

De Grey Mining Ltd

A.B.N. 65 094 206 292

2 February 2012

ASX/MEDIA RELEASE

CAPITAL RAISING TO FUND FIRST ARGENTINA DRILL CAMPAIGN AND ONGOING GOLD EXPLORATION

De Grey Mining Limited (**De Grey** or the **Company**) is pleased to announce that it has entered into a Mandate appointing Patersons Securities Limited as Lead Manager in respect of a private placement and Lead Manager and Underwriter of a pro-rata, non-renounceable entitlements issue to raise a combined total of up to approximately \$2,485,079 to fund the Company's precious metals exploration in Argentina.

De Grey's exploration to date in Argentina has rapidly outlined two zones of epithermal gold-silver mineralisation to drill-ready status and, subject to landowner access agreements and contractor availability, the Company proposes to drill those targets during the current field season. The Company is also maintaining very active exploration programs on its 3,750 sq km of ground holdings in Santa Cruz Province, a region that is yielding significant discoveries for competitor companies.

De Grey has also established a significant ground position of 1,420 sq km, similarly prospective for high-grade gold-silver mineralisation, in Rio Negro Province. Recent changes to the mining law in Rio Negro have added substantial value to that project and the Company proposes to accelerate exploration on the Rio Negro properties.

The Company also continues to review new project opportunities in Argentina and elsewhere.

De Grey Managing Director Gary Brabham commented: *"We have built a great exploration team in Argentina, secured significant ground positions in very prospective terranes and we look forward to commencing drilling and increasing the pace of our Santa Cruz and Rio Negro programs."*

For further information:

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PROPOSED ARGENTINA DRILL PROGRAMS

Sierra Morena

Geological mapping, soil geochemistry and rock chip sampling on Sierra Morena project have outlined an area of vein-hosted epithermal gold-silver mineralisation at the Vein Breccia prospect. Metal ratios, the accompanying trace element suite and vein textures are consistent with the upper levels of a low-sulphidation system with potential for higher precious metals grades at depth. First pass drill holes (Figure 1) are proposed to test mapped structures and peak geochemical values over approximately 500 metres strike length.

