



# DE GREY MINING LTD

*The Bold Explorer*

## QUARTERLY REPORT

FOR THE QUARTER ENDING 30 JUNE 2011

**ASX CODE: DEG**

**Shares on Issue**

258,862,350

**Board of Directors**

*Darren Townsend*  
Chairman

*Gary Brabham*  
Managing Director

*Jason Brewer*  
Non-Executive Director

**Company Secretary**

*Dennis Wilkins*

**Exploration Manager**

*Glenn Martin*

**Registered Office**

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A.B.N. 65 094 206 292

### Highlights

#### Argentina Projects (gold, silver)

- Surface geochemical sampling results have outlined significant gold, silver and pathfinder element anomalies for follow-up at Sierra Morena and Boleadora projects.
- A further 1,458 sq km of tenement applications staked in Santa Cruz Province.
- Option secured over Pachi project, a highly prospective property with previous surface sampling to 0.29g/t Au and 134g/t Ag.
- De Grey's total landholdings in Deseado Massif epithermal Au-Ag province now 3,751 sq km, making the Company one of the largest tenement holders in the region.

#### Turner River Project (gold, base metals)

- Farm-out agreements executed with incoming partner to fund \$3.5M exploration to earn interests.
- Drilling to commence in August at gold and VMS-style base metals targets.

#### Pilbara Iron Assets (iron ore)

- Atlas Iron progresses mine planning at Mount Dove, where De Grey retains royalty rights.

#### Corporate

- Subsequent to the quarter end the Company received a \$500,000 payment pursuant to an infrastructure access agreement.



# DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

## Argentina Projects

### Santa Cruz Province – New 100% De Grey Properties

By staking in its own right, De Grey has secured a further 1,458 sq km of ground in 20 tenement applications in the highly prospective Deseado Massif, a Jurassic igneous province recognised only recently as a world-class gold-silver mining province. An updated compilation of published resources and ore reserves in the Deseado reveals that approximately 17.5Moz of gold and 526Moz of silver have been discovered in the region since about 1990.

Through agreements and tenement applications in its own right, De Grey has now secured mineral rights over approximately 3,751 sq km of ground in Santa Cruz Province, making the Company one of the largest tenement holders in the region (Figure 1).

