

DE GREY MINING LTD

QUARTERLY REPORT

FOR THE QUARTER ENDING 30 SEPTEMBER 2012

ASX: DEG

Shares on Issue

404,057,084

Board of Directors

*Peter Batten
Executive Chairman*

*Darren Townsend
Director*

*Gary Brabham
Director*

*Jason Brewer
Director*

Company Secretary

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HIGHLIGHTS

Argentina Projects (gold, silver)

- Sierra Morena Sur licence granted
- Land access over Pachi Project confirmed in preparation for drilling in December quarter
- 1st pass exploration completed over 90% of Rio Negro projects, 8 high priority target areas defined for follow up

Turner River Project (gold, base metals, Lansdowne Resources earning 75%)

- 100% acquisition of Lansdowne Resources by Polymetals Mining Ltd
- Polymetals advancing studies on the potential development of the Wingina Well Gold Project

Corporate

- All resolutions detailed in the Notice of Meeting of the Company were passed by the requisite majority at the General Meeting held on 3 September 2012
- Company exhibited at Diggers and Dealers in Kalgoorlie, Argentina Mining in Salta, Argentina, and subsequent to the end of the quarter, Mines and Money in Sydney



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2012

ARGENTINA PROJECTS

Through agreements and tenement applications in its own right, De Grey has secured mineral rights over approximately 3,255 sq km of ground in Santa Cruz Province, making the Company one of the largest tenement holders in the region (Figure 1).

De Grey's projects lie within the Deseado Massif, a geological region of prolific low-sulphidation epithermal gold-silver mineralisation that has been recognised only relatively recently. Resources and ore reserves discovered in the region since about 1990 total 17.5Moz Au and 525Moz Ag.

