De Grey Mining Limited

ANNUAL REPORT 2008

corporate information

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Gary Brabham (Managing Director)

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STOCK EXCHANGE LISTING

De Grey Mining Limited shares are listed on the Australian Securities Exchange.

ASX CODE: DEG

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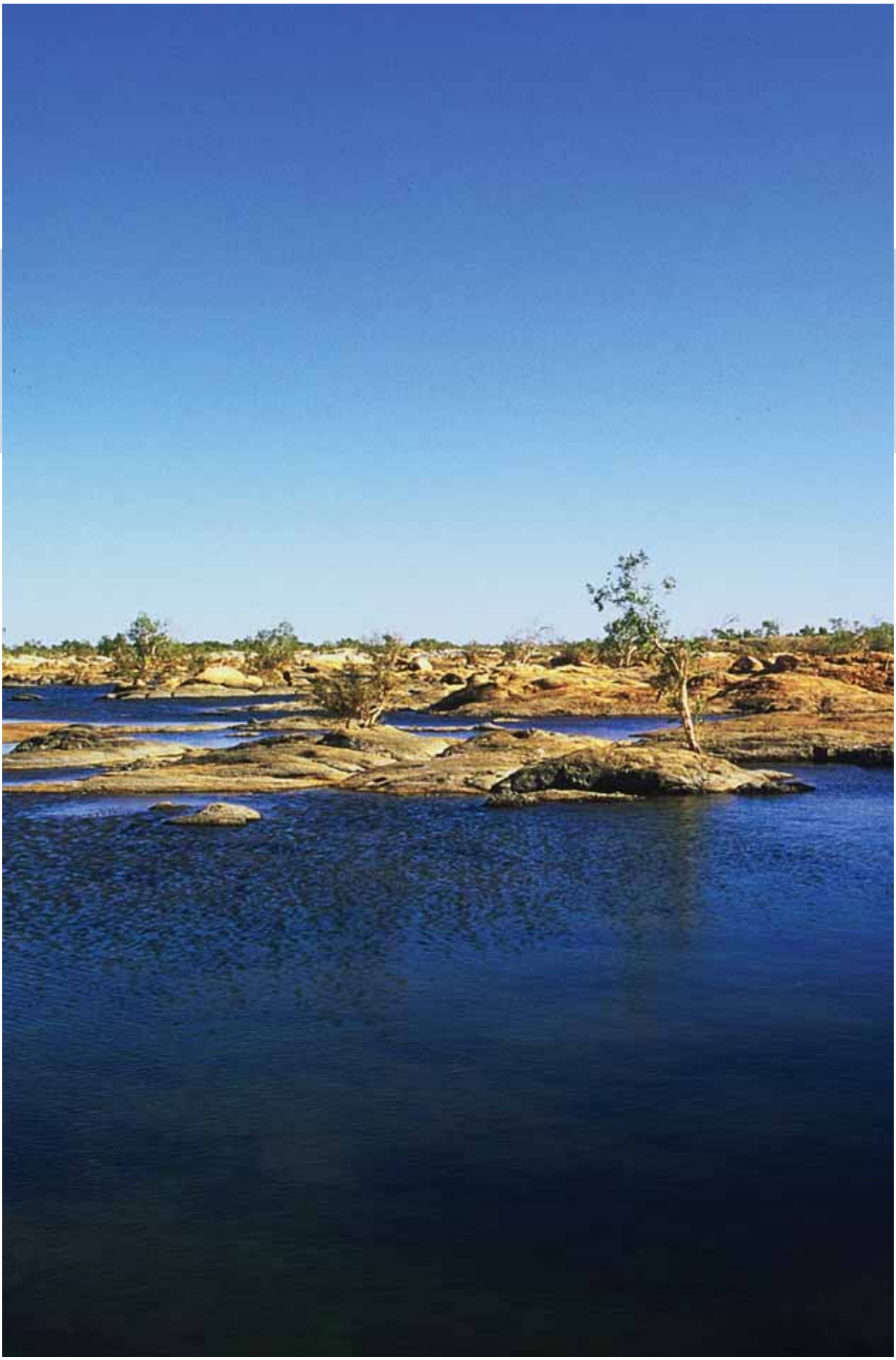


Turner River

highlights

Turner River Project GOLD, BASE METALS

- Six Volcanogenic Massive Sulphide (VMS) prospects identified over 18km of strike at Turner River. Funding for future drilling to be sourced through Joint Venture partner.
- Gold exploration at Turner River continues to return encouraging results from prospects that have the potential to significantly add to the current resource base of 203,000oz at Wingina Well.

Beyondie Project BASE METALS

- Formal approval received from new Native Title claimants, allowing drill testing of the large-scale SEDEX-style zinc target at Beyondie Bluff to proceed in September 2008.

Yandeyarra JV GOLD, BASE METALS

- Encouraging early exploration work is already generating quality new gold and base metals targets. Drilling of priority targets to commence shortly.

Yule JV GOLD, BASE METALS

- New farm-in agreement on 520km^2 of tenements covering two significant gold targets and several VMS-style base metals targets identified from review of historical exploration and field reconnaissance. Field work to commence in September Quarter.

Pilbara Iron Assets IRON

- De Grey awarded first priority to highly prospective 15.5km^2 tenement application (E45/3188), located 104km south of Port Hedland.
- Significant new conceptual exploration opportunity for offshore iron ore exploration in 640km^2 tenement in shallow waters off Cape Preston through option-to-purchase agreement with Geotech International.
- Farm-out agreement signed with Emergent Resources for iron ore exploration on a portion of the Beyondie Project, maintaining De Grey's exposure to the iron ore potential without the requirement to sole fund exploration.

Corporate

- New Managing Director, Mr Gary Brabham, commenced in January 2008.
- A$2.73M realised from the sale of 700,000 Atlas Iron shares at a weighted average price of A$3.92.
- 156,694 Atlas Iron shares received under 12 month option agreement with Atlas for iron rights over De Grey's Mt Dove prospect.
- Cash balance at 30 June 2008 of A$3.89M plus 556,694 Atlas Iron shares worth A$2.05M (based on 30 June closing price of A$3.68 per share).

managing director's report

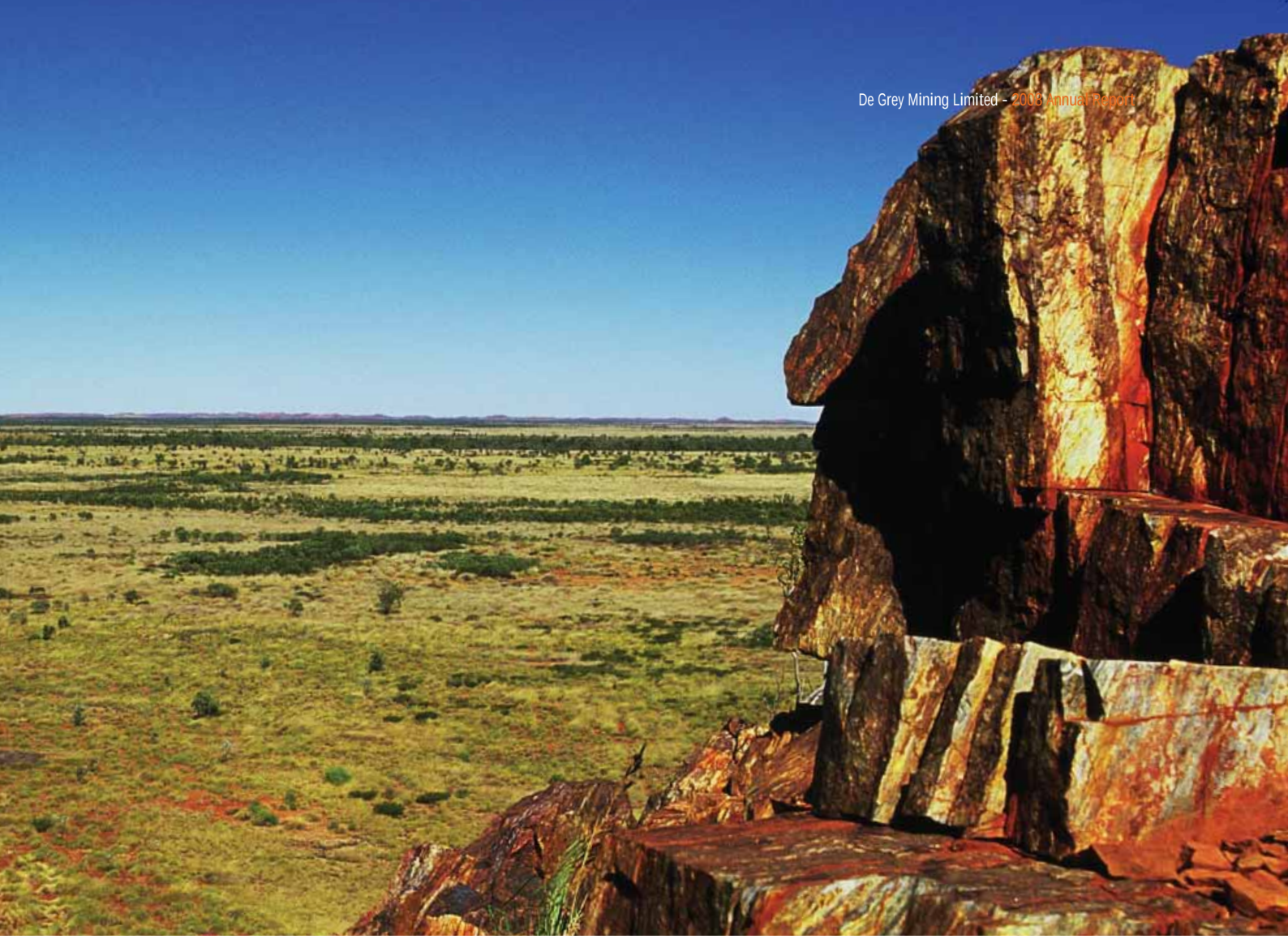
The 2008 Financial Year has seen a number of significant developments for De Grey Mining, both in terms of ongoing exploration at our existing projects and project generation activities that have seen us acquire a number of very promising additional projects.

The Company's successful history of discovering virgin gold and base metals mineralisation at the Turner River Project encouraged us to look at other belts of similar prospective geology in the central Pilbara region with a view to repeating this success. After assessing several opportunities we elected to enter into farm-in and option-to-purchase agreements over a 511km^2 area at Yandeyarra and 520km^2 of tenure comprising the Yule Joint Venture.

The Yandeyarra Project covers the Pilbara Greenstone Belt, which has been a site of significant historic gold production. Although parts of the area have previously been explored to some extent much of that work had been for gold only, ignoring the potential for VMS-style base metals mineralisation. Moreover, the remote parts of the area have never been subjected to systematic exploration and for this reason Yandeyarra has been the focus of much of our 2008 field work to date. We continue to be encouraged by results coming out of the exploration program on this project.

Tenements of the Yule Joint Venture cover four strategically located portions of greenstone belts in the central Pilbara that have seen little recent exploration for base metals or, in some areas, for gold. Compilation of historic data, along with field reconnaissance has highlighted the Tambourah area in particular as worthy of our initial field programs planned for the second half of calendar 2008. The tenements at Tambourah cover nearly 30km strike length of the Western Shaw Greenstone Belt that is known to contain felsic volcanic rocks that almost certainly correlate with those that host VMS-style base metals deposits at Sulphur Springs, 60km to the north.

De Grey's Board decided that further sole funding of drilling at the Turner River base metals deposits was not appropriate given that the targets – zinc-lead-silver-gold VMS-style mineralisation over 25km of strike – warrant significantly increased expenditure on drilling over the next 1-2 years. It was therefore decided to seek out a farm-in partner to provide that risk capital.



As stock market conditions deteriorated over the first half of 2008, commencement of this funding was delayed. We are acutely aware that delays to exploration on these attractive targets are detracting from their value to shareholders and we are considering several alternative options to secure funding should the poor market sentiment continue through the second half of 2008.

On the western portion of the Turner River Project, the Company continues its quest for new gold resources to add to the 203,000oz Wingina Well gold deposit. Reconnaissance RAB/aircore drilling, aimed at structural targets interpreted from fresh aeromagnetic coverage and geological interpretations, successfully located significant gold anomalism beneath cover near Mount Berghaus and also at the Brierly prospect. Those areas will be targets for follow up drilling later in 2008.

Wide-spaced drilling has also progressively tested a number of favourable structural positions in splays off the Mallina Shear Zone, a large-scale regional structure that hosts gold occurrences over more than 75km strike length. Support for targeting this exploration model was provided by De Grey's discovery of gold mineralisation at the T1 Prospect in 2006, in an area totally devoid of outcrop and covered by up to 20m of transported overburden. Exploration of the western portion of the Turner River Project is still at an early stage and the widespread gold occurrences found by De Grey's work to date are strong indicators that significant hydrothermal mineralising systems have affected the area. We continue to be encouraged that the area will yield a substantial gold deposit.

Wide-spaced drill traverses on the Strelley Joint Venture tenement, on the northern extension of the Tabba Tabba Greenstone Belt, also discovered significant gold anomalism that requires follow up.

Our drilling planned to test the Beyondie Bluff SEDEX-style base metals target was delayed by Native Title and heritage issues that were resolved late in the 2007/2008 year. There is adequate room for the Bluff area to host a large tonnage deposit similar to the Mount Isa, McArthur River and Dugald River deposits in Queensland and we plan to be drilling there in September 2008.

The Pilbara "iron ore rush" gained momentum during the year and there were four iron ore exploration developments for De Grey. Initial surface sampling at Mount Dove, on the Turner River tenements, returned significant iron assays, with grades of up to 62.5% Fe. An assessment of the tonnage potential at Mount Dove indicated that a future mine development would rely upon integrating the deposit with other nearby iron resources. To this effect, the Company immediately entered into an option-to-purchase agreement with Atlas Iron Limited that will see that company test the deposit.

We have known for some time that the southern part of the Beyondie Project area covers Archaean banded iron formations (BIFs) in the Marymia Inlier. Sole funding of iron exploration in this area by De Grey was not considered appropriate and in May 2008 we entered into a Joint Venture with Emergent Resources. The Joint Venture allows De Grey to retain a 20% free carried interest to a decision to mine and Emergent plans an active exploration program commencing with a detailed aeromagnetic survey in October 2008.

In April 2008, De Grey was awarded first priority in a ballot of eight applicants for an exploration licence that covers a 1.6km strike length of known channel iron deposits (CIDs). The area is strategically located on the Great Northern Highway, 104km south of Port Hedland and was highly sought after, with iron ore rights on surrounding tenements held by companies such as Fortescue Metals Group and Atlas Iron. The exploration licence application is being progressed to grant prior to incurring any significant exploration expenditure.

Additionally, in June 2008 De Grey entered into a Heads of Agreement (HoA) with Geotech International Pty Ltd for an option-to-purchase the 640km2 Fortescue Island exploration licence application. The Company also pegged an additional 652km2 of surrounding ground. The applications cover shallow waters in an area immediately north and west of the large-scale Sino Iron and Balmoral South iron ore developments proposed by Citic Pacific and Australasian Resources. Recently released aeromagnetic data reveals the seaward extensions of the Brockman Iron Formation that host these iron resources but it also shows more subtle magnetic features that indicate potential for detrital deposits of iron oxide minerals in offshore waters that are generally less than 20m deep. Accumulations of iron oxides in recent sediments were confirmed by work that VAM Limited undertook in 1970 in their search for ilmenite, leucoxene and zircon in heavy mineral sands deposits. The prospective area is large, measuring about 25km by 5km, and the Company considers it an outstanding conceptual exploration target.

On the management front, former Managing Director Darren Townsend resigned his position in December 2007. In an orderly transition, Darren has handed over to me to a very well run organisation with excellent management, compliance and risk management structures and a clear focus on value-adding through application of sound exploration methods. I take this opportunity to thank Darren for his efforts at De Grey and his continued involvement in the progress of the Company through his role as Non-Executive Director.

With increasing commitments to other work, Craig Oliver resigned his position as Non-Executive Director early in 2008. I thank Craig for his contributions to De Grey and wish him well in his future endeavours.

I also thank our administration and support staff, contractors and consultants for their diligent efforts during the year. Our Exploration Manager, Dave Hammond, works tirelessly to manage our field activities safely and efficiently and to mentor and encourage our team of geologists.

Geological reconnaissance at Tambourah, Yule JV Project.

I would also like to express our thanks to the pastoralists on whose stations we operate, especially Colin and Betty Brierly of Indee Station, Kevin and Melanie Dean at Wallareenya Station, Brett and Rachel Smoothy at Kumarina Station and John Roach of Marymia Station.

Thanks are also due to the traditional owners and claimants of the areas in which we work, namely the Kariyarra, Njamal, Martu and Gingirana peoples, and the staff of their representative bodies. Special thanks are due to Sai Lim and Jamie Coppin of Mugarinya Community for their valuable assistance with our work at Yandeyarra where we have been made to feel very welcome.

Finally, I would like to thank De Grey shareholders for their continuing support of the Company. The turmoil in global capital markets is beginning to impact the ability of exploration companies to access risk capital, a vital input to discovery of the new mineral resources that typically result in the capital gains that make the sector attractive to investors. De Grey Directors regard recent downtrends in metal prices as less concerning. Any new discovery typically requires at least 2-3 years to develop into a producing mine and forecasting of metal prices that far into the future is futile. Successful explorers are often those that have maintained focus through downturns in commodity prices to reap the benefits of the following upturn that inevitably eventuates. With prudent capital expenditure policies and a healthy cash reserve, we are very confident that the Company is well positioned to do just that.

Gary Brabham
Managing Director
September 2008

operations report

The Company's Pilbara footprint was expanded significantly through a series of targeted joint venture and option deals. Principal focus remained gold and base metals but a number of iron ore opportunities were established also.

Turner River Project

OVERVIEW

The Turner River Project is located 60km south of Port Hedland in the Pilbara Region of Western Australia, covering an area of almost 1,200km^2 (Figure 1). The eastern portion of the project covers the VMS-style polymetallic deposits discovered in 2006 whereas the western portion is primarily prospective for gold mineralisation and includes the Wingina Well gold deposit discovered in 2003. The Three Kings platinum group mineralisation also lies in the western part of the project area.

The primary focus of exploration activities during the 2007/2008 Financial Year was the base metals prospects at Orchard Tank, Discovery, Acacia and Tabba Tabba but significant work was also carried out on gold targets at Brierly, Mt Berghaus and other earlier stage plays. Exploration statistics are summarised in Table 1.

Method	Item	2007/2008
RAB drilling	holes	159
	metres	2,219
Aircore drilling	holes	513
	metres	21,624
RC drilling	holes	18
	metres	2,530
Diamond drilling	holes	1
	metres	93
Surface sampling	Soil and rock samples	586

Table 1: Turner River Project Exploration Statistics July 2007 to June 2008

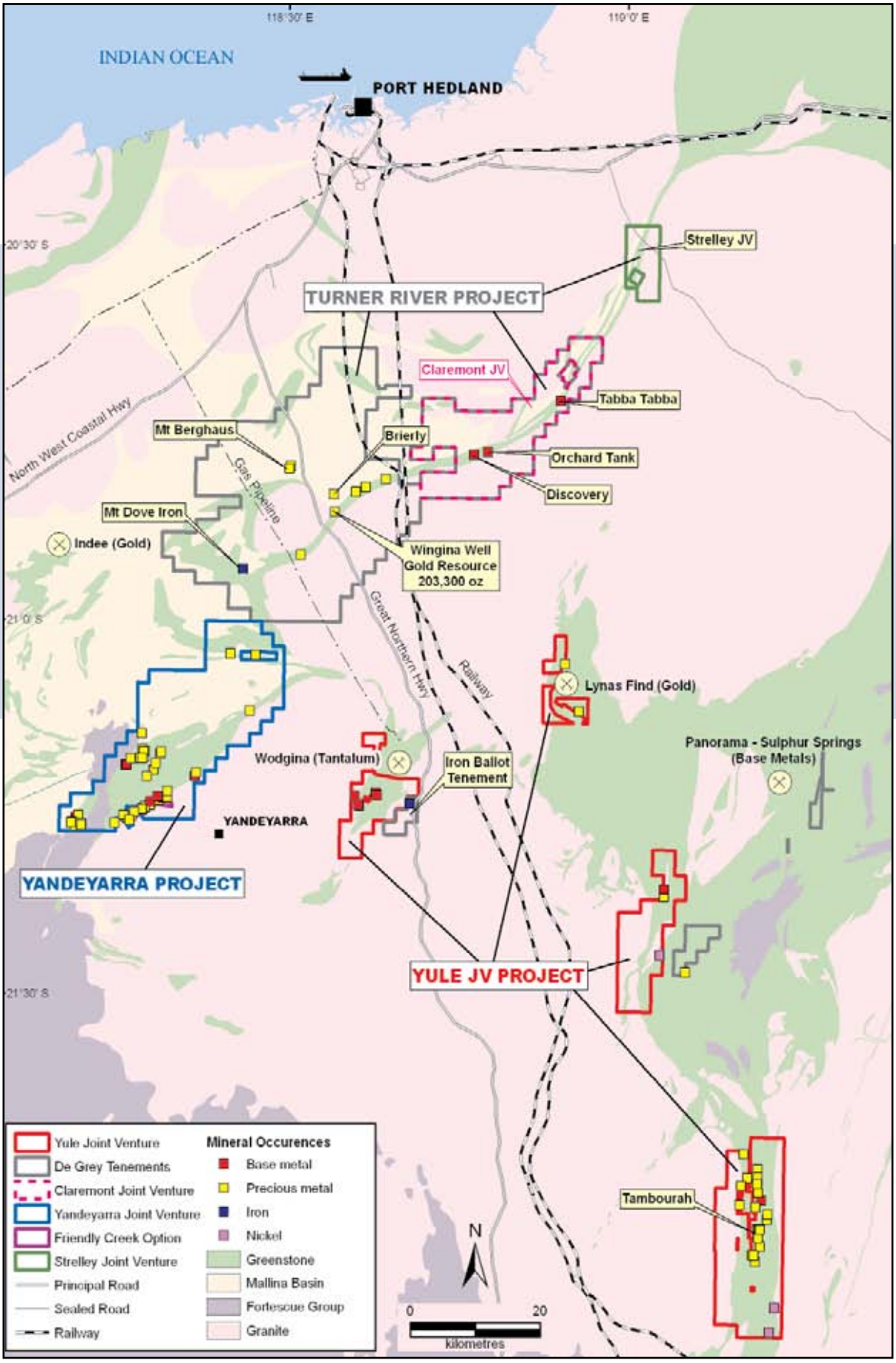


Figure 1 – De Grey's Pilbara Projects

Turner River VMS Exploration

The first half of the 2008 Financial Year saw exploration activity focused on further evaluation of the polymetallic volcanogenic massive sulphide-style (VMS-style) deposits discovered by De Grey in 2006 (Figure 2). The mineralisation style is an attractive exploration target, commonly comprising high-grade, high value deposits that often occur in clusters within a particular stratigraphic horizon. Examples of VMS mining operations in WA include Golden Grove (OZ Minerals) and Jaguar (Jabiru Metals Limited). CBH Resources Limited's planned 1.5 million tonnes per annum Sulphur Springs mine and processing plant lies only 60km from De Grey's Turner VMS prospects.

