

DE GREY MINING LTD

QUARTERLY REPORT

FOR THE QUARTER ENDING 31 MARCH 2016

ASX: DEG

Shares on Issue

2,858,652,645

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Chairman

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29 April 2016

HIGHLIGHTS FOR THE QUARTER

Turner River Project Review

- Potential for stand-alone open pit and underground gold mining development centred on the 100% owned Wingina Well gold deposit and additional 100% owned satellite oxide deposits all within a 25km trucking distance
- Tenements previously untested for pegmatite related mineralisation
- Significant VMS style base metal and precious metal mineralization. Defined resources remain open with additional untested exploration targets.
- Extensive exploration potential remains throughout the project area for gold, base metals and pegmatites

Potential Gold Development

- Total gold resources of 406,000 ounces. All deposits remain open with potential to increase overall resources.
- At Wingina Well (268,000 ounces), significant high grade gold mineralisation is hosted by two well-defined parallel lodes with associated strong plunging shoots, related to fold closures, commencing from surface and continuous to >200m below surface and remain open down plunge
- Deposit exhibits positive mining, metallurgical and processing characteristics
- A programme of drilling is currently being planned to commence May/June that aims to test the high grade plunging shoots in fresh bedrock.

Pegmatite Mineralisation

- Recognition of the potential for pegmatite related tantalum and lithium mineralisation and the lack of previous assessment
- Initial reconnaissance sampling of project area has commenced with initial sampling undertaken only within E45/2533. Assay results pending.

Corporate

- Cash at the end of quarter of \$1.44 Million



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 31 MARCH 2016

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

Turner River Project (100% De Grey Mining)

The Turner River Project contains 406,000 ounces of gold defined over four main deposits, the largest being Wingina Well which hosts 268,000 ounces. All the deposits remain open at depth and along strike.

The majority of the gold mineralisation occurs in shallow resources with mineralisation commencing from surface and potentially amenable to open pit mining methods. At Wingina Well high grade lodes may support additional underground mining methods at depth.

The project hosts additional potential with significant VMS base metals resources already defined and more recently the recognition of outcropping pegmatites underlines the potential for pegmatite related mineralisation (tantalum and lithium) which may be located within the project area. Nickel, copper and Platinum group element (PGE) potential has also been noted and remains essentially untested.

Previous exploration activities completed by DeGrey or various joint venture partners since 2002 has established a significant database of quality information which will aid in the discovery of additional resources in time.

During the quarter, the Turner River Project was consolidated back into 100% control and ownership by De Grey Mining. The Company has taken this opportunity to reassess the potential for a gold development and is currently advancing this strategy.

The on-going assessment of the Turner River Project highlights the potential for a stand-alone open pit and underground gold mining development centred on the 100% owned Wingina Well gold deposit and additional 100% owned satellite oxide deposits all within a 25km trucking distance.

Accordingly, the Company is focused on better defining this development potential and will advance the potential with selected drilling over the next few months. This is likely to precurse a detailed scoping study to determine potential economics.

Wingina Well (“Wingina”)

The initial stages of the project review has highlighted the existing 268,000 ounce JORC 2012 resource model and historical drilling data shows significant potential in three high grade plunging shoots (Figure 1), using a nominal lower cut off of 1.5g/t Au compared to a 0.5g/t overall resource cut off.

