De Grey Mining Ltd

ANNUAL REPORT 2010

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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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SANTA CRUZ PROVINCE, ARGENTINA (GOLD-SILVER)

- Secured exploration rights to nearly 2,200 sq km of ground in the highly prospective Deseado Massif at modest cost.
- Early encouragement, with reconnaissance locating evidence of epithermal vein systems at Sierra Morena and Tres Cerros projects.

APEX IOCG TARGET, QLD (COPPER-GOLD)

- Detailed gravity survey confirms coincident gravity-magnetic anomalies, similar to signatures over Ernest Henry deposit.
- Diamond drilling scheduled for December Quarter 2010, part funded by Queensland Government CDI grant.

PATERSON PROJECT, W.A. (URANIUM, BASE METALS)

- Ground position increased to nearly 5,000 sq km, covering targets for Nifty-style base metal and Kintyre-style uranium mineralisation.
- Progressive releases of updated geological interpretations and mineralisation models by Geoscience Australia provide valuable baseline information at no direct cost to De Grey.

PILBARA IRON ASSETS, W.A. (IRON ORE)

- Atlas Iron progressing plans to mine Mt Dove iron resource, expected to trigger royalties flow to De Grey.
- De Grey continues to enjoy a 20% free carried interest in Beyondie Iron Ore JV.

TURNER RIVER PROJECT, W.A. (GOLD, BASE METALS)

- Continued evaluation of options for low capex development of Wingina Well gold resource.

The world is now almost two years on from the nadir of the global financial crisis but, as the retreat from January 2010's rally of mining stocks demonstrated, the world's capital markets remain jittery. The availability of risk capital to mineral explorers like De Grey has improved over the past twelve months but the effective cost is generally higher than at any time since, possibly, 2004. The pressure therefore remains to be prudent in utilising the Company's cash reserves but your directors are acutely aware that, at the same time, shareholders expect us to be in the business of mineral exploration and discovery, an inherently high-risk business.

In last year's annual report I pointed out that we had embarked on a deliberate strategy to trade out of the Company's portfolio of mature projects and into new opportunities that would upgrade the overall value and upside potential of the exploration portfolio. We have continued to pursue that strategy through 2009-2010 via a series of agreements to realise value for assets or reduce the cost and risk of holding them, whilst at the same time maintaining exposure to opportunity.

Our wide-ranging search for new exploration opportunities yielded its first success in late 2009 with a deal to farm into the Apex IOCG target in NW Queensland. Apex is one of the few combined gravity-magnetic geophysical anomalies in the Cloncurry region that has not yet been tested by drilling. Modelling of the detailed gravity data acquired in mid-2010 has enabled us to refine drill target locations in an area where the prospective Proterozoic basement rocks are covered by up to 350 metres of later overburden. Drilling, part funded by a grant under the Queensland government's Cooperative Drilling Initiative, is scheduled for the December quarter of this year.

In mid-2010, we announced that the Company had secured, at modest cost, rights over nearly 2,200 sq km of ground in the highly prospective Deseado Massif of southern Argentina. With discoveries of 11.5Moz of gold and 245Moz of silver since 1990, the region is increasingly recognised as prime exploration ground for low-sulphidation epithermal gold-silver deposits. The attractiveness of the address was acknowledged by investors with a significant lift in De Grey's share price following announcement of our ground acquisitions.

The Argentina properties are early-stage prospects but we already have positive initial results from a brief field inspection at the Sierra Morena property, where rock-chip samples indicate a fertile gold-silver system over at least one kilometre strike length. We plan active field campaigns over several of the projects in the upcoming field season, expected to commence in October.

Having established a presence in Argentina, De Grey is receiving offers of other potential project opportunities in that country and in nearby countries.

Late in 2009, our partner in the Beyondie Iron Ore Joint Venture, Emergent Resources Limited, approached us with a proposal to purchase De Grey's 20% free carried interest to decision to mine. After seeking independent advice on the likely value of De Grey's carried interest, we executed a sale and purchase agreement with Emergent. On the 16th September 2010 De Grey was informed by Emergent that their proposed joint venture with China Beijing Metallurgical Investment Co Limited will not proceed. As a result the sale agreement between De Grey and Emergent has fallen away and De Grey continues to enjoy a 20% free carried interest to decision to mine under the original joint venture arrangements.

On the subject of iron ore, De Grey retains rights to royalties under agreements with Atlas Iron Limited over parts of the Turner River project. Although a time-frame is yet to be set, Atlas is progressing plans to mine the iron ore resource at Mount Dove, commencement of which will result in significant royalty payments to De Grey.