De Grey's Turner River tenements cover a total strike length of 75km along the Tabba Tabba Greenstone Belt. Rocks of the belt have been dated recently by the Geological Survey of Western Australia (GSWA) at 3,252 Ma. This is older than was previously thought and suggests a correlation to the Sulphur Springs Group (3,270 Ma to 3,235 Ma) with the implication that the VMS mineralisation, which was also dated to the same age as the greenstone belt, is of similar age and type to Sulphur Springs.

The steeply dipping, Zn-Ag rich mineralisation is hosted within foliated, sericite-altered felsic schists that were originally felsic volcanic units. The mineralisation features significant gold credits with drill intercepts commonly grading about 1.5g/t Au.

Results from work at each of the six prospects are discussed below.

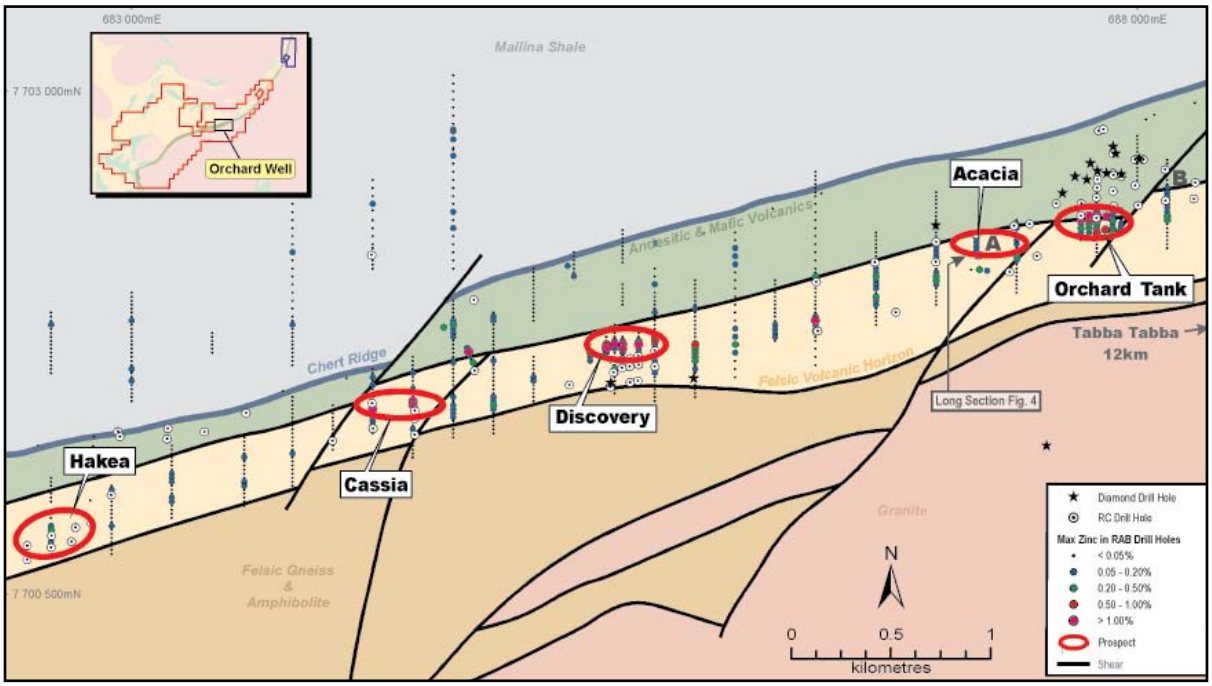


Figure 2 – VMS Prospects, Hakea to Orchard Tank

ORCHARD TANK - ACACIA PROSPECT

Drilling during 2006/2007 demonstrated that the Orchard Tank and Acacia prospects are part of one mineralised system. They represent the most extensive zone of Zn-Pb-Ag-Cu-Au mineralisation located to date, extending over 400m in strike length and to at least 450m below surface.

VMS-style mineralisation at Orchard Tank consists of three sub-vertical lodes that strike approximately east-west (Figure 3). Potentially economic metal grades are found in the **Main** and **Central** lodes. The southern, or **Pyrite Lode**, is largely composed of pyrite and usually contains only anomalous base and precious metal mineralisation. The Pyrite Lode is continuous over a one kilometre strike length, indicating the significant extent of the VMS hydrothermal system. The Central Lode lies 50m to the north of the Pyrite Lode and is the most strike extensive mineralised zone located to date, although it pinches out about 140m below the surface, possibly as a result of structural disruption. The Main Lode lies a further 95 metres north of the Central Lode and does not extend to surface. Drilling indicates that it extends over approximately 200 metres of strike and to at least 450 metres below surface.

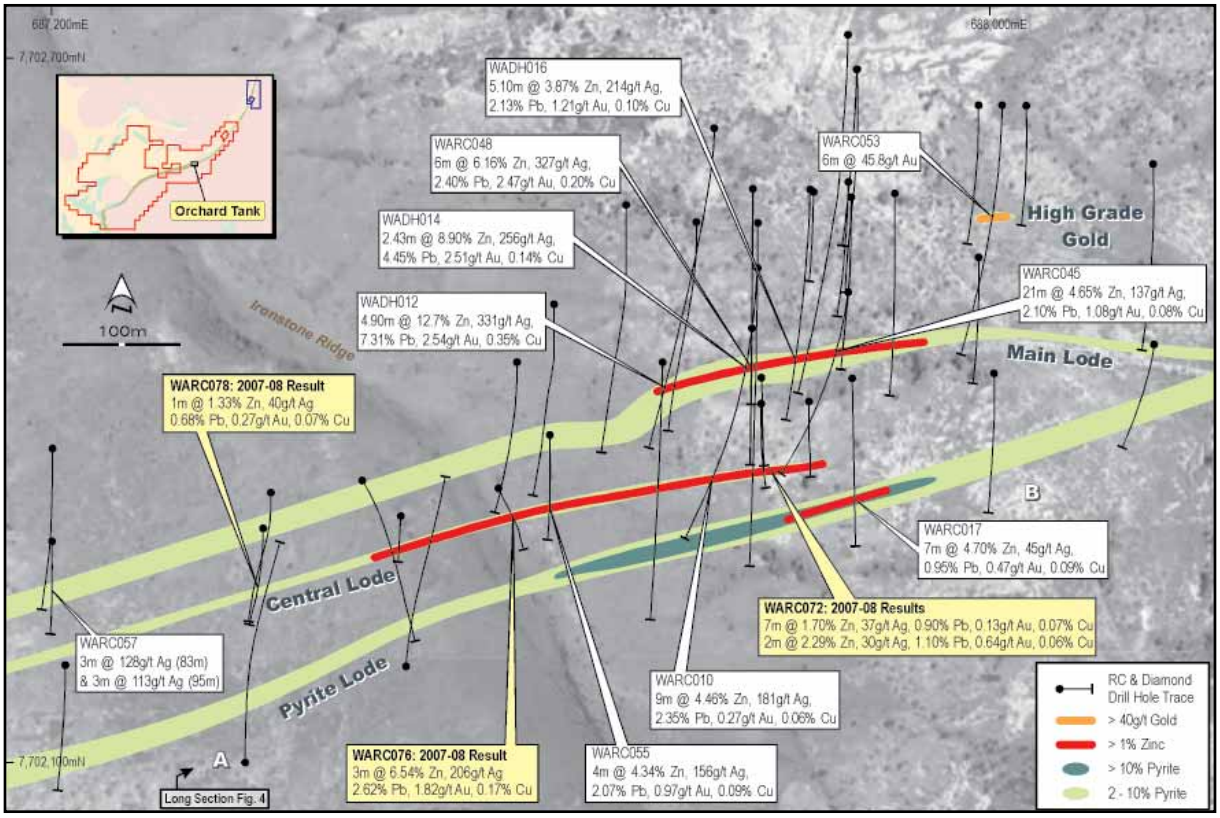


Figure 3 – Orchard Tank Prospect Plan

An RC drill program undertaken in September-October 2007 saw the drilling of eight holes to test mineralisation over 400 metres strike length. Intersections included:

Drill hole	Intersection
WARC073	8m @ 2.83% Zn, 145g/t Ag, 1.62% Pb, 0.18g/t Au, 0.14% Cu from 43m
	15m @ 4.09% Zn, 204g/t Ag, 1.91% Pb, 0.37g/t Au, 0.06% Cu from 67m
WARC076	3m @ 6.54% Zn, 206g/t Ag, 2.62% Pb, 1.82g/t Au, 0.17% Cu from 57m

(Full details of De Grey drill intercepts quoted in this report are provided in the tables following the report.)

Drill hole WARC073 was intentionally sited to drill down the known mineralisation at Orchard Tank in order to provide oxide material for metallurgical test work. Nevertheless the intersection indicates the continuity of oxide and transitional mineralisation in the Central Lode.

The long projection shown in Figure 4 summarises drill intercepts at Orchard Tank.

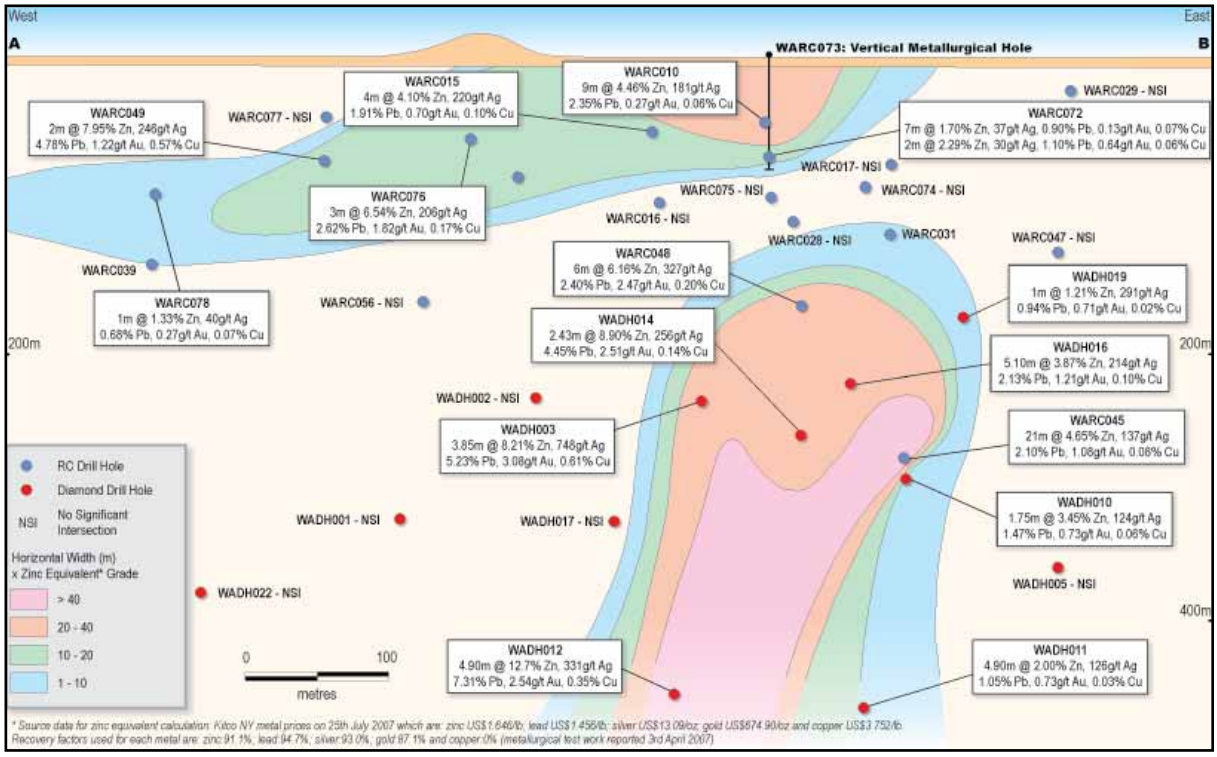


Figure 4 – Orchard Tank Long Section

DISCOVERY PROSPECT

Mineralisation at Discovery has a horizontal width of up to 13m and extends over a 100m strike length as defined by intersections greater than 7m at grades of 4.5% combined zinc plus lead and silver grades averaging 142g/t. Drilling has tested to just 250m depth where it remains open at depth and to the west. Figure 5 shows a cross section through the deposit.

In September 2007 a single RC hole was drilled down the sub-vertical mineralisation in order to obtain sufficient oxide and transition material for preliminary metallurgical test work. Results included:

Drill hole	Intersection
WARC080	13m @ 6.46% Zn, 315g/t Ag, 2.70% Pb, 3.12g/t Au, 0.35% Cu from 19m
	8m @ 5.64% Zn, 231g/t Ag, 3.26% Pb, 1.29g/t Au, 0.21% Cu from 34m

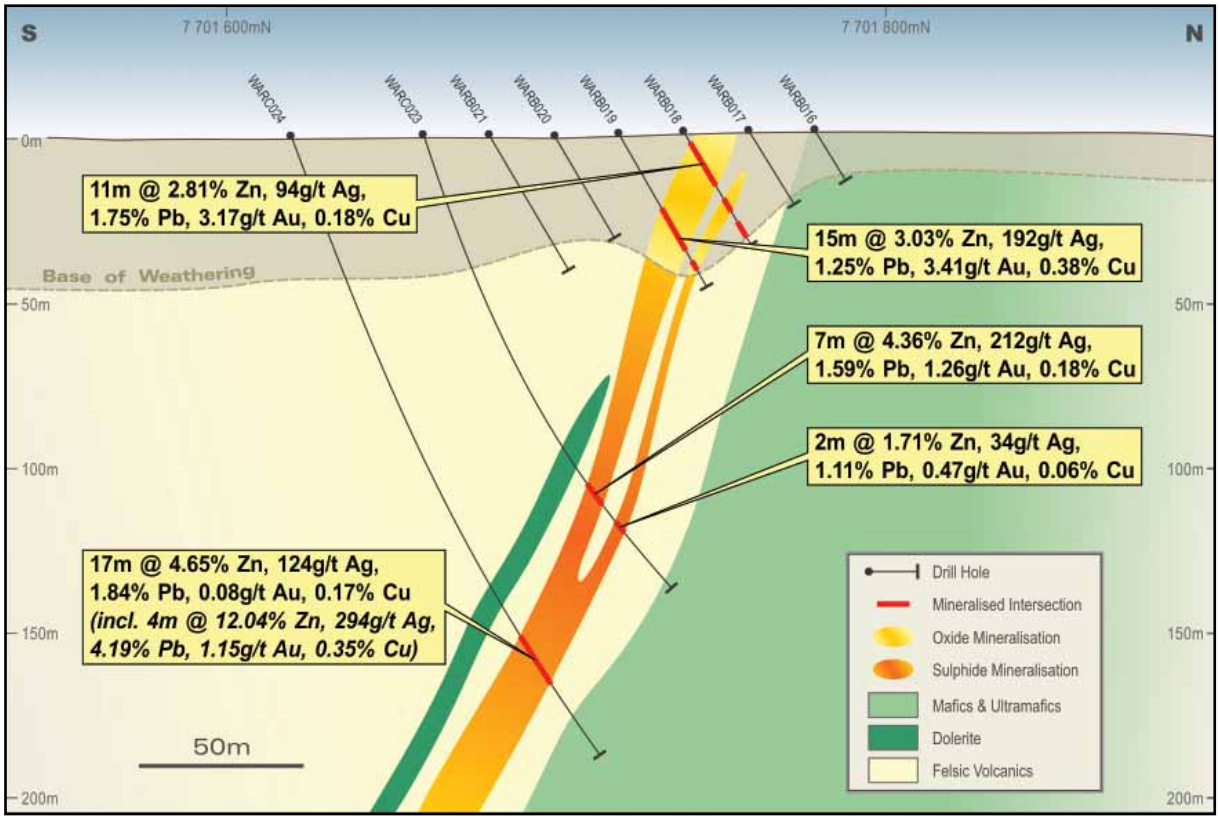


Figure 5 – Cross section through the Discovery Prospect

CASSIA PROSPECT

Located 1km west of Discovery, the small sub crop of gossan at Cassia was discovered in 2006 by following up anomalous base metals in systematic lag sampling. RC drilling in 2006/2007 returned encouraging results including 2m at 5.24% Zn, 96g/t Ag, 1.42% Pb, 0.70g/t Au and 0.06% Cu from 207m in hole WARC043. No further drilling was undertaken in 2007/2008 as available funds were directed toward prospects with indications of wider mineralised zones. Mineralisation at Cassia remains open at depth and along strike and warrants further drilling.

HAKEA PROSPECT

The Hakea Prospect, located 2.9km along strike to the east of Discovery, was discovered in late 2006 by RAB drilling through a thin veneer of transported alluvium. Similar to the Orchard Tank and Discovery prospects, VMS-style mineralisation at Hakea is hosted by sericite-altered felsic schists and drilling has outlined mineralisation in a single horizon over 200m strike length.

From September to October 2007, a further five RC holes were drilled at Hakea with best results of:

Drill hole	Intersection
WARC082	2m @ 2.21% Zn, 55g/t Ag, 2.26% Pb, 0.63g/t Au, 0.07% Cu from 116m

TABBA TABBA PROSPECT

The Tabba Tabba tenement, EL45/2364, adjoins the eastern margin of the tenement that covers the Orchard Tank prospect. Its purchase in 2006 secured for De Grey an additional 15km strike length of the stratigraphic horizon that hosts VMS-style mineralisation at Turner River.

Multi-element surface geochemical sampling in late 2006 led to the discovery of outcropping gossans over 400m strike at the Tabba Tabba prospect, 12km east of Orchard Tank. First-pass RC drilling in 2006/2007 confirmed sulphide mineralisation over 500m strike length.

The sphalerite-galena-pyrite mineralisation at the Tabba Tabba Prospect is hosted by sericite-altered felsic schist beneath a 10m thick massive pyrite zone, which also carries up to 70g/t silver and 1.80% zinc. The association with significant pyrite mineralisation differs from Orchard Tank and the other VMS-style deposits along strike to the southwest which are generally pyrite poor.

Seven RC holes were drilled in September-October 2007, three holes infilling previous drill coverage at the main Tabba Tabba prospect (Figure 6) and four holes testing two areas of zinc-lead-silver anomalism identified by RAB drilling along strike to the southwest. Results included:

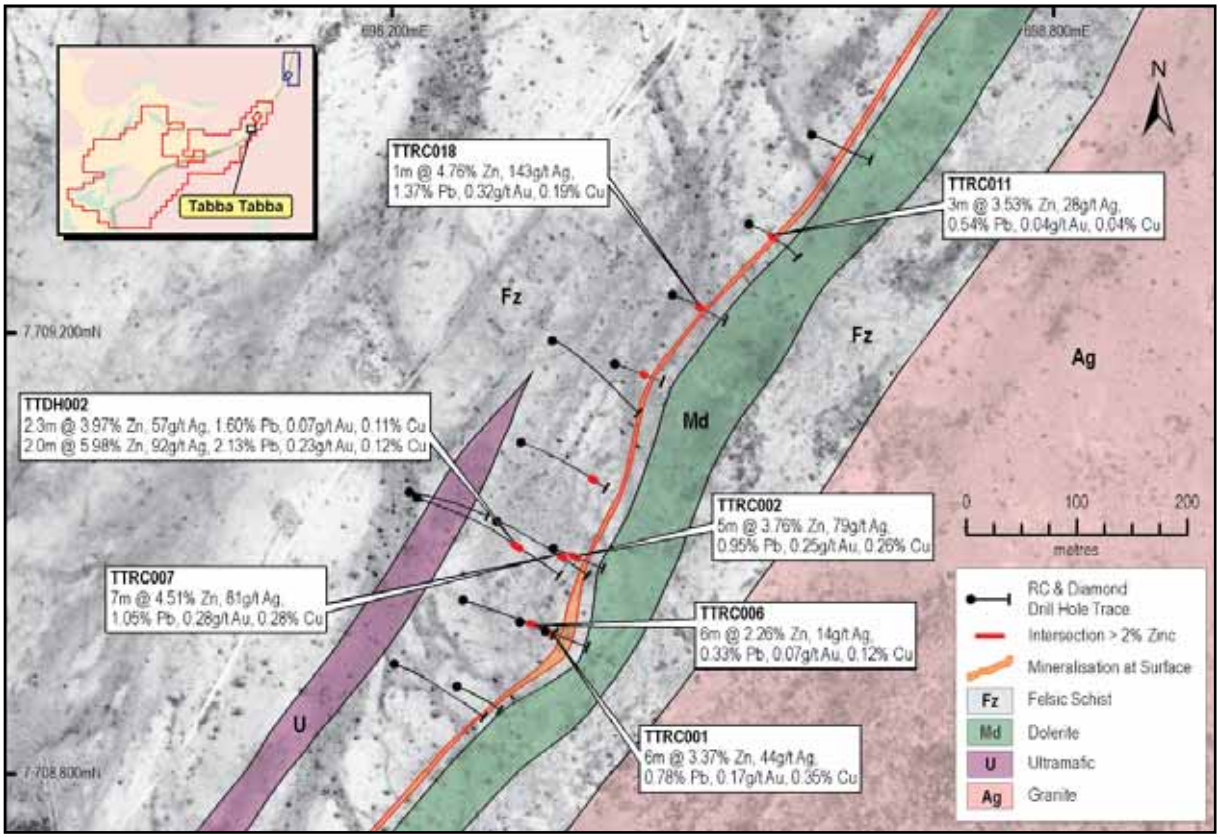


Figure 6 – Tabba Tabba Prospect Drill Plan

Drill hole	Intersection
TTRC018	1m @ 4.76% Zn, 143g/t Ag, 1.37% Pb, 0.32g/t Au, 0.19% Cu from 57m

Drilling did not indicate the existence of potentially economic grades beyond the strike length outlined by previous work but did indicate potential for increased widths and grades at depth. A single diamond core hole was subsequently drilled to test mineralisation at about 250m vertical depth. Using a 1% zinc lower cut-off grade that hole returned:

Drill hole	Intersection
TTDH002	2.3m @ 3.97% Zn, 57g/t Ag, 1.60% Pb, 0.07g/t Au, 0.11% Cu from 232m
and	2.0m @ 5.98% Zn, 92g/t Ag, 2.13% Pb, 0.23g/t Au, 0.12% Cu from 237m

Mineralisation remains open at depth throughout prospect area

REGIONAL VMS EXPLORATION

A detailed 3,253 line kilometre aeromagnetic survey was flown over the area south of Mount Dove, where the greenstone belt swings to a north-south strike direction. This area is covered extensively by a 10-30m thick veneer of transported soil and colluvium, making surface geochemical sampling methods ineffective. The airborne survey covered 162km^2 and, in conjunction with a single traverse of RAB-aircore holes drilled in November 2007, greatly enhanced our understanding of the bedrock geology of the area.