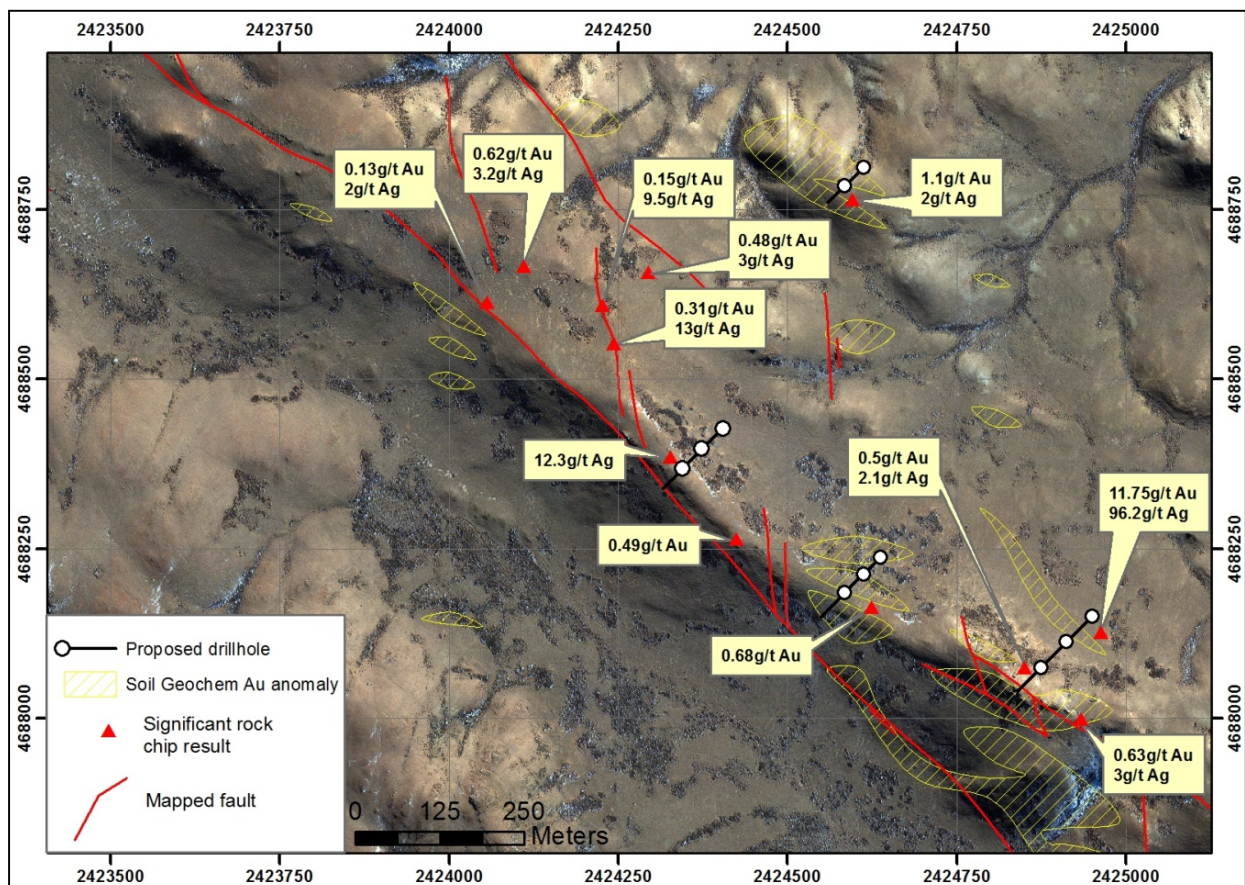


Figure 1: Proposed initial drill holes, Sierra Morena project¹

Pachi

At Pachi, geological mapping and surface sampling have defined a structure hosting silver-gold mineralisation exposed over 400 metres strike length. Surface rock chip samples returned assays of up to **60.7g/t Ag and 123ppb Au**, significant in the context of exploring for subtle surface expressions of low-sulphidation epithermal gold-silver mineralisation. Mineralisation may extend along strike, where extensions of the structure are obscured by colluvium.

¹ Refer to ASX release dated 8 December 2011 for rock chip sample locations and assays

An initial drill program has been designed to test the central portion of the Pachi target to approximately 100 metres vertical depth (Figure 2).

