



# DE GREY MINING LTD

## QUARTERLY REPORT

FOR THE QUARTER ENDING 30 JUNE 2012

**ASX: DEG**

**Shares on Issue**

396,914,226

**Board of Directors**

*Peter Batten  
Executive Chairman*

*Darren Townsend  
Director*

*Gary Brabham  
Director*

*Jason Brewer  
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)

- Drilling completed at Vein Breccia Zone Prospect at the Sierra Morena Project. Prospect confirmed as upper levels of low sulphidation epithermal system.
- Bonanza gold and silver grades from surface sampling of vein system at SM6 Prospect. Drilling expected to commence early in the 2012-2013 field season (late September-Early October).
- Field team commenced exploration of De Grey properties in Rio Negro Province.

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

- Received results and interpretation of IP-Resistivity survey completed over the Tabba Tabba Prospect.
- Three untested priority drilling targets have been outlined by the survey.

#### Corporate

- Appointment of Mr Peter Batten as Executive Chairman.



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

## ARGENTINA PROJECTS

Through agreements and tenement applications in its own right, De Grey has secured mineral rights over approximately 3,750 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.

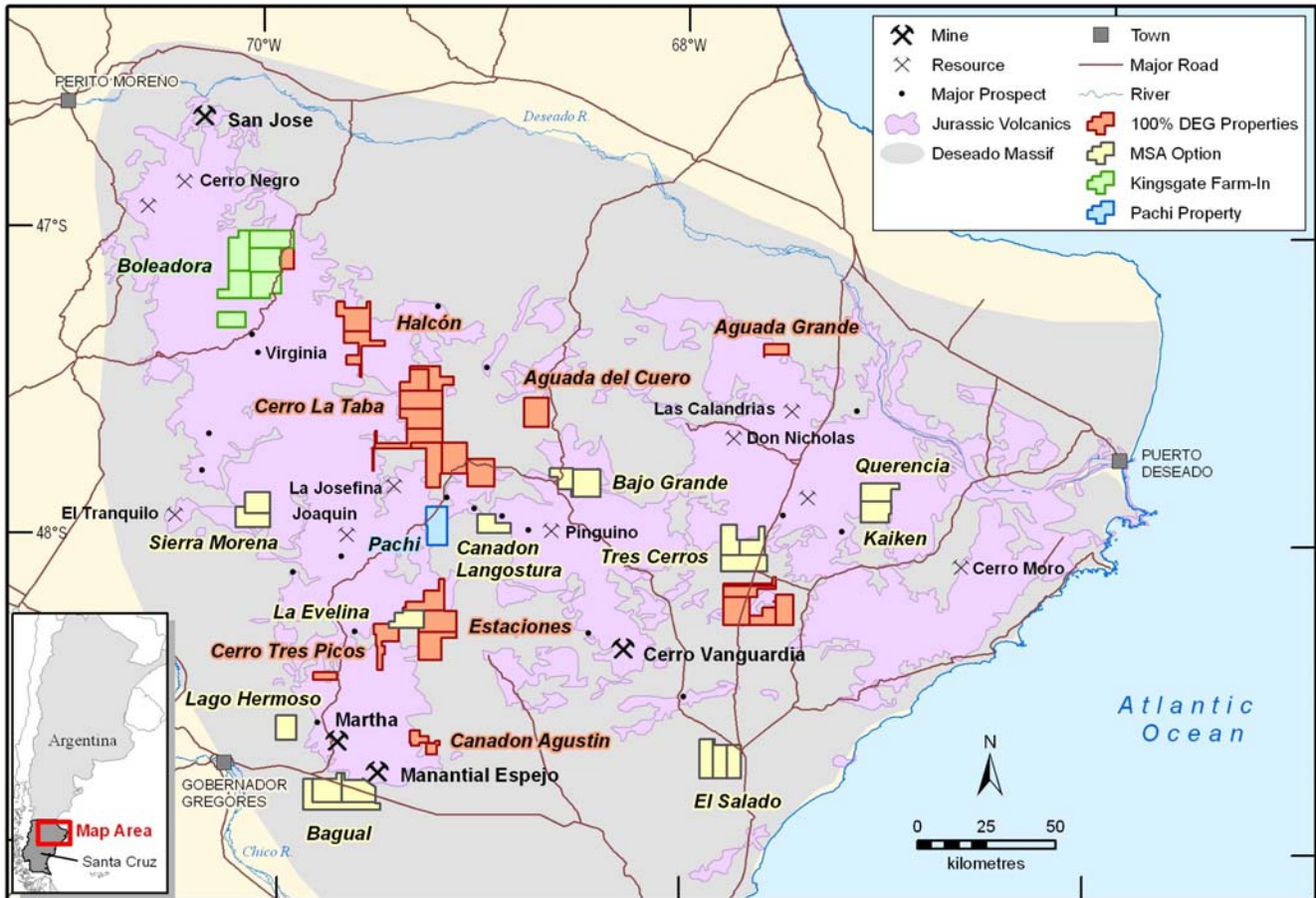


Figure 1: Locations of De Grey's projects, Santa Cruz, Argentina



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

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### Santa Cruz Province – Sierra Morena Project

