



De Grey Mining Ltd

A.B.N. 65 094 206 292

The Bold Explorer

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ASX/MEDIA RELEASE

SALE OF DE GREY'S INTEREST IN BEYONDIE IRON JV

De Grey Mining Limited (De Grey or the Company, ASX code: DEG) is pleased to advise that it has entered into a sale and purchase agreement with Emergent Resources Limited (Emergent, ASX code EMG) relating to the Company's interest in the Beyondie Iron Ore Joint Venture.

Key Points

- **Cash sale of De Grey's right to 20% free carried interest in the Beyondie Iron Ore Joint Venture.**
- **Cash payment of \$4.5 million at completion plus deferred payments totalling \$2.25 million plus interest.**
- **Completion dependent on Emergent's proposed issue of shares and options to China Metallurgical Investment Co Ltd, which in turn is dependent on approvals by Emergent shareholders and Foreign Investment Review Board.**
- **Upon completion De Grey will be very well funded to pursue its corporate strategies with over \$7 million cash.**

For further information:

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Background

In February 2008 De Grey entered into a farm-in and joint venture agreement with Emergent Resources Limited (Emergent) under which Emergent could earn up to 80% interest in iron ore and associated minerals on exploration licence E52/1806 and exploration licence application ELA52/2215 (the Project). Those tenements comprise part of De Grey's Beyondie Project located in the northern region of Western Australia's Mid-west Iron Ore Province.

Under the terms of that agreement, Emergent could earn an initial 60% interest in the Project by sole funding \$750,000 exploration expenditure and a further 20% interest by sole funding a further \$1 million expenditure, after which De Grey retains 20% free carried interest to a decision to mine. The effective commencement date of the first earning period was 10 November 2008 and on 21 July 2009 Emergent served notice that it had satisfied the requirements of its Stage 1 earn-in and had therefore moved to 60% interest in the Project.

Emergent has since continued to sole fund a substantial exploration program at Beyondie and De Grey understands that Emergent is close to fulfilling the second-stage earn-in expenditure. Readers are referred to Emergent's ASX releases concerning ongoing exploration results at the Project.

In July 2009 Emergent announced that it had entered into a non-binding Memorandum of Understanding (MOU) with China Metallurgical Investment Co Ltd (CMIC). The MOU provides for establishment of a 50:50 Development Joint Venture and provision of \$200M funding toward to establishment of mining operations at the Project. The MOU also provides for a placement of Emergent shares and options to CMIC to raise approximately \$5 million as additional working capital for Emergent. Execution of an agreement is subject to CMIC's satisfactory due diligence. Readers are referred to Emergent's ASX release dated 3 July 2009 for further details.

Proposed Sale and Purchase Agreement

De Grey has entered into a Sale and Purchase Agreement (the Agreement) with Emergent over De Grey's 20% free carried interest to decision to mine in the Beyondie Iron Ore Joint Venture.

Key terms are:

- The Agreement completes when Emergent shareholders approve the proposed issue of Emergent shares and options pursuant to the establishment of the Development Joint Venture with CMIC and CMIC's investment is approved by the Australian Foreign Investment Review Board (FIRB).
- Emergent to pay \$4.5 million to De Grey within 30 days of the Agreement completing.
- Upon commencement of commercial operations at the Project, Emergent to pay a further \$2.25 million plus interest, payment to be by quarterly instalments comprising 10% of Emergent's actual or deemed share of the Development Joint Venture's net revenue. Interest accrues at RBA benchmark rate plus 1.5% from the date upon which the Sale and Purchase agreement completes until the date upon which the debt to De Grey is extinguished.

- In the event of default by Emergent, the further payment plus accrued interest is secured by a right for De Grey to convert the amount owing to an issue of Emergent shares to the value of the debt outstanding, with the number of Emergent shares to be issued to De Grey calculated as 80% of Emergent's volume-weighted average share price in the ten trading days preceding conversion. Emergent retains the right to alternatively remedy the default prior to De Grey's notice of its intention to convert.
- The further payment plus accrued interest becomes due and payable should Emergent's interest in the Project fall below 25% or should Emergent be removed from the official list of the ASX.
- The Beyondie Iron Ore Farm-in Agreement terminates at completion of the Sale and Purchase agreement.
- Title to the Project tenements is to pass to Emergent with De Grey retaining rights to all non-iron ore minerals.

The directors of De Grey Mining regard the transaction as enabling Emergent to complete its transaction with CMIC at the same time providing funding for De Grey's ongoing exploration and assessment of project opportunities without the need to further dilute existing shareholders in the immediate future.