



Quarterly Activities Report

For the Quarter ended 31 March 2017

ASX: DEG

Issued shares

173,296,240
as at 31 March 2017

Board of Directors

Simon Lill
Executive Chairman

Davide Bosio
Director

Steve Morris
Director

Company Secretary/CFO

Craig Nelmes

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28 April 2017

HIGHLIGHTS FOR THE QUARTER

Gold – Turner River and Indee Gold (The “Pilbara Gold Project”)

- De Grey secures exclusive and binding option to acquire the adjoining and highly prospective Indee Gold Project within 18 months.
- Transformational acquisition to fast track & bolster De Grey’s stated corporate objective of “Near-term development and gold production at Turner River”.
- Indee Gold* resource upgrade completed
 - Total **9.15Mt at 1.8g/t Au for 538,000oz**
 - Measured & Indicated (57%) **5.55Mt at 1.7g/t Au for 308,500oz**
 - Oxide (24%) **2.36Mt at 1.7g/t Au for 131,700oz**
- Mt Berghaus Mineral Resource increased by 227% to;
 - Inferred & Indicated **3.5Mt at 1.2g/t Au for 141,000oz**
- The combined Mineral Resource inventory for the **Pilbara Gold Project*** now stands at:
 - Total **18.84Mt at 1.7g/t Au for 1,002,300oz**
 - Measured & Indicated (54%) **9.83Mt at 1.7g/t Au for 536,800oz**
 - Oxide (39%) **7.48Mt at 1.6g/t Au for 387,200oz**
 - 66% of total resource contained in key Wingina & Withnell* deposits
 - All resources commence at surface with excellent potential to increase at depth and along strike

Lithium – Turner River

- Further reconnaissance and rock chip sampling carried out, with drill planning and approvals underway for the King Col pegmatite target.

Corporate

- Cash at the end of quarter of ~0.3 million.
- Post quarter end, the Company:
 - raised \$1.8 million via an oversubscribed share placement; and
 - executed a 20,000m RC drilling contract, with 50% of the drilling costs up to a value of \$1M to be taken as equity, subject to shareholder approval

* The Indee project remains subject to an option agreement whereby De Grey must pay \$15 million to acquire the asset in its totality by July 24, 2018.

De Grey Mining Ltd (ASX: DEG, “De Grey”, “Company”) is pleased to report on activities completed during the March 2017 quarter.

Pilbara Gold Project (100% owned Turner River Project and Option to acquire 100% of neighbouring Indee Gold Project)

1. Option to acquire Indee Gold Project

During the quarter, the Company entered into an exclusive and binding Heads of Agreement (“HoA”) with Northwest Nonferrous Australia Mining Pty Ltd (“NNAM”) and its wholly-owned subsidiary, Indee Gold Pty Ltd (“Indee Gold”). Indee Gold owns the gold assets to the immediate west of De Grey’s Turner River Project near Port Hedland, Western Australia (Figure 1).

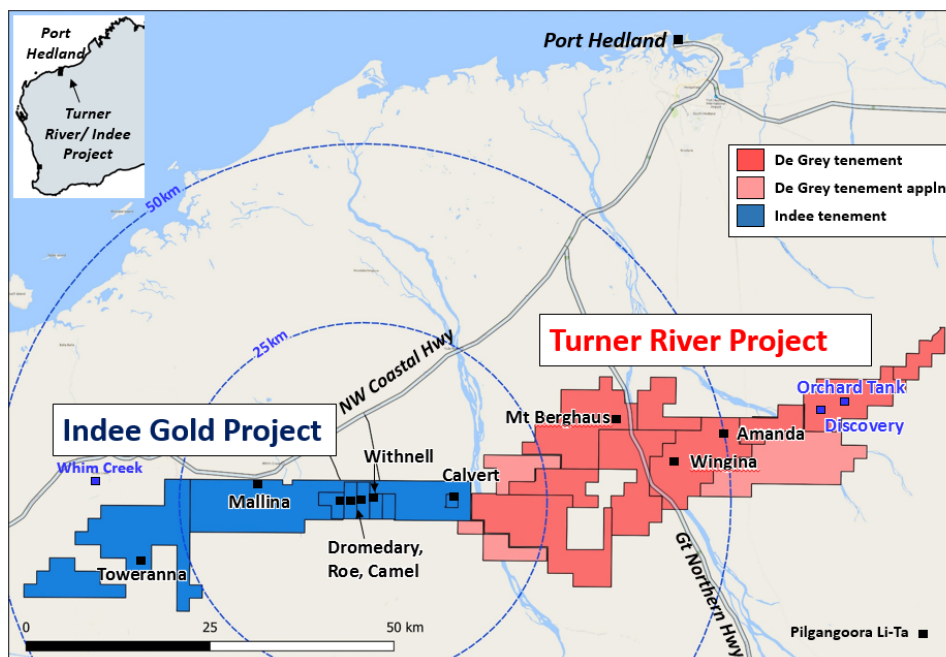
The HoA provides De Grey with an initial 12 month option period in which to evaluate the project and the right to acquire Indee Gold for \$15 million by July 2018. The evaluation is to include an initial scoping study (which commenced during March 2017) prior to detailed feasibility studies.

