ANNUAL REPORT 2009

De Grey Mining Ltd

CORPORATE INFORMATION

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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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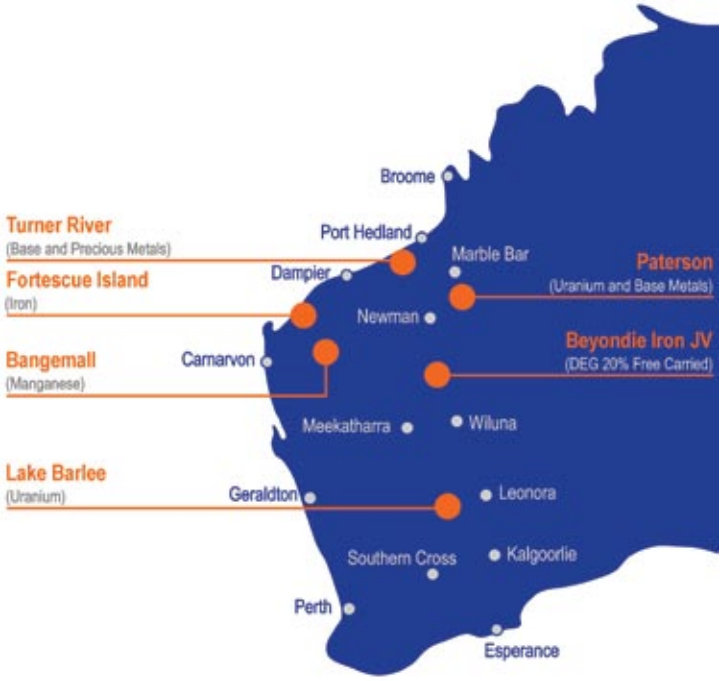
HIGHLIGHTS



TURNER RIVER PROJECT (GOLD, BASE METALS)

Desktop study indicates Wingina Well gold resource may generate attractive cash flow and profit at gold prices above A$1,400/oz, producing 20,000-25,000 oz per annum over a mine life of 3-4 years.
Minimum $1.7 million secured from farm-in partner to fund exploration for gold and base metals over the next two years.
De Grey retains 100% of Wingina Well gold resource.

PATERSON PROJECT (URANIUM, BASE METALS)

Over 2,100 sq km of ground pegged in highly prospective Paterson Province, covering targets for Nifty-style base metal and Kintyre-style uranium mineralisation. Recent release of Geoscience Australia airborne EM survey data has highlighted exciting targets.

PILBARA IRON ASSETS (IRON ORE)

Reprocessing of public domain aeromagnetic data shows potential for multi-billion tonne magnetite iron resources in shallow waters at Fortescue Island, off Cape Preston.

Farm-in partner Emergent Resources outlines maiden magnetite iron ore resource of 127Mt @ 28.15% Fe at Beyondie JV and continues drilling to increase Target Mineralisation to +1 billion tonnes. De Grey retains 20% free carried interest to decision to mine.

NEW PROJECT GENERATION

983 sq km of ground prospective for manganese pegged in the Bangemall Basin. The tenements cover 110 km strike length of prospective siltstones and dolomites with anomalous manganese geochemistry demonstrated by public domain data. Recent competitor activity on adjacent tenements has returned surface samples grading up to 56% Mn.

Radiometric data recently released by Geoscience Australia were used to highlight areas prospective for uranium throughout Western Australia. De Grey has made tenement applications over two highly anomalous palaeodrainage systems west of Leonora, targeting mineralisation similar to the nearby Lake Way and Centipede deposits.

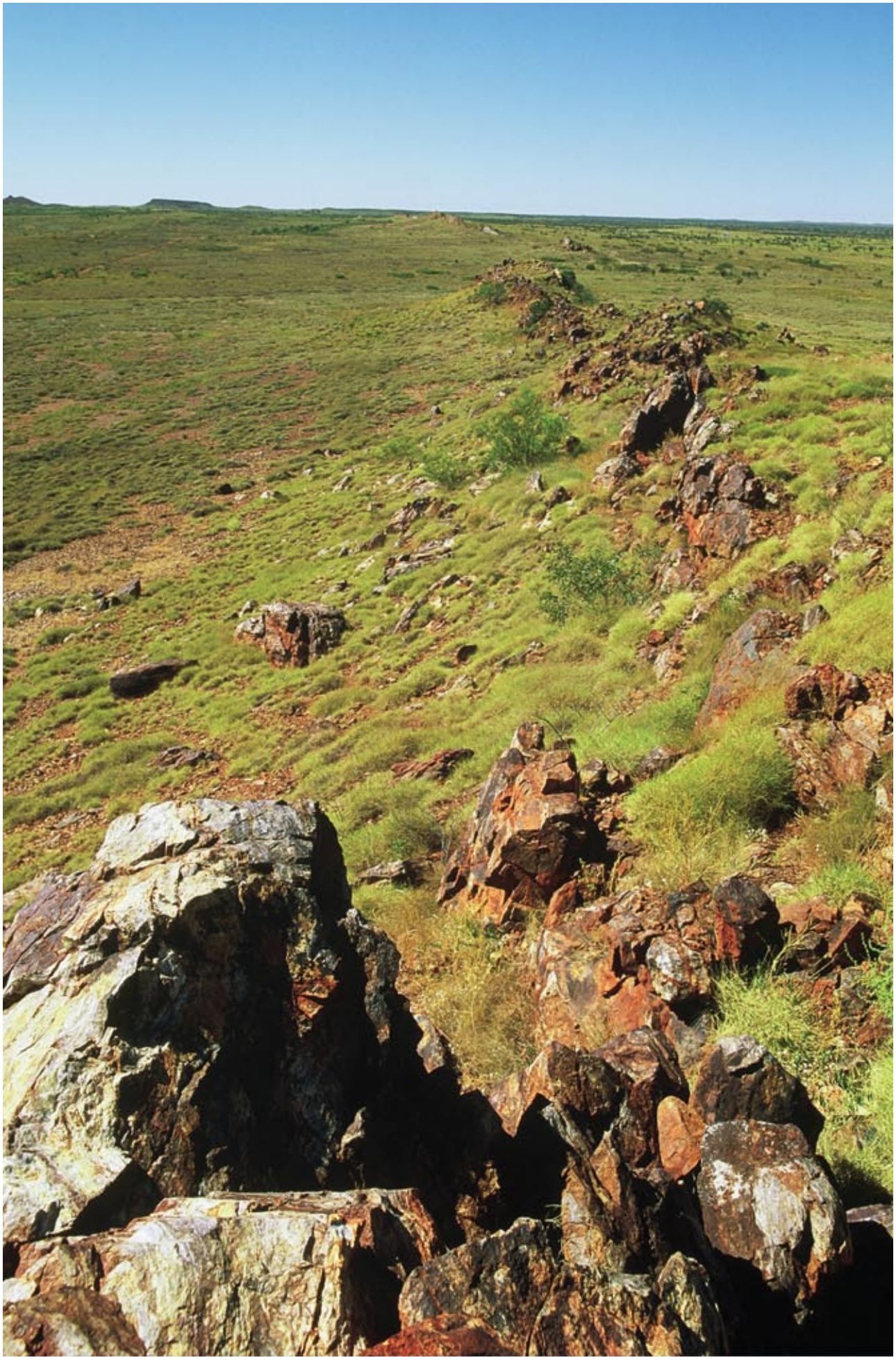
CORPORATE

Early actions to cut administration, overheads, staff numbers, directors fees and exploration spend rate have preserved the Company and its core team in good shape through the GFC.

$688,550 cash realised from the sale of Atlas Iron shares.

Cash balance at 30 June 2009 of $2.86M, sufficient to maintain the search for quality exploration assets.

$650,000 cash realised (post 30 June) from Atlas Iron's exercise of option to purchase iron ore rights at Mt Dove. De Grey retains a production royalty.



MANAGING DIRECTOR'S REPORT

The 2009 Financial Year has been tumultuous for the junior mineral exploration sector worldwide. The "sucker's rally" of metal prices and share prices that persisted through April and May 2008 deflated dramatically after June and then the global financial crisis saw the pipeline of risk capital upon which our sector relies completely dry up. A number of companies, both large and small, suffered extraordinary stress as newly started mines and operations nearing start-up had their funding severely constrained or halted.

Standard business practice in such times is to batten down the hatches for a period. Recently released results of a sector survey by Grant Thornton show that 65 per cent of Australian junior and mid-cap explorers halted expenditure on exploration in late 2008 and early 2009, 55 per cent reduced staff and 70 per cent reduced other costs. De Grey did likewise: starting in August-September we reigned in exploration spending, reduced overhead costs wherever reasonably possible and reduced personnel numbers to a workable core of key people.

The situation also prompted a more than usually rigorous reassessment of our prospects and projects and the risk/reward profile of each of them.

At Turner River we conducted a further round of aircore drilling to follow up encouraging gold intercepts at Brierly Prospect. The results from broad-spaced drill coverage continue to be tantalising but, with the next logical work program requiring a step up to more expensive RC drilling and several other prospects having reached similar maturity, the Board considered it was time to seek alternative funding to spread the risk of further exploration expenditure. The search for an incoming partner bore fruit with the signing of a letter agreement with HJH Nominees in August 2009. HJH can earn a 75% interest in the western tenements of the Turner River Project, where gold is the principal target, by spending $2.5 million over four years, with a minimum commitment of $1 million over the first two years. This rate of expenditure is sufficient to maintain real exploration momentum on the project.

Importantly, the Wingina Well gold resource is excluded from the HJH deal. An updated desktop economic evaluation of Wingina, using realistic operating cost estimates and looking at both heap leach and CIL treatment options, was undertaken in March 2009 when the Australian dollar gold price was nearing $1,500/oz. That work revealed that at gold prices above about A$1,400/oz, Wingina may support an operation producing 20,000-25,000 ounces of gold per annum over a mine life of three to four years with attractive cash flows and profits. The subsequent strengthening of the Australian dollar has taken the gloss off the Australian dollar gold price for the time being but we will continue to steadily advance Wingina toward the starting blocks to take timely advantage of a future higher gold price.

We continued to seek a farm-in partner for the eastern tenements at Turner River where the target is high-value, VMS-style Cu-Zn-Pb-Ag mineralisation with gold credits. HJH again came to the fore with a farm-in agreement to earn 75% interest in the project by spending $2 million over four years with minimum commitment of $700,000 over the first two years. Your Board considers this a cost-effective source of exploration funding and, again, the spend rate allows for a meaningful exploration effort.

After a rapid but thorough exploration program at Yandeyarra failed to locate significant targets De Grey withdrew from the farm-in prior to encumbering the Company with further expenditure obligations.

Similar fast but effective assessments of the Tambourah Project and other tenements that we accessed through the Yule Project farm-in deal with Talison Minerals downgraded our view of their prospectivity and we also terminated that agreement.

At Beyondie Bluff we drilled the long planned deep RC holes to test the shale-hosted base metals target model that previous work had led us to. The results confirmed sub-economic levels of zinc mineralisation over a huge area but no indications of higher-grade mineralisation. With the project mature and DMP expenditure obligations escalating, we relinquished the tenements in July 2009.

De Grey has rarely targeted iron ore specifically but we have taken advantage of opportunities as they have arisen. The tonnage potential at Mount Dove Prospect was clearly too limited to be of value as a standalone development and its sale to Atlas Iron for around $1 million netted De Grey a useful windfall whilst retaining upside to any future development through production royalties. First-pass field assessment of the Iron Ballot tenement, near Wodgina, indicated limited thicknesses of remnant channel iron mineralisation and that tenement was also sold for a small cash gain.

De Grey retains a significant free carried interest in the Beyondie magnetite iron farm-out with Emergent Resources. Although we had been aware of the potential of this target for some time your Board always considered it to represent a high-risk, long-term play that should not compete for risk capital when compared to our other exploration projects. Emergent's funding of exploration and evaluation to decision to mine, at no cost to De Grey, represents an efficient sourcing of risk capital for the Company. With potential for a +1 billion tonne resource, Emergent is adding value for the benefit of De Grey shareholders.

Our exploration licence applications at Fortescue Island also provide exposure to an area with potential for multi-billion tonne magnetite iron ore resources.