Two programs of RAB-aircore drilling re conducted in the first half of 2007/2008, testing target areas generated by the VTEM survey completed in 2006/2007 and by surface and auger geochemical sampling. Drilling in August 2007 to investigate the area between Orchard Tank and Tabba Tabba prospects successfully located the prospective felsic schist horizon and returned results up to 4m at 2,600ppm Zn and 3g/t Ag in hole TTAC052, 7km east of Orchard Tank. This work confirmed that base and precious metals anomalism is persistent over the 25km strike between Hakea and Tabba Tabba prospects, representing a large mineralising system.

The second program, undertaken in October-November 2007, targeted selected areas in the western portion of the Turner River project tenements. Drilling consistently located the felsic schist horizon that hosts VMS-style mineralisation to the east but no significant base or precious metals anomalism was detected. Drill coverage of this area remains sparse and the area is still regarded as highly prospective.

SYNOPSIS – TURNER RIVER VMS EXPLORATION

Figure 7 summarises drill results to date over the 7km strike between the Hakea and Orchard Tank prospects and compares the scale of mineralisation and drill coverage to date with the Golden Grove belt, regarded as a typical VMS-style camp. At all prospects drilled to date, mineralisation remains open down dip and in many cases also along strike.

With De Grey's work over the past two years confirming VMS-style mineralisation is continuous over 18km strike in the eastern portion of Turner River project there remains obvious potential to locate polymetallic ore bodies.

Airborne and ground electrical geophysical methods have proven to be of limited use in targeting metal accumulations. The zinc-rich, pyrite-poor mineralisation does not respond well to Induced Polarisation (IP) and Electromagnetic (EM) methods and further exploration relies upon progressively increasing drill coverage of the prospective stratigraphy. The well defined target area warrants at least $4-$5 million in exploration drilling over 1-2 years.

In late 2007, the Company's Board decided that it was no longer appropriate for the Company to solely fund further drilling of the Turner River base metals deposits and alternative funding strategies were investigated. In March 2008 the Company entered into a farm-out agreement with Claremont Resources Ltd over the eastern Turner River tenements. That agreement required Claremont to satisfy certain conditions in order to confirm a commencement date for the Joint Venture prior to 31 July 2008. With deteriorating conditions in capital markets, those conditions were not satisfied and Claremont was granted an extension of time to 31 October 2008. The Board remains of the opinion that risk-sharing of further exploration is an appropriate strategy and is considering several alternative options to secure funding should the poor market sentiment continue through the second half of 2008.

Exploration of the western portion of Turner River for VMS-style mineralisation remains at an early stage in many areas. The strike extensions of the prospective geological package represent targets for further wide-spaced drilling through the widespread veneer of alluvial cover.

Exploration in 2007 located base metal soil anomalies of up to 1,440ppm Zn, 460ppm Pb and 322ppm Cu in two areas located 12km and 29km along strike to the west of the Discovery Prospect. This initial exploration provides a clear indication of the prospectivity of the 26km of greenstone belt in the area.

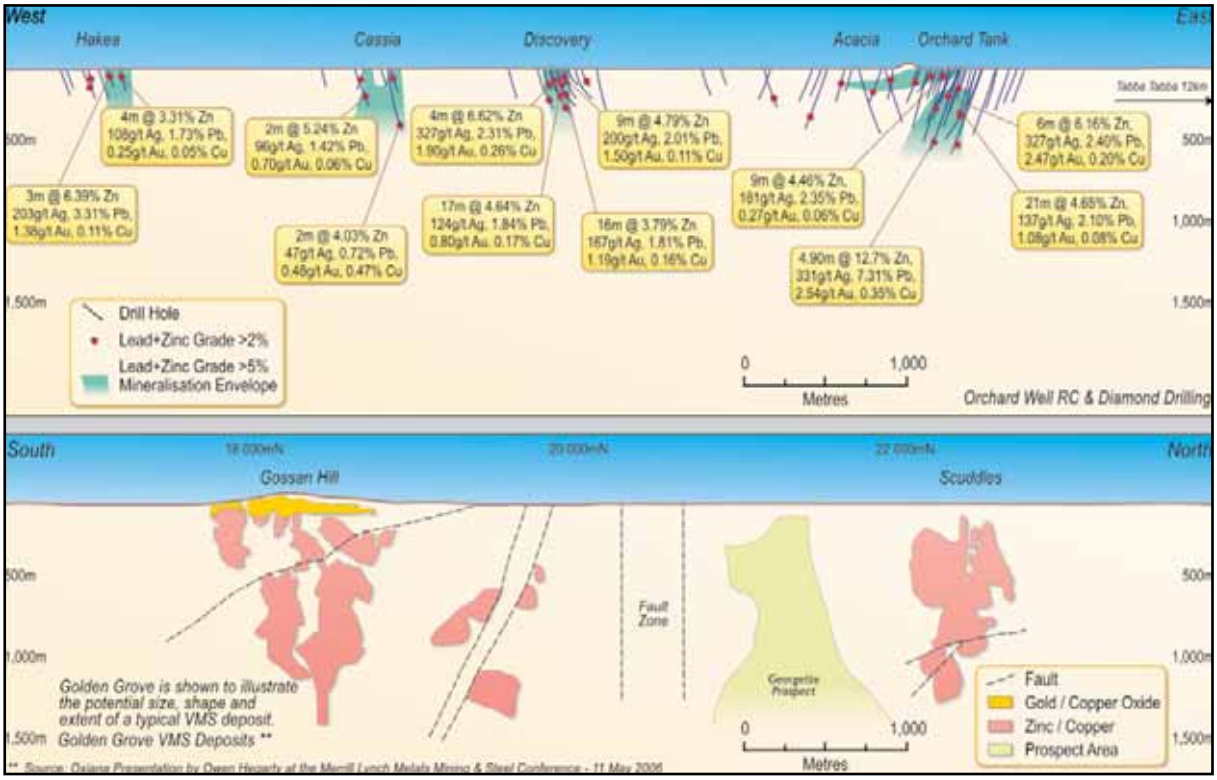


Figure 7 – Orchard Well Drill Coverage compared to a Typical VMS Camp

Turner River Gold Exploration

The Company's gold exploration strategy at Turner River remains focused on locating additional resources that would, in conjunction with the Wingina Well deposit, be sufficient to develop a profitable gold mining operation. Considering that Wingina Well and the Turner River VMS-style base metals prospects represent virgin deposits discovered in a region previously explored and not remote from infrastructure, the Company remains optimistic about the prospect for further gold discoveries at Turner.

WINGINA WELL GOLD DEPOSIT

With the significant increase in the gold price through calendar 2007, an informal review of the potential economics of mining the Wingina Well deposit was undertaken in early 2008. The evaluation, using updated estimates of capital and operating costs and based on a gold price of A$950/oz, indicated that a modest positive cash flow could be generated but that capital costs need to be written off over a larger reserve to generate a satisfactory return on capital. The goal therefore remains to discover additional resources.

There was no additional field work undertaken at Wingina Well during the reporting year and the resource estimate remains as shown in Table 2. Table 3 summarises estimated resources by material type.

	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

Table 2: Wingina Well estimated resources at 0.5g/t Au cut-off grade

	Measured		Indicated		Inferred		Total Ounces of Gold
	Tonnes	**Grade (g/t)**	**Tonnes**	**Grade (g/t)**	**Tonnes**	**Grade (g/t)**	
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

Table 3: Wingina Well +0.5g/t Au resources by material type

The information in this report that relates to mineral resource results is based on information compiled by Mr Steve Hyland who is a member of the Australasian Institute of Mining and Metallurgy. Steve Hyland is a full time employee of Ravensgate. Mr Steve Hyland has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Steve Hyland consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

REGIONAL GOLD EXPLORATION

Several RAB-aircore drill programs were conducted during the year, targeting gold mineralisation hosted by sedimentary rocks of the Mallina Formation and associated mafic sills and dykes. Exploration results at Mt Berghaus, Brierly and T1 prospects (Figure 8) are discussed below.

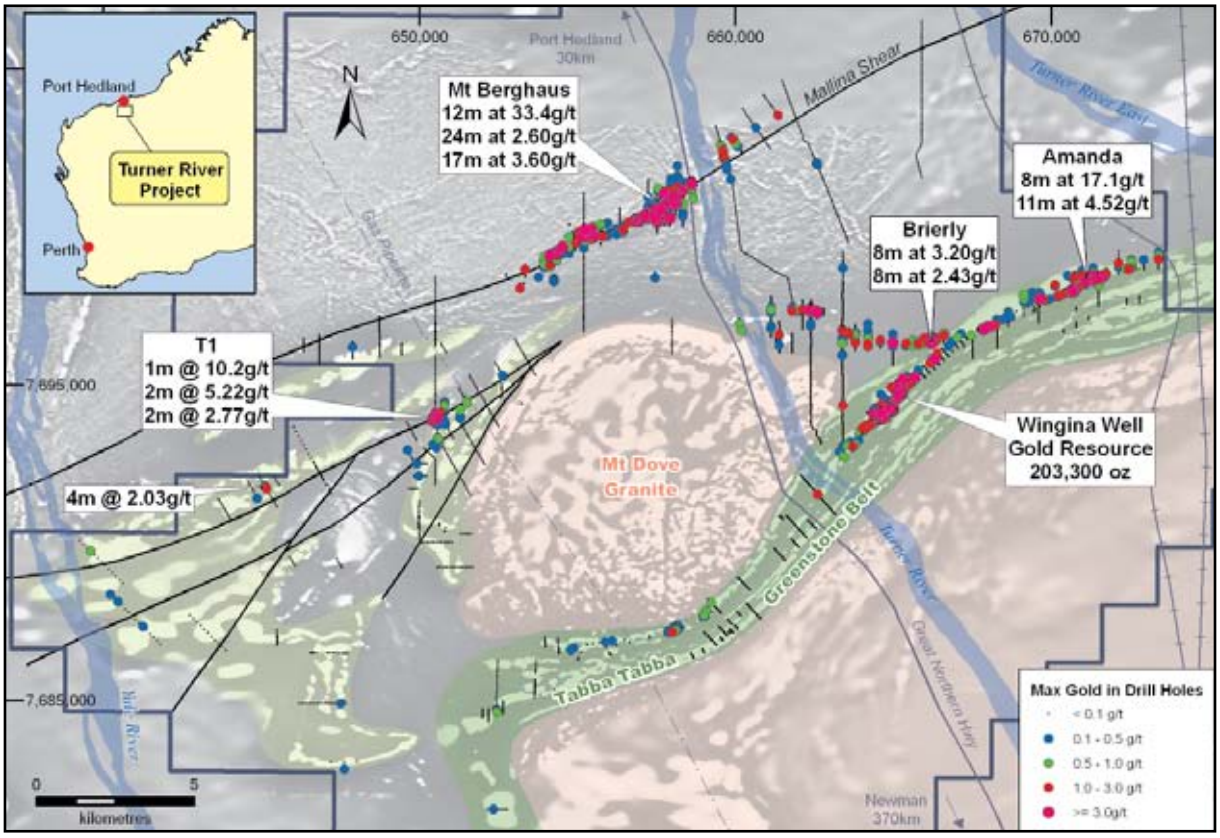


Figure 8 – Gold Prospects Summary – Turner River

MT BERGHAUS GOLD PROSPECT

Mt Berghaus is located 10 kilometres north-west of Wingina Well along the Mallina Shear Zone, a regional shear structure that hosts Range River Gold's Indee gold deposits 35km to the east. Gold mineralisation is hosted by structurally controlled quartz veins, lenses and stockworks in Mallina Formation turbiditic sandstones.

Previous RAB and RC drilling by De Grey has defined a 6.5km zone of gold anomalism with RC drilling on wide spaced sections over 1.7km strike length returning intersections including:

Drill hole	Intersection
BGRC097*	12m @ 33.4g/t Au from 4m, including 1m @ 24.6g/t Au, 1m @ 354g/t Au and 1m @ 31.3g/t Au
BGRC099*	10m @ 2.00g/t Au from 85m
BGRC101*	29m @ 2.20g/t Au from 6m, including 2m @ 14.9g/t Au from 22m

(* Reported in the 2007 Annual Report)

In the September Quarter of 2007 reconnaissance aircore drilling on 1km spaced traverses located a second, parallel gold mineralised structure beneath shallow sand cover 300m to the north of the original Mt Berghaus mineralisation, with results including:

Drill hole	Intersection
MBAC268	6m @ 0.98g/t Au from 16m to end of hole

Follow-up aircore drilling in October 2007 and March 2008 extended the new zone of gold mineralisation to 600m strike length (Figure 9) with assays from 4m composite samples including:

Drill hole	Intersection
MBAC283	8m @ 1.90g/t Au from surface to end of hole
MBAC292	20m @ 1.34g/t Au from 8m
MBAC293	4m @ 1.58g/t Au from 4m
MBAC297	4m at 1.39g/t Au from 12m

The new zone of gold mineralisation is now sufficiently defined to allow first-pass RC drill testing.

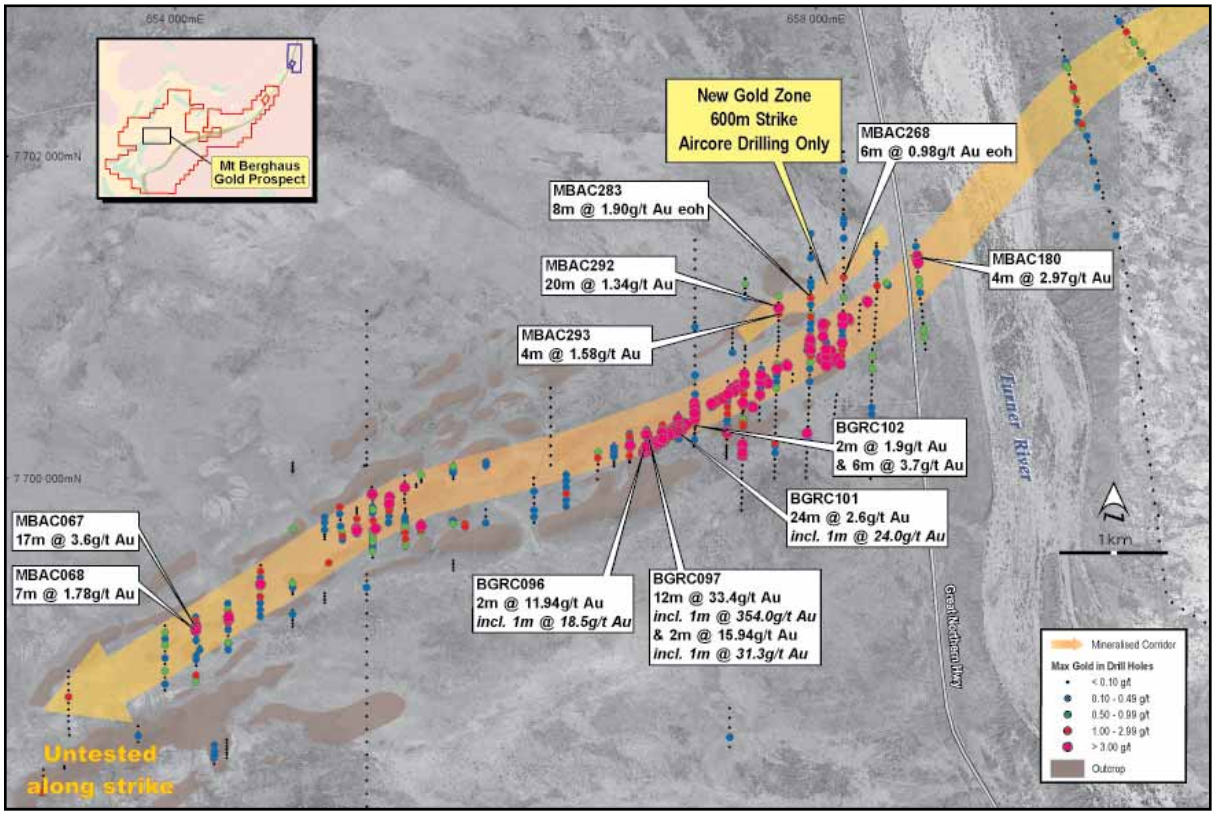


Figure 9 – Mt Berghaus Gold Prospect

BRIERLY PROSPECT

Brierly is located 2.5km northeast of Wingina Well (Figure 10) in an area masked by up to 10m of transported alluvium. Anomalous gold and arsenic, associated with vein quartz and disseminated pyrite, was discovered by RAB drilling in 2006, hosted by Mallina Formation shales and sandstones that are unusually deeply weathered.

Previous drill coverage had left the gold anomaly open to the east and, in places, to the north. Staged follow-up aircore drilling in the September and December 2007 Quarters returned encouraging results including:

Drill hole	Intersection
BAC460	69m @ 0.38g/t Au from 12m to end of hole
BAC473	8m @ 3.20g/t Au from 68m
BAC476	8m @ 2.43g/t Au from 60m
BAC485	8m @ 1.03g/t Au from 20m

With up to 600m between drill traverses and gold anomalism remaining open to the east, a further program of 39 aircore holes was completed in March 2008. Assays of 4m composite samples included:

Drill hole	Intersection
BAC495	8m @ 1.12g/t Au from 76m to end of hole
BAC502	5m @ 1.28g/t Au from 88m to end of hole
BAC507	4m @ 1.89g/t Au from 28m
BAC524	4m @ 2.84g/t Au from 40m

Parts of Brierly are now sufficiently delineated to allow first-pass RC drilling and the mineralised trend still remains open to the east where it is approaching the Cleaverville Chert, host to the Wingina Well deposit.

Widespread gold grades and the anomalous depth of weathering are encouraging signs of a substantial hydrothermal mineralising system and the Company intends to further explore the area over the coming year.

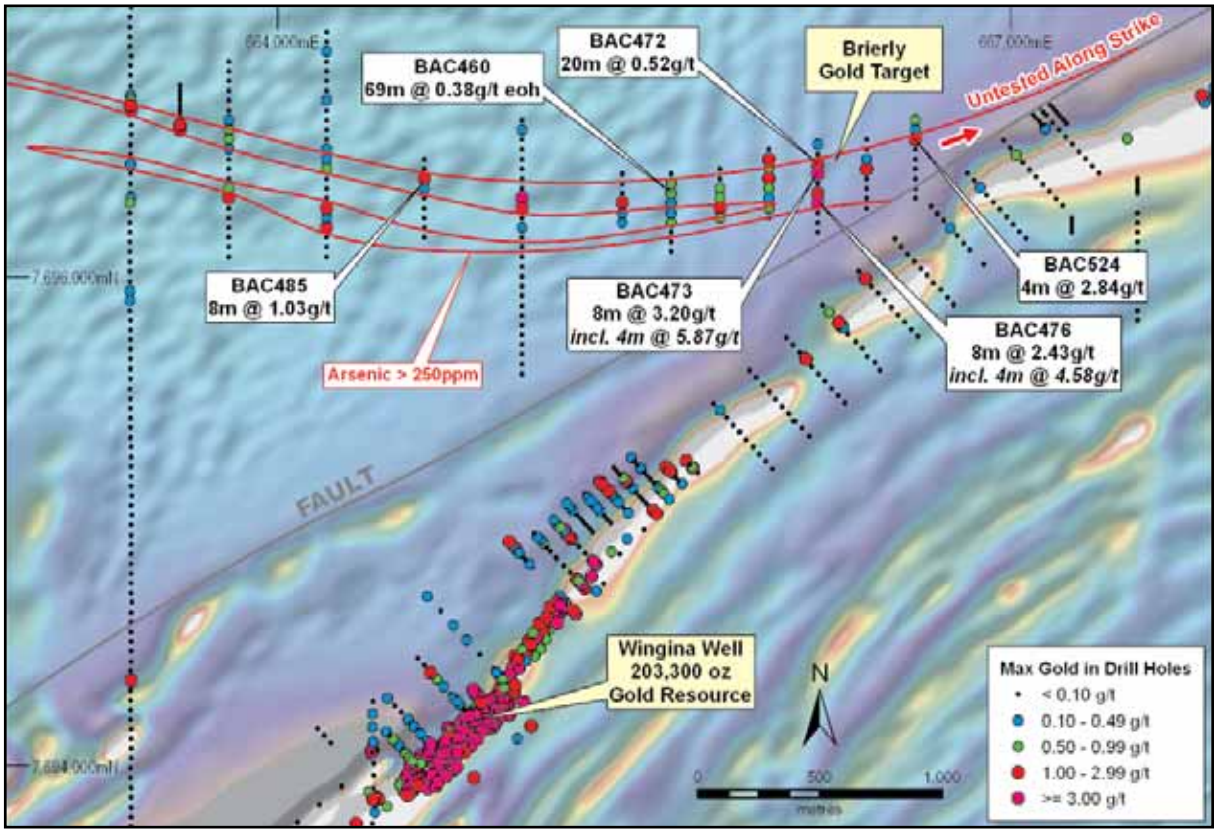


Figure 10 – Brierly Gold Prospect over aeromagnetics

T1 AND OTHER MALLINA GOLD TARGETS

The Mallina Shear and associated splays are major regional structures that host gold mineralisation over a 75km strike length through Range River Gold Ltd's +500,000oz Indee Gold Project to the west, to De Grey's Mt Berghaus Prospect in the east.

