



## Quarterly Activities Report

### For the Quarter ended 30 June 2017

**ASX: DEG**

#### Issued shares

201,296,240  
as at 30 June 2017

#### Board of Directors

*Simon Lill*  
Executive Chairman

*Davide Bosio*  
Director

*Steve Morris*  
Director

#### Company Secretary/CFO

*Craig Nelmes*

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**A.B.N. 65 094 206 292**

**31 July 2017**

#### **HIGHLIGHTS FOR THE QUARTER**

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

- Upgrade to JORC 2012 of the Pilbara Gold Project produced a combined Mineral Resource inventory of:

Indee <sup>1</sup>	9.15Mt @ 1.8 g/t for 538,400 oz.
Turner River	9.69Mt @ 1.5 g/t for 463,900 oz.
Total	<b>18.84Mt at 1.7g/t Au for 1,002,300oz</b>

- 66% of total resource contained in key Wingina & Withnell deposits
  - 54% of resource is in measured and indicated categories
  - 39% of resource is oxide
  - All resources commence at surface with excellent potential to increase at depth and along strike
- Drilling commenced at Mallina Exploration Target, and within the Withnell Trend. Overall results remain pending. Highlights of initial 4M composite results are as shown below:
    - 48m @ 1.00g/t Au from 8m, including 4m @ 5.19g/t Au from 24m
    - 40m @ 1.51g/t Au from 32m, including 12m @ 3.18g/t Au from 52m
    - 36m @ 1.43g/t Au from 76m, including 12m @ 2.97g/t Au from 88m
    - 20m @ 3.11g/t Au from 80m, including 8m @ 6.79g/t Au from 88m
  - Scoping Study commenced using external engineering consultants, Mintrex. Results are pending.

##### **Corporate**

- Cash at the end of quarter of ~1.0 million.
- During the current quarter, 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

<sup>1</sup>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 June 2017 quarter.

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

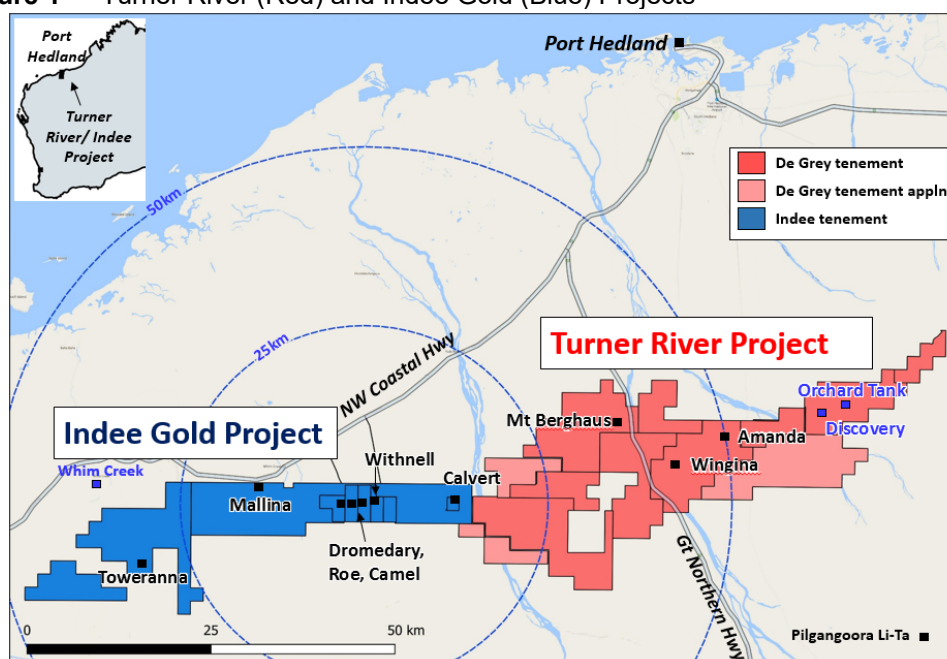
During the previous quarter De Grey announced that it had entered into an option on 24 January 2017 to acquire the neighboring Indee Gold Project. The key commercial terms of the Heads of Agreement are that De Grey has:

- **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:

- 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.

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



As a result of this Option De Grey has been active in meeting its commitments and appraising the Indee Project as part of a combined Pilbara Gold Project (Indee and Turner River). That activity has included:

- Upgrading previously announced JORC 2004 resources at Indee to JORC 2012, including a number of drill holes that had previously not been considered within the resource;
- Commencing a Scoping Study on the Pilbara Gold Project; and
- Commencing drilling at the Mallina Exploration Target and along the Withnell trend seeking to enhance the existing resource base.