#### Vein Breccia Target

Sampling of the Vein Breccia target and surrounding area has located numerous vein and vein float occurrences with rock samples returning up to **11.75g/t Au and 96.2g/t Ag**<sup>1</sup> accompanied by significant arsenic, lead and zinc over an area of approximately 750 metres by 800 metres (Figure 2). Soil sampling has similarly indicated potential for multiple mineralised structures although a significant portion of the area is overlain by scree and soil that possibly obscures other veins.

Detailed geological mapping indicates that mineralised veins may be hosted by a northwest trending duplex fault system with high metal grades associated with both the northwest striking boundary structures and north-south striking extensional faults.

Multi-element geochemistry and quartz vein types indicate that the Vein Breccia target represents the upper portion of a preserved epithermal system, with more crystalline quartz types, and associated higher precious metals grades, being expected at depth.

De Grey completed a total of 366 metres in two diamond drillholes during the quarter (Figure 2), with the program reduced due to drilling contractor delays and the early onset of a particularly harsh winter<sup>2</sup>. Both holes intersected highly anomalous geochemical associations typical of the upper levels of a low sulphidation epithermal system. The upper portions of these systems are typically barren, but due to strong vertical zonation and lithological controls in the localisation of Au-Ag mineralisation, the presence of anomalous Au-Ag and typical pathfinder elements (As-Ba-Cu-Mo-Sb-Pb-Zn) in the drilling is highly encouraging at this early stage. Quartz veining and alteration in the drillholes was dominantly chalcedonic, also typical of the upper zones of a low sulphidation epithermal system.

With the encouraging results from a limited drilling program, the company plans to continue exploration at the Vein Breccia Zone in the 2012-2013 field season. Initially the company will complete trenching and further geological mapping in the area to better understand structural controls on mineralisation, and then proposes a gradient array IP program prior to further drilling. This next stage of drilling will aim to test the deeper parts of the epithermal system (100-400m below surface) which typically contain the Au-Ag rich zones.

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<sup>1</sup> Refer to De Grey's ASX release dated 8 December 2011 for details.

<sup>2</sup> Refer to De Grey's ASX release dated 25 July 2012 for details.