The Indee Gold Project represents a large contiguous landholding covering an area of 414km² immediately adjacent to De Grey’s 100% owned Turner River Project covering a further 823km². Key features of the acquisition include:

- **Resources** of a similar style, definition, scale and grade to the Turner River Project.
- **Positive drilling results** beneath the existing resources.
- **Advanced walk-up drill targets** providing resource upside.
- **Additional 60km strike of highly prospective Mallina Shear Zone.**
- **Granted Mining Leases** that host majority of defined resources. The tenements as shown in Figure 1 (listed below) are contiguous with De Grey’s Turner River Project:
 - Mining Leases: M47/473-477 and 480
 - Exploration Licences: E47/2720 and E47/3504
 - Miscellaneous Licences: L47/164-165a.
- **Gold mineralisation** exposed in five partially mined shallow open pits.
- **851,000 tonnes of crushed material** in surface stockpiles.
- **Mine infrastructure** including a village camp, ROM pad, water bores and haul roads.
- **Large database** of past mining and exploration information.
- **Agreements** covering Native Title and other stakeholders.

The Indee Gold Project acquisition will substantially increase the Company’s resource base and fast track economic studies towards development and production. The resources and immediate exploration upside from both the Turner River and Indee Gold projects are all located within a 50km trucking distance of the existing mine infrastructure and are envisaged to provide a substantive, near-term stand-alone development opportunity.

Figure 1 Turner River (Red) and Indee Gold (Blue) Projects



The key terms and conditions of the HoA are that De Grey has:

- **an exclusive and binding right** to acquire all shares in the Australian company Indee Gold, which holds the major gold assets of the former Indee gold mine and associated mining and exploration leases (“Indee Gold Project”) to the immediate west of the Turner River Project.
- **a 12 month option period** (Option Period) to carry out detailed due diligence, including a review of the resources, mining studies, evaluations and exploration prior to electing to proceed (“Election”). De Grey is able to make an early Election if it so chooses; then
- **a further 6 months from Election** in which to settle the transaction through the payment of \$15M, less the exclusivity fee of \$100,000 referred to below.

Within the 18 month time frame, De Grey is required to:

- pay an initial Option Exclusivity Fee of \$50,000 on signing (and which was paid during the March quarter) and a further \$50,000 within 3 months of signing (paid in April 2017). These option fee payments (totalling \$100,000) are non-refundable but are deductible from the final acquisition payment.
- maintain the tenements by spending a minimum of \$600,000 on the Indee Project during the Option Period, 50% of which is to be spent on in ground exploration activities. The exploration works and budget are to be agreed by both parties, with De Grey managing the activities.
- prepare and finalise a formal Share Sale Agreement with the vendor within the Option Period on terms outlined in the HoA and including terms normally contained within such agreements.

2. Indee Gold Mineral Resource update

An update and upgrade of the Mineral Resource estimates for the Indee Project was completed to JORC Code (2012) standards during the quarter as summarised in Table 1 with further details provided in the Company's ASX announcement of 3 April 2017.

Table 1 Summary of Indee Project Mineral Resource, March 2017

Type	Measured			Indicated			Inferred			Total		
	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz
Oxide	0.85	1.8	48,100	0.99	1.9	60,200	0.52	1.4	23,400	2.36	1.7	131,700
Fresh	0.45	1.4	20,900	3.25	1.7	179,300	3.08	2.1	206,600	6.78	1.9	406,700
Total	1.31	1.6	69,000	4.24	1.8	239,500	3.60	2.0	229,900	9.15	1.8	538,400

All deposits reported at a 0.5g/t Au cut-off grade above -100mRL (150m vertical depth). The Withnell deposit extends below -100mRL where it has been reported using a 1.0g/t Au cut-off grade. Rounding discrepancies may occur

The Indee Project resource modelling and estimation was completed by Payne Geological Services Pty Ltd, an external and independent mining consultancy. The resource model includes the results of recent RC and diamond drilling completed by Indee Gold Pty Ltd (Vendors) over a period of eight years since the earlier resource estimates were completed by the previous owner.