It should be evident from the above summary of the year's activities that your Company has commenced a metamorphosis, trading out of our portfolio of mature projects and into new opportunities that will upgrade the overall quality and upside potential of the Company's exploration portfolio. The exploration licence applications in the Paterson Province are in frontier territory prospective for several commodities and our applications in areas prospective for manganese in the Bangemall Basin, and elsewhere for uranium, provide exposure to those sought-after commodities. Gaining 100 per cent ownership by way of such applications provides De Grey shareholders with maximum exposure to the value uplift that comes with discovery. Seeking out such opportunities requires diligent monitoring of tenements and competitor activities.

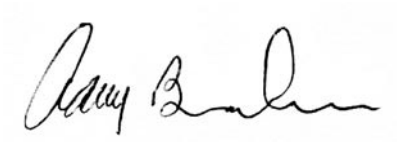
The past few months have also seen us assess a very large number of new project opportunities, ranging from grass-roots exploration properties to advanced projects and operating, or suspended, mines. Our preference is for early-stage exploration projects in well endowed but under explored geological regions where maximum leverage may be obtained from exploration success. Presently, however, the world's recent financial turmoil is also throwing up opportunities on more advanced projects and we are actively seeking those out also. Time is money and we are maintaining a sense of urgency in this hunt but we will not enter into a deal unless it represents good value for shareholders.

I thank our administration and support staff, contractors and consultants for their efforts during a year when it has, at times, been difficult to maintain an optimistic and enthusiastic outlook.

I would also like to express our thanks to the pastoralists on whose stations we operate, in particular Colin Brierly and Betty Hanstrum of Indee Station where the Company maintains an exploration base.

Thanks are also extended to the traditional owners and claimants of the areas in which we work, namely the Kariyarra, Njamal, Martu and Gingerana peoples, and the staff of their representative bodies.

Of course I also thank De Grey shareholders for their continuing support of the Company. Prices for most mineral commodities have recovered significantly from their nadirs in February-March 2009 and it is becoming clear that most metals are not set to return to the low prices that prevailed through the early years of this decade. Rather, they appear to be settling at higher baselines that more adequately reflect the rewards required to compensate exploration and mining risks and the increasing difficulty of discovering quality deposits. De Grey continues to maintain a focussed exploration effort aiming to position shareholders for maximum exposure to exploration upside.



Gary Brabham
Managing Director
September 2009

TURNER RIVER PROJECT

OVERVIEW

The Turner River Project is located 60 km south of Port Hedland in the Pilbara Region of Western Australia, covering an area of 1,000 sq km (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 2008/2009 Financial Year was the Brierly Gold Prospect where step-out aircore drilling programs continued to return encouraging results. Exploration statistics are summarised in Table 1.

Method	Holes	Metres
RAB drilling	28	663
Aircore drilling	102	4,806
Total	130	5,469

Table 1: Turner River Project Exploration Statistics July 2008 to June 2009

Subsequent to the financial year end, on 10th August, a binding letter agreement was executed with HJH Nominees Pty Ltd (HJH) whereby HJH may earn up to 75% interest in each of the Turner River Gold and Turner River Base metals Projects through expenditure of a total $4.5 million over 4 years. De Grey maintains a 25% free carried interest in the projects through to decision to mine. The agreement excludes the 203,000oz gold resource at Wingina Well, which remains 100% owned by De Grey, and all iron rights.

The funding arrangement will allow for continued exploration for gold and VMS-style base and precious metal mineralisation at minimal cost to De Grey.

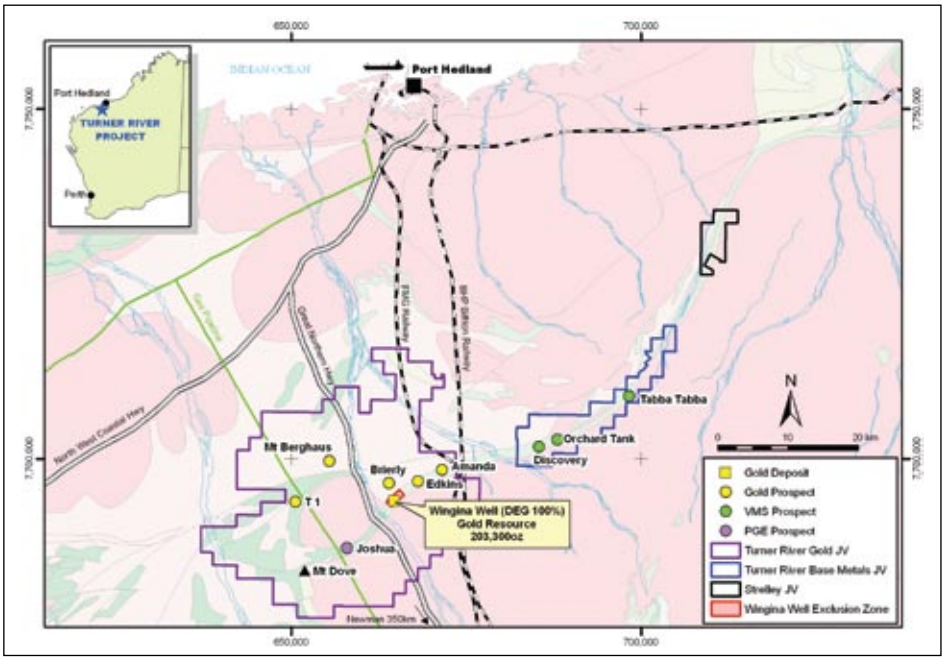


Figure 1 – De Grey's Turner River Projects

WINGINA WELL GOLD RESOURCE

A new resource model was generated for the Wingina Well gold resource (Table 2) using Multiple Indicator Kriging (MIK), a method that has been demonstrated to produce reliable estimates of tonnages and grades that would be *recoverable* in open pit mining using an appropriate grade control technique. As expected, the MIK resource estimates yield higher tonnages at lower estimated grades at low cut-off grades (e.g. 0.5g/t Au) and lower tonnages at higher estimated grades at high cut-off grades (e.g. 1.5g/t Au; Table 3).

The MIK resource model was subjected to Whittle pit optimisations to investigate its potential economics at gold prices up to A$1,500/oz that were prevailing early in the March 2009 Quarter. With the deposit comprising oxide material to greater than 150 metres depth, both heap leach and CIL processing scenarios were investigated using realistic assumed and estimated operating costs and metallurgical recoveries.

The work revealed that at gold prices above about A$1,400/oz, Wingina may generate attractive cash flows in an operation producing 20,000-25,000 ounces of gold per annum over a mine life of 3-4 years (Figure 2).

The results were sufficiently encouraging to complete first-pass estimates of capital costs associated with pull-down, transport and re-erection of a suitably sized CIL process plant, along with estimates of selected other capital cost items such as establishment of a tailings storage facility and process water supply.

Project value and net returns would be enhanced if capital costs were written back over a larger ore reserve. The strategy going forward therefore is to discover additional resources that will add value to the 100% owned Wingina Well at low risk to De Grey through the partnership with HJH.

Cut-off	Measured		Indicated		Meas. + Ind.		Inferred		Total		
Au g/t	Mt	Au g/t	Mt	Au g/t	Mt	Au g/t	Mt	Au g/t	Mt	Au g/t	Au k.oz
0.5	1.70	1.54	2.45	1.28	4.15	1.39	1.0	1.3	5.11	1.34	221
0.6	1.50	1.68	2.10	1.40	3.60	1.52	0.8	1.5	4.40	1.47	208
0.7	1.32	1.81	1.81	1.53	3.13	1.65	0.7	1.6	3.80	1.60	195
0.8	1.17	1.95	1.56	1.65	2.73	1.78	0.6	1.7	3.29	1.73	183
0.9	1.05	2.08	1.34	1.78	2.39	1.91	0.5	1.9	2.86	1.86	172
1	0.94	2.21	1.16	1.91	2.10	2.05	0.4	2.0	2.50	2.00	161
1.1	0.84	2.34	1.01	2.04	1.85	2.18	0.3	2.1	2.20	2.13	150
1.2	0.76	2.47	0.88	2.17	1.64	2.31	0.3	2.3	1.93	2.26	141
1.3	0.69	2.60	0.77	2.31	1.46	2.45	0.3	2.4	1.71	2.39	132
1.4	0.62	2.73	0.67	2.44	1.30	2.58	0.2	2.5	1.52	2.52	123
1.5	0.57	2.86	0.59	2.58	1.16	2.71	0.2	2.7	1.35	2.66	115

Table 2: Wingina Well 2009 MIK resource estimates

	2004 OK estimates			2009 MIK estimates			Difference		
Cut-off Au g/t	Mt	Au g/t	Au koz	Mt	Au g/t	Au koz	Mt	Au g/t	Au koz
0.5	3.44	1.83	203	5.11	1.34	220	+48%	-27%	+9%
1.5	1.75	2.60	146	1.35	2.66	116	-23%	+2%	-21%

Table 3: Comparisons of 2004 and 2009 resource estimates

The information in this report that relates to Mineral Resources is based on information compiled by Mr Nic Johnson who is a member of the Australian Institute of Geoscientists. Mr Johnson is a full time employee of Hellman & Schofield Pty Ltd. Mr Johnson 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 Johnson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

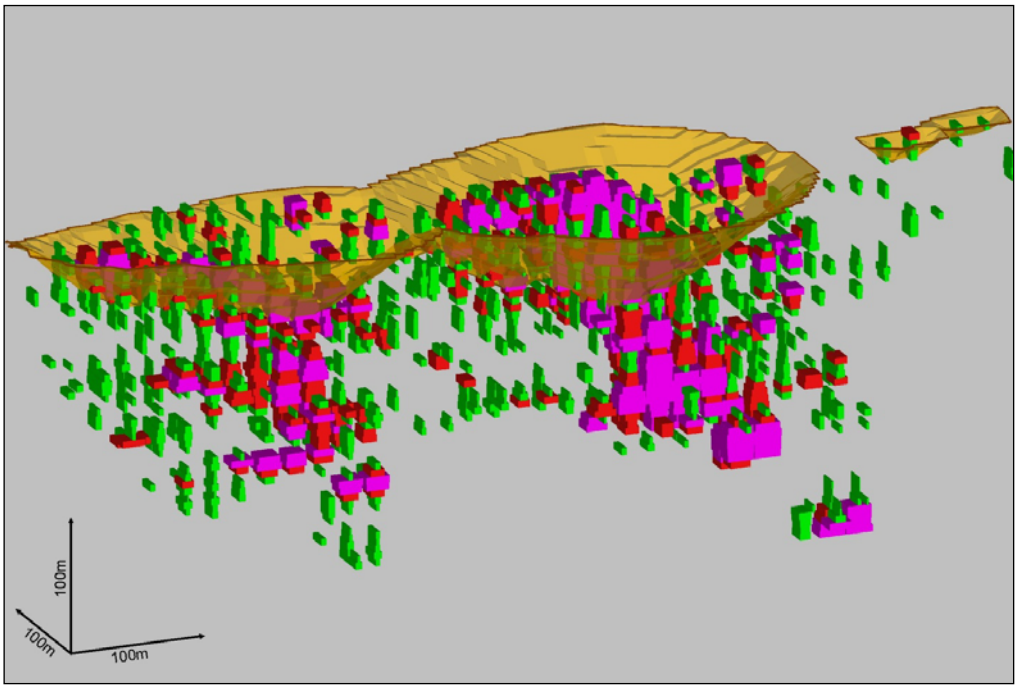


Figure 2 – Wingina Well MIK block model and A$1,400/oz optimised pit shell

TURNER RIVER GOLD EXPLORATION

BRIERLY GOLD PROSPECT

Encouraging results were returned from aircore drilling programs completed during the year at the Brierly gold prospect, which is located just 3 km to the northeast of the Wingina Well resource. New intersections included:

Drill Hole:	Intersection:
BAC543:	**5m at 7.74g/t gold from 14m**
BAC546:	**4m at 1.98g/t gold from 16m and**
	4m at 6.51g/t gold from 48m
BAC547:	**4m at 1.22g/t gold from 96m to end of hole**
BAC549:	**4m at 1.19g/t gold from 52m and**
	4m at 1.71g/t gold from 72m and
	4m at 1.08g/t gold from 88m

The latest drilling has confirmed the continuity of +1g/t gold anomalism in saprolite over a strike length of 1,500m. Several higher grade zones are included, as represented by previously reported aircore intersections of **8m at 3.20g/t, 8m at 2.43g/t and 4m at 2.84g/t gold** along strike to the west.

