

DE GREY MINING LTD

The Bold Explorer

QUARTERLY REPORT

FOR THE QUARTER ENDING 31 MARCH 2009

ASX CODE: DEG

Shares on Issue

225,112,350

Board of Directors

*Campbell Ansell
Chairman*

*Gary Brabham
Managing Director*

Darren Townsend

Consultant

Denis O'Meara

Company Secretary

Dennis Wilkins

Exploration Manager

Dave Hammond

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Highlights

Turner River (gold, base metals)

- A fresh conceptual desktop study of the potential economics of mine development at Wingina Well gold deposit reveals that gold prices above about A\$1400/oz may support an operation producing 20,000-25,000 ounces of gold per annum over a mine life of three to four years.
- The Company regards the results as sufficiently encouraging to warrant progressing Wingina toward a scoping study that will investigate operating and capital cost estimates in more detail, and to initiate environmental baseline studies.

Pilbara Iron Assets (iron ore)

- Emergent Resources reports that the first-pass RC drill program at Beyondie Iron JV reported encouraging intersections of magnetite up to 76m at 30.8% iron or 43% magnetite in thick units of magnetite schist.
- A second phase of RC drilling, commenced in early April, is likely to provide sufficient information to support an initial resource estimate along with a desk-top study investigating metallurgy, process and engineering aspects of the project. De Grey retains a 20% free carried interest to decision to mine.

Paterson Project (base metals, uranium)

- Through diligent tenement monitoring, De Grey has acquired 100% interest in 2100 sq km of ground in the highly prospective Paterson Province of Western Australia at minimal cost. The Paterson Province is well endowed with gold, copper and uranium deposits that include the Telfer gold mine, Nifty copper mine, Kintyre uranium deposit and Maroochydore copper deposit.
- The value of the acquisition is enhanced by data from a 30,000 line kilometre airborne electro-magnetic (AEM) survey of the area undertaken by Geoscience Australia in 2008, the results of which were released on 4th March 2009.

Corporate

- De Grey's funding position remains strong in comparison to its peers with a cash balance at the end of the Quarter of A\$2.7M.
- Subsequent to the end of the Quarter the Company disposed of its remaining shareholding in Atlas Iron Limited for net proceeds of A\$688,550, bringing the cash balance to approximately A\$3.3M. De Grey has no immediate requirement to raise additional capital.



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TURNER RIVER PROJECT

Wingina Well Gold Deposit

The Wingina Well gold resource (Table 1) was subjected to Whittle pit optimisations to investigate its potential economics at gold prices up to A\$1500/oz that were prevailing early in the March Quarter. Both heap leach and CIL processing scenarios were investigated using assumed and estimated operating costs and metallurgical recoveries.

The work revealed that at gold prices above about A\$1400/oz, Wingina may support an operation producing 20,000-25,000 ounces of gold per annum over a mine life of three to four years.

The Company regards the results as sufficiently encouraging to warrant progressing Wingina toward a scoping study that will investigate operating and capital cost estimates in more detail, and to initiate environmental baseline studies.

YANDEYARRA JOINT VENTURE and OPTION PROJECTS

De Grey targeted the Yandeyarra area primarily for its potential to host VMS-style base metals mineralisation similar to the virgin zinc-lead-silver discoveries at the Turner River Project. The Yandeyarra area had never been systematically explored for base metals.

An intensive program of exploration at Yandeyarra was completed during 2008. Work including geological mapping and geochemical sampling located a number of new gold and base metals occurrences, demonstrating the effectiveness of the exploration techniques. Further examination of these targets, however, demonstrated that each had limited potential to host economically significant mineralisation.

At a recent strategy review it was agreed that the Company had thoroughly tested the area and should withdraw from the project rather than incur additional obligations that would accrue under the terms of the farm-in agreement. De Grey has fulfilled all of its obligations under the agreement and retains no interest in the Yandeyarra tenements.

PILBARA IRON ASSETS

Beyondie Iron

De Grey entered into a joint venture with Emergent Resources Limited in May 2008 to explore for iron ore and related minerals over a portion of De Grey's Beyondie Project. De Grey retains a 20% free-carried interest through to decision to mine, with Emergent managing exploration during the earn-in period.

In December Emergent completed a maiden RC drill program targeting magnetite mineralisation highlighted by the aeromagnetic survey flown in the September 2008 Quarter. Drilling totalled 2,210m in 21 holes, located on eight traverses over 12km strike, a small portion of the total 45km target strike length.

On the 19th February Emergent reported encouraging intersections of magnetite up to 76m at 30.8% iron or 43% magnetite (8m of internal waste included) in three adjacent bodies of magnetite schist.