3. Mt Berghaus Resource Upgrade

The Company also completed an updated Mineral Resource for the Mt Berghaus Gold Prospect forming part of the 100% owned Turner River Project. The update included the results of RC drilling carried out in the December 2016 quarter. Modelling and estimation was completed by Payne Geological Services Pty Ltd.

The updated Mineral Resource for Mt Berghaus was reported in the Company's ASX announcement of 25 January 2017 and is summarised in Table 3 below.

Table 2 Mt Berghaus January 2017 Mineral Resource Estimate

(0.5g/t Au Cut-off)

Zone	Indicated		Inferred		Total		
	Tonnes Mt	Au g/t	Tonnes Mt	Au g/t	Tonnes Mt	Au g/t	Au Ounces
Mt Berghaus Central	0.21	1.8	2.33	1.2	2.54	1.3	106,000
North Lode			0.43	1.5	0.43	1.5	21,000
West Berghaus			0.54	0.8	0.54	0.8	14,000
Total	0.21	1.8	3.30	1.2	3.52	1.2	141,000

Rounding discrepancies may occur

Mt Berghaus has significant exploration upside, including mineralised zones identified in early De Grey drilling which remains to be followed up. These include intersections of 14m at 6.5g/t Au and 2m at 24.6g/t Au in areas with limited previous RC drilling.

The combined Mineral Resource statement for the Pilbara Gold Project (comprising De Grey's 100%-owned Turner River Project and the adjacent proposed Indee Project acquisition) is provided in Table 3.

Table 3 Total Mineral Resource “Pilbara Gold Project” March 2017**

Indee Project Mineral Resources													
Deposit	Type	Measured			Indicated			Inferred			Total		
		Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz
Calvert	Oxide				0.43	1.3	17,900	0.05	0.8	1,400	0.48	1.3	19,300
	Fresh				0.56	1.3	23,800	0.23	1.2	9,300	0.79	1.3	33,100
	Total				0.99	1.3	41,700	0.28	1.2	10,700	1.27	1.3	52,400
Camel	Oxide	0.14	3.1	14,000	0.26	3.0	25,100	0.11	1.6	5,500	0.51	2.7	44,600
	Fresh				0.03	1.7	1,600	0.20	1.7	11,200	0.23	1.7	12,800
	Total	0.14	3.1	14,000	0.29	2.9	26,700	0.31	1.7	16,700	0.74	2.4	57,400
Roe	Oxide	0.04	2.8	3,700	0.05	2.5	4,400	0.11	1.5	5,400	0.20	2.0	13,500
	Fresh	0.00	2.5		0.06	3.4	7,000	0.11	2.4	8,800	0.18	2.8	15,800
	Total	0.04	2.8	3,700	0.12	3.0	11,300	0.22	2.0	14,200	0.38	2.4	29,300
Dromedary	Oxide	0.10	2.2	7,200	0.03	1.6	1,400	0.04	1.6	2,200	0.17	1.9	10,800
	Fresh				0.03	1.6	1,700	0.08	1.8	4,700	0.12	1.7	6,400
	Total	0.10	2.2	7,200	0.06	1.6	3,200	0.12	1.7	6,900	0.29	1.9	17,200
Withnell above -100mRL	Oxide	0.57	1.3	23,300	0.22	1.6	11,400	0.15	1.1	5,400	0.94	1.3	40,000
	Fresh	0.45	1.4	20,900	2.55	1.7	142,400	0.96	1.7	52,300	3.96	1.7	215,600
	Total	1.02	1.3	44,100	2.77	1.7	153,800	1.11	1.6	57,800	4.90	1.6	255,700
Withnell Below -100mRL	Oxide				0.02	4.9	2,800	1.45	2.5	118,900	1.47	2.6	121,600
	Fresh												
	Total				0.02	4.9	2,800	1.45	2.5	118,900	1.47	2.6	121,600
Hester	Oxide							0.07	1.6	3,500	0.07	1.6	3,500
	Fresh							0.03	1.2	1,300	0.03	1.2	1,300
	Total							0.10	1.5	4,800	0.10	1.5	4,800
Indee Total	Oxide	0.85	1.8	48,100	0.99	1.9	60,200	0.52	1.4	23,400	2.36	1.7	131,700
	Fresh	0.45	1.4	20,900	3.25	1.7	179,300	3.08	2.1	206,600	6.78	1.9	406,700
	Total	1.31	1.6	69,000	4.24	1.8	239,500	3.60	2.0	229,900	9.15	1.8	538,400