To date the gold mineralisation at Brierly has been tested only by blade refusal aircore drilling on 200m spaced traverses. The prospect is now sufficiently well defined for closer spaced RC drilling to evaluate the highest tenor areas of gold anomalism in more detail. De Grey looks forward to the initial RC drill results that will be completed through the new funding partnership with HJH.

OTHER GOLD PROSPECTS

Several other gold exploration targets at a range of exploration stages have the potential to add to the current gold resource base at Turner River.

EARLY STAGE GOLD TARGETS

The sand-covered strike continuations of known mineralised structures are attractive targets. Individual areas include the 4 km long Brierly West target and strike extensions to the Mt Berghaus gold mineralisation, see Figure 3. These areas are completely untested by drilling and as such have the potential to host large gold deposits.

INTERMEDIATE STAGE GOLD TARGETS

These consist of encouraging gold intersections returned from wide spaced aircore drilling in new areas yet to be tested by closer spaced RC programs. Prospects at this stage of exploration include Brierly (see above) and the northern Mt Berghaus prospect where previously reported shallow aircore drilling has returned intersections up to 20m at 1.33g/t from 8m and 8m at 1.90g/t gold from surface to end of hole. These high priority RC drill targets have immediate potential for the discovery of new gold resources.

ADVANCED STAGE GOLD TARGETS

High grade gold intersections have been reported previously from RC drilling at a series of prospects where additional infill RC drilling may define modest gold resources and deeper drilling may discover high-grade lodes amenable to underground mining. These include the Mt Berghaus, Edkins, Amanda and Amanda West Prospects (Figure 3).

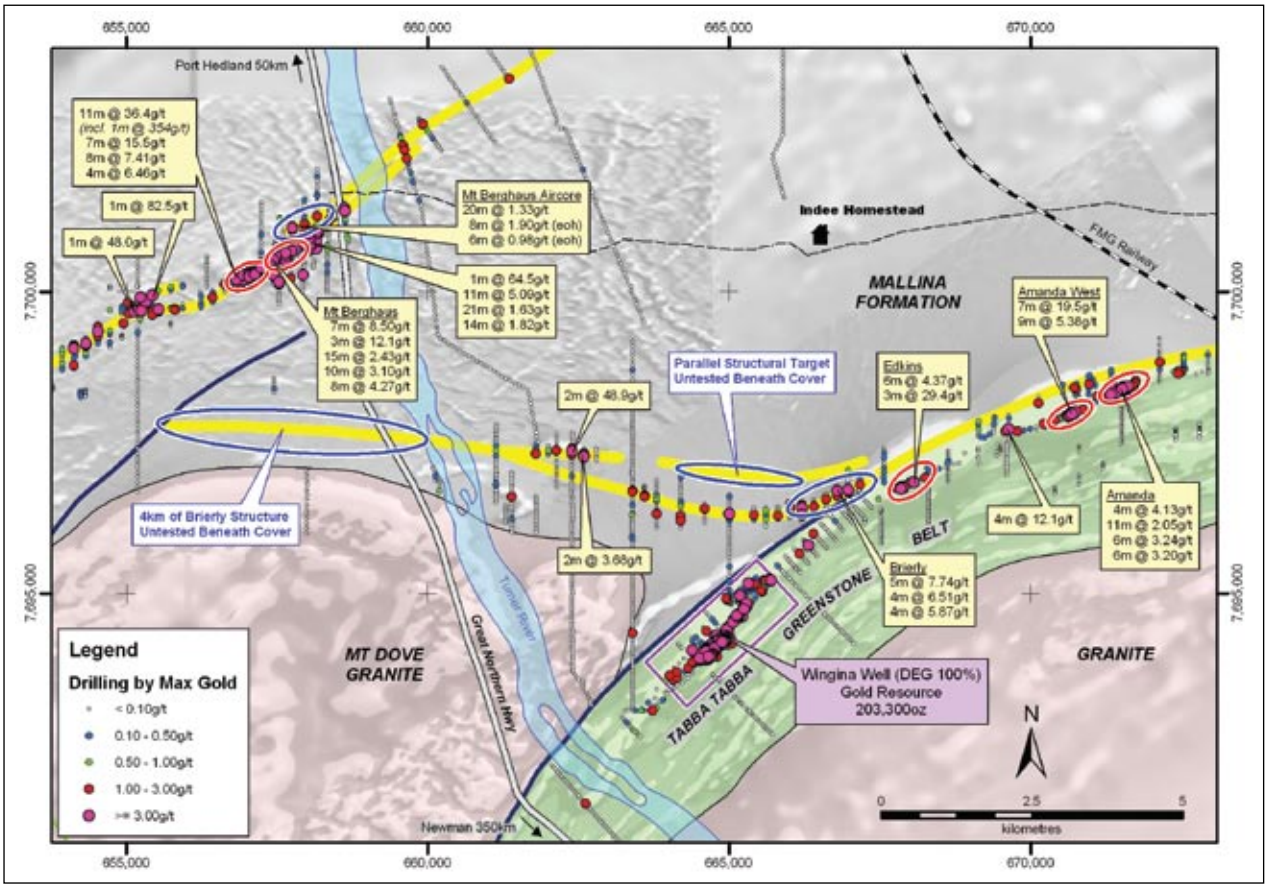


Figure 3 – Turner River Gold Project Exploration Potential

The above named prospects will be the focus of further drilling by the HJH funding partnership in the coming year. De Grey will hold at least a 25% free carried interest in any new gold resources discovered by this work, discoveries which will also enhance the economic potential of the 100% owned Wingina Well resource.

TURNER RIVER VMS EXPLORATION

The eastern portion of the Turner River Project contains the volcanogenic massive sulphide-style (VMS-style) deposits discovered by De Grey in 2006 (Figure 1). Intersections previously reported illustrate the high-grade polymetallic nature of the mineralisation and include:

Discovery Prospect: 17m at 4.64% Zn, 124g/t Ag, 1.84% Pb, 0.80g/t Au and 0.17% Cu in hole from 165m in hole WARC024
Orchard Tank Prospect: 4.9m at 12.7% Zn, 331g/t Ag, 7.31% Pb, 2.54g/t Au and 0.35% Cu from 514.4m in hole WADH012

The steeply dipping, zinc-silver rich mineralisation is hosted within foliated, sericite-altered felsic schist that was originally felsic volcanic units. The mineralisation features significant gold credits with drill intercepts commonly grading about 1.5g/t gold.

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 mining operations exploiting VMS-style deposits in WA include Golden Grove (OZ Minerals/Chinalco) and Jaguar (Jabiru Metals Limited). CBH Resources Limited's planned 1.5 million tonnes per annum Sulphur Springs mine and processing plant lies only 60 km from De Grey's Turner VMS prospects.

Six individual VMS prospects have been located to date over a strike length of 18 km. The regional long section in Figure 4 below summarises some of the drill intersections returned to date from a 7 km 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.

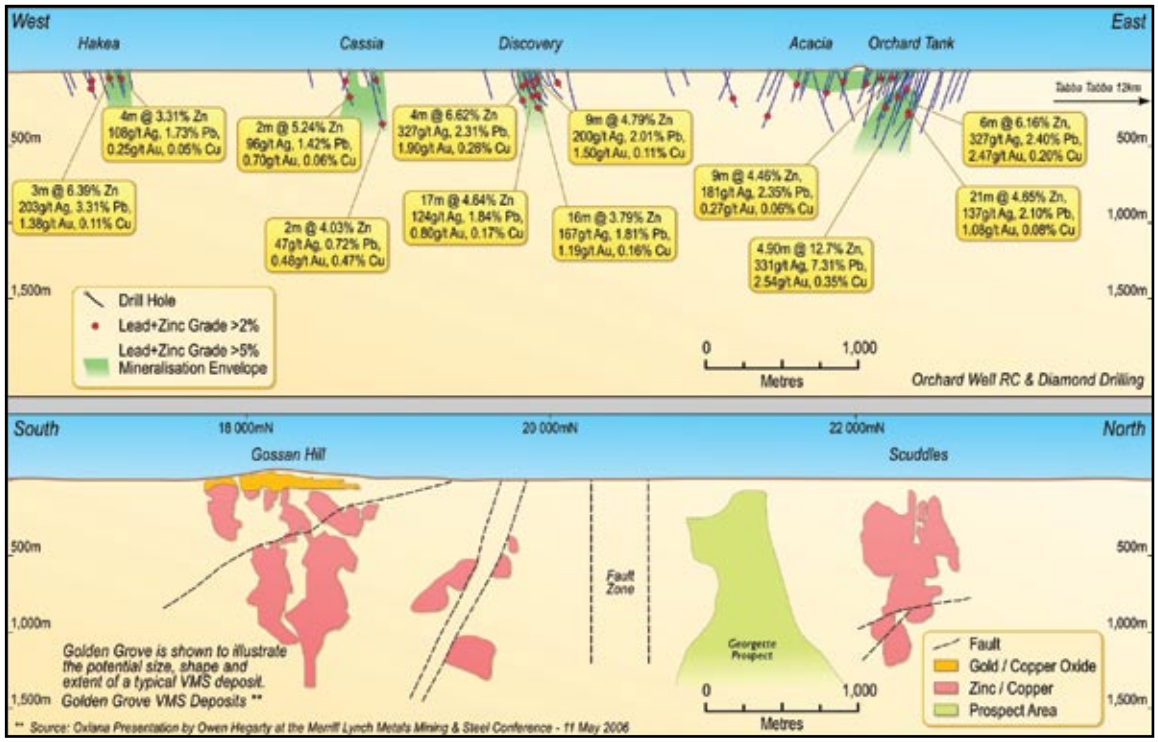


Figure 4 – Orchard Well drill coverage compared to a typical VMS camp

Airborne and ground electrical geophysical methods have proven to be of limited use in targeting the 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 horizon warrants several million dollars in exploration drilling effort.

The Company's Board decided that it was no longer appropriate for the Company to sole- fund further drilling of the Turner River base metals deposits and announced in August 2009 that the Turner River Base Metal Project is to be funded by HJH with De Grey free carried at 25%. The minimum commitment required from HJH will ensure a significant amount of further drilling to advance the exploration of the VMS base metals targets over the next couple of years.

PILBARA IRON PROJECTS

BEYONDIE MAGNETITE IRON JV

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.

Since listing on the Australian Stock Exchange in August 2008, Emergent has completed a detailed aeromagnetic survey and two RC drilling programs to define a maiden Inferred Resource of **127Mt at 28.15% iron**[1]. The magnetite iron mineralisation is hosted by Archaean magnetite schist units over 100 m wide in the northern portion of the Marymia Inlier.

Emergent also reported an estimate, supported by aeromagnetic data, of Target Mineralisation of 500-600 million tonnes at 25-30% Fe[2] over the 11 km strike length drilled to date. Additional drilling commenced in August 2009 with the aim of converting this Target Mineralisation to Resources. The drilling program will also test the potential to increase the total Target Mineralisation to +1 billion tonnes.

The 11 km strike length containing the current Target Mineralisation represents only about one quarter of the total 45 km prospective strike length indicated by aeromagnetic survey data (see Figure 5).

Emergent advise that they are progressing a desk-top pre-scoping study that will include investigation of metallurgy, process and engineering aspects of the project. Emergent are in discussion with Chinese parties regarding a partnership to develop this potentially large magnetite iron project.

De Grey retains a 20% free carried interest in the Beyondie Magnetite Project to decision to mine.

