

De Grey Mining Ltd

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ASX/MEDIA RELEASE

EXPLORATION UPDATE

HIGHLIGHTS

- **CSAMT survey completed over SM6 and Vein Breccia Zone, multiple high priority targets identified for drill testing**
- **Site visit by industry expert confirms exploration model and methodology**
- **Visible gold and silver identified on surface at both SM6 and Vein Breccia Zone sampling at Vein Breccia Zone returns up to 15.85g/t Au from surface sample**

De Grey Mining Ltd (**ASX: DEG**) is pleased to provide an exploration update on recently completed field work within the Sierra Morena Project area.

During January and February 2013, a number of programmes were completed and the results of these programmes have further enhanced the prospectivity of the Sierra Morena project and successfully identified targets ahead of a proposed drill programme to commence in April this year.

Following the completion of eight holes at SM6 in December 2012, De Grey followed up with a site visit from a renowned industry expert to review the results of work to date completed at the SM6 and Vein Breccia Zone (VBZ) Prospects.

The subsequent report confirmed that **veining and mineralisation at SM6 and VBZ were typical of the upper levels of low sulphidation epithermal systems** and that the relatively low tenor of mineralisation intersected in the drilling was largely due to the target veins being hosted in the less competent Chon Aike Formation ignimbrites and not in more favourable competent units of the Chon Aike Formation at depth or the underlying andesites of the Bajo Pobre Formation.

The report also stated that there are “many instances of poorly mineralised surficial breccias developed within incompetent host rocks passing downwards to quality banded veins in underlying host rocks (Hishikari, Japan; El Penon, Chile; Mariana Vein at Acata, Peru).”

The report also confirmed crystalline hypogene kaolinite in the mapped acid sulphate cap at SM6, and this indicates **the cap represents the upper levels of an epithermal system, with significant potential evident at depth where ore shoots may have formed where the collapsing acid cap intersects feeder structures.**

The report posed possible settings for quality vein mineralisation at Sierra Morena including:

- “Competent host rocks, such as the welded tuff granoso unit which typically occurs at the base of the Chon Aike formation or the underlying Bajo Pobre andesite.
- Settings where rising ore fluids might mix with the low pH waters responsible for the formation of acid sulphate caps, promoting efficient gold deposition and elevated grades.
- Polymetallic Ag-Au mineralisation with Mn carbonate discernible at surface as MnO.”

The report concluded by recommending that work continue at Sierra Morena and that the proposed detailed mapping at 1:2000 scale and CSAMT survey was fitting as the next phase of the exploration cycle for the prospects reported on.

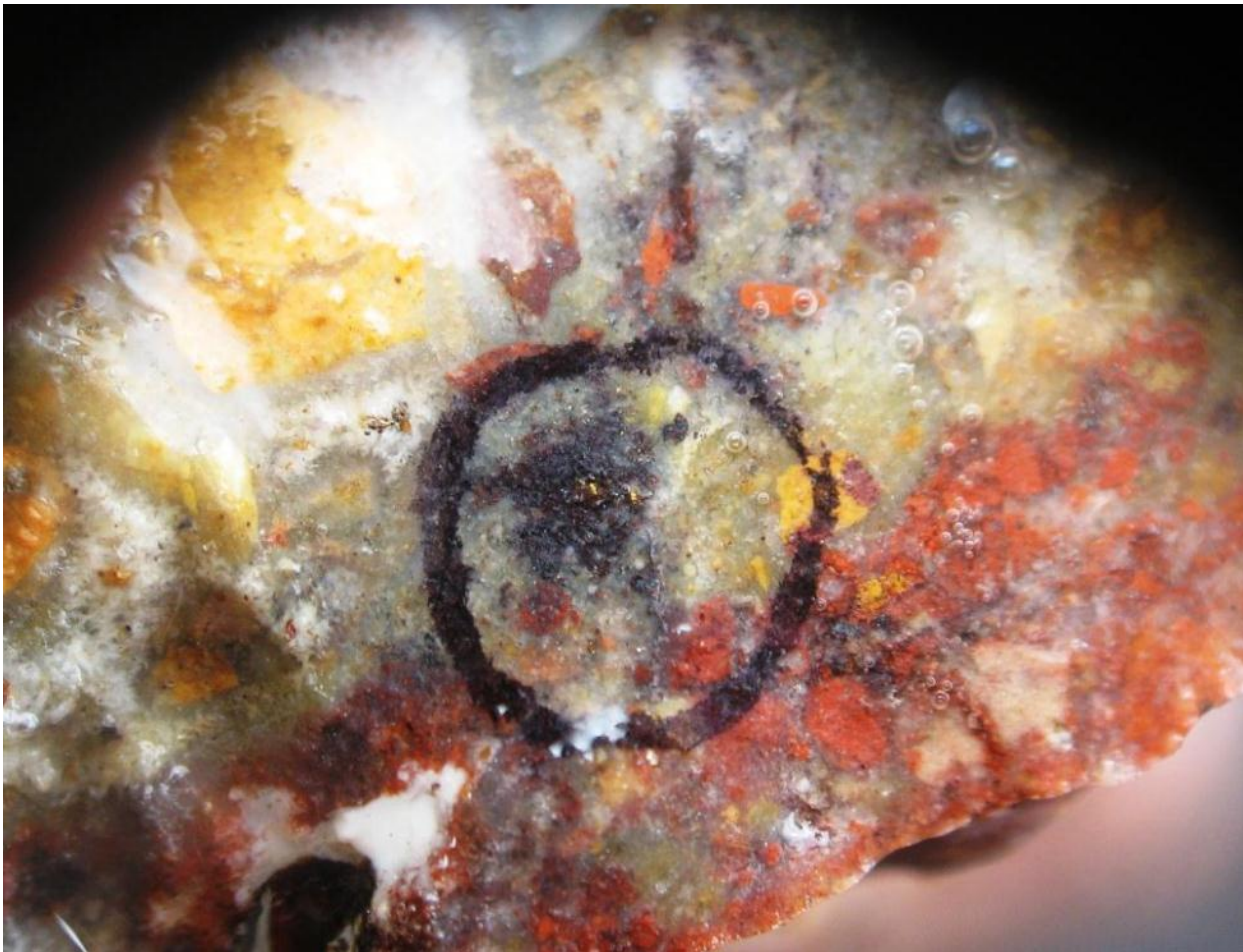


Figure 1: Quartz veining from surface at West Vein SM6, showing visible gold

Vein Breccia Zone (VBZ)