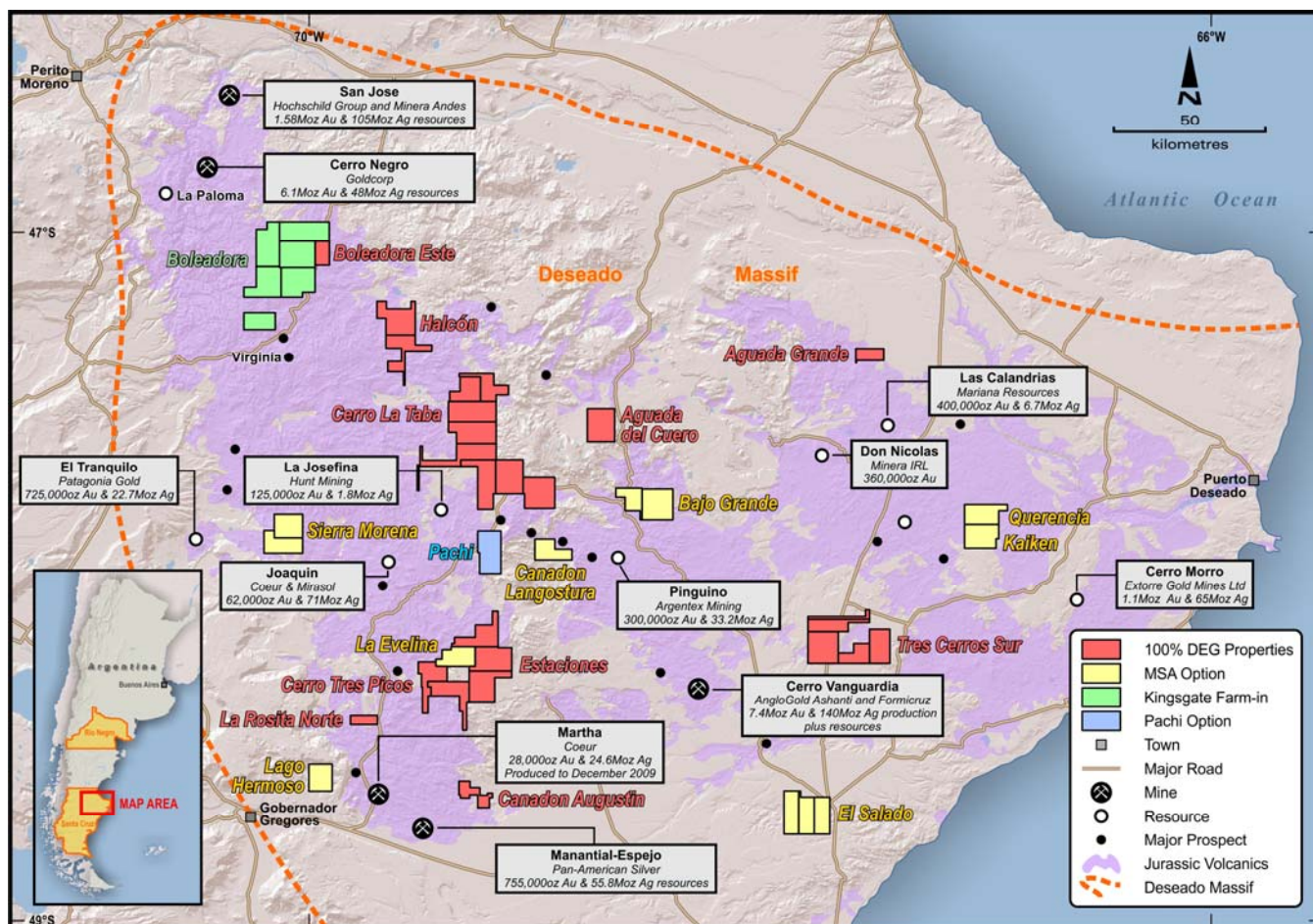


Figure 1: Locations of De Grey's projects, Santa Cruz, Argentina



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2012

Santa Cruz Province – Sierra Morena Project

During the quarter the company reported the results from a two drill hole program at the Vein Breccia Zone¹ (VBZ). Results from the drilling confirmed the exploration model is valid and that further exploration of the prospect area is warranted. De Grey considers the VBZ target area to be larger than originally thought and the drilling confirmed multiple mineralized veins. The company believes that further information can be garnered from surface works prior to further drilling. The company intends to complete trenching and further geological mapping to better understand structural controls on mineralisation, and then proposes a gradient array IP program to better define the preferred orientations for further drilling.

During the quarter De Grey reported that the Provincial Mining Authority of the Province of Santa Cruz, Argentina granted the Sierra Morena Sur cateo (Licence) No 401.671/MSD/07². The licence covers the SM6 drill target and part of the Vein Breccia Zone target area (Figure 2). This important step now allows the company to complete a land access agreement with the landowners over this area and commence logistics preparations for the drilling of the SM6 prospect in the December quarter. The negotiation of the land access agreement with the landowners is advanced.

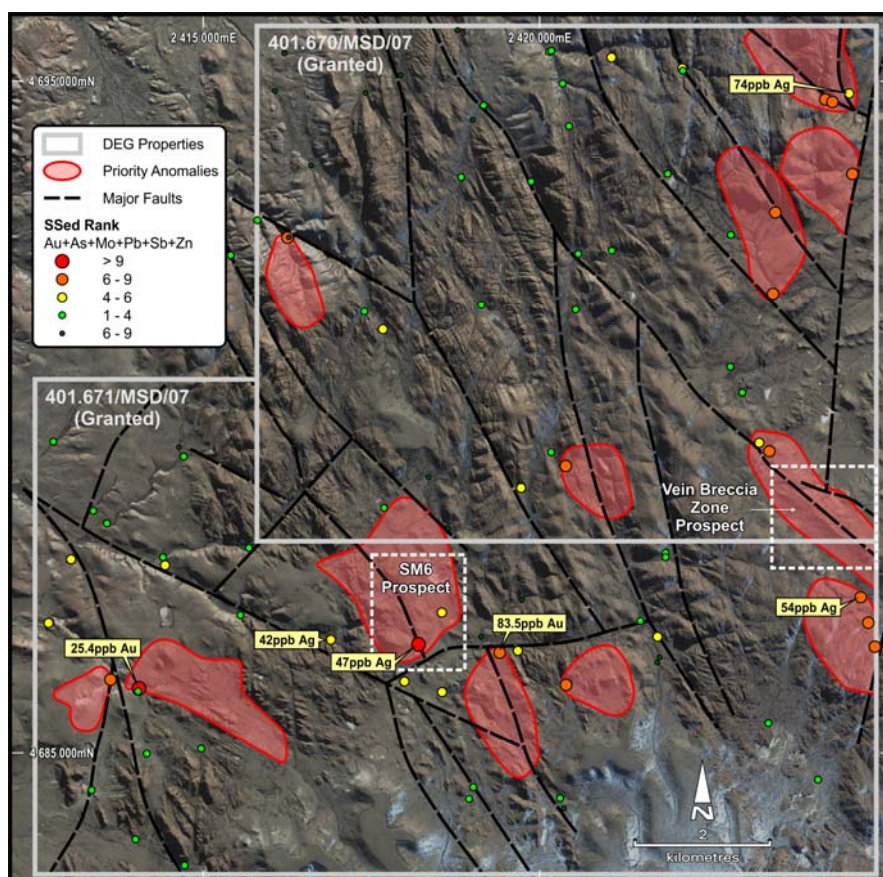


Figure 2: Sierra Morena Project

¹ Refer to De Grey's ASX release dated 25 July 2012 for details.

² Refer to De Grey's ASX release dated 27 September 2012 for details.