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

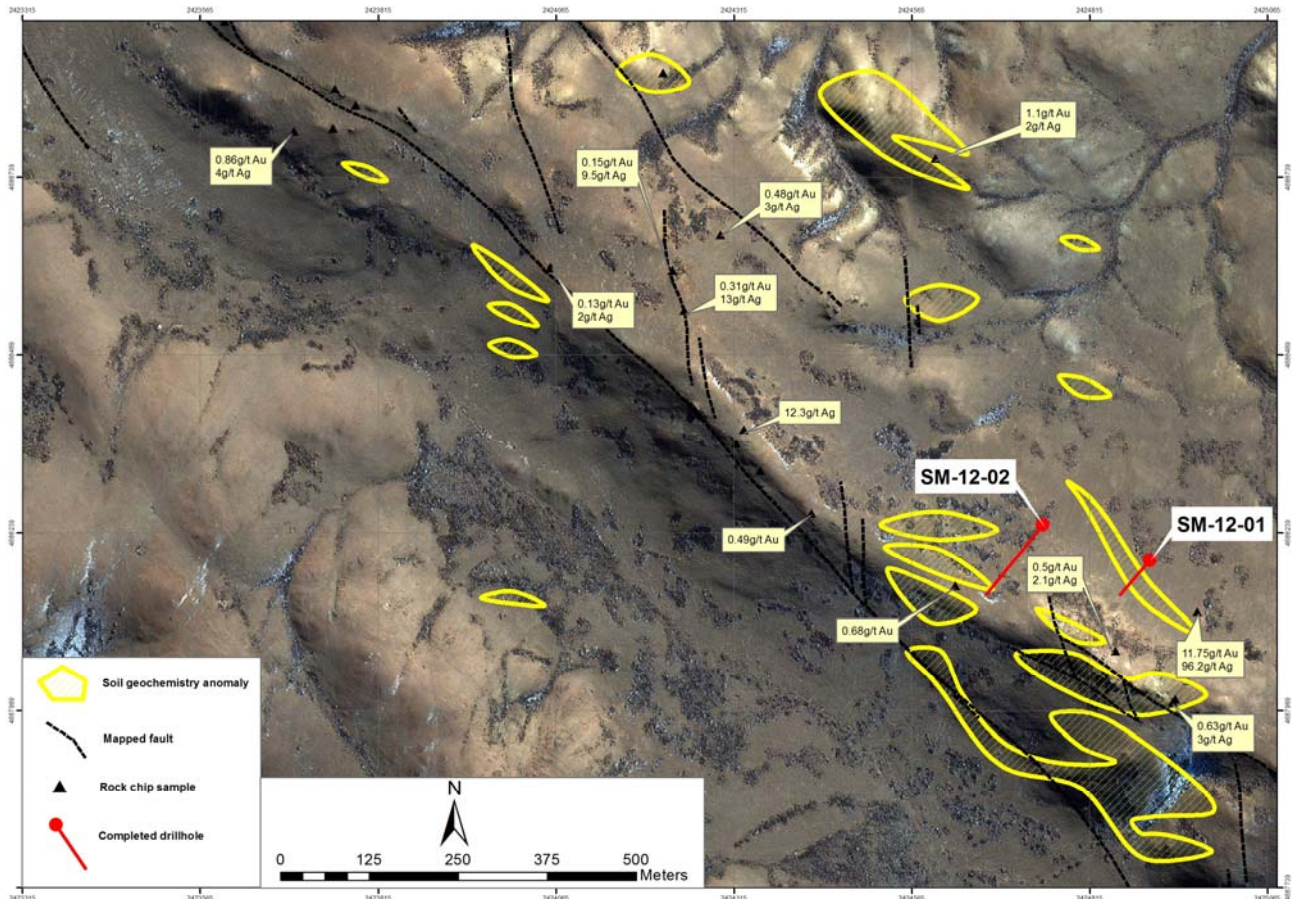


Figure 2: Sierra Morena Vein Breccia target, completed drillhole locations

## SM6 Prospect

Work completed during the quarter has unveiled bonanza grade gold and silver results on the SM6 prospect<sup>3</sup>, part of the Sierra Morena Project in Santa Cruz Province, Argentina.

Geological mapping, rock chip sampling and soil geochemistry has outlined two discrete N-NW trending zones of epithermal quartz veining with **bonanza grade Au and Ag values**.

At the Eastern Zone, rock chip samples returned up to **23.3g/t Au and 3,240g/t Ag**. The zone consists of partially outcropping quartz veining and silicification with coincident Au-Ag-As-Hg-Sb anomalism (in soils) over a strike distance of approximately 725 metres.

The Western Zone consists of partially outcropping quartz veining and siliceous breccia with coincident Au-Ag-As-Hg-Sb anomalism (in soils) over a strike distance of more than **1.2 kilometres**. Rock chip samples have returned up to **7.2g/t Au and 755g/t Ag**.

