



DE GREY MINING LTD

QUARTERLY REPORT

FOR THE QUARTER ENDING 31 DECEMBER 2013

20 January 2014

ASX: DEG

Shares on Issue

914,768,846

Board of Directors

Peter Batten
Executive Chairman

Darren Townsend
Director

Simon Lill
Director

Company Secretary

Craig Nelmes

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PROJECT REVIEW PROCESS

Turner River – Gold and Base Metals JV

Southern Cross Goldfields Ltd (ASX: SXG, “Southern Cross”), as 100% owner of subsidiary company Lansdowne Resources Pty Ltd, was managing two farm in arrangements with De Grey – the Wingina Well Gold Project and the Turner River base metals project.

The Projects have been enhanced through expenditure of some \$2.8M since the farm in arrangements were first entered into between De Grey and Lansdowne.

Southern Cross has advised De Grey of its withdrawal from both Turner River projects as part of their focus on capital discipline.

Final handover of all data and reports will not be completed until late January. Previously De Grey was being diluted down to 25% in both projects and consequently did not consider the opportunities arising from the work concluded by Southern Cross on those projects. De Grey is now processing the results of work completed by SXG prior to their decision to withdraw from the agreements and will use the updated database to determine a path forward for these projects.

De Grey will update the market on the future of both projects once this detailed review has been completed.

No exploration work was carried out on the projects during the quarter.

Mt Dove Royalty

De Grey has sold the rights to iron ore minerals on certain tenement areas in the Turner River Gold and Turner River Base Metal projects to Atlas Iron Ltd. The agreements provide for royalties payable to De Grey from iron ore production by Atlas.

Royalties from the initial 2,000,000 tonnes of production had been pre-sold by De Grey.

Atlas notified De Grey during the quarter that royalty payments for production exceeding 2,000,000 tonnes were expected to commence as a result of production in the December 2013 quarter exceeding 2,000,000 tonnes by 80,250 tonnes.

In accordance with Assignment of Iron Ore Rights dated 10 April 2012, the calculation of royalty payable to De Grey for the December quarter by Atlas was \$85,472.04 + GST and payable before the end of January 2014.



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Mining at Mt Dove is proposed to continue during the March 2014 quarter with further royalties derived from this production due in April 2014.

De Grey anticipates the royalty for the March 2014 quarter to be in excess of \$300,000.

New Zealand

The Company has had additional Exploration Permits awarded to it adjacent and contiguous to its Puhipuhi project. The Company continues to explore means of advancing its interests in this project.

Argentina

The Company has successfully withdrawn from all Project interests in Argentina, and there will be no further cash depletion as a result of its former Argentine interests.

Corporate

De Grey Mining Ltd completed a private placement originally announced on 30 September 2013. Following shareholder approval received at the annual general meeting on 22 November 2013, a tranche 2 placement of 190,680,000 shares has been completed at an issue price of \$0.0025 per share.

This together with the tranche 1 placement of 68,500,000 shares completed a capital raising of \$648,000 (before costs).

The placement was completed under the mandate of D J Carmichael.

The information in this report that relates to exploration results is based on information compiled by Mr. Peter Batten, who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of De Grey Mining Limited. Mr. Batten 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. Batten consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.