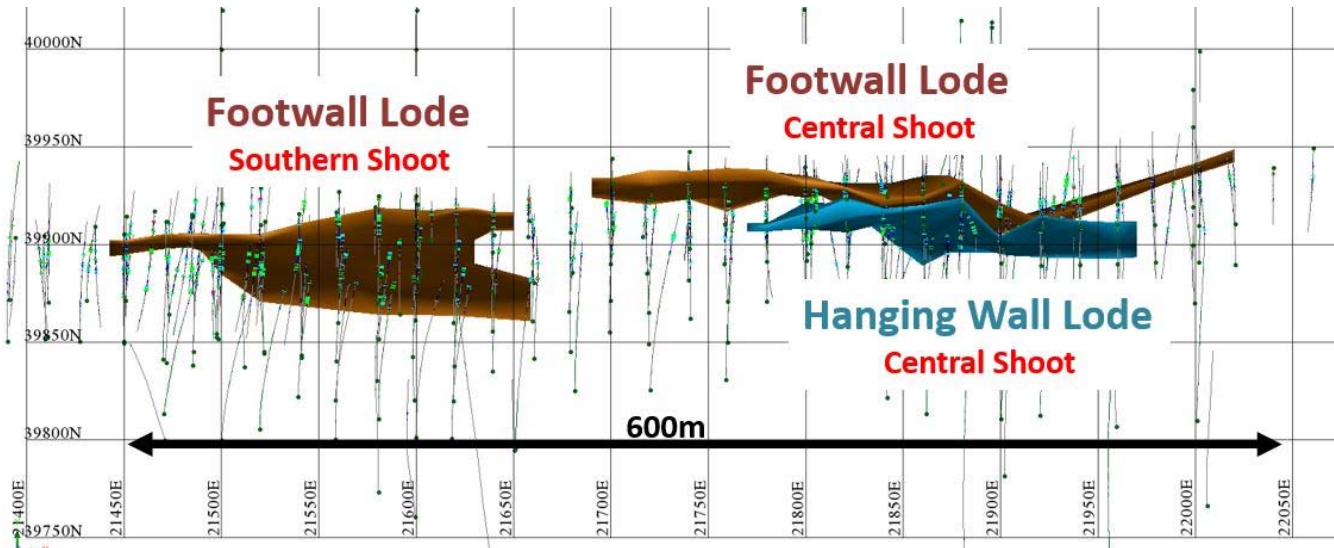
The three plunging shoots commence from either surface or close to surface and provide an excellent opportunity for initial staged mining of the higher grade ore shoots in an open-pit mining scenario. Planned drilling will aim to extend the orebody and demonstrate the economic potential for underground mining.

The structural nature and consistency of the shoots and in particular the Footwall Central Shoot provides encouragement for its continuation at depth. The Company plans to drill down plunge of the three shoots to establish this continuation in fresh bedrock and to upgrade the resource model accordingly.



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Figure 1 Plan view of High Grade Gold Lodes at Wingina



The following longsection shows the Footwall Lode “Southern” and “Central” Shoots (Figure 2) which occur along the contact of the host BIF Chert unit and the footwall sediments. The Footwall Lode is approximately 600m in strike length and has continuous mineralisation to over 250m depth based on historical drilling. Due to the deep weathering profile at Wingina, very few holes have intersected the shoots in fresh bedrock.

The Hanging Wall Lode “Central Shoot” is a lode about 10m stratigraphically above and parallel to the footwall lode and occurs over approximately 200m strike length and down to 200m below surface. These high-grade shoots are considered the most likely zones that may support underground mining operations.

In addition to the high grade shoots, there is an extensive envelope of lower grade mineralisation which forms the remainder of the contained JORC 2012 resource estimate. This lower grade mineralisation most likely represents dispersion of gold from the higher grade lodes through the weathering process.

Additional 100% owned satellite gold resources occur within a 25km radius and include Mount Berghaus (43,000oz Au), Amanda (35,000oz Au) and Discovery (33,000oz Au). Shallow RC drilling is currently being planned to follow-up previous encouraging shallow gold intercepts in historical RAB drilling at the Discovery deposit. Mineralisation remains open at all the satellite deposits and other targets remain essentially untested and provide potential for increased global resources in the longer term.

