De Grey Mining Limited

ABN 65 094 206 292

The Bold Explorer - New Horizons at Orchard Well

2005 ANNUAL REPORT

Since listing in mid 2002, De Grey Mining Limited has been an active explorer with the discovery of the Wingina Well gold deposit in December 2003. In less than 12 months since discovery the company released its preliminary resource estimation of 203,300 ozs at Wingina Well in October 2004. The company has an active exploration campaign planned for the coming year with the main focus on discovering more gold resources on the Tabba Tabba shear at Turner River. In addition to its main gold focus the company will continue to explore for base metals and manganese at its Beyondie Tenements.

Company Particulars

Directors
Ron B Manners *(Chairman)*
Denis O'Meara *(Managing Director)*
Campbell T Ansell
Michael J Baker

General Manager Darren Townsend

Exploration Manager Neil Lithgow

Principal Consulting Geologist
Geoff Blackburn

Company Secretary Dennis Wilkins

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ASX Listing
The Company is listed on the
Australian Stock Exchange Limited
Home Exchange: Perth
ASX Code: Shares DEG
Options: DEGO

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Cover: Turner River Province, Orchard Well - looking west-south-west along strike on Tabba Tabba Shear Zone.

Highlights

On October 29 2004, less than 12 months from discovery, De Grey announced a preliminary resource estimation of 203,300 ounces of gold for Wingina Well, Turner River Province.

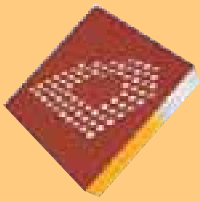
Over the course of the year five and a half kilometres of significant gold mineralisation has been identified at Mt Berghaus.

Anomalous Zinc, Nickel, Molybdenum, Copper and Gold results from De Grey's first drilling program at Beyondie. As part of the same program the company has discovered a Manganese occurrence.

Impala Platinum progressed to stage two of the Platinum Joint venture at Turner River with an expenditure of $400,000, diluting De Grey to 57% of the Platinum Group Elements.

The Company is well funded for future exploration with over $9 million cash after the exercising of the July 2005 options.

Denis O'Meara and Geoff Blackburn receive the 2004 AMEC Prospector of the Year Award



De Grey Mining Limited
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Chairman's Report

Dear fellow shareholders,

Over-Regulation is the Enemy of the Entrepreneur

One of the roles of the entrepreneur is to project a vision to themselves, as well as others, that is somewhat larger than reality.

Then, as they take people forward with them, their team, their investors, they proceed to work their "butts off" to make this vision a reality.

This has been the pattern for all great enterprises throughout the history of the civilized world.

It's a world that I'm comfortable with "warts and all" and it saddens me to see entrepreneurship being regulated out of existence.

My friend, Rev. Robert Sirico (Acton Institute) often reflects on the biblical encouragement of entrepreneurship and the many parables drawn from the commercial world of that time.

One that embraces entrepreneurship as a virtue is the parable of the talents (Matthew 25:14-30). The entrepreneur who creates the most value from his gift receives the highest praise, whereas the one who chooses not to earn even a minimal return is rebuked.

The parable for the mineral explorers is the one concerning the hidden treasure in a field, which in our own language says;

100% ownership

Above: Geoff Blackburn and Ron Manners at Mt Berghaus.
Right: Senior Project Geologist David Ross pegging drill hole location, Orchard Well.

"The kingdom of heaven is like treasure hidden in a field which when a man found, he hid and then went forth and sold all that he had to buy that field." (Matthew 13:44). This highlights that buying opportunities should be seized, whenever possible.

Apart from its spiritual importance, this parable shows that commerce can be mutually beneficial, even where there exists what economists call "information asymmetries," i.e. when buyers and sellers bring different assumptions to the table. Even in this case, both parties can benefit. A good and moral economic system is one that creates opportunities for mutual advantage and I view it as a tragedy when we see over-regulation so often getting in the way of so many transactions.

Fortunately, De Grey Mining has been able to by-pass much of the mindless bureaucracy and has managed to develop direct channels which have speeded our approvals process so far.

I would encourage you, as shareholders, to study carefully the following Managing Director's and Operations reports as they will give you details of the past year's activities and likely future direction for your company.

Twelve months ago De Grey was moving forward with an anticipated resource statement for the emerging gold discoveries at Turner River Province in the West Pilbara Mineral Field. The initial resource figure of 203,000 ounces at Wingina Well is still regarded as only the beginning of activities in this region and our work has proceeded on the basis of finding more gold.

This policy has established additional occurrences and potential, currently being pursued with detailed exploration. No effort has been spared by all employees to maintain De Grey on the path to discovery and potential mining.

Your De Grey team has continued to widen scope for future discoveries by the activity at Turner River and recently at Beyondie where first pass drill programs have disclosed anomalous occurrences of zinc, nickel, molybdenum, copper, gold and manganese.

The Board was gratified by recent support in the exercising of all outstanding options, thus ensuring the company's ability to maintain vigorous field activity for the foreseeable future and, hopefully, continue with our claim to be "The Bold Explorer". On this theme, it was also pleasing that our Managing Director, Denis O'Meara and Principal Consulting Geologist, Geoff Blackburn , were jointly awarded the prestigious "AMEC Prospector of the Year award" in 2004 for their efforts in leading your company to the new discoveries at the Turner River Province.

Again, it is a pleasure to work alongside our fine team at De Grey Mining and I thank them, my fellow directors and you, our investors.

Ron Manners
Chairman

Managing Director's Report

In October 2004, just sixteen months after listing on the Australian Stock Exchange, it was of major significance that De Grey Mining Ltd was able to announce a preliminary gold resource of 203,000 ounces at Wingina Well, in the Turner River Province south of Port Hedland, Western Australia.

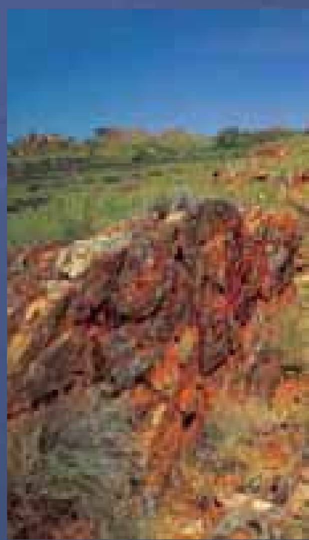
This discovery has in turn led to recognition of chert hosted structurally controlled gold deposits being pursued as serious targets in the Pilbara.

Wingina Well represents a sound knowledge base for the finding of new resources by De Grey Mining Ltd with its 100% ownership of tenements encompassing 45 kilometres of strike of Tabba Tabba shear and approximately 1,200 square kilometres at Turner River. The company's main aim is to discover enough gold resources and reserves to allow it to move into production at the Turner River Province.

De Grey has a number of exciting targets that should facilitate this, including the Orchard Well tenement, located 15 kilometres north east of Wingina Well and on the same geological shear system. This represents 12 kilometres of the Tabba Tabba shear, with significant gold soil anomalies. No previous drilling has been carried out at Orchard Well. This area will be the company's main focus at Turner River in the short term and will also include drilling on significant base metal soil anomalies.

sixteen months after listing

203,300 oz preliminary resource



Above: "Colleens" Gossan containing anomalous zinc, lead and gold values, Orchard Well.
Right: View of Cleaverville Charts at Orchard Well.

During the year, success was achieved at Mt Berghaus (located on the Mallina shear system 10 kilometres North West of Wingina Well). Currently 5.5 kilometres of mineralisation has been identified with numerous high grade zones. The geology of Mt Berghaus is not yet fully understood and is currently subject to a review by our geological team to gain a better understanding prior to any further drilling taking place. In addition to these areas, significant unfinished business remains at Brierly, Amanda, Edkins, Mt Dove and Last Crusade.

This year Impala decided to progress with stage two of the Platinum joint venture (earning up to 43% by spending a further $400,000). Mineralisation has been found to extend over a strike length of 5.5 kilometres. Results have varied and a small RC drilling program to infill gaps in the data has now been completed.

This year the company completed its first ever drilling program at its Beyondie tenements, resulting in encouraging and significant results with anomalous zinc, nickel, together with copper, molybdenum and gold. This work also resulted in the discovery of a manganese occurrence. These encouraging results will be followed up with drilling programs in the coming financial year.

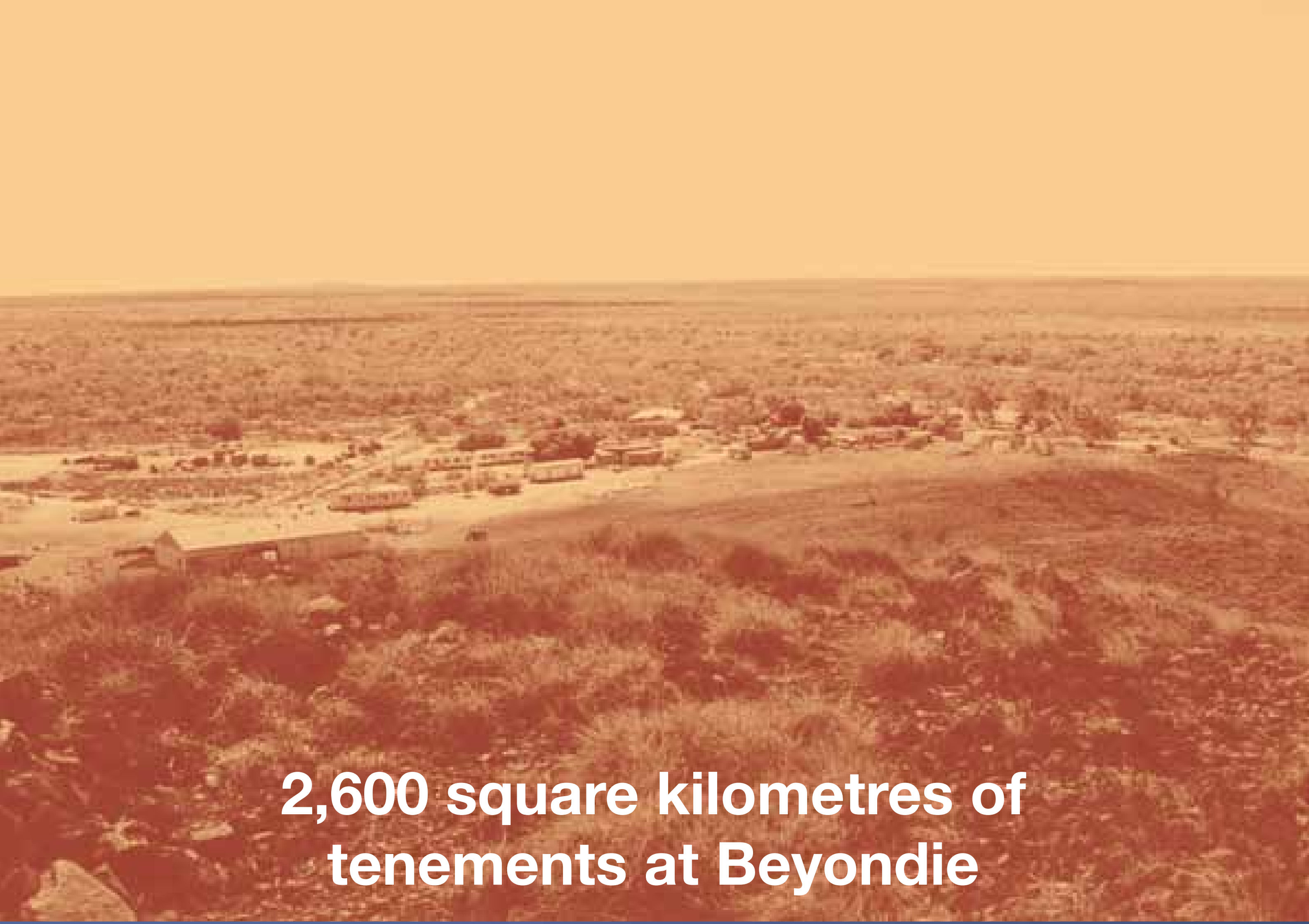
Further drilling at Horans Dam, Kalgoorlie confirmed the existence of bedrock gold anomalies, with a strike length of 3.5 kilometres. Horans Dam is surrounded by tenements controlled by Placer Dome and the current situation is being assessed.

On the corporate front, this year we welcomed Lion Selection as one of our major shareholders. De Grey also entered into a $5 million dollar feasibility funding agreement with Macquarie bank which is yet to be drawn down. In early July 2005 the company's original 20 cent options were converted, providing an injection of $9 million less underwriting fees.