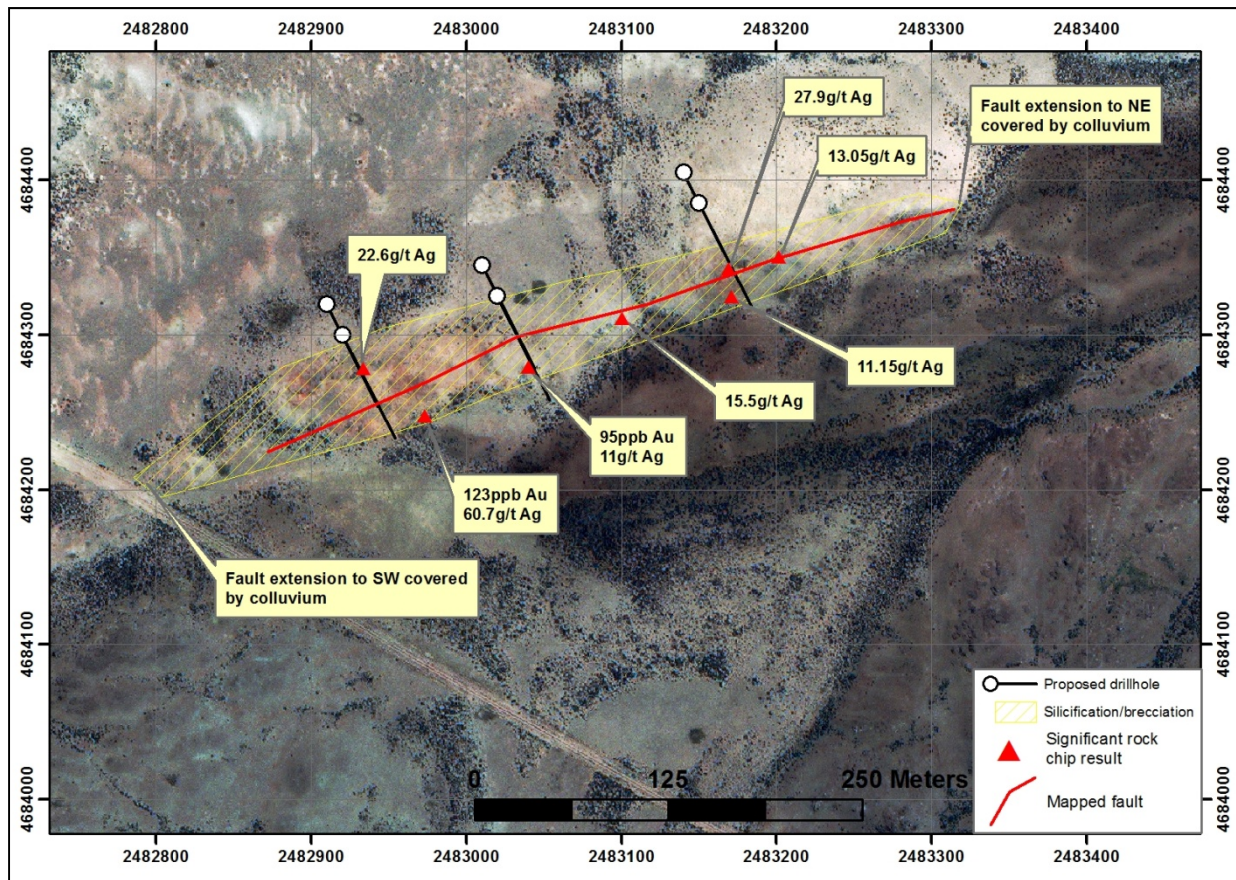


Figure 2: Proposed initial drill holes, Pachi project²

² Refer to ASX release dated 11 January 2012 for rock chip sample locations and assays

PRIVATE PLACEMENT AND PRO RATA NON-RENOUNCEABLE ENTITLEMENT OFFER

Private Placement

The Company is undertaking a placement to sophisticated investors eligible under section 708 of the Corporations Act 2001 (Cth) for up to 38,829,352 fully paid ordinary shares (being 15% of the Company's issued share capital) at \$0.018 each (**Placement**).

Settlement of the Placement is expected to occur on or around 3 February 2012.

Non-Renounceable Entitlement Offer

Following completion of the Placement, the Company will be conducting a pro-rata non-renounceable entitlement offer of up to 99,230,567 fully paid ordinary shares in the Company (assuming none of the options currently on issue in the Company are exercised prior to the record date) at \$0.018 each (**New Shares**) on the basis of one (1) New Share for every three (3) shares held on the record date (**Entitlement Offer**).

New Shares issued under the Entitlement Offer will rank equally with existing Shares on issue and the Company will apply for official quotation of the New Shares. An Appendix 3B accompanies this announcement.

The terms and conditions of the Lead Manager's appointment as underwriter to the Entitlement Offer are currently being negotiated and details will be provided once a formal underwriting agreement has been entered into.

The Entitlement Offer will be made available to eligible shareholders under the cover of a prospectus which will include a personalised entitlement and acceptance form for each shareholder (**Prospectus**). The Prospectus will provide further details on how to participate in the Entitlement Offer and will be dispatched to shareholders in accordance with the timetable set out below.

Use of Proceeds from Placement and Entitlement Offer

The Placement and Entitlement Offer will raise approximately \$2,485,079.

It is intended that funds raised will be used to:

- fund ongoing exploration in Argentina, including the Company's maiden drilling campaign in that country;
- pursue and evaluate additional project opportunities;
- fund general working capital; and
- pay the costs associated with the Placement and Entitlements Offer.

Indicative Entitlement Offer Timetable

Key dates for the Entitlement Offer are set out below. The dates are indicative only and the Company reserves the right to vary them in consultation with the Lead Manager and in accordance with the requirements of the ASX Listing Rules.

Event	Date
Announcement Lodge announcement	2 February 2012
Prospectus Lodge Prospectus with ASIC and ASX Lodge Appendix 3B with ASX	7 February 2012 (Prior to commencement of trading)
Ex Date	9 February 2012
Record Date The Company determines eligible shareholders	15 February 2012
Dispatch of Offer Document	21 February 2012
Opening Date The date upon which the Offer opens	21 February 2012
Closing Date The date on which the Entitlement Offer Closes. Applications must be received by 5.00pm (WST)	7 March 2012
Notification of Shortfall	13 March 2012
Allotment Date The date upon which the New Shares are allotted.	16 March 2012
Dispatch Date The date on which holding statements are sent to shareholders that have taken up their entitlement of New Shares.	16 March 2012
Share Trading Date The date upon which New Shares commence trading	19 March 2012

Notice to Option Holders

Existing option holders are not entitled to participate in the Entitlements Offer without first exercising their options. Pursuant to the ASX Listing Rules and the terms and conditions of the options, the Company is required to provide option holders with at least six (6) business days' notice before the record date, being 15 February 2012.

The information in this report that relates to exploration results is based on information compiled by Mr Glenn Martin, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Martin 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 Martin consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.