De Grey can confirm that by the end of the quarter it has:

- Paid the exclusivity fee of \$100,000;
- Met its expenditure commitments under the HoA of \$600,000; and
- Prepared a suitable Share Sale Agreement.

## 1. Resource Upgrade

Since the execution of the Heads of Agreement the Company has been reviewing historical resource estimates and drilling, in order to produce an updated resource model and estimate for the Indee Project.

The new 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.

The new 2017 Indee Total Mineral Resource is summarised in Table 1 with further details provided within this report. (*refer to ASX release ‘1.0M ounce milestone achieved with Indee Resource Update – increased grade, tonnes’, dated 3 April 2017*)

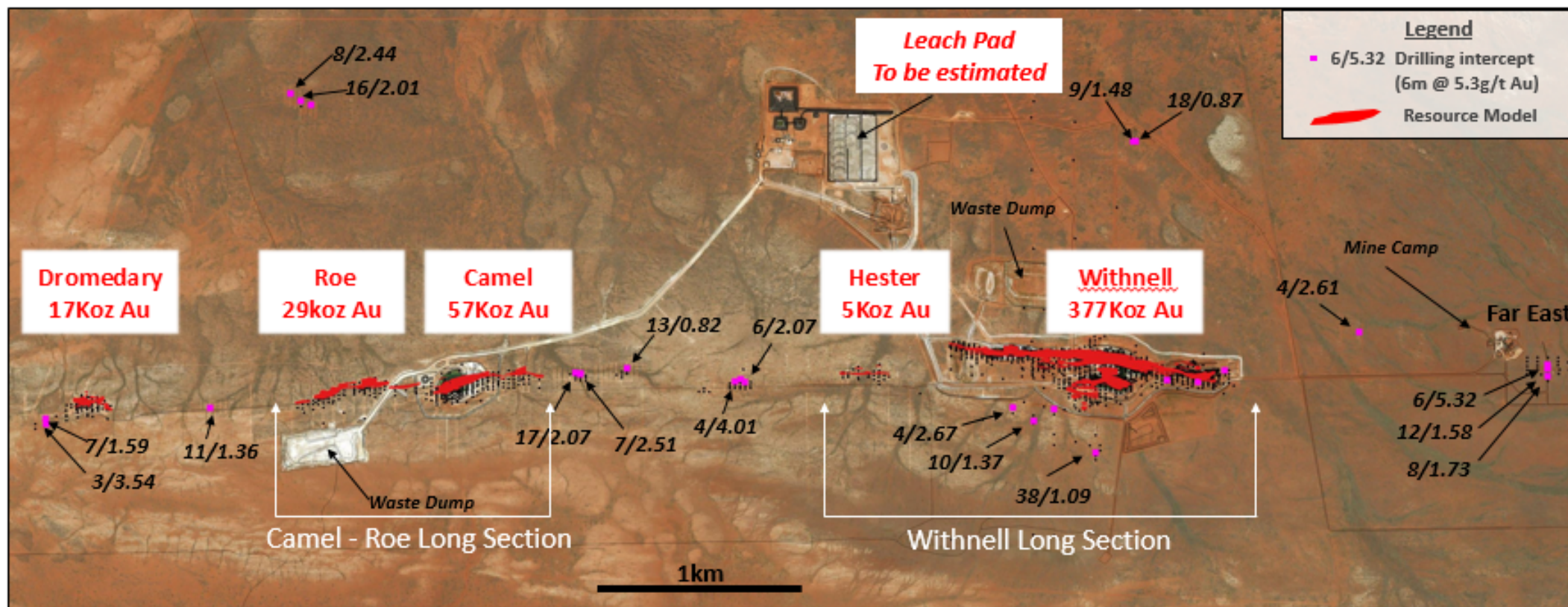
Table 1 - Summary - Indee Project Mineral Resource

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
<b>Total</b>	<b>1.31</b>	<b>1.6</b>	<b>69,000</b>	<b>4.24</b>	<b>1.8</b>	<b>239,500</b>	<b>3.60</b>	<b>2.0</b>	<b>229,900</b>	<b>9.15</b>	<b>1.8</b>	<b>538,400</b>

The resource estimate includes the main Withnell deposit which hosts 66% of the overall Indee resource and the satellite deposits of Dromedary, Roe, Camel, Hester and Calvert. Figure 2 is a plan view of the main Withnell Trend showing the main deposits from Dromedary to Withnell, with resource models shown in red. The deposits occur along a strong east west structural trend related to a series of parallel bounding faults over 5km of strike. The plan does not show the Calvert deposit which is located a further 10km due east along the same structural trend.