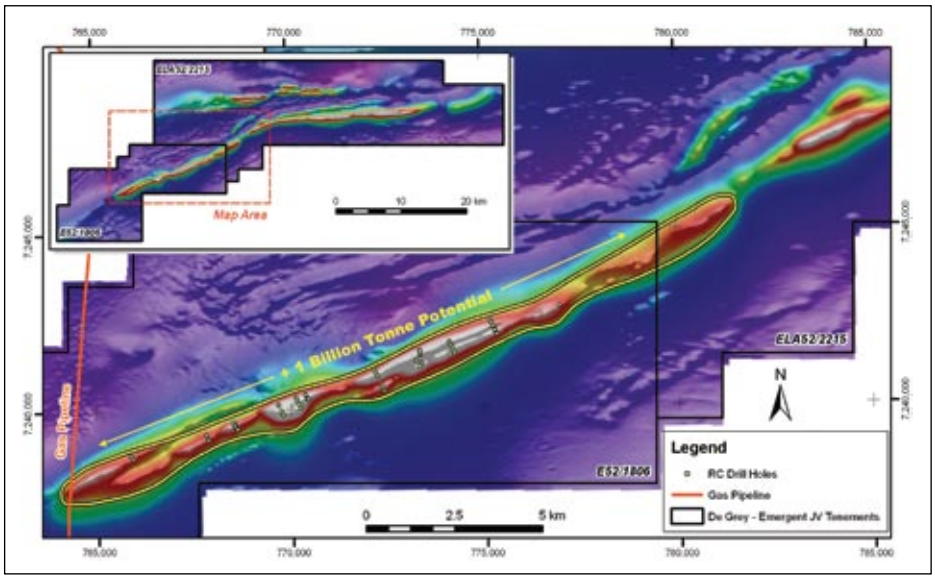


Figure 5 – Beyondie Magnetite Iron Joint Venture Project drilling as at July 2009 over aeromagnetic survey image

[1] Refer to Emergent Resources Limited ASX announcement "Emergent Confirms Maiden 127Mt JORC Resource at Beyondie Iron Project" **dated 14 July 2009**

[2] Refer to Emergent Resources Limited ASX announcement "Target Mineralisation Ranging Between 500-600Mt Confirmed at Beyondie Iron Project" **dated 14 July 2009**

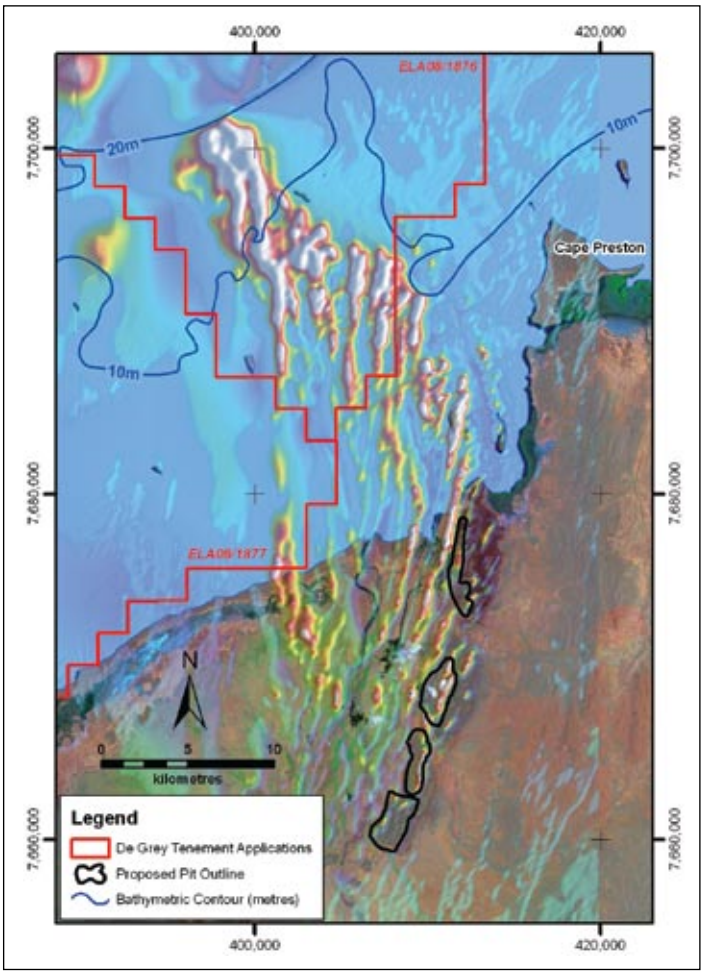


Figure 6 – Proposed Balmoral Project open pits and magnetic units of Brockman Iron Formation extending into the Fortescue Island Project area. Contours show water depth.

FORTESCUE ISLAND IRON

The Fortescue Island Iron Project covers 1,279 sq km in shallow waters (predominantly less than 20 m deep) approximately 70 km west-southwest of the iron ore port of Dampier. The area is located less than 15 km from the Balmoral South Magnetite Project (Australasian Resources) and the Sino Iron Project (Citic Resources Pacific) at Cape Preston.

Reprocessing of public domain aeromagnetic data suggests reduced potential for detrital deposits of iron minerals but has more clearly indicated the potential for bedrock iron resources hosted by the seaward extensions of the Brockman Iron Formation, the unit that hosts the extensive Balmoral deposit that reportedly has potential to host 60 to 100 billion tonnes of mineralisation with a grade of 30-31% Fe[3].

The reprocessed aeromagnetic data clearly highlight potential for the Fortescue Island tenements to contain a greater cumulative strike length of Brockman Iron Formation than hosts the known Balmoral mineralisation (Figure 6). A series of interpreted low-angle thrust faults repeat the prospective stratigraphy.

De Grey retains the right to purchase a majority interest in the area from Geotech International Pty Ltd under an option-to-purchase agreement dated September 2008. Exploration will commence upon the grant of the ELAs.

[3] According to section 18 of the JORC Code – reported by Hellman & Schofield Pty Ltd Oct 2005

PATERSON PROJECT

The Paterson area of Western Australia is well endowed with gold, copper and uranium deposits that include the Telfer gold mine, Nifty copper mine, Kintyre uranium deposit and Maroochydore copper deposit (Figure 7).

In 2008-09 De Grey applied for exploration licences over 2,100 sq km of ground in this exploration frontier region prospective for uranium and base metals, to the south of the Rudall River national park, prior to release of data from a large-scale airborne electromagnetic (AEM) survey flown by Geoscience Australia.

Review of the sparse previous exploration data in conjunction with the results of the AEM survey has identified specific target areas for Nifty-style base metal and Kintyre-style uranium mineralisation within the new project. The uranium and base metal exploration targets are discussed in more detail below, together with De Grey's exploration partnership with the Martu People over parts of the Rudall River national park.

The acquisition of this large, 100% owned project represents a significant new asset that has been made at minimal cost. De Grey looks forward to commencing exploration in this major mineralised province.

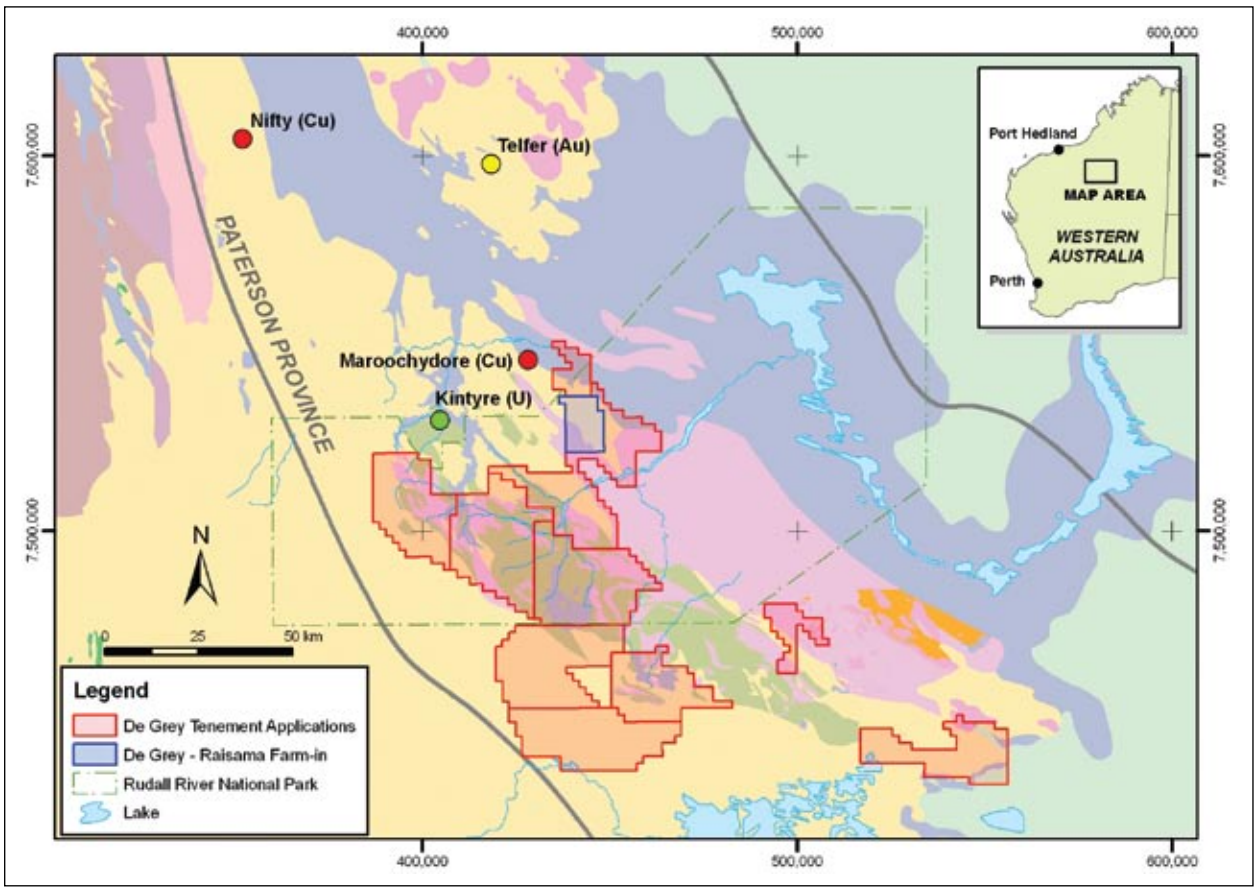


Figure 7 – De Grey tenements and major mineral deposits in the Paterson area, WA.

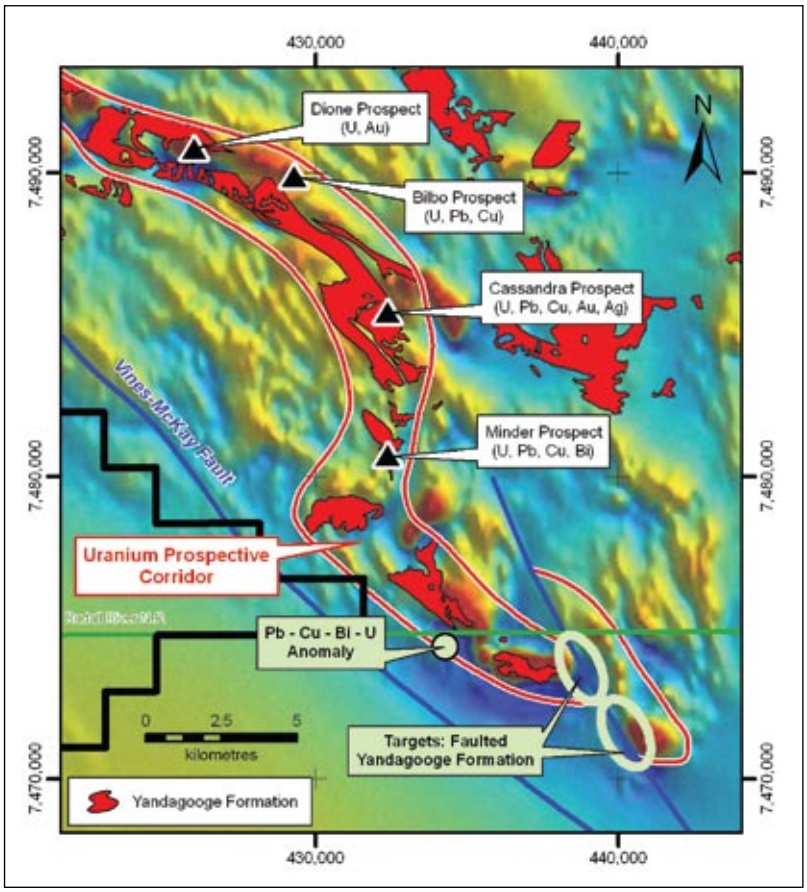


Figure 8 – Uranium exploration targets in the Paterson Project

PATERSON URANIUM TARGETS

Exploration activity for uranium in the Paterson region has increased significantly since the state government overturned the ban on the development of uranium deposits in November 2008. Canadian based Cameco Corporation, in 70:30 joint venture with Mitsubishi Development Pty Ltd, purchased the Kintyre uranium project from Rio Tinto in August 2008 for US$346.5 million and plans to commence extensive drilling programs at the project and surrounding exploration tenements.

