



Quarterly Activities Report For the Period ending 31 December 2017

ASX Release
31st January 2018

Issued Shares
324,995,466 as at
31 December 2017

Board of Directors
Simon Lill
Executive Chairman

Andy Beckwith
Technical Director

Brett Lambert
Non-Executive Director

Steve Morris
Non-Executive Director

Company Secretary/CFO
Craig Nelmes

Registered Office
Level 2, Suite 9, 389
Oxford Street
Mt Hawthorn WA 6016

Phone: +61 8 9381 4108
Fax: +61 8 9380 6761

www.degreymining.com.au

ABN: 65 094 206 292

The Pilbara Gold Project – Shear Hosted Gold

- RC drilling at Toweranna (0.43Mt @ 2.9g/t Au for 40,700oz) confirms multiple high-grade lodes and indicates likelihood of further resource increases.
- Scout drilling completed at Blue Moon prospect.
- Soil and rock chip sampling within Farno McMahon JV enhanced regional prospectivity.
- Overall Pilbara Gold resources remain at 23.88Mt @ 1.6 g/t for 1,210,000 oz
- Confirmation of extension to Indee Gold acquisition settlement, subject to final signature on Share Sale Agreement scheduled before 8 February 2018

The Pilbara Gold Project – Conglomerate Gold

- The Company confirmed further potential for conglomerate hosted gold mineralization within the Pilbara Gold Project as follows:
- “Watermelon seed” nuggets identified shedding from conglomerates within the 12km target zone below the prospective Mt Roe Basalt,
- Jarret Well – 3 nuggets within a 50 m thick conglomerate sequence over a 300m strike length,
- Steel Well – 3 nuggets within a 60 to 80 m thick conglomerate sequence over a 900m strike;
- Awaiting heritage clearances before further work to commence at the priority Loudens Patch with bulk sampling planned.
- The prospectivity of the conglomerate targets remains high

Lithium

- First drilling at King Col pegmatite, co-funded through EIS program, with initial discovery hole reporting 17m @ 2.5% LiO₂ from 5m.
- Soil sampling over next 5km strike potential completed – results pending

Corporate

- Cash at the end of the quarter of \$6.15M
- New significant shareholder (10.2%), Kirkland Lake Gold, through an investment of \$5M at a price of \$0.15 per share, with a 1 for 1 attaching option exercisable at \$0.20 by 30 November 2019
- Raised \$412,000 through Stage Two of a two tranche placement at \$0.05 per share with a 1 for 2 attaching option
- Raised \$602,000 through conversion of various Options

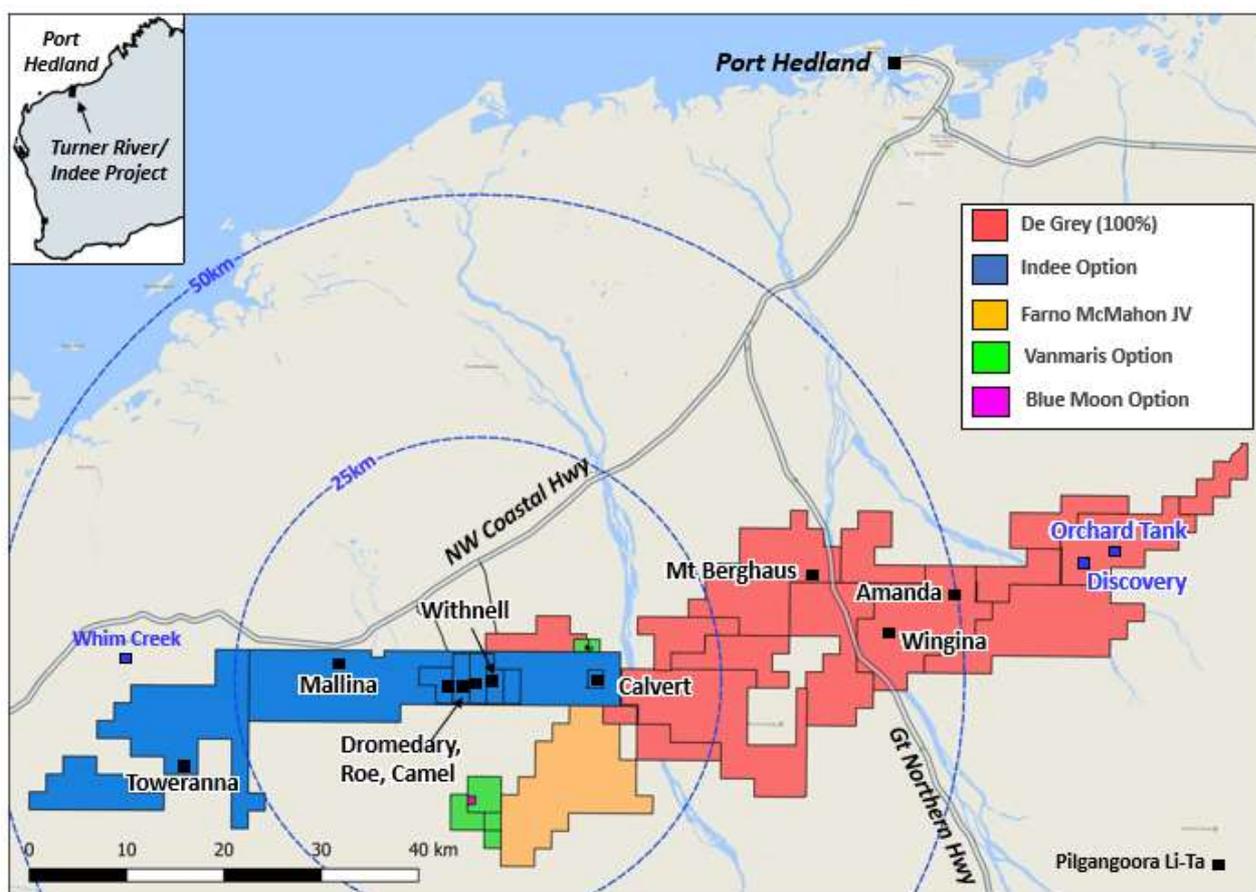
De Grey Mining Ltd (ASX: DEG, “De Grey”, “Company”) is pleased to report on activities completed during the December 2017 quarter.

