



DE GREY MINING LTD

The Bold Explorer

QUARTERLY REPORT

FOR THE QUARTER ENDING 31 MARCH 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

Suite 4, 100 Hay Street
Subiaco, WA 6008

Phone: +61 8 9285 7500

Fax: +61 8 9285 7599

www.degremining.com.au

A.B.N. 65 094 206 292

Highlights

Argentina Projects (gold, silver)

- Major surface geochemical sampling survey completed over Boleadora project, assays awaited.
- Systematic surface sampling completed at Sierra Morena project, aimed at firming up drill target. Assays awaited.
- First-pass prospecting work completed at Tres Cerros, Querencia and Kaiken properties.
- A number of new project opportunities under consideration.

Pilbara Iron Assets (iron ore)

- Initial metallurgical test work results received by joint venture partner Emergent Resources, demonstrating that Beyondie mineralisation can produce a high-grade, low-contaminant Fe concentrate. Further test work is underway.
- Emergent delineates an Exploration Target of 70-120Mt @ 52-57% Fe in hematite iron mineralisation ("DSO") at Beyondie.
- Drilling expected to resume in June Quarter. De Grey retains 20% free carried interest to decision to mine at Beyondie.

Paterson Project (gold, base metals, uranium)

- Additional 358 sq km secured by EL application just 35km southeast of Telfer gold mine, 25km southeast of O'Callaghans tungsten deposit and on-trend with both.



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 31 MARCH 2011

Argentina Projects

Santa Cruz Province

Through agreements and tenement applications in its own right, De Grey has secured mineral rights over approximately 2,193 sq km of ground in Santa Cruz Province, Argentina (Figure 1).

De Grey's 14 exploration projects lie within the highly prospective Deseado Massif, a Jurassic igneous province recognised only recently as a world-class gold-silver mining province. Exploration over the past 20 years has resulted in numerous discoveries of low-sulphidation epithermal Au-Ag deposits and major new mine developments. The high grades typical of deposits in the Deseado, and the relative immaturity of exploration there, highlight it as a desirable location for junior and mid-tier mineral explorers.