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A second phase RC drilling program of 30 holes for 3,700m commenced in early April. Drilling will test a 7km segment of the target zone with the aim of advancing the definition of a high grade magnetite iron resource.

Emergent advise that they are progressing a desk-top pre-scoping study that will include investigation of metallurgy, process and engineering aspects of the project.

Mount Dove

Atlas Iron – under the option-to-purchase agreement announced in April 2008 – has advised that it intends to follow up the gravity survey completed last quarter with drilling at Mt Dove in the first half of 2009. Previously reported surface rock sampling at Mt Dove by De Grey returned up to 62.5% iron.

De Grey will receive \$650,000 cash or 325,000 Atlas shares (at De Grey's election) should Atlas exercise the option and will also retain a 1% gross royalty on any production.

Fortescue Island Iron

The Fortescue Island Iron Project covers 1,279km² in shallow waters (predominantly less than 20 metres deep) approximately 70km west-southwest of the iron ore port of Dampier. The area represents a conceptual exploration opportunity, targeting the seaward extension of the bedrock Brockman Iron Formation units and also more subdued magnetic features that may correspond to detrital deposits of iron oxide minerals.

De Grey's Fortescue Island Project is located less than 15 kilometres from the Balmoral South Magnetite Project at Cape Preston, currently being developed by Australasian Resources. The extensive Balmoral Deposit is hosted by Brockman Iron Formation and has the potential for 60 to 100 billion tonnes of mineralisation with a grade of 30-31% Fe¹.

De Grey retains the right to purchase a majority interest in the area from Geotech International Pty Ltd under an option-to-purchase agreement dated September 2008. Exploration will commence upon the grant of the ELAs.

Iron Ballot Tenement

De Grey was awarded first priority to application **E45/3188** in a ballot of eight applicants in April 2008. The application covers a strike length of approximately 1.6km of a known channel iron deposit that straddles the Great Northern Highway. The application is also strategically placed between other channel iron deposits 17km to the east, 2.5km to the west and 4.5km to the north, on tenements held by Atlas Iron Ltd and FMG Pilbara Pty Ltd.

The tenement is being progressed to grant prior to field work commencing.

PATERSON PROJECT

The Paterson area of Western Australia is well endowed with gold, copper and uranium deposits that include the Telfer gold mine, Nifty copper mine, Kintyre uranium deposit and Maroochydore copper deposit.

Recognising the high mineral endowment of this geological region, Geoscience Australia (GA), funded by the Federal Government's Onshore Energy Initiative, completed a 30,000 line kilometre airborne

¹ According to section 18 of the JORC Code – reported by Hellman & Schofield Pty Ltd Oct 2005



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electro-magnetic (AEM) survey in 2008. The objective of the survey is to improve the understanding of the geology and mineral potential of the Paterson Province and thereby promote further exploration in this remote area. The survey lines were flown in a SW-NE orientation at 1km or 2km line spacing.

Through diligent monitoring of tenement relinquishment activity over the past few months, De Grey (through wholly owned subsidiary Winterwhite Resources Pty Ltd) has made tenement applications over a 2,100km² area covered by the GA survey to the south of the Rudall River National Park and the major deposits listed above (Figure 1).