Pilbara Gold Project (100% owned and Option to acquire 100% of neighbouring Indee Gold Project)

Extension of Option Period to acquire Indee Gold Pty Ltd

During the quarter the Company countersigned a formal letter received from Northwest Non-Ferrous Australian Mining Limited (“NNAM”) stating their intent to extend settlement of the acquisition of Indee Gold Pty Ltd (“Indee”), the owner of the tenements indicated in blue in the map below.

Figure 1 – Pilbara Gold Project location plan, showing Indee Option tenements (blue areas)



This extension was subject to regulatory approval (Chinese) and has recently been amended with the key commercial issues below:

- \$1.5M to be paid on execution of detailed Sale Agreement, scheduled before 8 February 2018;
- Settlement extended to 24 January 2019;
- An additional extension available until 24 July 2019 through further payment of \$700,000 on or before 24 January 2019;
- Full consideration remains A\$15M, less all previous payments
- NNAM also agrees to accept up to A\$3M part payment in DEG shares, subject to FIRB and takeover rules.
- Agreement is no longer subject to regulatory issues (Chinese).
- Final detailed Share Sale Agreement is expected to be executed prior to 8 February 2018.

Drilling Programs

The Company completed three drilling programs during the quarter, as follows:

Toweranna

The drilling program comprised of thirty-five (35) RC holes for a total advance of 4008m. Drilling targeted mineralisation associated with the margins of a 250m diameter granitic intrusion in the axis of a regional fold. The primary focus of the drilling was to:

infill existing drilling and extend mineralisation along strike and down dip around the sediment/granite contact; increase overall resources to potentially open pit depths of approximately 100-120m below surface; increase confidence on the controls and continuity of gold mineralisation; and allow the resource to be upgraded to Indicated category which will allow for later conversion to reserves in line with De Grey's planned open pit mining and development strategy.