The Kintyre vein and hydrothermal uranium mineralisation is associated with lead, copper, bismuth and gold within the Yandagooge Formation of the Talbot Terrane. The distribution of mineralisation is controlled by faulting and the unconformity with overlying Yeneena Basin sediments.

A uranium-prospective corridor defined by a series of uranium-gold-base metal occurrences within the Yandagooge Formation extends onto De Grey's new project south of the Rudall River national park, where it continues beneath sand cover for a strike length of 8 km. In an analogous geological setting to that at Kintyre, the magnetic Yandagooge Formation is cut by faulting beneath sand cover (Figure 8). Prospectivity is further enhanced by high tenor lead-copper-bismuth-uranium anomalism reported by previous explorers, representing an exciting uranium exploration opportunity for De Grey.

PATERSON BASE METAL TARGETS

A fault-bounded basin of Throssell Range Group sediments prospective for Nifty-style base metal mineralisation is contained within De Grey's tenement applications south of the Rudall River national park. The prospectivity of the area is enhanced by base metal anomalism identified during limited reconnaissance sampling of ferruginous lag by CRA Exploration in 1993 that was never followed up.

The Nifty copper deposit to the north is hosted in Throssell Range Group sediments and was discovered by WMC Resources in 1980 when a lead-copper anomaly was identified through ferruginous lag sampling.

Specific targets for immediate evaluation are defined by the lead-copper-cobalt-barium anomalism that remains open along strike, together with two discrete conductors within the basin identified by the recent Geoscience Australia AEM survey.

The acquisition of this project gives De Grey the opportunity to complete the first systematic evaluation of this prospective sedimentary basin initially using low cost surface sampling.

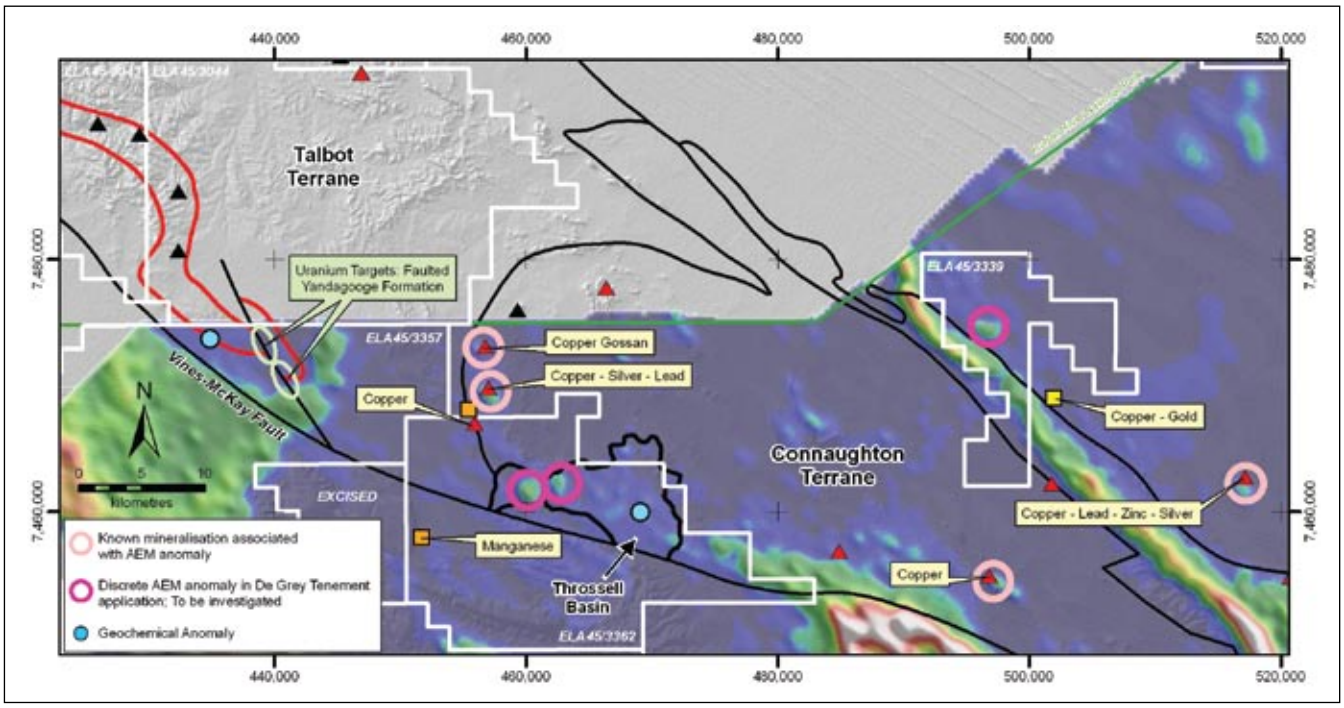


Figure 9 – Conductivity image 150m to 200m depth slice showing discrete AEM anomalies related to some known WAMIN mineral occurrences and other anomalies to be investigated within De Grey's new tenement applications.

WDLAC EXPLORATION JOINT VENTURE AGREEMENT

In addition to the areas outside the park described above, De Grey, through wholly owned subsidiary Winterwhite Resources Pty Ltd, has applied for five exploration licences totalling 2,484 sq km within the Rudall River national park. The applications cover areas of the Rudall Complex of the Paterson Orogen prospective for uranium, base metal and gold mineralisation, and are centred about 35 km south of the Kintyre uranium deposit. Several occurrences of uranium, gold and base metals were identified by previous explorers in the 1990's but were not evaluated further due to access difficulties at the time.

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.

PROJECT ACQUISITION ACTIVITY

In a deliberate strategy to upgrade the quality and value of the Company's project portfolio, De Grey continues to search for suitable new exploration projects and a large number of opportunities both in Australia and overseas were reviewed during the year. The preference is for early stage exploration projects in well endowed but under explored geological regions where maximum leverage may be obtained from exploration success.

A second component of De Grey's strategy for project generation includes an active tenement monitoring program to identify relinquished areas in prospective regions of Western Australia. The recent global economic crisis led to increased relinquishment activity that allowed De Grey to acquire the Paterson Project discussed above and also make applications over the early stage manganese and uranium prospective regions outlined below.

MANGANESE TENEMENT APPLICATIONS

Monitoring of competitor activity in WA revealed some encouraging early stage exploration results for manganese announced by other explorers in the Bangemall Basin during the first half of 2009. High-tenor manganese assays up to 56% have been returned from surface sampling of siltstones and dolomites of the Proterozoic Ullawarra Formation to the east of Carnarvon.

Analysis of data from geochemical sampling by the Geological Survey of Western Australia over the Bangemall Basin identified further manganese anomalies in wide spaced stream sediment and soil samples over the prospective stratigraphy that were not covered by tenements or tenement applications. De Grey was able to apply for the ground with three tenement applications over a total area of 983 sq km. The applications cover a total 108 km strike length of prospective stratigraphy and / or manganese anomalism.

Field reconnaissance to assess the prospectivity of the area for manganese is scheduled for the September quarter of 2009.

URANIUM TENEMENT APPLICATIONS

Geoscience Australia released the first leveled radiometric map over the whole of Australia early in 2009. This allows the radiometric responses of uranium occurrences and anomalies from more than 550 individual surveys to be directly compared.

After thorough investigation of this new dataset, De Grey made tenement applications over two areas of highly anomalous uranium channel radiometric responses within palaeodrainage systems around Lake Barlee to the west of Leonora. One of the tenement applications is competing with that of another company, with priority to be decided by ballot later in 2009.

The geological setting and tenor of uranium channel radiometric anomalies in the new application areas are similar to that over the 24.4 million pounds of U_3O_8 Lake Way / Centipede deposit near Wiluna. Importantly, review of available open file exploration reports indicates only limited exploration has previously been completed in the new application areas.

De Grey eagerly awaits the outcome of the ballot process before commencing exploration of these uranium targets.

TURNER RIVER PROJECT
AIRCORE DRILL INTERSECTIONS
BRIERLY PROSPECT 2008-2009

HOLE ID	East	North	From (m)	To (m)	Interval (m)	Gold g/t
BAC543	666,970	7,696,715	12	60	48	1.62
		(including)	14	19	5	7.74)*
BAC546	666,790	7,696,700	16	20	4	1.98
			48	52	4	6.51
BAC547	666,790	7,696,620	96	100	4	1.22eoh
BAC549	666,970	7,696,675	52	56	4	1.19
			72	76	4	1.71
			88	92	4	1.08
BAC552	667,170	7,696,800	104	108	4	1.63

Note: Co-ordinates are MGA zone 50.Blade refusal Aircore holes. Samples are 4 metre speared composite chips except for the high grade intersection* in BAC543 which is 1m speared samples. Analysis is by Ultra Trace Laboratories using Aqua Regia and ICP analysis. Intersections calculated using a 1.00g/t gold lower cut with 2m maximum internal dilution. eoh= 'end of hole' intersection.

The information in the report to which this statement is attached that relates to Mineralisation is based on information complied by Mr David Hammond, who is a Member of the Australasian 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 JORC Code 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 2009.

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: 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. Darren is currently President/CEO of TSX listed company Pacific Wildcat Resources Corp.

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	770,645	-
Gary Brabham	144,645	6,500,000
Darren Townsend	342,626	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 2009 was $2,600,438 (2008: $2,421,060).

Included in this loss figure is an amount of exploration expenditure ($1,707,179). Refer to notes of the financial statements note 1(l).

Summarised operating results are as follows:

	2009	
	Revenues	**Results**
	$	**$**
Consolidated entity revenues and loss from ordinary activities before income tax expense	**305,922**	**(2,600,438)**
Shareholder Returns		
	2009	**2008**
Basic loss per share (cents)	**(1.2)**	(1.2)

RISK MANAGEMENT

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board. The board has appointed a separate risk committee which meets annually to assess risks and develop strategies to mitigate the impact of any perceived risks.

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.

Effective 1 January 2009 the Directors instigated a freeze on salary levels of all employees and reduced the remuneration to each individual non-executive director by 10%. These actions were taken in light of the prevailing economic environment and will remain until further notice.

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 C*orporations Act 2001.*

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

			Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement Benefits	Options	
	$	$	$	$	$	$
Directors						
Campbell Ansell						
2009	**99,875**	-	**8,989**	-	-	**108,864**
2008	85,000	-	7,650	-	-	92,650
Gary Brabham						
2009	**274,071**	-	**24,666**	-	**4,875**	**303,612**
2008	150,179	-	13,519	-	85,400	249,098
Darren Townsend						
2009	**42,536**	-	**2,835**	-	-	**45,371**
2008	188,195	-	15,051	-	85,400	288,646
Craig Oliver (resigned 30 April 2008)						
2008	45,000	-	4,050	-	85,400	134,450
Denis O'Meara (retired 17 July 2007)						
2008	-	-	-	-	85,400	85,400
Other key management personnel						
Dennis Wilkins						
2009	**52,086**	-	-	-	-	**52,086**
2008	88,990	-	-	-	-	88,990
David Hammond						
2009	**218,077**	-	**19,627**	-	-	**237,704**
2008	209,385	-	18,845	-	56,400	284,630
Total key management personnel compensation						
2009	**686,645**	-	**56,117**	-	**4,875**	**747,637**
2008	766,749	-	59,115	-	398,000	1,223,864

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 – 3 months written notice by either party.
- Salary, inclusive of statutory superannuation, of $295,000.
- 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 over ordinary shares of the Company 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	1/12/2008	3,250,000	1/12/2008	30/6/2011	20.0	0.04	N/A	0.4
Gary Brabham	1/12/2008	3,250,000	1/12/2008	30/6/2012	25.0	0.11	N/A	1.2

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 ten meetings of directors. The attendance of directors at meetings of the board were:

			Meetings of Committees			
	Directors Meetings		Audit		Remuneration	
	A	B	A	B	A	B
Campbell Ansell	10	10	2	2	1	1
Gary Brabham	10	10	*	*	*	*
Darren Townsend	10	10	2	2	1	1

Notes

A - Number of meetings attended.