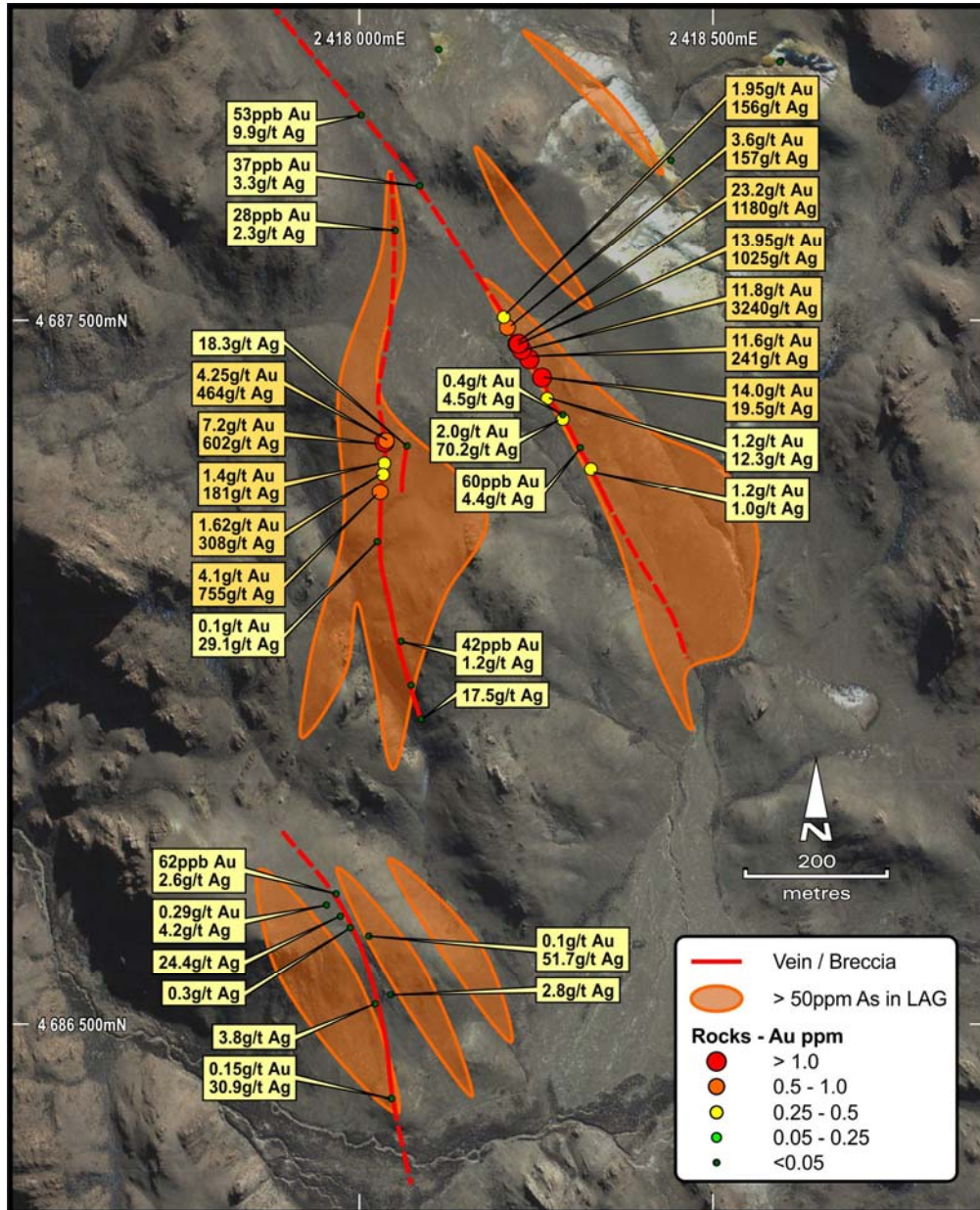
<sup>3</sup> Refer to De Grey's ASX release dated 21 May 2012 for details.



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

Vein textures, alteration mineralogy, high Au-Ag-As values, and low base metal values indicate that the veins discovered so far represent the upper portions of a typical low sulphidation epithermal vein system.

A 2000 metre RC drilling program has been planned for the SM6 Prospect and this is expected to commence late September-early October 2012, contingent upon executing an access agreement with the surface landowner and receipt of regulatory approvals.







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

## Santa Cruz Province – Pachi Project

De Grey's previous work at Pachi has defined an ENE striking, steeply dipping, mineralized structure outcropping over 400 metres strike where rock chip samples De Grey returned up to **60.7g/t Ag and 123ppb Au<sup>4</sup>** (Figure 4). Previous explorers have received up to 134g/t Ag from rock chip sampling. The mineralized structure is located on the northern flank of a rhyolite dome, a significant feature in the context of Au-Ag mineralization in the Deseado Massif.

The Pachi target structure has been defined to drill-ready status and, pending landowner and regulatory approvals, De Grey plans to drill test it in October 2012, immediately following the drill campaign proposed for the nearby Sierra Morena project.