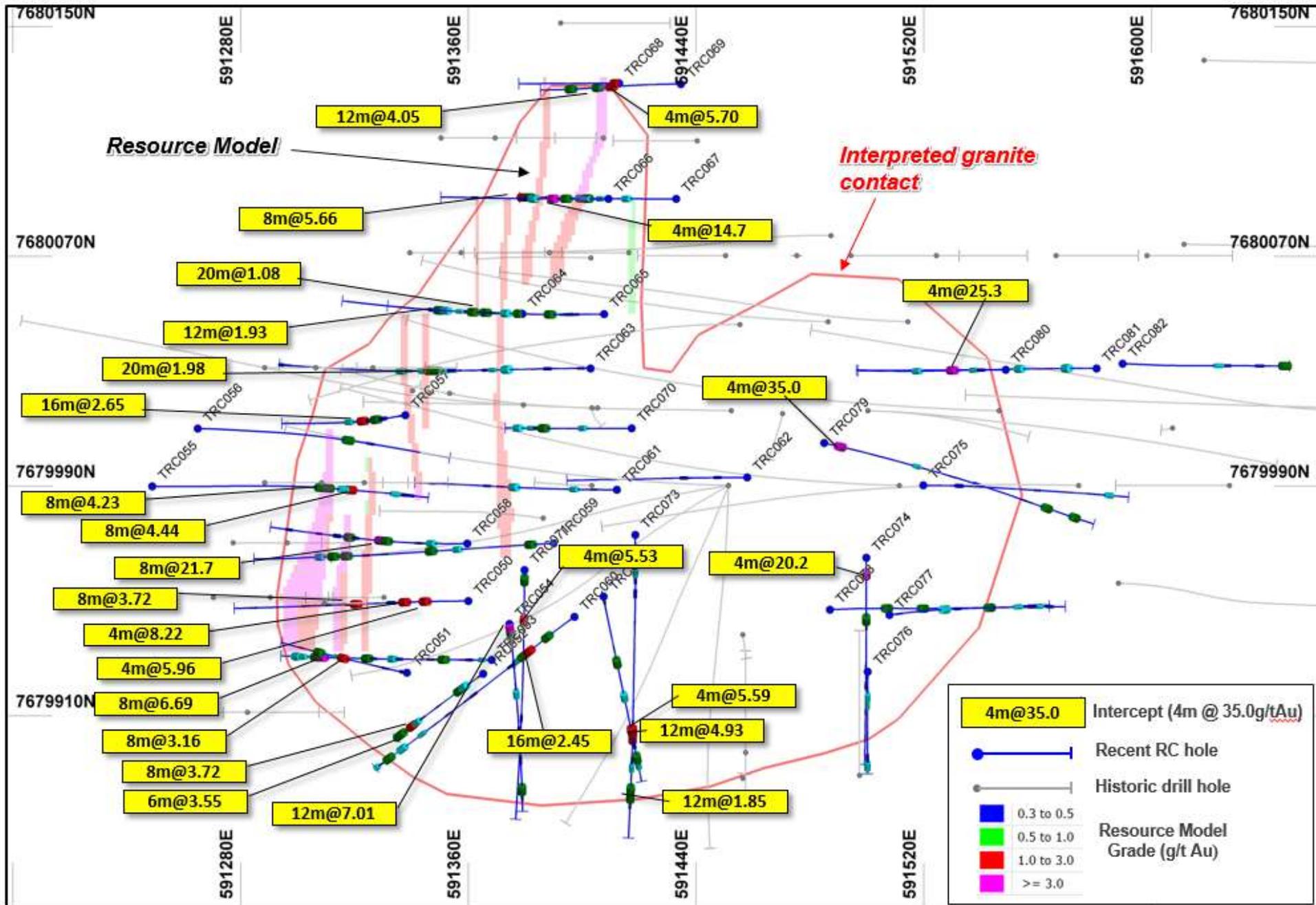
The current resource estimate at Toweranna (0.43Mt @ 2.9g/t Au for 40,700oz) is confined to the western margin mineralisation only. The drilling principally targeted infill and strike and depth extensions along this known zone, whilst also testing mineralisation along the southern margin where previous limited historic drilling indicated strong mineralisation potential. Additional holes targeted the eastern margin of the granite contact.

The drilling has successfully confirmed high-grade gold mineralisation both along the western and southern margins of the granite and sediment contact (Figure 2). Additional mineralisation was noted within the granite body notably near the eastern margin where further drilling will be needed to better define this potential. Final assay results for the 4m composite sampling were reported (ASX: 20 November 2017). Assessment of detailed re-sampling on a 1m basis throughout the anomalous zones is currently nearing completion with results expected to be released shortly.

Key high-grade intersections (4m sampling) include:

- 4m @ 35.0g/t Au** from 8m in TRC079
- 4m @ 25.3g/t Au** from 28m in TRC080
- 8m @ 21.7g/t Au** from 48m in TRC058
- 4m @ 20.2g/t Au** from 8m in TRC074
- 4m @ 14.7g/t Au** from 32m in TRC066
- 4m @ 8.2g/t Au** from 36m in TRC050
- 12m @ 7.0g/t Au** from 0m in TRC054
- 8m @ 6.7g/t Au** from 104m in TRC053
- 8m @ 5.7g/t Au** from 88m in TRC067
- 4m @ 5.7g/t Au** from 0m in TRC068
- 4m @ 5.5g/t Au** from 28m in TRC071
- 12m @ 4.9g/t Au** from 104m in TRC073
- 12m @ 4.1g/t Au** from 40m in TRC069

Figure 2 Toweranna RC – New RC drilling intercepts > 20-gram metres



Blue Moon Prospect

A scout RC drilling program totalling 24 holes for 2074m was completed in December 2017. The drilling program aimed to test one of the larger gold nugget patches, of approximately 1km strike length where the tenement owners have discovered over 1500 ounces of gold nuggets (ASX: 18 October 2017.)