Previous exploration work completed by De Grey has progressively tested selected structural target positions interpreted from detailed aeromagnetic coverage throughout a large area that is almost entirely devoid of outcrop. These targets include intersections of first and second order structures and, in particular, intersections of structures with thick, differentiated mafic dykes of the Millindinna Suite. These massive, iron-rich bodies of mafic rock have potential for large-scale gold deposits by virtue of their competency and bulk chemical contrast with the enclosing Mallina Formation shales and sandstones.

Support for the targeting of this exploration model was provided by De Grey's discovery of blind gold mineralisation at the T1 Prospect in 2006. At T1, reconnaissance aircore drilling through 20m of transported cover returned bottom hole intercepts including 12m at 0.86g/t Au and 2m at 2.77g/t Au. Gold-arsenic anomalism is associated with carbonate alteration and disseminated sulphides close to the contact of shales and dolerite.

Two programs of follow up drilling and additional reconnaissance drill traverses were completed in 2007/2008 (Figure 8). Results included:

Drill hole	Intersection
T1AC337	4m @ 0.12g/t Au from 52m and 4m @ 0.23g/t Au from 64m
T1AC350	9m @ 0.21g/t Au from 24m to end of hole
T1AC442	4m @ 0.80g/t Au from 20m
T1AC452	4m @ 0.23g/t Au from 44m

Whilst the intersection widths and grades achieved to date are modest, exploration in this western portion of the Turner River Project is still at an early stage and the widespread gold occurrences are good indicators that substantial hydrothermal mineralising systems have affected the area. We continue to be encouraged that the area is highly prospective for discovery of a significant gold deposit.

STRELLEY JOINT VENTURE

The Strelley Joint Venture tenement is located 9km along strike to the northeast of Tabba Tabba (Figure 1), covering a portion of the Tabba Tabba Greenstone Belt that has never been subjected to systematic exploration. In the December 2007 Quarter De Grey

achieved the $180,000 expenditure required to earn an initial 60% equity in the project from Thundelarra Exploration Pty Ltd.

In November 2007 first pass reconnaissance RAB-aircore drilling was completed on four traverses spaced up to 1,200m apart, primarily targeted at VTEM conductivity anomalies beneath shallow transported cover. Although no base metals anomalism was detected, several holes returned significant gold intercepts in 4m composite samples:

Drill hole	Intersection
STAC024	4m @ 0.35g/t Au from 8m to end of hole
STAC026	4m @ 0.16g/t Au from 8m
STAC036	4m @ 0.28g/t Au from 16m to end of hole

Limited follow-up aircore drilling in the first Quarter of 2008 continued to provide encouraging results including:

Drill hole	Intersection
STRB028	12m @ 0.30g/t Au from 12m to end of hole
STRB036	9m @ 0.15g/t Au from 16m to end of hole

Drill coverage remains at very broad spacing and the Company plans to progressively follow up these encouraging results with staged drill programs in 2008.

Limited follow-up aircore drilling in the first Quarter of 2008 continued to provide encouraging results including:

Drill hole	Intersection
STRB028	12m @ 0.30g/t Au from 12m to end of hole
STRB036	9m @ 0.15g/t Au from 16m to end of hole

Drill coverage remains at very broad spacing and the Company plans to progressively follow up these encouraging results with staged drill programs in 2008.

Beyondie Project

De Grey holds 100% of the 2,445km2 Beyondie Project, located approximately 160km south of Newman. The project covers part of the Proterozoic Bangemall Basin and the northern margin of the Archaean Marymia Inlier. The Plutonic gold mine (6Moz of gold) lies 50km southwest of the project boundary and the Marymia gold mine (350,000oz historic gold production) is located 20km to the southwest.

De Grey's previous exploration at Beyondie has identified potential for Proterozoic shale-hosted, SEDEX-style base metals at Beyondie Bluff, structurally controlled copper-gold mineralisation in Archaean mafic rocks at Copper Hills, and iron mineralisation hosted by Archaean banded iron formations (BIFs) of the Marymia Inlier (Figure 11).

BEYONDIE BLUFF

At Beyondie Bluff, widespread base metal and silver anomalism is hosted by Proterozoic calcareous and dolomitic shales, a setting and association similar to the geological environments at major deposits such as Mount Isa, McArthur River and Century.

De Grey's surface geochemical sampling over a 16km strike length has returned up to 219g/t Ag, 0.12g/t Au, 6870ppm Ba and 0.28% Cu. RC drilling by the Company has returned intercepts including 36m at 0.37% Zn, 7m at 0.59% Zn, 10m at 0.81% Zn and 8m at 0.83% Zn, along with 10m at 3g/t Ag.

There was no field work completed at Beyondie Bluff during the reporting period. Previous drilling has indicated potential for increasing zinc grades to the north of current drilling, beneath a thin cover of quartzite that covers the dolomitic shale sequence in that direction (Figure 12). A program of wide spaced RC drill holes designed to test the stratiform zinc mineralisation down-dip to the north was planned for late 2007 but that program was postponed after changes to the body representing Native Title claimants in the area necessitated De Grey entering into a new heritage protection agreement.

The potential for a major shale-hosted base metals deposit remains a compelling target model at Beyondie Bluff (Figure 13). With heritage clearances for the proposed drill sites obtained in July 2008, the Company plans to be drilling in September.

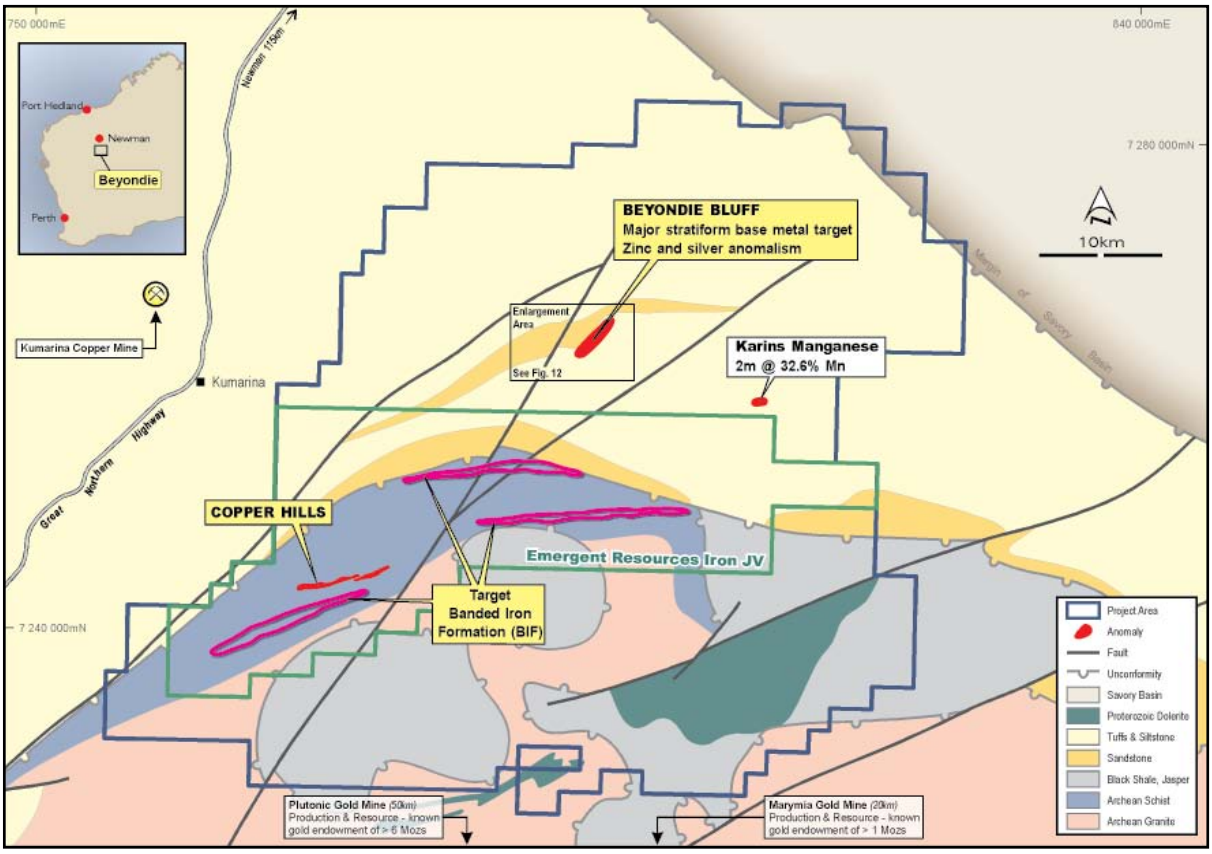


Figure 11 – Beyondie Project – Prospect Location Map

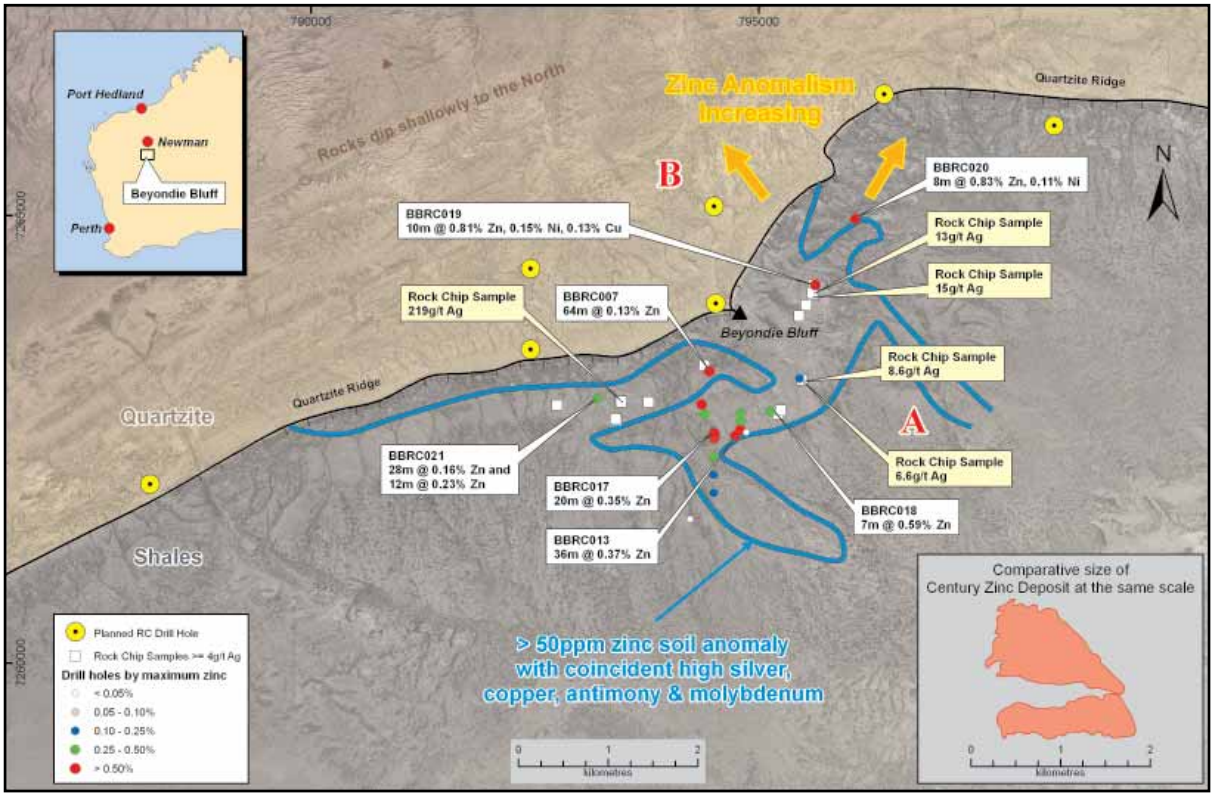


Figure 12 – Beyondie Bluff Stratiform Zinc Target

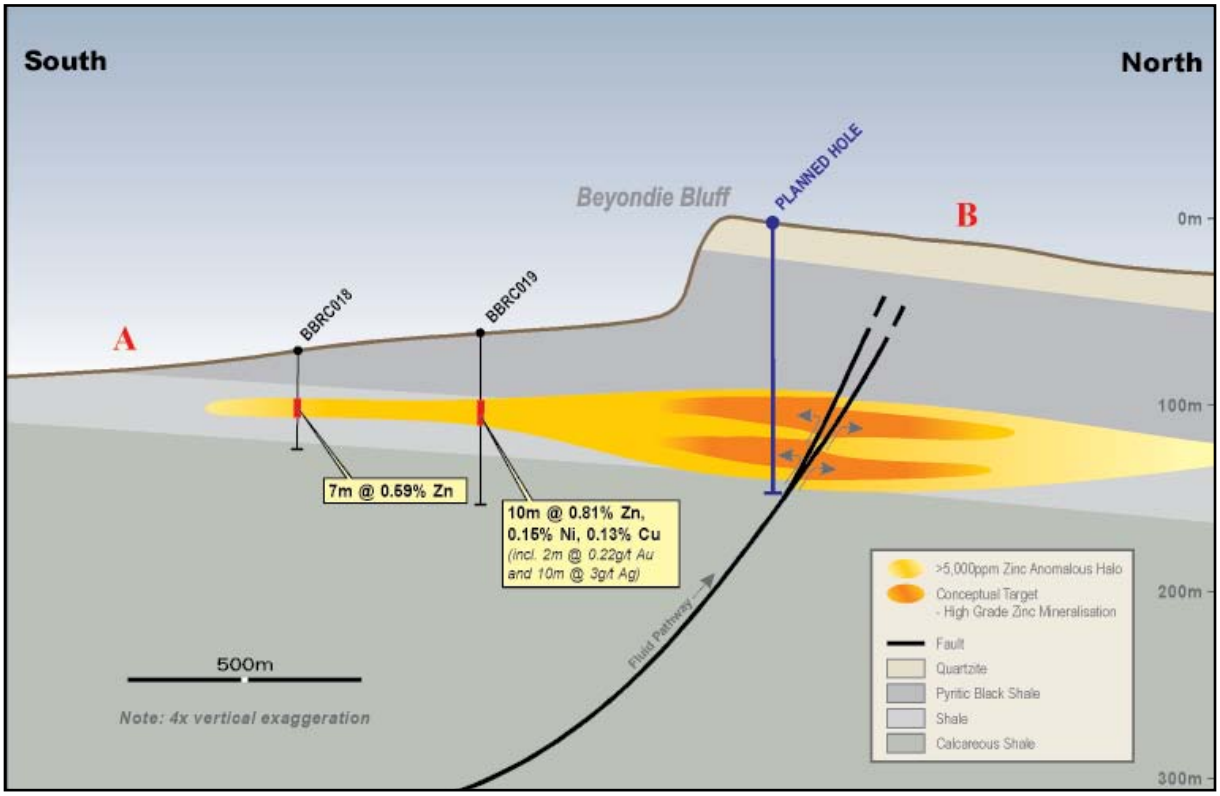


Figure 13 – Beyondie Bluff SEDEX Target Model

COPPER HILLS

The Copper Hills prospect is located 26km southwest of Beyondie Bluff (Figure 11). Previous exploration in the early 1970's identified a 7km long copper and zinc soil anomaly on the northern edge of an east-west orientated outcrop of chlorite-sericite altered schist. Follow-up wide-spaced trenching and drilling at the time returned results of up to 4.6m at 4.34% copper in trench MPB and 9.1m at 1.01% copper in hole PW07 from a sericite alteration zone. Mineralisation is hosted by a large-scale shear zone in Archaean metabasalts.

De Grey's initial work at Copper Hills comprised mapping, reconnaissance rock chip sampling that returned assays up to 2.6% Cu and 0.65g/t Au, and a three hole RC drill program to intersect mineralisation below the base of weathering. Results from this program included 4m at 1.19% Cu from 59m and 2m at 1.38% Cu from 42m.

During 2007/2008, strike extensions of the known mineralisation were located using soil geochemistry, although the effectiveness of that method is limited in places by a cover of transported material. In the December 2007 Quarter a 79 hole RAB/aircore drill program was completed on traverses up to 2km apart. Drilling was designed to test sand-covered areas to the north of the copper-in-soils anomaly and eastern and western strike extensions of the host structure, where it is also covered by transported sand. Results included:

Drill hole	Intersection
CHAC026	4m @ 0.12% Cu from 36m
CHRB001	8m @ 0.20% Cu from 20m

These results are regarded by the Company as having somewhat downgraded the prospect, although there remains scope to locate a significant deposit considering the very broad spacing of the drilling completed to date.

Yandeyarra Joint Venture & Friendly Creek Option

OVERVIEW

Tenements of the 503km2 Yandeyarra Joint Venture are located immediately south of the Company's Turner River Project in the Pilbara, covering the Pilbara Well Greenstone Belt approximately 90km south of Port Hedland.

In November 2007, De Grey entered into a Joint Venture with Chalice Gold Mines whereby De Grey can earn up to an 80% interest in the base and precious metals rights on the tenements. An option-to-purchase agreement with private parties completes coverage of the prospective parts of the belt.

HISTORICAL EXPLORATION & PRODUCTION

The Pilbara Well Greenstone Belt has a history of significant gold production and also alluvial tin production. Parts of the project area have previously been systematically explored for gold but there has been no modern exploration for VMS-style base metals.

The Geological Survey of Western Australia WAMIN database identifies four copper and thirty gold occurrences within the project area. Geological mapping completed during nickel exploration in the 1970's records extensive felsic volcanic units in the central part of the Pilbara Well Greenstone Belt that almost certainly correlate with the rocks that host VMS-style base metals mineralisation at Turner River.

EXPLORATION IN 2007/2008

Yandeyarra was the focus for much of De Grey's exploration field work in the first half of calendar 2008, commencing with reconnaissance mapping and rock chip sampling and progressing to multi-element soil geochemical sampling over what are regarded as the parts of the belt most prospective for gold and VMS-style base metals deposits.

Geological reconnaissance in the difficult to access south western part of the project (**Western Pride** area, Figure 14) identified a sequence of bimodal volcanic rocks not recorded on published geological maps. The alternating sequence of basalt, rhyolite and felsic volcaniclastic rocks, up to 950m thick and extending over 7km strike length, is typical of sequences that host VMS-style polymetallic mineralisation. Surface sampling in the 1970s over less than half the strike length of these rocks located a copper-in-soil anomaly of up to 825ppm Cu over 700m strike, open to the north and east under transported cover. De Grey's systematic surface sampling of the area failed to repeat the previously reported copper geochemistry and the Company has therefore downgraded the base metals potential of the area.

In the central project area, orientation sampling in the March 2008 quarter over an area of elevated lead values located by previous explorers (**Lead Anomaly** see Figure 14) not only confirmed the lead-in-soils anomaly but also returned elevated values of barium, silver and antimony, a metal association indicating a VMS environment. Follow up field inspections located pyritic felsic volcanic rocks outcropping over a limited area and rock chip samples returned up to 835ppm Pb and 794ppm Zn.

Reconnaissance sampling was also conducted over the Pilbara Well Shear Zone, an 800m wide belt of highly foliated greenstone and granite that extends for at least 20km along the south eastern margin of the greenstone belt. Here, samples from old workings returned up to 14.4g/t Au and 2.67% Cu and a small outcrop of siliceous gossan assayed 1.48g/t Au and 26g/t Ag.

The widespread mineral occurrences evident as historic mine workings along with additional occurrences found by De Grey's reconnaissance outlined areas that, in the June 2008 quarter, were tested by systematic multi-element soil geochemical sampling in an initial program that totalled 2,942 samples. Results from that sampling identified eight areas of high tenor gold-in-soil anomalism and three multi-element base metals anomalies (Figure 14).

Four of these multi-point gold anomalies of up to 1.52g/t Au in soil lie over the Pilbara Well Shear Zone, where old gold workings occur over a strike length of 6.5km. None of the anomalies have been drill tested previously and two end-of-line anomalies remain open to the south. Two new zones of gold-in-soil anomalism were also identified in areas not previously known to be mineralised.

The three areas of multi-element base metal anomalism occur in felsic volcanic rocks, supporting the possibility of VMS-style mineralisation. At year end each of these areas was being followed up with detailed ground inspections and infill soil sample lines.

The north eastern portion of the Yandeyarra project area features extensive outcrops of the Cleaverville Chert, the unit that hosts gold mineralisation at Wingina Well. The area is difficult to access and has never been subjected to systematic mineral exploration. In the June 2008 Quarter the Company commenced a substantial program of stream sediment sampling over the 13km strike of prospective rocks.