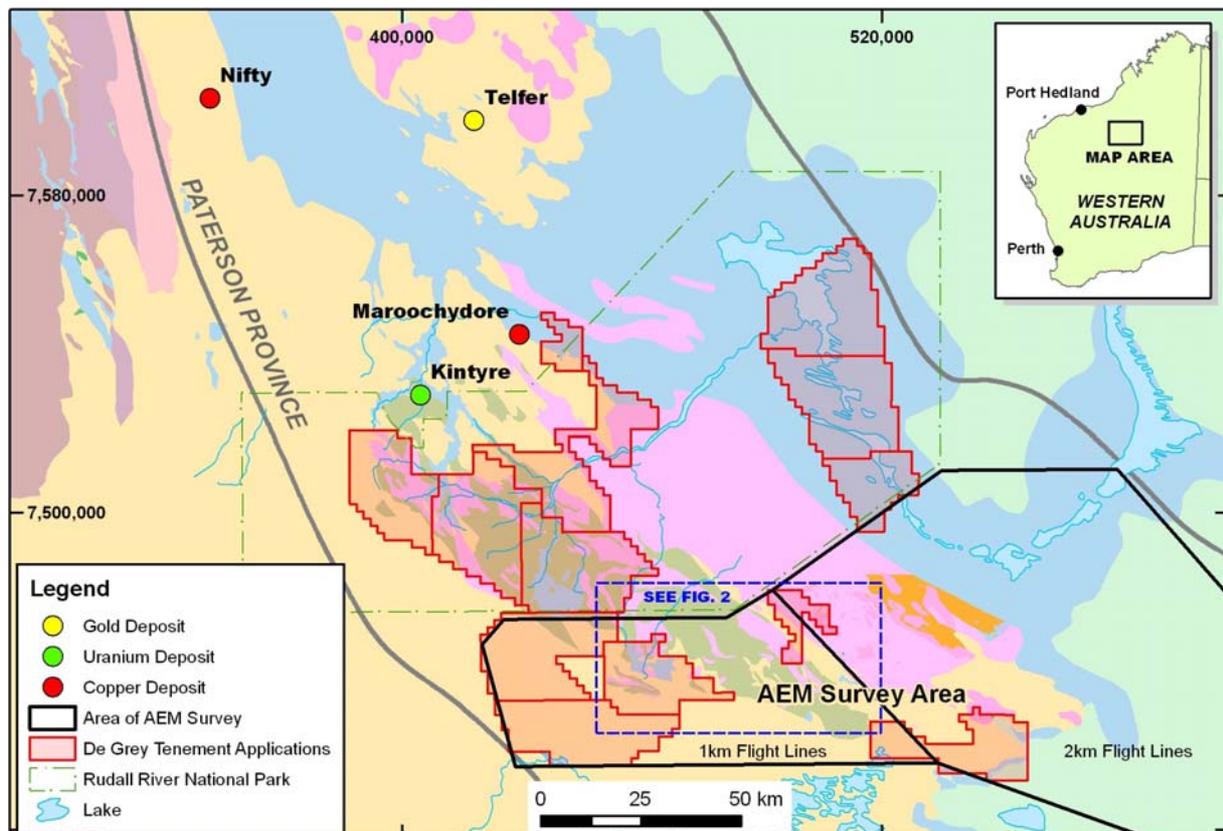


Figure 1: The airborne EM survey and De Grey Mining Ltd tenements in the Paterson area, WA.

The acquisition of this large new 100% owned project in a major mineralised province at minimal cost represents a significant new asset for De Grey. The value of the acquisition is further enhanced by the new AEM survey data, which was released on 4th March 2009.

Early review of the data has already identified several features warranting further evaluation as direct exploration targets. Despite the relatively wide flight line spacing, 4 of the 7 bedrock mineral occurrences in the area recorded in the GSWA Western Australian mineral occurrence (WAMIN) database are identified by discrete conductive anomalies in the survey data. As Figure 2 shows, several other similar conductivity anomalies occur within the DEG application areas and will be subject to further investigation to determine their cause.



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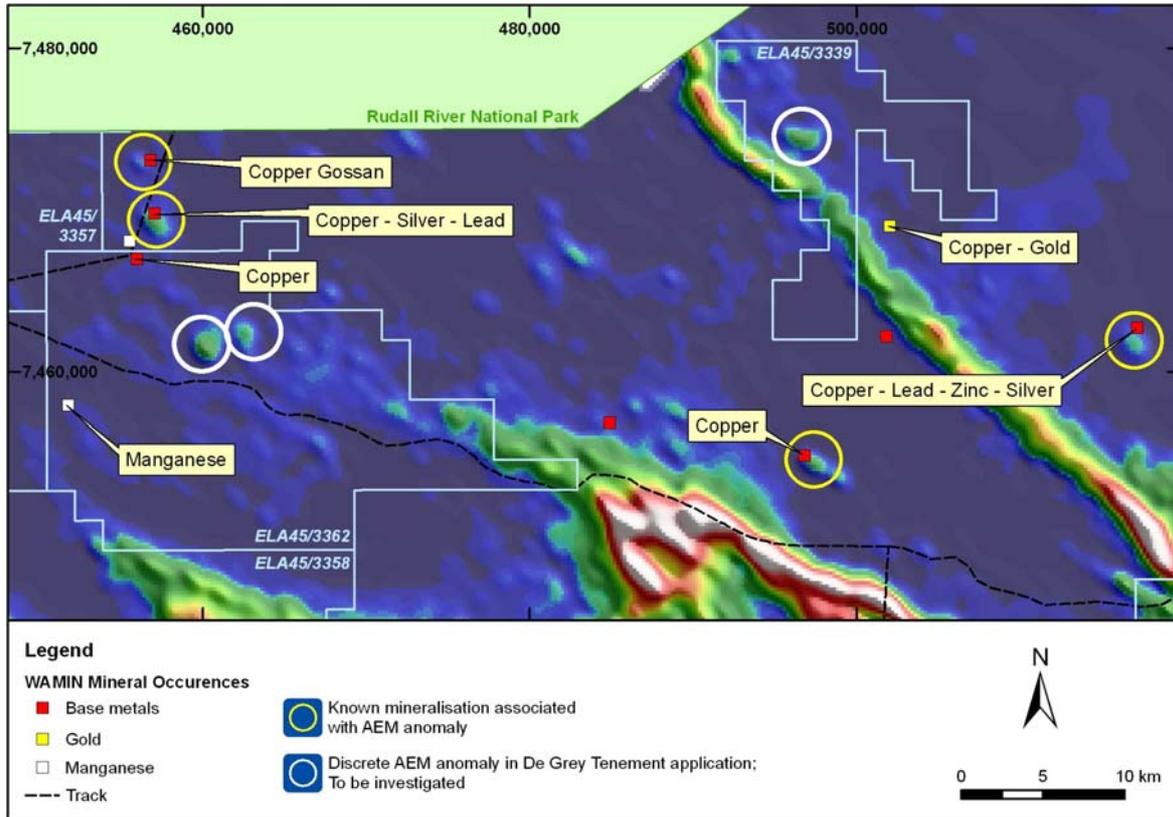