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

* Not a member of the relevant committee.

SHARES UNDER OPTION

At the date of this report there are 19,200,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	13,925,000
Movements of share options during the year	
Issued, exercisable at 20 cents, on or before 30 June 2011	3,250,000
Issued, exercisable at 20 cents, on or before 31 December 2010	2,000,000
Issued, exercisable at 25 cents, on or before 30 June 2012	3,250,000
Cancelled, exercisable at 20 cents, on or before 4 July 2010	(1,725,000)
Cancelled, exercisable at 25 cents, on or before 4 July 2011	(1,000,000)
Expired on 25 March 2009, exercisable at 50 cents	(500,000)
Total number of options outstanding as at 30 June 2009 and the date of this report	**19,200,000**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
30 June 2011	20.0	3,250,000
4 July 2010	20.0	5,200,000
31 December 2010	20.0	2,000,000
30 June 2011	7.5	2,500,000
30 June 2012	25.0	3,250,000
4 July 2011	25.0	3,000,000
Total number of options outstanding at the date of this report		**19,200,000**

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:

	2009	2008
	$	$
Tax compliance services	-	1,450

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 30.

Signed in accordance with a resolution of the directors.

Gary Brabham
Managing Director

Perth, 14 September 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 2009, 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: 14 September 2009

Chartered Accountants

BUTLER SETTINERI

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Directors:
Colin Butler
FCA
Paul Chabrel
FCA
Lucy Gardner
CA

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 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 remuneration committee 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	**N/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 time as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate nomination committee would add any substance to this process.
2.5	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	A	
	• consists of a majority of independent directors	N/A	
	• is chaired by an independent chair, who is not chair of the board	N/A	
	• has at least three members	N/A	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	The Company has formulated a Communication Policy that is disclosed on the Company's website.

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 summmary of those policies	**A**	The Company does have formalised policies on risk management and 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**	The Company does have formalised risk management policies and 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 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
REVENUE FROM CONTINUING OPERATIONS	4	**305,922**	3,000,318	**305,922**	3,000,318
EXPENDITURE					
Depreciation expense		**(90,000)**	(114,300)	**(90,000)**	(114,300)
Employee benefits expense		**(586,000)**	(374,695)	**(586,000)**	(374,695)
Impairment expense	21(d)	**-**	-	**(452,478)**	(1,034,831)
Exploration expenditure		**(1,707,179)**	(3,745,501)	**(1,255,468)**	(2,712,094)
Corporate expenses		**(105,742)**	(153,565)	**(104,975)**	(152,141)
Occupancy expenses		**(161,402)**	(101,145)	**(161,402)**	(101,145)
Consulting expenses		**(89,451)**	(110,686)	**(89,451)**	(110,686)
Investor relations and advertising expenses		**(24,704)**	(42,739)	**(24,704)**	(42,739)
Administration expenses		**(68,831)**	(99,583)	**(68,831)**	(99,583)
Share based payment expense	27	**(4,875)**	(643,730)	**(4,875)**	(643,730)
Other expenses		**(68,176)**	(35,434)	**(68,176)**	(35,434)
LOSS BEFORE INCOME TAX		**(2,600,438)**	(2,421,060)	**(2,600,438)**	(2,421,060)
INCOME TAX BENEFIT / (EXPENSE)	6	-	-	-	-
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED		**(2,600,438)**	(2,421,060)	**(2,600,438)**	(2,421,060)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	26	**(1.2)**	(1.2)		

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

BALANCE SHEETS
YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	7	**2,862,131**	3,887,904	**2,862,131**	3,887,904
Trade and other receivables	8	**23,204**	75,181	**23,204**	75,181
Other assets	9	**11,276**	52,304	**11,276**	52,304
TOTAL CURRENT ASSETS		**2,896,611**	4,015,389	**2,896,611**	4,015,389
NON-CURRENT ASSETS					
Other financial assets	10	**-**	2,048,634	**-**	2,048,634
Plant and equipment	11	**193,871**	340,110	**193,871**	340,110
TOTAL NON-CURRENT ASSETS		**193,871**	2,388,744	**193,871**	2,388,744
TOTAL ASSETS		**3,090,482**	6,404,133	**3,090,482**	6,404,133
CURRENT LIABILITIES					
Trade and other payables	12	**91,945**	263,239	**91,945**	263,239
Provisions	13	**213,343**	215,103	**213,343**	215,103
TOTAL CURRENT LIABILITIES		**305,288**	478,342	**305,288**	478,342
TOTAL LIABILITIES		**305,288**	478,342	**305,288**	478,342
NET ASSETS		**2,785,194**	5,925,791	**2,785,194**	5,925,791
EQUITY					
Contributed equity	14	**38,655,744**	37,781,744	**38,655,744**	37,781,744
Reserves	15(a)	**421,895**	1,964,457	**421,895**	1,964,457
Accumulated losses	15(b)	**(36,292,445)**	(33,820,410)	**(36,292,445)**	(33,820,410)
TOTAL EQUITY		**2,785,194**	5,925,791	**2,785,194**	5,925,791

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 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		**5,925,791**	6,896,987	**5,925,791**	6,896,987
Employee share options	15	**4,875**	643,730	**4,875**	643,730
Supplier options	15	**600**	77,500	**600**	77,500
Available-for-sale Reserve	15	**(1,419,634)**	530,634	**(1,419,634)**	530,634
NET INCOME RECOGNISED DIRECTLY IN EQUITY		**(1,414,159)**	1,251,864	**(1,414,159)**	1,251,864
LOSS FOR THE YEAR		**(2,600,438)**	(2,421,060)	**(2,600,438)**	(2,421,060)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED		**(4,014,597)**	(1,169,196)	**(4,014,597)**	(1,169,196)
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	14	**874,000**	198,000	**874,000**	198,000
		874,000	198,000	**874,000**	198,000
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		**2,785,194**	5,925,791	**2,785,194**	5,925,791

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 2009

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		**(1,017,380)**	(922,245)	**(1,016,613)**	(920,821)
Interest received		**175,195**	220,941	**175,195**	220,941
Payments for exploration and evaluation expenditure		**(1,763,178)**	(4,129,345)	**(1,311,467)**	(3,095,938)
Research and development tax offset received		**66,429**	43,410	**66,429**	43,410
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	25	**(2,538,934)**	(4,787,239)	**(2,086,456)**	(3,752,408)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		**(10,544)**	(148,769)	**(10,544)**	(148,769)
Proceeds on disposal of plant and equipment		**5,155**	23,084	**5,155**	23,084
Proceeds on sale of tenements		**-**	10,000	**-**	10,000
Proceeds on sale of other financial assets		**688,550**	2,727,440	**688,550**	2,727,440
Advances to related parties		**-**	-	**(452,478)**	(1,034,831)
NET CASH INFLOW FROM INVESTING ACTIVITIES		**683,161**	2,611,755	**230,683**	1,576,924
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		**830,000**	198,000	**830,000**	198,000
NET CASH INFLOW FROM FINANCING ACTIVITIES		**830,000**	198,000	**830,000**	198,000
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,025,773)**	(1,977,484)	**(1,025,773)**	(1,977,484)
Cash and cash equivalents at the beginning of the financial year		**3,887,904**	5,865,388	**3,887,904**	5,865,388
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**2,862,131**	3,887,904	**2,862,131**	3,887,904

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

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 14 September 2009. 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, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Statement of Compliance
The financial report of De Grey Mining Limited complies with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board (AASB).

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 2009 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 the 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 headings. 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 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 applicable 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 reporting 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 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 reporting 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 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 reporting 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.

Financial assets - reclassification
The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.
Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Change in accounting policy
The Group has adopted the policy of reclassifying financial assets out of the held-for-trading category from 1 July 2008, following amendments made to AASB 139 Financial Instruments: *Recognition and Measurement* in October 2008. Under the Group's previous policy reclassifications of financial assets were not permitted. The Group did not reclassify any financial assets in the current reporting period. Therefore, the change in accounting policy had no impact on the Group's financial statements.

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.
If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in 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 any component accounted for as a separate asset is derecognised when replaced. 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 or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 reporting date are recognised in other payables in respect of employees' services up to the reporting 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.
Options over ordinary shares have also been issued as consideration for the acquisition of interests in tenements. These options have been treated in the same manner as employee options described above, with the expense being included as part of exploration expenditure.

(p) Contributed equity
Ordinary shares are classified as equity.
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 2009 reporting periods. The Group and the parent entity have considered the impact of these new standards and interpretations, with details of those changes that are likely to impact on the Group or parent entity set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 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 will adopt AASB 8 from 1 July 2009. 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 (effective from 1 January 2009)

The September 2007 revised AASB 101 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.

(iii) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that the other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(iv) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective from 1 January 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(b)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(v) AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vi) AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)
AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(t) Significant accounting judgements, estimates and assumptions
The preparation of these financial statements 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:

(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 Board, 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 $2,862,131 (2008: $3,887,904) 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 5.3% (2008: 7.1%).

Sensitivity analysis
At 30 June 2009, 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 $27,000 lower/higher (2008: $24,500 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.

(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 reporting 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	
	2009	2008	2009	2008
	$	$	$	$
From continuing operations				
Other revenue				
Interest	**179,943**	219,468	**179,943**	219,468
Net gain on sale of other financial assets	**59,550**	2,377,440	**59,550**	2,377,440
Net gain on sale of tenements	-	360,000	-	360,000
Research and development tax offset	**66,429**	43,410	**66,429**	43,410
	305,922	3,000,318	**305,922**	3,000,318

5. EXPENSES

Loss before income tax includes the following specific expenses:				
Net loss on disposal of plant and equipment	**61,628**	24,342	**61,628**	24,342
Rental of premises under operating lease	**147,288**	83,613	**147,288**	83,613
Contributions to superannuation funds	**92,209**	180,111	**92,209**	180,111

6. INCOME TAX

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
(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	**(2,600,438)**	(2,421,060)	**(2,600,438)**	(2,421,060)
Loss from continuing operations before income tax expense				
Prima facie tax benefit at the Australian tax rate of 30% (2008: 30%)	**(780,131)**	(726,318)	**(780,131)**	(726,318)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Capital raising fees	**(56,819)**	(56,819)	**(56,819)**	(56,819)
Research & Development expenditure claimed	**4,814**	35,925	**4,814**	35,925
Impairment of non-current assets	**-**	-	**135,744**	310,450
Sundry items	**(9,494)**	1,566	**(9,494)**	1,566
	(841,630)	(745,646)	**(705,886)**	(435,196)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**841,630**	745,646	**705,886**	435,196
Income tax expense	**-**	-	**-**	-
(c) Unrecognised deferred tax assets				
(i) Unrecognised deferred tax liability	**-**	425,890	**-**	425,890
Available-for-sale financial assets				
Gross deferred tax liability	**-**	425,890	**-**	425,890
(ii) Unrecognised deferred tax assets				
Provisions	**72,886**	82,379	**5,047,237**	4,920,986
Capital raising fees	**60,539**	117,358	**60,539**	117,358
Carry forward tax losses	**10,542,335**	9,844,903	**10,406,592**	9,534,453
Gross deferred tax assets	**10,675,760**	10,044,640	**15,514,368**	14,572,797
Set-off of deferred tax liability (refer (c)(i) above)	**-**	(425,890)	**-**	(425,890)
Net deferred tax assets	**10,675,760**	9,618,750	**15,514,368**	14,146,907

No deferred tax asset has been recognised for the above balance as at 30 June 2009 as it is not considered probable that future taxable profits will be available against which it can be utilised.

(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.

