

DE GREY MINING LTD

The Bold Explorer

QUARTERLY REPORT

FOR THE QUARTER ENDING 30 JUNE 2009

ASX CODE: DEG

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Highlights

Turner River (gold, base metals)

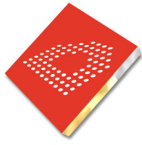
- Commencement of first-pass estimates of capital costs for a suitably sized CIL processing plant and associated infrastructure for development of the Wingina gold deposit.
- Negotiations with potential farm-in partners to fund substantial drilling of Orchard Well VMS base metals targets.

Pilbara Iron Assets (iron ore)

- Results of the second phase of RC drilling on the Beyondie Iron JV, along with a maiden Inferred Resource of **127Mt @ 28.15% Fe**, reported by Emergent Resources. The Inferred Resource is limited to portions of the 11km strike length drilled to date, which Emergent predicts to contain Target Mineralisation of **500-600Mt @ 25-30% Fe**. De Grey retains 20% free carried interest to decision to mine.
- On 16 July, Atlas Iron Limited served notice of its intention to exercise its option to purchase rights to iron ore at Mt Dove. De Grey elected to receive the purchase consideration as **\$650,000 cash**.
- Reprocessing of aeromagnetic data over Fortescue Island Project indicates enhanced potential for bedrock iron mineralisation hosted by Brockman Iron Formation.
- "Iron Ballot" EL granted.

Corporate

- De Grey's funding position remains strong with a cash balance at the end of the Quarter of A\$2.86M.
- A large number of new minerals and energy project opportunities reviewed during the Quarter and several WA opportunities secured by pegging. The Company continues to seek good quality exploration assets.



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TURNER RIVER PROJECT

Wingina Well Gold Deposit

As previously reported, desktop economic evaluations of the Wingina Well gold resource (Table 1) indicate that at gold prices above about A\$1400/oz, Wingina may support a mining operation producing 20,000-25,000 ounces of gold per annum for 3-4 years.

An engineering consultant was retained during the Quarter to compile first-pass estimates of capital costs associated with pulling down, transport and re-erecting of a suitably sized CIL process plant, along with estimates of selected other capital cost items such as establishment of a tailings storage facility and process water supply.

Environmental consultants were also approached to establish scopes of work and costings for environmental baseline studies.

A review of data from previous exploration over the broader Turner River area was undertaken to firm up exploration targets for follow-up during the 2009 field season.

Orchard Well VMS Base Metals

The Company received approaches from parties expressing interest in earn-in joint ventures over the eastern portion of the Turner River Project. De Grey has emphasised its desire to see any incoming partner fund a substantial program of drilling to definitively test the potential of the prospective VMS horizon that extends over 25km at Orchard Well. Discussions continue.

PILBARA IRON ASSETS

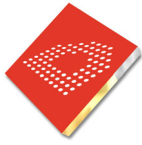
Beyondie Iron

In May 2008 De Grey entered into a joint venture with Emergent Resources Limited to explore for iron ore and related minerals over a portion of De Grey's Beyondie Project. De Grey retains a 20% free-carried interest through to decision to mine, with Emergent managing exploration during the earn-in period. To date Emergent has undertaken a detailed aeromagnetic survey over the prospective area of the joint venture and completed two programs of RC drilling on traverses spaced at between 400m and 1.5km apart over approximately 11km strike length (Figure 2).

On the 14th July 2009 Emergent reported a maiden estimate of Inferred Resources of 127Mt @ 28.15% Fe¹ in magnetite-hosted iron mineralisation. De Grey understands that estimated resources have been constrained to maximum strike distances of 200m from presently available drill intercepts. In a separate announcement on the same date, Emergent reported an estimate, supported by aeromagnetic data, of Target Mineralisation of 500-600Mt @ 25-30% Fe² over the 11km strike length drilled to date. Conversion of the Target Mineralisation to resources requires additional drilling which Emergent advises it intends to commence in late July.