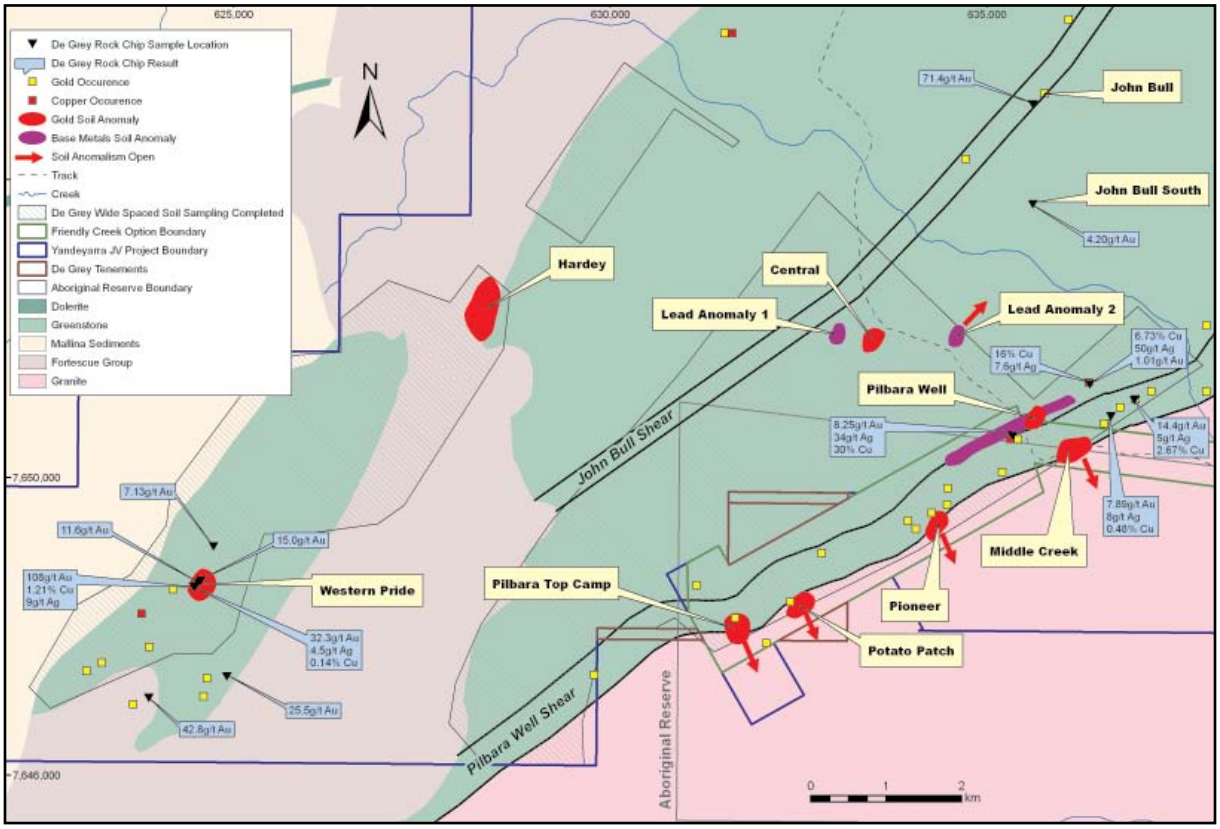


Figure 14 – De Grey Exploration Results at Yandeyarra

Yule Joint Venture

OVERVIEW

In April 2008 De Grey entered into an exploration farm-in joint venture for gold and base metals with Talison Minerals Pty Ltd on a new exploration are which covers some 520km2 centred approximately 60km south east of Turner River.

The farm-in fits with the Company's strategy of refreshing and expanding its ground position in the Pilbara and building a portfolio of gold and base metals exploration assets within trucking distance of a possible central processing facility in the Port Hedland region.

De Grey believes the four groups of Yule JV tenements (Figure 1) have high residual prospectivity for VMS-style base metals mineralisation due to the low level of previous exploration for base metals, the remoteness of some of the tenements and the presence of felsic volcanic rocks of the Panorama and Kangaroo Caves Formations, rocks that host CBH's Sulphur Springs VMS deposits.

EXPLORATION

Data compilation and preliminary reconnaissance in the June Quarter of 2008 indicated that the Tambourah area (Figure 15) should be the first priority for field work. Tambourah is best known for the historic Tambourah gold mining centre, most of which is excised from the joint venture tenements, and almost all previous exploration in the area surrounding the historic workings has been focussed solely on gold. Exploration in the early 1970's did however identify copper mineralisation beneath old workings within the joint venture tenements and shallow drilling returned results up to:

Drill hole	Intersection
PT06	3.05m @ 1.40% Cu from 3.05m
PT08	9.14m @ 1.90% Cu from 67.06m
PT22	4.57m @ 5.12% Cu from 54.86m

There is no record of any subsequent drilling. Further encouragement for the potential for VMS-style mineralisation at Tambourah is indicated by the presence of extensive felsic volcanic horizons, undrilled gossans and isolated rock samples containing up to 1.07% Cu, 7g/t Ag and 5,450ppm Ba.

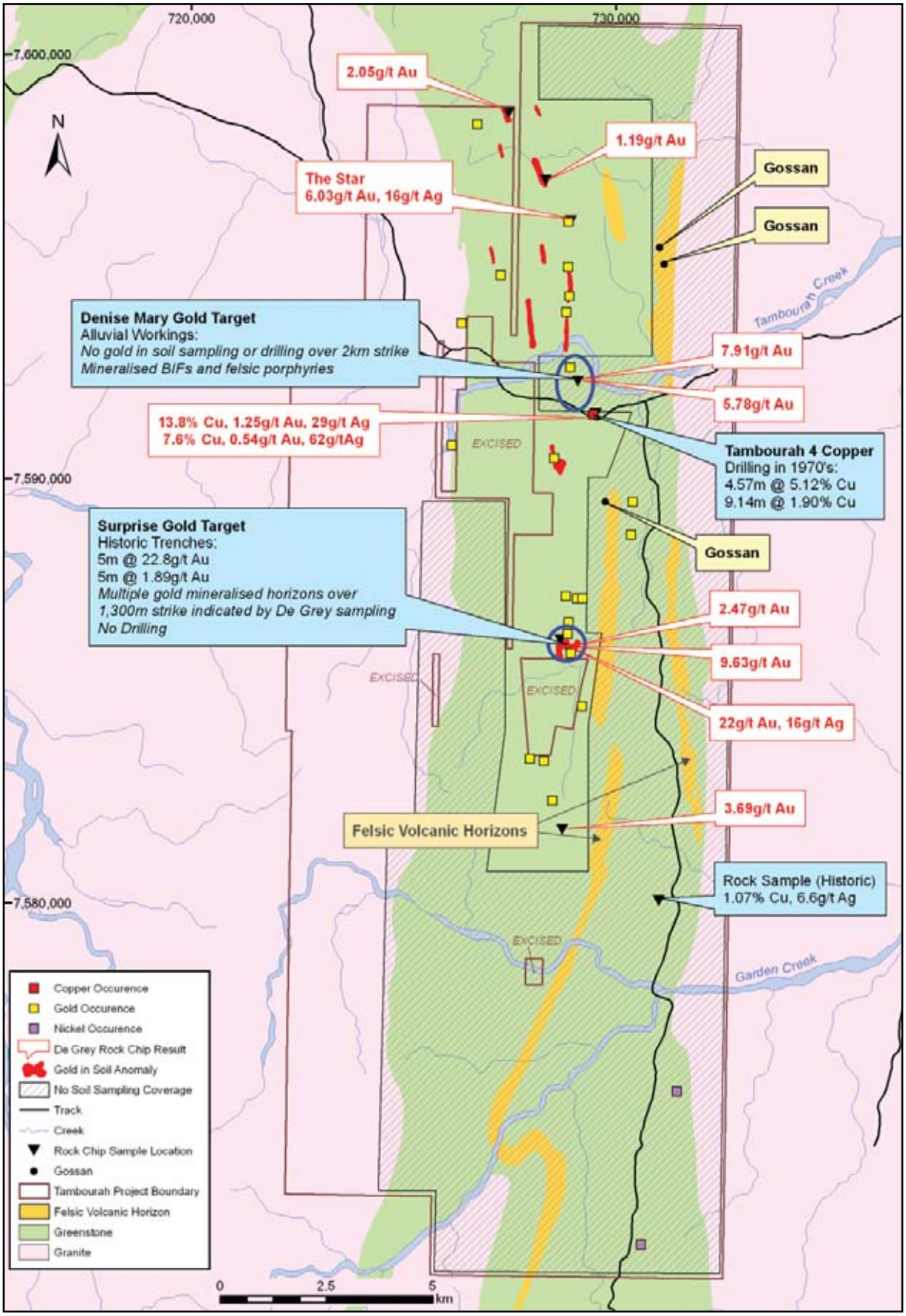


Figure 15 – Tambourah Project Area

Two gold targets with significant size potential and several VMS-style base metal target areas within felsic volcanic horizons have also been identified at Tambourah. Reconnaissance field work has already confirmed the presence of gold mineralisation at the Denise Mary and Surprise prospects with encouraging rock sample results up to 22g/t gold and 16g/t silver. These targets have not been drill tested despite historic trench results up to 5m at 22.8g/t gold and represent an exciting opportunity for De Grey.

First-pass multi-element soil geochemical sampling programs are planned at Tambourah for the September 2008 quarter to define further drill targets and field reconnaissance will be progressively undertaken over the other joint venture tenements.

Pilbara Iron Assets

MOUNT DOVE

Mount Dove is a prominent hill of haematitic banded iron formation (BIF) located in the south-central part of the Turner River project area (Figure 1).

In initial reconnaissance sampling undertaken in November 2007, 25 samples were collected from a total strike length of 800m, 21 of which returned grades above 55% Fe.

After assessment of the tonnage potential at Mount Dove, the Company concluded that any mine development would rely upon integrating the deposit with other nearby iron resources. Consequently, in April 2008, De Grey entered into a 12 month option-to-purchase agreement with Atlas Iron Limited under which Atlas may purchase the rights to iron ore. A formal agreement was finalised in June 2008 and De Grey received 156,694 Atlas shares as payment for the 12 month option period.

BEYONDIE IRON

In May 2008 De Grey entered into a Joint Venture with Emergent Resources Limited under which Emergent may earn up to 80% interest in iron, vanadium and manganese minerals within two tenements of the Beyondie project. The target is Archaean banded iron formations (BIFs) in the northern portion of the Marymia Inlier. Emergent listed on the Australian Stock Exchange in August 2008.

Sole funding of exploration for iron ore at Beyondie was not considered appropriate by De Grey and the Joint Venture with Emergent allows the Company to participate in the exploration project through a free-carried interest to decision to mine.

Emergent will manage exploration during the earn-in period and plans to conduct a detailed aeromagnetic survey of the area in October 2008, prior to initial drilling of iron ore targets.

IRON BALLOT TENEMENT

In April 2008 De Grey was awarded first priority to application E45/3188 in a ballot of eight applicants. The 15.5km2 tenement lies 104km south of Port Hedland (Figure 1) and covers 1.6km of strike of a known channel iron deposit (CID) that straddles the Great Northern Highway.

The area is strategically located between other CID's 17km to the east, 2.5km to the west and 4.5km to the north and surrounding tenements are held by iron ore mining and exploration companies such as FMG Pilbara Pty Ltd and Atlas Iron Limited.

At year end the Company was progressing the tenement to grant prior to commencing field work.

FORTESCUE ISLAND IRON

In June 2008 De Grey entered into a Heads of Agreement with Geotech International Pty Ltd for an option-to-purchase the 640km2 Fortescue Island ELA. The Company also pegged an additional area of 652km^2 immediately adjacent to Geotech's ELA (Figure 16).

The Geotech ELA and De Grey's surrounding applications cover shallow waters (predominantly less than 20m deep) approximately 70km west-southwest of the iron ore port of Dampier. The south eastern boundaries of the applications are located less than 15km from Citic Pacific's Sino Iron Magnetite Project and Australasian Resources' Balmoral South Magnetite Project. These projects are located in an iron province with potential for 60 to 100 billion tonnes of mineralisation with a grade of 31% Fe[1].

Target mineralisation in the ELA's is accumulations of unconsolidated iron oxide minerals in seabed sediments, formed by erosion of the Brockman Iron Formation.

Pre-competitive aeromagnetic data clearly shows the seaward extension of the bedrock BIF units of the Brockman Formation and also more subdued magnetic features that may indicate detrital deposits of iron minerals. Similar magnetic signatures occur in an area where, in 1970, VAM Limited2 explored for heavy mineral sands deposits at shallow depths in sediments onshore and offshore of the mainland coast south of Fortescue Island. VAM reported shallow deposits containing up to 15% heavy minerals, of which up to 75% was iron oxides occurring as goethite and martite[2].

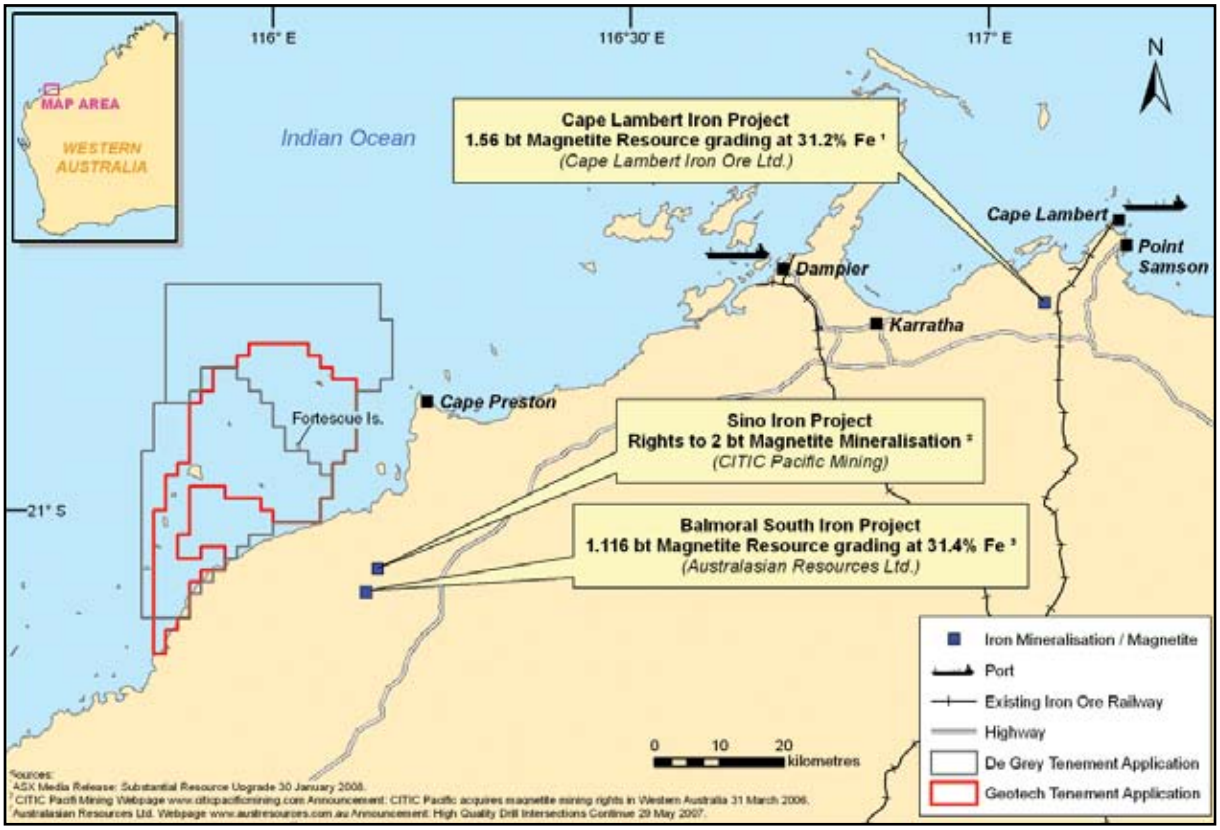


Figure 16 – Location of Fortescue Island Iron Project and neighbouring Iron Development Projects

The target is area is large, being approximately 25km x 5km, and the concept for potential extraction would involve dredging of material containing iron to a barge-mounted gravity concentration plant. This approach would represent a potential new source of iron ore requiring very modest infrastructure compared to conventional Pilbara iron ore developments. De Grey considers the area to be a very attractive conceptual exploration play and as such the ELA's are being progressed to grant.

[1] *According to section 18 of the JORC Code 2004 – reported by Hellman & Schofield Pty Ltd October 2005*

[2] *VAM Limited report: Heavy Mineral Sand Examination, Ashburton Goldfields WA, WAMEX database report A1725.*

Winterwhite Resources

In early 2007, Winterwhite Resources Pty Ltd, a wholly owned subsidiary of De Grey, applied for six exploration licences totalling 3,339km^2 over the Rudall Complex of the Paterson Orogen. The applications cover areas prospective for uranium, copper and gold mineralisation, and are centred about 45km south of the Kintyre uranium deposit. They lie almost entirely within the Rudall River National Park.

In November 2007, Winterwhite entered into a Land Access and Mineral Exploration Agreement with the Western Desert Lands Aboriginal Corporation (WDLAC), the body that represents the Martu People. The agreement facilitates and supports Winterwhite's applications and lays out agreed protocols for the conduct of any future mineral exploration in the area.

In May 2008 the Company entered into a Heads of Agreement for an exploration Joint Venture with WDLAC. That agreement, combined with the earlier Land Access and Mineral Exploration Agreement, commits WDLAC to supporting the grant of the tenements and sets out the conditions under which mineral exploration may proceed.

The Joint Venture commences upon grant of the tenements which, in turn, depends upon conclusion of negotiations between WDLAC and the WA State Government over the conditions that will apply to Martu's title proposed under the Indigenous Conservation Title Bill 2007.

Drill Intersections

TURNER RIVER PROJECT

Selected RC and Diamond Drill Intersections

VMS PROSPECTS

(In Bold are 2007/2008 intersections, others reported previously in 2006/2007 annual report)

Prospect	HOLE ID	East	North	From (m)	To (m)	Interval (m)	Zinc %	Silver g/t	Lead %	Gold g/t	Copper %
Orchard Tank -Acacia	WARC049	687,471	7,702,343	88	90	2	7.95	246	4.78	1.22	0.57
	WADH003	687,750	7,702,560	276.80	280.65	3.85	8.21	748	5.23	3.08	0.61
	WADH012	687,765	7,702,640	514.4	519.3	4.90	12.7	331	7.31	2.54	0.35
	WARC010	687,798	7,702,370	45	54	9	4.70	45	0.95	0.47	0.09
	WARC017	687,880	7,702,430	166	173	7	4.70	45	0.95	0.47	0.09
	WARC045	687,880	7,702,580	301	322	21	4.65	137	2.10	1.08	0.08
			(including	307	311	4	10.58	309	5.90	3.15	0.15)
	WARC048	687,800	7,702,560	208	214	6	6.16	327	2.40	2.50	0.20
	WARC055	687,625	7,702,379	107	111	4	4.34	156	2.07	0.97	0.09
	WARC072	**687,805**	**7,702,400**	**82**	**89**	**7**	**1.70**	**37**	**0.90**	**0.13**	**0.07**
				95	**97**	**2**	**2.29**	**30**	**1.10**	**0.64**	**0.06**
	WARC073	**687,805**	**7,702,350**	**32**	**37**	**5**	**1.61**	**69**	**0.77**	**0.09**	**0.04**
				43	**51**	**8**	**2.83**	**145**	**1.62**	**0.18**	**0.14**
				53	**56**	**3**	**1.10**	**60**	**0.44**	**0.11**	**0.03**
				67	**82**	**15**	**4.09**	**204**	**1.91**	**0.37**	**0.06**
	WARC076	**687,581**	**7,702,334**	**57**	**60**	**3**	**6.54**	**206**	**2.62**	**1.82**	**0.17**
				68	**69**	**1**	**1.05**	**13**	**0.49**	**0.12**	**0.04**
	WADH012	687,765	7,702,640	514.4	519.3	4.9	12.7	331	7.31	2.54	0.35
	WADH014	687,800	7,702,600	308.27	310.70	2.43	8.90	256	4.45	2.51	0.14
	WADH016	687,847	7,702,588	269.90	275.00	5.10	3.87	214	2.13	1.21	0.10
Discovery	WARC009	685,400	7,701,660	82	95	13	3.11	58	1.36	1.19	0.19
	WARC014	685,480	7,701,670	83	92	9	4.79	200	2.01	1.50	0.11
	WARC022	685,480	7,701,630	165	181	16	3.73	167	1.81	1.19	0.16
			(including	175	178	3	11.23	308	5.62	2.20	0.27
	WARC024	685,440	7,701,620	165	182	17	4.64	124	1.84	0.80	0.17
			(including	166	170	4	12.04	294	4.19	1.15	0.35)
	WARC080	**685,445**	**7,701,740**	**19**	**32**	**13**	**6.46**	**315**	**2.70**	**3.12**	**0.35**
				34	**42**	**8**	**5.64**	**231**	**3.26**	**1.29**	**0.21**
				49	**51**	**2**	**2.87**	**95**	**3.09**	**0.83**	**0.21**
	WADH013	685,381	7,701,545	230.5	232	1.50	7.92	199	3.65	1.09	0.12
Hakea	WARC064	682,720	7,700,830	21	42	21	2.05	46	1.10	0.37	0.05
			(including	21	24	3	6.39	203	3.31	1.38	0.11
				54	55	1	4.60	273	2.46	0.62	0.08
	WARC070	682,800	7,700,850	37	41	4	3.31	108	1.73	0.25	0.05
	WARC082	**682,800**	**7,700,792**	**116**	**118**	**2**	**2.21**	**55**	**2.26**	**0.63**	**0.07**
Cassia	WARC025	684,400	7,701,370	367	369	2	4.03	47	0.72	0.48	0.47
	WARC043	684,205	7,701,320	207	209	2	5.24	96	1.42	0.70	0.06
Tabba Tabba	TTRC001	698,321	7,708,936	52	58	6	3.37	44	0.78	0.17	0.35
	TTRC002	698,343	7,709,003	47	52	5	3.76	79	0.95	0.25	0.26
	TTRC007	698,290	7,709,033	128	135	7	4.51	81	1.05	0.28	0.21
	TTRC011	698,523	7,709,299	45	48	3	3.53	28	0.54	0.04	0.04
	TTRC018	**698,453**	**7,709,235**	**57**	**58**	**1**	**4.76**	**143**	**1.37**	**0.32**	**0.19**
	TTDH002	**698,223**	**7,709,050**	**232**	**234.3**	**2.3**	**3.97**	**57**	**1.60**	**0.07**	**0.11**
				237	**239**	**2**	**5.98**	**92**	**2.13**	**0.23**	**0.12**
				241.14	**241.65**	**0.51**	**4.00**	**66**	**0.81**	**0.23**	**0.20**
				244	**244.90**	**0.90**	**1.18**	**15**	**0.25**	**0.11**	**0.10**
				252	**252.5**	**0.50**	**14.3**	**169**	**4.33**	**0.23**	**0.42**