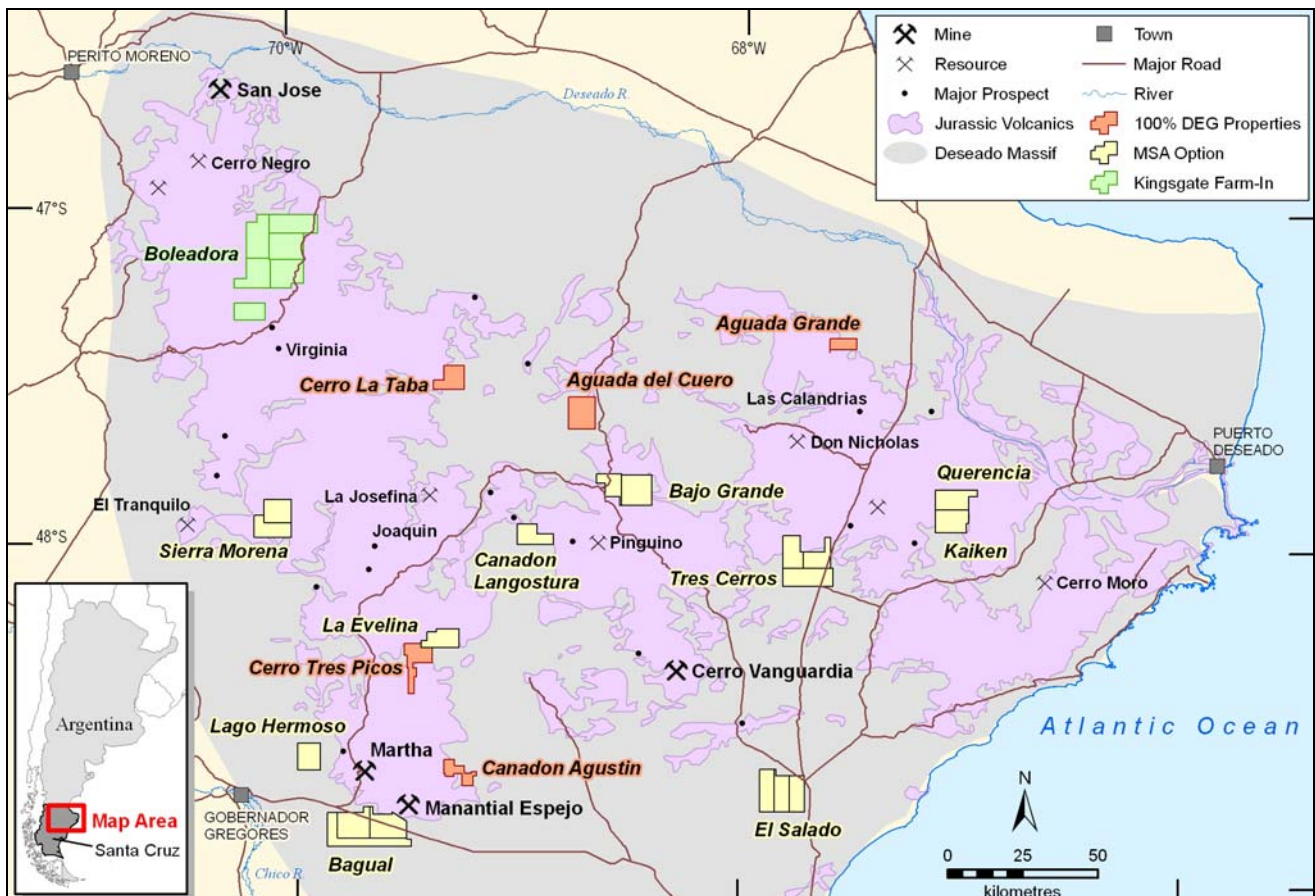


Figure 1: Locations of De Grey's projects, Santa Cruz, Argentina



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 31 MARCH 2011

Systematic stream sediment sampling has been completed over the entire **Sierra Morena** project with samples collected at 91 sites (Figure 2). Assay results are due by the end of May 2011 and are expected to define areas for follow up exploration in the upcoming field season.

Previously, mapping and sampling at **Sierra Morena** located a northwest trending breccia vein structure with multi-element anomalism (Au-Ag-As-Pb-Zn) indicative of the upper levels of a low-sulphidation epithermal system. During the Quarter systematic surface geochemical sampling was completed over this structure with 181 lag samples collected over 1.5km strike length (Figure 3). Samples have been submitted for multi-element assays and results are expected in late May 2011.

It is expected that these results will advance this part of the project area to “drill ready” status for testing at the commencement of the next field season (approximately October 2011).

At the **Boleadora** project, systematic stream sediment sampling has been completed with sample collection at 221 sites (Figure 4). Multi-element and low level detection gold assays are expected mid May 2011 and are expected to define areas for follow up exploration next field season.

Orientation stream sediment sampling was also completed at the **La Evelina** and **Bajo Grande** projects, and further work is planned early in the next field season to progress the **La Evelina** project to drill ready status by the end of 2011.

First-pass prospecting work was completed at the **Tres Cerros**, **Querencia** and **Kaiken** properties during the quarter. Systematic surface geochemical sampling programs are being designed for each of the properties.

A number of other properties in Santa Cruz were assessed during the Quarter and discussions are underway concerning potential opportunities.



