



Quarterly Activities Report

For the Quarter ended 31 December 2016

ASX: DEG

Issued shares

173,296,240

Board of Directors

Simon Lill

Executive Chairman

Davide Bosio

Director

Steve Morris

Director

Company Secretary/CFO

Craig Nelmes

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24 January 2017

HIGHLIGHTS FOR THE QUARTER

Gold – Turner River

- Extensional and exploratory drilling program at Mt Berghaus completed
 - Initial results defined significant new high grade gold mineralisation
 - Multiple sub-parallel lodes defined and remain open. Resource upgrade pending
- Option agreement to acquire additional 9 kms of the Tabba Tabba Thrust from Haoma Mining NL. Soil sampling commenced.
- Wingina Well resource upgrade shows high grade internal lode.
 - Internal High Grade Lode- 144,000oz @ 4.1g/t
 - Total Gold Resource - 288,000oz @ 1.6g/t

Lithium – Turner River

- Initial reconnaissance rock chip samples identifies new 7km long pegmatite trend - King Col - with highly anomalous lithium results
- Soil sampling has defined and upgraded a large 2km long lithium trend with the remaining 5km to be sampled – prospective for LCT style mineralization.

Base Metals – Turner River

- Significant base metals resource upgrade
 - 1.4Mt @ 2.9% Zn, 1.2% Pb, 1.0g/t Au, 118g/t Ag (Discovery)
 - 2.1Mt @ 3.4% Zn, 1.4% Pb, 0.7g/t Au, 105g/t Ag (Orchard Tank)
 - **3.5Mt @ 3.2% Zn, 1.3% Pb, 0.8/t Au, 110g/t Ag (Combined)**

Corporate

- Cash at the end of quarter of ~\$1 Million. During the quarter the Company;
 - raised \$1.3 Million raised via a private placement
 - raised \$0.4 Million raised via a Share Purchase Plan (SPP);
 - approved and completed a 1:20 Capital Consolidation; and
 - finalized an unmarketable parcel share sale facility

De Grey Mining Ltd (ASX: DEG, “De Grey”, “Company”) is pleased to report on the activities completed during the December 2016 quarter.

Turner River Project (100% De Grey Mining)

The Company has undertaken the following programs during the quarter with respect to gold, base metals and pegmatite mineralisation. All mineralisation is located within the 100% owned De Grey tenement package, collectively known as the “**Turner River Project**”, located some 50 kms to the south of Port Hedland. An additional 9km of underexplored and highly prospective stratigraphy was acquired along the prospective Tabba Tabba Shear Zone which now consolidates contiguous De Grey tenure along approximately 60km of strike length. The acquisition area is considered to have excellent potential for further gold and base metals discoveries.

Gold

1. Wingina Well

The Company upgraded the Wingina Well resource estimate, which was increased by 7% to 5.49Mt @ 1.6g/t Au for 288,000 ounces. 173,000 ounces of the resource, approximately 60%, is in the measured category. The upgrade also defined an internal high grade lode of 1.1Mt at 4.1g/t Au for 144,000oz from surface. 50% of Wingina gold is contained in the high grade lodes comprising 20% of the deposit tonnes.

Wingina Well deposit remains open at depth and is hosted by the Tabba Tabba Shear Zone which extends for over 60km within De Grey tenure and remains poorly tested along strike providing opportunities for further for new discoveries. The Company also commenced open pit optimisations on the Wingina Well resource to identify potential open pit dimensions and recoverable ounces. These preliminary economic studies are not complete to date and will be reported in due course.

2. Mt Berghaus Drilling Program Completed

The Company completed a 5,500 m RC drilling program at Mt Berghaus to enhance and extend resources. The results were reported in December 2016 and January 2017, and showed both extensions to the existing resource and two significant new gold discoveries at North Lode and West Berghaus. A resource upgrade for the Mt Berghaus deposit is pending.

A summary of previously reported drilling intersections are listed below.

