Board, and subsequent to the end of the quarter, the Company entered into an agreement with Dilato Holdings Pty Ltd, a private investment group based in Melbourne, who has agreed to guarantee the provision of \$500,000 at a price of \$0.001 per share by the end of March 2015, if it is required by the Company. The Offer would be subject to shareholder approval which is planned to be sought at a time when/if the Board is required to accept the Offer.

The cash on hand at end of the quarter was \$438,000.

Competent Persons Declaration

The information in this announcement that relates to exploration results is based on information compiled by or under the supervision of Peter Batten. Mr Batten is Executive Chairman of De Grey Mining Ltd and a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Batten has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results. 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.

Previous Reported Results

There is information in this announcement relating to previous Exploration Results at the Turner River Base Metal Project. The Company confirms that it is not aware of any other new information or data that materially affects the information included in the original market announcement, and that all material assumptions and technical parameters have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2014

Table 1: Tenement Holdings and Movements

**Schedule of Mining Tenements and Beneficial Interests
Held as at the end of the September 2014 Quarter**

Project/Location	Country	Tenement	Percentage held/earning
Beyondie	Australia	E52/1806	20% ¹
Beyondie	Australia	E52/2215	20% ²
Turner River	Australia	E47/891	100%
Turner River	Australia	E45/2533	100%
Turner River	Australia	E45/2364	100%
Turner River	Australia	P45/2655	100%
Turner River	Australia	E45/2995	100%
Turner River	Australia	E45/3390	100%
Turner River	Australia	E45/3391	100%
Turner River	Australia	E45/3392	100%
Puhipuhi	New Zealand	51985	100% ³
Puhipuhi	New Zealand	55057	100%

¹ De Grey retains 100% rights to all non-iron ore related minerals under a Split Commodity Agreement.

² De Grey retains 100% rights to all non-iron ore related minerals under a Split Commodity Agreement.

³ Waihi Gold Company Limited retains a 2% NSR

**Schedule of Mining Tenements and Beneficial Interests
Acquired during the September 2014 Quarter**

Project/Location	Country	Tenement	Granted Date
Nil			

**Schedule of Mining Tenements and Beneficial Interests
Disposed of during the September 2014 Quarter**

Project/Location	Country	Tenement	Withdrawal Date
Puhipuhi	New Zealand	55058	100%