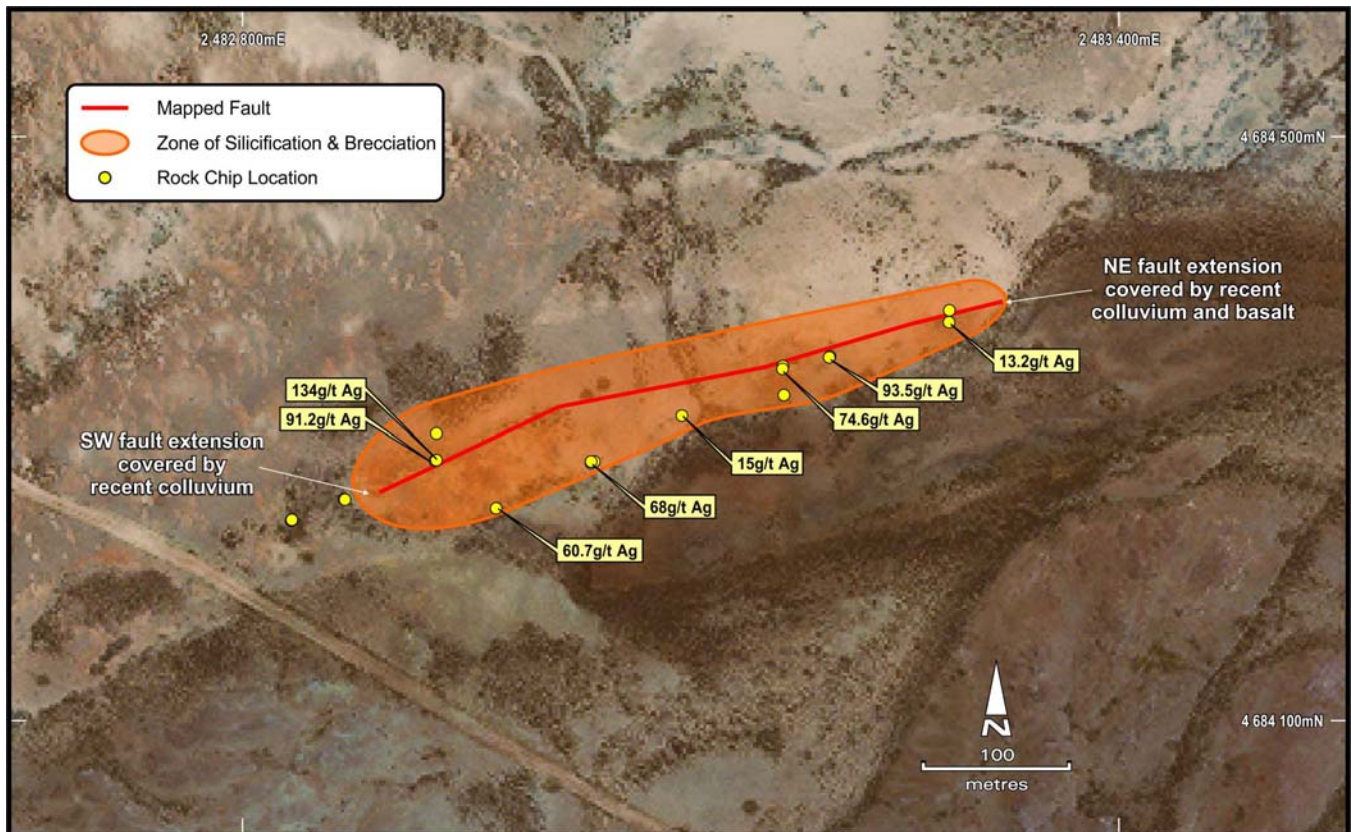


Figure 4: Pachi target, rock sampling results

<sup>4</sup> Refer to De Grey's ASX release dated 11 January 2012 for details.



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

## Rio Negro Province

Due to the onset of winter in Santa Cruz, De Grey has mobilized the field team to its 100% owned projects in Rio Negro Province (Figure 5) where an Aster based project generation study in 2011 outlined targets which have potential for epithermal associated Au-Ag mineralization.

De Grey intends to be active in Rio Negro during July-mid September after which the field team will move back to Santa Cruz province to prepare for drilling at the Sierra Morena and Pachi Projects.