	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS					
Cash at bank and in hand		**28,916**	428,059	**28,916**	428,059
Short-term deposits		**2,833,215**	3,459,845	**2,833,215**	3,459,845
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows		**2,862,131**	3,887,904	**2,862,131**	3,887,904

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))		**23,204**	75,181	**23,204**	75,181

(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		**11,276**	52,304	**11,276**	52,304
10. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS					
Shares in controlled entities – at cost	22	-	-	**3,500,279**	3,500,279
Loans to controlled entities		-	-	**13,080,891**	12,628,413
Provision for impairment (note (a))		-	-	**(16,581,170)**	(16,128,692)
Shares and options in listed companies (note (b))		-	2,048,634	-	2,048,634
		-	2,048,634	-	2,048,634

(a) Provision for impairment

As at 30 June 2009 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	
	2009	2008
	$	$
Balance at the beginning of the year	**16,128,692**	15,093,861
Provision for impairment recognised during the year	**452,478**	1,034,831
	16,581,170	16,128,692

(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.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT				
Plant and equipment				
Cost	**538,390**	670,480	**538,390**	670,480
Accumulated depreciation	**(344,519)**	(330,370)	**(344,519)**	(330,370)
Net book amount	**193,871**	340,110	**193,871**	340,110
Opening net book amount	**340,110**	353,067	**340,110**	353,067
Additions	**10,544**	148,769	**10,544**	148,769
Disposals	**(66,783)**	(47,426)	**(66,783)**	(47,426)
Depreciation charge	**(90,000)**	(114,300)	**(90,000)**	(114,300)
Closing net book amount	**193,871**	340,110	**193,871**	340,110
12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES				
Trade payables	**33,077**	159,662	**33,077**	159,662
Other payables and accruals	**58,868**	103,577	**58,868**	103,577
	91,945	263,239	**91,945**	263,239

Included in trade and other payables above is an amount of $63,343 (2008: $243,239) relating to exploration.

13. CURRENT LIABILITIES – PROVISIONS				
Employee benefits				
Annual leave	**53,187**	54,947	**53,187**	54,947
Retirement benefit	**160,156**	160,156	**160,156**	160,156
	213,343	215,103	**213,343**	215,103

14. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2009 Number of Shares	2009 $	2008 Number of Shares	2008 $
Ordinary shares fully paid	14(b), 14(d)	**225,112,350**	**38,655,744**	206,531,738	37,781,744
Total contributed equity		**225,112,350**	**38,655,744**	206,531,738	37,781,744

(b) Movements in ordinary share capital

	Number of shares	$	Number of shares	$
Beginning of the financial year	**206,531,738**	**37,781,744**	206,531,738	37,583,745
Issued during the year:				
Cash received in advance of share issue	**-**	-	-	197,999
Issued for cash at 6.2 cents per share	**16,580,612**	**830,000**	-	-
Issued as consideration for the acquisition of tenements at 2.2 cents per share	**2,000,000**	**44,000**	-	-
Less: Transaction costs	**-**	-	-	-
End of the financial year	**225,112,350**	**38,655,744**	206,531,738	37,781,744

(c) Movements in options on issue

	Number of options 2009	2008
Beginning of the financial year	**13,925,000**	9,530,000
Issued/(cancelled or expired) during the year:		
Exercisable at 50 cents, on or before 25 Mar 2009	**(500,000)**	-
Exercisable at 50 cents, on or before 6 Nov 2009	**-**	(1,000,000)
Exercisable at 20 cents, on or before 30 Jun 2011	**3,250,000**	-
Exercisable at 20 cents, on or before 4 Jul 2010	**(1,725,000)**	6,925,000
Exercisable at 50 cents, on or before 22 Nov 2010	**-**	(1,000,000)
Exercisable at 20 cents, on or before 31 Dec 2010	**2,000,000**	-
Exercisable at 25 cents, on or before 31 Dec 2010	**-**	(1,030,000)
Exercisable at 7.5 cents, on or before 30 Jun 2011	**-**	2,500,000
Exercisable at 25 cents, on or before 30 Jun 2012	**3,250,000**	-
Exercisable at 30 cents, on or before 30 Jun 2011	**-**	(1,000,000)
Exercisable at 25 cents, on or before 4 Jul 2011	**(1,000,000)**	4,000,000
Exercisable at 30 cents, on or before 10 Jul 2011	**-**	(3,000,000)
Exercisable at 30 cents, on or before 30 Jun 2012	**-**	(1,000,000)
Exercisable at 35 cents, on or before 30 Jun 2013	**-**	(1,000,000)
End of the financial year	**19,200,000**	13,925,000

(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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(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 2009 and 30 June 2008 are as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Cash and cash equivalents	**2,862,131**	3,887,904	**2,862,131**	3,887,904
Trade and other receivables	**23,204**	75,181	**23,204**	75,181
Other assets	**11,276**	52,304	**11,276**	52,304
Trade and other payables	**(91,945)**	(263,239)	**(91,945)**	(263,239)
Provisions	**(213,343)**	(215,103)	**(213,343)**	(215,103)
Working capital position	**2,591,323**	3,537,047	**2,591,323**	3,537,047

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
15. RESERVES AND ACCUMULATED LOSSES				
(a) Reserves				
Available-for-sale reserve	**-**	1,419,634	**-**	1,419,634
Share-based payments reserve	**421,895**	544,823	**421,895**	544,823
	421,895	1,964,457	**421,895**	1,964,457
Movements:				
Available-for-sale reserve				
Balance at beginning of year	**1,419,634**	889,000	**1,419,634**	889,000
Transfer to Income Statement on sale of Shares and Options in listed companies	**(59,550)**	(2,326,440)	**(59,550)**	(2,326,440)
Revaluation of Shares and Options in listed companies	**(1,360,084)**	2,857,074	**(1,360,084)**	2,857,074
Balance at end of year	**-**	1,419,634	**-**	1,419,634
Share-based payments reserve				
Balance at beginning of year	**544,823**	695,050	**544,823**	695,050
Option expense	**5,475**	721,230	**5,475**	721,230
Transfer to Accumulated Losses on cancellation of options	**(128,403)**	(871,457)	**(128,403)**	(871,457)
Balance at end of year	**421,895**	544,823	**421,895**	544,823
(b) Accumulated losses				
Balance at beginning of year	**(33,820,410)**	(32,270,808)	**(33,820,410)**	(32,270,808)
Net loss for the year	**(2,600,438)**	(2,421,060)	**(2,600,438)**	(2,421,060)
Transfer from Share-Based Payments Reserve	**128,403**	871,457	**128,403**	871,457
Balance at end of year	**(36,292,445)**	(33,820,410)	**(36,292,445)**	(33,820,410)

(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.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
17. KEY MANAGEMENT PERSONNEL DISCLOSURES				
(a) Key management personnel compensation				
Short-term benefits	**686,645**	766,749	**686,645**	766,749
Post employment benefits	**56,117**	59,115	**56,117**	59,115
Other long-term benefits	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
Share-based payments	**4,875**	398,000	**4,875**	398,000
	747,637	1,223,864	**747,637**	1,223,864

Detailed remuneration disclosures are provided in sections A-C of the remuneration report on pages 25-27.

(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 27.

(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:

2009	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	**2,000,000**	**6,500,000**	-	**(2,000,000)**	**6,500,000**	**6,500,000**	-
Darren Townsend	**2,000,000**	-	-	-	**2,000,000**	**2,000,000**	-
Other key management personnel of the Group							
Dennis Wilkins	-	-	-	-	-	-	-
David Hammond	**1,500,000**	-	-	-	**1,500,000**	**1,500,000**	-

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

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	-	-	-	-	-	-	-
Darren Townsend	1,000,000	2,000,000	-	(1,000,000)	2,000,000	2,000,000	-
Denis O'Meara	3,000,000	6,500,000	-	(7,500,000)	2,000,000	2,000,000	-
Gary Brabham	1,000,000	2,000,000	-	(3,000,000)	-	-	-
Craig Oliver	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	-

(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.

2009	**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**	**-**	**580,645**	**770,645**
Gary Brabham	**64,000**	**-**	**80,645**	**144,645**
Darren Townsend	**261,981**	**-**	**80,645**	**342,626**
Other key management personnel of the Group				
Ordinary shares				
Dennis Wilkins	**-**	**-**	**-**	**-**
David Hammond	**-**	**-**	**-**	**-**

17. KEY MANAGEMENT PERSONNEL DISCLOSURES *(CONTINUED)*

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	-	-	-	-

(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.

18. REMUNERATION OF AUDITORS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
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	**24,963**	27,082	**24,963**	27,082
Total remuneration for audit services	**24,963**	27,082	**24,963**	27,082
(b) Non-audit services				
Butler Settineri Chartered Accountants - tax compliance services	**-**	1,450	**-**	1,450
Total remuneration for other services	**-**	1,450	**-**	1,450

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:

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.

20. COMMITMENTS

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
(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:				
within one year	**464,616**	893,107	**285,551**	497,440
later than one year but not later than five years	**1,858,464**	3,638,188	**1,142,205**	2,055,520
later than five years	**-**	-	**-**	-
	2,323,080	4,531,295	**1,427,756**	2,552,960
(b) Lease commitments: Group as lessee				
Operating leases (non-cancellable):				
Minimum lease payments				
within one year	**70,475**	110,220	**70,475**	110,220
later than one year but not later than five years	**58,729**	-	**58,729**	-
later than five years	**-**	-	**-**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**129,204**	110,220	**129,204**	110,220

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

(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	**80,388**	160,775	**80,388**	160,775
later than one year but not later than five years	**-**	-	**-**	-
later than five years	**-**	-	**-**	-
	80,388	160,775	**80,388**	160,775

(d) Capital commitments

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

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.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
(d) Loans to related parties				
Loans to subsidiaries				
Beginning of the year	-	-	-	-
Loans advanced	-	-	**452,478**	1,034,831
Loan repayments received	-	-	-	-
Provision for impairment	-	-	**(452,478)**	(1,034,831)
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):

			Equity Holding*	
Name	Country of Incorporation	Class of Shares	2009 %	2008 %
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.

23. INTERESTS IN JOINT VENTURES

(a) Wallareenya Iron 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 million tonnes. De Grey's rights under the agreement have 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 km of strike along the Tabba Tabba Shear in the company's Turner River Province, 60 km south of Port Hedland. Under the agreement with Thundelarra (tenement E45/2611) the company reimbursed Thundelarra $10,000 on signing of the agreement, and could earn 60% interest by exploration expenditure of $180,000 within two years of the tenement grant date. On 28 November Thundelarra was served notice that De Grey had fulfilled the expenditure requirement and earned 60% interest. Under the terms of the agreement Thundelarra could elect to contribute pro rata to further joint venture exploration expenditure or to convert its interest to a 20% free carried interest to decision to mine, with De Grey attaining 80% interest in the joint venture subject to De Grey sole funding a further $180,000 of exploration expenditure. On 18 December 2007 Thundelarra served notice of its conversion to 20% free carried interest in the joint venture. 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 Farm-in

In November 2007 the company entered into a farm-in agreement with Chalice Gold Mines Limited to explore for base and precious metals at Yandeyarra, 100 km south of Port Hedland and abutting the southern parts of De Grey's Turner River project. The terms of the agreement required 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. The agreement was signed on 18 August 2008 and the shares and options were subsequently issued. De Grey notified Chalice Gold Mines of its withdrawal from the agreement on 12 March 2009 and the company retains no rights or obligations under the agreement.

(d) Friendly Creek Option Agreement

In December 2007 the company entered into an option to purchase agreement with a syndicate of individuals over Mining Leases 47/354, 373, 374, 380, 498 and 638 and Prospecting Licences 47/1060 and 1082. Under the terms of the agreement, De Grey paid $20,000 upon execution of the agreement in return for rights to explore the tenements and purchase them within three years for $175,000. On 14 January 2009 De Grey served notice of its intention to withdraw from the agreement with effect 14 February 2009. The company retains no rights or obligations under the agreement.

(e) Turner River Base Metals Farm-out

During March 2008 the company entered into an agreement to farm out 70% of the base and precious metals rights over

tenements comprising a portion of the Turner River Project, 60 km south of Port Hedland, to Claremont Resources Limited. Commencement of the agreement was dependent upon Claremont listing on the Australian Securities Exchange within a specified period. Such listing did not occur and Claremont has acknowledged that the proposed agreement has fallen away and that it retains no rights or obligations.

