

DE GREY MINING LTD

The Bold Explorer

QUARTERLY REPORT

FOR THE QUARTER ENDING 31 DECEMBER 2009

ASX CODE: DEG

Shares on Issue

225,112,350

Board of Directors

*Campbell Ansell
Chairman*

*Gary Brabham
Managing Director*

Darren Townsend

Company Secretary

Dennis Wilkins

Exploration Manager

Dave Hammond

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Highlights

Turner River (gold, base metals)

- Proposed gold and base metals exploration programs and budgets provided to farm-in partner HJH for approval.
- Detailed topographic survey completed over Wingina Well gold deposit and surrounds, retained 100% by De Grey, to provide information for mine planning.

Pilbara Iron Assets (iron ore)

- De Grey to receive \$4.5 million, plus \$2.25 million in future contingent payments, for sale of its 20% interest in Beyondie magnetite iron ore project to Emergent Resources Limited. De Grey retains rights to all non-iron ore minerals.

Paterson Project (uranium, base metals)

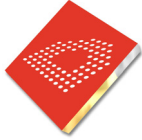
- Continued compilation of historic exploration results, combined with newly released airborne EM data, confirms potential for Kintyre-style uranium mineralisation and also for copper targets in covered areas not targeted by previous explorers.

Queensland Projects (gold, base metals)

- Application lodged for "Cattle Creek" EPM, an additional 13km² of ground covering other geophysical targets near to the Apex Magnetic Complex, in the Cloncurry region.

Corporate

- De Grey remains well funded, with \$3 million cash at the end of the December quarter. The Company continues to assess numerous new project opportunities, seeking high quality exploration assets.



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TURNER RIVER PROJECT

Turner River Farm-out Agreements

On 14 August De Grey announced that it has entered into binding letter agreements with HJH Nominees Pty Ltd (**HJH**) over the Company's Turner River gold and base metals exploration projects, excluding the Wingina Well gold resource, under which HJH may earn up to 75% interest in each project. HJH is an unlisted Australian company partly funded by Chinese investors.

Under the gold farm-in agreement, HJH may earn 75% interest by sole funding exploration expenditure of \$2.5 million over 4 years and must fund a minimum commitment of \$1 million over the first 2 years prior to withdrawal. Upon HJH earning its interest, a joint venture will be formed and De Grey's 25% interest will be free carried to a decision to mine.

Similarly, under the base metals agreement, HJH may earn 75% interest by sole funding exploration expenditure of \$2 million over 4 years and must fund a minimum commitment of \$700,000 over the first 2 years prior to withdrawal. Should HJH complete its earn-in, a joint venture will be formed and De Grey's 25% interest will be free carried to a decision to mine.

Terms of each of the farm-ins specify that at least 70% of expenditure must be on drilling and associated works. De Grey is to manage exploration for the first 12 months of both farm-ins, in return for which the Company is to receive a management fee comprising 15% of exploration expenditure.

Proposed work programs and budgets have been provided to HJH for its approval and exploration is expected to commence in the upcoming Pilbara field season.

Wingina Well Gold Deposit

De Grey retains all rights to the Wingina Well gold deposit and a surrounding 1km x 2.5km area.

As previously reported, preliminary economic evaluations of the Wingina Well gold deposit indicate that at gold prices above about A\$1,400/oz, Wingina may support a mining operation producing 20,000-25,000 ounces of gold per annum for 3-4 years.

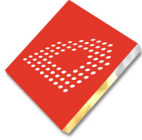
In the December Quarter, a detailed topographic survey was carried out to provide information for mine layout and hydrological purposes in preparation for mine planning. Environmental consultants have been approached to establish scopes of work and cost estimates for environmental baseline studies.

PILBARA IRON ASSETS

Beyondie Iron

On 2 October, De Grey entered into a Sale and Purchase Agreement with Emergent Resources Limited under which Emergent will purchase De Grey's 20% free carried interest to decision to mine in the Beyondie Iron Ore Joint Venture, comprising exploration licence E52/1806 and exploration licence application E52/2215.