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2012

Santa Cruz Province – Pachi Project

Land access over the Pachi Project was confirmed with the landowners during the quarter, and logistics planning for the planned drilling in the December quarter is advanced. The company intends to drill the Pachi target after the drilling is completed at the Sierra Morena project (SM6 Prospect).

Santa Cruz Province – Withdrawal from certain MSA Option Properties

De Grey advised Minera Sudamericana (MSA) that it has withdrawn from its option over the Baguel and Tres Cerros group of properties controlled by MSA.

Rio Negro Province

De Grey has completed 1st pass field checking of Aster targets that have potential for epithermal associated Au-Ag mineralization.

De Grey was able to access approximately 90% of the targets generated, and has collected a total of 162 rock chip samples to date over these areas.

New results have outlined high priority follow up targets including:

- Target 140 - surface rock chip samples to **95g/t Ag** and 91ppb Au, associated with a NW trending zone of silicification along strike length of approximately 1km,
- Target 135 – surface rock samples to **16.5g/t Ag** with 62ppb Au associated with silicification and quartz veining on NW fault with weak argillic alteration,
- Target 81 & 82 – rocks to 8.4g/t Ag with anomalous As associated with east-west tension vein developed in NW bounding faults with moderated argillic alteration,
- Target 157 & 158 – rocks to 4.75g/t Ag with anomalous Mn & Zn associated with silicification on NW trending fault and argillic alteration,
- Target 118 – rock samples to 2.4g/t Ag with anomalous Pb & Zn associated with silicification of rhyolites on NW trending fault with moderate argillic alteration, and
- Target 71 – rocks with anomalous Ag-Cu-Pb-Zn-In-Hg-Mo-Sb associated with silicification on NW trending fault with strong argillic alteration.

De Grey considers that this 1st pass work on the new project area is very encouraging, indicating excellent potential for epithermal associated mineralization within the Rio Negro project area (Figure 3). With the completion of this 1st pass work, and mobilization of the field crew to Santa Cruz Province in October, no further work is expected to be completed in Rio Negro Province during the December quarter.



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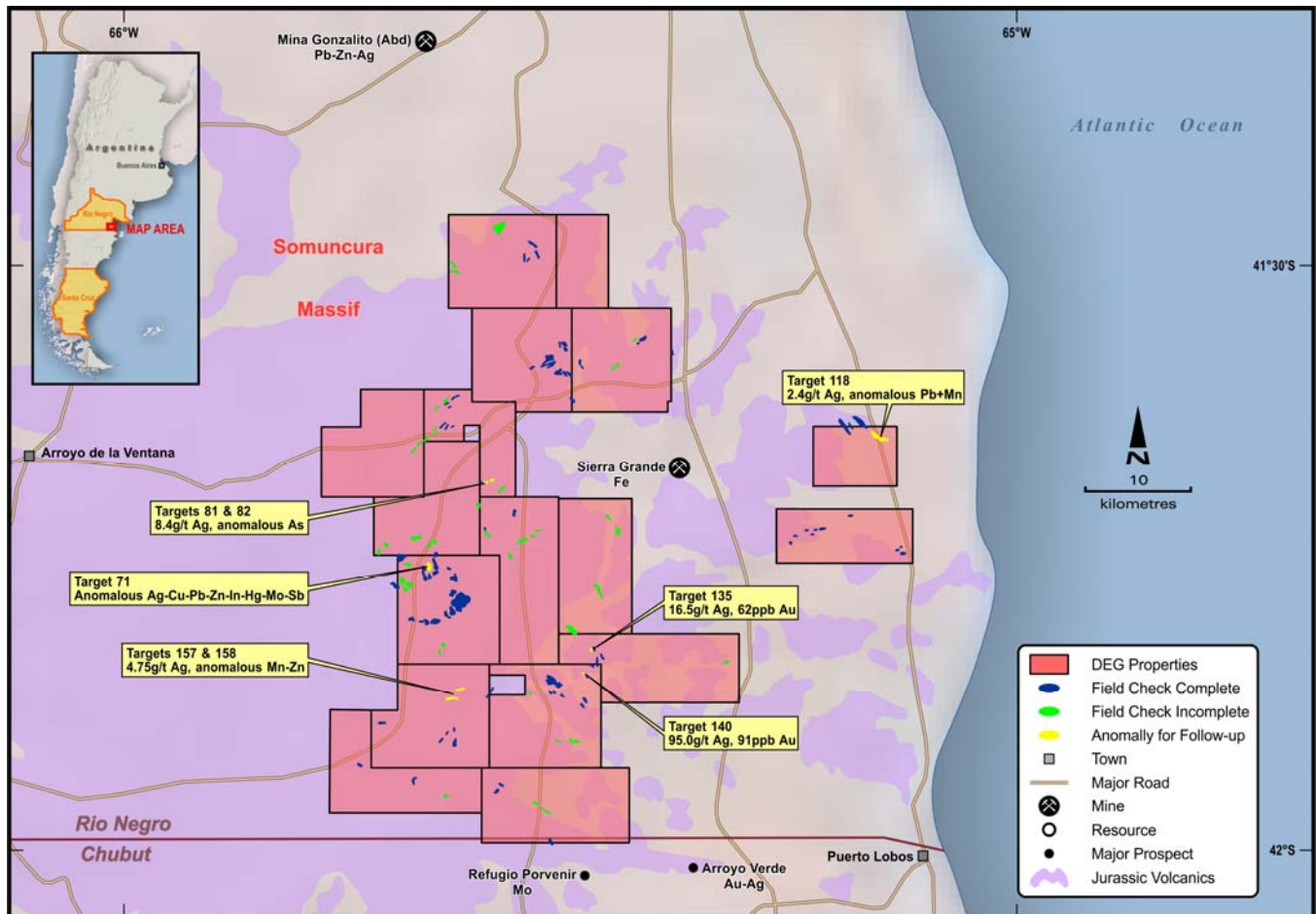


