

De Grey Mining Ltd

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ASX/MEDIA RELEASE

ATLAS TO RE COMMENCE ROYALTY PAYMENT

HIGHLIGHTS

- **Mt Dove iron ore royalties to re commence in Q4 2013**
- **Additional licences granted in New Zealand**
- **De Grey to withdraw from Argentina**

De Grey Mining Ltd (**ASX: DEG, "De Grey" or "The Company"**) has been advised by Atlas Iron Ltd (**ASX: AGO, "Atlas"**) that it anticipates that ore sold from the Mt Dove Project will surpass 2 million tonnes in the current quarter, with production scheduled to continue into Q1 of 2014.

Consequently royalty payments for iron ore mined from the Mt Dove site will re-commence and are anticipated to exceed \$300,000 during the current financial year.

As previously advised to the market (18 April 2012) Atlas purchased the royalty payable over the first 2 million tonnes of iron ore produced from Mt Dove for a one off payment of \$1M. That announcement also advised that *"Atlas has outlined Indicated and Inferred Resources of 2.8 million tonnes @ 58.1% Fe of which 1.766Mt @ 58% Fe reports to an initial estimate of Probable Reserves."*

In February this year Atlas Iron Ltd announced an upgrade to the Mt Dove reserve from 2 million tonnes to 2.2 million tonnes.

A shareholder presentation at the Atlas AGM (30 Oct 2013) also provided a slide which indicated total production from Mt Dove to be in the region of 2.3Mt to 2.4Mt.

The agreements provide for 1% gross value royalties payable to De Grey from future iron ore production by Atlas.

Atlas has indicated that at current production levels they should exceed the 2 million tonnes level late in the December quarter with mining to continue into the March quarter of 2014. Mine production, to date, has exceeded prediction and it may be that final production figures slightly exceed reserve estimates.

The amount of royalty to be received by De Grey is subject to the grade, contained moisture, transport cost, sales price, foreign exchange and other variables but, as noted, is expected to be in excess of \$300,000.

De Grey has been reviewing all projects and has decided to withdraw from Argentina in its entirety.

It is with some regret as a significant footprint of attractive projects had been established.

Pragmatically apart from the difficulty of raising capital for exploration companies, the Board also recognized the substantial in country costs of maintaining an exploration profile in Argentina, including:

- Higher than average exploration costs in the remote Patagonia region;
- Substantial periodic project payments,
- the cost of retention of suitable offices and staff; and
- high land access payments.

The Board has finalized all outstanding payments into Argentina and has no further ongoing costs into that region.

The Company is in discussion with parties regarding the future management of the Company's De Grey SA assets. De Grey has also informed Minera Sud Americana, Kingsgate and the Pachi Vendors of the intention to withdraw from Argentina and effectively withdraw from the Sierra Morena option to purchase, the Santa Cruz options to explore, the Boleadora earn in and the Pachi earn in.

De Grey was advised recently that the final component of the application for additional exploration permits in the Northland region of New Zealand had been completed and the licences have been granted (Figure 1) by the Ministry of Economic Development, New Zealand.

The Exploration Permits are adjacent to and contiguous with De Grey's existing permit EP51985, the Puhipuhi project (Figure 4). EP55057 runs along the eastern boundary with Puhipuhi and comprises 1,966 Ha. EP 55058 extends from the northern boundary of the Puhipuhi permit and comprises 6,499 Ha for a combined exploration area in the Northland region of 14,581 Ha.