Detailed geological mapping, sampling and a CSAMT survey has been completed over the VBZ prospect.

The mapping has confirmed the prospectivity of a high grade NNW trending vein up to 0.5m wide which outcrops over a distance of 390m, and has returned grades of up to 15.85g/t Au (Figure 2). This vein represents the upper levels of a polymetallic type vein, and is developed within less

competent rocks of the Chon Aike Formation. **Where this vein is hosted in more competent units at depth, excellent potential exists for the discovery of a significant zone of mineralisation.** This vein is also evidenced on CSAMT line 4688600N, and on adjoining lines to the north, and south (see Figures 5 to 7).

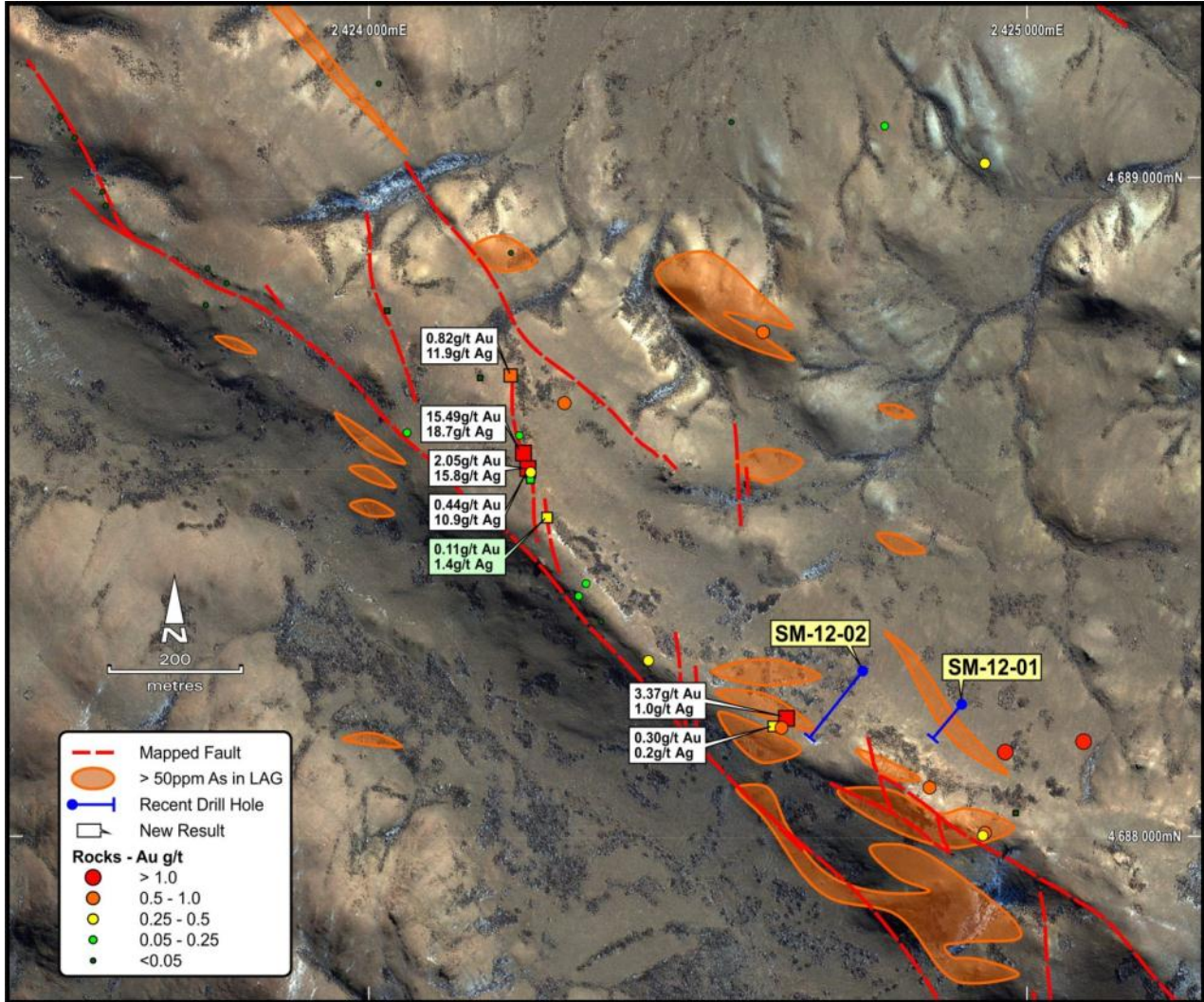


Figure 2: Surface sampling results - VBZ

Other quality resistive targets were also outlined in the CSAMT Survey over the VBZ coincident with mapped structures, alteration and anomalous surface geochemistry (refer to Figures 5 to 7), and De Grey intends to drill at least some of these resistors in 2013.

Also of significance at VBZ, visible gold and silver was seen in rock chip samples taken from surface.