Turner River Project Mineral Resources

Deposit	Type	Measured			Indicated			Inferred			Total		
		Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz
Wingina	Oxide	2.68	1.76	152,100	0.65	1.3	27,000	0.34	1.3	14,400	3.67	1.6	193,500
	Fresh	0.40	1.595	20,500	0.34	1.5	16,300	1.08	1.7	57,400	1.82	1.6	94,200
	Total	3.08	1.743	172,700	0.99	1.4	43,300	1.42	1.6	71,700	5.49	1.6	287,700
Mt Berghaus	Oxide				0.07	2.0	4,400	1.24	1.3	50,000	1.30	1.3	54,400
	Fresh				0.14	1.7	7,900	2.07	1.2	78,500	2.21	1.2	86,400
	Total				0.21	1.8	12,300	3.30	1.2	128,500	3.52	1.2	140,800
Amanda	Oxide							0.15	1.6	7,600	0.15	1.6	7,600
	Fresh							0.54	1.6	27,800	0.54	1.6	27,800
	Total							0.69	1.6	35,400	0.69	1.6	35,400
Turner River Total	Oxide	2.68	1.8	152,100	0.72	1.4	31,400	1.72	1.3	72,000	5.12	1.6	255,500
	Fresh	0.40	1.6	20,500	0.48	1.6	24,200	3.69	1.4	163,600	4.57	1.4	208,400
	Total	3.08	1.7	172,700	1.20	1.4	55,600	5.41	1.4	235,600	9.69	1.5	463,900

Total Mineral Resources

Deposit	Type	Measured			Indicated			Inferred			Total		
		Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz
Total	Oxide	3.53	1.8	200,200	1.71	1.7	91,600	2.24	1.3	95,300	7.48	1.6	387,200
	Fresh	0.85	1.5	41,400	3.73	1.7	203,500	6.77	1.7	370,200	11.35	1.7	615,100
	Total	4.39	1.7	241,700	5.44	1.7	295,100	9.01	1.6	465,500	18.84	1.7	1,002,300

*All deposits reported at a 0.5g/t Au cut-off grade above -100mRL (150m vertical depth). The Withnell deposit extends below -100mRL where it has been reported using a 1.0g/t Au cut-off grade. Rounding discrepancies may occur

** With further information provided in the ASX announcement dated 3 April 2017.

4. Pilbara Gold Project – the Path Forward

Open Pit Scoping Study

In parallel to the detailed resource evaluation, De Grey has now commenced pit optimisation's and a Scoping Study on the combined Turner River and Indee Gold projects. This study will focus on an open pit mining and CIL processing scenario to determine the optimal scale of the proposed operation, including operating and capital costs estimates. The study will first assess a processing plant being located on the Indee Mining Leases, with mining commencing from the Indee deposits due to the benefits of existing infrastructure and granted mining leases. The Turner River deposits will be considered as satellite trucking operations. Work will continue throughout the June 2017 quarter with results estimated to be released in late May to early June.

Feasibility Study

Subject to the outcome of the Scoping Study, a Feasibility Study would most likely commence in the second quarter 2017 with the aim of completion prior to acquiring the Indee Gold project.

Financing

The Company considers the acquisition of Indee Gold as forming part of the overall project development financing as determined by the Feasibility Study. The Study is expected to be finalised prior to the Election. Project financing at this point would likely be through a mixture of debt, equity and stream funding.