<u>Mt Berghaus</u>	<u>North Lode</u>	<u>West Berghaus</u>
10m @ 3.03g/t Au from 16m 4m @ 7.75g/t Au from 62m 22m @ 1.31g/t Au from 104m 14m @ 2.58g/t Au from 122m 12m @ 11.36g/tAu from 5m 31m @ 2.07g/tAu from 8m 12m @ 2.21g/tAu from 51m 3m @ 5.51g/tAu from 64m 4m @ 7.95g/tAu from 28m	17m @ 2.08g/t Au from 32 4m @ 4.33g/t Au 4m @ 4.33g/t Au from 104m 9m @ 1.22g/t Au from 37m 7m @ 1.52g/t Au from 69m	11m @ 0.97g/t Au from 0m 43m @ 0.55g/t Au from 79m 12m @ 0.65g/t Au from 0m

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3. Total Gold Resources (before Mt Berghaus Upgrade)

The total gold resource at the Turner River Project now totals 7.1Mt @ 1.6g/t for 366,000 oz (excludes gold contained at Discovery Project) as shown in Table 1 below.

Table 1 - Turner River Project - Total Gold Mineral Resources

Deposit	Zone	Measured		Indicated		Inferred		Total		
		Tonnes Mt	Au g/t	Tonnes Mt	Au g/t	Tonnes Mt	Au g/t	Tonnes Mt	Au g/t	Au Ounces
Wingina Well ¹	Lode	0.78	4.1	0.12	3.8	0.19	4.1	1.10	4.1	144,000
	Halo	2.3	0.9	0.86	1.2	1.23	1.2	4.39	1.0	144,000
	Subtotal	3.08	1.7	0.99	1.4	1.42	1.6	5.49	1.6	288,000
Mount Berghaus ²						0.9	1.4	0.9	1.4	43,000
Amanda ²						0.7	1.6	0.7	1.6	35,000
Turner River Project	Total	3.08	1.7	0.99	1.4	3.02	1.5	7.1	1.6	366,000

Rounding discrepancies may occur

Tonnes, grade and ounces rounded to reflect accuracy of estimates

¹ Resources Statement by De Grey Mining Limited as reported to the ASX on October 28 2016

² Resources Statement by De Grey Mining Limited as reported to the ASX on June 23 2016

Mt = Million tonnes

g/t = grams/tonne

Au = Gold

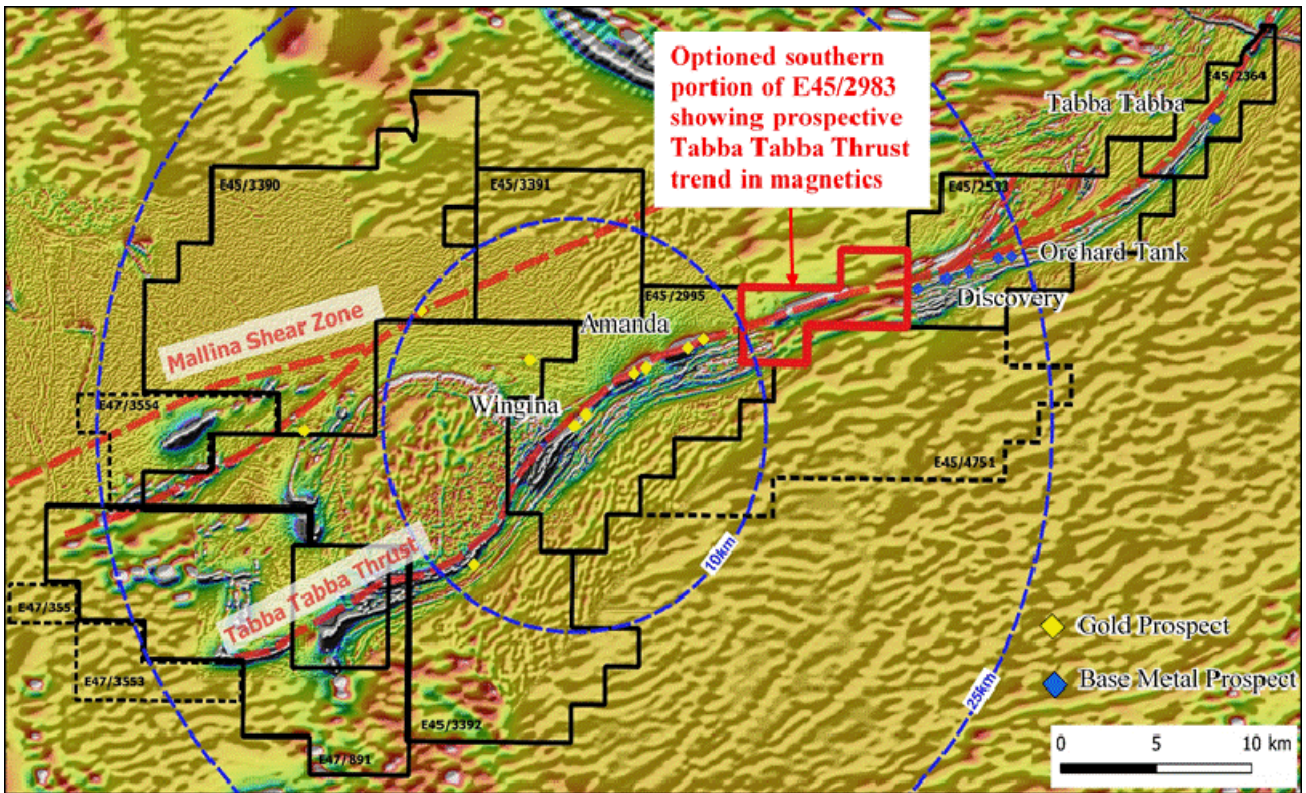
4. Tenement acquisition – Option to Purchase