SM6

Detailed geological mapping, sampling (Figure 3) and a CSAMT survey was also completed over the SM6 Prospect. **Of significance, strong resistors were detected occurring under the mapped acid sulphate cap on several lines (Figures 9 to 12) to the north-east of existing drilling,** and De Grey intends to drill test the priority targets during April 2013.

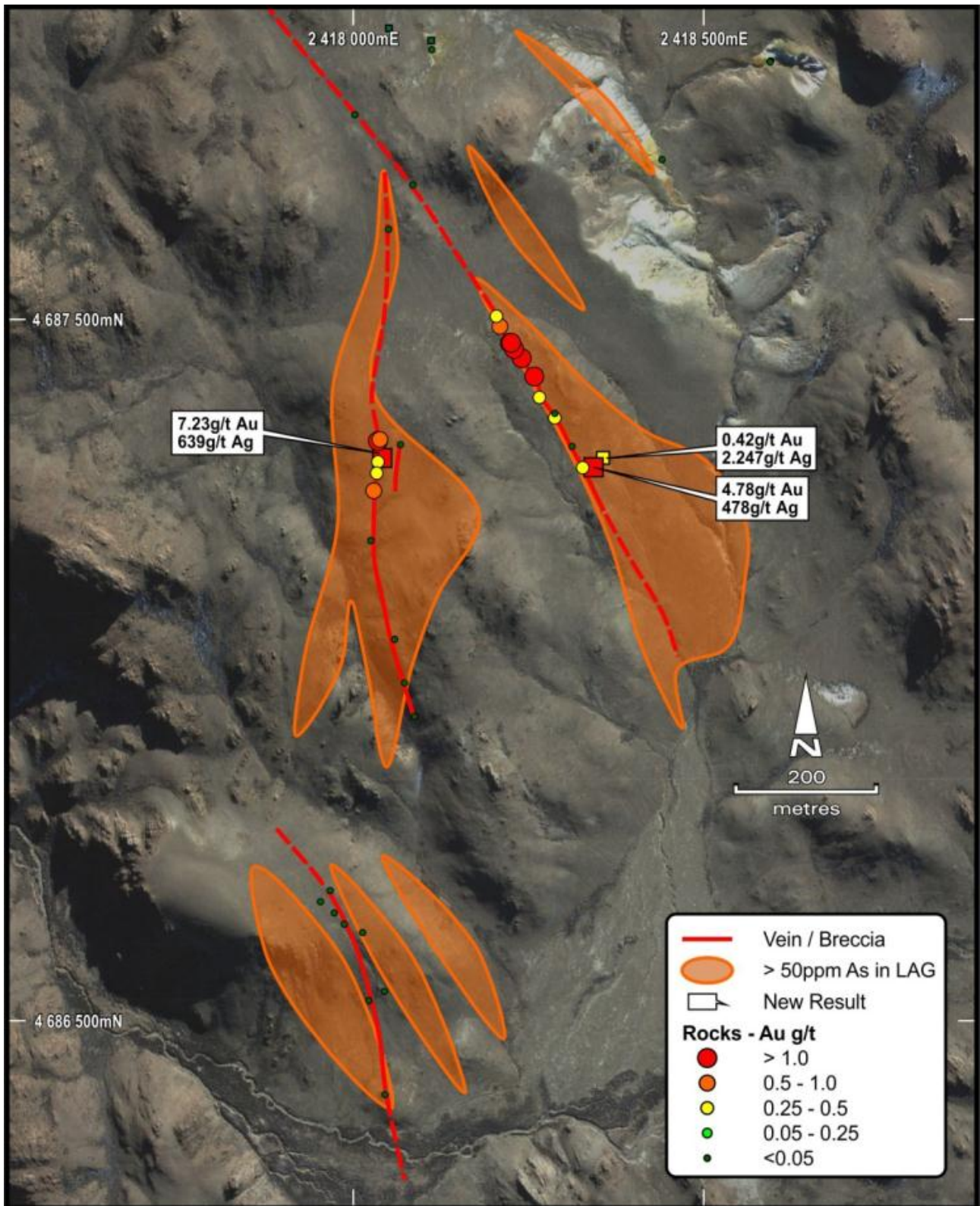


Figure 3: Surface sampling results – SM6

Of note from the geological mapping was the identification of veins at SM6 that contained visible gold (SM6 – West Vein, Figure 1).

De Grey is pleased with the progress made at Sierra Morena and looks forward to drill testing a range of high quality targets before the end of the field season.

Peter Batten, Executive Chairman of De Grey stated that “drilling completed in 2012 successfully intersected low sulphidation epithermal veins and vein breccias at SM6. On review, by an industry expert it became evident that this drilling did not intersect the optimal zone for potential mineralisation. In addition to this the importance of the acid sulphate cap was outlined and the Company was encouraged to continue searching for mineralisation via mapping and geophysics to identify potential drill targets, specifically resistors associated with the acid sulphate cap at SM6 and strong resistors at VBZ. Fortunately, the recently completed CSAMT survey has identified just that and De Grey is eager to commence drilling of what are exciting targets”.

For further information:

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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 and a full time employee of De Grey Mining Limited. Mr Martin has sufficient experience which is relevant to the style of mineralization 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" (The JORC Code). 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.