(f) Yule Farm-in

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 170 km south of Port Hedland. After fulfilling its obligations under the agreement De Grey notified Talison on 18 December 2008 of its withdrawal from the agreement and the company retains no rights or obligations under the agreement.

(g) Mount Dove Iron Rights

In June 2008 the company entered into an option agreement to sell the iron ore rights over the Mt Dove Project, being Exploration Licence 47/891 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 was to 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. At Atlas' request the option period was extended by 30 days to 17 July 2009. On 16 July 2009 Atlas notified De Grey of its intention to exercise the option and De Grey elected to receive the purchase payment as cash. De Grey subsequently received payment on 27 July 2009. De Grey retains a 1% gross sales revenue royalty on future production of iron ore the carrying value of which is nil.

(h) Beyondie Iron Joint Venture

During May 2008 the company entered into an agreement to farm out the rights to iron ore and related minerals over Exploration Licences 52/1806 and 52/2215, part of the Beyondie Project located approximately 175 km south of Newman, to Emergent Resources Limited. On 21 July 2009 Emergent served notice that it had earned 60% interest in the Joint Venture by expenditure of $750,000 and had elected to continue sole funding further expenditure of $1 million to earn a further 20% interest. Upon Emergent earning 80% interest in the Joint Venture, De Grey will retain 20% free carried interest to a 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.

(i) Turner River Gold Farm-out

Subsequent to year end, in August 2009, De Grey entered into an agreement with HJH Nominees Pty Ltd under which HJH may earn up to 75% interest in Exploration Licences 47/891, 45/2465, 45/2995, 45/3390, 45/3391, 45/3392 and Prospecting Licence 45/2655 by sole funding exploration expenditure of $2.5 million over four years. HJH must spend $1 million in the first two years prior to withdrawal, of which at least $500,000 must be expended in the first year. Upon HJH earning its interest, a Joint Venture will be formed and De Grey will retain a 25% free carried interest in that Joint Venture until a Decision to Mine is made, at which time the company must elect to contribute to mine development costs or convert its interest to a 2.5% net smelter return royalty. The Wingina Well gold deposit and a surrounding buffer zone, defined by geographic coordinates, are excluded from the farm-out agreement and remain wholly for De Grey's benefit. HJH has no rights to earn any interest in iron ore and the letter agreement acknowledges Atlas Iron's continuing rights to iron ore over parts of the tenements. The carrying value of De Grey's interest in the project is nil.

(j) Turner River Base Metals Farm-out

Subsequent to year end, in August 2009, De Grey entered into an agreement with HJH Nominees Pty Ltd under which HJH may earn up to 75% interest in Exploration Licences 45/2364 and 45/2533 by sole funding exploration expenditure of $2 million over four years. HJH must spend $700,000 million in the first two years prior to withdrawal, of which at least $350,000 must be expended in the first year. Upon HJH earning its interest, a Joint Venture will be formed and De Grey will retain a 25% free carried interest in that Joint Venture until a Decision to Mine is made, at which time the company must elect to contribute to the cost of mine development or convert its interest to a 2.5% net smelter return royalty. HJH has no rights to earn any interest in iron ore and the letter agreement acknowledges Atlas Iron's continuing rights to iron ore over parts of the tenements. The carrying value of De Grey's interest in the project is nil.

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 27 July 2009 the Company received $650,000 from Atlas Iron Limited on exercise of the option over the Mt Dove Project, refer to note 23(g).

In July 2009 the Company entered into an agreement whereby it would realise the payments, each of $25,000, arising out of its rationalisation of Beyondie Bluff Exploration Licences 52/1470 and 52/1491, those payments to be receivable in September 2009 and November 2009.

During August 2009 the Company acquired Last Crusade Pty Ltd through a cash payment of $22,000 to the sole shareholder, Adelaide Prospecting Pty Ltd. Last Crusade Pty Ltd was incorporated in Western Australia on 26 February 2009 with Adelaide Prospecting Pty Ltd as the sole shareholder. At the time of the acquisition, Last Crusade Pty Ltd had no assets or liabilities other than three applications for Tenement Licences.

During August 2009 the Company announced it had entered into binding letter agreements with HJH Nominees Pty Ltd ("HJH") over the Company's Turner River gold and base metals exploration projects. Details have been included at note 23 (i) and (j).

In August 2009 the Company undertook to dispose of Exploration Licence 45/3188 "Iron Ballot" for a cash sum of $10,000.

No other matter or circumstance has arisen since 30 June 2009, 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.

25. CASH FLOW STATEMENT

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Reconciliation of net loss after income tax to net cash outflow from operating activities				
Net loss for the year	**(2,600,438)**	(2,421,060)	**(2,600,438)**	(2,421,060)
Non-Cash Items				
Depreciation of non-current assets	**90,000**	114,300	**90,000**	114,300
Exploration expense settled by the issue of shares or options	**44,600**	77,500	**44,600**	77,500
Impairment expense	**-**	-	**452,478**	1,034,831
Net loss on disposal of plant and equipment	**61,628**	24,342	**61,628**	24,342
Net gain on sale of tenements	**-**	(360,000)	**-**	(360,000)
Net gain on sale of other financial assets	**(59,550)**	(2,377,440)	**(59,550)**	(2,377,440)
Option expense	**4,875**	643,730	**4,875**	643,730
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
(Increase)/decrease in trade and other receivables	**51,977**	(24,339)	**51,977**	(24,339)
Decrease in other assets	**41,028**	28,637	**41,028**	28,637
(Decrease) in trade and other payables	**(171,294)**	(478,209)	**(171,294)**	(478,209)
(Decrease) in employee entitlement provisions	**(1,760)**	(14,700)	**(1,760)**	(14,700)
Net cash outflow from operating activities	**(2,538,934)**	(4,787,239)	**(2,086,456)**	(3,752,408)

26. LOSS PER SHARE

	Consolidated	
	2009	2008
	$	$
(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	**(2,600,438)**	(2,421,060)
	Number of shares	**Number of shares**
(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	**223,408,595**	206,531,738

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2009, 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 30 June 2012.
The options are granted to employees to align their interests with that of the shareholders of the company.

Supplier options

Suppliers have been granted options as part consideration for tenement acquisitions. The exercise price of the options granted range from 7.5 cents to 20 cents. All options granted to suppliers vested on grant date and have expiry dates ranging from 31 December 2010 to 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 or expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and Parent Entity - 2009							
1 Jul 2004	25 Mar 2009	50	**500,000**	**-**	**(500,000)**	**-**	**-**
10 Jul 2007	4 Jul 2010	20	**4,000,000**	**-**	**(1,000,000)**	**3,000,000**	**3,000,000**
10 Jul 2007	4 Jul 2011	25	**4,000,000**	**-**	**(1,000,000)**	**3,000,000**	**3,000,000**
19 Jul 2007	4 Jul 2010	20	**2,925,000**	**-**	**(725,000)**	**2,200,000**	**2,200,000**
25 Jun 2008	30 Jun 2011	7.5	**2,500,000**	**-**	**-**	**2,500,000**	**2,500,000**
1 Dec 2008	30 Jun 2011	20	**-**	**3,250,000**	**-**	**3,250,000**	**3,250,000**
1 Dec 2008	30 Jun 2012	25	**-**	**3,250,000**	**-**	**3,250,000**	**3,250,000**
17 Dec 2008	31 Dec 2010	20	**-**	**2,000,000**	**-**	**2,000,000**	**2,000,000**
			13,925,000	**8,500,000**	**(3,225,000)**	**19,200,000**	**19,200,000**
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

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.9 years (2008: 2.4 years), and the exercise prices range from 7.5 cents to 25 cents.

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was 0.1 cents (2008: 3.9 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2009	2008
Weighted average exercise price (cents)	**21.9**	19.2
Weighted average life of the option (years)	**2.87**	3.35
Weighted average underlying share price (cents)	**2.7**	10.7
Expected share price volatility	**70%**	70%
Weighted average risk free interest rate	**5.01%**	6.39%

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 equity settled share-based payment transactions recognised during the period were as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Options issued to employees and contractors	**4,875**	643,730	**4,875**	643,730
Options issued to a supplier	**600**	77,500	**600**	77,500
	5,475	721,230	**5,475**	**721,230**

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 14 to 38 are in accordance with the *Corporations Act 2001*, including:

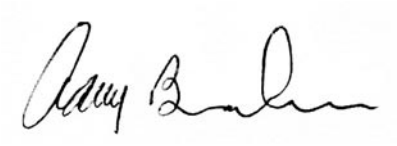
(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2009 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.

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, 14 September 2009

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 2009, 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

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Directors:
Colin Butler
FCA
Paul Chabrel
FCA
Lucy Gardner
CA

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 2009 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 24 to 27 of the directors' report for the year ended 30 June 2009.

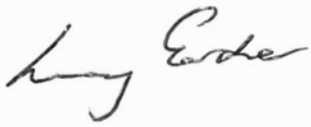
The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

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 2009, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth
Date: 14 September 2009

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 14 September 2009.

(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	60	36,177
1,001 - 5,000	332	1,154,541
5,001 - 10,000	376	3,304,067
10,001 - 100,000	1,178	49,391,813
100,001 and over	314	171,225,752
	2,260	225,112,350
The number of shareholders holding less than a marketable parcel of shares are:	525	2,085,966

b) Equity security holders

Twenty largest quoted equity security holders

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	10.13
2	Karari Australia Pty Ltd	15,790,000	7.01
3	ANZ Nominees Ltd <Cash Income A/C>	11,185,624	4.97
4	Bougainvillaea Holdings Pty Ltd <S/F A/C>	7,892,764	3.51
5	Yandal Investments Pty Ltd	6,750,000	3.00
6	Manwest Group Pty Ltd	4,800,000	2.13
7	W Brooks Investments Pty Ltd	4,530,645	2.01
8	Macquarie Bank Ltd	3,527,500	1.57
9	Coutelas C M J & Francois	3,350,950	1.49
10	Chalice Gold Mines Ltd	2,000,000	0.89
11	Tapp A J & Polymeneas M <Super Account>	2,000,000	0.89
12	Dare Eric	1,883,889	0.84
13	O'Meara Denis William	1,770,841	0.79
14	Forty Traders Ltd	1,526,100	0.68
15	Boulevade Investments Pty Ltd	1,500,000	0.67
16	Szalacki Henry	1,494,930	0.66
17	Archem Trading NZ Ltd	1,380,645	0.61
18	Armco Barriers Pty Ltd	1,210,000	0.54
19	Loveridge John S	1,135,455	0.50
20	Button P S & Nicol P A <Christopher Jordan>	1,084,908	0.48
		97,614,159	43.37

Unquoted equity securities

	Number on issue	Number of holders
Options issued under the De Grey Mining Limited Employees and Contractors Option Plan to take up ordinary shares	19,200,000	16

(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

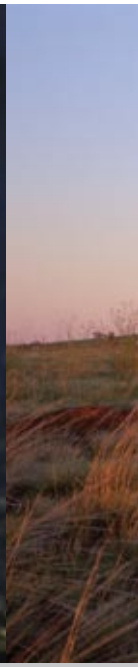
(d) Voting rights

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	E52/1806	60%
Beyondie	E52/2215 (A)	60%
Turner River	E47/891	100%
Turner River	E45/2533	100%
Turner River	E45/2465	100%
Turner River	E45/2364	100%
Turner River	E45/2611	80%
Turner River	P45/2655	100%
Turner River	E45/2995	100%
Turner River	E45/3390 (A)	100%
Turner River	E45/3391 (A)	100%
Turner River	E45/3392 (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%
Paterson	E45/3339 (A)	100%
Paterson	E45/3342 (A)	100%
Paterson	E45/3357 (A)	100%
Paterson	E45/3358 (A)	100%
Paterson	E45/3362 (A)	100%
Paterson	E45/3363 (A)	100%
Paterson	E45/3370 (A)	100%
Bangemall Basin	E08/2028 (A)	100%
Bangemall Basin	E09/1662 (A)	100%
Bangemall Basin	E31/878 (A)	100%
Lake Barlee	E29/735 (A)*	100%
Lake Barlee	E77/1877 (A)	100%
Fortescue Island	E08/1876 (A)	100%
Fortescue Island	E08/1877 (A)	100%

* Subject to ballot with one competing applicant, to be conducted 16 October 2009.



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