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 31 MARCH 2011

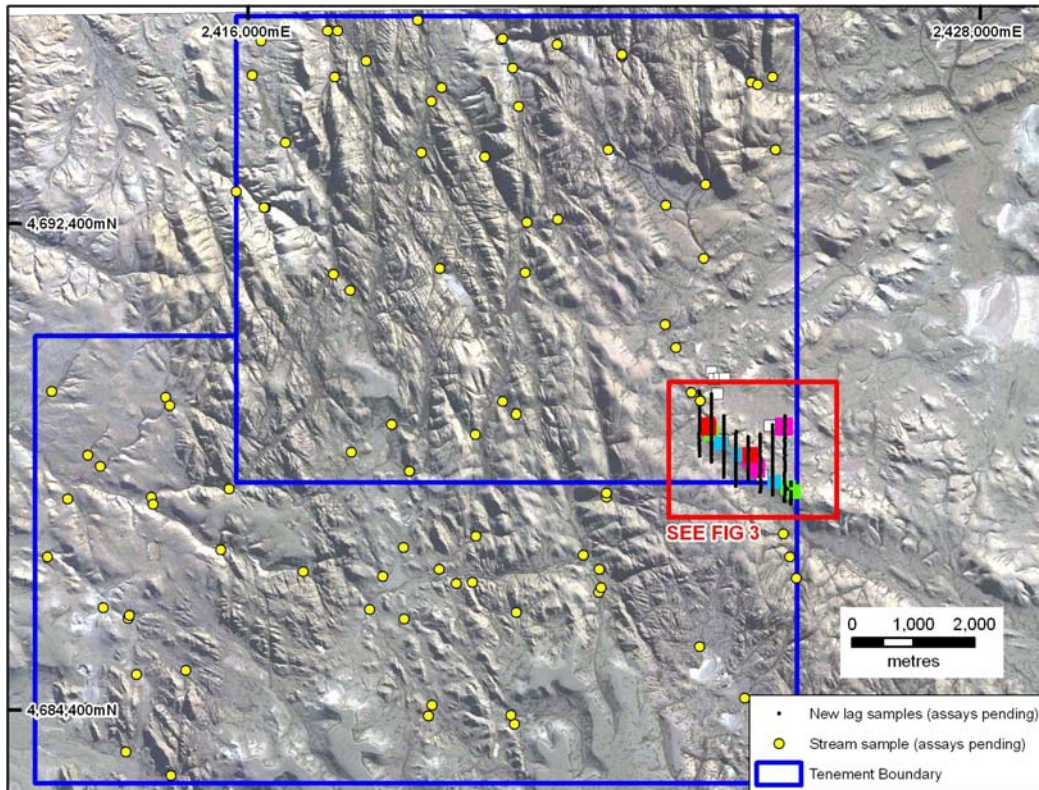


Figure 2: Stream sediment sample locations, Sierra Morena project

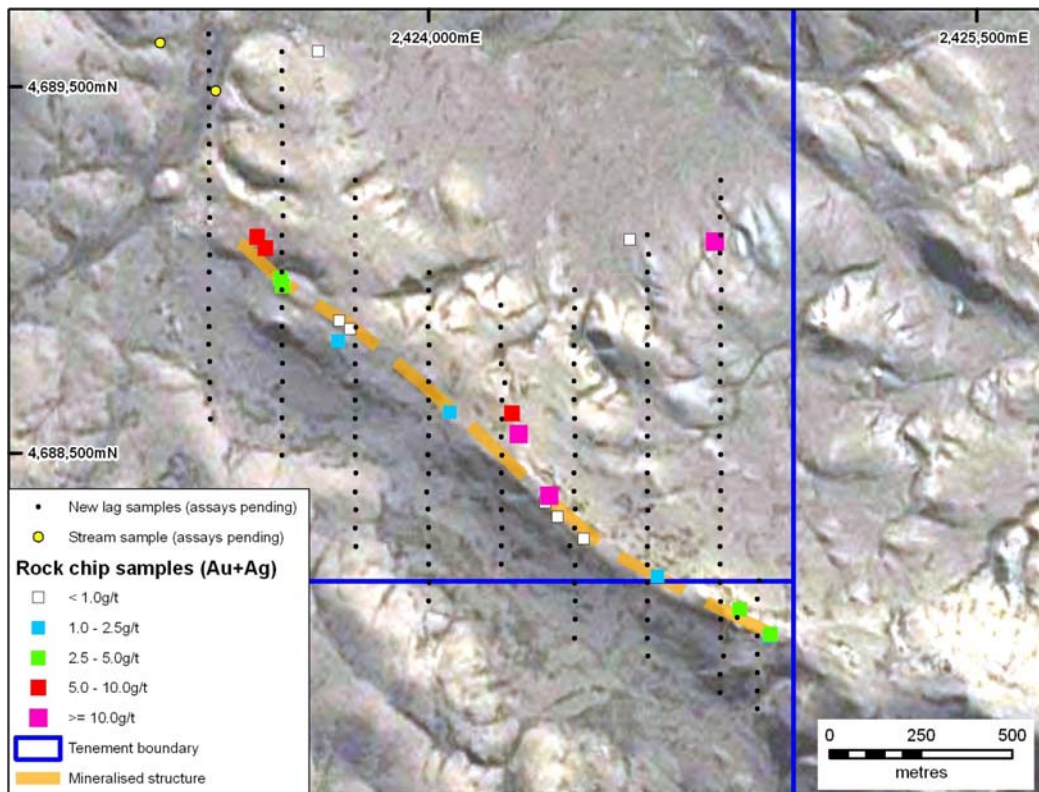


Figure 3: Soil lag sample locations, Sierra Morena project