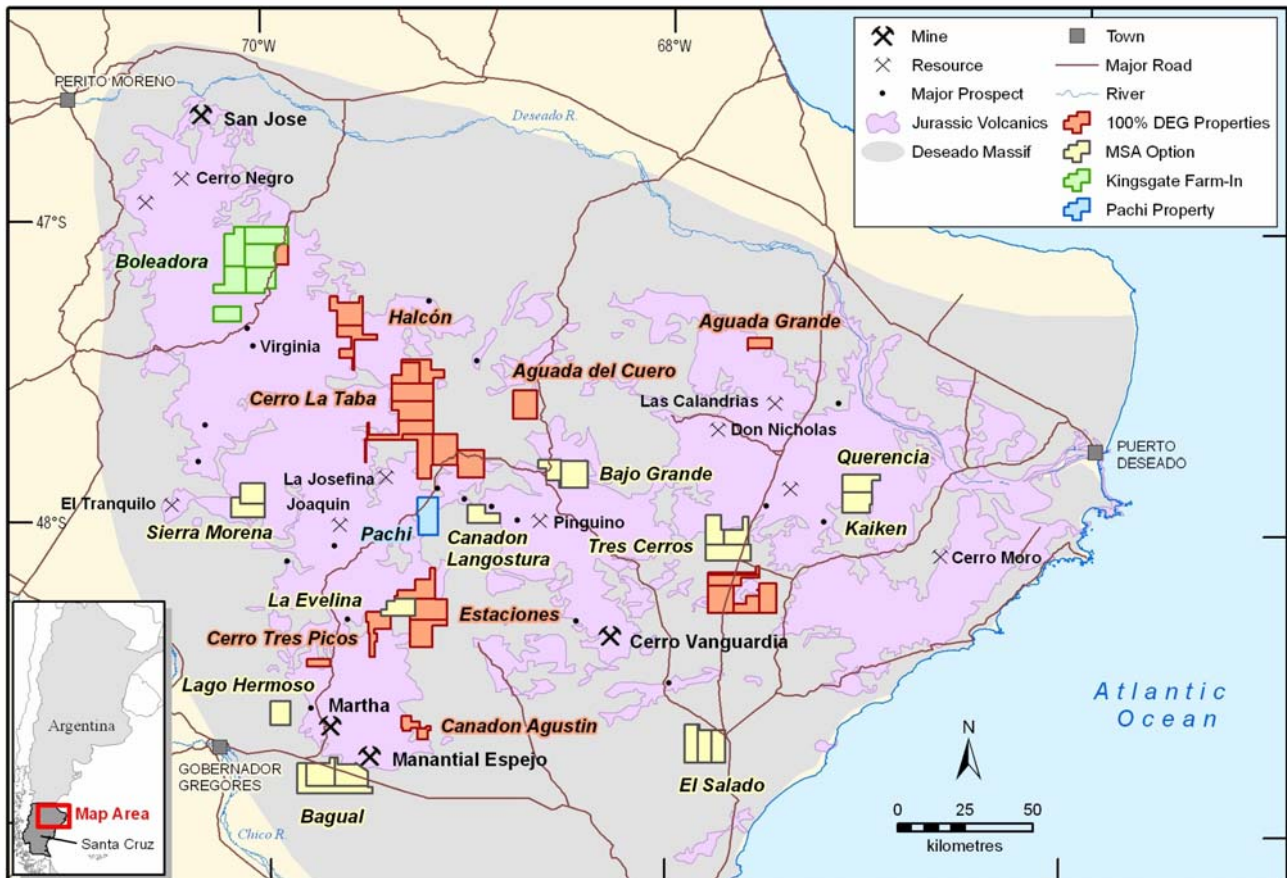


Figure 1: Locations of De Grey's projects, Santa Cruz, Argentina



## DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

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### Halcon Project

Halcon (“**Falcon**”) is a new project area comprising applications for three *cateos* (exploration licences) covering a total area of 179 sq km. Volcanic rocks of the Chon Aike Formation, host to almost all known low-sulphidation epithermal Au-Ag mineralisation in the Deseado, outcrop or subcrop over about 85% of the project area.

Halcon is located approximately 30km east of Mirasol Resources’ Virginia prospect, focus of recent drilling by that company that has returned intercepts including 29.1m @ 251g/t Ag and 26.6m @ 230g/t Ag (true widths)<sup>1</sup>.

The El Macanudo and La Heradura fossil epithermal hot spring deposits, located immediately north and east, respectively, from the Halcon tenements are evidence of hydrothermal systems active nearby in the Jurassic.

### Cerro La Tabá

New tenement applications contiguous with De Grey’s existing Cerro La Tabá project cover an additional 662 sq km. The northern and southern-most tenements cover exposed Chon Aike volcanics. The central portion covers an area where the prospective Jurassic rocks are covered by a veneer of Quaternary basalt flows interpreted in most places to be less than 10 metres thick.

Immediately south of the new tenement applications, exposed Chon Aike volcanic rocks host Hunt Mining’s El Gateado prospect. Hunt’s La Josephina deposits (recent drill intercepts of 19.47m @ 18.83g/t Au, 4.45m @ 4.83g/t Au, 7m @ 3.01g/t Au<sup>2</sup>) lie just 15km to the southwest. Structures controlling mineralisation at each of these prospects are interpreted to trend beneath the basalt cover on De Grey’s tenements.

### Estaciones

The Estaciones (“**Seasons**”) project comprises 270 sq km in three *cateo* applications contiguous with the Company’s La Evelina property (subject of an option agreement with Minera Sudamericana S.A.).

The northern part of the new area covers exposed rocks of the Chon Aike Formation, including extensions of ESE trending structures that have returned low-level gold anomalism at La Evelina. In the south, the prospective Jurassic rocks are covered by a thin veneer of Quaternary basalts. Numerous small erosional windows indicate that the basalt cover is mainly less than 6-8 metres thick.

### Boleadora Este

Boleadora Este is contiguous with the company’s Boleadora Project, in the western Deseado, where De Grey has the right to earn up to 80% interest in a farm-in with Minera Kingsgate S.A.

The property comprises a single *cateo* (exploration licence) covering an area of 35 sq km. The western portion of the property covers exposed volcanic rocks of the Chon Aike Formation. The eastern portion covers an area where the prospective Jurassic rocks are covered by a veneer of Quaternary basalt flows interpreted in most places to be less than 10 metres thick.

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<sup>1</sup> Refer to Mirasol Resources news release dated 12 May 2011.

<sup>2</sup> Refer to Hunt Mining news release dated 5 May 2011.



## DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

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### La Rosita Norte

The La Rosita Norte *cateo* application covers an area of 25 sq km and is located approximately 21km NNW of the Martha mine (Coeur Argentina S.R.L.) and 38km NW of the Manantial Espejo mine (Pan American Silver Corp).

Neighbouring tenements are held by Minera Mariana Argentina (Mariana Resources) and Coeur Argentina, two of the most active explorers in the region.

### Tres Cerros Sur

The Tres Cerros Sur project comprises 287 sq km in five *cateo* applications immediately south of the Company's Tres Cerros Project (subject of an option agreement with Minera Sudamericana S.A.).

The applications are located approximately 50km NE of Cerro Vanguardia mine (AngloGold Ashanti – Fomicruz JV). The area is immediately east of, and contiguous with, a large area being intensively explored by the Cerro Vanguardia JV.

The project covers an area where prospective Jurassic rocks are exposed in several windows through a thin veneer of post mineral cover. Exploration of covered areas is in its infancy in the Deseado and De Grey considers that application of geophysics and advanced geochemical sampling techniques in conjunction with low-level detection assay methods, familiar to Australian explorers, have potential to yield new discoveries in the region.