Note: Coordinates are MGA zone 50. Holes drilled to the south at approximately -60º (Orchard Tank, Tabba) or north (Hakea, Discovery, Cassia, Acacia). Intersections calculated using a 1% zinc or 1g/t gold lower cut-off with up to 2m internal dilution. Samples are 1m riffle split RC chips or half core between 0.50 to 1m in length. Analysis is by Ultra Trace Laboratories using Fire Assay analysis for gold and Inductively Coupled Plasma (ICP) on mixed acid digest for zinc, silver, lead and copper

TURNER RIVER PROJECT

Selected RC Drill Intersections

Gold Prospects

(Reported in Previous Annual Reports)

Prospect	HOLE ID	East	North	From (m)	To (m)	Interval (m)	Gold g/t
Amanda	AMRC001	670,646	7,697,960 (including	62 63	73 65	11 2	4.52 15.8)
	TRC023	670,687	7,697,960 (including	41 44	49 55	8 11	17.13 46.4)
Mt Berghaus	BGRC097	19,780	50,400 (including and	4 8 13 19	16 9 14 20	12 1 1 1	33.4 24.6 354.00) 31.3
	BGRC099	19,780	50,440	85	95	10	2.00
	BGRC101	657,153	7,700,318	6 22	35 24	29 2	2.20 14.9

Note: Co ordinates are MGA zone 50. Holes are angled RC, at approximately -60º. Intersections calculated using a 1g/t gold lower cut-off with no internal dilution. Analysis is by Ultra Trace Laboratories using Fire Assay analysis of 1m riffle split RC chip samples

TURNER RIVER PROJECT

Selected RAB/Aiscose Drill Intersections 2007/2008

Prospect	HOLE ID	East	North	From (m)	To (m)	Interval (m)	Gold g/t
Mt Berghaus	**MBAC268**	**658,168**	**7,701,250**	**16**	**22**	**6eoh**	**0.98**
	MBAC283	**657,963**	**7,701,120**	**16**	**22**	**8eoh**	**1.90**
	MBAC292	**657,763**	**7,701,060**	**8**	**28**	**20**	**1.34**
	MBAC293	**657,763**	**7,701,020**	**4**	**8**	**4**	**1.58**
	MBAC297	**657,963**	**7,701,002**	**12**	**16**	**4**	**1.39**
Brierly	**BAC460**	**665,610**	**7,696,340**	**20**	**89**	**69eoh**	**0.38**
	BAC473	**666,210**	**7,696,420**	**68**	**76**	**8**	**3.20**
	BAC476	**666,210**	**7,696,300**	**60**	**68**	**8**	**2.43**
	BAC485	**664,600**	**7,696,400**	**20**	**28**	**8**	**1.03**
	BAC495	**665,410**	**7,696,300**	**76**	**84**	**8eoh**	**1.12**
	BAC502	**665,810**	**7,696,280**	**88**	**93**	**5eoh**	**1.28**
	BAC505	**666,010**	**7,696,480**	**52**	**56**	**4**	**1.74**
	BAC507	**666,010**	**7,696,400**	**20**	**24**	**4**	**1.89**
	BAC517	**666,410**	**7,696,440**	**32**	**36**	**4**	**1.07**
	BAC524	**666,610**	**7,696,560**	**40**	**44**	**4**	**2.84**
T1	**T1AC337**	**650,800**	**7,694,440**	**52 64**	**56 68**	**4 4**	**0.12 0.23**
	T1AC350	**650,840**	**7,693,730**	**24**	**33**	**9eoh**	**0.21**
	T1AC442	**639,604**	**7,689,717**	**20**	**24**	**4**	**0.80**
	T1AC452	**640,456**	**7,688,124**	**44**	**48**	**4**	**0.23**
Strelley JV	**STAC024**	**711,258**	**7,734,411**	**8**	**12**	**4eoh**	**0.35**
	STAC026	**711,409**	**7,734,356**	**8**	**12**	**4**	**0.16**
	STAC036	**711,305**	**7,735,222**	**8 16**	**12 20**	**4 4eoh**	**0.16 0.28**
	STRB028	**711,188**	**7,734,052**	**12**	**24**	**12eoh**	**0.30**
	STRB036	**711,371**	**7,734,370**	**16**	**25**	**9eoh**	**0.15**

Note: Co ordinates are MGA zone 50.Blade refusal Aircore ('AC' prefix) or RAB 'RB' holes. Samples are 4 metre speared composite chips. Analysis is by Ultra Trace Laboratories using Aqua Regia and ICP analysis. Intersections calculated using a 1.00g/t gold lower cut for Mt Berghaus and Brierly and 0.10g/t gold lower cut-off for T1 and Strelley and BAC460 at Brierly, with no internal dilution. eoh= 'end of hole' intersection.

BEYONDIE PROJECT

Selected RC Intersections

Beyondie Bluff Zinc Shale

(Reported in 2006/2007 Annual Report)

HOLE ID	East	North	From (m)	To (m)	Interval (m)	Zinc %	Nickel %	Copper %
BBRC013	794,740	7,262,539	44	80	36	0.37	0.02	0.01
BBRC018	795,135	7,262,810	31	38	7	0.59	0.06	0.01
BBRC019	795,630	7,264,220	47	57	10	0.81	0.15	0.13
BBRC020	796,083	7,264,960	50	58	8	0.83	0.11	0.00

Note: Co ordinates are MGA zone 50, RC holes are vertical. Intersections calculated using a 0.5% zinc lower cut-off with maximum 2m internal dilution except for BBRC013 where 0.1% zinc lower cut off is used on 4m composite samples. All other samples are 1m riffle split RC chips. Analysis is by Ultra Trace Laboratories using Inductively Coupled Plasma (ICP) on mixed acid digest.

BEYONDIE PROJECT

Selected RC Intersections

Copper Hills Prospect

(Reported in 2006/2007 Annual Report)

HOLE ID	East	North	From (m)	To (m)	Interval (m)	Copper %	Zinc %	Silver g/t
CHRC001	777,480	7,244,493	59, 59	63, 60	4, 1	1.19, 2.19	0.03, 0.04	2, 4
CHRC003	777,527	7,244,475	42	44	2	1.38	0.19	7

Note: Co ordinates are MGA 50, holes drilled to south at approximately 60º. Intersections calculated using a lower grade copper cut-off of 0.4% and maximum internal dilution of 1m. Samples are 1 metre rifle split. Analysis is by Ultra Trace Laboratories using Mixed Acid Digest and Inductively Coupled Plasma (ICP) determination.

BEYONDIE PROJECT

Selected RAB/aircore Drill Intersections

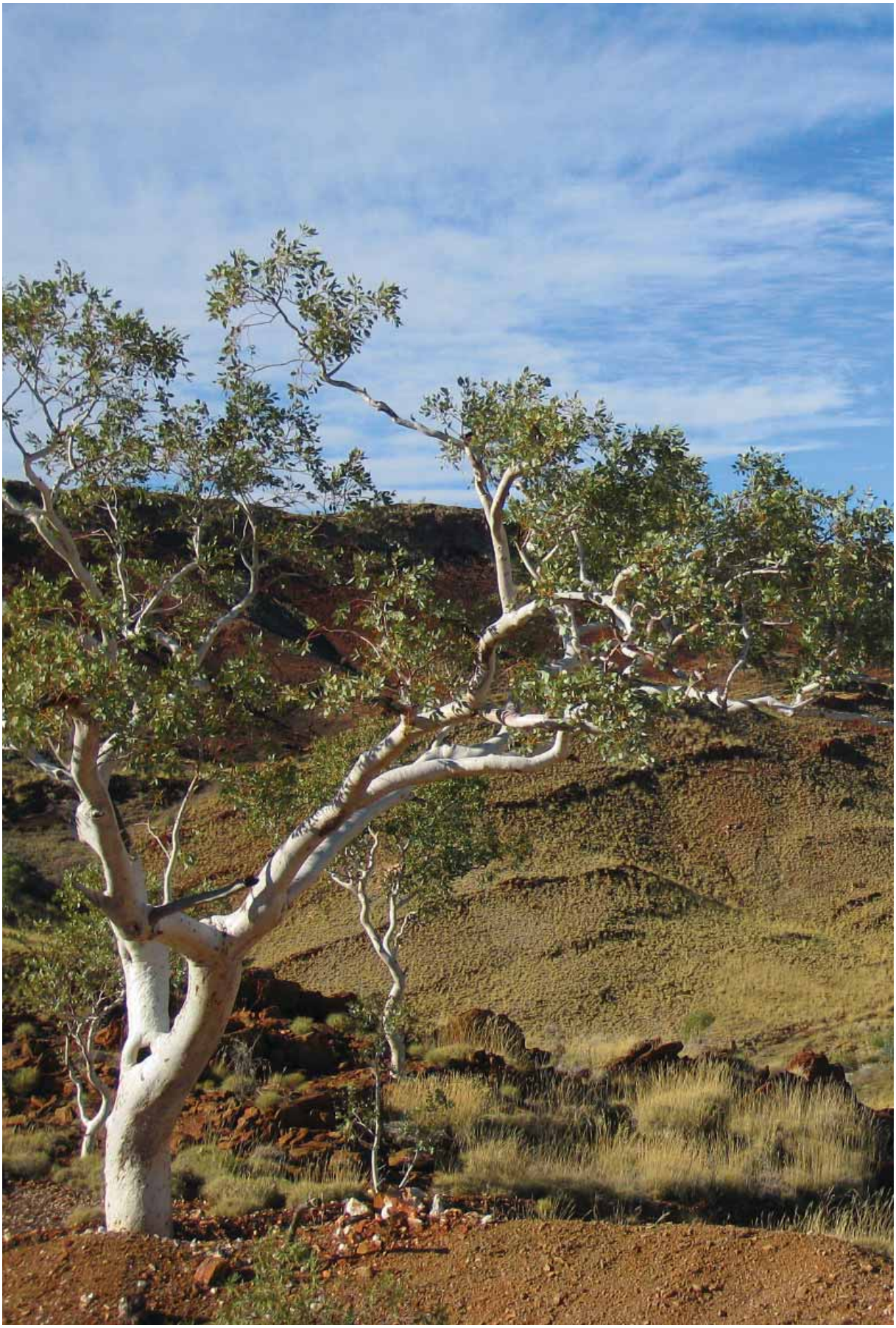
Copper Hills Prospect

(De Grey 2007/2008 drilling)

HOLE ID	East	North	From (m)	To (m)	Interval (m)	Copper %
CHAC026	**770,754**	**7,243,071**	**36**	**40**	**4**	**0.12**
CHRB001	**768,880**	**7,242,480**	**20**	**28**	**8**	**0.20**

Note: Co ordinates are MGA 50, holes drilled to south at approximately 60º. Samples are 4m speared composites. Intersections calculated using a 0.10% Cu or 0.10% Zn lower cut-off with no internal dilution. Analysis is by Ultra Trace Laboratories using Mixed Acid Digest and Inductively Coupled Plasma (ICP) determination.

The information in the report to which this statement is attached that relates to Mineralisation or Exploration Results is based on information complied by Mr David Hammond, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Hammond has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Hammond consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



directors report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of De Grey Mining Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

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 current and former 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

Campbell Ansell, FCA, MAICD (Independent Non Executive Chairman from July 2006, director since September 2000, member of audit and remuneration committees).

Campbell Ansell is a Chartered Accountant who is also a director of Castle Minerals Ltd. 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. Campbell holds/has held the following directorships in the last 3 years: Croesus Mining NL [12/1997 to 3/2006], Dragon Mining NL [4/1990 to 3/2006], Azure Minerals Limited [9/2003 to 6/2007] Universal Resources Ltd [3/2002 to 12/2007] and Castle Minerals Ltd [director since 9/2005].

Gary Brabham, BAppSc (app Geol), MSc (Geol), PGCert (Geostats), MAusIMM, MAIG (Managing Director from January 2008, director since November 2005).

Gary Brabham was appointed to the board in November 2005. He has more than 25 years experience in mine geology and mineral exploration for a variety of commodities. As chief geologist for several Australian and overseas gold projects, and through consulting roles with Hellman & Schofield, Gary has seen a number of projects through evaluation, feasibility and mine start-up phases. Gary is a former director of Adamus Resources Limited [7/2005 to 11/2007] within the last 3 years.

Darren Townsend, B.Eng (Mining) – Hons, EMBA (Independent Non Executive Director from January 2008, director since May 2006, Chairman of audit and remuneration committees).

Darren joined De Grey Mining Ltd in 2004 as General Manager - Operations and is well versed in the company's activities.

He has a Bachelor of Mining Engineering degree, with Honours and has completed post graduate business qualifications. Darren has extensive operational and technical experience and was previously General Manager of Sons of Gwalia's Wodgina tantalum operation. Prior to this, Darren worked as Superintendent of Mine Production with Rio Tinto at Mt Tom Price.

Craig Oliver was a director from the beginning of the financial year until his resignation on 30 April 2008.

Denis O'Meara was a director from the beginning of the financial year until his retirement on 17 July 2007.

COMPANY SECRETARY

Dennis William Wilkins, B.Bus, AICD, ACIS

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 have 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 Bonaparte Diamond Mines NL, Key Petroleum Limited and Minemakers Limited. Mr Wilkins is a former director of Marengo Mining Limited and South Boulder Mines Limited within the last 3 years.

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
Campbell Ansell	270,645	-
Gary Brabham	144,645	2,000,000
Darren Townsend	346,626	2,000,000

PRINCIPAL ACTIVITIES

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

There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The operating loss after income tax of the Group for the year ended 30 June 2008 was $2,421,060 (2007: $6,096,080). Included in this loss figure is an amount of exploration expenditure ($3,745,501). Refer notes to the financial statements note 1(l).

Summarised operating results are as follows:

	2008	
	Revenues $	Results $
Consolidated entity revenues and loss from ordinary activities before income tax expense	3,000,318	(2,421,060)

	Shareholder Returns	
	2008	2007
Basic loss per share (cents)	(1.2)	(3.4)

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

Other than as disclosed in this Annual Report no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 24, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

The Group 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 Group are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

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 Group'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 Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group 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, performance and experience) and superannuation. The board reviews executive packages annually by reference to the Group'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 and retain 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%. Some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation. In addition, original directors receive a retirement benefit equal to three times the average of their last three years annual directors' fees and new directors receive options in the company in accordance with the employees and contractors option incentive plan.

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 $250,000). Fees for non-executive directors are not linked to the performance of the Group. However, to

align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance based remuneration

The company currently has no 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 the direct positive relationship between shareholders investment objectives and directors and executives performance. 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 to note 17 of the financial statements.

B Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of De Grey Mining Limited and the De Grey Mining Group are set out in the following table.

The key management personnel of De Grey Mining Limited and the Group include the directors and company secretary as per page 3 above and the following executive officer who has authority and responsibility for planning, directing and controlling activities within the Group:

David Hammond – Exploration Manager

Given the size and nature of operations of De Grey Mining Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Key management personnel and other executives of De Grey Mining Limited and the Group

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement Benefits	Options	
	$	$	$	$	$	$
Directors						
Campbell Ansell						
2008	**85,000**	**-**	**7,650**	**-**	**-**	**92,650**
2007	96,250	-	8,662	13,006	-	117,918
Gary Brabham						
2008	**150,179**	**-**	**13,519**	**-**	**85,400**	**249,098**
2007	56,250	-	5,062	-	82,000	143,312
Darren Townsend						
2008	**188,195**	**-**	**15,051**	**-**	**85,400**	**288,646**
2007	250,000	-	22,500	-	269,200	541,700
Craig Oliver (resigned 30 April 2008)						
2008	**45,000**	**-**	**4,050**	**-**	**85,400**	**134,450**
2007	55,385	-	4,985	-	82,000	142,370
Denis O'Meara (retired 17 July 2007)						
2008	-	-	-	-	85,400	85,400
2007	45,000	-	4,050	-	82,000	131,050
Other key management personnel						
Dennis Wilkins						
2008	**88,990**	**-**	**-**	**-**	**-**	**88,990**
2007	126,885	-	-	-	-	126,885
David Hammond						
2008	**209,385**	**-**	**18,845**	**-**	**56,400**	**284,630**
2007	167,115	-	15,044	-	41,550	223,709
Total key management personnel compensation						
2008	**766,749**	**-**	**59,115**	**-**	**398,000**	**1,223,864**
2007	796,885	-	75,528	13,006	556,750	1,442,169

C Service agreements

The details of service agreements of the key management personnel of De Grey Mining Limited and the Group are as follows:

Gary Brabham, Managing Director:

- Term of agreement – 12 months from 7 January 2008.
- Salary, inclusive of statutory superannuation, of $292,000, plus a once off signing fee of $45,000.
- Payment of termination benefit on early termination by the company, other than for gross misconduct, equal to the fee for the remaining term of the agreement.

Dennis Wilkins, Director/Company Secretary:

- Term of agreement – 3 months notice of termination required.
- Mr Wilkins' firm, DWCorporate, is engaged to provide book-keeping, accounting and company secretarial services. Fees are charged on an hourly basis, and all amounts are included in Mr Wilkins' remuneration.

D Share-based compensation

Options are issued at no cost 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 to increase goal congruence between executives, directors and shareholders. The following options were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Gary Brabham	4/07/2007	1,000,000	4/07/2007	4/07/2010	20.0	4.1	N/A	16.4
Gary Brabham	4/07/2007	1,000,000	4/07/2007	4/07/2011	25.0	4.4	N/A	17.9
Darren Townsend	4/07/2007	1,000,000	4/07/2007	4/07/2010	20.0	4.1	N/A	14.2
Darren Townsend	4/07/2007	1,000,000	4/07/2007	4/07/2011	25.0	4.4	N/A	15.4
Craig Oliver	4/07/2007	1,000,000	4/07/2007	4/07/2010	20.0	4.1	N/A	30.4
Craig Oliver	4/07/2007	1,000,000	4/07/2007	4/07/2011	25.0	4.4	N/A	33.1
Denis O'Meara	4/07/2007	1,000,000	4/07/2007	4/07/2010	20.0	4.1	N/A	47.9
Denis O'Meara	4/07/2007	1,000,000	4/07/2007	4/07/2011	25.0	4.4	N/A	52.1
Executives								
David Hammond	19/07/2007	1,500,000	19/07/2007	4/07/2010	20.0	3.8	N/A	19.8

E Additional information

Performance income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year.

DIRECTORS' MEETINGS

During the year the company held eleven meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		Meetings of Committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Campbell Ansell	11	11	2	2	1	1
Gary Brabham	11	11	1	1	1	1
Darren Townsend	9	11	1	1	-	-
Craig Oliver	7	9	1	2	1	1
Denis O'Meara	-	-	-	-	-	-

Notes

A - Number of meetings attended.

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

SHARES UNDER OPTION

At the date of this report there are 13,925,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	9,530,000
Movements of share options during the year	
Issued, exercisable at 20 cents, on or before 4 July 2010	9,175,000
Issued, exercisable at 25 cents, on or before 4 July 2011	6,250,000
Cancelled, exercisable at 50 cents, on or before 6 November 2009	(1,000,000)
Cancelled, exercisable at 20 cents, on or before 4 July 2010	(2,250,000)
Cancelled, exercisable at 50 cents, on or before 22 November 2010	(1,000,000)
Cancelled, exercisable at 25 cents, on or before 31 December 2010	(1,030,000)
Issued, exercisable at 7.5 cents, on or before 30 June 2011	2,500,000
Cancelled, exercisable at 30 cents, on or before 30 June 2011	(1,000,000)
Cancelled, exercisable at 25 cents, on or before 4 July 2011	(2,250,000)
Cancelled, exercisable at 30 cents, on or before 10 July 2011	(3,000,000)
Cancelled, exercisable at 30 cents, on or before 30 June 2012	(1,000,000)
Cancelled, exercisable at 30 cents, on or before 30 June 2013	(1,000,000)
Total number of options outstanding as at 30 June 2008 and the date of this report	**13,925,000**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
31 March 2009	50.0	500,000
4 July 2010	20.0	6,925,000
30 June 2011	7.5	2,500,000
4 July 2011	25.0	4,000,000
Total number of options outstanding at the date of this report		**13,925,000**

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.

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.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Butler Settineri (Audit) Pty Ltd or associated entities. 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 2001*. The directors are satisfied that the provision of non-audit services by the auditor or associated entities, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;

- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Butler Settineri Chartered Accountants received or are due to receive the following amount for the provision of non-audit services:

	2008	2007
	$	$
Tax compliance services	1,450	1,300

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the directors.

Gary Brabham

Managing Director

Perth, 18 September 2008

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 2008, 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 (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 18 September 2008

Chartered Accountants

BUTLER SETTINERI

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FCA
Paul Chabrel
FCA
Lucy Gardner
CA

Butler Settineri (Audit) Pty Ltd
A.C.N. 112 942 373
Registered Company Auditor Number 289109
Liability limited by a scheme approved under Professional Standards Legislation

www.butlersettineri.com.au

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 as circumstances demand. The optimum number of directors required to supervise adequately the company's constitution will be determined within the limitations imposed by the constitution.