The Company also maintains exposure to an area with potential for multi-billion tonne magnetite iron resources through our exploration licence application at Fortescue Island. Investors are perhaps viewing the value of that play less sceptically now that Groote Resources Limited is pursuing manganese resources in a similar setting in the Northern Territory.

In the south of the Paterson Province, De Grey has amassed a large ground position in an area prospective for uranium and base metals mineralisation. The geology and prospectivity of the region is being completely re-evaluated in an intensive study by Geoscience Australia after their large-scale airborne EM survey last year, providing the Company with valuable baseline geological information at no direct cost. We have invested considerable effort to compile and digitise information available from previous explorers, most previous work having been completed pre-1990's and available only in hardcopy form. That work, in conjunction with the new EM coverage, is throwing up specific exploration targets. The bulk of De Grey's ground lies within determined Martu native title lands and we are engaging with Martu's representative body to seek exploration access arrangements that fulfil the aims of both parties.

Our farm-in partner on the Turner River gold and base metals projects, HJH Nominees Pty Ltd, failed to perform the minimum work and expenditure requirements specified in the farm-in agreements and those agreements have been terminated. We are now in advanced discussions with another party whom we expect to advance exploration on the projects in a timely manner. De Grey will retain exposure to a significant interest in the projects at negligible cost.

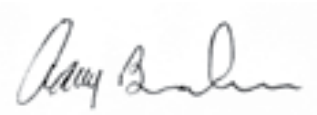
De Grey's tenement applications over areas prospective for manganese in the Bangemall Basin, the result of diligent monitoring of competitor activity and tenure status, were optioned to Shaw River Resources Limited, a company specialising in exploration for manganese resources. The proposed terms of a farm-in and joint venture agreement, should Shaw River elect to exercise their option, again leave De Grey with significant exposure to the value uplift that would derive from any discovery.

We continue to regularly assess new opportunities both within Australia and overseas locations seeking, in particular, entry into at least one more advanced project at a reasonable cost.

I take this opportunity to thank our administration and support staff, contractors and consultants, and my fellow directors for their efforts during the year.

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

I also thank De Grey shareholders for their continuing support of the Company.



Gary Brabham
Managing Director
September 2010

CHAIRMAN'S REPORT

The 2010 year was a successful one with your company generating new targets both within and outside of Australia. The entry into Argentina is a very exciting move that has been well received by the investing public and comes at a time when Australian mineral explorers are increasingly turning to overseas opportunities in regions with high mineral endowments and competitive costs.

At the same time some of our more mature projects in Australia have been farmed out to other parties.

Non-core assets, particularly in the iron-ore field, have been sold to generate cash to dedicate to other opportunities that we view as having potential to generate greater value for shareholders.

As a result the company has been able to continue its activities without having to issue shares during a period of depressed prices.

This year it is our intention to make the market more aware of the potential De Grey interests represent. Recent promotional activities include booths at the Diggers & Dealers forum in Kalgoorlie and at the Argentina Mining conference in San Juan, Argentina, along with one-on-one presentations to a number of brokers and analysts. The Company will man a booth at the upcoming Excellence in Mining & Exploration conference to be held in Sydney in September.

I would like to commend management on their efforts during the year in what were difficult circumstances.

I would also like to thank shareholders for their continuing support in 2010.

We look forward to the coming year producing a good result for shareholders.

Campbell Ansell
Chairman
September 2010

The company will attend the Excellence in Mining and Exploration conference in September 2010

ARGENTINA PROJECTS

SANTA CRUZ PROVINCE ACQUISITIONS

In July 2010 De Grey announced that it has secured exploration rights over 2,193 sq km of ground in Santa Cruz Province, Argentina (Figure 1). The portfolio of 14 exploration projects lies within the highly prospective Deseado Massif, an under-explored but rapidly emerging gold-silver province that has seen a prolific number of new and high-grade discoveries in recent years. The Company has established an Argentine subsidiary, De Grey Argentina S.A., to facilitate its exploration push into Argentina.

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

The region hosts numerous low-sulphidation epithermal gold-silver deposits, with resources and reserves totalling 11.5Moz gold and 245Moz silver discovered since 1990, making it one of the world's premier exploration regions for this style of mineralisation. Despite this record of discovery, exploration in the region is still in its infancy. All of De Grey's project areas have seen little or no previous exploration and represent early stage exploration opportunities in highly prospective Jurassic volcanic rocks of the Deseado Massif in Southern Patagonia.

The majority of projects were originally acquired following target generation exercises using regional aeromagnetic data to identify structural corridors thought to be important controls on the location of the epithermal gold-silver mineralisation. Further targets were selected on the basis of alteration anomalies interpreted from the processing and analysis of ASTER multi-spectral satellite data. Such signatures can reflect hydrothermal alteration associated with gold-silver mineralisation in epithermal systems. These alteration targets provide De Grey with areas for immediate field investigation.