### Santa Cruz Province – Pachi Option

De Grey has executed a binding letter of intent with an Argentine individual to enter into an option-to-purchase agreement over the Pachi project, located in Santa Cruz Province, Argentina. Pachi comprises a single 100 sq km *cateo* that adjoins tenements that cover Hunt Mining's La Josephina and El Gateado prospects and covers interpreted extensions and repeats of structures that host mineralisation on those properties (Figure 2).

Pachi features a silica-carbonate sinter horizon that sub-crops over 800 metres strike on the property, disappearing beneath cover to the north and south. Previous rock chip sampling of this horizon has returned up to **0.29g/t Au** (with **58.7g/t Ag**) and **68g/t Ag**. De Grey's sampling has returned elevated levels of mercury (to 5000ppb), arsenic and manganese (Table 1), demonstrating that the sinter represents the fossil outflow zone of an epithermal system that carried significant metals.

Previous rock chip sampling also located an area of veining and alteration extending over about 500 metres where samples returned up to **70ppb Au and 134g/t Ag**.

Terms of the agreement include escalating annual option fees with a first-year fee of US\$24,200 and a commitment to drill at least 500 metres in the first year of the agreement.

Pachi has been prioritized for a program of detailed mapping and further sampling early in the 2011-2012 field season, expected to commence mid-September. The Company anticipates defining targets at Pachi for initial drill testing in early 2012.



# DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

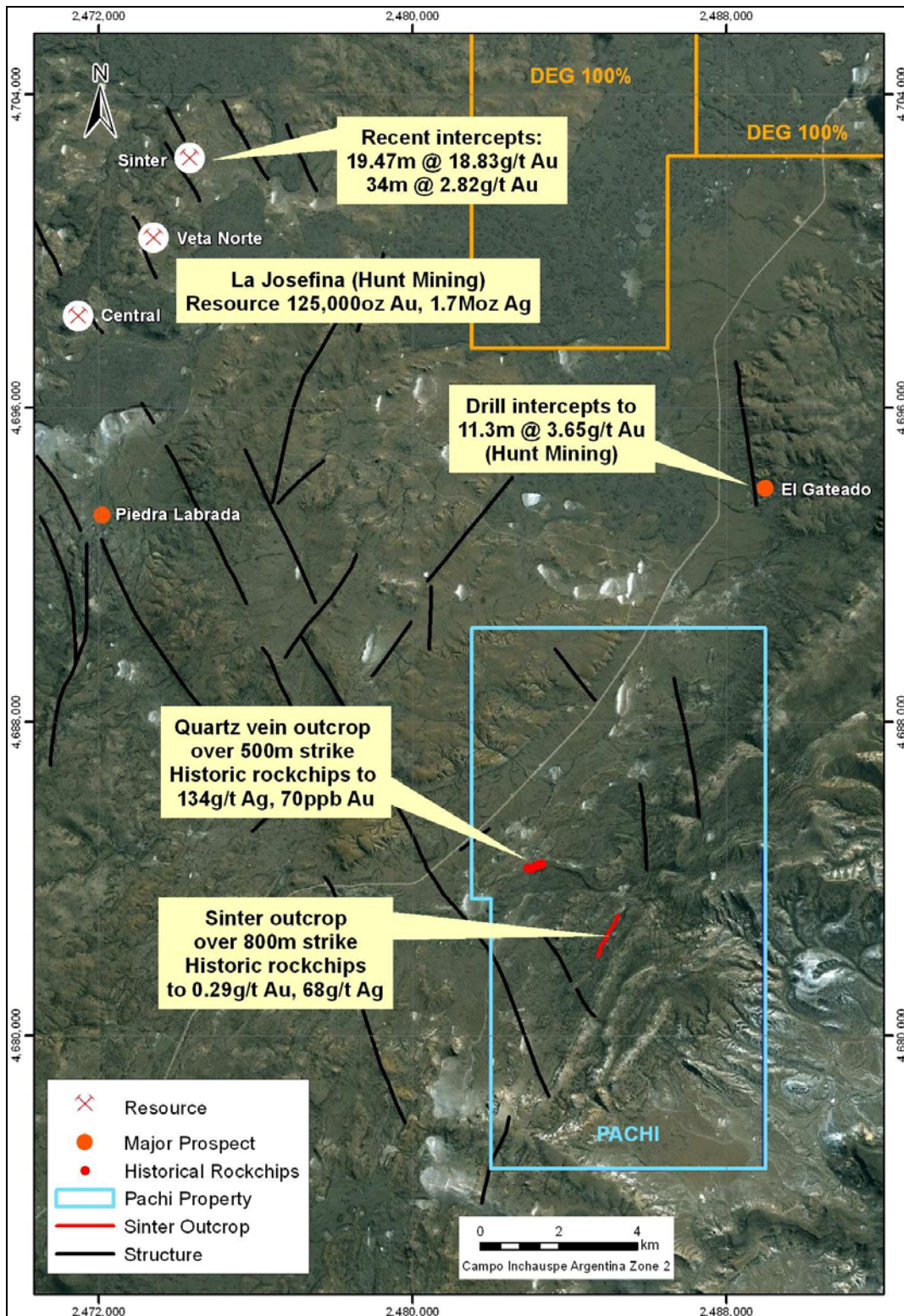


Figure 2: Pachi property location



## DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

*Sample	North	East	Au (ppb)	Ag (ppm)	As (ppm)	Mn (ppm)	Hg (ppb)
BVNA011	4682472	2484933	<b>289</b>	<b>58.7</b>	78	122	**
BVNA009	4684278	2483039	<b>73</b>	<b>68</b>	75	127	**
BVNA119	2482932	4684279	<b>70</b>	<b>134</b>	95	127	**
A-187	4682878	2485157	<b>47</b>	<5	168	239	1430
A-181	4683078	2485228	<b>42</b>	<5	60	114	1402
BVNA115	2483170	4684343	<b>30</b>	<b>74.6</b>	22	87	**
BVNA118	2482932	4684279	<b>25</b>	<b>91.2</b>	69	93	**
BVNA116	2483202	4684350	<b>24</b>	<b>93.5</b>	36	108	**
A-180	4561712	2487041	<b>13</b>	<5	17	258	866
BVNA034	4683802	2486114	<5	2.7	61	265	**
A-182	4682460	2484943	<5	<5	169	117	2110
A-183	4682243	2484325	<5	<5	27	215	867
A-184	4682516	2484896	<5	<5	100	<b>4474</b>	2282
A-185	4682549	2484935	<5	<5	116	<b>7789</b>	<b>5069</b>
A-186	4682662	2485015	<5	<5	88	<b>2144</b>	<b>3674</b>

Table 1: Pachi Project – Significant Rock chip sample results

\*Samples prefixed 'BVNA' were taken by previous operator of property with analysis by ALS Chemex, using ICP-MS. Samples prefixed 'A' were taken by De Grey Mining Ltd in 2011 with analysis by ACME Laboratories, using ICP-MS. Sample locations in Campo Inchauspe datum. Zone 2. \*\* - Element not reported



# DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

## Sierra Morena Project

The results of systematic stream sediment sampling over the entire 140 sq km Sierra Morena project were received during the quarter, outlining fourteen target areas of elevated gold and/or multi-element signatures (Figure 3). Those areas are predominantly associated with northwest trending faults, the typical control of most known epithermal vein deposits in the Deseado Massif.

Importantly, sample sites immediately downstream of the known Breccia Vein in the eastern part of the project area returned anomalous results, validating the sampling approach.