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 has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the remuneration and audit committees. The committee structure and membership is reviewed on an annual basis.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the company website. All matters determined by committees are submitted to the full board as recommendations for board consideration.

Minutes of committee meetings are tabled at the subsequent board meeting. Additional requirements for specific reporting by the committees to the board are addressed in the charter of the individual committees.

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 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 revised ASX Corporate Governance Principles and Recommendations 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 board has early adopted the revised Recommendations and the following table sets out the company's present position in relation to each of the revised Principles.

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	**A**	Matters reserved for the Board are included on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior 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 Managing Director and approved by the Board. Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A (in part)**	
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors	**A**	
2.2	The chair should be an independent director	**A**	
2.3	The roles of chair 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 tome 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 this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	**N/A**	Given the size and nature of the Company a formal process for evaluating performance has not been developed.
2.6	Companies should provide the information indicated in the 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	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**A**	The Company has established a Code of Conduct which can be viewed on the Company's website.

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/comment
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	**A**	The Company has formulated a securities trading policy, which can be viewed on its website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	**A**	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee	**A**	The Company has established an audit committee which comprises two non-executive Directors. The charter for this committee is disclosed on the Company's website.
4.2	The audit committee should be structured so that it:	**A (in part)**	
	• consists only of non-executive directors	**b**	
	• consists of a majority of independent directors	**b**	
	• is chaired by an independent chair, who is not chair of the board	**b**	
	• has at least three members	**r**	The Company only has two non executive directors.
4.3	The audit committee should have a formal charter	**A**	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	**A**	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	**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 actively aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	**A**	The Board receive monthly reports on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each Board meeting.
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	**A**	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 distributions of specific releases covering major transactions or events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	**A**	

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/comment
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**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. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	**N/A**	While the Company does not have formalised risk management policies it recognises its responsibility for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage these risks. This issue is regularly reviewed at Board meetings and a risk management culture is encouraged amongst employees and contractors.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**N/A**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee	**A**	
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	For details on the Remuneration Committee refer to the Corporate Governance section of the Company's website.

A = Adopted
N/A = Not adopted

Income Statements

YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
REVENUE FROM CONTINUING OPERATIONS	4	**3,000,318**	1,187,598	**3,000,318**	1,187,598
EXPENDITURE					
Depreciation expense		**(114,300)**	(113,156)	**(114,300)**	(113,156)
Employee benefits expense		**(374,695)**	(481,420)	**(374,695)**	(481,420)
Impairment expense	21(d)	**-**	-	**(1,034,831)**	(1,315,497)
Exploration expenditure		**(3,745,501)**	(5,473,769)	**(2,712,094)**	(4,160,336)
Corporate expenses		**(153,565)**	(170,050)	**(152,141)**	(167,986)
Occupancy expenses		**(101,145)**	(85,555)	**(101,145)**	(85,555)
Consulting expenses		**(110,686)**	(150,818)	**(110,686)**	(150,818)
Investor relations and advertising expenses		**(42,739)**	(84,741)	**(42,739)**	(84,741)
Administration expenses		**(99,583)**	(157,432)	**(99,583)**	(157,432)
Share based payment expense	27	**(643,730)**	(556,750)	**(643,730)**	(556,750)
Other expenses		**(35,434)**	(9,987)	**(35,434)**	(9,987)
LOSS BEFORE INCOME TAX		**(2,421,060)**	(6,096,080)	**(2,421,060)**	(6,096,080)
INCOME TAX BENEFIT / (EXPENSE)	6	**-**	-	**-**	-
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED		**(2,421,060)**	(6,096,080)	**(2,421,060)**	(6,096,080)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	26	**(1.2)**	(3.4)		

The above Income Statements should be read in conjunction with the Notes to the Financial Statements.

Balance Sheets

AT 30 JUNE 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	7	**3,887,904**	5,865,388	**3,887,904**	5,865,388
Trade and other receivables	8	**75,181**	50,842	**75,181**	50,842
Other assets	9	**52,304**	80,941	**52,304**	80,941
TOTAL CURRENT ASSETS		**4,015,389**	5,997,171	**4,015,389**	5,997,171
NON-CURRENT ASSETS					
Other financial assets	10	**2,048,634**	1,518,000	**2,048,634**	1,518,000
Plant and equipment	11	**340,110**	353,067	**340,110**	353,067
TOTAL NON-CURRENT ASSETS		**2,388,744**	1,871,067	**2,388,744**	1,871,067
TOTAL ASSETS		**6,404,133**	7,868,238	**6,404,133**	7,868,238
CURRENT LIABILITIES					
Trade and other payables	12	**263,239**	741,448	**263,239**	741,448
Provisions	13	**215,103**	229,803	**215,103**	229,803
TOTAL CURRENT LIABILITIES		**478,342**	971,251	**478,342**	971,251
TOTAL LIABILITIES		**478,342**	971,251	**478,342**	971,251
NET ASSETS		**5,925,791**	6,896,987	**5,925,791**	6,896,987
EQUITY					
Contributed equity	14	**37,781,744**	37,583,745	**37,781,744**	37,583,745
Reserves	15(a)	**1,964,457**	1,584,050	**1,964,457**	1,584,050
Accumulated losses	15(b)	**(33,820,410)**	(32,270,808)	**(33,820,410)**	(32,270,808)
TOTAL EQUITY		**5,925,791**	6,896,987	**5,925,791**	6,896,987

The above Balance Sheets should be read in conjunction with the Notes to the Financial Statements.

Statements of Changes in Equity

YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		**6,896,987**	3,985,111	**6,896,987**	3,985,111
Employee share options	15	**643,730**	556,750	**643,730**	556,750
Supplier options	15	**77,500**	-	**77,500**	-
Available-for-sale Reserve	15	**530,634**	897,000	**530,634**	897,000
NET INCOME RECOGNISED DIRECTLY IN EQUITY		**1,251,864**	1,453,750	**1,251,864**	1,453,750
LOSS FOR THE YEAR		**(2,421,060)**	(6,096,080)	**(2,421,060)**	(6,096,080)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED		**(1,169,196)**	(4,642,330)	**(1,169,196)**	(4,642,330)
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	14	**198,000**	7,823,698	**198,000**	7,823,698
Transaction costs	14	**-**	(269,492)	**-**	(269,492)
		198,000	7,554,206	**198,000**	7,554,206
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		**5,925,791**	6,896,987	**5,925,791**	6,896,987

The above Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statements of Cash Flows

YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		**(922,245)**	(1,404,229)	**(920,821)**	(1,402,164)
Interest received		**220,941**	324,892	**220,941**	324,892
Payments for exploration and evaluation expenditure		**(4,129,345)**	(5,292,387)	**(3,095,938)**	(3,978,955)
Research and development tax offset received		**43,410**	110,750	**43,410**	110,750
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	**25**	**(4,787,239)**	(6,260,974)	**(3,752,408)**	(4,945,477)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		**(148,769)**	(147,844)	**(148,769)**	(147,844)
Proceeds on disposal of plant and equipment		**23,084**	150,335	**23,084**	150,335
Proceeds on sale of tenements		**10,000**	100,000	**10,000**	100,000
Proceeds on sale of other financial assets		**2,727,440**	-	**2,727,440**	-
Advances to related parties		**-**	-	**(1,034,831)**	(1,315,497)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**2,611,755**	102,491	**1,576,924**	(1,213,006)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		**198,000**	7,751,198	**198,000**	7,751,198
Payment of share issue costs		**-**	(269,492)	**-**	(269,492)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**198,000**	7,481,706	**198,000**	7,481,706
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,977,484)**	1,323,223	**(1,977,484)**	1,323,223
Cash and cash equivalents at the beginning of the financial year		**5,865,388**	4,542,165	**5,865,388**	4,542,165
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**3,887,904**	5,865,388	**3,887,904**	5,865,388

The above Statements of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for De Grey Mining Limited as an individual entity and the consolidated entity consisting of De Grey Mining Limited and its subsidiaries. The financial report is presented in the Australian currency. De Grey Mining Limited is a company limited by shares, domiciled and incorporated in Australia. The financial report was authorised for issue by the directors on 18 September 2008. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Interpretations and the Corporations Act 2001.

Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of De Grey Mining Limited complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of De Grey Mining Limited ("company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. De Grey Mining Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of De Grey Mining Limited.

(ii) Joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of joint venture activities have been incorporated in the financial statements under the appropriate heading. Details of the joint ventures are set out in note 23.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns

Notes to the Financial Statements

30 JUNE 2008

that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

d) Revenue recognition

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

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

De Grey Mining Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, De Grey Mining Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, De Grey Mining Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 6(d).

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum

Notes to the Financial Statements

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lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(j) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's

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management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(k) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the

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replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost, net of their residual values, over their estimated useful lives. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(l) Exploration and evaluation costs

Exploration and evaluation costs are expensed as they are incurred.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

(n) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the balance sheet date are recognised in other payables in respect of employees' services up to the balance sheet date and are measured at the amounts expected to be paid when the liabilities are settled.

(o) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 27.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(p) Contributed equity

Ordinary shares are classified as equity.

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Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Adoption of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(t) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

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(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgement:

Exploration expenditure

Exploration and evaluation costs are expensed as they are incurred.

(ii) Significant accounting estimates and assumptions

The Group has not made any significant estimates or assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia, neither the Group nor the parent entity are exposed to foreign exchange risk.

(ii) Price risk

Given the current level of operations, neither the Group nor the parent entity are exposed to price risk.

(iii) Interest rate risk

The Group and the parent entity are exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group and the parent entity $3,887,904 (2007: $5,865,388) are subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group and the parent entity was 7.1% (2007: 6.0%).

Sensitivity analysis

At 30 June 2008, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for both the Group and the parent entity would have been $24,500 lower/higher (2007 - $44,500 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

Neither the Group nor the parent entity have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the balance sheet and notes to the financial statements.

As the Group does not presently have any trade debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

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(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group and the parent entity are confined to trade and other payables as disclosed in the Balance Sheet. All trade and other payables are non-interest bearing and due within 12 months of the balance sheet date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group and the parent entity at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

Description of segments

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

4. REVENUE

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
From continuing operations				
Other revenue				
Interest	**219,468**	332,464	**219,468**	332,464
Net gain on sale of other financial assets	**2,377,440**	-	**2,377,440**	-
Net gain on sale of tenements	**360,000**	641,994	**360,000**	641,994
Net gain on disposal of plant and equipment	**-**	102,390	**-**	102,390
Research and development tax offset	**43,410**	110,750	**43,410**	110,750
	3,000,318	1,187,598	**3,000,318**	1,187,598

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	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
5. EXPENSES				
Loss before income tax includes the following specific expenses:				
Net loss on disposal of plant and equipment	**24,342**	-	**24,342**	-
Rental of premises under operating lease	**83,613**	71,151	**83,613**	71,151
Contributions to superannuation funds	**180,111**	132,302	**180,111**	132,302
6. INCOME TAX				
(a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Adjustments for current tax of prior years	-	-	-	-
	-	-	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	**(2,421,060)**	(6,096,080)	**(2,421,060)**	(6,096,080)
Prima facie tax benefit at the Australian tax rate of 30% (2007: 30%)	**(726,318)**	(1,828,824)	**(726,318)**	(1,828,824)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	**-**	167,025	**-**	167,025
Capital raising fees	**(56,819)**	(57,084)	**(56,819)**	(57,084)
Research & Development expenditure claimed	**35,925**	45,716	**35,925**	45,716
Impairment of non-current assets	**-**	-	**310,450**	394,649
Sundry items	**1,566**	(98,981)	**1,566**	(98,981)
	(745,646)	(1,772,148)	**(435,196)**	(1,377,499)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**745,646**	1,772,148	**435,196**	1,377,499
Income tax expense	-	-	-	-
(c) Unrecognised deferred tax assets				
(i) Unrecognised deferred tax liability				
Available-for-sale financial assets	**425,890**	266,700	**425,890**	266,700
Gross deferred tax liability	**425,890**	266,700	**425,890**	266,700
(ii) Unrecognised deferred tax assets				
Provisions	**82,379**	74,660	**4,920,986**	4,602,818
Capital raising fees	**117,358**	174,178	**117,358**	174,178
Carry forward tax losses	**9,844,903**	8,944,187	**9,534,453**	8,549,538
Gross deferred tax assets	**10,044,640**	9,193,025	**14,572,797**	13,326,534
Set-off of deferred tax liability (refer (c)(i) above)	**(425,890)**	(266,700)	**(425,890)**	(266,700)
Net deferred tax assets	**9,618,750**	8,926,325	**14,146,907**	13,059,834

No deferred tax asset has been recognised for the above balance as at 30 June 2008 as it is not considered probable that future taxable profits will be available against which it can be utilised.

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6. INCOME TAX (CONT'D)

(d) Tax consolidation

Effective 1 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.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate De Grey Mining Limited for any current tax payable assumed and are compensated by De Grey Mining Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to De Grey Mining Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

(e) Franking credits

The company has no franking credits available for use in future years.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank and in hand	**428,059**	689,669	**428,059**	689,669
Short-term deposits	**3,459,845**	5,175,719	**3,459,845**	5,175,719
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows	**3,887,904**	5,865,388	**3,887,904**	5,865,388

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Sundry debtors (note (a))	**75,181**	50,842	**75,181**	50,842

(a) Terms and conditions

Sundry debtors are non-interest bearing and have repayment terms between 30 and 90 days.

9. CURRENT ASSETS – OTHER ASSETS

Prepayments	**52,304**	80,941	**52,304**	80,941

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	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
10. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS					
Shares in controlled entities – at cost	22	**-**	-	**3,500,279**	3,500,279
Loans to controlled entities		**-**	-	**12,628,413**	11,593,582
Provision for impairment (note (a))		**-**	-	**(16,128,692)**	(15,093,861)
Shares and options in listed companies (note (b))		**2,048,634**	1,518,000	**2,048,634**	1,518,000
		2,048,634	1,518,000	**2,048,634**	1,518,000

(a) Provision for impairment

As at 30 June 2008 loans to, and investments in, controlled entities have been provided for impairment in full because the companies currently have no revenue streams or assets to enable repayment of the loans, and no returns on investment will be received in the foreseeable future.

Movements in the provision for impairment are as follows:

	Parent Entity	
	2008	2007
	$	$
Balance at the beginning of the year	**15,093,861**	13,778,363
Provision for impairment recognised during the year	**1,034,831**	1,315,198
	16,128,692	15,093,861

(b) Shares and options in listed companies

Shares and options in listed companies are valued based on the market value of shares and options held at balance date.

11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment				
Cost	**670,480**	604,723	**670,480**	604,723
Accumulated depreciation	**(330,370)**	(251,656)	**(330,370)**	(251,656)
Net book amount	**340,110**	353,067	**340,110**	353,067
Plant and equipment				
Opening net book amount	**353,067**	367,568	**353,067**	367,568
Additions	**148,769**	147,844	**148,769**	147,844
Disposals	**(47,426)**	(49,189)	**(47,426)**	(49,189)
Depreciation charge	**(114,300)**	(113,156)	**(114,300)**	(113,156)
Closing net book amount	**340,110**	353,067	**340,110**	353,067

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12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Trade payables	**159,662**	122,036	**159,662**	122,036
Other payables and accruals	**103,577**	619,412	**103,577**	619,412
	263,239	741,448	**263,239**	741,448

Included in trade and other payables above is an amount of $243,239 (2007: $682,262) relating to exploration.

13. CURRENT LIABILITIES – PROVISIONS

Employee benefits				
Annual leave	**54,947**	69,647	**54,947**	69,647
Retirement benefit	**160,156**	160,156	**160,156**	160,156
	215,103	229,803	**215,103**	229,803

14. CONTRIBUTED EQUITY

	Notes	2008		2007	
		Number of shares	$	Number of shares	$
Ordinary shares fully paid	14(b),14(d)	**206,531,738**	**37,781,744**	206,531,738	37,583,745
Total contributed equity		**206,531,738**	**37,781,744**	206,531,738	37,583,745

(b) Movements in ordinary share capital

	Notes	2008		2007	
		Number of shares	$	Number of shares	$
Beginning of the financial year		206,531,738	37,583,745	139,225,620	30,029,539
Issued during the year:					
- Cash received in advance of share issue		-	197,999	**-**	-
- Issued for cash at 11 cents per share		-	-	**39,971,118**	4,396,823
- Issued for cash at 12.5 cents per share		-	-	**26,835,000**	3,354,375
- Issued as consideration for the acquisition of tenements at 14.5 cents per share		-	-	**500,000**	72,500
Less: Transaction costs		-	**-**	-	(269,492)
End of the financial year		206,531,738	**37,781,744**	206,531,738	37,583,745

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(c) Movements in options on issue

	Number of options	
	2008	2007
Beginning of the financial year	**9,530,000**	3,030,000
Issued/(cancelled) during the year:		
- Exercisable at 50 cents, on or before 6 Nov 2009	**(1,000,000)**	-
- Exercisable at 20 cents, on or before 4 Jul 2010	**6,925,000**	-
- Exercisable at 50 cents, on or before 22 Nov 2010	**(1,000,000)**	-
- Exercisable at 25 cents, on or before 31 Dec 2010	**(1,030,000)**	500,000
- Exercisable at 7.5 cents, on or before 30 Jun 2011	**2,500,000**	-
- Exercisable at 30 cents, on or before 30 Jun 2011	**(1,000,000)**	1,000,000
- Exercisable at 25 cents, on or before 4 Jul 2011	**4,000,000**	-
- Exercisable at 30 cents, on or before 10 Jul 2011	**(3,000,000)**	3,000,000
- Exercisable at 30 cents, on or before 30 Jun 2012	**(1,000,000)**	1,000,000
- Exercisable at 35 cents, on or before 30 Jun 2013	**(1,000,000)**	1,000,000
End of the financial year	**13,925,000**	9,530,000

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

All shares issued are fully paid and have no par value.

(e) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2008 and 30 June 2007 are as follows**:**

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Cash and cash equivalents		3,887,904	5,865,388	**3,887,904**	5,865,388
Trade and other receivables		75,181	50,842	**75,181**	50,842
Other assets		52,304	80,941	**52,304**	80,941
Trade and other payables		(263,239)	(741,448)	**(263,239)**	(741,448)
Provisions		(215,103)	(229,803)	**(215,103)**	(229,803)
Working capital position		3,537,047	5,025,920	**3,537,047**	5,025,920

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15. RESERVES AND ACCUMULATED LOSSES

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
(a) Reserves					
Available-for-sale reserve		**1,419,634**	889,000	**1,419,634**	889,000
Share-based payments reserve		**544,823**	695,050	**544,823**	695,050
		1,964,457	1,584,050	**1,964,457**	1,584,050
Movements:					
Available-for-sale reserve					
Balance at beginning of year		**889,000**	(8,000)	**889,000**	(8,000)
Transfer to Income Statement on sale of Shares and Options in listed companies		**(2,326,440)**	-	**(2,326,440)**	-
Revaluation of Shares and Options in listed companies		**2,857,074**	897,000	**2,857,074**	897,000
Balance at end of year		**1,419,634**	889,000	**1,419,634**	889,000
Share-based payments reserve					
Balance at beginning of year		**695,050**	138,300	**695,050**	138,300
Option expense		**721,230**	556,750	**721,230**	556,750
Transfer to Accumulated Losses on cancellation of options		**(871,457)**	-	**(871,457)**	-
Balance at end of year		**544,823**	695,050	**544,823**	695,050
(b) Accumulated losses					
Balance at beginning of year		**(32,270,808)**	(26,174,728)	**(32,270,808)**	(26,174,728)
Net loss for the year		**(2,421,060)**	(6,096,080)	**(2,421,060)**	(6,096,080)
Transfer from Share-Based Payments Reserve		**871,457**	-	**871,457**	-
Balance at end of year		**(33,820,410)**	(32,270,808)	**(33,820,410)**	(32,270,808)

(c) Nature and purpose of reserves

(i) Available-for-sale reserve

The available-for-sale reserve is used to record changes in fair value on available-for-sale financial assets.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity benefits provided to either employees or directors as remuneration or to suppliers as payment for products and services.

16. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

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17. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Short-term benefits		**766,749**	796,885	**766,749**	796,885
Post employment benefits		**59,115**	88,534	**59,115**	88,534
Other long-term benefits		**-**	-	**-**	-
Termination benefits		**-**	-	**-**	-
Share-based payments		**398,000**	556,750	**398,000**	556,750
		1,223,864	1,442,169	**1,223,864**	1,442,169

The company has taken advantage of the relief provided by AASB 2008-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 5 and 6.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 7.

(ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of De Grey Mining Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2008	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of De Grey Mining Limited							
Campbell Ansell	-	-	-	-	-	-	-
Gary Brabham	**1,000,000**	**2,000,000**	-	**(1,000,000)**	**2,000,000**	**2,000,000**	-
Darren Townsend	**3,000,000**	**6,500,000**	-	**(7,500,000)**	**2,000,000**	**2,000,000**	-
Craig Oliver	**1,000,000**	**2,000,000**	-	**(3,000,000)**	-	-	-
Denis O'Meara	**3,000,000**	**2,000,000**	-	**(5,000,000)**	-	-	-
Other key management personnel of the Group							
Dennis Wilkins	-	-	-	-	-	-	-
David Hammond	**500,000**	**1,500,000**	-	**(500,000)**	**1,500,000**	**1,500,000**	-

All vested options are exercisable at the end of the year.