¹ Refer to Emergent Resources Limited ASX announcement "Emergent Confirms Maiden 127Mt JORC Resource at Beyondie Iron Project" dated 14 July 2009

² Refer to Emergent Resources Limited ASX announcement "Target Mineralisation Ranging Between 500-600Mt Confirmed at Beyondie Iron Project" dated 14 July 2009



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The 11km strike length containing the Target Mineralisation represents only about one quarter of the total 45km prospective strike length indicated by aeromagnetics.

Emergent advise that they are progressing a desk-top pre-scoping study that will include investigation of metallurgy, process and engineering aspects of the project.

Mount Dove

By mutual agreement, the option-to-purchase agreement with Atlas Iron Limited was extended by one month to expire on 17 July 2009.

On 19 June 2009 Atlas announced drill intercepts from Mt Dove and concluded that their “results indicate an exploration target of 2 to 3 million tonnes of DSO at 57% to 60% iron within the target areas drilled to date”³.

On 16 July 2009 Atlas served notice of their intention to exercise the option-to-purchase and De Grey elected to accept the purchase consideration as \$650,000 cash. The purchase is scheduled to close on 27 July 2009. De Grey retains a 1% gross value royalty on future iron ore production from the area. De Grey also retains rights to all other minerals within the Mt Dove exploration licence.

Fortescue Island Iron

The Fortescue Island Iron Project covers 1,279km² in shallow waters (predominantly less than 20 metres deep) approximately 70km west-southwest of the iron ore port of Dampier. The area is located less than 15km from the Balmoral South Magnetite Project (Australasian Resources) and the Sino Iron Project (Citic Resources Pacific) at Cape Preston (Figure 3).

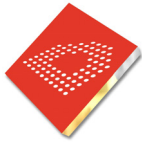
Reprocessing of public domain aeromagnetic data has indicated reduced potential for detrital deposits of iron minerals but has more clearly indicated the potential for bedrock iron resources hosted by the seaward extensions of the Brockman Iron Formation, the unit that hosts the extensive Balmoral deposit which reportedly has potential to host 60 to 100 billion tonnes of mineralisation with a grade of 30-31% Fe⁴.

The reprocessed aeromagnetic data clearly highlight potential for the Fortescue Island tenements to contain a greater cumulative strike length of Brockman Iron Formation than that which hosts the known Balmoral mineralisation.

De Grey retains the right to purchase a majority interest in the area from Geotech International Pty Ltd under an option-to-purchase agreement dated September 2008. Exploration will commence upon the grant of the ELAs.

³ Refer to Atlas Iron Limited ASX announcement “Continued North Pilbara Exploration Success” dated 19 June 2009

⁴ According to section 18 of the JORC Code – reported by Hellman & Schofield Pty Ltd Oct 2005



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Iron Ballot Tenement

De Grey was awarded first priority to application E45/3188 in a ballot of eight applicants in April 2008. The application covers a strike length of approximately 1.6km of a known channel iron deposit (CID) that straddles the Great Northern Highway.

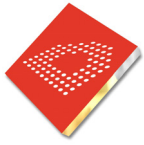
The exploration licence was granted in May 2009 and initial field assessment of the area is planned for the coming quarter.

PATERSON PROJECT

The Paterson area of Western Australia is well endowed with gold, copper and uranium deposits that include the Telfer gold mine, Nifty copper mine, Kintyre uranium deposit and Maroochydore copper deposit.

Utilising the results of a regional airborne electromagnetic (AEM) survey by Geoscience Australia, released in March 2009, De Grey applied for exploration licences over 2,100km² of ground prospective for gold and base metals.

The June Quarter saw further compilation of information from historic exploration to refine areas to initially target, along with commencement of negotiations with Native Title parties to seek access permissions.