I would like to convey De Grey's thanks to all our shareholders for their patience and support. Finding further resources and then reserves will take time but De Grey remains very confident of its ability to become a producer.

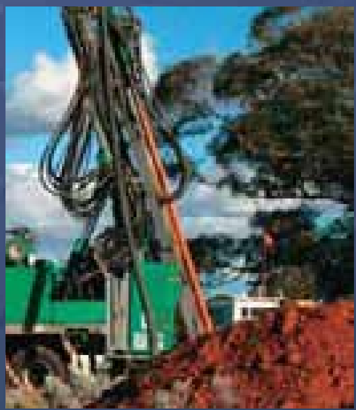
Thanks to all our staff, consultants and directors for their efforts this year. We are privileged to have such a great team in place. Particular thanks to the staff and contractors on site at Turner River Province who this year achieved 12 months lost time injury free. Active exploration over the summer months of the year in the Pilbara is a tough assignment and the team handled this safely and admirably. We also express gratitude to Colin and Betty Brierly of Indee Station.

Denis O'Meara
Managing Director



2,600 square kilometres of tenements at Beyondie

100% ownership



Above: Driling on site at Horans Dam.
Left: Beyondie Bluff.

Operations Report

Wingina Well

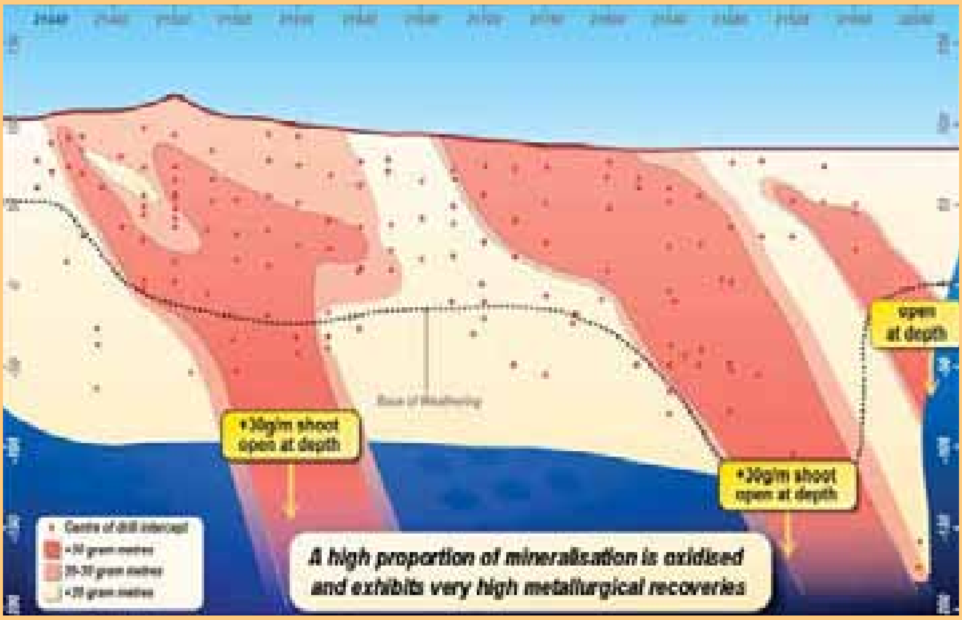
Following the successful discovery of the Wingina Well gold mineralisation in December 2003, the company announced in October 2004 an initial JORC compliant resource estimate of 203,300 ounces of gold for Wingina Well.

Gold mineralisation over 600 metres of strike length is hosted within the brecciated chert and BIF's with a plunge at approximately 50 degrees to grid east with the depth of oxidation evident to depths of up to 200 metres. Gold mineralisation is open at depth in the orientation of plunging shoots with the western shoot increasing in grade with depth. The western shoot has been drilled to depths of 150 metres, with the eastern shoot having intersections with a maximum depth of 240 metres.

The resource definition drilling has been completed largely on a 20 metre by 20 metres hole spacing with gold mineralisation hosted predominantly within the brecciated cherts and BIF's of the Cleaverville Formation which lies between an ultramafic hanging wall and a footwall shale unit. Wide widths of lower grade gold mineralisation were intersected from drilling which include higher grade discrete zones within the lower grade envelope. The higher grade mineralisation within the resource estimation at a 1.5 g/t cut off (Table 1.) highlights this.

Metallurgical testwork from Wingina Well was submitted to AMMTEC Ltd for gold extraction and crushing testwork. Metallurgical test results recorded a high gold recovery over 24 hours. The test results also indicated a rapid and high gold extraction rate with low reagent consumptions of cyanide (NaCN) and lime.

Ore Type	Number of Samples	Samples Recovery %	g/t NaCN	kg/t Lime
Oxide	8	97.3%	0.15	1.32
Transitional	4	93.8%	0.14	2.10
Fresh	5	93.7%	0.27	2.34



Wingina Well Long Section

Significant drill results after the resource estimation were received from the eastern shoot, include hole WRC155D intersecting:

- 2 metres @ 172.57 g/t gold and includes 1 metre @ 329 g/t gold
  and WRC069D intersecting,
- 13 metres @ 7.97 g/t gold and
  WRC160D intersecting,
- 5 metres @ 23.94 g/t gold.

Results from the western shoot include WRC200 intersecting:

- 2 metres @ 16.45 g/t gold from 143 metres and
- 11 metres @ 4.40 g/t gold from 168 metres which includes 2 metres @ 14.40 g/t gold.

These deeper holes from the western shoot are particularly encouraging due to the higher grades intersected, reflecting a possible trend of increasing grade with depth in the western shoot.

Table 1.
PRELIMINARY RESOURCE ESTIMATE FOR WINGINA WELL

Wingina Well Cut Off Grade 0.5 g/t gold

	Cut Off Grade g/t	Tonnes	Grade (g/t)	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		3,444,400	1.84	203,300

Wingina Well Cut Off Grade 1.5 g/t gold

	Cut Off Grade g/t	Tonnes	Grade (g/t)	Ounces Gold
Measured	1.5	1,237,300	2.63	104,500
Indicated	1.5	215,000	2.39	16,500
Inferred	1.5	298,000	2.65	25,400
Total		1,750,300	2.60	146,400

Wingina Well Resource Classification Estimation By Mineralisation Type At 0.5 g/t Cut Off

Type	Measured		Indicated		Inferred		Total
	Tonnes	Grade g/t	Tonnes	Grade g/t	Tonnes	Grade g/t	Ounces Gold
Oxide	1,646,300	1.99	328,800	1.59	377,000	1.77	143,700
Transitional	222,200	1.82	47,900	1.61	44,000	1.56	17,700
Fresh	273,200	1.95	157,800	1.58	347,200	1.50	41,900
Total	2,141,700	1.97	534,500	1.60	768,200	1.63	203,300

Notes:

1. Resource estimates completed by Ravensgate Pty Ltd and associated data prepared by De Grey Mining Ltd.
2. Drill data is from Diamond Drilling and RC Drilling. Gold Assay Results are Fire Assayed.
3. Variograms were interpreted by Ravensgate Pty Ltd to define the relationship of gold assay grades and then interpolated into a 3 D block model using the ordinary kriging algorithm.
4. Block sizes of 5m X 5m X 2m were employed for estimation of resources.
5. Drill hole samples were composited to 1m downhole lengths.
6. Resource estimations exclude a top cut to grades but include a distance range limitation employed through the variogram estimation.
7. Density measurements were calculated from downhole density readings and from Diamond Core density measurements.

Orchard Well

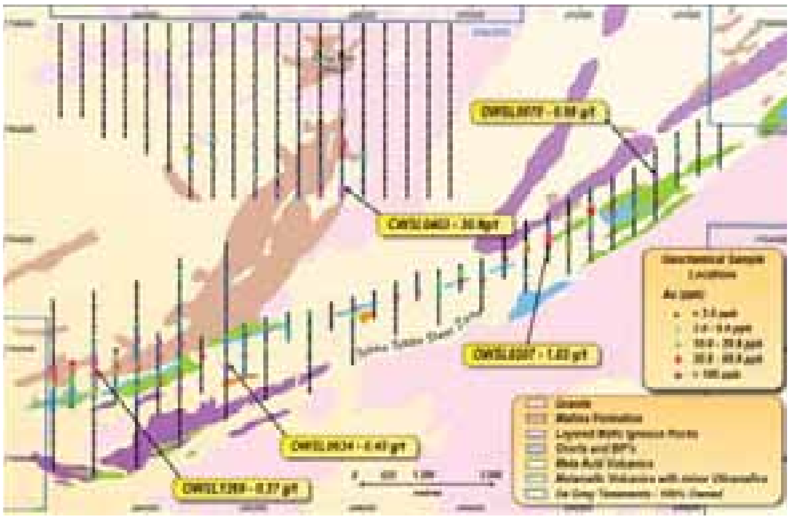
The Orchard Well tenement E45/2533 was granted in June 2005. It contains northeast strike extensions of the Turner River Gold Belt along the Tabba Tabba Shear, which hosts the Wingina Well, Edkins and Amanda Prospects.

Rock chip and soil sampling has been carried out with a rock chip sample of up to 5.5 g/t gold from cherts within the Cleaverville Formation. Reconnaissance lag sampling at 400 metre spaced lines has been completed along the strike of the Tabba Tabba Shear and to the north at Clay Pan Well where quartz veined dolerites and gabbros have returned gold anomalies up to 30.90 g/t.

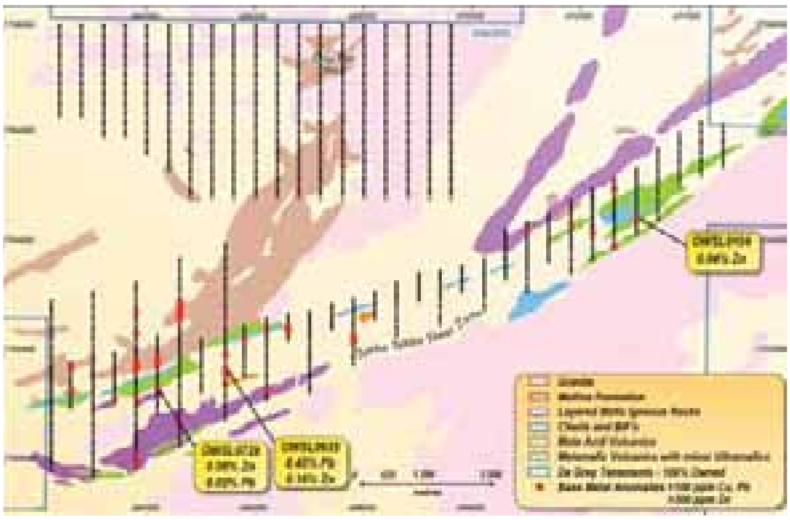
Lag sampling along the Tabba Tabba Shear have returned coincident gold, lead, copper, zinc, arsenic and antimony anomalies. The lag gold anomalies can be traced over the 12 kilometre strike length within the Orchard Well tenement, with gold values up to 1.05 g/t, associated with quartz veined metasediments and brecciated cherts. Significant base metal with gold lag anomalies have been traced for 4 kilometres along the Tabba Tabba Shear, with values up to 0.45 g/t gold, 0.71% lead and 0.16% zinc.

A number of base metal anomalous gossans and chert horizons associated with felsic volcanoclastics are located adjacent to these soil lag anomalies and rock chip sampling has realised values of up to 1.48% zinc, 0.61% lead, 0.06% copper, 1210 ppm barium and 174 ppb gold.

These gold and base metal results are highly encouraging and can be traced over considerable strike lengths. A RAB drilling program is currently underway to assess the geochemical anomalies.



Orchard Well Gold Soil Anomalies



Orchard Well Base Metal Soil Anomalies

Amanda

Northeast of Wingina Well are the Last Crusade and Amanda prospect areas where gold discoveries were originally made by CRA and WMC. At Amanda, gold mineralisation had been identified over an 800 metre strike length with results of 53 metres @ 0.7 g/t gold, 24 metres at 1.5 g/t gold and 8 metres @ 2.08 g/t gold.