**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.*



The resource upgrades on the Indee Project increased the total project resource to 18.84Mt @ 1.7 g/t for 1.02M oz. of gold, as shown below in Table 2.

Table 2 - Summary – Pilbara Gold Project Total Mineral Resource

Indee Project Mineral Resources												
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
<b>Total</b>	<b>1.31</b>	<b>1.6</b>	<b>69,000</b>	<b>4.24</b>	<b>1.8</b>	<b>239,500</b>	<b>3.60</b>	<b>2.0</b>	<b>229,900</b>	<b>9.15</b>	<b>1.8</b>	<b>538,400</b>
Turner River Project Mineral Resources												
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	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
<b>Total</b>	<b>3.08</b>	<b>1.7</b>	<b>172,700</b>	<b>1.20</b>	<b>1.4</b>	<b>55,600</b>	<b>5.41</b>	<b>1.4</b>	<b>235,600</b>	<b>9.69</b>	<b>1.5</b>	<b>463,900</b>
Total Mineral Resources												
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	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
<b>Total</b>	<b>4.39</b>	<b>1.7</b>	<b>241,700</b>	<b>5.44</b>	<b>1.7</b>	<b>295,100</b>	<b>9.01</b>	<b>1.6</b>	<b>465,500</b>	<b>18.84</b>	<b>1.7</b>	<b>1,002,300</b>

## 2. Drilling Programs and Results

A series of drilling programs were commenced during the quarter and either completed during the quarter or by the time of this release. Drilling was conducted over several priority resource targets with a large proportion of assay results pending:

### ➤ Mallina

The now completed Mallina RC drilling program comprised 7,588m from two stages:

- **Stage 1** – 74 RC holes for 6,100m with 4m composite assay results reported<sup>1</sup> and 1m re-split results pending.
- **Stage 2** – 16 RC holes for 1,488m with 4m composite assay results pending.

The program was targeting a 3.2km long structural corridor which has been subject to previous drilling.

The recently announced 4m composite results from Stage 1 successfully confirmed the presence of a large gold system at Mallina, with wide zones of shallow gold mineralisation intersected in a series of subparallel lodes providing strong support for the open pit resource potential of Mallina.

### ➤ Withnell- Dromedary Trend

The 3,800m RC drilling program testing new targets between the existing deposits and along parallel structures has been completed with all 4m composite samples submitted for analysis.

<sup>1</sup> refer ASX release dated 6 July 2017

➤ **Heap Leach Stockpile**

The 366m Push Probe drilling program comprising 49 holes over the former heap leach pad was recently completed with assay results received and resource modelling currently in progress.

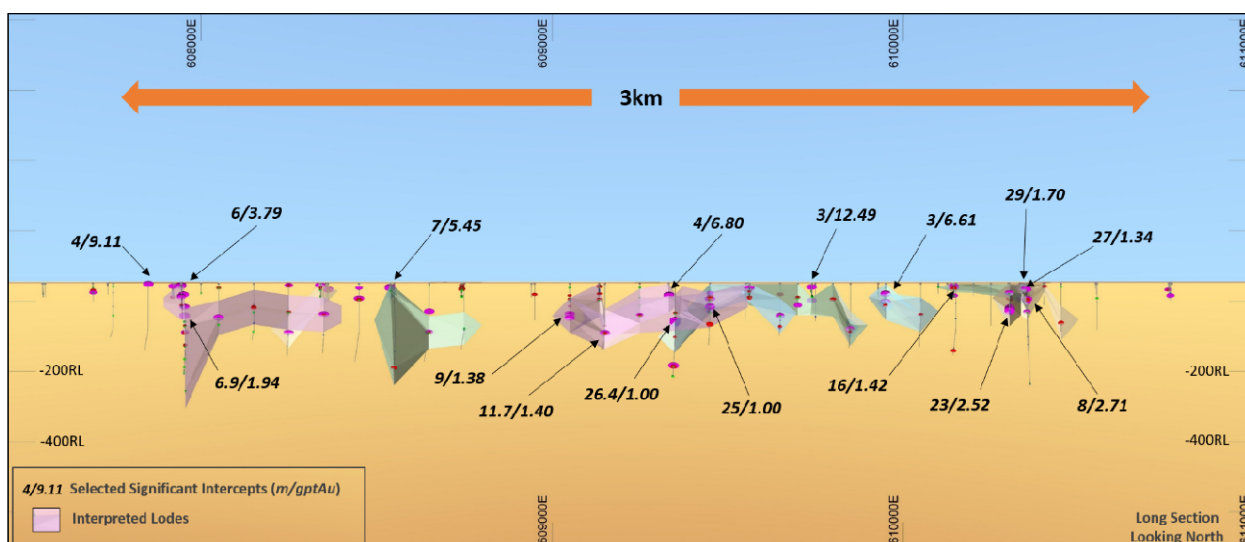
➤ **Current Diamond Drill Program**

A 600m diamond drilling program for the collection of representative metallurgical samples is now finalised. Metallurgical test work on existing drill core is underway.