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 31 MARCH 2011

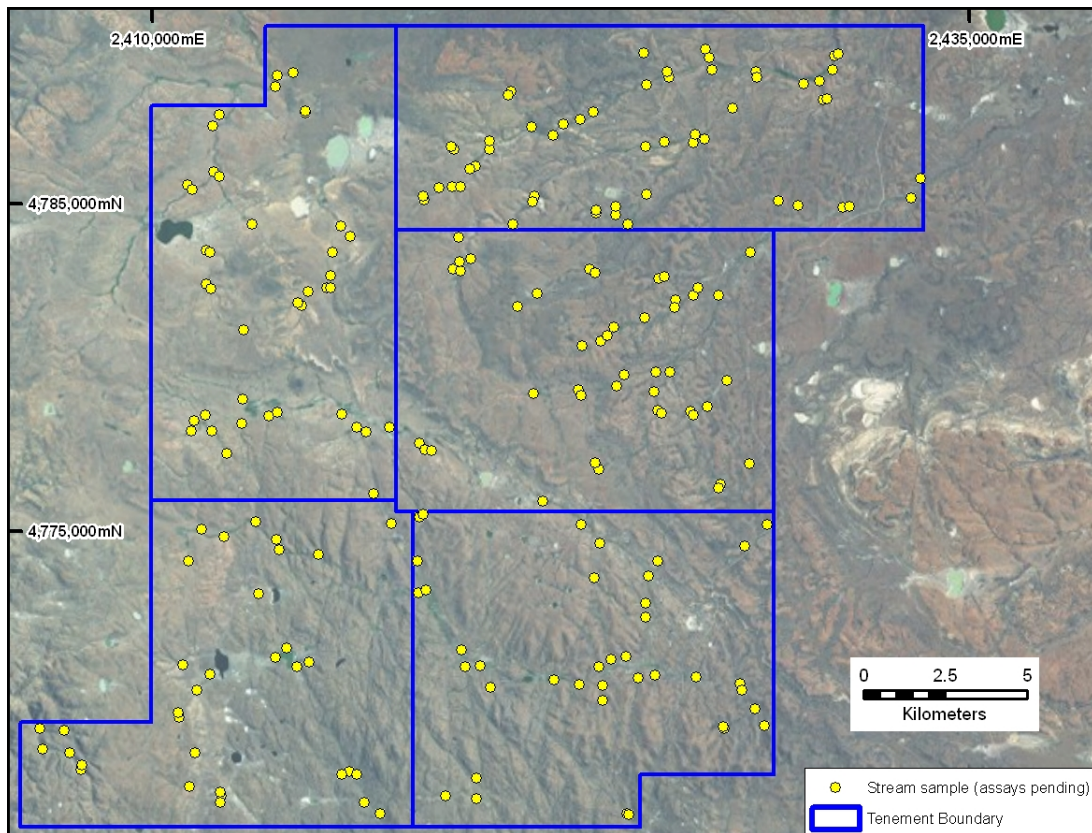


Figure 4: Stream sediment sample locations, Boleadora project

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 is operator of the joint venture.