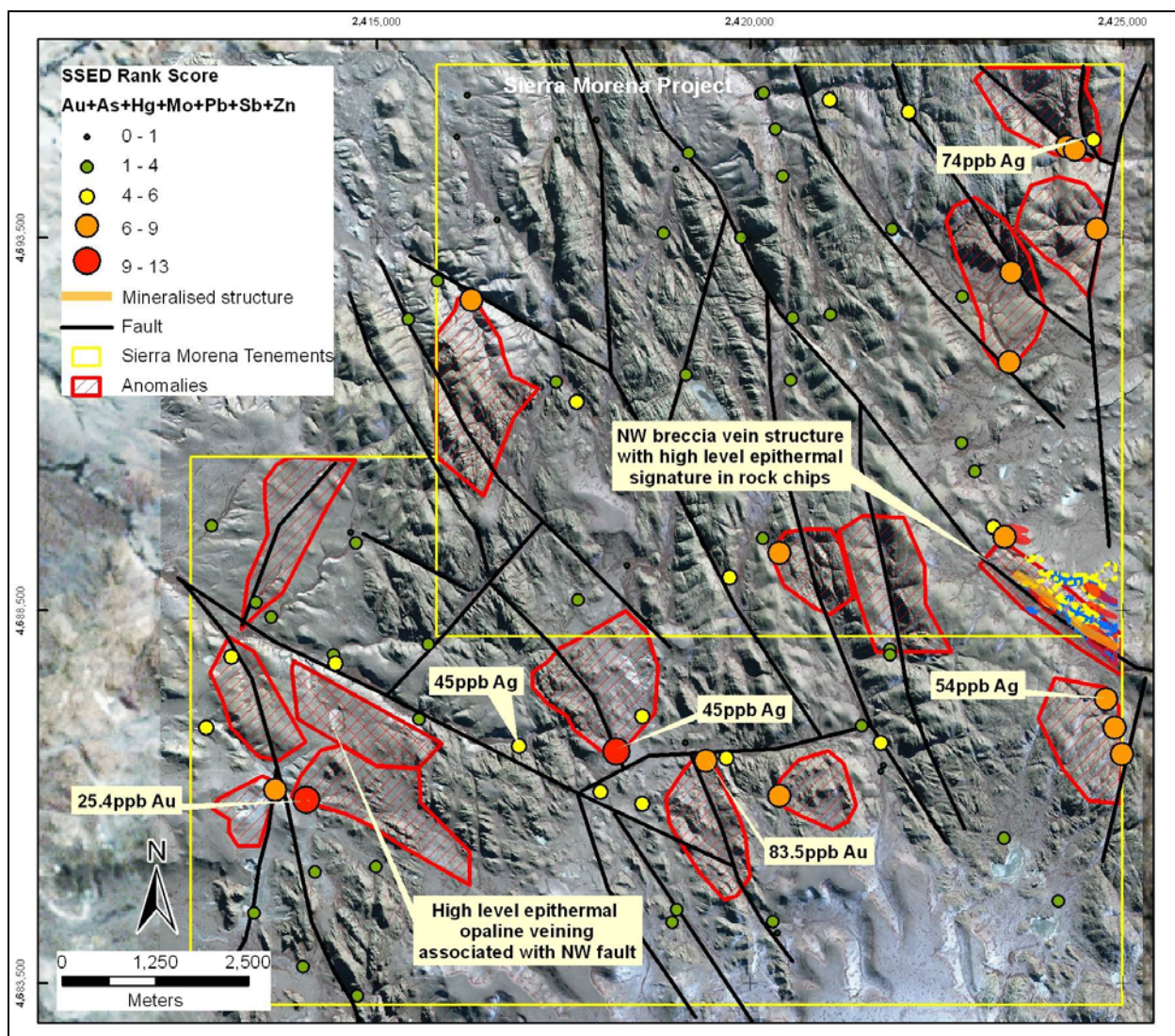


Figure 3: Sierra Morena stream sediment geochemistry anomalies



## DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

Also received during the quarter were assays for the lag samples collected over the Breccia Vein and immediate surrounds (Figure 4). Those results confirm continuity of the multi-element anomaly associated with sporadic sub-crop of the vein and also indicate a possible parallel structure to the north, where previous float sampling in an area of limited outcrop returned up to 0.20g/t Au with 20g/t Ag.

The 2011-2012 work program for Sierra Morena will follow up target areas outlined by the stream sediment survey and also complete detailed mapping of the Breccia Vein area to firm up sites for drilling proposed for early 2012.

