

DE GREY MINING LTD

QUARTERLY REPORT

FOR THE QUARTER ENDING 31 DECEMBER 2014

ASX: DEG

Shares on Issue

914,768,846

Board of Directors

Peter Batten
Executive Chairman

Simon Lill
Director

Steve Morris
Director

Company Secretary

Craig Nelmes

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30 January 2015

HIGHLIGHTS FOR THE QUARTER

Turner River Base Metals Project

- Five Reverse Circulation holes completed for 1601m
- Tabba Tabba potential mineralization horizon strike extended over 500m
- Discovery potential mineralization horizon strike extended over 100m
- IP anomaly tested at Tabba Tabba did not return significant mineralization – drilling may not have hit the anomaly, which may have been more steeply dipping than anticipated and hence remains untested

Great Northern Gold Project

- Partner Rugby Mining Limited (TSX-V: RUG) completed the second drilling programme at Wingina Well
- RWG002 **61.5m @ 1.14 g/t gold** from 196.4m*
- RWG003 **1.0m @ 14.49 g/t gold** from 255.3m
- RWG005A **10.0m @ 2.59 g/t gold** from 266.0m
and **3.0m @ 5.15 g/t gold** from 301.0m

**assumed 3.4 metres of no core recovery assayed 0.0 g/t gold*

Corporate

Board Changes and appointment of Mr. Steve Morris as a Non-Executive Director

Annual General Meeting held and all resolutions passed

Cash on hand at end of the quarter of \$122,378 and Dilato Loan Facility available.



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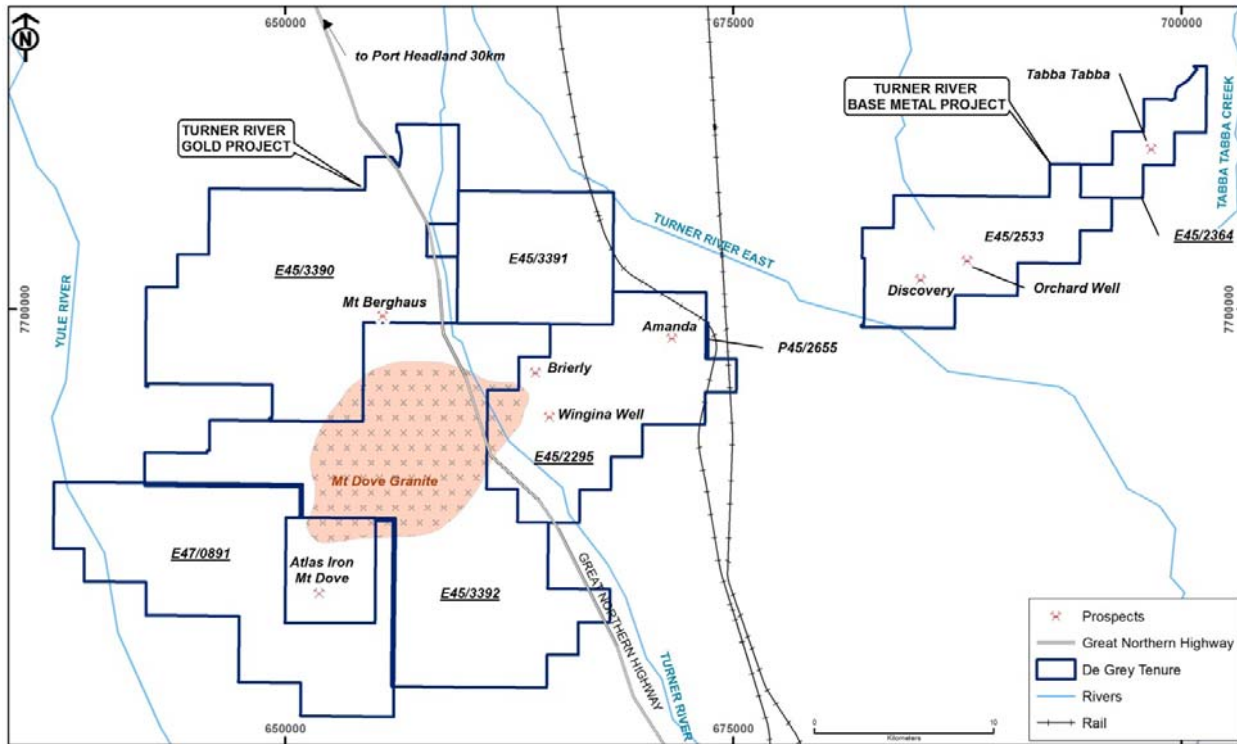


Figure 1: Location Plan for Turner River Projects

Turner River Base Metals (TRBMP)

The December drilling programme completed five of the six proposed Reverse Circulation (RC) holes for a total of 1,601m. The drilling targeted potential mineralized horizons at the Discovery Prospect and the Tabba Tabba prospect.