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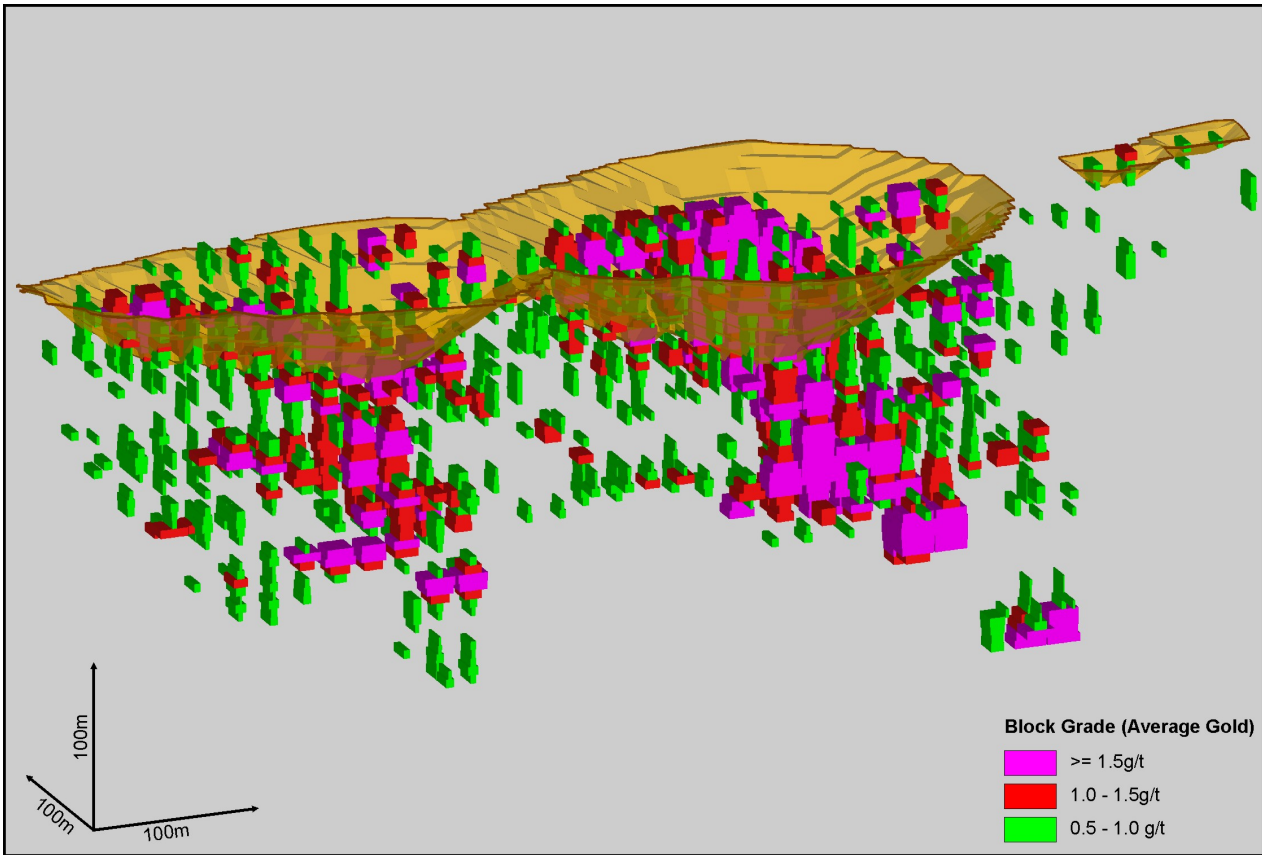


Figure 1: Wingina Well Gold Deposit resource block model and A\$1400 per ounce pit shell