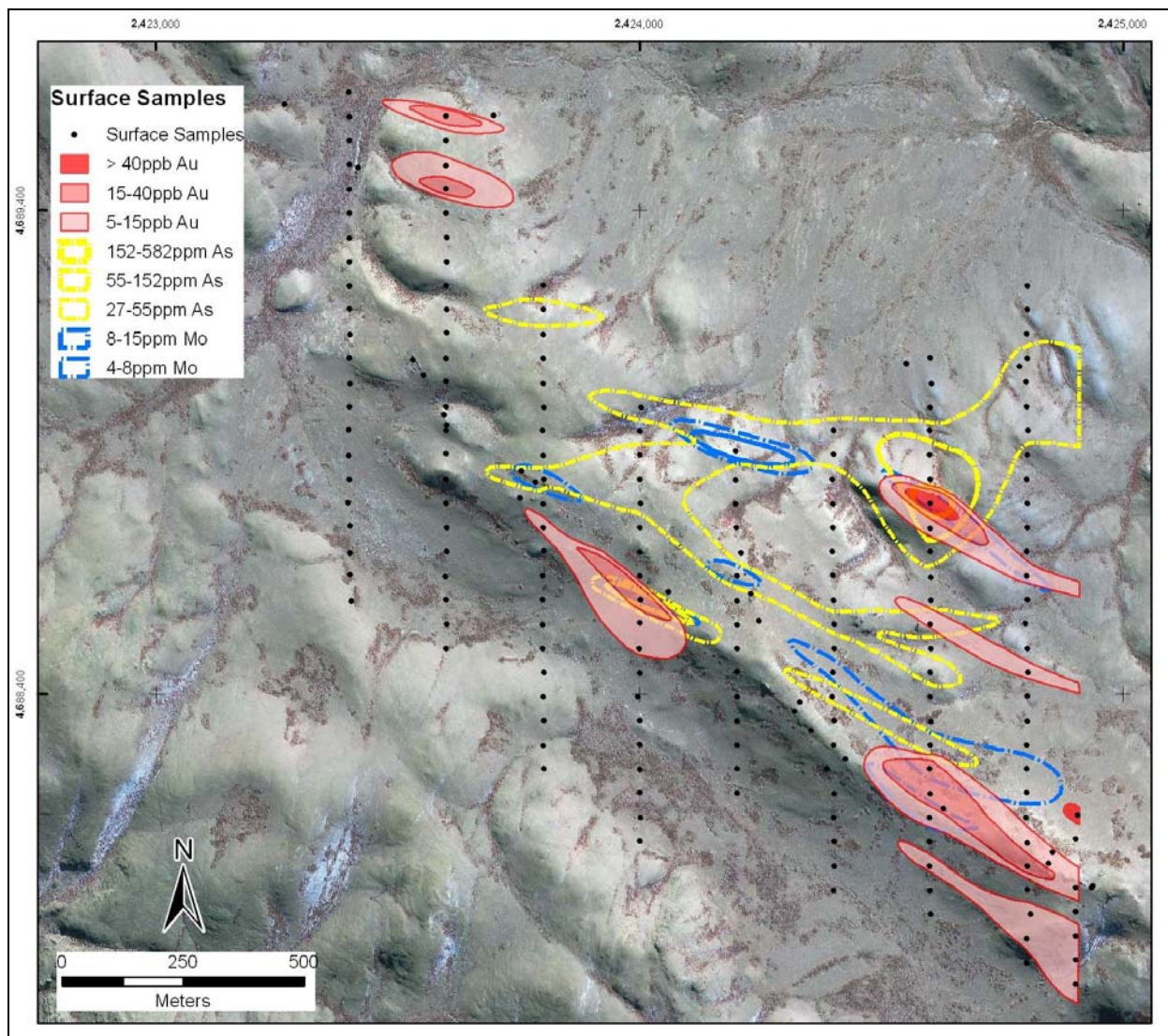


Figure 4: Gold and pathfinder geochemistry in Sierra Morena lag sampling





# DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

## Boleadora Project

At the Boleadora project, multi-element and low level detection gold assays were received for the systematic stream sediment sampling completed at 221 sites in the March quarter.

The survey has outlined fifteen target areas of elevated gold and/or multi-element signatures (Figure 5). The clustered anomalous points in the central-western and south-western parts of the project area are of particular interest given their highly anomalous spot Au and Ag values. Further investigation of these areas is also proposed for as early as possible in the upcoming field season.

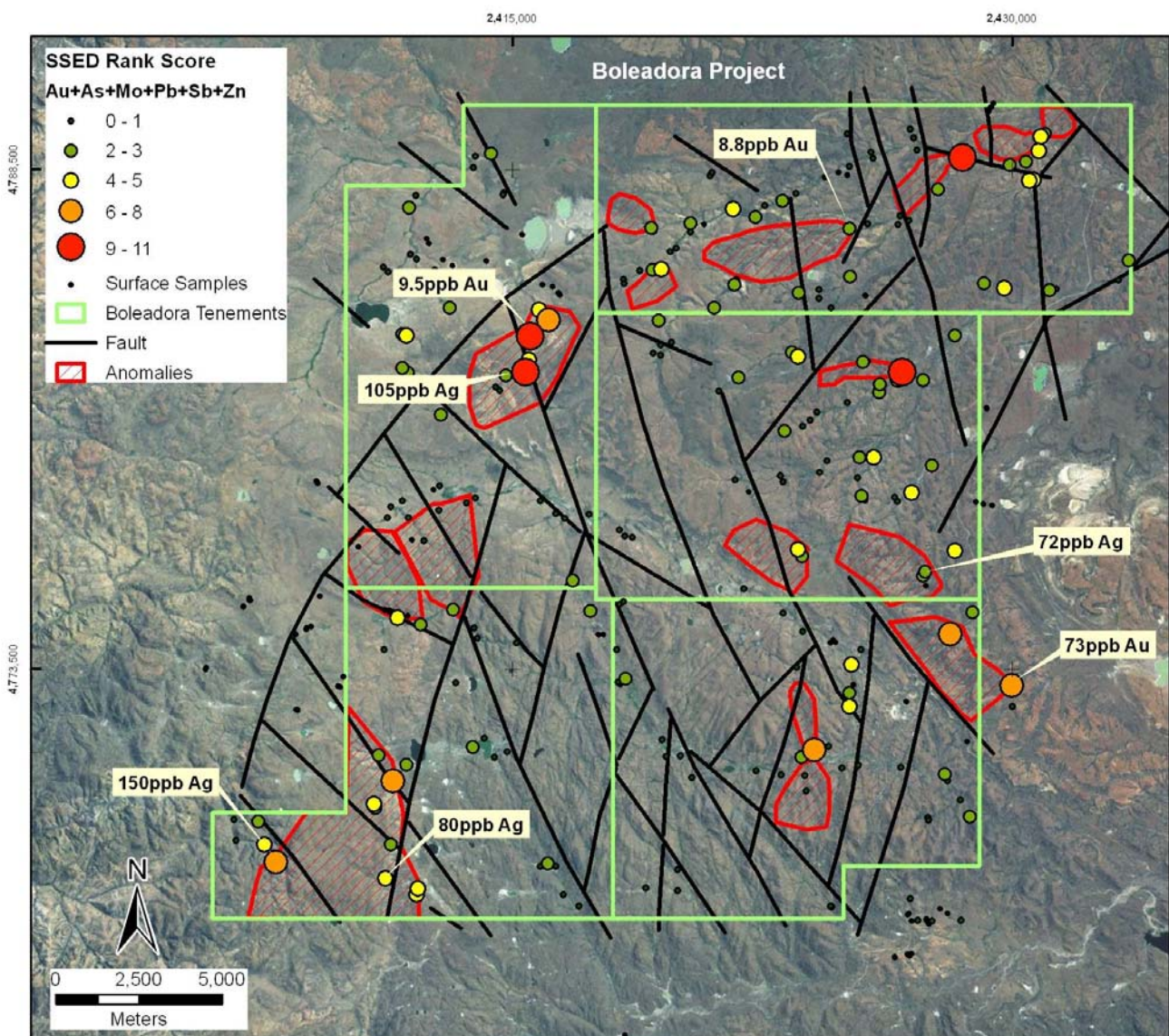


Figure 5: Boleadora stream sediment geochemistry targets for follow-up



## DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

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### TURNER RIVER PROJECT

In May 2011 De Grey entered into agreements with Lansdowne Resources Pty Ltd over the Company's Turner River gold and base metals exploration projects under which Lansdowne may earn up to 75% interest in each project. Lansdowne is an unlisted Australian company that intends to apply for admission to listing on the Australian Securities Exchange.