Discovery

The drilling for the Discovery Prospect targeted IP anomalies along strike from the existing mineralization. The drilling was designed to extend the shallow (~100m) mineralisation to the west of the existing resource at Discovery.

The programme completed two of the planned three holes of RC drilling for a total of 364m. The IP anomaly to the east of existing resource at Discovery was not drilled.

DISRC004 was located approximately 100m west of the existing drill delineated mineralization at Discovery and was targeting shallow mineralization extensions.

DISRC004 intersected two zones of elevated zinc levels that are interpreted as the target mineralized horizon. The two zones, at 53m downhole and 85m downhole, extend the known mineralized horizon by in excess of 100m. This extends the known strike length of the Discovery horizon by approximately 50%.



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The wide (12 metres) but low grade mineralization is potentially edge mineralization of the plunging zone. This can be tested with further drilling.

DISRC005, collared 250m west of DISRC004, did not intersect significant mineralization. The mineralization at Discovery may plunge below the level tested by drilling.

Tabba Tabba

The drilling for the Tabba Tabba Prospect tested 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 extending south west from existing zinc mineralization at Tabba Tabba and to the northwest.

The drilling of the known mineralized horizon, TTRC027, intersected zinc mineralization, 4m at 0.14% Zn, from 300m downhole, effectively extending the strike of the target horizon by more than 500m, a 100% increase in the target strike length. The lower grade mineralization may indicate that the plunge of the mineralization is steeper than predicted and the main zone sits below the recent drillhole.

The other holes drilled at Tabba Tabba, TTRC020, TTRC022 and TTRC023, were targeting the higher level IP anomalies parallel and to the northwest of the known line of mineralization at Tabba Tabba.

Difficult ground conditions resulted in the abandonment of the first hole, TTRC022, and an adjustment of the programme. The other holes targeting this IP anomaly did not intersect significant mineralization.

The source of the IP anomaly has not been resolved. As this mineralization does not display a surface expression it is possible the drilling has straddled the emitter. In an effort to better locate the source of the chargeability anomaly at Tabba Tabba downhole geophysical methods are being assessed.

TTRC021 was designed to test for the southern extension of the existing mineralization, previously reported at Tabba Tabba. The IP chargeability anomaly at this location was interpreted as being in the downplunge position from the existing zinc mineralization.

TTRC021 intersected low grade mineralization of 4 metres at 0.14% Zn from 300 metres downhole. This mineralization could represent the edge of a mineralized zone with better mineralization below the drilling or to the northeast closer to the existing mineralization.

The weak mineralization intersected in TTRC021 does not resolve the source of the IP chargeability anomaly for IP zone 1.

The purpose of this drilling programme was to extend the mineralized horizon and to resolve the source of the high tenor IP anomalies at Tabba Tabba.

Despite the weak grades returned from TTRC021 this drillhole has intersected the host horizon and zinc mineralization was still present over 500 metres from the previously identified mineralization. The potential mineralized horizon at Tabba Tabba has increased to over 1,000 metres.



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The source of the IP anomalies remains unknown. Further work is required to better locate the 3 dimensional position of the anomaly to improve the prospect of intersecting the source in future drilling.

Hole ID	From	To	Au g/t	Ag g/t	Cu ppm	Pb ppm	Zn %
DISCRC004	53	65	0.01	2.42	198.17	155.50	0.05
	85	88	0.01	3.13	67.00	257.00	0.24
<i>including 1m @ 0.63% Zn from 86m</i>							
TTRC021	300	304	0	0.27	52.25	291.25	0.14

Further Work

The programme did not fulfill all the designed outcomes. Mineralization intersected in the drilling, whilst extending the mineralized horizon, was disappointing.

Notwithstanding, TRBMP has been enhanced with the intersected location of the mineralized host horizon being intersected at the main Tabba Tabba line and at Discovery, extending the potential for further zinc mineralization at these prospects.