Project interests comprise:

- A two-stage option-to-purchase agreement with Minera Sudamericana S.A. (MSA) over nine project areas covering a total of 1,390 sq km. MSA is a private Argentine company headed by experienced geologists who pegged the properties in 2008 and 2009 after undertaking a targeting study.

- A farm-in with Minera Kingsgate Argentina S.A. (Minera Kingsgate), a wholly owned subsidiary of Kingsgate Consolidated Ltd, over Minera Kingsgate's Boleadora project. The Boleadora Project comprises six tenements covering 527 sq km in the north western Deseado Massif. The project is strategically located between Andean Resources' Cerro Negro Project, just 30km to the north, and Mirasol Resources' recent grass roots Virginia silver vein field discovery, approximately 25km to the south.

- Applications by De Grey Argentina S.A. for four properties over a combined area of 276 sq km. The properties were acquired following the identification of anomalous ASTER (multispectral satellite) signatures over Jurassic volcanic rocks that may reflect hydrothermal alteration associated with epithermal mineralisation.

Further details of the terms of the MSA and Minera Kingsgate agreements, along with more information concerning mineral exploration in Argentina, and Santa Cruz Province in particular, were provided in the Company's ASX release dated 15 July 2010.

De Grey geologists visited several of the properties during due diligence investigations in April 2010. Field checking of an ASTER anomaly target area on the Sierra Morena property located siliceous breccias (Figure 2) that outcrop discontinuously over approximately 1km strike. Rock chip samples returned up to 0.49g/t gold and 13g/t silver. A single rock chip sample from a second area of poorly exposed quartz veining 700m distant from the breccias outcrops returned 0.20g/t gold and 20g/t silver (Figure 3). Low levels of base metals in the rock chip samples, along with the textures in breccia outcrops, indicate exposure at a high level in the epithermal system.