In November 2009, Emergent announced that drilling had established an Inferred Resource of 561Mt @ 27.5% Fe¹ 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 December 2010 quarter, Emergent completed 883 metres of diamond core drilling in seven holes to obtain samples of weathered and fresh magnetite mineralisation for metallurgical testing. Emergent has recently released initial results of Davis Tube recovery (DTR) test work, indicating the Beyondie mineralisation is amenable to recovery of high-grade, low contaminant magnetite concentrate². Further test work is underway to define metallurgical characteristics of the mineralisation throughout the resource.

¹ Refer to Emergent Resources ASX release dated 25 November 2009

² Refer to Emergent Resources ASX release dated 13 April 2011



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 31 MARCH 2011

Based on geophysics and the results of surface sampling and first-pass drilling in 2010, Emergent has also postulated an Exploration Target of 70-120Mt @ 52-57% Fe³ in hematite iron mineralisation ("DSO") at Beyondie. Emergent has indicated that further drilling to assess this potential will commence in the June quarter of 2011.

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.

TURNER RIVER PROJECT

De Grey is presently at an advanced stage of discussions with a party seeking to earn an interest in the Turner River gold and base metals projects. Details will be announced when terms are finalised and the Company expects to see exploration recommence in the June Quarter.

PATERSON PROJECT

Utilising the results of a regional airborne electromagnetic (AEM) survey by Geoscience Australia, De Grey has applied for exploration licences covering 2,100 sq km of ground in the Paterson region, south of Rudall River National Park.

This frontier exploration region represents the southern extension of Proterozoic geological units that host, variously, the Telfer gold mine, Nifty copper mine, Kintyre uranium deposit, Maroochydore copper deposit and Encounter Resources' recent BM1 copper discovery. Cauldron Energy has also recently announced the discovery of indications of gold and base metals mineralisation in close proximity to De Grey's tenement applications.

During the Quarter an exploration licence application was lodged for a further 358 sq km of ground north of Rudall River National Park, centred approximately 35km southeast of Newcrest's Telfer gold mine and 25km southeast of the O'Callaghans tungsten deposit (indicated and inferred resources of 78Mt @ 0.33% WO₃, 0.29% Cu, 0.50% Zn and 0.25% Pb).

The area has received little exploration attention in the past 10-12 years despite being on-trend from these substantial deposits (Figure 5). Prospective Proterozoic basement rocks of the Yeneena Basin extend beneath cover throughout the application area.

De Grey's tenement applications in the Paterson region lie within Martu lands. The Company is discussing exploration access and heritage protection agreements to allow exploration to commence. Discussions are also advancing with a potential farm-in partner.