Figure 3: De Grey Mining Rio Negro Properties and results



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WESTERN AUSTRALIA - TURNER RIVER PROJECT

In May 2011 De Grey entered into agreements with Lansdowne Resources Pty Ltd, an unlisted Australian mineral exploration company, over the Company's Turner River gold and base metals exploration projects (Figure 4) under which Lansdowne may earn up to 75% interest in each project.

Turner River Base Metals

During the quarter Polymetals Mining Ltd acquired 100% of Lansdowne Resources, which gives Polymetals the rights to earn into a 75% share of the Turner River Gold and Base Metals Joint Venture, and the option to purchase a 75% interest in the Wingina Well gold resource.

Drilling of the Wingina Well Project is expected during the December quarter, in addition to metallurgical test work and geotechnical assessment to assist in the rapid progress of scoping studies.

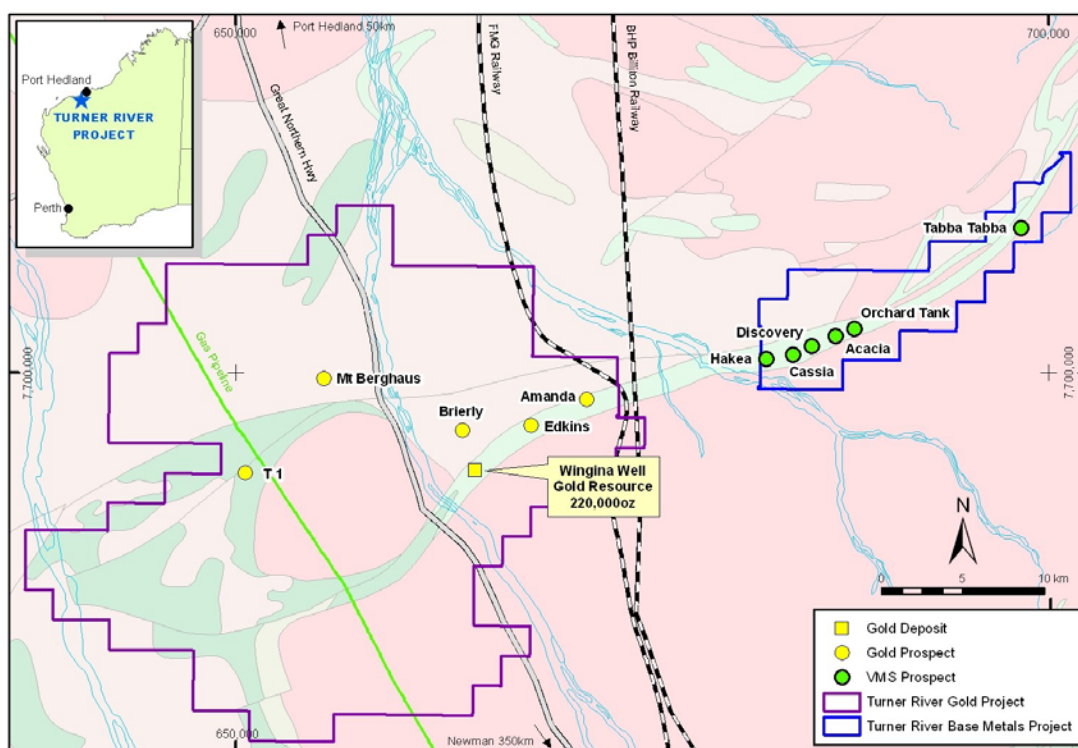


Figure 4: Turner River Gold and Base Metals project areas

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 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 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.