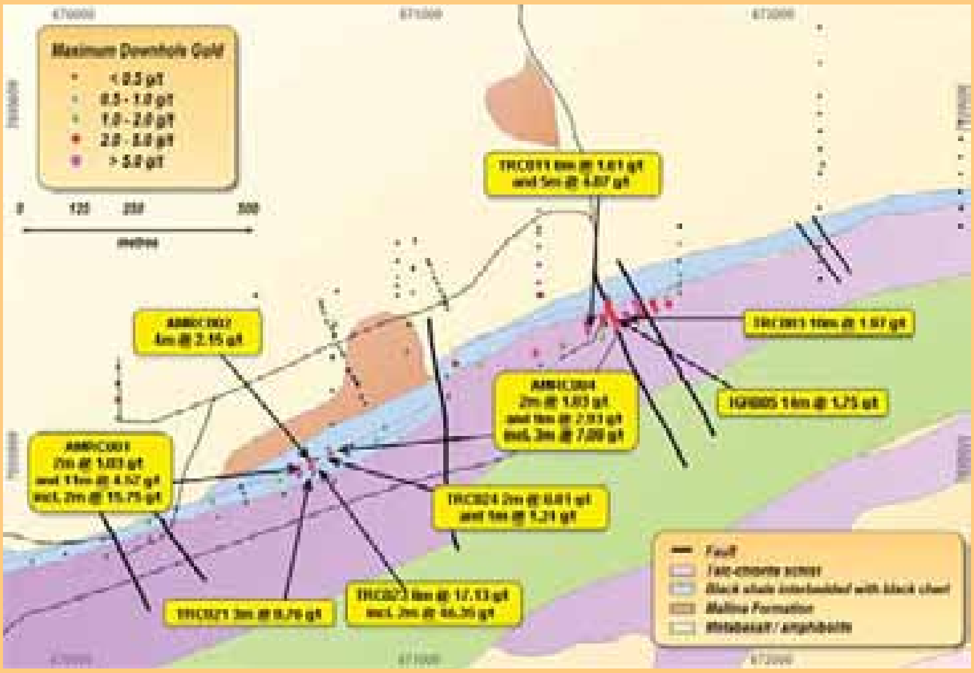
RC drilling has significantly enhanced the gold mineralisation strike extent hosted with pyritic cherts along the Tabba Tabba Shear. Gold mineralisation is present over a 1.2 kilometres strike length that requires further drilling to confirm the continuity of mineralisation over this strike length. Significant results received include,

- TRC023, 8 metres @ 17.13 g/t gold at 41 metres depth and includes 2 metres @ 46.35 g/t gold,
- AMRC001, 11 metres @ 4.53 g/t gold at 62 metres and includes 2 metres @ 15.75 g/t gold.

Edkins

Gold Mineralisation at Edkins has been identified from RAB drilling over a strike length in excess of 600 metres and to date the RC drilling has confirmed gold mineralisation over a 400 metre strike length. Further RC drilling is required to confirm down dip and along strike continuity of the gold mineralisation, hosted within the pyritic cherts. Significant results include,

- ERC012 intersecting 4 metres @ 22.14 g/t gold and
- ERC008 with 10 metres 2.78 g/t gold.



Amanda Drill Plan

Brierly

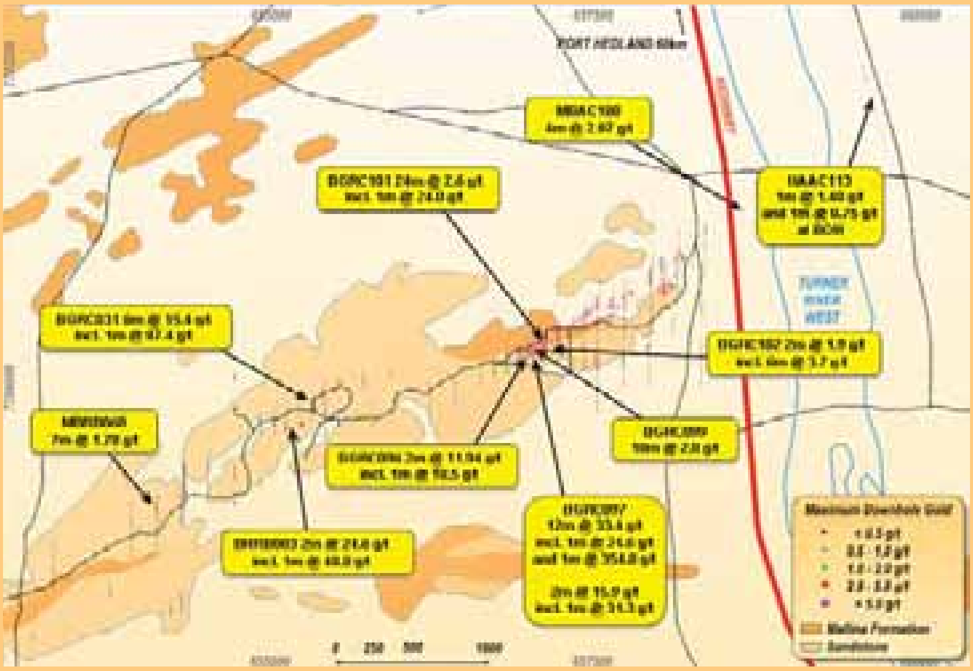
Three RC drill holes for 462 metres were completed testing the down dip potential for gold – copper mineralisation intersected from aircore drilling. Aircore hole BAC051 intersected 4 metres @ 25.74 g/t gold from 14 metres depth which includes 1 metre 15.50 g/t gold and 1 metre 85.83 g/t gold. Transported cover at Brierly varies in thickness from 5 to 15 metres depth and overlies a sequence of deeply weathered Mallina Sediments and diorite intrusions. Mineralisation is associated with quartz veined sediments and diorite intrusions, within a broad geochemical gold anomaly >200 ppb gold.

Two stratigraphic drill lines were completed further to the east, testing for mineralisation on an east west strike, with the diorite intrusions into the Mallina Sediments. Wide zones of anomalous gold mineralisation were intersected, with 14 metres @ 552 ppb gold and 8 metres @ 0.41% copper.

Further exploration is required to assess the gold and copper potential at Brierly.

Mt Berghaus

Mt Berghaus is located along the Mallina Shear Zone, with gold mineralisation structurally controlled and associated with quartz veins, lenses and stock works hosted within the Mallina Formation turbidites, which include argillites and arenites that have been gently folded into open plunging folds within the ENE – WSW trending Mallina Shear Zone. The hydrothermal fractures and breccias within the sedimentary sequence appear to be aligned along a series of N – S and NE – SW trending cross faults. Bleaching and alteration with disseminated sulphides typically being pyrite within the Mallina Formation sediments have been mapped along the strike of Mt Berghaus with the style of gold mineralisation resembling the Camel – Withnell deposits to the west. Gold mineralisation along the Mallina Shear is also associated with quartz veining and sericite alteration from felsic intrusives into the Mallina Sediments.



Mt Berghaus Drill Plan

Mt Berghaus (continued)

RAB drilling has confirmed gold mineralisation over a 5.5 kilometre strike with RC drilling having been drilled on wide spaced sections over a 1.7 kilometre section. Significant gold mineralisation has been intersected, with results from BGRC007 as follows:

- 12 metres @ 33.39 g/t gold from 4 metres depth which includes 1 metre @ 24.60 g/t gold, and 1 metre @ 354.00 g/t gold and also
- 2 metres @ 15.97 g/t gold from 19 metres depth and includes 1 metre @ 31.30 g/t gold.

The RC drilling has continued to confirm the higher grade intersections from RAB drilling with the RC gold intersections appearing to have less continuity of mineralisation in both the dip and strike compared with the wide spaced RAB drilling pattern.

The company is currently consolidating the data for Mt Berghaus and is planning further structural mapping and interpretation prior to any significant drilling programs.

Three Kings Platinum Project
(De Grey diluting to 57%)

During the year Impala Platinum of South Africa (Implats) entered into Phase 2 of the Joint Venture, committing a further expenditure of $400,000 in order to earn a 43% interest in the Three Kings Platinum Project with De Grey Mining Limited diluting to a 57% interest. If Implats elect to undertake Stage 3 for a further $400,000 expenditure, Impala are able to earn up to 60% and De Grey will then retain a 40% equity in the project carried through to bankable feasibility study.

The PGE mineralisation associated with the contact of the pyroxenite and peridotite has been traced over a strike length of 12 kilometres along the Turner River Belt. Exploration activities for PGE mineralisation were concentrated largely at the Joshua, Joshua East, Abraham and Jacob Prospects over a 4.5 kilometre strike length where drilling focussed on delineating the continuity of pyroxenite - peridotite contact and PGE mineralisation along strike and with down dip extensions.

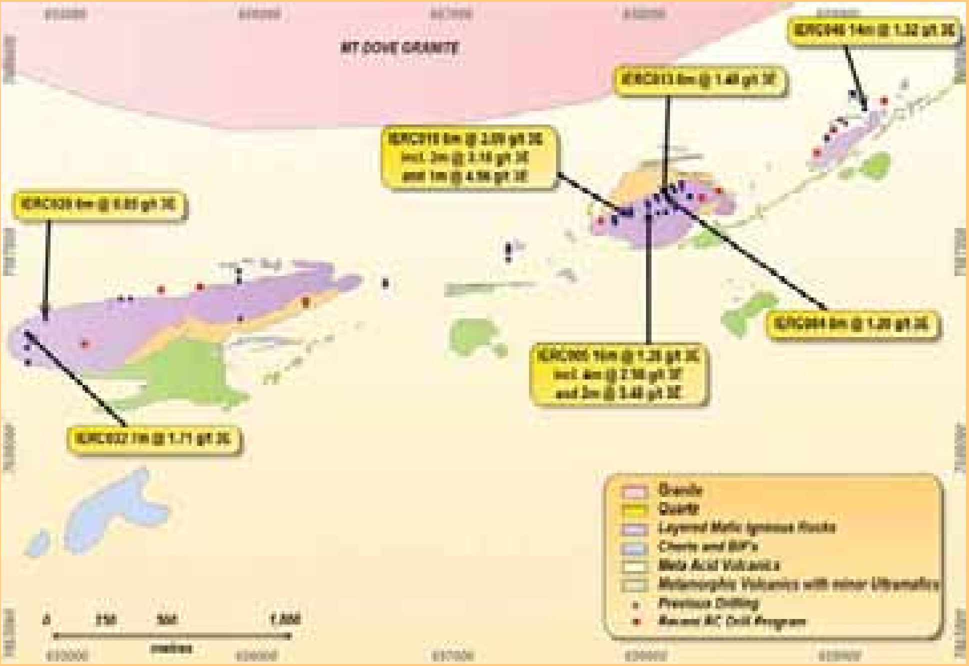
Significant PGE (PGE = Pt+Pd+Au) mineralisation was intersected at the Joshua East Prospect with drill hole IERC46 intersecting 14 metres @ 1.32 g/t PGE from 58 metres depth. Elevated Cu values ranging from 800 to 1700 ppm were returned from the zone immediately above the PGE mineralisation and below the pyroxenite – peridotite contact. Similar widths and grades of PGE mineralisation to IERC46 have been intersected along strike at Joshua with,

- IERC04 intersecting 6 metres @ 1.58 g/t PGE,
- IERC05 intersecting 15 metres @ 1.39 g/t PGE,
- IERC15 intersecting 6 metres @ 2.01 g/t PGE

and at Abraham,

- IERC32 intersecting 7 metres @ 1.71 g/t PGE.

These results are encouraging in that they demonstrate that the PGE mineralised pyroxenite/peridotite contact is present over a 4.5 kilometre strike length. A further infill drill program is planned which will complete Implats Phase 2 expenditure of the joint venture.



Three Kings Drill Plan

Beyondie Base And Precious Metals Project

De Grey Mining Ltd holds 100% of 2,600 sq km of the Beyondie Base And Precious Metals Project located in the East Pilbara Region of Western Australia, 160 kilometres south of Newman, and 50 kilometres east of Kumarina. The project area covers part of the Proterozoic Bangemall Basin that overlies the Archaean Marymia Inlier part of the northern extent of the Yilgarn Shield. The host rocks are intruded by dolerite sills and granite intrusions that consist of a gently dipping sequence of shales, siltstones, sandstones, dolomites, minor chert and tuffs that unconformably overlie the Archaean Marymia Inlier.

The Plutonic Gold Mine (6 million ounces of gold) is 30 kilometres to the south west and Marymia Gold Mine (350,000 ounces gold historical gold production) is located 6 kilometres to the southwest from the tenements. Regionally extensive northeast striking faults such as the Jenkins Fault and later stage northwest striking faults traverse the project area.