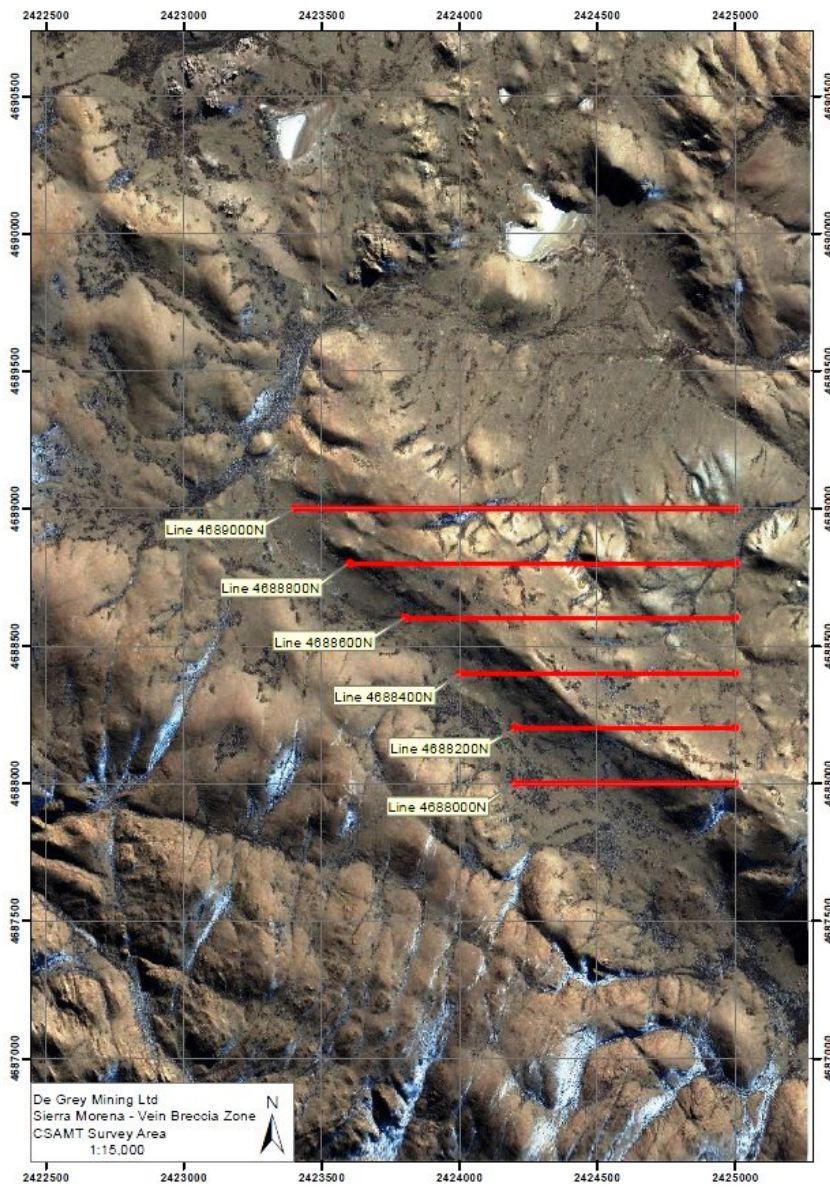


Figure 4: CSAMT lines – VBZ

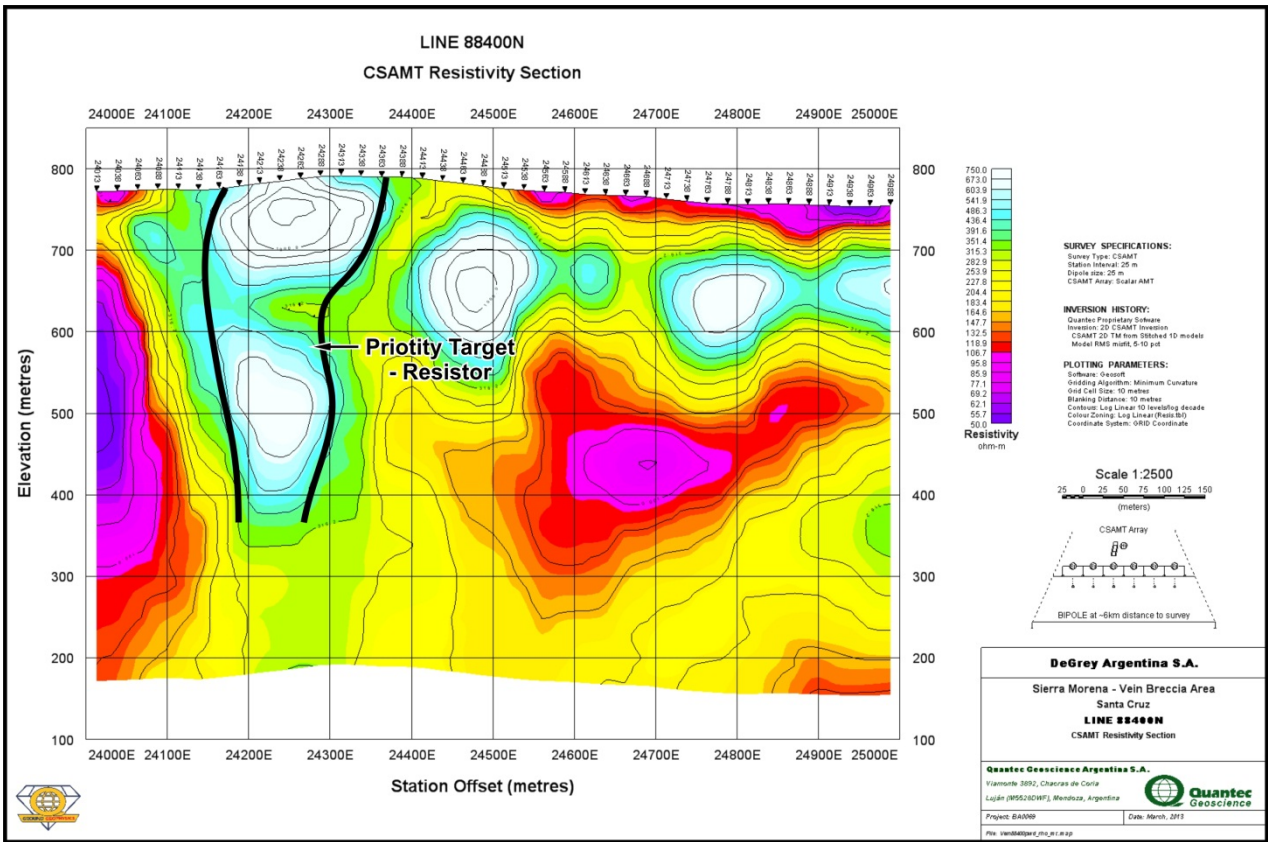


Figure 5: CSAMT profile - line 88400N - VBZ