Drilling was undertaken along the initial 1km strike length of the main gold nugget trend on sections nominally 200m apart with 3-4 holes per section. A second sub-parallel trend was also tested. Initial drill holes intersected ultramafic rocks hosting variable zones of quartz veining with associated pyrite (sulphide mineral visually estimated to range from minor to 5%). Fresh bedrock was intersected at shallow depths between 6-8m downhole.

The results of this drilling program are expected to be released shortly. Additional follow-up work programs are currently being planned across the Southern Areas region, including Blue Moon.

Conglomerate Gold

The Company's initial announcement as to its entry into the conglomerate gold sector was the identification of a section of Mt Roe Basalt. (ASX: 23 August 2017). This led to the discovery of a second Mt Roe Basalt at Loudens Patch where numerous (~90) nuggets were discovered by metal detecting along a 200m long exposure of 5-10m thick conglomerates at the base of the Mt Roe Basalt.

Subsequent to the Loudens Patch discovery, the Company confirmed the presence of further watermelon seed shaped nuggets shedding from the thicker conglomerate sequences at both the Jarret Well and Steel Well prospects.

Jarret Well

Three (3) gold nuggets were discovered within and immediately adjacent to the lowermost ferruginous (oxidized pyritic) conglomerate bed. Above this lower conglomerate is a sequence of thicker and massive mafic sands/siltstones transgressing into an upper coarse polymict conglomerate. Jarret Well conglomerates have been mapped over 300m of strike length, are shallow dipping and up to 50m thick and open along strike under basalt scree material.

Steel Well Conglomerate

Three (3) gold nuggets were also discovered 500m south of outcropping Steel Well Conglomerate. At Steel Well, the conglomerate sequence is 60m to 80m thick and mapped over a 900m strike length, moderate dipping and open along strike under basalt and scree material.

During the period, mapping of the conglomerate outcrops has been undertaken in conjunction with orientation geochemical sampling. Results of this work are currently being compiled and interpreted to determine which forms of sampling, analytical procedures and sample size and density might be useful to use in further exploring for this new style of mineralisation elsewhere in the region.

Review of results published by other companies exploring for this style of conglomerate gold mineralisation, clearly indicates large sample sizes, potential as large as 5 tonnes, will be required to determine the average gold grade within the conglomerate sequence. De Grey's view is that the most likely sample size requirements to determine specific grades for resource definition will also need to be large, i.e. in the order of 5t per sample.

Accordingly, the initial proposed work programs to determine the potential grade of De grey prospects will be based around obtaining large bulk samples across the outcropping conglomerate sequences. The Loudens Patch prospect is currently the highest priority target based on the quantity of gold found to date, including metals detecting of nuggets and the large historical and current alluvial mining in the immediate area. Bulk sampling is planned to be carried out by exposing the conglomerate sequences by using a combination of bulldozer and an excavator. In order to undertake this ground disturbing work Native Title heritage surveys have been requested for these targets. Until these surveys are successfully

completed, and bulk sampling can commence, the Company continues to study the geological and geochemical signatures that might be applied along strike under cover and across the greater region.

Figure 3 Jarret Well and Steel Well Conglomerate Gold Targets (E47/2720)