Under that agreement, De Grey is to receive \$4.5 million at completion plus \$2.25 million, plus interest, in future payments after commencement of commercial production at the project. Completion is dependent upon Emergent's proposed issue of shares and options to China Metallurgical Investment



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Co Ltd (CMIC), which in turn is dependent on approval by the Foreign Investment Review Board, and must occur by 31 March 2010 unless otherwise agreed by De Grey and Emergent.

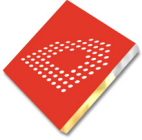
De Grey retains the rights to all non-iron ore minerals on the 841km² covered by the two tenements.

Fortescue Island Iron

The Fortescue Island Iron Project is located 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.

Interpretations of reprocessed aeromagnetic data reduced the perceived potential for detrital iron mineralisation but emphasized the potential for very large resources of bedrock magnetite iron. In the December Quarter the exploration licence application comprising the project was reduced to 378km² in order to optimize future exploration expenditure obligations whilst retaining coverage of the primary resource target area.

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 ELA.



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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, De Grey applied for exploration licences over 2,100km² of ground in this frontier exploration region to the south of Rudall River national park prospective for uranium and base metals.

A large amount of exploration data is available from work by previous explorers in the 1980's and early 1990's and De Grey continues to compile a digital database for the region. Compilation work is initially being concentrated on two areas where previous exploration and geology highlight the potential for uranium (Figure 1) and base metal mineralisation. These two target areas represent the continuation of prospective stratigraphy under shallow cover and have not been drill tested. They will be the focus of initial exploration programs that will commence once current negotiations with Native Title parties to seek access are concluded.

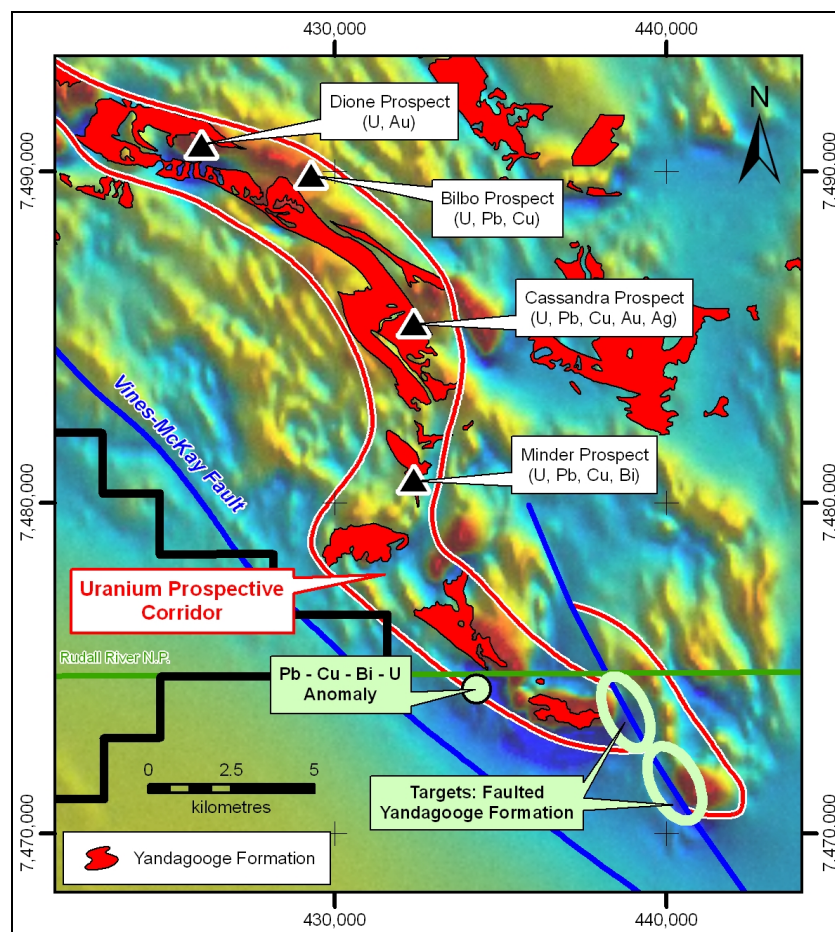
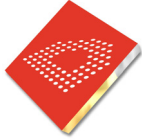