Figure 2: Conductivity image 150m to 200m depth slice showing discrete AEM conductivity anomalies related to some known WAMIN base and precious metal occurrences and other anomalies to be investigated within De Grey's new tenement applications.



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TABLE 1 – WINGINA WELL RESOURCE ESTIMATE

| JORC Resource Category | Cut off Grade g/t | Tonnes | Grade (g/t Au) | Ounces Gold |
|------------------------|-------------------|------------------|----------------|----------------|
| Measured | 0.5 | 2,141,700 | 1.97 | 135,500 |
| Indicated | 0.5 | 534,500 | 1.60 | 27,400 |
| Inferred | 0.5 | 768,200 | 1.63 | 40,400 |
| Total | 0.5 | 3,444,400 | 1.84 | 203,300 |

First released 29th October 2004

The information in the report to which this statement is attached that relates to Mineralisation is based on information compiled by Mr David Hammond, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Hammond 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 Hammond consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to mineral resources is based on information compiled by Mr Steve Hyland who is a member of the Australasian Institute of Mining and Metallurgy. Steve Hyland is a full time employee of Ravensgate. Mr Steve Hyland 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'. Mr Hyland consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

De Grey Mining Limited

ACN

094 206 292

Quarter ended ("current quarter")

31 March 2009

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration and evaluation | (173) | (1,425) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (244) | (797) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 27 | 158 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) R&D tax refund | - | 66 |
| Net Operating Cash Flows | (390) | (1,998) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | (10) |
| 1.9 Proceeds from sale of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | 5 |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | - | (5) |
| 1.13 Total operating and investing cash flows (carried forward) | (390) | (2,003) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|--|-------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (390) | (2,003) |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 830 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (provide details if material) | - | - |
| Net financing cash flows | | - | 830 |
| Net increase (decrease) in cash held | | (390) | (1,173) |
| 1.20 | Cash at beginning of quarter/year to date | 3,105 | 3,888 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 2,715 | 2,715 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 112 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

| |
|--|
| |
|--|

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

| |
|--|
| |
|--|

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 475 |
| 4.2 Development | - |
| Total | 475 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 212 | 236 |
| 5.2 Deposits at call | 2,503 | 2,869 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 2,715 | 3,105 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|-----------------------|----------------------------------|--|----------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | E45/2941 | surrender | 100% | 0% |
| | E45/1353 | surrender | 100% | 0% |
| | E45/1641 | surrender | 100% | 0% |
| | E45/2212 | surrender | 100% | 0% |
| | E45/2213 | surrender | 100% | 0% |
| | E45/2354 | surrender | 100% | 0% |
| | E45/2403 | surrender | 100% | 0% |
| | P45/1166 | surrender | 100% | 0% |
| | P45/1167 | surrender | 100% | 0% |
| | P45/2539 | surrender | 100% | 0% |
| 6.2 Interests in mining tenements acquired or increased | P45/2540 | surrender | 100% | 0% |
| | P45/2552 | surrender | 100% | 0% |
| | | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

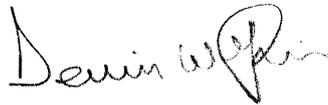
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--|---------------|--|--|
| 7.1 Preference +securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 225,112,350 | 225,112,350 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 3,250,000 5,200,000 2,000,000 2,500,000 3,250,000 3,000,000 | | <i>Exercise price</i> 20 cents 20 cents 20 cents 7.5 cents 25 cents 25 cents | <i>Expiry date</i> June 2010 July 2010 December 2010 June 2011 June 2011 July 2011 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired/cancelled during quarter | 500,000 | | 50 cents | March 2009 |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: **29 April 2009**

Print name:

Dennis Wilkins

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.