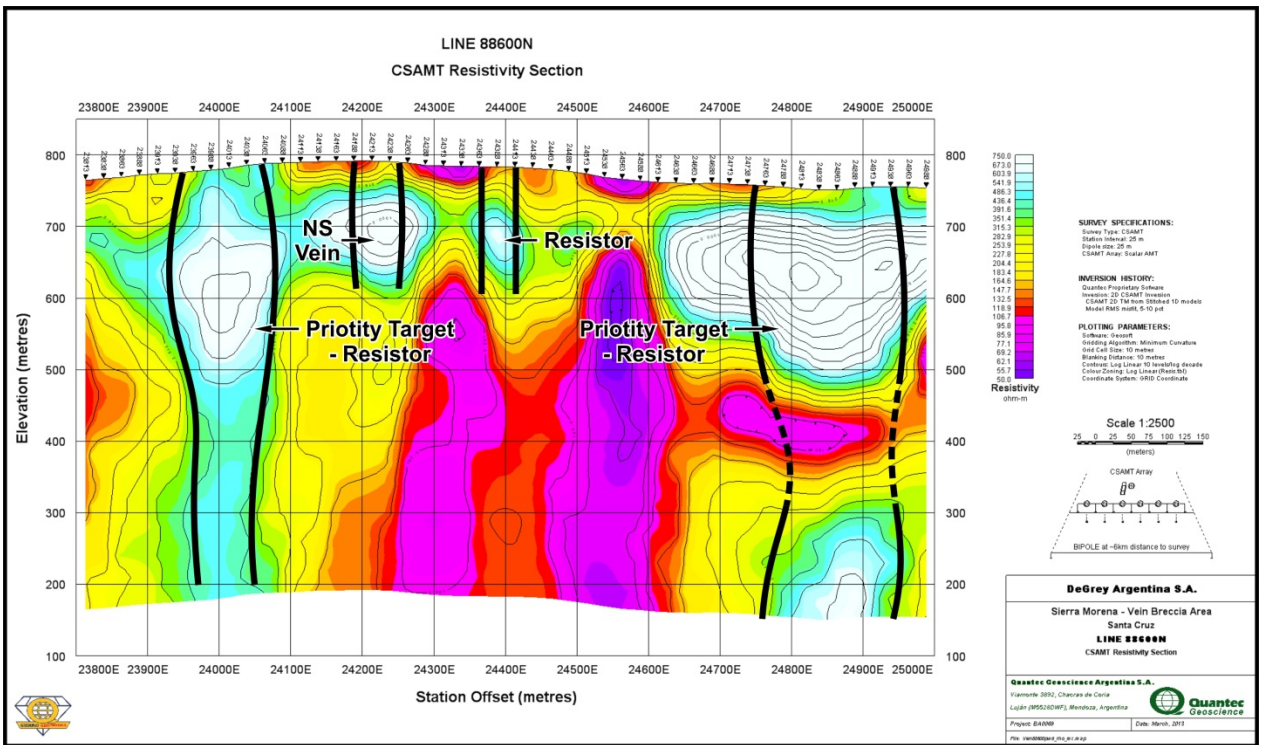


Figure 6: CSAMT profile - line 88600N - VBZ

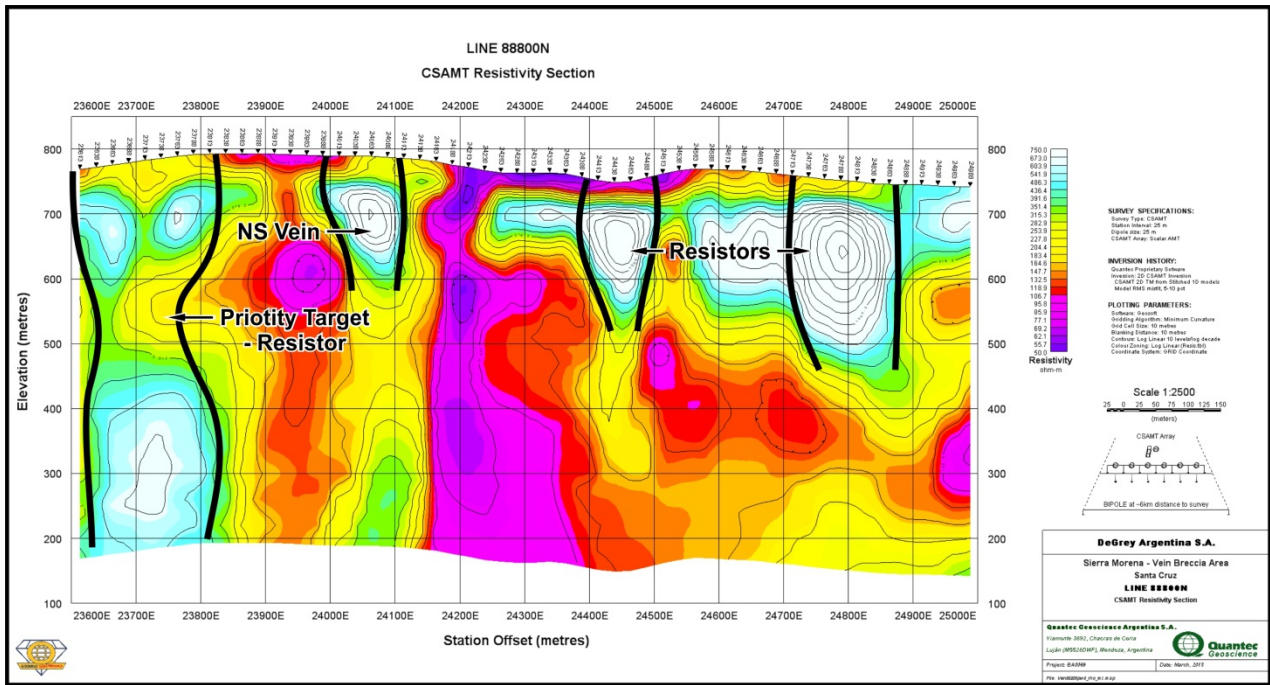