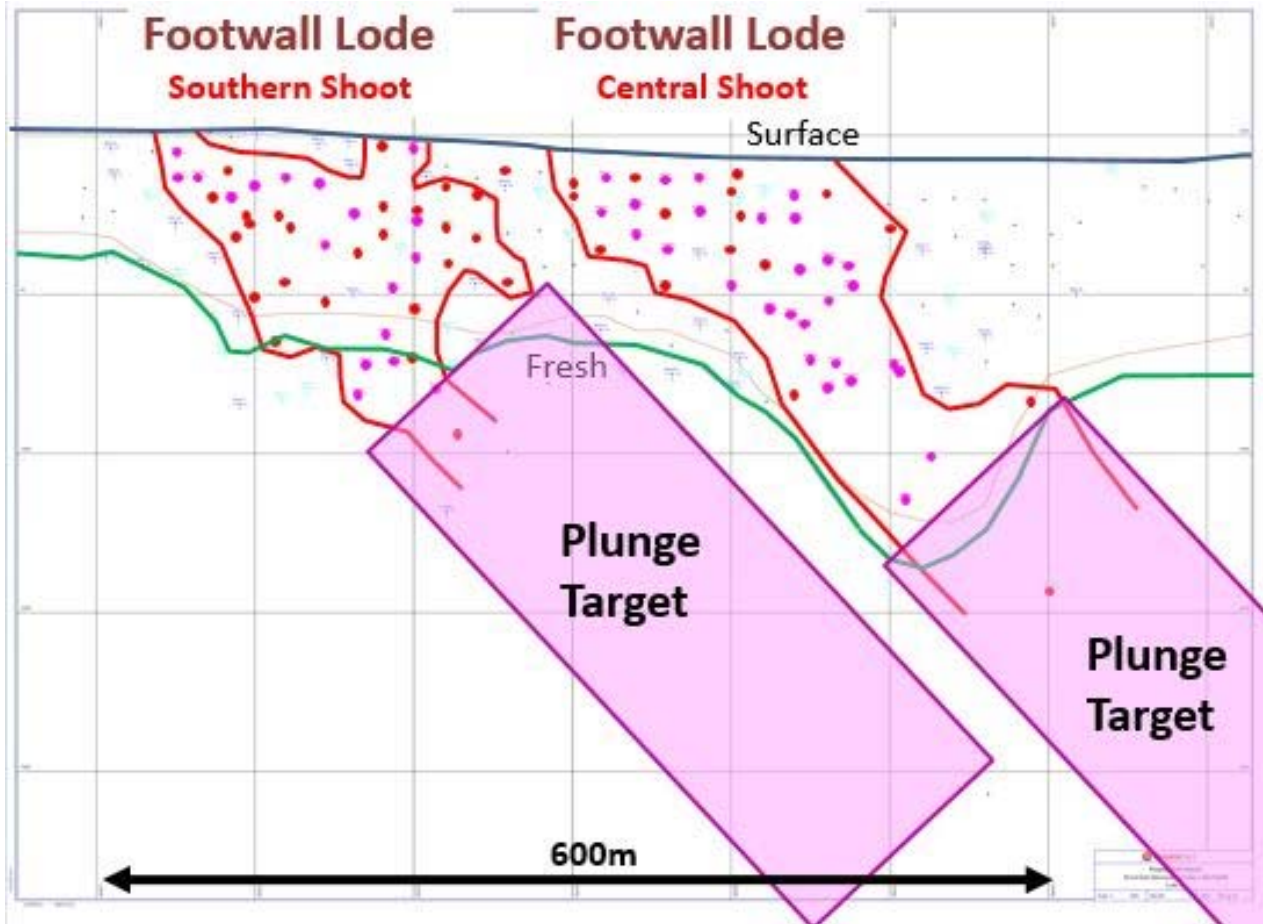
The mineralisation occurs in a sheared, tightly folded and deeply weathered sequence of BIF, siltstones and cherts. In detail the gold mineralisation is associated with zones of strongly ferruginous and limonite rich zones with patches of remnant sulphides (pyrite) present with increasing depth. The plunging shoots are interpreted to occur in the thickened hinges of fold closures and plunging between 45-60degrees to the north east (MGA grid).

Selected drilling intercepts from the three high grade lodes at Wingina are highlighted in Table 1. Full details of the intersections is reported in ASX release “Turner River Project – Wingina Well Update” dated 14 April 2016.