RC drilling at Beyondie Bluff intersected what are considered as geochemically significant results. Drilling intersected anomalous zinc, nickel, molybdenum with minor copper, silver and gold. A best zinc result from drill hole BBRC13 intersected,

- 4 metres @ 1.0% Zn with 0.15% Ni within a much broader intercept of 36 metres grading 0.38% Zn and 0.03% Ni and

BBRC02 intersected a best molybdenum result with,

- 213 ppm molybdenum over a 4 metre composite sample within a wider interval of 16 metres @ 127 ppm molybdenum from 8 metres depth.

The results, from a dolomitic shale overlain by phosphatic shales form a geochemically anomalous zone within a sedimentary succession forming part of the lower Bangemall Group. In a general sense, the lower portion of this zone is anomalous in Zn and Ni and the upper portion is anomalous in molybdenum (up to 213 ppm), copper, silver and gold. Both these zones characteristically have low sulphide contents (between about 1.5 and 3% sulphide) which at times are separated by a thick zone of higher sulphide content (generally 10 to 15% sulphide). The two geochemically anomalous sulphide zones appear to merge and thicken towards the north of Beyondie Bluff.

Rock chip sampling at Beyondie Bluff has previously returned geochemically anomalous values up to 0.9% Zn, 0.13% Ni, 0.6% Cu, 0.8% V, 1550 ppm Mo, 25 g/t Ag and 0.42 g/t Au. RC drilling confirms that the anomalous results can be traced over a 1.2 kilometre strike length and combined with the rock chip sampling the anomalous stratigraphic units can be traced over six kilometres of strike length.

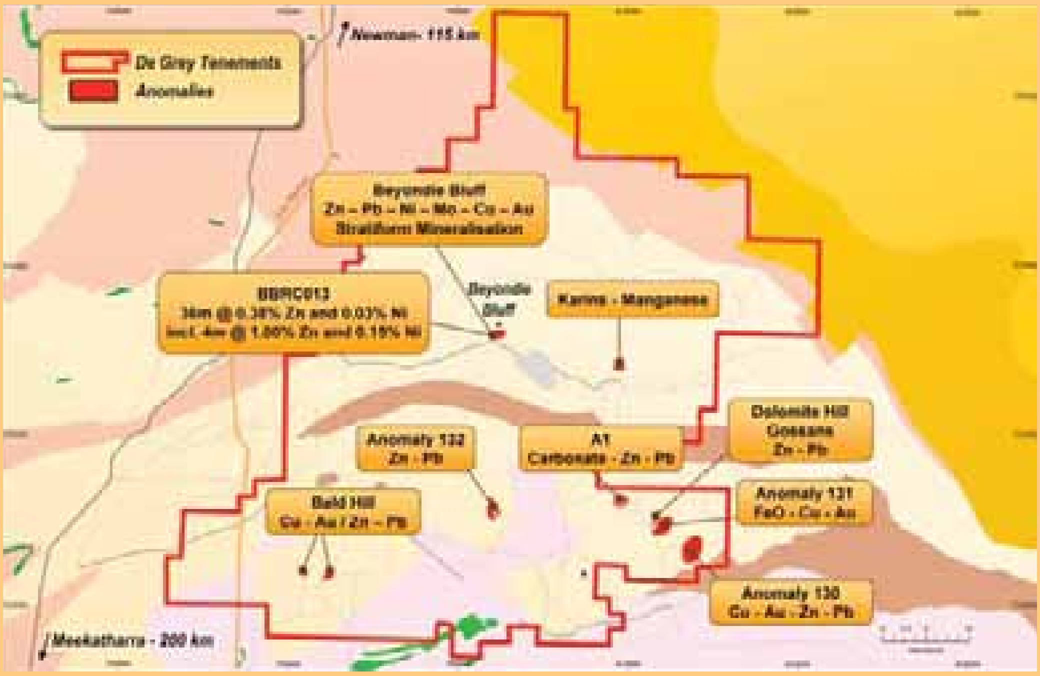
As part of the interpretation of the petrology and geochemistry from the RC drilling, BBRC009 had intersected 4 metres @ 23.7% Mn from 16 metres depth. Subsequently the assay results of the 1 metre resplits reported 2 metres @ 32.6% Mn from 17 metres depth from the previously reported 4 metre interval. Manganese mineralisation intersected by BBRC009 appears to lie along a north westerly trending shear zone that is interpreted to be at least 600 metres long with a width in the order of 50 metres.

Manganese outcrops have also been identified about 400 metres north east of the drilling with values ranging from 51.0% to 53.9% Mn, with further manganese outcrops located 900 metres to the west.

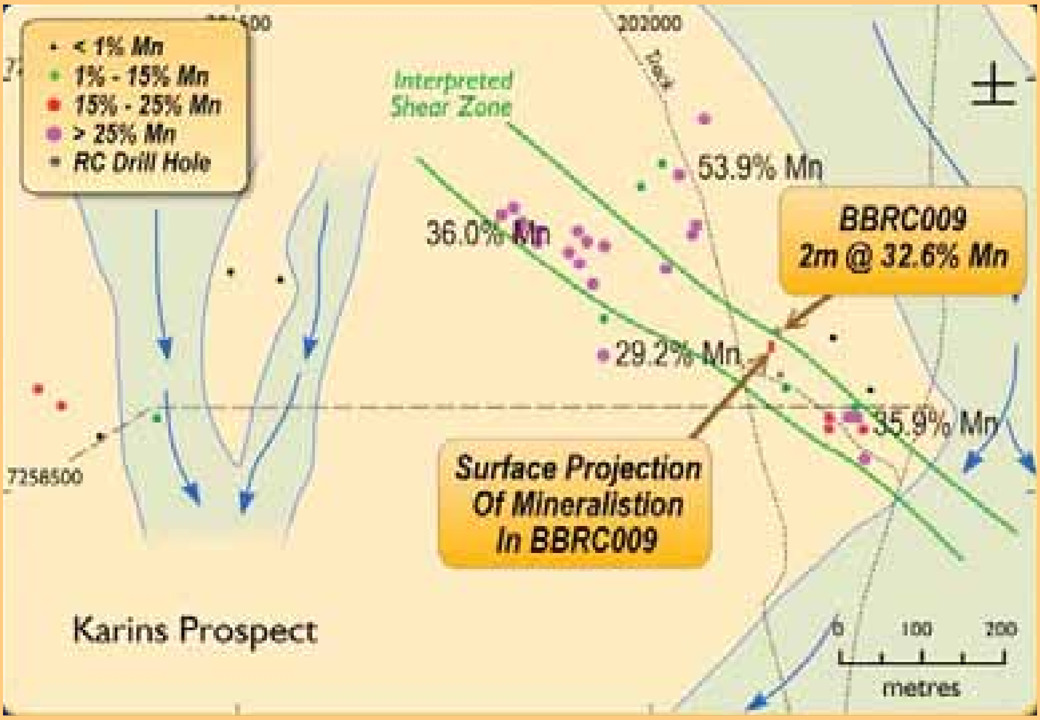
Samples collected from the south-eastern occurrence ranged in grade from 17.2 to 35.9% Mn and the four samples collected from the north western occurrence ranged in grade from 26.3% to 52.0% Mn.

Geological mapping and prospecting has located new outcrops of manganese oxides in an area that is largely soil covered and obscured by thick spinifex. These manganese outcrops have not been adequately prospected or geologically mapped, however their presence implies the possible existence of a number of discrete bodies of manganese mineralisation over a wide area.

Further exploration activities are planned for this area.



Beyondie Base Metal Results



Beyondie Manganese Results

Rock Chip Results - Karins Prospect, Beyondie Base and Precious Metals Project

Sample UNITS	Mn %	Fe %	P2O5 %	Ba %	Cu ppm	Zn ppm
P395075	43.1	12.3	0.45	0.37	590	511
P395084	35.9	2.0	0.20	0.58	38	90
P395088	36.0	3.9	0.24	0.41	710	329
P395108	31.9	21.3	0.21	0.21	28	145
P395110	34.3	22.2	0.96	0.20	404	375
P395111	52.0	6.2	0.53	0.23	228	320
P395114	30.9	25.8	0.71	0.31	432	350
P395115	33.3	21.1	0.73	0.50	790	360
P395122	53.9	1.9	0.47	0.32	192	235
P395123	31.6	8.2	0.48	0.29	128	235
P395124	53.0	1.0	0.36	0.17	96	210
P395125	51.0	4.0	0.50	0.23	80	245
P395126	30.3	21.6	0.67	0.37	286	415
P395127	31.0	26.0	0.19	0.31	28	420

Note: As, Pb and V values are all <<100ppm

Horans Dam Gold Project

The Horans Dam Gold Project is located in the East Coolgardie Mineral Field, 15 kilometres north-west of Kalgoorlie and is 10 kilometres along strike from the Janet Ivy deposit (335,000 oz gold) held by Placer Dome Asia Pacific and also 20 kilometres from Croesus Mining's Binduli project (>1 million oz gold).

The project area has essentially remained unexplored until recent years due to extensive lacustrine sediment cover on top of the Archaean basement geology. Potential for gold mineralisation appears to be controlled by the presence of sub parallel strike shears and their intersection with brittle rocks.

Lithologically the Horans Dam project is dominated by the sedimentary Black Flag Beds forming part of the Ora Banda Domain of the Kalgoorlie Terrane, which are covered by lacustrine sediments with a basal palaeochannel overlying metamorphosed Archaean felsic volcanic and volcaniclastic rocks, felsic intrusives with minor mafic and sedimentary rocks. The Abattoir Shear, a north to north west striking shear immediately east of the project area merges with the regionally extensive and mineralised Boulder Fault and Bardoc Shears. The Honey Eater Shear is a north east trending structure that merges with the Abattoir Shear and transects the prospect area. The geological succession of the Horans Dam prospect is interpreted to be a strike extension of the host rocks of the Binduli Gold Mine 15 kilometres to the south. The geophysical data has been reinterpreted and of particular interest are the magnetic anomalies that are interpreted as being porphyries and structural discontinuities from faulting.

Significant gold mineralisation discovered to date is mainly contained within the Eastern Shear Zone or in palaeochannels overlying the shear zone. At this stage the source of the gold in the palaeochannel has not been conclusively demonstrated to be the bedrock mineralisation discovered to date and it is considered likely that much of the gold in the palaoechannel has a, as yet, undiscovered source.

During 2004/2005, an Aircore drilling programme comprising 130 holes for 7,857 metres was completed, with holes drilled to top of fresh rock to test for supergene and potential bedrock gold mineralisation.

Significant results from this programme are:

Hole No	Northing	Easting	Depth (metres)	From (metres)	To (metres)	Interval (metres)	Grade g/t Au
HDAC04016	6606400	342680	53	39	40	1	0.54
HDAC04022	6606400	342440	77	46	47	1	0.56
HDAC04032	6606300	341960	71	39	40	1	2.20
HDAC04058	6605300	343240	38	36	37	1	0.74
HDAC04065	6604798	343677	59	40	43	3	5.90
HDAC04067	6604800	343620	55	42	43	1	0.92
HDAC04093	6604800	342520	62	43	44	1	4.25
HDAC04096	6604800	342400	59	36	40	4	1.07
HDAC04130	6604800	343685	40	38	42	4	3.44

Note: Weighted average grades are estimated by using a 0.2 g/t lower cut-off. The estimation allows for the inclusion of a maximum of two metres of internal waste dilution (grades lower than 0.2 g/t gold). Drill results are Fire Assayed and are from Aircore drilling.