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2007	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of De Grey Mining Limited							
Campbell Ansell	-	-	-	-	-	-	-
Gary Brabham	-	3,000,000	-	-	3,000,000	3,000,000	-
Darren Townsend	2,000,000	1,000,000	-	-	3,000,000	3,000,000	-
Craig Oliver	-	1,000,000	-	-	1,000,000	1,000,000	-
Denis O'Meara	-	1,000,000	-	-	1,000,000	1,000,000	-
Other key management personnel of the Group							
Dennis Wilkins	-	-	-	-	-	-	-
David Hammond	-	500,000	-	-	500,000	500,000	-

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of De Grey Mining Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2008	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of De Grey Mining Limited				
Ordinary shares				
Campbell Ansell	**190,000**	**-**	**-**	**190,000**
Gary Brabham	**-**	**-**	**64,000**	**64,000**
Darren Townsend	**261,981**	**-**	**-**	**261,981**
Craig Oliver	**-**	**-**	**-**	**-**
Denis O'Meara	**2,410,197**	**-**	**(2,410,197)**	**-**
Other key management personnel of the Group				
Ordinary shares				
Dennis Wilkins	-	-	-	-
David Hammond	-	-	-	-

2007	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of De Grey Mining Limited				
Ordinary shares				
Campbell Ansell	150,000	-	40,000	190,000
Gary Brabham	56,526	-	205,455	261,981
Darren Townsend	2,444,742	-	(34,545)	2,410,197
Craig Oliver	-	-	-	-
Denis O'Meara	-	-	-	-
Other key management personnel of the Group				
Ordinary shares	-	-	-	-
Dennis Wilkins	-	-	-	-
David Hammond	-	-	-	-

Notes to the Financial Statements

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(c) Loans to key management personnel

There were no loans to key management personnel during the year.

(d) Other transactions with key management personnel

Services

DWCorporate, a business 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 included as part of Mr Wilkins compensation.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
18. REMUNERATION OF AUDITORS				
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:				
(a) Audit services				
Butler Settineri (Audit) Pty Ltd - audit and review of financial reports	**27,082**	25,784	**27,082**	25,784
Total remuneration for audit services	**27,082**	25,784	**27,082**	25,784
(b) Non-audit services				
Butler Settineri Chartered Accountants - tax compliance services	**1,450**	1,300	**1,450**	1,300
Total remuneration for other services	**1,450**	1,300	**1,450**	1,300

19. CONTINGENCIES

In relation to tenement acquisition agreements entered into by the Group, the following additional cash may be paid or shares issued dependent on future events:

Friendly Creek Option Agreement

- On purchase of the hard rock rights (greater than 10m depth) to all minerals with no residual interest $175,000 cash.
- On purchase of the residual alluvial rights for all minerals $300,000 cash.

Fortescue Island Option Agreement

- Upon grant of the tenement, $50,000 cash and 2.5 million ordinary shares for a 2 year option to purchase.
- On exercise of the option within the 2 year period, $250,000 cash and 5 million ordinary shares. Alternatively, if the option may be extended for a further 2 year period for $100,000 cash and 2.5 million ordinary shares.
- On exercise if the option period is extended, $500,000 cash and 2.5 ordinary shares.
- Upon purchase of the tenement the vendor is to retain a 1% royalty on the gross value of minerals produced.

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20. 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:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
within one year	**893,107**	479,536	**497,440**	448,087
later than one year but not later than five years	**3,638,188**	828,866	**2,055,520**	752,199
later than five years	**-**	-	**-**	-
	4,531,295	1,308,402	**2,552,960**	1,200,286
(b) Lease commitments: Group as lessee				
Operating leases (non-cancellable):				
Minimum lease payments				
within one year	**110,220**	84,079	**110,220**	84,079
later than one year but not later than five years	**-**	-	**-**	-
later than five years	**-**	-	**-**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**110,220**	84,079	**110,220**	84,079

The property lease is a non-cancellable lease with a one-year term, with rent payable monthly in advance. The lease allows for subletting of all lease areas.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
(c) Remuneration commitments				
Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in section C of the remuneration report on page 6 that are not recognised as liabilities and are not included in the key management personnel compensation.				
within one year	**160,775**	71,500	**160,775**	71,500
later than one year but not later than five years	**-**	-	**-**	-
later than five years	**-**	-	**-**	-
	160,775	71,500	**160,775**	71,500

(d) Capital commitments

Neither the Group nor the Parent Entity has any capital commitments as at the current or prior balance date.

Notes to the Financial Statements

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21. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is De Grey Mining Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 22.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 17.

(d) Loans to related parties

Loans to subsidiaries

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Beginning of the year		-	-	**-**	-
Loans advanced		-	-	**1,034,831**	1,315,497
Loan repayments received		-	-	**-**	-
Provision for impairment		-	-	**(1,034,831)**	(1,315,497)
End of year		-	-	**-**	-

De Grey Mining Limited has provided unsecured, interest free loans to its wholly owned subsidiaries, Beyondie Gold Pty Ltd, Domain Mining Pty Ltd and Winterwhite Resources Pty Ltd. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiaries and the market in which the subsidiaries operate to determine whether there is objective evidence that the loans are impaired. When such objective evidence exists, the company recognises an allowance for the impairment loss.

22. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding*	
			2008	2007
			%	%
Beyondie Gold Pty Ltd	Australia	Ordinary	100	100
Domain Mining Pty Ltd	Australia	Ordinary	100	100
Winterwhite Resources Pty Ltd	Australia	Ordinary	100	100

*The proportion of ownership interest is equal to the proportion of voting power held.

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23. INTERESTS IN JOINT VENTURES

(a) Wallareenya Prospect

In September 2005 the company entered into an agreement to farm out 100% of the iron ore rights in tenements hosting the Wallareenya Prospect, located 50 km south east of Port Hedland, to Atlas Iron Limited, an Australian publicly listed company. In consideration De Grey received an initial 100,000 shares in Atlas on signing of the agreement to evaluate the prospect, and a further 1,000,000 shares when Atlas exercised their option. De Grey has retained a 2% gross sales revenue royalty and retains a one off right to claw back 30% equity for two times Atlas' exploration spend across the prospect if Atlas defines a resource exceeding 3 mt. The joint venture has a carrying value of nil.

(b) Tabba Tabba Shear

In November 2005 the company entered into separate agreements with Thundelarra Exploration Limited and Attgold Pty Ltd to acquire an extra 22 kilometres of strike along the Tabba Tabba Shear in the company's Turner River Province, 60 kms south of Port Hedland. Under the agreement with Thundelarra (tenement E45/2611) the company is to reimburse Thundelarra $10,000 on signing of the agreement, and can earn a 60% interest by exploration expenditure of $180,000 within 2 years of grant. The agreement with Attgold (tenement ELA45/2364) required a payment of $50,000 to Attgold on signing of the option, after which De Grey had 18 months to decide if they wish to acquire the tenement. In February 2007 De Grey acquired 100% of the tenement by exercising the option and issuing 500,000 fully paid ordinary shares to Attgold and granting Attgold a royalty of $1/t up to a maximum of $750,000. Both agreements relate to gold, base and precious metals, and the joint ventures both have a carrying value of nil.

(c) Yandeyarra

In November 2007 the company entered into a joint venture agreement with Chalice Gold Mines Limited to explore for base and precious metals at Yandeyarra, 100kms south of Port Hedland and abutting the southern parts of De Grey's Turner River project. The terms of the agreement require De Grey to issue 2 million ordinary shares and 2 million options exercisable at 20 cents with a 3 year term upon signing of the final agreement. Stage 1 of the agreement allows De Grey to earn 60% of the rights to all minerals other than iron ore and uranium for an expenditure of $835,000 on exploration over a 2 year period. Stage 2 gives De Grey the option to elect to earn up to 80% of the rights over a further 3 year period by spending an additional $835,000. The terms of the joint venture exclude alluvial gold mining rights, however any hard rock occurrences take precedence over any alluvial rights. Various royalties are payable to previous tenement holders. A 2% net smelter royalty is payable on all minerals other than gold. Gold royalties range between $1/tonne of ore processed up to a 3% royalty based on gold sales revenue for any underground mining that mines at grades greater than 10g/t Au. The joint venture has a carrying value of nil.

(d) Turner River Project

During March 2008 the company entered into an agreement to farm out 70% of the base and precious metals rights of the turner River Project, 60 kilometres south of Port Hedland, to Claremont Resources Limited. Under the agreement Claremont is to earn 70% equity in the Project by expenditure of $5 million over a 2 year period with at least $2 million to be expended in year one. Claremont are required to spend at least $1 million prior to withdrawal. De Grey to be free carried at 30% equity of the Project to decision to mine. De Grey retains the right to repurchase, at any time up to 60 days after a decision to mine, 40% equity such that interests are 30% Claremont, 70% De Grey. Repurchase price to be the greater of $5 million or 4 times the expenditure incurred by Claremont on JV activities prior to the date on which De Grey elects to repurchase. The joint venture has a carrying value of nil.

(e) Yule Project

In April 2008 the company entered into an agreement to farm-in to the Yule Project with Talison Wodgina Pty Ltd, being the exploration for gold and base metals at Tambourah and Wodgina, 100 to 170kms south of Port Hedland. De Grey can earn a 60% interest in the Project by expenditure of $675,000 over two years. Rights to iron ore, pegmatite-hosted minerals and uranium are excluded from the deal. De Grey must spend a minimum of $300,000 in the first year prior to withdrawal. De Grey may elect to increase its interest to 80% by expenditure of a further $1.35 million over a further three year period. Upon formation of a joint venture at the end of the earn-in-phase, Talison may elect to retain 20% interest by contributing pro-rata to further expenditure or reduce to 10% free carried interest to completion of a feasibility study. At decision to mine, Talison may elect to contribute pro rata to mine development costs or convert its interest to a 2% net smelter royalty. The joint venture has a carrying value of nil.

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23. INTERESTS IN JOINT VENTURES (CONTD.)

(f) Mt Dove

In September 2005 the company entered into an option agreement to sell the iron ore rights over the Mt Dove Project, located 70 km south east of Port Hedland, to Atlas Iron Limited. In consideration De Grey received an initial 156,694 shares in Atlas (being $350,000 at the volume weighted average price for the 5 days prior to 10 April 2008) on signing of the agreement, and will receive a payment of $650,000 in cash or 325,000 Atlas shares (at De Grey's election) no later than 12 months from the date of the formal agreement. De Grey has retained a 1% gross sales revenue royalty.

(g) Beyondie Project

During May 2008 the company entered into an agreement to farm out the iron ore and related minerals rights over a portion of the Beyondie Project, located approximately 175 kilometres south of Newman, to Emergent Resources Limited. Under the agreement Emergent is to earn 60% equity in the Project by expenditure of $750,000 over a 2 year period with at least $250,000 to be expended in year one prior to withdrawal. Emergent may elect to increase its interest to 80% by expenditure of a further $1 million over an additional year. After cumulative expenditure of $1.75 million by Emergent, De Grey retains 20% free carried interest through to decision to mine, at which time De Grey may elect to contribute pro rata to mine development costs or reduce to a 2% net smelter royalty. The joint venture has a carrying value of nil.

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

During July 2008 the Company completed a Share Purchase Plan to existing shareholders raising $1.03 million from the issue of 16,580,612 ordinary shares. No other matter or circumstance has arisen since 30 June 2008, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

	Notes	Consolidated		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
25. CASH FLOW STATEMENT					
Reconciliation of net loss after income tax to net cash outflow from operating activities					
Net loss for the year		**(2,421,060)**	(6,096,080)	**(2,421,060)**	(6,096,080)
Non-Cash Items					
Depreciation of non-current assets		**114,300**	113,156	**114,300**	113,156
Exploration expense settled by the issue of shares or options		**77,500**	72,500	**77,500**	72,500
Impairment expense		**-**	-	**1,034,831**	1,315,497
Net (gain)/loss on disposal of plant and equipment		**24,342**	(102,390)	**24,342**	(102,390)
Net gain on sale of tenements		**(360,000)**	(641,994)	**(360,000)**	(641,994)
Net gain on sale of other financial assets		**(2,377,440)**	-	**(2,377,440)**	-
Option expense		**643,730**	556,750	**643,730**	556,750
Change in operating assets and liabilities, net of effects from purchase of controlled entity					
(Increase) in trade and other receivables		**(24,339)**	(18,753)	**(24,339)**	(18,753)
(Increase)/decrease in other assets		**28,637**	(5,883)	**28,637**	(5,883)
(Decrease)/increase in trade and other payables		**(478,209)**	168,193	**(478,209)**	168,193
(Decrease) in employee entitlement provisions		**(14,700)**	(306,473)	**(14,700)**	(306,473)
Net cash outflow from operating activities		**(4,787,239)**	(6,260,974)	**(3,752,408)**	(4,945,477)

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26. LOSS PER SHARE

	Consolidated	
	2008	2007
	$	$
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share	(2,421,060)	(6,096,080)
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	206,531,738	**177,853,602**

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2008, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

27. SHARE-BASED PAYMENTS

Employees and contractors option plan

The Group provides benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby employees or consultants render services in exchange for options (for nil consideration) to acquire ordinary shares. The exercise price of the options granted range from 20 cents to 25 cents per option. All options granted to employees vest on grant date and have expiry dates ranging from 4 July 2010 to 4 July 2011. Options granted to a consultant are exercisable at 50 cents with an expiry date of 25 March 2009.

The options are granted to employees to align their interests with that of the shareholders of the company.

Supplier options

During the year a supplier was granted options as part consideration for tenement acquisition. The exercise price of the options granted is 7.5 cents. The options vested on grant date and have an expiry date of 30 June 2011.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in the capital of the company with full dividend and voting rights.

Set out below are summaries of granted options:

Grant date	Expiry date	Exercise price Cents	Balance at start of the year Number	Granted during the year Number	Cancelled during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and Parent Entity - 2008							
1 Jul 2004	25 Mar 2009	50	**500,000**	-	-	**500,000**	**500,000**
17 Nov 2004	6 Nov 2009	50	**1,000,000**	-	**(1,000,000)**	-	-
2 Dec 2005	22 Nov 2010	50	**1,000,000**	-	**(1,000,000)**	-	-
6 Apr 2006	31 Dec 2010	25	**530,000**	-	**(530,000)**	-	-
13 Jul 2006	31 Dec 2010	25	**500,000**	-	**(500,000)**	-	-
13 Jul 2006	11 Jul 2011	30	**1,000,000**	-	**(1,000,000)**	-	-
13 Jul 2006	30 Jun 2011	30	**3,000,000**	-	**(3,000,000)**	-	-
13 Jul 2006	30 Jun 2012	30	**1,000,000**	-	**(1,000,000)**	-	-
13 Jul 2006	30 Jun 2013	35	**1,000,000**	-	**(1,000,000)**	-	-
10 Jul 2007	4 Jul 2010	20	-	**6,250,000**	**(2,250,000)**	**4,000,000**	**4,000,000**
10 Jul 2007	4 Jul 2011	25	-	**6,250,000**	**(2,250,000)**	**4,000,000**	**4,000,000**
19 Jul 2007	4 Jul 2010	20	-	**2,925,000**	-	**2,925,000**	**2,925,000**
25 Jun 2008	30 Jun 2011	7.5	-	**2,500,000**	-	**2,500,000**	**2,500,000**
			9,530,000	**17,925,000**	**(13,530,000)**	**13,925,000**	**13,925,000**

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Grant date	Expiry date	Exercise price Cents	Balance at start of the year Number	Granted during the year Number	Cancelled during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and Parent Entity - 2007							
1 Jul 2004	25 Mar 2009	50	**500,000**	-	-	**500,000**	**500,000**
17 Nov 2004	6 Nov 2009	50	**1,000,000**	-	-	**1,000,000**	**1,000,000**
2 Dec 2005	22 Nov 2010	50	**1,000,000**	-	-	**1,000,000**	**1,000,000**
6 Apr 2007	31 Dec 2010	25	**530,000**	-	-	**530,000**	**530,000**
13 Jul 2007	31 Dec 2010	25	-	**500,000**	-	**500,000**	**500,000**
13 Jul 2007	11 Jul 2011	30	-	**1,000,000**	-	**1,000,000**	**1,000,000**
13 Jul 2007	30 Jun 2011	30	-	**3,000,000**	-	**3,000,000**	**3,000,000**
13 Jul 2007	30 Jun 2012	30	-	**1,000,000**	-	**1,000,000**	**1,000,000**
13 Jul 2007	30 Jun 2013	35	-	**1,000,000**	-	**1,000,000**	**1,000,000**
			3,030,000	**6,500,000**	-	**9,530,000**	**9,530,000**

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.4 years (2007: 3.9 years), and the exercise prices range from 7.5 cents to 50 cents.

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was 3.9 cents (2007: 8.6 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2008	2007
Weighted average exercise price (cents)	19.2	30.4
Weighted average life of the option (years)	3.35	5.42
Weighted average underlying share price (cents)	10.7	16.5
Expected share price volatility	70%	70%
Weighted average risk free interest rate	6.39%	5.75%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

No assumptions have been made relating to dividends or expected early exercise of the options and there are no other inputs to the model.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Options issued to employees and contractors	643,730	**556,750**	643,730	**556,750**
Options issued to a supplier	77,500	-	77,500	-
	721,230	**556,750**	721,230	**556,750**

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 38 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; 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; and

(c) the remuneration disclosures set out on pages 5 to 7 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures and the Corporations Regulations 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Gary Brabham

Managing Director

Perth, 18 September 2008

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF DE GREY MINING LIMITED

Report on the Financial Report

We have audited the attached financial report of De Grey Mining Limited (the company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both De Grey Mining Limited and the De Grey Mining Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001.

This responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Chartered Accountants

BUTLER SETTINERI

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Lucy Gardner
CA

Butler Settineri (Audit) Pty Ltd
A.C.N. 112 942 373
Registered Company Auditor Number 289109
Liability limited by a scheme approved under Professional Standards Legislation

www.butlersettineri.com.au

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion, the financial report of De Grey Mining Limited is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

b) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the remuneration report included on pages 5 to 7 of the directors' report for the year ended 30 June 2008.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of De Grey Mining Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 18 September 2008

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 18 September 2008.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	62	37,869
1,001	-	5,000	343	1,204,541
5,001	-	10,000	393	3,445,859
10,001	-	100,000	1,228	51,940,020
100,001		and over	316	166,484,061
			2,342	223,112,350
The number of shareholders holding less than a marketable parcel of shares are:			511	1,910,838

(b) Twenty largest shareholders

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

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Mineralogy Pty Ltd	22,799,908	10.22
2	Karari Australia Pty Ltd	15,790,000	7.08
3	ANZ Nominees Ltd < Cash Income A/C>	10,563,102	4.73
4	Bougainvillaea Holdings Pty Ltd <S/F A/C>	8,141,922	3.65
5	Yandal Investments Pty Ltd	6,750,000	3.03
6	W Brooks Investments Pty Ltd <B & P S/F A/C>	4,530,645	2.03
7	Manwest Group Pty Ltd	4,500,000	2.03
8	Macquarie Bank Ltd	3,527,500	1.58
9	Coutelas C M J & Francois	3,000,950	1.35
10	Tapp A J & Polymeneas M <Super Account>	2,000,000	0.90
11	Dare Eric	1,883,829	0.84
12	O'Meara Denis William	1,770,841	0.79
13	Forty Traders Ltd	1,526,100	0.68
14	Boulevade Investments Pty Ltd	1,500,000	0.67
15	Szalacki Henry	1,494,930	0.67
16	Archem Trading NZ Ltd	1,380,645	0.62
17	Button P S & Nicol P A <Christopher Jordan>	1,084,908	0.49
18	Shannon Colin J & B E <C S S/F A/C>	1,075,000	0.48
19	Chanrich Props Pty Ltd	1,061,286	0.48
20	Creasy Mark Gareth	1,000,000	0.45
		95,381,566	42.76

ASX Additional Information Contd.

(c) 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
Mineralogy Pty Ltd	22,799,908
Karari Australia Pty Ltd	15,790,000

(d) Voting rights

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

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Beyondie Base & Precious Metals	E52/1806	100%
Beyondie Base & Precious Metals	E52/1470	100%
Beyondie Base & Precious Metals	E52/1491	100%
Beyondie Base & Precious Metals	E52/2213 (A)	100%
Beyondie Base & Precious Metals	E52/2214 (A)	100%
Beyondie Base & Precious Metals	E52/2215 (A)	100%
Beyondie Base & Precious Metals	E52/2216 (A)	100%
Beyondie Base & Precious Metals	E52/2217 (A)	100%
Sulphur Springs	E45/2941	100%
Sulphur Springs	E45/3147 (A)	100%
Turner River	E45/1353	100%
Turner River	E45/1641	100%
Turner River	E45/2212	100%
Turner River	E45/2213	100%
Turner River	E45/2354	100%
Turner River	E45/2403	100%
Turner River	E45/2533	100%
Turner River	E45/2597	100%
Turner River	E45/2465	100%
Turner River	E47/891	100%
Turner River	E45/2364	100%
Turner River	E45/2611	60%
Turner River	P45/2538 (A)	100%
Turner River	P45/2539	100%
Turner River	P45/2540	100%
Turner River	P45/2544 (A)	100%

ASX Additional Information Contd.

Location	Tenement	Percentage held / earning
Turner River	P45/2545 (A)	100%
Turner River	P45/2548 (A)	100%
Turner River	P45/2549 (A)	100%
Turner River	P45/2552	100%
Turner River	P45/2556	100%
Turner River	P47/1166	100%
Turner River	P47/1167	100%
Turner River	P45/2655	100%
Turner River	E45/2995	100%
Turner River	E45/3178 (A)	100%
Turner River	E45/3179 (A)	100%
Turner River	E45/3180 (A)	100%
Sandy Creek	E47/1876 (A)	100%
Sandy Creek	P47/1424 (A)	100%
Sandy Creek	P47/1425 (A)	100%
Yandeyarra West	E47/1880 (A)	100%
Wodgina	E47/3188 (A)	100%
Paterson	E45/3042 (A)	100%
Paterson	E45/3043 (A)	100%
Paterson	E45/3044 (A)	100%
Paterson	E45/3045 (A)	100%
Paterson	E45/3046 (A)	100%
Paterson	E45/3047 (A)	100%
Turee Creek	E52/2234 (A)	100%
Fortescue Island	E08/1876 (A)	100%
Fortescue Island	E08/1877 (A)	100%

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