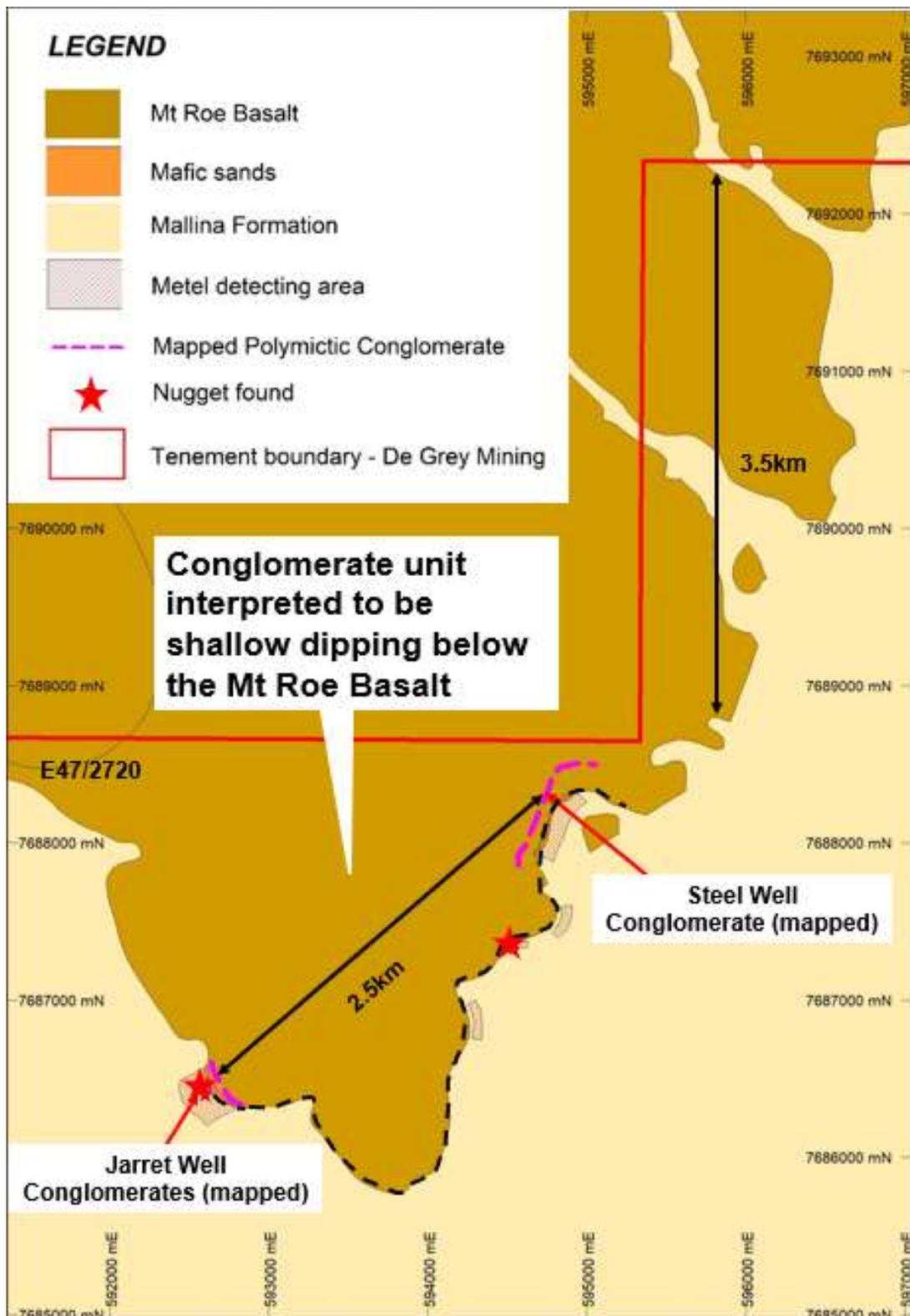