Tenement Listing

Tenement	Interest	Tenement
Beyondie Base & Precious Metals	100%	E69/1511
Beyondie Base & Precious Metals	100%	E52/1470
Beyondie Base & Precious Metals	100%	E52/1491
Beyondie Base & Precious Metals	100%	E52/1501
Beyondie Base & Precious Metals	100%	E69/1519
Beyondie Base & Precious Metals	100%	E52/1492
Beyondie Base & Precious Metals	100%	E52/1490
Beyondie Base & Precious Metals	100%	E52/1806 (A)
Beyondie Base & Precious Metals	100%	E52/1807 (A)
Beyondie Base & Precious Metals	100%	E52/1808 (A)
Beyondie Base & Precious Metals	100%	E52/1809 (A)
Beyondie Base & Precious Metals	100%	E52/1826 (A)
Beyondie Base & Precious Metals	100%	E52/1827 (A)
Beyondie Base & Precious Metals	100%	E52/1828 (A)
Beyondie Base & Precious Metals	100%	E69/2030 (A)
Beyondie Base & Precious Metals	100%	E69/2031 (A)
Beyondie Base & Precious Metals	100%	P52/1105 (A)
Beyondie Base & Precious Metals	100%	P52/1106 (A)
Beyondie Base & Precious Metals	100%	P52/1107 (A)
Beyondie Base & Precious Metals	100%	P52/1108 (A)
Beyondie Base & Precious Metals	100%	P52/1109 (A)
Beyondie Base & Precious Metals	100%	P52/1110 (A)
Beyondie Base & Precious Metals	100%	P69/39 (A)
Horans Dam	100%	E26/58
Horans Dam	100%	M26/655 (A)
Horans Dam	100%	M26/656 (A)
Horans Dam	100%	M26/796 (A)
Horans Dam	100%	M26/797 (A)
Turner River Gold	100%	E45/1353
Turner River Gold	100%	E45/1641
Turner River Gold	100%	E45/2212
Turner River Gold	100%	E45/2213
Turner River Gold	100%	E45/2354
Turner River Gold	100%	E45/2403
Turner River Gold	100%	E45/2432 (A)

Tenement	Interest	Tenement
Turner River Gold	100%	E45/2465 (A)
Turner River Gold	100%	E47/1132
Turner River Gold	100%	E47/891
Turner River Gold	100%	M45/934 (A)
Turner River Gold	100%	E45/2533
Turner River Gold	100%	E45/2597 (A)
Turner River Gold	100%	P45/2538 (A)
Turner River Gold	100%	P45/2539 (A)
Turner River Gold	100%	P45/2540 (A)
Turner River Gold	100%	P45/2541 (A)
Turner River Gold	100%	P45/2542 (A)
Turner River Gold	100%	P45/2543 (A)
Turner River Gold	100%	P45/2544 (A)
Turner River Gold	100%	P45/2545 (A)
Turner River Gold	100%	P45/2546 (A)
Turner River Gold	100%	P45/2547 (A)
Turner River Gold	100%	P45/2548 (A)
Turner River Gold	100%	P45/2549 (A)
Turner River Gold	100%	P45/2552 (A)
Turner River Gold	100%	P45/2553 (A)
Turner River Gold	100%	P45/2554 (A)
Turner River Gold	100%	P45/2555 (A)
Turner River Gold	100%	P45/2556 (A)
Turner River Gold	100%	P47/1166 (A)
Turner River Gold	100%	P47/1167 (A)
Turner River Gold	100%	M45/1068 (A)
Turner River Gold	100%	M45/1069 (A)
Turner River Gold	100%	M45/1070 (A)
Turner River Gold	100%	M45/1071 (A)
Turner River Gold	100%	M45/1072 (A)
Turner River Gold	100%	M45/1073 (A)
Turner River Gold	100%	M45/1074 (A)
Turner River Gold	100%	M45/1075 (A)
Turner River Gold	100%	M45/1076 (A)
Turner River Gold	100%	M45/1077 (A)
Turner River Gold	100%	GPL/45272

Directors' Report

Your directors submit their report for the year ended 30 June 2005.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Ron B Manners, *FAusIMM, FAICD (Non Executive Chairman)*

Ron Manners is the founder and chairman of Croesus Mining NL, a former Executive Councillor of the Association of Mining and Exploration Companies (AMEC) and Managing Director of Mannwest Group Pty Ltd, which has mining and property investments in Western Australia.

Ron is a descendant of a pioneering Kalgoorlie family with a lifelong involvement in the mining industry. He was Chairman and a driving force for the Australian Prospectors and Miners Hall of Fame and is founder and Chairman of the Mannkal Economic Education Foundation.

Denis W O'Meara, *JP, AMAusIMM (Managing Director)*

Denis O'Meara is a prospector and founder of De Grey Mining Ltd. Denis has a lifelong involvement in mining, prospecting and exploration. He has been involved in several major resource and exploratory discoveries in Western Australian including Miralga Creek, Sulphur Springs, Gorge Range, Indee and Pearana (Pilbara) Horans Dam (Kalgoorlie), Triangle Bore (Mt Magnet) and Weld Range (Murchison). His activities have supported several corporate fund raisings/listings since 1969. His prospecting has also led to joint ventures with 17 companies. Denis is the discoverer of the Beyondie Bluff gold and base metal anomalies.

Denis has served as an executive councillor of AMEC, a board member of AGIC (Australian Gold Industry Council) for its 10 year duration and board member of the Port Hedland Port Authority. He also received a National Outstanding Achievement Award Greening Australia, 1991 and served as a board member of the Kings Park and Botanical Gardens, Perth, 1994 1996.

Campbell T Ansell, *FCA, MAICD (Non Executive Director)*

Campbell Ansell is a Chartered Accountant who is also a director of Croesus Mining NL, Universal Resources Ltd and is Chairman of Nickel Australia Limited and Dragon Mining NL. He is also a Non Executive Director of several other successful business operations and has had a long term involvement with the resources sector and several government and semi government boards.

Michael J Baker, *ACS (Non Executive Director)*

Michael is a co founder of De Grey Mining Ltd.and a major shareholder in the company.

He is a strategic imaging specialist in the promotion and marketing of companies, particularly resource projects and has won many national and international awards for his work in the industry over more than 30 years.

He is the Managing Director and proprietor of Michael Baker Corporate, a Director of and shareholder in First Light, a Perth based Post Production Company, and a director and part owner of West Coast Film Services which hires specialist equipment to the industry. He has been involved with many major players in the resource industry, creating much promotional and marketing material for his clients. He has been involved with the North West Shelf Venture for 30 years.

COMPANY SECRETARY

Dennis Wilkins, *BBus, ACIS, AICD*

Mr Dennis Wilkins is an accountant who has been a director, company secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years.

Mr Wilkins previously served as the Finance Director and Company Secretary for a mid tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Mr Wilkins has extensive experience in capital raising specifically for the resources industry and is the principal of DWCorporate which provides advisory, funding and administrative management services to the resource sector. Mr Wilkins is a director of South Boulder Mines Limited, Marengo Mining Limited and Bonaparte Diamond Mines NL.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of De Grey Mining Limited were:

	Ordinary Shares	Options over Ordinary Shares
Ron B Manners	4,719,047	-
Denis W O'Meara	1,750,001	1,000,000
Campbell T Ansell	150,000	-
Michael J Baker	8,015,001	-

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

CORPORATE INFORMATION

Nature of operations and principal activities

During the year the consolidated entity carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying gold and other economic mineral deposits.

There has been no significant change in the nature of this activity during the year.

A review of operations and the chairman's statement are contained elsewhere in the annual report.

Employees

The consolidated entity employed 16 employees as at 30 June 2005 (2004: 11 employees).

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The operating loss after income tax of the consolidated entity for the year ended 30 June 2005 was $8,224,850. (2004: $3,479,867). Included in this loss figure is an amount of exploration expenditure ($6,522,101) written off. Refer notes to the financial statements note 1(f).

Summarised operating results are as follows:

	2005	
	Revenues $	Results $
Geographic segments		
Australia	154,253	(8,224,850)
Consolidated entity revenues and loss from ordinary activities before income tax expense	154,253	(8,224,850)

Shareholder Returns

	2005	2004
Basic loss per share (cents)	(9.7)	(5.2)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 21, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The economic entity expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The entity is subject to significant environmental regulation in respect to its exploration activities.

The company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the company are not aware of any breach of environmental legislation for the year under review.

SHARE OPTIONS

Unissued shares

At the date of this report there are 9,000,000 unissued ordinary shares in respect of which options are outstanding. These options do not entitle the holders to participate in any share issue of the company or any other body corporate.

Number of options	
Balance at the beginning of the year	48,117,299
Share options issued during the year	
Exercisable at 20 cents, on or before 5 July 2005	333,333
Exercisable at 50 cents, on or before 25 March 2009	500,000
Exercisable at 50 cents, on or before 6 November 2009	1,000,000
Exercisable at 45 cents, on or before 30 June 2006	7,500,000
Exercisable at 50 cents, on or before 5 July 2007	5,000,000
Total options issued to 30 June 2005	14,333,333
Share options exercised during the year	
Options exercised at 20 cents on or before 5 July 2005	(12,473,204)
Total number of options outstanding as at 30 June 2005	49,977,428
50 cent options lapsed at 5 July 2005	(5,000,000)
20 cent options exercised at 5 July 2005	(35,977,428)
Total number of options outstanding at the date of this report	9,000,000

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums insuring all the directors of De Grey Mining Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums to be paid is confidential in terms of the agreement with the underwriter.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of De Grey Mining Limited (the company).

Remuneration policy

The remuneration policy of De Grey Mining Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the economic entity's financial results. The board of De Grey Mining Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black Scholes methodology.

The board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the annual general meeting (currently $175,000). Fees for non executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Performance based remuneration

The managing director has an element of performance based remuneration built into his remuneration which revolve around key milestone events determined by the remuneration committee. Apart from the above, the company has no other performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of directors and executives interests in options at year end, refer note 24.

Employment contracts of directors and senior executives

For details of service agreements between directors/executives and De Grey Mining Limited, refer note 24.

Table 1: Director remuneration for the year ended 30 June 2005

		Primary benefits			Post Employment		Equity	Other	Total
		Salary & Fees	Cash STI	Non Monetary	Superan- nuation	Retirement benefits	Options	Bonuses	
Ron B Manners	2005	**-**	**-**	**-**	**64,038**	**-**	**-**	**-**	**64,038**
	2004	-	-	-	72,213	-	-	-	72,213
Denis W O'Meara	2005	**207,292**	**-**	**-**	**18,000**	**-**	**242,100**	**-**	**467,392**
	2004	138,459	-	-	12,461	-	-	-	150,920
Campbell T Ansell	2005	**31,875**	**-**	**-**	**4,231**	**-**	**-**	**-**	**36,106**
	2004	45,625	-	-	4,106	-	-	-	49,731
Michael J Baker	2005	**33,125**	**-**	**-**	**2,981**	**-**	**-**	**-**	**36,106**
	2004	45,625	-	-	4,106	-	-	-	49,731

Table 2: Remuneration of the 5 named executives who receive the highest remuneration for the year ended 30 June 2005

		Primary benefits			Post Employment		Equity	Other	Total
		Salary & Fees	Cash STI Monetary	Non nuation	Superan- benefits	Retirement	Options	Bonuses	
Dennis Wilkins	2005	**116,500**	**-**	**-**	**-**	**-**	**97,467**	**-**	**213,967**
	2004	88,150	-	-	-	-	10,000	-	98,150
Darren Townsend	2005	**192,308**	**-**	**-**	**17,238**	**-**	**-**	**-**	**209,546**
	2004	-	-	-	-	-	-	-	-
Neil Lithgow	2005	**140,077**	**-**	**-**	**11,620**	**-**	**-**	**-**	**151,697**
	2004	-	-	-	-	-	-	-	-

Table 3: Options granted as part of remuneration for the year ended 30 June 2005

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of De Grey Mining Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders. The following options were granted as part of remuneration during the year. For details of directors and executives interests in options at year end, refer note 24.

	Grant date option at grant date	Grant number Number	Vest option at exercise date	Value per date option lapsed	Exercised remun eration	Value per	Value at	% of
Denis W O'Meara	17/11/2004	1,000,000	17/11/2004	24.21c	N/A	N/A	N/A	51.80%
Dennis Wilkins	01/07/2004	333,333	01/07/2004	29.24c	N/A	N/A	N/A	45.55%

Table 4: Performance Income as a proportion of total remuneration

No performance based bonuses have been paid to executive directors and executives during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

Directors' Report

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

	Directors' Meetings		Meetings of Committees Audit		Remuneration	
	A	**B**	**A**	**B**	**A**	**B**
Number of meetings attended:						
Ron B Manners	8	8	0	1	1	1
Denis W O'Meara	8	8	*	*	*	*
Campbell T Ansell	8	8	1	1	1	1
Michael J Baker	8	8	1	1	1	1

Notes

A Number of meetings attended.

B Number of meetings held during the time the director held office during the year.

* Not a member of the relevant committee

The audit committee comprises Ron Manners, Campbell Ansell and Michael Baker with Dennis Wilkins in attendance. Ron Manners was appointed as a member of the audit committee with effect from 1 July 2003 in order to ensure that the majority of audit committee members are independent directors in keeping with ASX corporate governance council's best practice recommendations.