³ Refer to Emergent Resources ASX release dated 31 March 2011



DE GREY MINING LTD QUARTERLY OPERATIONS REPORT FOR THE QUARTER ENDING 31 MARCH 2011

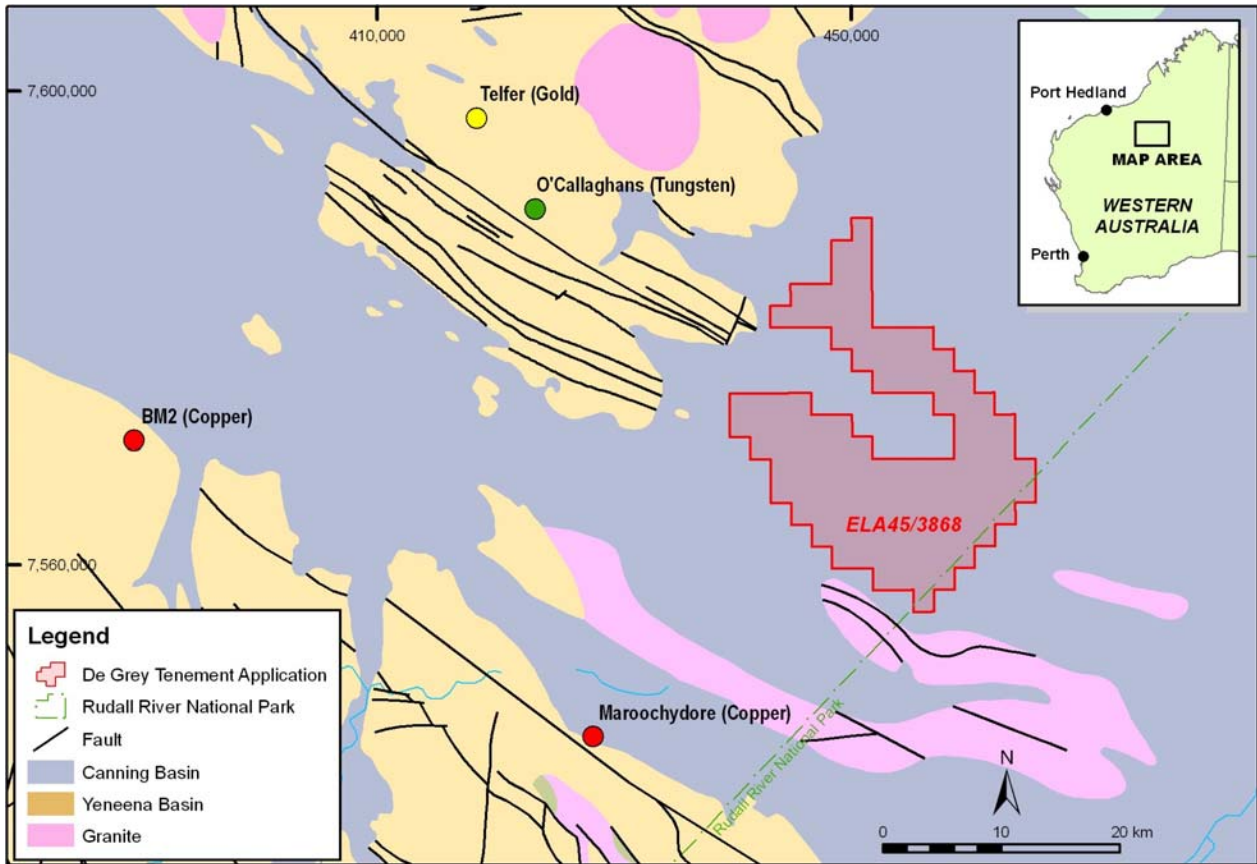


Figure 5: Location of new Paterson region EL application

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

De Grey Mining Limited

ABN

65 094 206 292

Quarter ended ("current quarter")

31 March 2011

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 & evaluation	(515)	(933)
(b) development	-	-
(c) production	-	-
(d) administration	(410)	(973)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	86
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	2
Net Operating Cash Flows	(911)	(1,818)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(7)
1.9 Proceeds from sale of: (a) prospects	-	-
(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)	-	-
Net investing cash flows	(3)	(7)
1.13 Total operating and investing cash flows (carried forward)	(914)	(1,825)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(914)	(1,825)
	Cash flows related to financing activities		
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)
	Net financing cash flows	-	1,284
	Net increase (decrease) in cash held	(914)	(541)
1.20	Cash at beginning of quarter/year to date	2,762	2,389
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,848	1,848

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

--

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

--

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	400
4.2	Development	-
4.3	Production	-
4.4	Administration	235
Total		635

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	274	634
5.2 Deposits at call	1,574	2,128
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,848	2,762

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	E45/2465 E52/1806 E52/2215	100% 40% 40%	0% 20% 20%
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

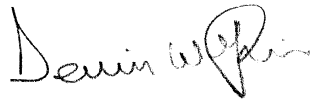
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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	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 +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>	2,500,000 3,250,000 3,000,000 3,250,000		<i>Exercise price</i> 7.5 cents 20 cents 25 cents 25 cents	<i>Expiry date</i> June 2011 June 2011 July 2011 June 2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
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 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 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.

== == == == ==