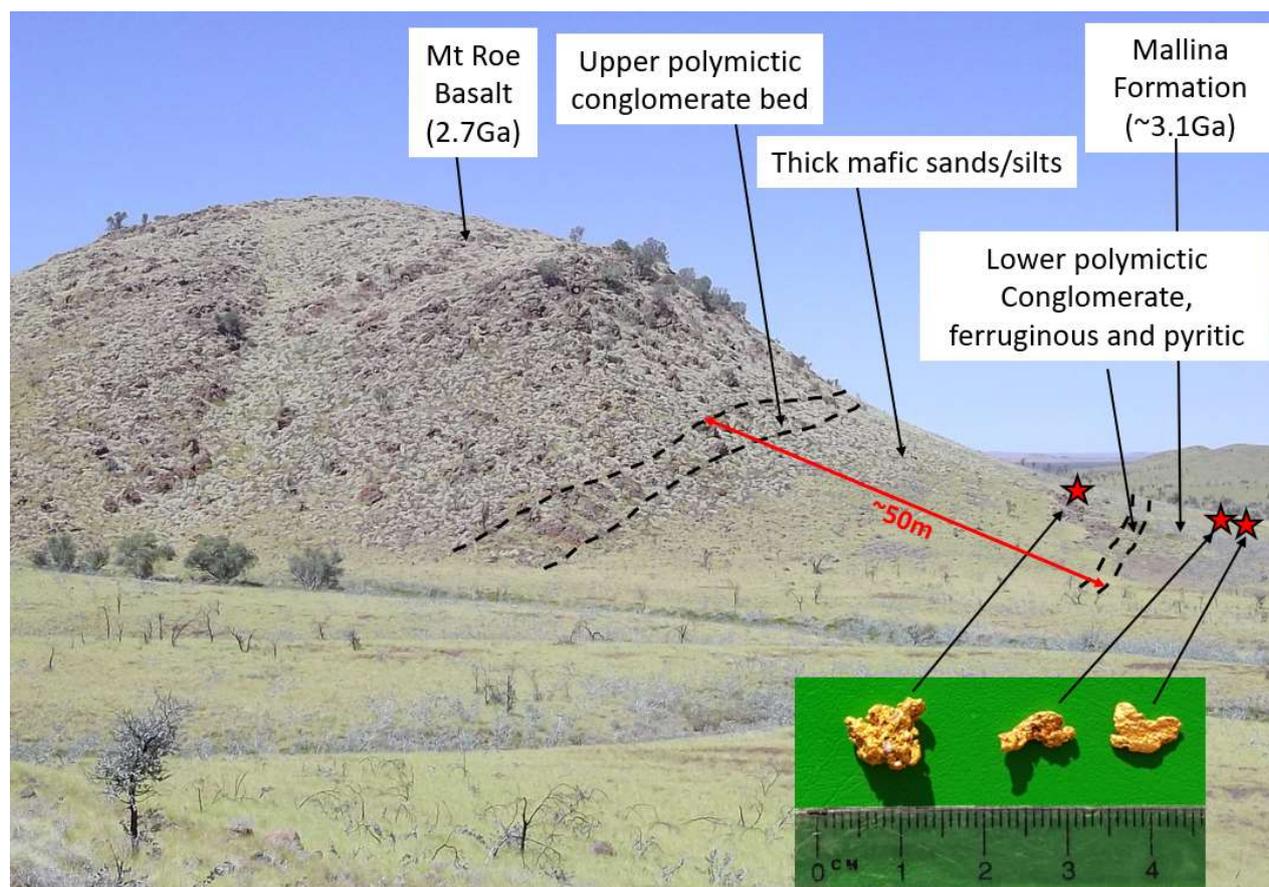