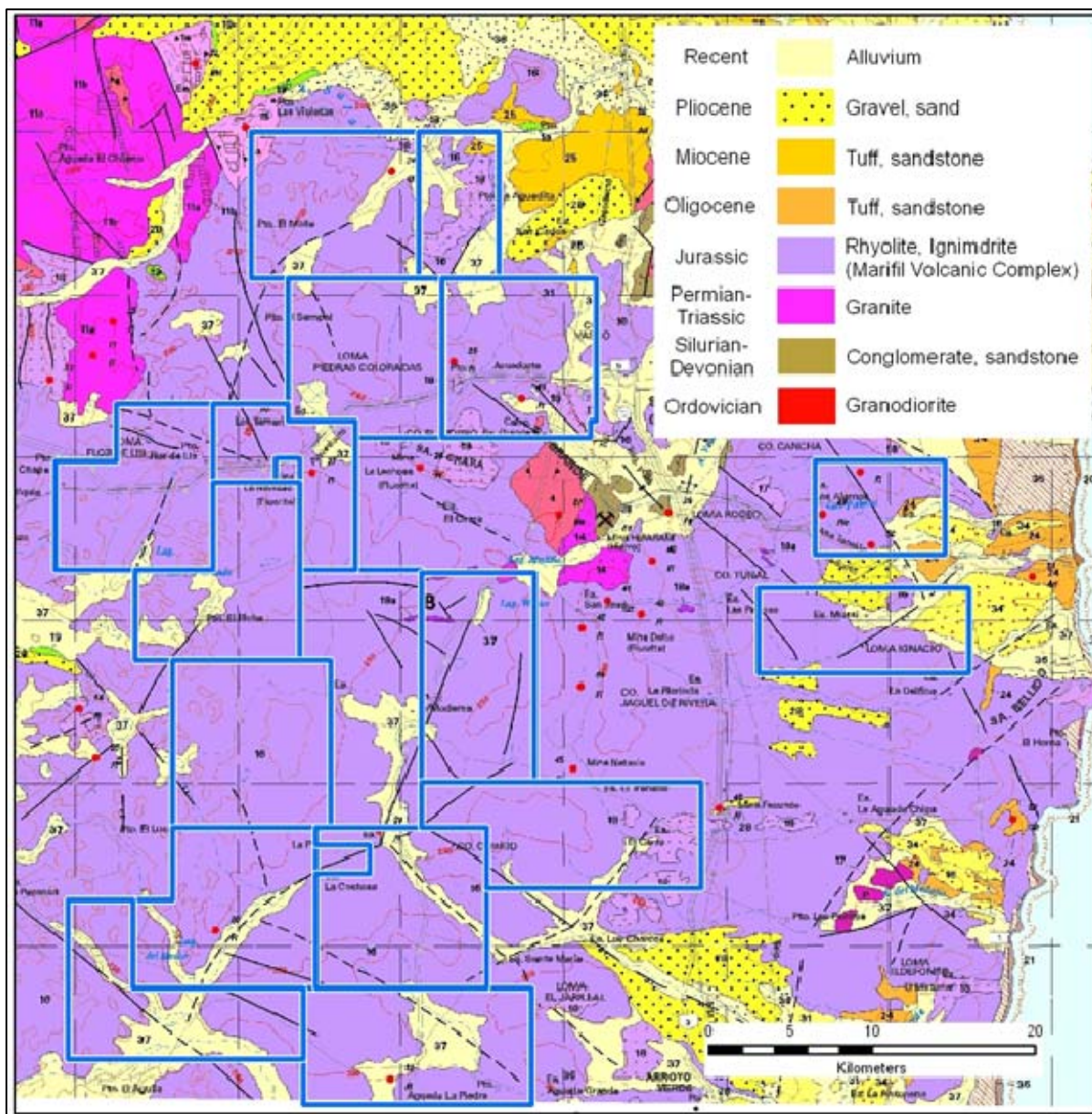


Figure 5: De Grey Mining Rio Negro Properties (blue polygons)





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

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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 6) under which Lansdowne may earn up to 75% interest in each project.

#### Turner River Base Metals

During the quarter results and interpretation were received from an IP-Resistivity survey completed in February 2012 at the Tabba Tabba Prospect (see Figures 6 and 7). The primary objective of the survey was to detect and map sulphide mineralization along the north-easterly continuation of the sequence containing the Orchard Tank VMS deposit, located about 15km along strike to the south-west. (1.49Mt @ 2.7% Zn, 1.1% Pb, 0.1% Cu, 84g/t Ag and 0.6g/t Au). Significant Pb-Zn was identified at the Tabba Tabba Prospect during De Grey's exploration of the prospect during 2005-2008, and this mineralization was identified by drilling base metal anomalism (mainly Pb-Zn) detected during surface geochemical surveys.

#### **Tabba Tabba IP Zone 1 (TTIP Zone 1)**

This elongate narrow (approx. 100m) polarizable zone is present on all lines surveyed, though the character of the response changes along strike, strengthening to the south-west. The source is weakly to moderately polarizable, probably steeply dipping; with a depth to top of approximately 50m. The polarizable zone corresponds in part to a weak, lower resistivity zone. TTIP Zone 1 correlates with a non-magnetic horizon in the detailed magnetics.

Previous drilling by De Grey has partially tested the central and northern part of TTIP Zone 1. The southern, stronger part of the IP anomaly remains untested. Previous drilling confirms that TTIP Zone 1 is mapping a well mineralized, sulphidic horizon, which includes zones of moderate to strong base metal mineralization and anomalous Au. The mineralized unit remains open to the north-east and south-west.