The potential of Turner River remains relatively unchanged.

- There is an existing resource at Discovery and Orchard Tank (refer ASX announcement 23.10.14).
- There are 10 identified prospects on TRBMP, with potential to intersect and expand on the known mineralization at all ten prospects.
- Tabba Tabba retains high tenor IP anomalies that have not yet been resolved by drilling, whilst one hole extended the mineralized horizon by 500 m.
- Apart from the ten known prospects there is in excess of 15 kilometres of the Tabba Tabba horizon that have yet to be explored.

To progress this project De Grey needs to increase the resource to an economic size. Recent results continue to indicate that this can be achieved by:

- Drilling and extending the existing mineralization already identified at Turner River at both depth and on strike at Orchard Well, Discovery and Tabba Tabba;
- Infill drilling at Tabba Tabba where the drilling density is currently not sufficient for a resource estimate;
- The IP anomalies at Tabba Tabba need to be resolved and still represent possible mineralization at these locations. This requires downhole ElectroMagnetic surveys to aid in better locating their positions and further drilling; and
- Geological mapping of the 15 kms of strike that has not been properly assessed, with follow up drilling of likely targets.



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Further to the above potential to enhance the TRBMP, there remain other prospects on the tenement deserving further work:

- A splay to the west of the project area – Claypan Well - that is anomalous in copper (refer ASX announcement 23.10.14); and
- Several gold prospects that require follow up work.

Turner River has an abundance of prospects and further improvements on the current resource and mineral package would appear to be merely a matter of completing sufficient work.

Gold Project – JV with Rugby Mining Ltd

Rugby Mining Ltd (TSX-V:RUG) reported that the program comprising five drill holes for a total of 1,191 metres (“m”) was conducted at the Wingina prospect to test for depth extensions to the high grade footwall gold zone. Five RC/rotary pre-collared drill holes and four diamond drill tails were drilled. Unfortunately, due to excessive hole deviation and very difficult ground conditions, only one hole (RWG002) was successfully drilled to the target depth. Preliminary gold assays have been received for all the drill holes with significant results including:

- RWG002 **61.5m @ 1.14 g/t gold** from 196.4m*
- RWG003 **1.0m @ 14.49 g/t gold** from 255.3m
- RWG005A **10.0m @ 2.59 g/t gold** from 266.0m
and **3.0m @ 5.15 g/t gold** from 301.0m

**assumed 3.4 metres of no core recovery assayed 0.0 g/t gold*

The drilling on the Wingina prospect has shown a continuation of gold mineralization at depths below the previously established shallow oxide historical mineral resource (not compliant with National Instrument 43-101 (“NI 43-101”)).

Rugby has commented that they will focus on defining shallow oxide and underlying high grade deposits to supplement the historical (non-NI 43-101 compliant) Wingina gold resource. Magnetic anomalies in areas adjoining known high grade gold mineralization are untested, with one such target, the Crescent magnetic anomaly, scheduled for follow up.

Geochemical sampling, to better define the potential target, was commenced in December 2014.

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 19 December 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.

Sands Royalty

De Grey has received notice that royalty payments covering the production for the December 2014 quarter, total \$4,534



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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

New Zealand

The main tenement at Puhipuhi, 51985, expired on October 19 2014. De Grey 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 was reduced by 50%.

In January 2015 without a clear direction on the renewal of 51985 the Company determined to relinquish Permit 55057.

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

Mr. Steve Morris was appointed to the board of De Grey, on 29 October 2014. Mr Morris is an experienced financial executive who can assist the company with both its capital raising and investor relations requirements.

Mr. Darren Townsend tendered his resignation as a Non-executive Director on 20 November 2014. Mr Townsend was diligent and enthusiastic member of the board. His contribution to the Company over a ten year period was significant and well received. His retirement is as a result of his increasing work load as the Managing Director of ASX listed Peak Resources.

De Grey held its Annual General Meeting on 19 November 2014. All 6 resolutions put to the annual general meeting of shareholders were all passed.

The cash on hand at end of the quarter was \$112,378.

During the December 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 chooses to accept the Offer.



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Table 1: Tenement Holdings and Movements

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

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 December 2014 Quarter

Project/Location	Country	Tenement	Granted Date
Nil			

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

Project/Location	Country	Tenement	Withdrawal Date
Puhipuhi	New Zealand	55057	100%

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.