Figure 4 Jarret Well - Panoramic view looking southeast



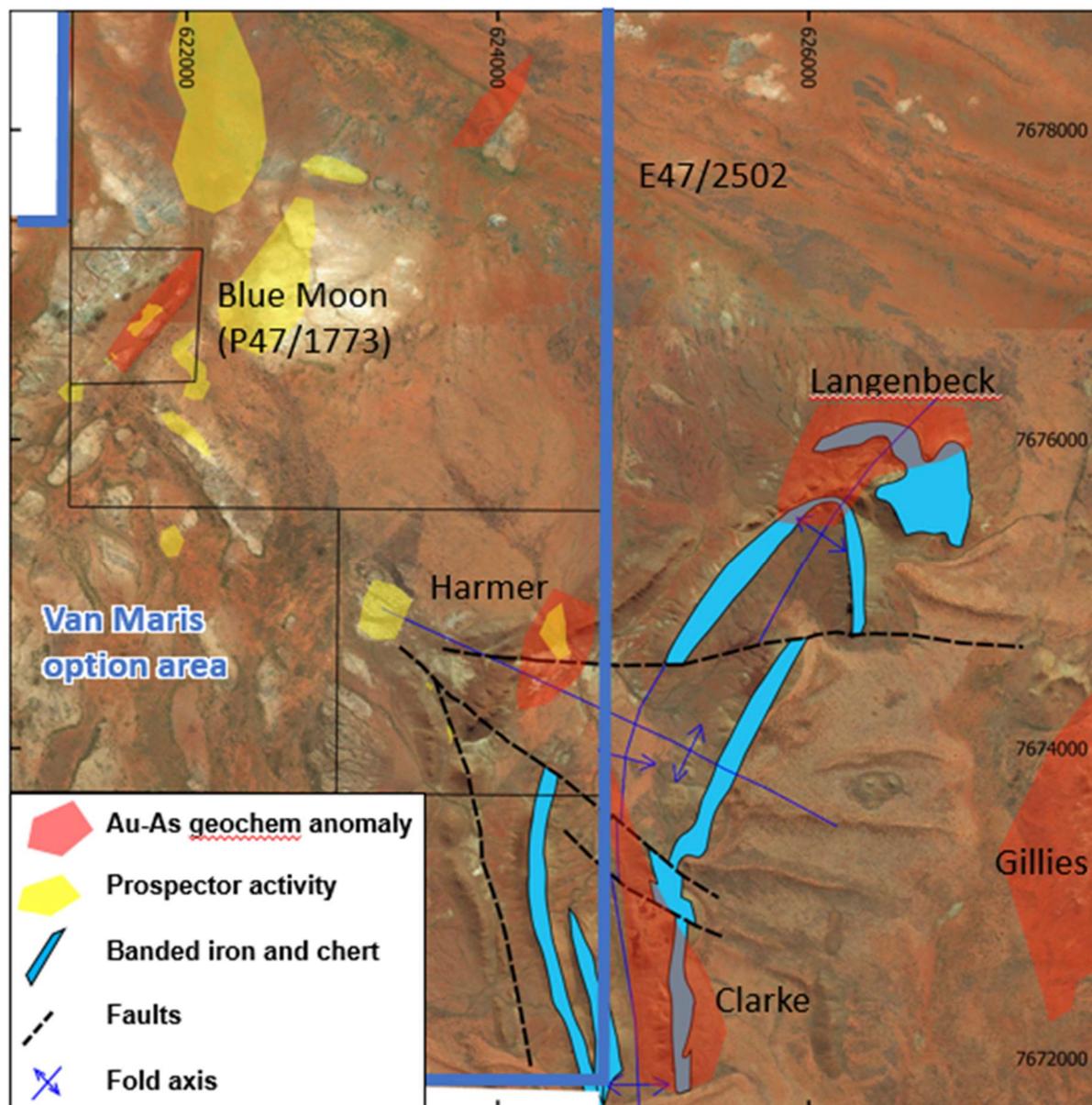
Geochemical Sampling Programs

A limited program of soil and rock chip sampling was completed in the southwest of the Farno McMahon JV tenements (E47/2502). Results of this sampling and earlier sampling (ASX: 29 November 2017) defined a 1.5km long soil anomaly (peak 1.79g/t Au) with supporting encouraging rock chip samples (peak 28.3g/t Au) from a series of north south trending intermittent outcropping quartz veins up to maximum of 4m width at the Clarke Prospect.

The Clarke Prospect together with the previously defined Harmer and Langenbeck prospects located further north all lie within a large 5km long regional scale Langenbeck Fold (Fig 5). This fold structure is considered an important structural focus to gold mineralisation and includes receptive host rock types including band iron formation (BIF) and cherts. Further work programs will target this excellent large scale target during Q1 and Q2 2018.

- Clarke Prospect** 1.5km long soil anomaly with potential ore grade rock chips from exposed quartz veins
- Harmer Prospect** ~1km long soil anomaly and metal detecting pits.
- Langenbeck Prospect** 1.5km long soil anomaly associated with BIF and cherts.

Figure 5 - Regional scale fold structure showing simplified geology and host to three significant gold targets.



Tenements

The Company made no changes to its overall granted tenement position in the region, other than through the compulsory relinquishment of some area within the Farno McMahon JV.

Future Work Programs

Programs planned for the March Quarter include;

- Additional diamond and RC drilling at the high grade Toweranna prospect, commencing prior to the end of February – noting that commencement is subject to season rain currently affecting the Pilbara region.
- Detailed aeromagnetic survey across the Southern Areas (Farno JV, Vanmaris and Blue Moon areas)

- Heritage surveys for the Conglomerate Gold and Southern Areas priority targets
- Bulk sampling at Loudens Patch, subject to successful heritage surveys
- Commencement of RC/RAB/Aircore drilling within Southern Areas, subject to successful heritage surveys
- Detailed metallurgical testwork (underway) of fresh and oxide bedrock material from Withnell, Calvert, Camel, Roe, Dromedary and Mt Berghaus deposits.
- Pre-Feasibility Study level activities commence including processing plant design, environmental and infrastructure studies, stakeholder engagement

The Company will provide further program and timing updates during the period.

Base Metals

Discovery and Orchard Tank Base Metals Resource

The Company has engaged an experience external consultant and commenced a detailed review process of all the existing exploration data and potential for VMS style Zn-Pb-AG resources across the entire project area. This review is significantly advanced and has already highlighted a number of new targets and prospective areas not effectively tested along the Tabba Tabba Thrust.

Results of this review and assessment are expected to be completed during the quarter with the view to gaining better recognition and value of these assets for shareholders.