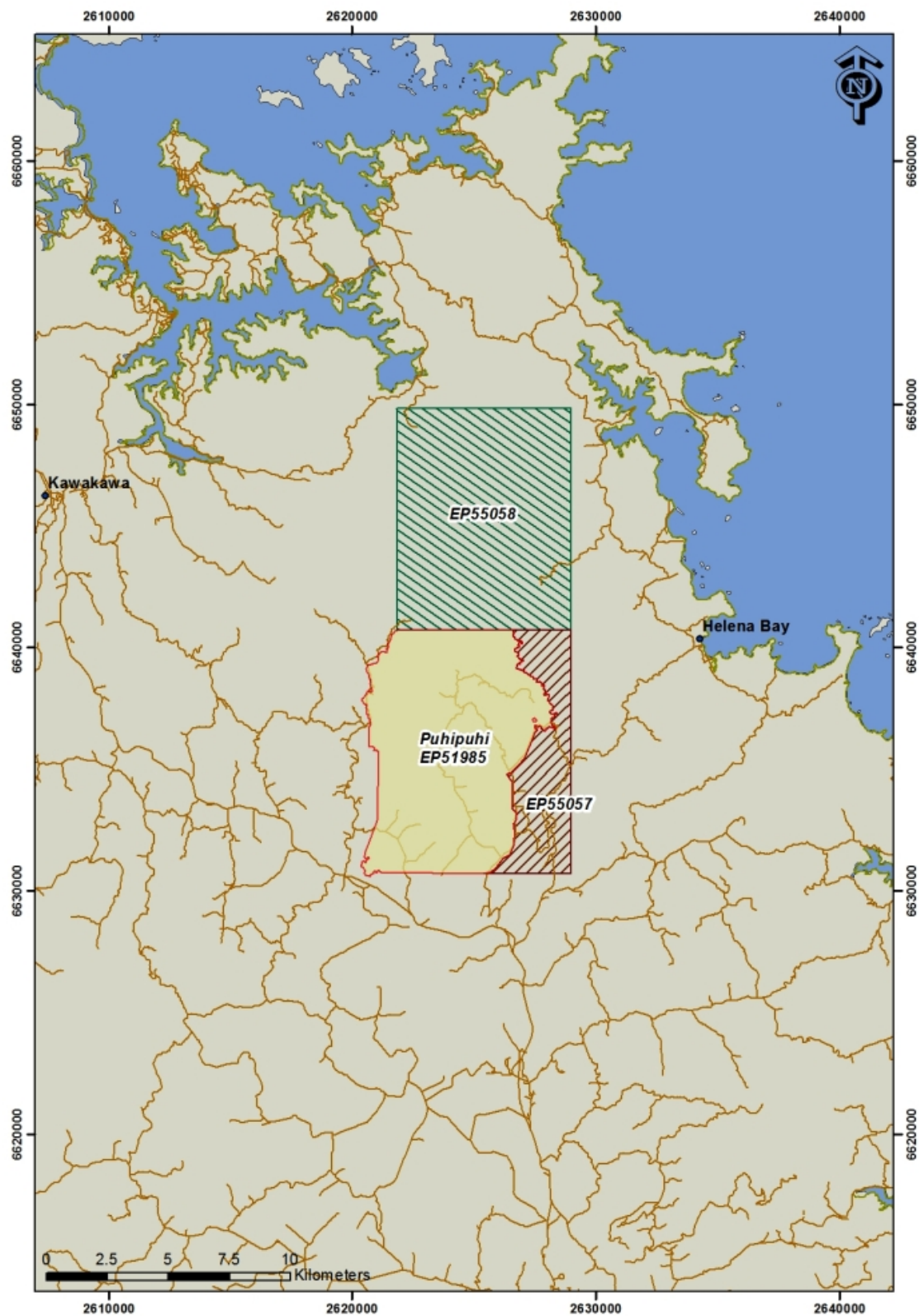


Figure 1: Location of Permits Northland District, New Zealand

The permits are for an initial 5 year period with additional extensions permissible following completion of the proposed exploration programmes.

De Grey has commenced compiling a database of existing data for the new licences and expects to commence work at the same time as the drilling programmes get underway.

De Grey retains its interest in the Turner River Gold and Base Metals Joint Ventures. Polymetals Mining Ltd (ASX:PLY) notified De Grey, prior to their merger with Southern Cross Gold Ltd (ASX: SXG), that they had met the expenditure commitment over the gold projects (excluding the Wingina Well resource) and will proceed to a 75% interest in the joint venture. The earn-in period for the base metal joint venture expires in May 2014 at which point, should the commitment be met a separate joint venture will be formed or the interest will revert back to De Grey.

The Atlas royalty, together with the second tranche funding of \$400,000 due early next week, and the removal of all ongoing costs into Argentina, stabilizes De Grey's financial status and allows it to continue to service its remaining Projects.

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