The Base Metals farm-out and joint venture agreement covers tenements in the eastern part of the Turner River project, site of high-grade Pb-Zn-Ag VMS-style mineralisation discovered by De Grey. Lansdowne may earn a 75% interest in the project by sole funding exploration expenditure of \$1.5 million over 3 years.

The Gold farm-out and joint venture agreement covers tenements in the west of the Turner River project, containing the Wingina Well gold resource and the T1, Mt Berghaus, Brierly, Amanda and Edkins targets. Lansdowne may earn a 75% interest in the project by paying \$99,000 at commencement and sole funding \$2 million exploration expenditure over 3 years.

De Grey has also granted Lansdowne an option to purchase a 75% interest in the Wingina Well gold resource in return for \$1,000 payable upon signing and the issue of 2 million 20 cent shares in Lansdowne upon its listing on ASX. The option period commences upon Lansdowne earning its interest in the Gold joint venture and is exercisable by payment of \$4.1 million. The exercise price escalates by \$15 for each \$100 by which the gold price exceeds A\$1,500 per ounce at the exercise date, the escalation payment being calculated based on ore reserve ounces.

The farm-out and joint venture agreements specifically recognize Atlas Iron's rights to iron ore over portions of both project areas, arising out of previous De Grey - Atlas agreements. De Grey's residual rights under those agreements are excluded from the farm-outs, remaining entirely for De Grey's benefit.



## DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

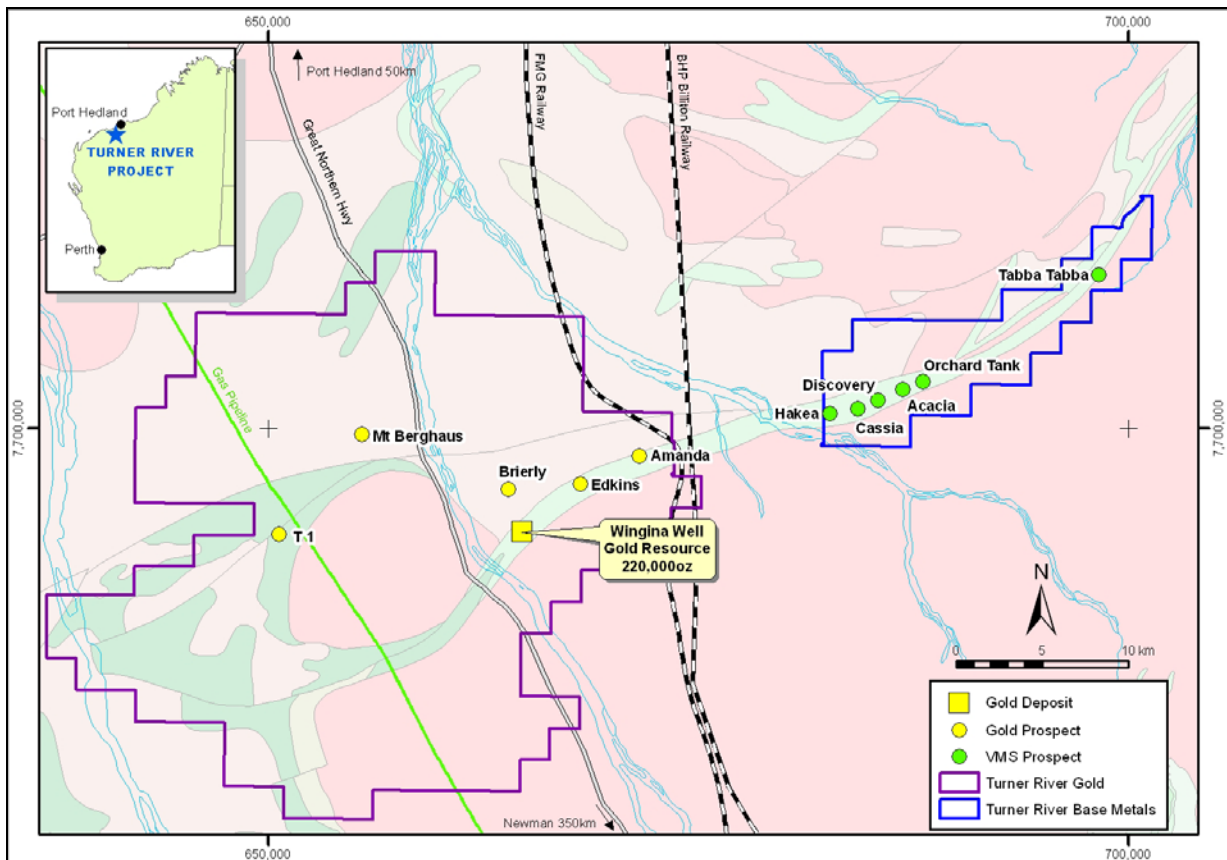


Figure 6: Turner River Gold and Base Metals project areas

Lansdowne has secured the services of a drilling contractor and proposes a drill campaign during the September quarter to include:

- Diamond drilling at Mt Berghaus gold prospect, to obtain oriented core to enable better understanding of mineralisation controls;
- RC drilling at Brierly gold prospect, to follow up previous intercepts in air core drilling;
- RC and pre-collared diamond core holes at Orchard Tank and Discovery VMS-style base metals prospects to test along strike and down-dip of previous Au-Ag-Pb-Zn drill intercepts.



## DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 30 JUNE 2011

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### PILBARA IRON ASSETS

#### Beyondie Iron Joint Venture

De Grey retains a 20% free carried interest up to a decision to mine in the Beyondie Iron Ore Project through a Joint Venture with ASX listed Emergent Resources Limited. Emergent's work has established an Inferred Resource of 561Mt @ 27.5% Fe<sup>3</sup> in magnetite mineralisation at Beyondie and an Exploration Target comprising potential for a further 480-510Mt @ 27-28.5% Fe in immediate extensions.

In the June quarter, Emergent released results of comminution and beneficiation test work undertaken on core samples representing the partly weathered material overlying the primary magnetite resource. The preliminary results indicate that physical separation of iron minerals requires grinding to a particle size less than the 8mm, 4mm and 2mm particle sizes used in the tests.

Also during the quarter, Emergent announced that they had entered into discussions with third parties concerning parameters of possible future joint venture agreements and off-take arrangements for the development of the Beyondie Iron Ore Project.

Under a Split Commodity Agreement, De Grey retains the rights to all non-iron ore minerals on the 841 sq km covered by the joint venture tenements.

#### Mount Dove Iron

In 2008 De Grey entered into an agreement with Atlas Iron Limited by which Atlas purchased the rights to iron ore minerals at Mount Dove prospect, located within De Grey's Turner River project tenements. Subsequent work by Atlas has outlined an inferred resource of 2Mt @ 58.5% Fe<sup>4</sup> at Mount Dove.

De Grey has facilitated a mining lease application on Atlas' behalf in order that Atlas can progress Mount Dove mine development. Mining is expected to commence in early 2012.

De Grey retains a royalty of 1% gross sales revenue on iron ore produced from Mount Dove.

The information in the report to which this statement is attached that relates to Exploration Results is based on public information and on information compiled by Mr Glenn Martin, who is a Member of the Australasian Institute of Mining and Metallurgy. 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 JORC Code Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". 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

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<sup>3</sup> Refer to Emergent Resources ASX release dated 25 November 2009

<sup>4</sup> Refer to Atlas Iron ASX release dated 1 September 2010

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**De Grey Mining Limited**

ABN

65 094 206 292

Quarter ended ("current quarter")

30 June 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(348)	(1,281)
(b) development	-	-
(c) production	-	-
(d) administration	(241)	(1,214)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	29	115
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	2
<b>Net Operating Cash Flows</b>	<b>(560)</b>	<b>(2,378)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(12)	(19)
1.9 Proceeds from sale of: (a) prospects	100	100
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>88</b>	<b>81</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(472)</b>	<b>(2,297)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(472)	(2,297)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	1,350
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) Share issue transaction costs	-	(66)
	<b>Net financing cash flows</b>	-	1,284
	<b>Net increase (decrease) in cash held</b>	(472)	(1,013)
1.20	Cash at beginning of quarter/year to date	1,848	2,389
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	1,376	1,376

**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	117
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

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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

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**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	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	412
4.2	Development	-
4.3	Production	-
4.4	Administration	290
<b>Total</b>		<b>702</b>

### 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	167	274
5.2 Deposits at call	1,209	1,574
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,376</b>	<b>1,848</b>

### 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			
6.2	E45/3390	granted	0%	100%
	E45/3391	granted	0%	100%
	E45/3392	granted	0%	100%

+ 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.*

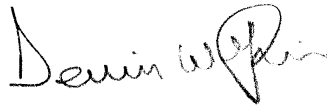
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	258,862,350	258,862,350		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	8,000,000 3,000,000 3,250,000		<i>Exercise price</i> 6.5 cents 25 cents 25 cents	<i>Expiry date</i> June 2014 July 2011 June 2012
7.8 Issued during quarter	8,000,000		6.5 cents	June 2014
7.9 Exercised during quarter				
7.10 Expired during quarter	2,500,000 3,250,000		7.5 cents 20 cents	June 2011 June 2011
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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 5).
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 28 July 2011

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.