During the quarter, the Company secured 9km of underexplored and highly prospective stratigraphy through an option to explore, mine and acquire the southern portion of E45/2983 (Figure 1) from Haoma Mining NL (“Haoma”). The acquired tenure the prospective Tabba Tabba Shear Zone which now consolidates contiguous De Grey tenure along approximately 60km of strike length and is considered to have excellent potential for further gold and base metals discoveries.

As a result De Grey now controls over 60km of the highly prospective Tabba Tabba Thrust Belt which hosts the Wingina and Amanda gold deposits and the Orchard Tank and Discovery base metal deposits. De Grey’s tenement package also covers 40km of strike length over the equally prospective Mallina Shear Zone, which hosts De Grey’s Mt Berghaus deposit, the Indee Gold Mine (pre-mining resource of 539,000oz) to the west and Haoma’s Cookes Hill deposit (50,000oz).

Haoma retain rights to pegmatite related mineralisation, alluvials and screens on E45/2983, together with additional rights to alluvials and screens on part of De Grey’s properties.

Figure 1 Regional Tenement Plan, showing the newly secured southern portion of E45/2983.



Base Metals

1. Discovery and Orchard Tank Base Metals Resource Upgrade

A resource update on De Grey's 100% owned Discovery and Orchard Tank VMS style base metal deposits was concluded during the quarter.

The resource updates were completed to include the results of shallow infill RC drilling completed during 2016 at the Discovery deposit.

The resource updates are as follows:

Discovery Deposit

- **1.4Mt @ 2.9% Zn, 1.2% Pb, 1.0g/t Au, 118g/t Ag**
including the massive sulphide zone hosting
- **0.6Mt @ 5.2% Zn, 2.2% Pb, 1.5g/t Au, 194g/t Ag**

This result provided for the following enhancements at Discovery:

- Tonnes increased by:13%
- Grade increases by: 23% Zn, 31% Pb, 25% Au and 35% Ag
- Contained metal up: 39% Zn, 48% Pb, 40% Au and 53% Ag
- ~30% of resource upgraded to Indicated category
- Deposit is well drilled to 70m vertical depth and under-drilled at greater depths and remains open in all directions

Orchard Tank Deposit

- **2.1Mt @ 3.4% Zn, 1.4% Pb, 0.7g/t Au, 105g/t Ag**

This result provided for the following enhancements at Orchard Tank

- Tonnes increase by: 23%
- Grade increases by: 43% Zn, 40% Pb, 31% Au and 34% Ag
- Contained metal up: 77% Zn, 73% Pb, 62% Au and 65% Ag
- Resource remains under-drilled and open in many areas

The combination of the two resource upgrades resulted in a combined resource increase as follows:

- **3.5Mt @ 3.2% Zn, 1.3% Pb, 0.8/t Au, 110g/t Ag**

All resources remain open, with additional VMS targets (Hakea, Cassia, Tabba Tabba) remaining under explored. There is also significant prospectivity for additional VMS targets.