➤ **Initial Mallina Results**

The Mallina drilling program targeted the previously announced Exploration Target of 1.4 - 2.6Mt @ 1.2 - 1.5g/t Au for 53,000 - 125,000 oz. #. This Target was based on previous drilling as indicated in Figure 3 below (refer to ASX release ‘Drill results bolster Mallina’s open pit potential’, dated 6 July 2017).

**Fig. 3** Mallina Exploration Target showing existing drill hole data



# Refer to previous ASX release “Acquisition of Indee Gold - Scale and Development Momentum” dated 9 Feb 2017. No material change has occurred to the exploration target parameters since this statement.

**Cautionary Statement: Mallina Exploration Target**

The potential quantity and grade of the exploration target is conceptual in nature. There has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources will be realised.

The RC drilling program confirmed the presence of a large gold system at Mallina with wide zones of shallow gold mineralisation intersected in a series of subparallel lodes within a 3.2km long structural corridor.

Results achieved and announced to date are as follows:

#### Central Lode 4

**48m @ 1.00g/t Au** from 8m in MLRC118; (including **4m @ 5.19g/t Au** from 24m)  
**40m @ 1.51g/t Au** from 32m in MLRC121; (including **12m @ 3.18g/t Au** from 52m)  
**36m @ 1.43g/t Au** from 76m in MLRC123; (including **12m @ 2.97g/t Au** from 88m)  
**32m @ 0.83g/t Au** from 116m in MLRC124; (including **8m @ 1.45g/t Au** from 140m)  
**4m @ 3.96g/t Au** from 96m in MLRC115; (including **12m @ 1.58g/t Au** from 112m)  
**16m @ 1.06g/t Au** from 0m in MLRC116  
**16m @ 1.00g/t Au** from 32m in MLRC116

#### Alfred Argyle

**12m @ 1.40g/t Au** from 24m in MLRC082  
**20m @ 3.11g/t Au** from 80m in MLRC090; (including **8m @ 6.79g/t Au** from 88m)  
**4m @ 4.54g/t Au** from 36m in MLRC091

#### Mallina Lode 5

**8m @ 6.76g/t Au** from 108m in MLRC126

#### Mallina Lode 8

**36m @ 0.59g/t Au** from 84m in MLRC150; (including **4m @ 1.64g/t Au** from 112m)

*Note: Down hole widths do not necessarily reflect true widths. 4m composite results with 1m resampling pending.*

Further results are pending, following which the resource will be modelled and, if possible, a maiden resource for Mallina will be provided.

### **3. Scoping Study**

During the quarter, the Company commenced a Scoping Study on the Pilbara Gold Project, utilizing independent mining consultants Mintrex, with inputs from Cube Consulting and De Grey.

This preliminary high level economic study focused 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.

The Scoping Study has been finalized with results pending.

#### 4. Future Work Programs

The Company has commenced initial Pre-Feasibility Study work through the commencement of a metallurgical testwork program, dominantly to assess and optimize the proposed processing route, and to confirm recoveries for the key Withnell deposit, which dominantly resides in fresh rock.

The company is finalising the 1m splits for drilling at the Mallina and Withnell trend, after which it will be seeking to upgrade its resource basis if the results allow.

The Company will then commence a Pre-Feasibility study with an increased resource base and optimized gold recoveries based on detailed metallurgical work.

### 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).

Project work during the quarter has focused upon potential synergies in relation to the Pilbara Gold Project and site rehabilitation from prior drilling program.