The southern part of the TTIP Zone 1 represents a high priority drill target.

#### **Tabba Tabba IP Zone 2 (TTIP Zone 2)**

The TTIP 2 chargeability anomaly runs sub-parallel to, and approximately 450m north-west of, the TTIP Zone 1, and remains open to the south-west. The response pattern is complex, suggesting a wide, perhaps multi horizon source, with estimated depth to top of approximately 100. This is the strongest anomaly in the IP survey and also displays moderate to high resistivity. The magnetic-resistive association for TTIP Zone 2 indicates that the lithological host and/or alteration is geophysically different from the TTIP Zone 1.

The TTIP Zone 2 anomaly has not been drilled and represents a high priority drill target.

#### **Tabba Tabba IP Zone 3 (TTIP Zone 3)**

The TTIP Zone 3 is a weak to moderate strength anomaly that overlaps with the TTIP Zone 2 response to an extent. The polarizable zone lies adjacent to a weak magnetic unit near the northern edge of the prospective sequence.

The TTIP Zone 3 has not been drill tested and represents a priority drill target.





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

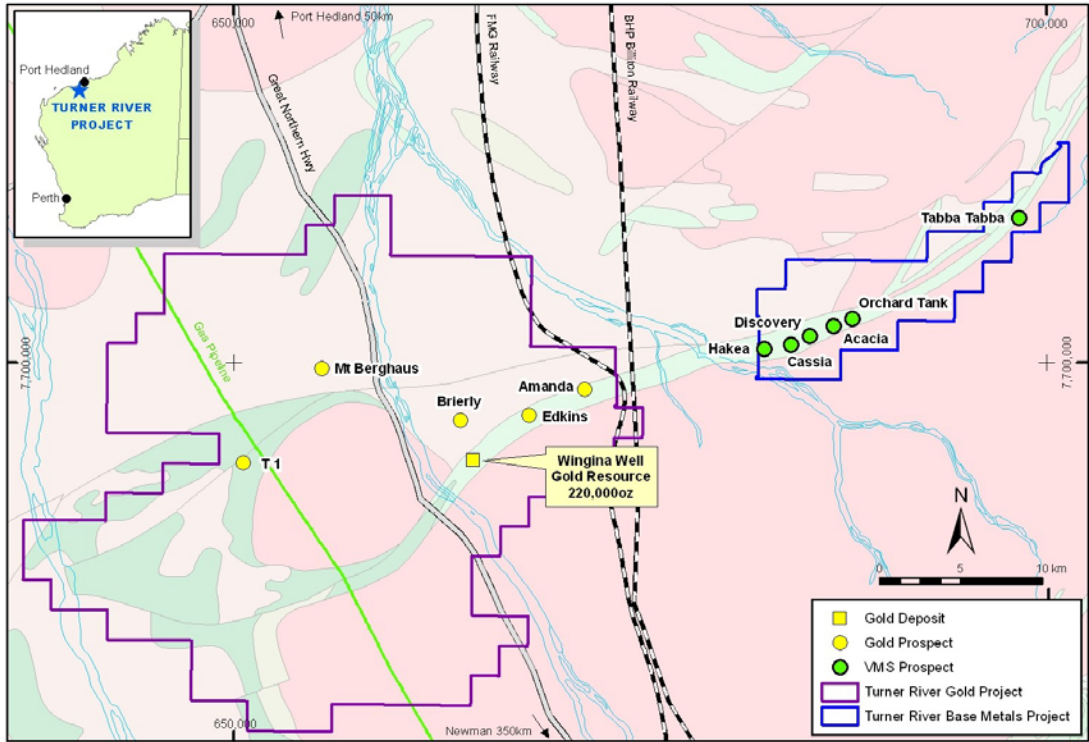


Figure 6: Turner River Gold and Base Metals project areas

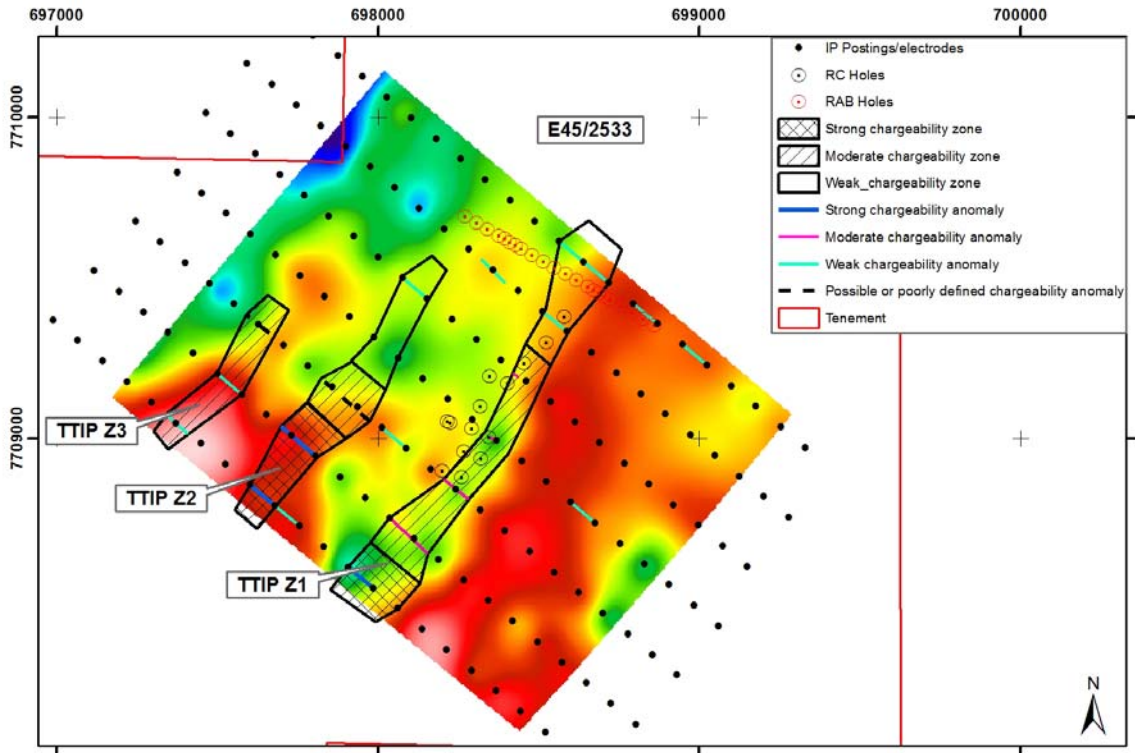


Figure 7: Tabba Tabba IP Survey, 100m resistivity depth slice



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

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### Corporate

During the quarter the Company announced the appointment of Mr Peter Batten as Executive Chairman. Peter replaces Darren Townsend, who will remain as a non-executive director.

Peter brings almost 30 years' experience in mineral exploration and mining in a wide variety of commodities (including substantial gold experience), ranging from project generation, managing various mining operations, running his own consulting firm and in more recent times a number of Managing Director roles. Peter has an impressive pedigree including time as Managing Director of Bannerman Resources, taking it from early stage exploration company through to feasibility study and listing on the Toronto Stock Exchange. Under his leadership the market capitalisation of Bannerman increased significantly.