Lithium

1. KING COL - Lithium sampling program

The King Col Pegmatite Trend is a new discovery of pegmatite which has received little to no known modern exploration. The pegmatite trend is defined over a 7km strike length and comprises sparse outcrops of pegmatite and broad zones of weathered pegmatite and quartz scree.

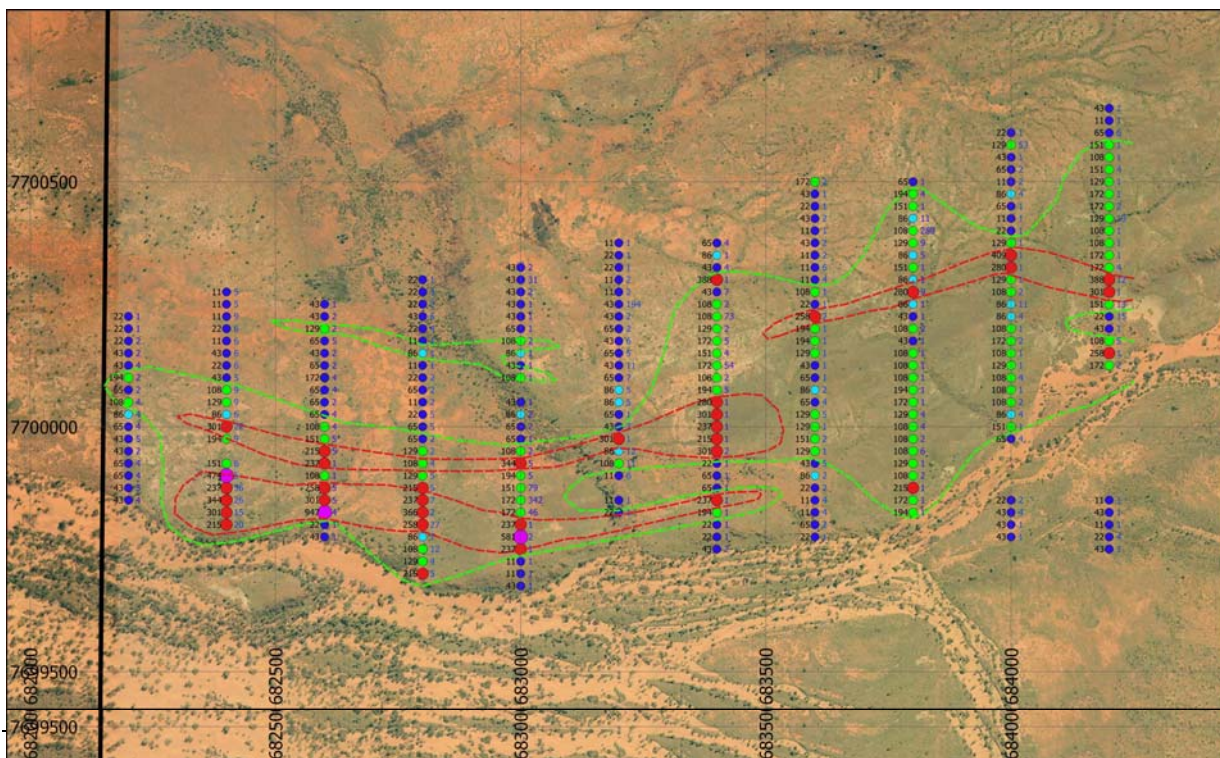
An initial soil sampling program was undertaken over a 1.6km strike and defined a strong, coherent 1.2km long lithium anomaly which remained open to the east. Recent additional infill and extensional sampling has enhanced and extended this zone to over 2km. Importantly, a further 5km of sub-cropping pegmatite and quartz float from weathered pegmatite remains to be sampled immediately to the east.