Figure 7: CSAMT profile - line 88800N - VBZ

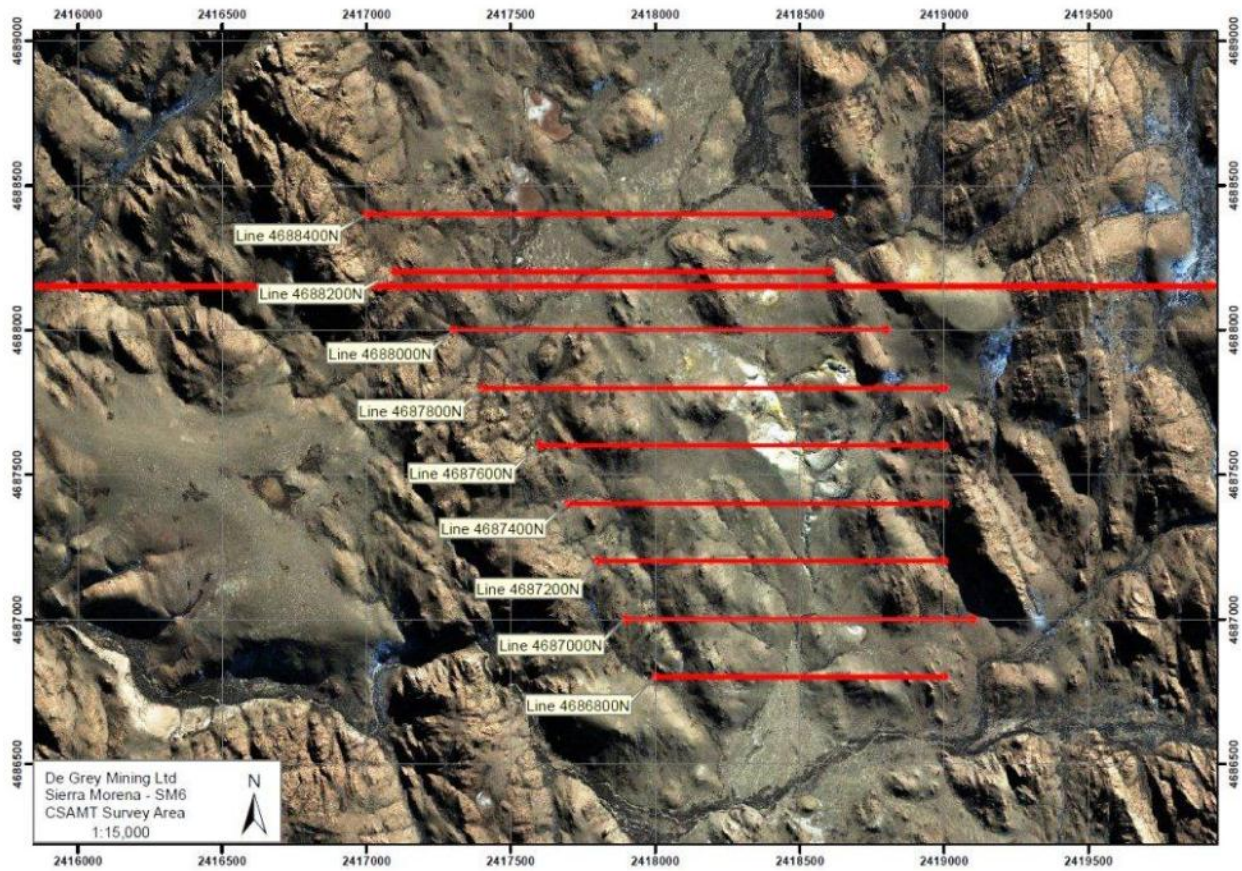


Figure 8: CSAMT lines – SM6

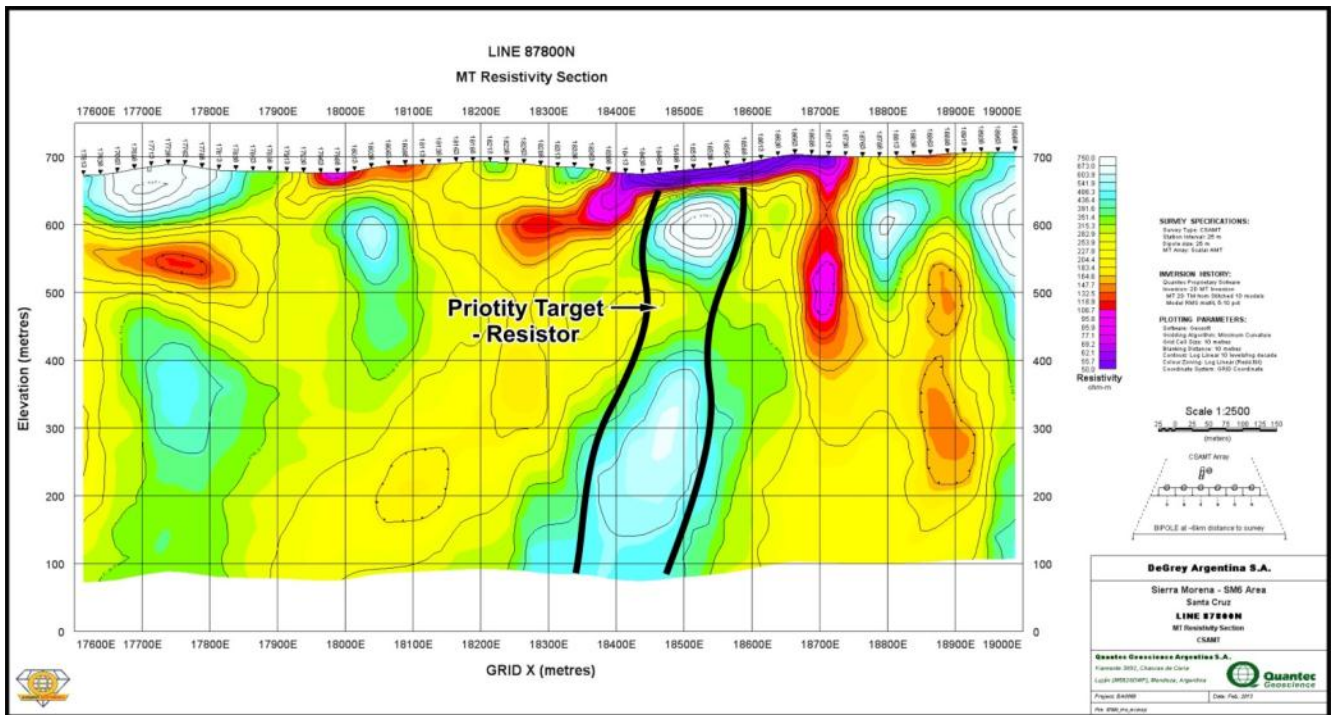