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.

# 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 2012

### 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	(672)	(1,652)
(b) development	-	-
(c) production	-	-
(d) administration	(298)	(1,154)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	64
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(946)</b>	<b>(2,742)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(6)	(8)
1.9 Proceeds from sale of: (a) prospects	1,000	1,500
(b) equity investments	-	-
(c) other fixed assets	-	23
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>994</b>	<b>1,515</b>
1.13 Total operating and investing cash flows (carried forward)	48	(1,227)

+ See chapter 19 for defined terms.



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

1.13	Total operating and investing cash flows (brought forward)	48	(1,227)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	(2)	2,485
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)	-	(227)
	<b>Net financing cash flows</b>	(2)	2,258
	<b>Net increase (decrease) in cash held</b>	46	1,031
1.20	Cash at beginning of quarter/year to date	2,362	1,376
1.21	Exchange rate adjustments to item 1.20	10	11
1.22	<b>Cash at end of quarter</b>	2,418	2,418

**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	149
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	535
4.2	Development	-
4.3	Production	-
4.4	Administration	480
<b>Total</b>		<b>1015</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	56	1,744
5.2 Deposits at call	2,362	618
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>2,418</b>	<b>2,362</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		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.*

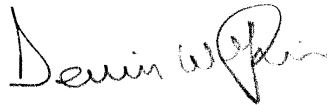
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	396,914,226	396,914,226		
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>	10,000,000 10,500,000		<i>Exercise price</i> 6.5 cents 6.5 cents	<i>Expiry date</i> April 2014 June 2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired/cancelled during quarter				
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: 30 July 2012

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.