AUDITOR INDEPENDENCE

The auditors' independence declaration for the year ended 30 June 2005 has been received and can be found on page 39.

NON AUDIT SERVICES

The following non audit services were provided by the entity's auditor, Butler Settineri. The directors are satisfied that the provision of non audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non audit service provided means that auditor independence was not compromised.

Butler Settineri received or are due to receive the following amounts for the provision of non audit services:

Tax compliance services $2,345

Signed in accordance with a resolution of the directors.

Campbell T Ansell
Director

Perth, 29 September 2005

Corporate Governance Statement

The Board of Directors

The company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the company's activities increase in size, nature and scope the size of the board will be reviewed periodically and the optimum number of directors required to supervise adequately the company's constitution determined within the limitations imposed by the constitution and as circumstances demand.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an audit committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long term shareholder value.

To fulfil this role, the board is responsible for oversight of the management and the overall corporate governance of the company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the company.

ASX principles of Good Corporate Governance

The board has reviewed its current practices in light of the ASX principles of good corporate governance and best practice guidelines 2004 with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the company's present position with regard to adoption of these principles.

Corporate Governance Statement

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	**A**	The company has adopted this recommendation to formalise and disclose the functions reserved to the board and those delegated to management.
Principle 2:	**Structure the board to add value**		
2.1	A majority of board members should be independent directors	**N/A**	Given the company's background, the nature and size of its business and the current stage of its development, the board comprises four directors, three of whom are non executive (including the independent chairman). The board believes that this is both appropriate and acceptable at this stage of the company's development. Currently two members of the board are independent directors with the remaining two members regarded as non independent due to their significant shareholding in the company.
2.2	The chairperson should be an independent director	**A**	
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	**A**	The positions of chairman and managing director are held by separate persons.
2.4	The board should establish a nomination committee	**A**	The full board is the nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the company, it is not considered that a separate nomination committee would add any substance to this process.
2.5	Provide the information indicated in guide to reporting on Principle 2	**A (in part)**	The skills and experience of directors are set out in the company's annual report and on its website.
Principle 3:	**Promote ethical and responsible decision making**		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices	**A**	The company has formulated a code of conduct which can be viewed on the company's website.

	ASX Principle	Status	Reference/comment
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	**A**	The company has formulated a securities trading policy which can be viewed on its website.
3.3	Provide the information indicated in guide to reporting on Principle 3	**A**	The company has established an audit committee which comprises three non executive directors. The charter for this committee is disclosed on the company's website. Sourcing alternative or additional directors to strictly comply with this principle is considered expensive with costs outweighing potential benefits. In addition, the board as a whole addresses the governance aspects of the full scope of the company's activities to ensure that it adheres to appropriate ethical standards. All matters which might properly be dealt with by special committees are subject to regular scrutiny at full board meetings.
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards	**A**	
4.2	The board should establish an audit committee	**A**	
4.3	Structure the audit committee so that it consists of: • Only non executive directors • A majority of independent directors • An independent chairperson who is not the chairperson of the board • At least three members	**A (in part) b**	
4.4	The audit committee should have a formal charter	**A**	
4.5	Provide the information indicated in guide to reporting on Principle 4	**A**	

A = Adopted
N/A = Not adopted

Corporate Governance Statement

	ASX Principle	Status	Reference/comment
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior management level for that compliance	**A**	The company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Provide the information indicated in guide to reporting on Principle 5	**N/A**	The board receives monthly reports on the financial position of the company with performance being measured against approved budgets.
Principle 6:	**Recognise and manage risk**		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings		In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the company website and the distribution of specific releases covering major transactions or events.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report		Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy. The company's auditors attend all shareholders' meetings.
Principle 7:	**Recognise and manage risk**		
7.1	The board or appropriate board committee should establish policies on risk oversight and management	**A**	While the company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the polices adopted by the board 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	**A**	Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.3	Provide information indicated in guide to reporting on Principle 7	**N/A**	

Principle 8:	**Encourage enhanced Performance**		
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	**N/A**	The remuneration of executive and non executive directors is reviewed by the board with the exclusion of the director concerned. The remuneration of management and employees is reviewed by the board and approved by the chairman. Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the company's securities. Whenever relevant, any such matters are reported to ASX.
Principle 9:	**Remunerate fairly and responsibly**		
9.1	Provide disclosure in relation to the company's remuneration policies and benefits to these policies and the link between remuneration paid to directors and key executives and corporate performance.	**N/A**	The company discloses remuneration related information in its annual report to shareholders in accordance with the Corporations Act 2001.
9.2	The board should establish a remuneration committee	**A**	
9.3	Clearly distinguish the structure of non executive directors remuneration from that of executives	**A**	
9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders		
9.5	Provide information indicated in ASX guide to reporting on Principle 9	**A (in part)**	
Principle 10:	**Recognise legitimate interests of stakeholders**		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	**A**	The company's code of conduct is set out in the company's website. The board continues to review existing procedures over time to ensure adequate processes are in place. All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the company.

A = Adopted
N/A = Not adopted

Statement of Financial Performance

YEAR ENDED 30 JUNE 2005

	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		$	$	$	$
REVENUE FROM ORDINARY ACTIVITIES	2	**154,253**	176,277	**154,253**	176,277
Depreciation expense	3	**(49,850)**	(31,616)	**(52,832)**	(31,616)
Employee benefits expense		**(796,692)**	(252,030)	**(796,692)**	(252,030)
Provision for diminution of investment	3	-	-	-	(1,160,486)
Exploration expenditure written off	3	**(6,522,101)**	(2,503,130)	**(2,771,829)**	(15,615)
Corporate expenses		**(77,576)**	(59,145)	**(77,576)**	(59,145)
Occupancy expenses		**(78,189)**	(59,165)	**(78,189)**	(59,165)
Consulting expenses		**(328,576)**	(228,965)	**(328,576)**	(228,965)
Investor relations and advertising expenses		**(96,620)**	(119,619)	**(96,620)**	(119,619)
Administration expenses		**(392,035)**	(376,369)	**(392,035)**	(376,369)
Other expenses from ordinary activities		**(37,464)**	(26,105)	**(33,104)**	(26,104)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**(8,224,850)**	(3,479,867)	**(4,473,200)**	(2,152,837)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	-	-	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED	16	**(8,224,850)**	(3,479,867)	**(4,473,200)**	(2,152,837)
Share issue costs	15	**(207,500)**	(346,378)	**(207,500)**	(346,378)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED AND RECOGNISED DIRECTLY IN EQUITY		**(207,500)**	(346,378)	**(207,500)**	(346,378)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED		**(8,432,350)**	(3,826,245)	**(4,680,700)**	(2,499,215)
Basic loss per share (cents per share)	22	**(9.7)**	(5.2)		

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Statements.

A = Adopted
N/A = Not adopted

Statement of Financial Position

AT 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
CURRENT ASSETS					
Cash assets	17(b)	**3,480,182**	3,819,454	**3,480,182**	3,819,454
Receivables	6	**514,713**	67,816	**514,713**	67,816
Other	7	**60,915**	55,631	**60,915**	55,631
TOTAL CURRENT ASSETS		**4,055,810**	3,942,901	**4,055,810**	3,942,901
NON CURRENT ASSETS					
Receivables	8	-	-	**9,421,533**	5,703,974
Other financial assets	9	-	-	**2,339,792**	2,339,792
Plant and equipment	11	**379,194**	214,276	**379,194**	212,896
Mining tenements and capitalised exploration costs	12	**7,067,253**	7,409,644	**494,740**	804,420
TOTAL NON CURRENT ASSETS		**7,446,447**	7,623,920	**12,635,259**	9,061,082
TOTAL ASSETS		**11,502,257**	11,566,821	**16,691,069**	13,003,983
CURRENT LIABILITIES					
Payables	13	**997,554**	673,675	**998,442**	674,563
Provisions	14	**62,386**	21,491	**62,386**	21,491
TOTAL CURRENT LIABILITIES		**1,059,940**	695,166	**1,060,828**	696,054
TOTAL LIABILITIES		**1,059,940**	695,166	**1,060,828**	696,054
NET ASSETS		**10,442,317**	10,871,655	**15,630,241**	12,307,929
EQUITY					
Contributed equity	15	**23,535,424**	15,739,912	**23,535,424**	15,739,912
Accumulated losses	16	**(13,093,107)**	(4,868,257)	**(7,905,183)**	(3,431,983)
TOTAL EQUITY		**10,442,317**	10,871,655	**15,630,241**	12,307,929

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
CASH FLOWS USED IN OPERATING ACTIVITIES					
Payments to suppliers and employees		**(1,770,163)**	(1,152,473)	**(1,767,180)**	(1,147,724)
Interest received		**154,254**	171,781	**154,254**	171,781
Borrowing costs		**-**	(224)	**-**	(224)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	17(a)	**(1,615,909)**	(980,916)	**(1,612,926)**	(976,167)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(214,768)**	(112,434)	**(219,130)**	(111,054)
Payments for exploration and evaluation expenditure		**(6,304,107)**	(3,467,788)	**(2,585,169)**	(217,735)
Advances to related parties		**-**	-	**(3,717,559)**	(3,256,182)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(6,518,875)**	(3,580,222)	**(6,521,858)**	(3,584,971)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		**8,003,012**	6,914,387	**8,003,012**	6,914,387
Payment of share issue costs		**(207,500)**	(346,378)	**(207,500)**	(346,378)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**7,795,512**	6,568,009	**7,795,512**	6,568,009
NET INCREASE/(DECREASE) IN CASH HELD		**(339,272)**	2,006,871	**(339,272)**	2,006,871
Add opening cash brought forward		**3,819,454**	1,812,583	**3,819,454**	1,812,583
CLOSING CASH CARRIED FORWARD	17(b)	**3,480,182**	3,819,454	**3,480,182**	3,819,454

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising De Grey Mining Limited (the parent entity) and all entities which De Grey Mining Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Plant and equipment

Cost and valuation

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation

Items of plant and equipment are depreciated using the diminishing value basis over estimated useful lives.

The depreciation rates used for plant and equipment, range between 10% and 30%.

Assets are depreciated from the date of acquisition.

(e) Recoverable Amount

Non current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present values.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Exploration and evaluation costs

Exploration and evaluation costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest does not meet the above criteria, any accumulated costs in respect of that area are written off in the financial period costs are incurred.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

(h) Taxes

Income tax

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(j) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits are charged against profits on a net basis in their respective categories.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

(l) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(n) Cash and cash equivalents

Cash on hand and in banks and short term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Receivables

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(p) Joint ventures

Interest in the joint venture operations are brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred. Details of the company's interests are shown in note 27.

Interest in joint venture partnerships are carried at the lower of the equity accounted amount and recoverable amount in the financial report.

(q) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(r) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	Consolidated		The Company	
	2005 $	2004 $	2005 $	2004 $
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenues from non operating activities				
Interest				
Bank interest	**154,253**	176,277	**154,253**	176,277
Total revenues from ordinary activities	**154,253**	176,277	**154,253**	176,277
3. EXPENSES AND LOSSES/(GAINS)				
(a) Expenses				
Depreciation of plant and equipment	**49,850**	31,616	**52,832**	31,616
Decrement in value of investments	**-**	-	**-**	1,160,486
Exploration expenditure written off	**6,522,101**	2,503,130	**2,771,829**	15,615

4. INCOME TAX

The prima facie tax, using tax rates applicable in the country of operation, on operating loss differs from the income tax provided in the financial statements as follows:

		Consolidated 2005 $	2004 $	The Company 2005 $	2004 $
Prima facie tax benefit on loss from ordinary activities		**(2,467,455)**	(1,043,960)	**(1,341,960)**	(645,851)
Non deductible items		**2,187**	2,435	**2,187**	2,435
Temporary timing differences		**29,937**	2,722	**29,937**	2,722
Capital raising fees		**(94,400)**	(79,277)	**(94,400)**	(79,277)
Expenditure on mining interests written off		**1,956,631**	403,236	**831,549**	4,684
Expenditure on mining interests		**(1,853,913)**	(1,201,034)	**(830,712)**	(220,043)
Future income tax benefit not brought to account		**2,427,013**	1,915,878	**1,403,399**	935,330
Income tax expense attributable to ordinary activities		-	-	-	-
Income tax losses					
Future income tax benefit arising from tax losses of the group not recognised at reporting date as realisation of the benefit is not regarded as virtually certain		**5,425,728**	2,998,715	**5,425,728**	2,998,715

No income tax is payable by the consolidated entity. The directors have considered it prudent not to bring to account the future income tax benefit of income tax losses and exploration deductions until there is virtual certainty of deriving assessable income of a nature and amount to enable such benefit to be realised.