Figure 9: CSAMT profile - line 87800N – SM6

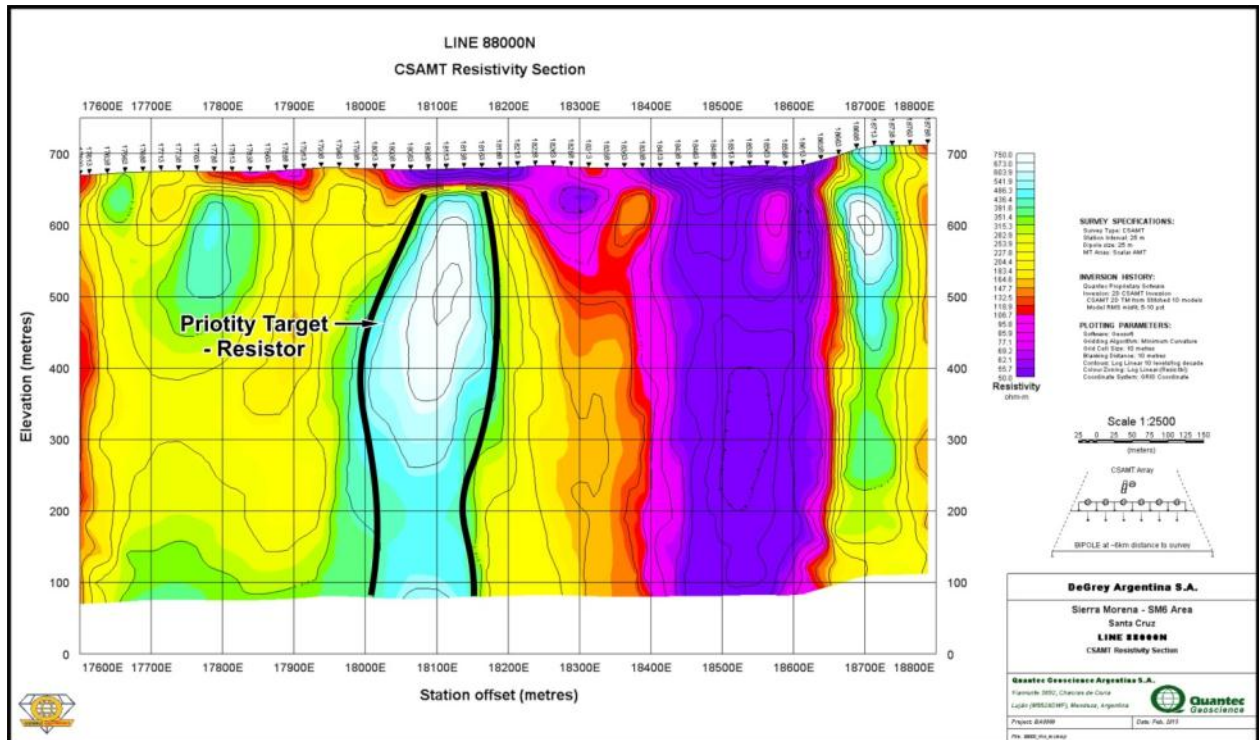


Figure 10: CSAMT profile - line 88000N – SM6

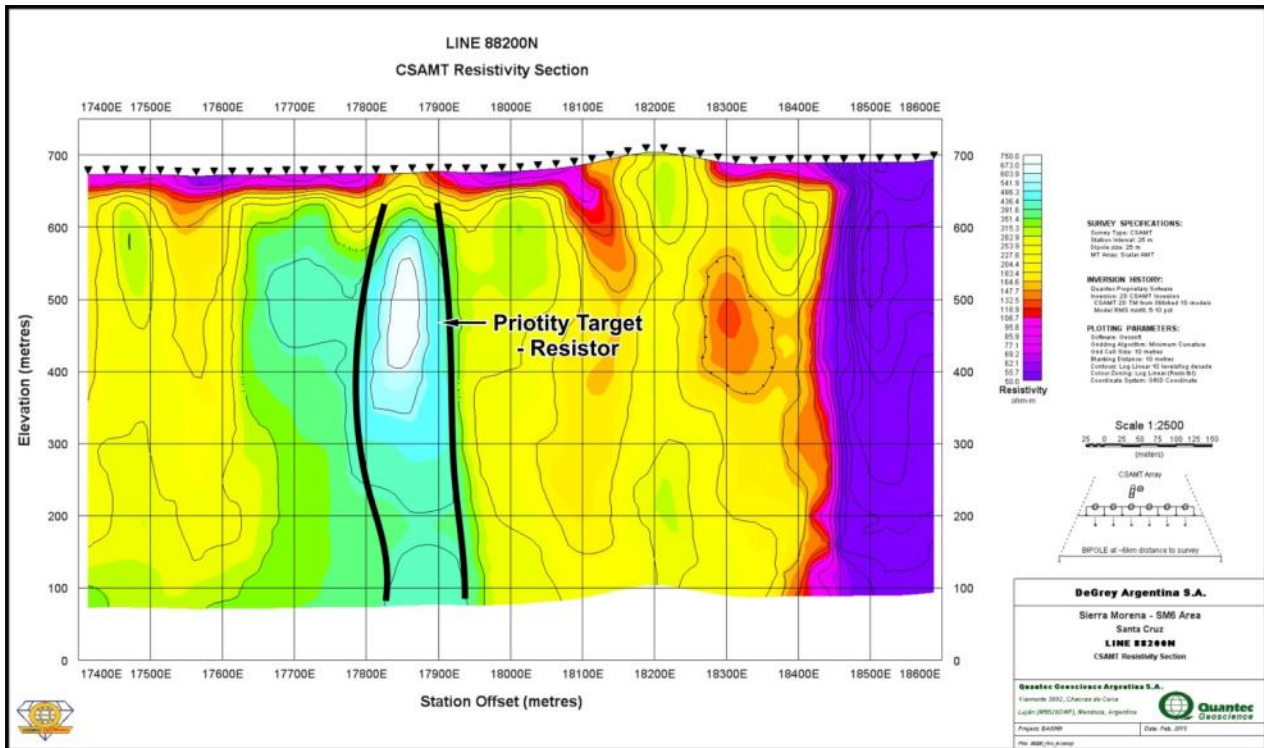