The additional soil sampling is now planned to be completed during February.

Three internal higher grade anomalies (>200ppm Li₂O) are now evident as shown below in Figure 2:

- Southern Zone 1200m long peak 943ppm Li₂O
- Central Zone 1200m long peak 344ppm Li₂O
- Eastern Zone 800m long peak 409ppm Li₂O

Figure 2 King Col Pegmatite Trend - 2km long lithium rich anomaly (green) showing discrete higher priority zones (red)



Sands Royalty

De Grey generated royalty revenues of \$3,029 for the current quarter. The September 2016 royalty of \$13,200 was received during the quarter.

Beyondie

The magnetite iron ore project at Beyondie is under the management of joint venture partner Emergent Resources Ltd (ASX: EMG, “Emergent”), whom have an 80% interest earned in the project.

EMG has retained and continues to develop its remaining Beyondie Iron Ore tenement E52/2215.

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

Corporate

The cash on hand at end of the quarter was ~\$1 Million.

During the Quarter, the Company carried out the following corporate initiatives:

- completed a private placement of 21.74 Million ordinary fully paid shares at an issue price of \$0.058 per share (on a post consolidation basis) to clients of Beer & Co Pty Ltd and DJ Carmichael Pty Ltd to raise \$1.25 Million. Capital raising was completed on 21 October 2016 at an issue price of \$0.0029 per share. In addition, the Company subsequently issued one (1) free attaching option for every three (3) new shares subscribed as approved at the 2016 Annual General Meeting.
- Completed an issue of 7.13 Million ordinary fully paid shares at an issue price of \$0.058 via a Share Purchase Plan (“SPP”), to raise \$0.41 Million. In addition, the Company subsequently issued one (1) free attaching option for every three (3) new shares subscribed as approved at the 2016 Annual General Meeting.
- an unmarketable share sale facility was initiated and closed after a six-week period on 12 December 2016.
- The Annual general meeting had been successfully held by the Company on 30 November 2016 and fifteen (15) resolutions including one to complete a “**Capital Consolidation**” on a 1 for 20 basis were all approved by a show of hands.
- The issued capital of the Company as at 31 December 2016 was as follows:

Class	Number
Ordinary fully paid shares ¹	173,296,240
Listed options each exercisable at \$0.10, on or before 30 November 2018	9,621,103
Unlisted options each exercisable at \$0.08, on or before 25 November 2017	2,125,000
Unlisted options each exercisable at \$0.04, on or before 10 June 2019	23,934,611
Unlisted options each exercisable at \$0.10, on or before 30 November 2018	7,350,000
Unlisted options each exercisable at \$0.058, on or before 6 September 2017	5,000,000

- **Appendix 1: Tenement Holdings and Movements**

**Schedule of Mining Tenements and Beneficial Interests
 Held as at the end of the December 2016 Quarter**

Project/Location	Country	Tenement	Percentage held/earning
Beyondie	Australia	E52/2215	20% ¹
Turner River	Australia	E47/891	100%
Turner River	Australia	E45/2533	100%
Turner River	Australia	E45/2364	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%

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

**Schedule of Mining Tenements and Beneficial Interests
 Acquired during the December 2016 Quarter**

Project/Location	Country	Tenement	Granted Date
Nil			

**Schedule of Mining Tenements and Beneficial Interests
 Disposed of during the December 2016 Quarter**

Project/Location	Country	Tenement	Withdrawal Date
Nil			

The information in this report that relates to exploration results and resources is based on, and fairly represents information and supporting documentation prepared by Mr. Andrew Beckwith, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr. Beckwith is a consultant engaged by De Grey Mining Limited. Mr. Beckwith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 JORC Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Beckwith consents to the inclusion in this report of the matters based on information in the form and context in which it appears.