Figure 1: Uranium exploration targets in the Paterson Project



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QUEENSLAND PROJECTS

Apex Project Farm-in

In September De Grey announced that it has entered into a non-binding letter agreement with Teck Australia Pty Ltd (**Teck**) under which the De Grey can earn 100% interest in EPM14142, located north of Cloncurry in Northwest Queensland (Figure 2). De Grey may earn 100% interest in the project by sole funding \$2 million exploration expenditures over 4 years, including a commitment to spend \$250,000 in the first year, with Teck retaining a 1% NSR royalty. Teck retains the right to earn back to 70% interest by incurring a significant premium on De Grey's expenditures at any time up until De Grey has spent \$7.5 million.

EPM14142 covers a geophysical feature informally called the Apex Magnetic Complex, located 55 kilometres north of Xstrata's Ernest Henry copper-gold mine and 90 kilometres south of Falcon Minerals/Anglogold Ashanti's Saxby project, in the covered northern extension of the Eastern Succession of the Mount Isa Inlier.

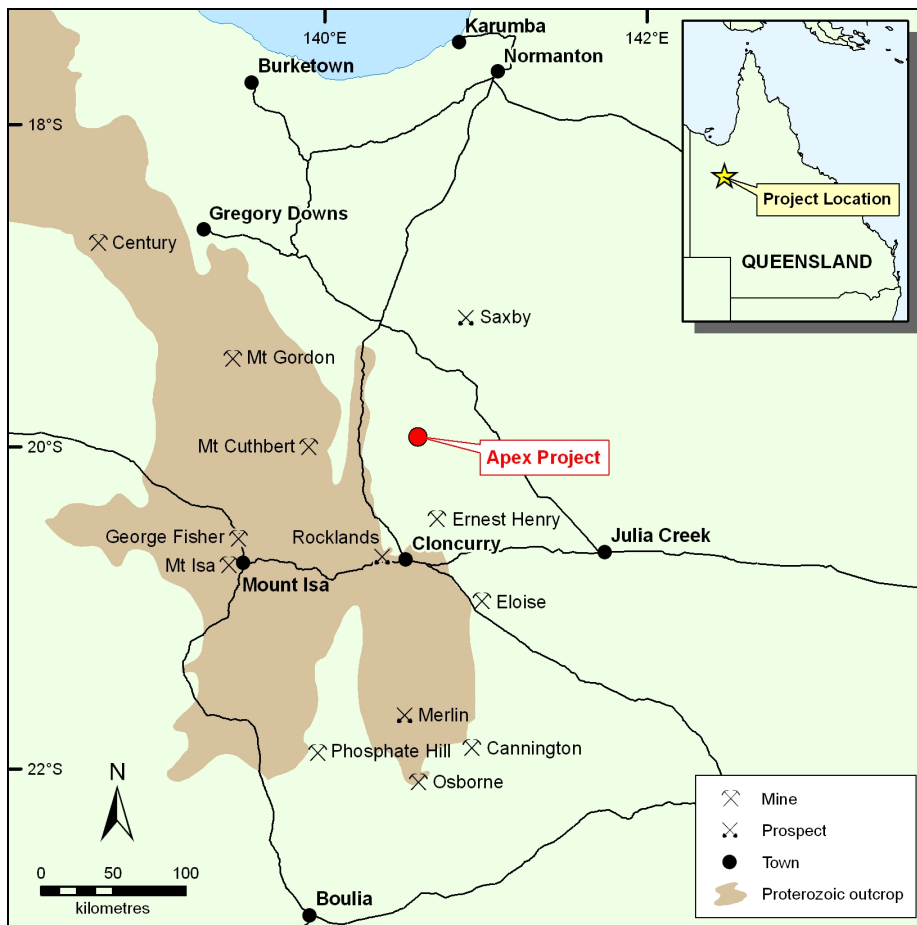
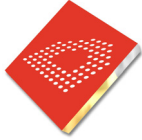


Figure 2: Apex Project location map



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The magnetic signature at Apex is similar to that at Ernest Henry and occurs in an area of structural complexity immediately adjacent to the intersection of major, terrain-bounding structures. The high-amplitude magnetic anomaly is thought to be due to magnetite associated with an IOCG-style alteration system or, alternatively, a mafic intrusive complex similar to that which hosts nickel-copper intercepts reported by Falcon Minerals at their Saxby Project.