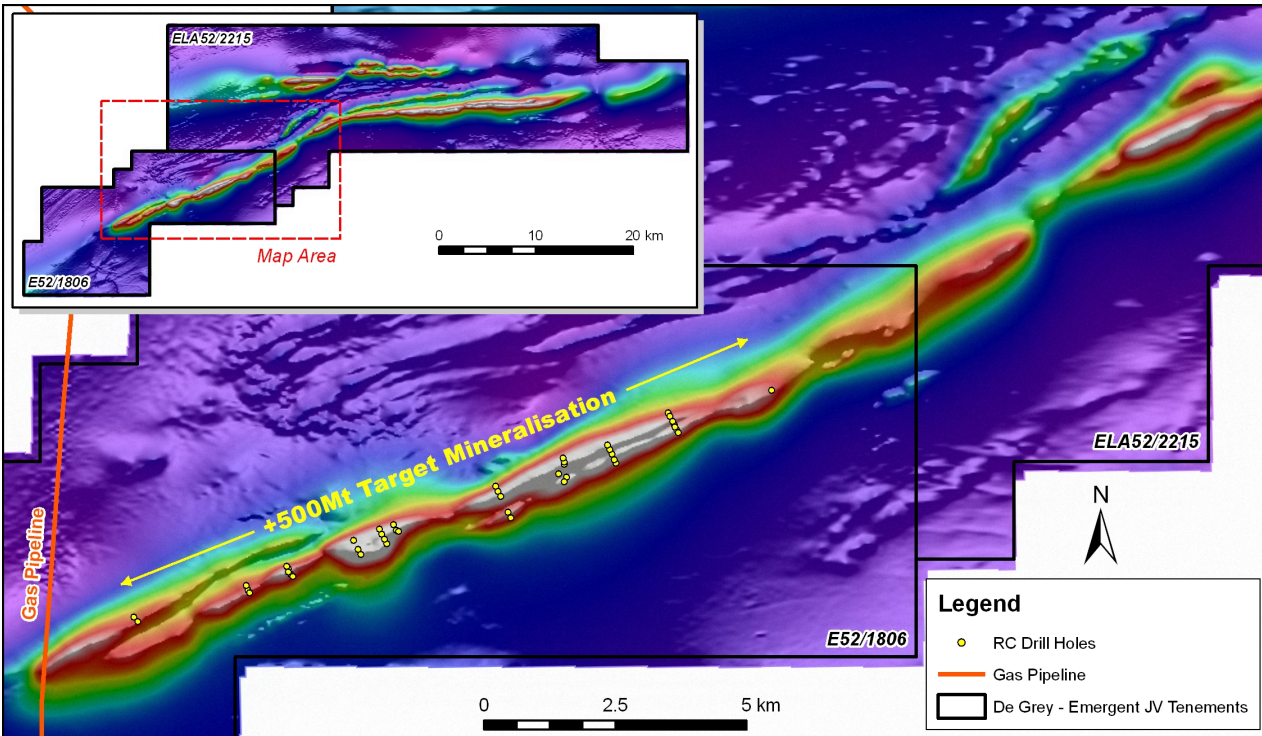
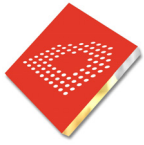


Figure 2: Beyondie Magnetite Iron joint venture Aeromagnetics: Inferred Resource 127Mt @ 28% Fe, +500Mt near-term Target Mineralisation