Major drill program

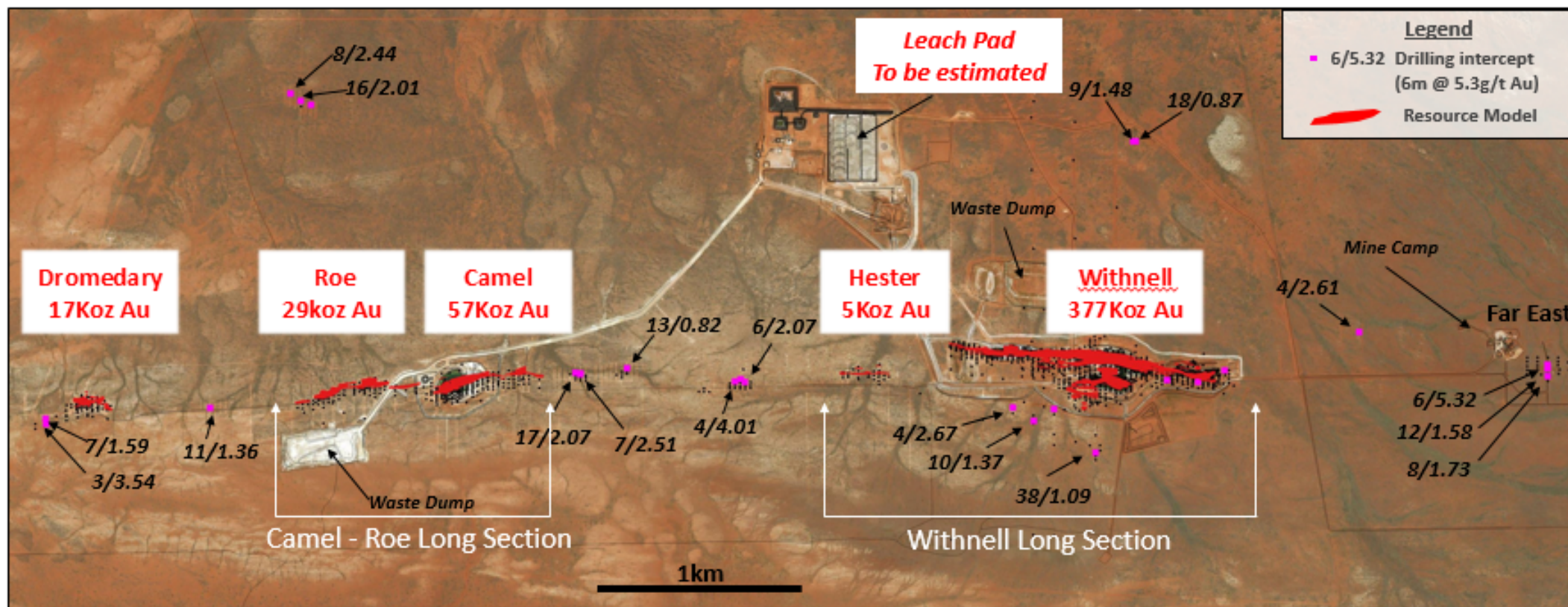
A 20,000m RC drill program is planned to commence in early May targeting resource extensions around and between the known deposits, advanced exploration targets including Mallina and Toweranna and the heap leach pad stockpile.

Mineralisation remains open at depth and down plunge at many of the resources. Significant structurally controlled high grade mineralisation tends to form plunging shoots within each deposit. Further drilling will be required to better define and extend these high grade shoots down plunge. The high grade nature of the shoots provides encouragement and scope for longer term underground mining potential. Figure 2 below is a plan view of the main Withnell Trend showing the deposits from Dromedary to Withnell, with resource models shown in red. A number of significant drilling intercepts occurring outside the resource areas are highlighted. Limited follow-up drilling has previously been carried out between the deposits and around other targets.

Additional diamond drilling mainly for metallurgical and geotechnical assessment is planned to be carried out in conjunction with the RC program.

Figure 2 Withnell Trend showing resource models (red zones).

Note: Significant RC and diamond drilling intercepts outside of resource models with limited drilling between deposits and other targets including the Far East Prospect and to the north of the Roe and Withnell Deposits.



Base Metals

Discovery and Orchard Tank Base Metals Resource

The current combined resources on De Grey's 100% owned Discovery and Orchard Tank VMS style base metal are **3.5Mt at 3.2% Zn, 1.3% Pb, 0.8/t Au, 110g/t Ag.** (ASX announced on 8 November 2016).

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

Project work during the quarter has been limited as the Company has concentrated on the Pilbara Gold Project.