This future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidation

Effective 01 July 2004, for the purposes of income taxation, De Grey Mining Limited and its 100% owned subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is De Grey Mining Limited.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

		Consolidated 2005 $	2004 $	The Company 2005 $	2004 $

6. RECEIVABLES (CURRENT)

Sundry debtors	6(a)	**496,264**	14,648	**496,264**	14,648
Goods and Services Tax receivable		**18,449**	53,168	**18,449**	53,168
		514,713	67,816	**514,713**	67,816

(a) Terms and conditions

(i) Sundry debtors are non interest bearing and have repayment terms between 30 and 90 days.

7. OTHER CURRENT ASSETS

Prepayments		**60,915**	55,631	**60,915**	55,631
		60,915	55,631	**60,915**	55,631

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
8. RECEIVABLES (NON CURRENT)					
Related party receivables					
Wholly owned group					
- controlled entities	25	-	-	**9,421,533**	5,703,974
		-	-	**9,421,533**	5,703,974
9. OTHER FINANCIAL ASSETS (NON CURRENT)					
Investments at cost comprise:					
Shares					
Controlled entities unlisted	10	-	-	**2,339,792**	2,339,792
		-	-	2,339,792	2,339,792

10. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity 2005 %	Percentage of equity interest held by the consolidated entity 2004 %	Investment 2005 $	Investment 2004 $
Beyondie Gold NL	Australia	**100**	100	**3,200,001**	3,200,001
Domain Mining NL	Australia	**100**	100	**300,277**	300,277
Less: Provision for diminution				**(1,160,486)**	(1,160,486)
				2,339,792	2,339,792

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
11. PLANT AND EQUIPMENT					
Plant & equipment					
At cost		**494,892**	280,124	**494,892**	275,762
Accumulated depreciation		**(115,698)**	(65,848)	**(115,698)**	(62,866)
Total plant and equipment	11(a)	**379,194**	214,276	**379,194**	212,896
(a) Reconciliations					
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the financial year.					
Plant & equipment					
Carrying amount at beginning		**214,276**	133,458	**212,896**	133,458
Additions		**214,768**	112,434	**219,130**	111,054
Depreciation expense		**(49,850)**	(31,616)	**(52,832)**	(31,616)
Carrying amount at end		**379,194**	214,276	**379,194**	212,896

	Note	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $

12. MINING TENEMENTS AND CAPITALISED EXPLORATION COSTS

		Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Exploration and evaluation costs carried forward in respect of mining areas of interest					
Pre production					
- tenement acquisition costs		**7,067,253**	7,409,644	**494,740**	804,420
		7,067,253	7,409,644	**494,740**	804,420

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

13. PAYABLES (CURRENT)

	Note	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Trade creditors		**100,481**	279,537	**100,481**	279,537
Other creditors and accruals		**897,073**	394,138	**897,961**	395,026
		997,554	673,675	**998,442**	674,563
Aggregate amounts payable to related parties:					
Other related parties					
- controlled entities	25	**-**	-	**888**	888
		-	-	**888**	888

14. PROVISIONS (CURRENT)

	Note	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Employee benefits	19	**62,386**	21,491	**62,386**	21,491
		62,386	21,491	**62,386**	21,491

15. CONTRIBUTED EQUITY

(a) Issued and paid up capital

		Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Ordinary shares fully paid		**23,535,424**	15,739,912	**23,535,424**	15,739,912
		23,535,424	15,739,912	**23,535,424**	15,739,912

15. CONTRIBUTED EQUITY (continued)

(b) Movements in shares on issue

	2005 Number of shares	2005 $	2004 Number of shares	2004 $
Beginning of the financial year	**77,639,988**	15,739,912	**55,555,005**	9,171,903
Issued during the year				
- Shares to raise additional capital	**7,500,000**	**3,150,000**	12,307,693	1,600,000
- Shares to raise additional capital	**5,000,000**	**2,000,000**	9,330,357	5,225,000
- Shares on exercise of options	**14,265,054**	**2,853,012**	434,085	86,817
- Shares on exercise of options	-	-	12,848	2,570
- less transaction costs	-	**(207,500)**	-	(346,378)
End of the financial year	**104,405,042**	**23,535,424**	77,639,988	15,739,912

(c) Movements in options on issue

Number of options		
Beginning of the financial year	48,117,299	43,628,334
Issued during the year		
- Exercisable at 20c, on or before 30 June 2005	**333,333**	4,935,898
- Exercisable at 50c, on or before 25 March 2009	**500,000**	-
- Exercisable at 50c, on or before 6 November 2009	**1,000,000**	-
- Exercisable at 45c, on or before 30 June 2006	**7,500,000**	-
- Exercisable at 50c, on or before 5 July 2007	**5,000,000**	-
Less: Options exercised (20c on or before 5 July 2005)	**(12,473,204)**	(446,933)
End of the financial year	**49,977,428**	48,117,299

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
16. ACCUMULATED LOSSES				
Balance at the beginning of the year	**(4,868,257)**	(1,388,390)	**(3,431,983)**	(1,279,146)
Net loss attributable to members of De Grey Mining Limited	**(8,224,850)**	(3,479,867)	**(4,473,200)**	(2,152,837)
Balance at the end of the year	**(13,093,107)**	(4,868,257)	**(7,905,183)**	(3,431,983)

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $

17. STATEMENT OF CASH FLOWS

(a) Reconciliation of the net loss after tax to the net cash flows from operations				
Net loss	**(8,224,850)**	(3,479,867)	**(4,473,200)**	(2,152,837)
Non cash Items				
Depreciation of non current assets	**49,850**	31,616	**52,832**	31,616
Exploration costs written off	**6,523,478**	2,503,131	**2,771,829**	15,615
Decrement in value of non current assets	**-**	-	**-**	1,160,486
Changes in assets and liabilities				
(Increase) in trade and other receivables	**-**	(49,557)	**-**	(68,089)
(Increase) in prepayments	**(5,282)**	-	**(5,282)**	-
Increase/(decrease) in trade and other creditors	**-**	(7,730)	**-**	15,551
Increase in employee entitlements	**40,895**	21,491	**40,895**	21,491
Net cash outflow from operating activities	**(1,615,909)**	(980,916)	**(1,612,926)**	(976,167)
(b) Reconciliation of cash				
Cash balance comprises:				
- cash assets	**3,480,182**	3,819,454	**3,480,182**	3,819,454
Closing cash balance	**3,480,182**	3,819,454	**3,480,182**	3,819,454
(c) Financing facilities available				
At reporting date, the following financing facilities had been negotiated and were available:				
Total facilities				
- Bank feasibility finance facility	**5,000,000**	-	**5,000,000**	-
Facilities unused at reporting date				
- Bank feasibility finance facility	**5,000,000**	-	**5,000,000**	-

(d) Acquisition/disposal of controlled entity

There were no acquisitions or disposals of controlled entities during the year.

18. EXPENDITURE COMMITMENTS

(a) Exploration commitments

The company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

not later than one year	**872,300**	681,955	**872,300**	681,955
later than one year and not later than two years	**1,744,600**	481,800	**1,744,600**	481,800
later than two years and not later than five years	**4,477,600**	415,138	**4,477,600**	415,138
	7,094,500	1,578,893	**7,094,500**	1,578,893

(b) Lease expenditure commitments

(i) Operating leases (non cancellable):

Minimum lease payments				
- not later than one year	**71,073**	112,654	**71,073**	112,654
- later than one year and not later than five years	**142,146**	-	**142,146**	-
- aggregate lease expenditure contracted for at reporting date	**213,219**	112,654	**213,219**	112,654

	Consolidated		The Company	
	2005 $	2004 $	2005 $	2004 $

18. EXPENDITURE COMMITMENTS (continued

(c) Employment contract commitments

The company has entered into a service agreement with Denis O'Meara. Outstanding commitments under the service agreements are as follows:

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
not later than one year	**250,000**	205,000	**250,000**	205,000
	250,000	205,000	**250,000**	205,000

19. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The aggregate employee benefit liability is comprised of:

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Provisions (current)	**62,386**	21,491	**62,386**	21,491
	62,386	21,491	**62,386**	21,491

Employee Share Scheme

At reporting date no employee share scheme had been established.

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or contingent assets of the consolidated entity at balance date.

21. SUBSEQUENT EVENTS

Subsequent to year end, all remaining 20 cent, 5 July 2005 options were exercised. This has raised in excess of $9,000,000, net of expenses, for the company.

Apart from the above there has not been any other matter or circumstance, that has arisen since 30 June 2005, that has significantly affected, or may significantly affect the operations of the consolidated entity, the result of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

The financial effect of the above event has not been recognised.

22. LOSS PER SHARE

The following reflects the income and share data used in the calculations of basic loss per share:

	Consolidated	
	2005 $	2004 $
Net loss	**(8,224,850)**	(3,479,867)
Loss used in calculating basic loss per share	**(8,224,850)**	(3,479,867)
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic loss per share	**84,633,139**	66,712,513

Effect of dilutive securities:

There were no dilutive potential ordinary shares on issue at balance date, accordingly diluted loss per share has not been disclosed.

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
23. AUDITORS' REMUNERATION				
Amounts received or due and receivable by Butler Settineri for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	**13,500**	12,500	**13,500**	10,000
- other services in relation to the entity and any other entity in the consolidated entity				
Tax compliance services	**2,345**	1,200	**2,345**	1,200
	15,845	13,700	**15,845**	11,200

24. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of specified directors and specified executives

(i) Specified directors

Ron B Manners	Non Executive Chairman	
Denis W O'Meara	Managing Director	
Campbell T Ansell	Non Executive Director	
Michael J Baker	Non Executive Director	

(ii) Specified executives

Dennis Wilkins	Chief Financial Officer/Company Secretary	
Darren Townsend	General Manager	*Appointed 5 July 2004*
Neil Lithgow	Exploration Manager	*Appointed 11 October 2004*

(b) Remuneration of specified directors and specified executives

(i) Remuneration Policy

The objective of the company's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

Non executive directors

The constitution of the company provides that the non executive directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the company in general meeting (currently $175,000). The chairman's fees are determined independently to the fees of non executive directors based on comparative roles in the external market.

Directors fees

A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs service outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Service agreements

The agreements relating to remuneration are set out below:

Denis O'Meara, Managing Director:

- Term of agreement 1 year commencing 1 July 2005.
- Base salary, exclusive of statutory superannuation, of $250,000 to be reviewed annually by the board.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes any accrued long service leave and annual entitlements, superannuation, retiring allowance, superannuation gratuity to the value of which does not exceed the maximum amount ascertained in accordance with the formula set out in section 200G of the Corporations Act 2001.

24. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Dennis Wilkins, Chief Financial Officer/Company Secretary:

- Term of agreement 3 months notice of termination required.
- Fixed fee, $10,500 per month (includes company secretarial and other corporate services).

Darren Townsend, General Manager:

- Term of agreement 2 months notice required by either party.
- Base salary, exclusive of statutory superannuation, as of 1 July of $240,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving two months notice.

Neil Lithgow, Exploration Manager:

- Term of agreement 2 months notice required by either party.
- Base salary, exclusive of statutory superannuation, as of 1 July 2005 of $165,000 to be reviewed annually by the remuneration committee.
- The agreement can be terminated by giving two months notice.

Retirement benefits

Other retirement benefits may be provide directly by the company if approved by shareholders.