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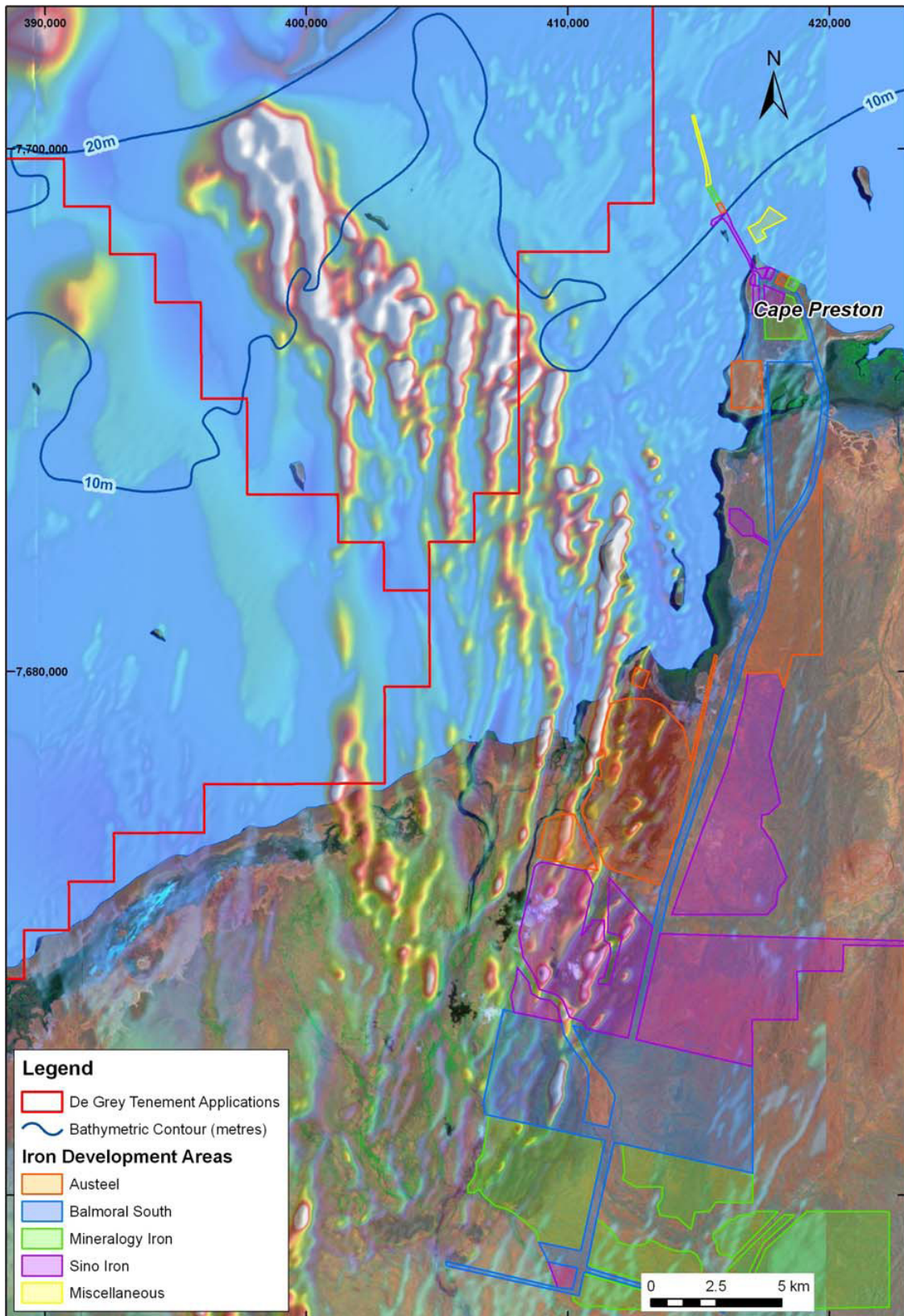


Figure 3: Magnetite iron targets in the Fortescue Island Project and Cape Preston/Balmoral proposed development areas



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TABLE 1 – WINGINA WELL RESOURCE ESTIMATE

JORC Resource Category	Cut off Grade g/t	Tonnes	Grade (g/t Au)	Ounces Gold
Measured	0.5	2,141,700	1.97	135,500
Indicated	0.5	534,500	1.60	27,400
Inferred	0.5	768,200	1.63	40,400
Total	0.5	3,444,400	1.84	203,300

First released 29th October 2004

The information in the report to which this statement is attached that relates to Mineralisation is based on information compiled by Mr David Hammond, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Hammond has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 JORC Code Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hammond consents to the inclusion in the 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 Steve Hyland who is a member of the Australasian Institute of Mining and Metallurgy. Steve Hyland is a full time employee of Ravensgate. Mr Steve Hyland has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hyland consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.