The Apex Magnetic Complex has never been drilled. Based on the nearest drilling to basement, about 10 kilometres from Apex, prospective Proterozoic rocks are thought to be overlain by about 250 metres of flat-lying Cretaceous rocks and recent cover.

A detailed gravity survey has been planned to commence at Apex as soon as possible after the formal agreement with Teck is executed and the Queensland Department of Mines and Energy confirms extension of term of the EPM.

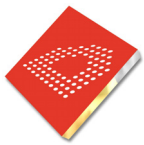
Jacky's Creek and Cattle Creek

In September 2009, De Grey lodged an application for 145km² of ground surrounding the Apex EPM. EPM18296, "Jacky's Creek", covers several discrete geophysical features that may represent alteration associated with IOCG-style copper-gold mineralisation.

Additionally, in November 2009 De Grey applied for EPM18372, "Cattle Creek", to cover a further 13km² of ground contiguous with Jacky's Creek (Figures 3 and 4).

Exploration at Jacky's Creek and Cattle Creek will commence upon grant of the EPMs.

The information in the report to which this statement is attached that relates to Exploration Results 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



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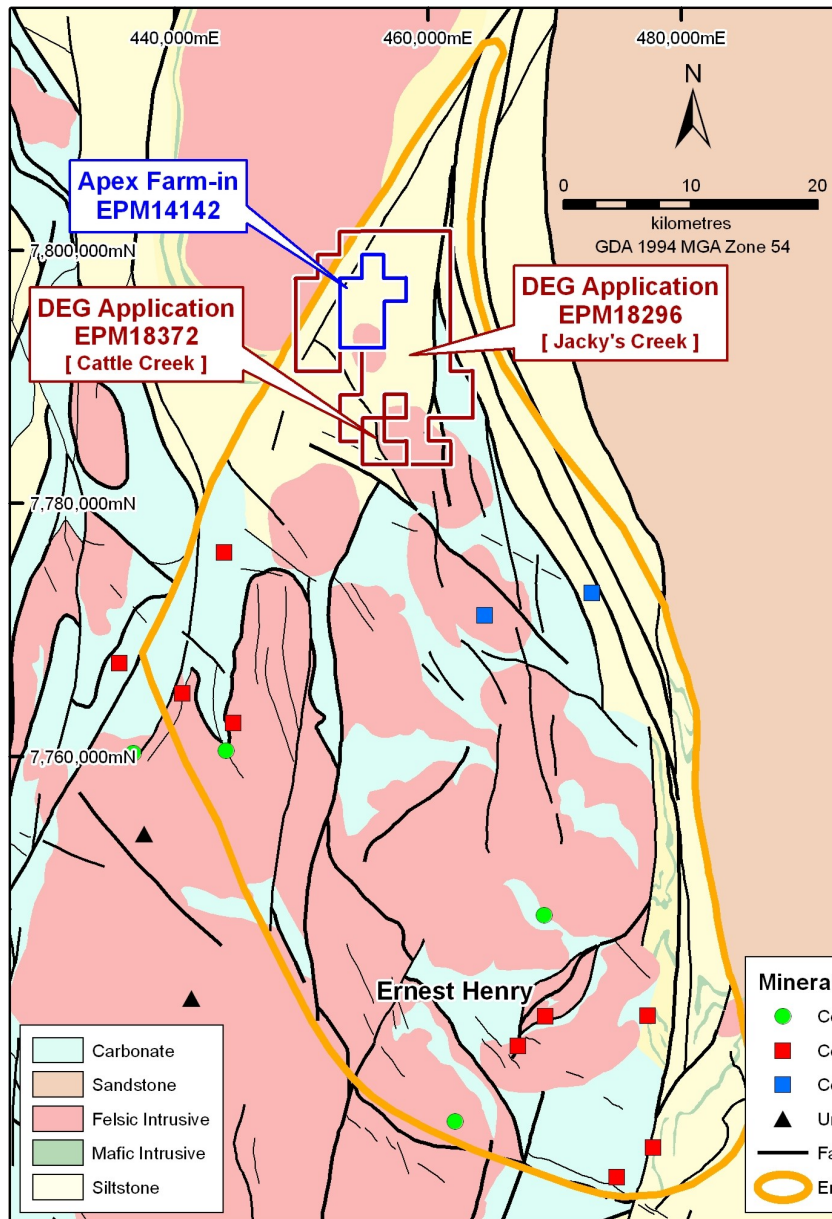