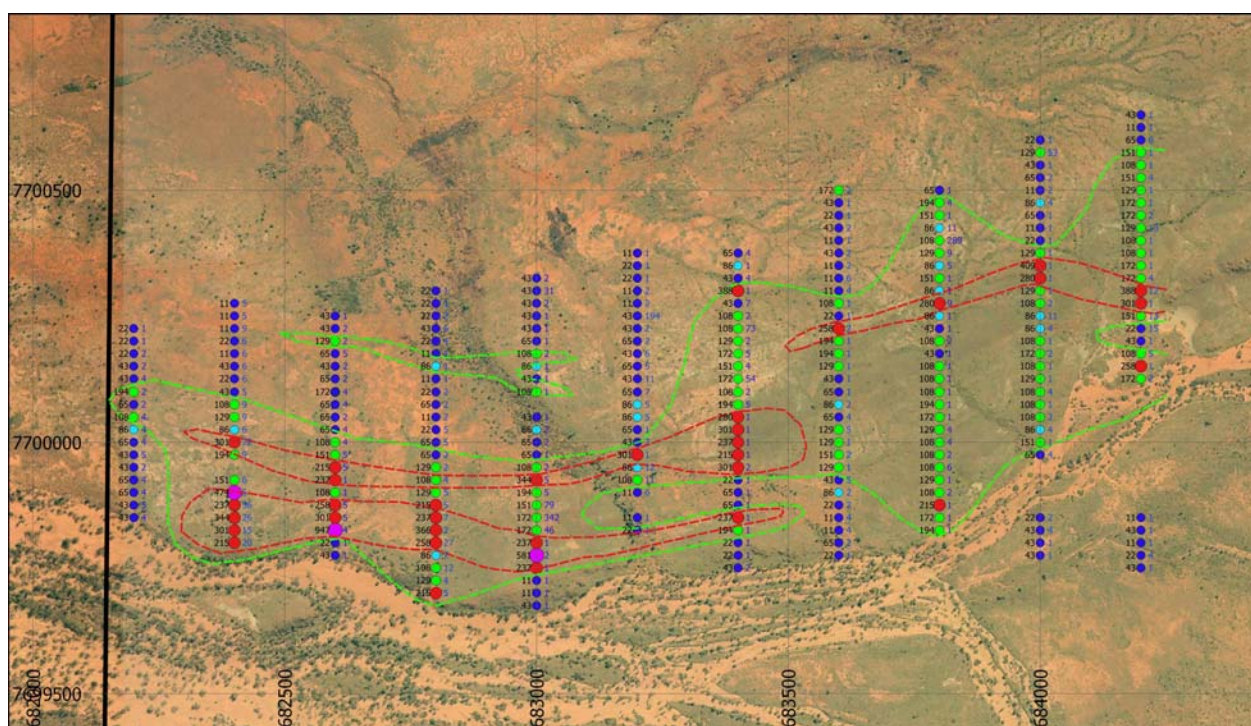


## Lithium

### King Col - Lithium sampling program

The Company has received Program of Work approvals as part of its drill planning on the King Col Pegmatite Trend (see Figure 4 below). De Grey is encouraged by the ongoing investment interest in the lithium sector, particularly in the Pilbara region, with significant mine developments at Pilgangoora currently under construction. The Pilgangoora mines are within 40kms of De Grey’s pegmatite trend.

**Figure 4 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 March 2017 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 iron ore mineral rights (iron ore, vanadium and manganese) of the project. De Grey retains 100% mineral rights to all minerals other than iron ore rights.

EMG has announced subsequent to the end of the quarter (ASX: 20 July 2017) its intent to sell or relinquish its rights to the Beyondie Project, which would potentially return 100% ownership of the iron ore mineral rights. De Grey has commenced discussions with EMG with respect to this process and will provide further updates in due course.

## Corporate

The cash on hand at end of the quarter was ~\$1.0 Million. During the current quarter;

- (a) the Company completed a placement of 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.
- (b) the Company entered into an agreement with drilling company, Top Drill Pty Ltd, for up to 20,000m of reverse circulation (RC) drilling. The agreement provides for the issue of ordinary shares in De Grey for 50% of the drilling costs up to a value of \$1 million. The issue of shares in part settlement of consideration under this agreement was approved by shareholders at a General Meeting held on 26 June 2017. 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.
- (c) Held a General meeting of shareholders, where all four (4) resolutions to ratify or approve the issue of shares and options (including with respect to a and b above) were passed by a show of hands.

## Appendix 1: Tenement Holdings and Movements

### Schedule of Mining Tenements and Beneficial Interests Held as at the end of the June 2017 Quarter

Project/Location	Country	Tenement	Percentage held/earning
Beyondie	Australia	E52/2215	20% <sup>1</sup>
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%
Turner River	Australia	P45/3028	100%
Turner River	Australia	P45/3029	100%

<sup>1</sup> 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 June 2017 Quarter

Project/Location	Country	Tenement	Granted Date
Turner River	Australia	P45/3028	22 May 2017
Turner River	Australia	P45/3029	22 May 2017

### Schedule of Mining Tenements and Beneficial Interests Disposed of during the June 2017 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.*