Lithium

King Col - Drilling program

During the quarter, the company reported on the first ever scout drilling program at the King Col pegmatite. The program showed that the pegmatite was enriched in lithium with the best results as below:

KRC012	17m @ 2.55% Li₂O from 13m
KRC011	8m @ 1.0% Li₂O from 27m
KRC011	1m @ 8.63% Cs₂O from 25m

The pegmatites occur as a series of stacked moderately thick and south dipping pegmatites bodies and remain untested to northeast along strike and down dip.

Importantly, this drilling was quite limited, with only 22 holes for 1684m drilled over a 2km strike length and there remains a further 5km of untested potential to assess. Based on the encouraging drill results, soil sampling of the untested 5.5km strike of pegmatite trend was undertaken. Results of this soils sampling are expected to be available to be reported shortly.

Beyondie

The magnetite iron ore project at Beyondie is under the management of joint venture partner Emergent Resources Ltd (ASX: EMG, "Emergent"), who have earned an 80% interest in the iron ore mineral rights (iron ore, vanadium and manganese) of the project. Emergent have advised De Grey that there has been no change to their current status on this tenement. Discussions continue with EMG to ensure De Grey's mineral rights remain protected.

De Grey retains 20% interest in the iron ore, vanadium and manganese rights and 100% of all other minerals rights.

Sands Royalty

De Grey generated royalty revenues of \$3,700 for the current quarter. The September 2017 royalty of \$3,085 was received during the quarter.

Corporate

Cash on hand at end of the quarter was \$6.15 million.

During the quarter the Company raised:

- \$5.0 M through a share subscription agreement with Kirkland Lake Gold Limited. This was through the issue of 33,333,333 shares at a price of \$0.15 per share, together with 33,333,333 options exercisable at \$0.20 at any stage before 30 November 2019. This was approved by shareholders at the Company's AGM held on 30 November 2017.
- \$412,000 through Tranche Two of a Two tranche placement at \$0.05 per share with a 1 for 2 attaching option exercisable at \$0.10 per share at any stage prior to 30 November 2018. This issue was approved by the Company's shareholders at a General Meeting held on 26 October 2017.
- \$602,000 through the exercise of various options during the quarter as a result of the significant share price increase during the quarter.

The Company also enhanced its Board during the quarter with the introduction of Mr. Andy Beckwith (Geologist, Technical Director and Operations Manager) and Mr. Brett Lambert (Mining Engineer, Non-Executive Director). Mr. Davide Bosio stepped down from the board.

The Company also announced a proposed extension of terms to the Indee Agreement, albeit subject to Chinese regulatory approval (ASX 2 October 2017). Chinese regulatory approval was not received, and the Company has recently announced new terms and an extension of time to 8 February 2018, to complete the formal Share Sale Agreement for the 100% acquisition of Indee Gold Pty Ltd. The new terms include:

- \$1.5M to be paid on execution of detailed Sale Agreement;
- Settlement extended to 24 January 2019;
- An additional extension is available until 24 July 2019 through further payment of \$700,000 on or before 24 January 2019;
- Full consideration remains A\$15M, less all previous payments, and to include A\$3M equity component.

The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr. Philip Tornatora, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr. Tornatora is a consultant to De Grey Mining Limited. Mr. Tornatora has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr. Tornatora consents to the inclusion in this 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. Paul Payne, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Payne is a full-time employee of Payne Geological Services. Mr. Payne has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Payne consents to the inclusion in the report of the matters based on his information in the form and and context in which it appears.

Appendix 1: Tenement Holdings and Movements

Schedule of Mining Tenements and Beneficial Interests Held as at the end of the September 2017 Quarter

Project/Location	Country	Tenement	Percentage held/earning
Beyondie	Australia	E52/2215	20% ¹
Turner River	Australia	E47/891	100%
Turner River	Australia	E45/2533	100%
Turner River	Australia	E45/2364	100%
Turner River	Australia	E45/2995	100%
Turner River	Australia	E45/3390	100%
Turner River	Australia	E45/3391	100%
Turner River	Australia	E45/3392	100%
Turner River	Australia	P45/3028	100%
Turner River	Australia	P45/3029	100%

- ¹ De Grey retains 100% rights to all non-iron ore related minerals under a Split Commodity Agreement.

Schedule of Mining Tenements and Beneficial Interests Acquired during the September 2017 Quarter

Project/Location	Country	Tenement	Granted Date
Nil			

Schedule of Mining Tenements and Beneficial Interests Disposed of during the September 2017 Quarter

Project/Location	Country	Tenement	Withdrawal Date
Nil			