Figure 3: Regional geology and mineral occurrences, Ernest Henry terrain

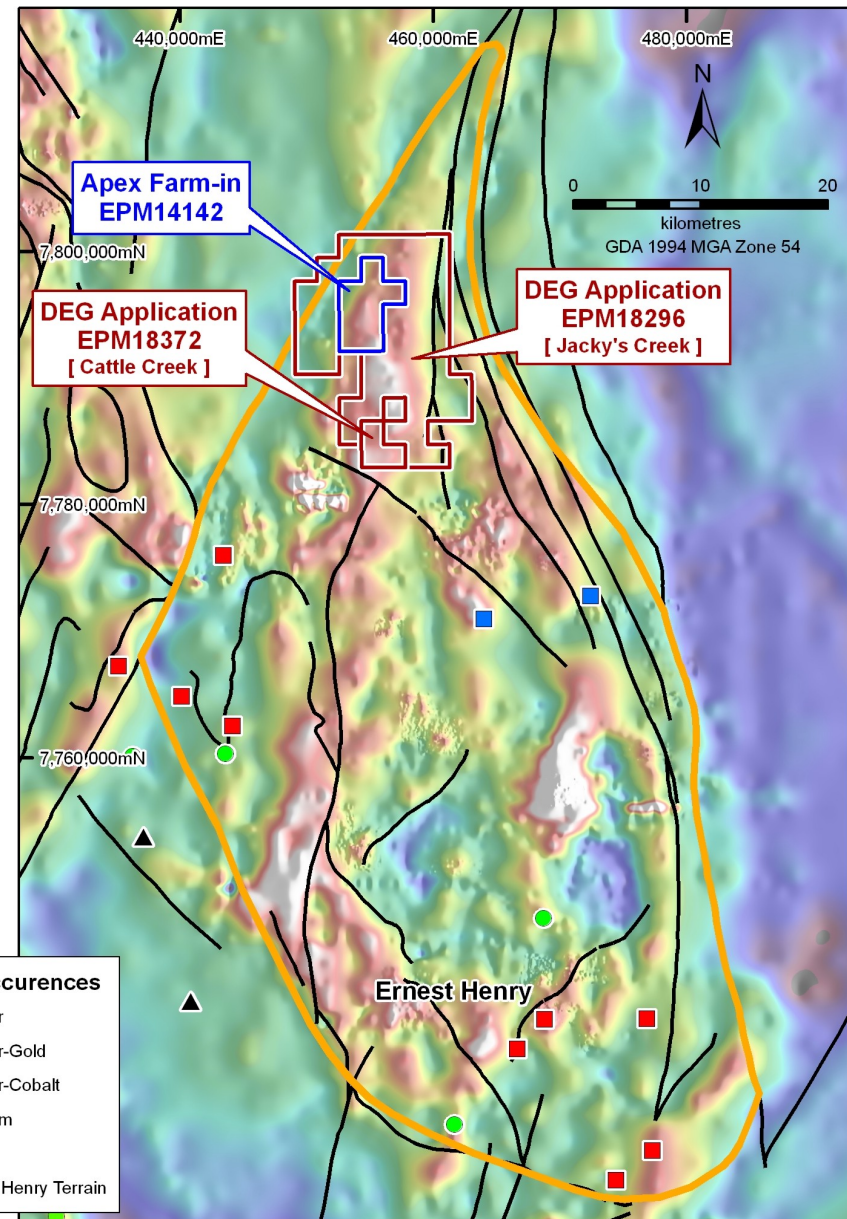


Figure 4: Regional aeromagnetics, Ernest Henry terrain