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Figure 2 Long section view of Footwall Lode High Grade Plunging Shoots





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Table 1 Selected historical drill intersections within the Wingina Shoots where intercept is > 6g/t Au (intercepts are based on a nominal minimum cutoff of 1.5g/t individual assays)

FOOTWALL LODE CENTRAL SHOOT											
Hole ID	Type	North (MGA)	East (MGA)	RL	North (Local)	East (Local)	From	To	Length (m)	Au g/t	Grams x metres
PWG019	DD	7,694,180	664,725	87.40	39,948	21,740	29.7	41.6	11.9	6.95	83
WRC002	RC	7,694,149	664,777	87.48	39,890	21,758	63.0	75.0	12.0	6.91	83
WRC025D	DDH	7,694,136	664,791	87.04	39,871	21,760	93.7	96.1	2.4	6.90	17
WRC072	RC	7,694,175	664,839	85.97	39,867	21,821	104.0	111.0	7.0	6.75	47
WRC137	RC	7,694,218	664,824	85.56	39,910	21,840	20.0	33.0	13.0	7.29	95
WRC021	RC	7,694,199	664,843	86.03	39,882	21,841	72.0	94.0	22.0	7.31	161
WRC160D	DDH	7,694,174	664,894	85.42	39,830	21,862	155.1	170.0	14.9	10.86	162
WRC043D	DDH	7,694,304	664,799	85.18	39,990	21,879	141.4	175.5	34.1	6.08	207
FOOTWALL LODE SOUTHERN SHOOT											
Hole ID	Type	North (MGA)	East (MGA)	RL	North (Local)	East (Local)	From	To	Length (m)	Au g/t	Grams x metres
WRC148	RC	7,693,961	664,533	102.14	39,914	21,451	17.0	20.0	3.0	22.07	66
IAC138	AC	7,693,999	664,564	101.33	39,921	21,500	34.0	41.0	7.0	9.64	67
WRC174	RC	7,694,018	664,574	99.17	39,929	21,520	34.0	40.0	6.0	14.66	88
WRC172	RC	7,693,963	664,675	96.05	39,820	21,558	151.0	156.0	5.0	7.72	39
WRC170	RC	7,693,985	664,685	95.49	39,830	21,580	132.0	137.0	5.0	6.54	33
WRC088	RC	7,694,026	664,649	100.77	39,885	21,581	51.0	54.0	3.0	8.25	25
WRC040	RC	7,694,021	664,678	96.63	39,861	21,599	81.0	89.0	8.0	7.15	57
WRC167	RC	7,694,069	664,636	95.28	39,925	21,600	2.0	6.0	4.0	11.98	48
WRC086	RC	7,694,046	664,683	95.89	39,876	21,620	61.0	64.0	3.0	9.23	28
WRC085	RC	7,694,063	664,669	98.15	39,899	21,621	34.0	36.0	2.0	13.36	27
HANGING WALL LODE CENTRAL SHOOT											
Hole ID	Type	North (MGA)	East (MGA)	RL	North (Local)	East (Local)	From	To	Length (m)	Au g/t	Grams x metres
WRC001	RC	7,694,164	664,763	87.57	39,910	21,758	0.0	2.0	2.0	7.32	15
WRC006	RC	7,694,273	664,885	85.09	39,909	21,922	9.0	10.0	1.0	37.10	37
WRC043D	DDH	7,694,304	664,799	85.18	39,990	21,879	187.3	191.4	4.1	11.01	45
WRC046	RC	7,694,195	664,799	86.28	39,909	21,805	1.0	16.0	15.0	8.22	123
WRC069D	DDH	7,694,205	664,865	85.38	39,872	21,861	64.0	75.0	11.0	9.18	101
WRC070	RC	7,694,205	664,810	86.03	39,909	21,821	8.0	32.0	24.0	6.19	148
WRC078	RC	7,694,131	664,768	87.93	39,882	21,740	51.0	54.0	3.0	6.46	19
WRC105	RC	7,694,617	665,138	84.85	39,994	22,340	24.0	28.0	4.0	26.95	108
WRC137	RC	7,694,218	664,824	85.56	39,910	21,840	12.0	18.0	6.0	6.40	38
WRC155D	DDH	7,694,215	664,937	85.26	39,831	21,921	127.0	129.0	2.0	166.57	333
WRC158D	DDH	7,694,201	664,922	85.43	39,831	21,901	123.0	128.0	5.0	6.90	34
WRC164	RC	7,694,117	664,782	86.87	39,862	21,741	82.0	84.0	2.0	7.76	16