Figure 11: CSAMT profile - line 88200N – SM6

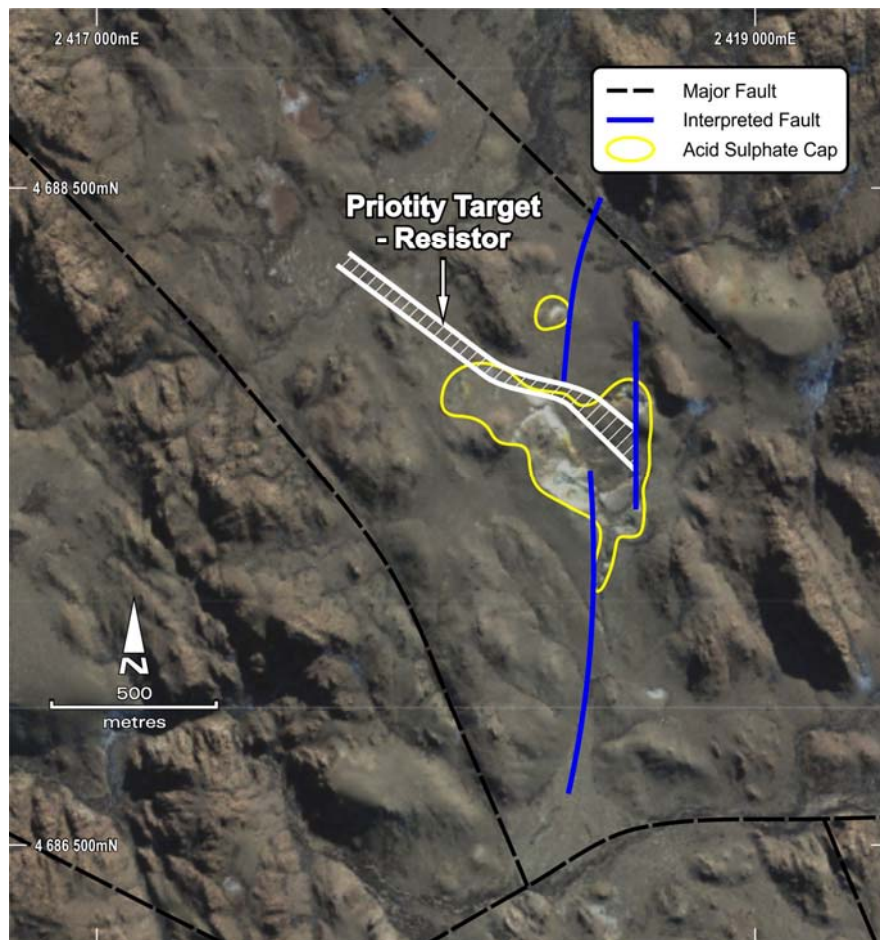


Figure 12: CSAMT plan - interpreted resistor position - SM6