(ii) Remuneration of specified directors and specified executives

		Primary			Post Employment		Equity	Other	Total
		Salary & Fees	Cash Bonus	Non Monetary Benefits	Superannuation	Retirement Benefits	Options	Bonuses	
Specified directors									
Ron B Manners	2005	**-**	**-**	**-**	**64,038**	**-**	**-**	**-**	**64,038**
	2004	-	-	-	72,213	-	-	-	72,213
Denis W O'Meara	2005	**207,292**	**-**	**-**	**18,000**	**-**	**242,100**	**-**	**467,392**
	2004	138,459	-	-	12,461	-	-	-	150,920
Campbell T Ansell	2005	**31,875**	**-**	**-**	**4,231**	**-**	**-**	**-**	**36,106**
	2004	45,625	-	-	4,106	-	-	-	49,731
Michael J Baker	2005	**33,125**	**-**	**-**	**2,981**	**-**	**-**	**-**	**36,106**
	2004	45,625	-	-	4,106	-	-	-	49,731
Total remuneration: Specified directors									
	2005	**272,292**	**-**	**-**	**89,250**	**-**	**242,100**	**-**	**603,642**
	2004	229,709	-	-	92,886	-	-	-	322,595
Specified executives									
Dennis Wilkins	2005	**116,500**	**-**	**-**	**-**	**-**	**97,467**	**-**	**213,967**
	2004	88,150	-	-	-	-	10,000	-	98,150
Darren Townsend	2005	**192,308**	**-**	**-**	**17,238**	**-**	**-**	**-**	**209,546**
	2004	-	-	-	-	-	-	-	-
Neil Lithgow	2005	**140,077**	**-**	**-**	**11,620**	**-**	**-**	**-**	**151,697**
	2004	-	-	-	-	-	-	-	-
Total remuneration: Specified executives									
	2005	**448,885**	**-**	**-**	**28,858**	**-**	**97,467**	**-**	**575,210**
	2004	88,150	-	-	-	-	10,000	-	98,150

(c) Remuneration options: Granted and vested during the year

Terms & Conditions for Each Grant

	Vested Number	Granted Number	Grant Date	Value per option at grant date ($)	Exercise Price per share ($)	First Exercise Date	Last Exercise Date
Specified directors							
Denis W O'Meara	1,000,000	1,000,000	17 Nov 2004	0.24	0.50	17 Nov 2004	17 Nov 2009
Specified executives							
Dennis Wilkins	333,333	333,333	1 Jul 2004	0.29	0.20	1 Jul 2004	1 Jul 2005
Total	1,333,333	1,333,333					

(d) Shares issued on exercise of remuneration options

There were no shares issued on exercise of remuneration options during the year.

(e) Option holdings of specified directors and specified executives

year	Balance at beginning of year 1 July 2004	Granted as Remuner ation	Options Exercised	Net Change Other	Balance at end of year 30 June 2005	Vested at 30 June 2005 Total	Not exercisable	Exercisable
Specified directors								
Ron B Manners	1,300,000	-	-	1,119,047	2,419,047	2,419,047	-	2,419,047
Denis W O'Meara	3,600,000	1,000,000	-	(3,600,000)	1,000,000	1,000,000	-	1,000,000
Campbell T Ansell	50,000	-	-	150,000	200,000	200,000	-	200,000
Michael J Baker	6,142,500	-	(835,000)	(4,057,500)	1,250,000	1,250,000	-	1,250,000
Specified executives								
Dennis Wilkins	175,000	333,333	-	(508,333)	-	-	-	-
Total	**11,267,500**	**1,333,333**	**(835,000)**	**(6,896,786)**	**4,869,047**	**4,869,047**	**-**	**4,869,047**

(f) Shareholdings of specified directors and specified executives

	Balance 1 July 2004		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30 June 2005	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Specified Directors										
Ron B Manners	1,300,000	-	-	-	-	-	1,119,047	-	2,419,047	-
Denis W O'Meara	3,600,003	-	-	-	-	-	(1,650,002)	-	1,950,001	-
Campbell T Ansell	50,000	-	-	-	-	-	-	-	50,000	-
Michael J Baker	6,142,500	-	-	-	835,000	-	(212,499)	-	6,765,001	-
Specified Executives										
Dennis Wilkins	191,500	-	-	-	-	-	(191,500)	-	-	-
Total	**11,284,003**	**-**	**-**	**-**	**835,000**	**-**	**(934,954)**	**-**	**11,184,049**	**-**

(g) Loans to specified directors and specified executives

There were no loans to specified directors and specified directors during the year.

(h) Other transactions and balances with specified directors and specified executives

Refer note 25 below for other transactions and balances with specified directors and specified executives.

25. RELATED PARTY DISCLOSURES

Wholly owned group transactions

Details of interests in wholly owned controlled entities are set out in note 10. Details of dealings with these entities are set out below.

Loans

The company has paid exploration and administration expenses on behalf of its controlled entities. As at 30 June 2005, Beyondie Gold NL owed De Grey Mining Limited the sum of $9,421,533. De Grey Mining Limited owes Domain Mining NL the sum of $888. No interest is charged on these debts and they are unsecured.

Directors

Apart from the details disclosed in this note and note 24, no director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end except as elsewhere disclosed in this report.

Denis O'Meara Prospecting (DMP) - Facilities Agreement

This agreement gives the company a right, in the form of a licence, to use in common with DMP (a business conducted by Denis O'Meara and Myrna O'Meara) the principal place of business together with data and facilities located in Perth, and the Marble Bar Property maintained by DMP to act as a base camp for conducting exploration activities.

Under the agreement the company has agreed to pay DMP an annual fee of $45,000 net of any GST applicable, by way of equal monthly instalments. The company is also required to pay all rent and outgoings in respect of its principal place of business and maintain a public risk policy of insurance with a cover limit not less than $10 million.

The facilities agreement was terminated by mutual agreement on 1 July 2005.

Denis William O'Meara - Outback Trees of Australia Pty Ltd (OTA)

The company paid administration, secretarial, labour and equipment hire fees to OTA a company of which Mr O'Meara is a director and shareholder. The amount paid for such services by the company during the year ended 30 June 2005 totalled $NIL (2004: $12,821). The services were provided at normal commercial rates without any markup.

DWCorporate

DWCorporate, a company of which Mr Wilkins is principal, provided company secretarial and other corporate services to De Grey Mining Limited during the year. The amounts paid were at arms length and are disclosed at note 24b(ii) above.

Other transactions with the company

The terms and conditions of the transactions with directors and director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non director related entities on an arms length basis.

Amounts payable to directors and their director related entities at balance date arising from these transactions were as follows:

	Consolidated		The Company	
	2005 $	2004 $	2005 $	2004 $
Current receivable				
Other debtor	-	4,176	-	4,176

26. SEGMENT INFORMATION

Segment products and locations

The consolidated entity operates in one industry and one geographical segment, namely the mining industry within Western Australia.

27. JOINT VENTURE

The company has interests in the following joint venture:

Joint Venture	Activities	Interest	Carrying Value
Indee Platinum	Platinum Group Elements	100% but diluting to 40% depending on expenditure by earning party.	$702,116

28. FINANCIAL INSTRUMENTS

28(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 %	2004 %
(i) Financial assets														
Cash	**3,480,182**	3,819,454	-	-	-	-	-	-	-	-	**3,480,182**	3,819,454	**4.8**	5.3
Receivables and other debtors	-	-	-	-	-	-	-	-	-	-	**514,713**	67,816	-	-
Total financial assets	**3,480,182**	3,819,454	-	-	-	-	-	-	-	-	**3,994,895**	3,887,270		
(ii) Financial liabilities														
Trade creditors	-	-	-	-	-	-	-	-	**(100,481)**	(279,537)	**(100,481)**	(279,537)	-	-
Other creditors and accruals	-	-	-	-	-	-	-	-	**(897,073)**	(394,138)	**(897,073)**	(394,138)	-	-
Total financial liabilities	-	-	-	-	-	-	-	-	**(997,554)**	(673,675)	**(997,554)**	(673,675)		

(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at amounts approximating their carrying value.

(c) Credit risk exposures

Concentrations of credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the statement of financial position and notes to the financial statements.

29. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

De Grey Mining Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, De Grey Mining Limited established a project team to address each of the areas in order of priority. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, De Grey Mining Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when De Grey Mining Limited prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net loss for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project team; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated		The Company	
		2005 $	2004 $	2005 $	2004 $
Total equity under AGAAP		**10,442,317**	10,871,655	**15,630,241**	12,307,929
Total equity under AIFRS		**10,442,317**	10,871,655	**15,630,241**	12,307,929

(b) Reconciliation of net loss under AGAAP to that under AIFRS

Year Ended 30 June 2005	Consolidated $	The Company $
Net loss as reported under AGAAP	**(8,224,850)**	**(4,473,200)**
Net loss under AIFRS	**(8,224,850)**	**(4,473,200)**

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

Directors' Declaration

In accordance with a resolution of the directors of De Grey Mining Limited, I state that:

(1) In the opinion of the directors:

  (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

    (ii) complying with Accounting Standards and Corporations Regulations 2001; and

  (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2005.

On behalf of the board

Campbell T Ansell
Director

Perth, 29 September 2005

Independent Audit Report

to the Members of De Grey Mining Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for De Grey Mining Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. [In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.]

BUTLER SETTINERI
Chartered Accountants

COLIN P BUTLER
Partner

Perth
Date: 29 September 2005

Auditors' Independence Declaration

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

BUTLER SETTINERI
Chartered Accountants

COLIN P BUTLER
Partner

Perth
Date: 28 September 2005

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 12 September 2005.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary shares		Options	
	Number of holders	Number of shares	Number of holders	Number of shares
1 - 1,000	**65**	**49,109**	-	-
1,001 - 5,000	**561**	**1,959,997**	12	60,000
5,001 - 10,000	**599**	**5,380,867**	-	-
10,001 - 100,000	**1,354**	**48,230,422**	20	1,268,000
100,001 and over	**165**	**83,605,225**	18	6,172,000
	2,744	**139,225,620**	50	7,500,000
The number of shareholders holding less than a marketable parcel of shares are:	**224**	**335,180**	12	60,000

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Lion Selection Group Ltd	9,513,908	6.83
2	Bougainvillaea Holdings Pty Ltd (Family A/c)	6,335,000	4.55
3	ANZ Nominees Limited	4,194,072	3.01
4	Macqarie Bank Limited	3,527,500	2.53
5	Yandal Investment Pty Ltd	3,250,000	2.33
6	Lamiris Bros Kitchens	3,047,081	2.19
7	Manwest Group Pty Ltd	2,619,047	1.88
8	Zero Nominees Pty Ltd	2,500,000	1.80
9	Manners Ronald Brown	2,100,000	1.51
10	O'Meara Denis William	1,750,001	1.26
11	Bougainvillaea Holdings Pty Ltd (Superannuation Fund)	1,595,000	1.15
12	National Nominees Limited	1,475,969	1.06
13	RBC Global Services Australia	1,200,000	0.86
14	Forty Traders Limited	1,150,000	0.83
15	Campbell Gregory	1,010,000	0.73
16	Creasy Mark Gareth	1,000,000	0.72
17	Topspeed Pty Ltd	1,000,000	0.72
18	Nefco Nominees Pty Ltd	1,000,000	0.72
19	Chanrich Prperties Pty Ltd	935,186	0.67
20	O'Meara Myrna Eunice	720,001	0.52
		49,922,765	35.87

(c) Twenty largest option holders

The names of the twenty largest holders of quoted options are:

		Listed options	
		Number of options	Percentage of total options
1	Lion Selection Group Ltd	1,000,000	13.33
2	Tierra Rist Pty Ltd	1,000,000	13.33
3	Macquarie Bank Limited	715,000	9.53
4	Tierra Rist Pty Ltd	500,000	6.67
5	AMN Nominees Pty Ltd	347,857	4.64
6	Elinora Investment Pty Ltd	297,500	3.97
7	Garzon Holdings Pty Ltd	297,500	3.97
8	Veblen Group Pty Ltd	240,000	3.20
9	Farcam Pty Ltd	240,000	3.20
10	Jolma Pty Ltd	203,143	2.71
11	Beevor Ronald Hugh	200,000	2.67
12	School Tutor Teachers	200,000	2.67
13	ANZ Nomonees limited	200,000	2.67
14	Bome Errol	180,000	2.40
15	Emerald City Secur Pty Ltd	166,667	2.22
16	Tenth Highwire Pty Ltd	137,643	1.84
17	Hopeview Investments Pty Ltd	127,643	1.70
18	Mannwest Group Pty Ltd	119,047	1.59
19	Alest Investments Pty Ltd	100,000	1.33
20	Helicopter Transport	100,000	1.33
		6,372,000	84.97

(d) Substantial shareholders

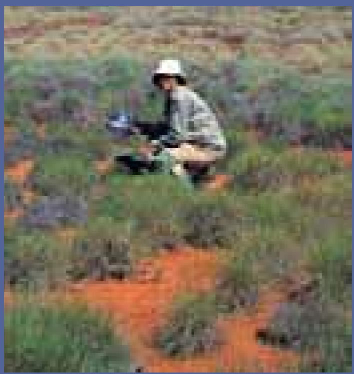
The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
Lion Selection Group Ltd	9,513,908

(e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

De Grey Mining Limited
ABN 65 094 206 292



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