All holes have been previously reported and are included in the Wingina Well JORC 2012 Mineral Resource Estimate



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Conceptual Gold Mining Study

The Company considers the Turner River Project has been overlooked for many years. At the current gold prices the project represents an excellent development opportunity particularly as it is already 100% owned by De Grey. Previous mining studies provide strong support for at least a simple oxide open pit mining strategy. Additional planned drilling could show that an underground mining extension may be possible. This may extend the proposed minelife significantly.

Positive mining and processing characteristics defined in this 2009 study and subsequent programmes include:

- Mineralisation from surface and continuous at depth
- Large (up to 40m wide) mineralised envelope
- High grade shoots up to 10m true width
- Gold is fine grained 3-10micron
- Gold is free milling
- Carbon in Leach (CIL) recovery of ~93%
- Low reagent consumptions
- Easy grind of oxide material
- Excellent local mining infrastructure
- ~50km to Port Hedland with port facilities
- 3km to sealed highway and 10km to gas pipeline

Gold – Future Plans

The immediate focus will be at Wingina, to determine if the three high grade shoots extend at depth into the fresh bedrock, and whether they have sufficient grade and tonnes to support economic underground mining via a decline below the proposed open pit.

Selected drilling is planned to test the extensions of these shoots and to determine the grade and width of mineralisation in the fresh bedrock. Additional drilling is also being considered for further metallurgical testwork and geotechnical studies.

Should the results be positive, then the Company intends to fast-track efforts toward undertaking an updated scoping study.

Such an upgraded mining study is anticipated to consider two standalone mining options:

1. a standalone centralised CIL processing plant with ore supplied from a staged initial oxide open pit at Wingina Well (which is already drilled out and includes measured and indicated category) progressing to



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selective underground mining of the higher grade plunging shoot(s) at Wingina Well, supplemented with low grade stock piles and various nearby satellite open pits within a radius of 25km trucking distance.

2. A standalone centralised processing plant with ore supplied from Wingina Well and various nearby satellite open pits within a radius of 25km trucking distance.

Pegmatite potential

During the period, the project review highlighted the potential for pegmatite mineralisation within the Turner River Project. The potential for pegmatite mineralisation on the tenements has received very little attention in the past even though the project is located immediately along strike to the south west of the Tabba Tabba tantalum mine and approximately 70km north of the Pilbara Minerals and Altura “Pilganoora” lithium-tantalum deposits.

Subsequent to the period, on the 18 April 2016, the company announced it had just completed and dispatched initial first pass reconnaissance rock chip and stream sediment sampling throughout the eastern half of E45/2355.

The sampling focussed on the eastern half of the tenement where historic stream sediment sampling (Fig 3) has defined a north east trending zone of anomalous tantalum results. This programme has confirmed the presence of a number of poorly outcropping pegmatites within the margin of the granites bordering the greenstone belt and to a lesser extent within the greenstone belt itself.

All samples have been dispatched to the laboratory with all assay results pending. These will be reported when finalised.

Sands Royalty

De Grey royalty revenues of \$4,878 for the current quarter and expected to be received on or before 30 April 2016.

The December 2015 royalty of \$2,350 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 \$1.44 Million.



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Table 2: Tenement Holdings and Movements

Schedule of Mining Tenements and Beneficial Interests

Held as at the end of the March 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	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%

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 March 2016 Quarter

Project/Location	Country	Tenement	Granted Date
Nil			

Schedule of Mining Tenements and Beneficial Interests

Disposed of during the March 2016 Quarter

Project/Location	Country	Tenement	Withdrawal Date
Nil			