Lithium

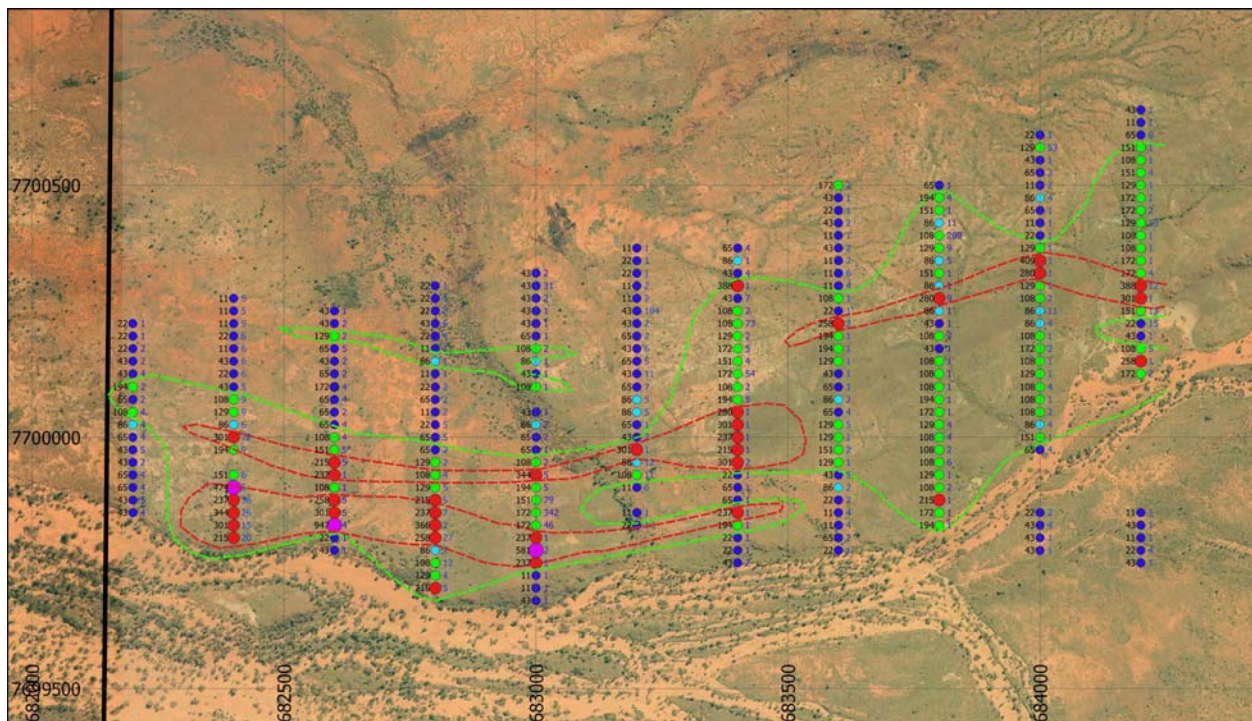
King Col - Lithium sampling program

The King Col pegmatite trend is a new discovery of pegmatite. 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.

Several phases of surface sampling have been carried out, which defined a strong, coherent 2km long lithium anomaly in the western part of the trend. Importantly, a further 5km of sub-cropping pegmatite and quartz float from weathered pegmatite remains to be sampled immediately to the east.

Additional rock chip sampling and reconnaissance was carried out during the quarter, with drill planning and approvals for the higher tenor soil anomalies underway.

Figure 3 King Col Pegmatite Trend - 2km long lithium rich anomaly (green) showing discrete higher priority zones (red)



Sands Royalty

De Grey generated royalty revenues of \$3,500 for the current quarter. The December 2016 royalty of \$3,029 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”), who have earned an 80% interest 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 ~\$0.3 million. Subsequent to the end of the quarter;

- the Company announced a placement 28,000,000 ordinary shares at \$0.065 per share with a free attaching option (exercisable at \$0.10 on or before 30 November 2018) for every two new shares subscribed, to raise \$1.82 million (before costs). The placement was settled on 21 April 2017.
- the Company entered into an agreement with drilling company, Top Drill Pty Ltd, for 20,000m of reverse circulation (RC) drilling. The agreement, which was based on a competitive quotation process and provides for the issue of ordinary shares in De Grey for 50% of the drilling costs up to a value of \$1 million. Any costs incurred over \$1 million will be subject to further agreement between the parties as to whether additional equity is issued. The issue of shares in part settlement of consideration under this agreement is subject to shareholder approval and the pricing will be determined as the 5 day VWAP immediately following the completion of the drilling program. Top Drill has also agreed to a voluntary escrow period of 6 months from the date of issue.

Appendix 1: Tenement Holdings and Movements

Schedule of Mining Tenements and Beneficial Interests Held as at the end of the March 2017 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 is based on, and fairly represents information and supporting documentation prepared by Mr. Philip Tornatora, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr. Tornatora is a consultant to De Grey Mining Limited. Mr. Tornatora 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 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr. Tornatora consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Information in this report that relates to Mineral Resources is based on information compiled by Mr. Paul Payne, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Payne is a full-time employee of Payne Geological Services. Mr. Payne 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 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.