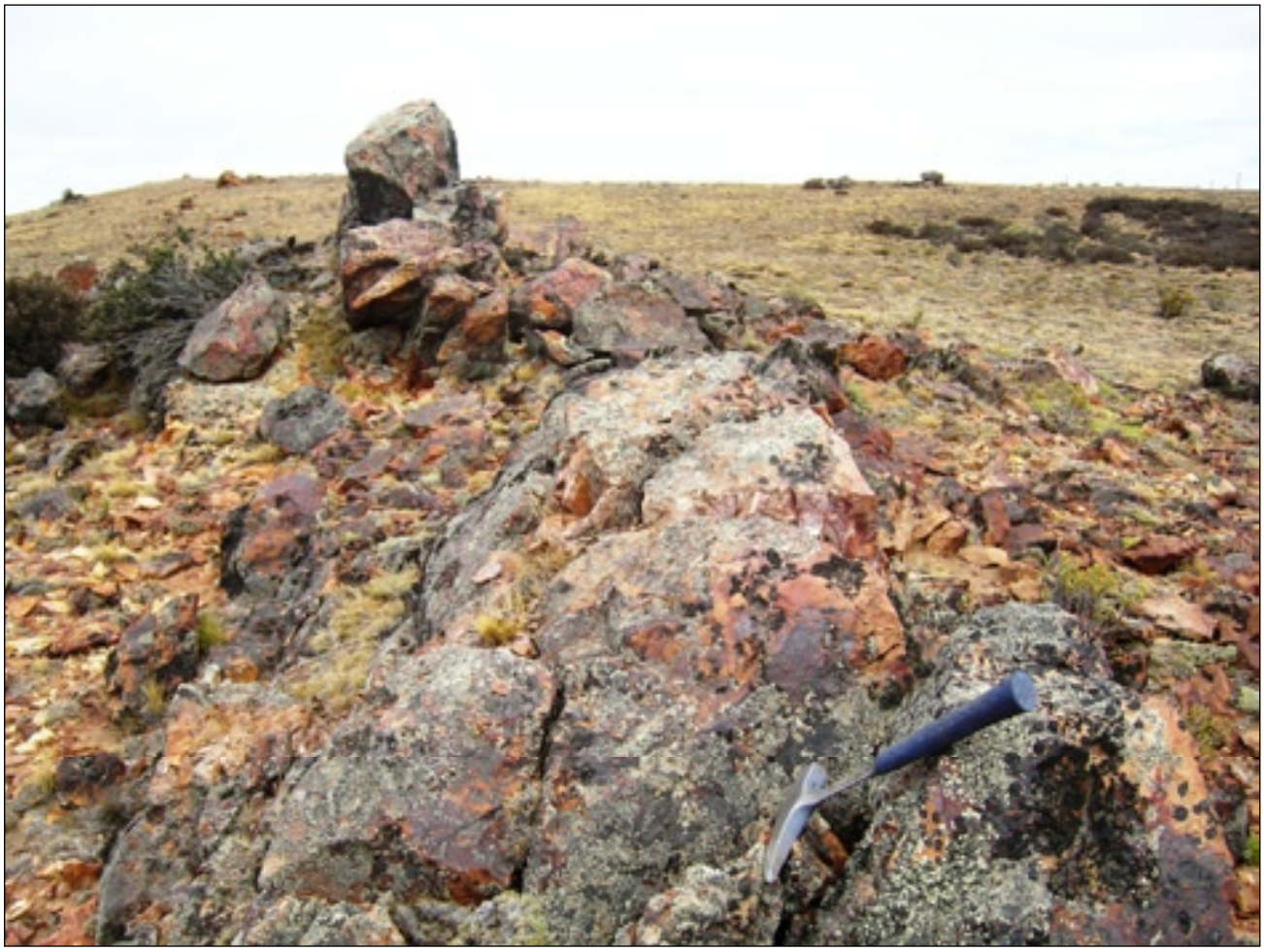


Figure 2: One of several outcrops of siliceous breccias in Chon Aike volcanics at Sierra Morena project

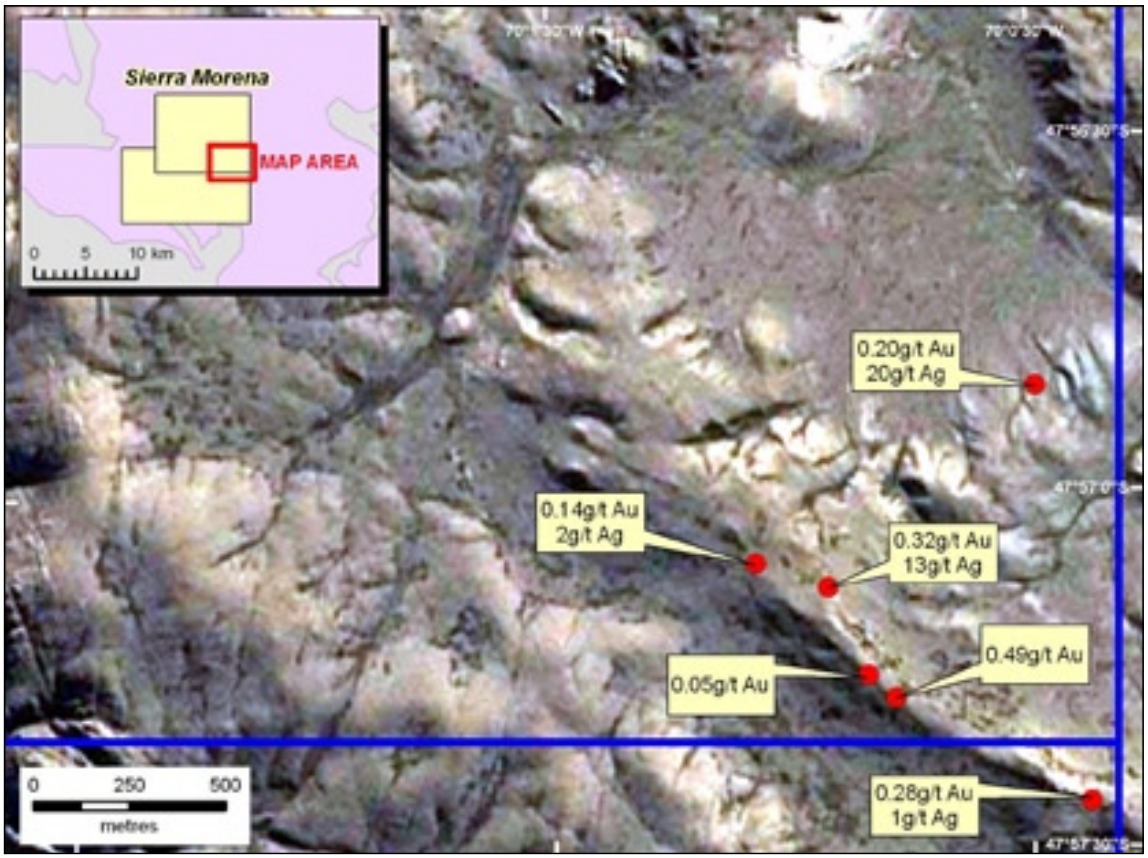


Figure 3: Sierra Morena sample locations and assays

At the La Evelina property, a single sample from a ferruginous fault structure assayed 0.13g/t gold along with elevated levels of pathfinder elements arsenic and antimony. Aerial photography indicates that the structure extends at least 2km to the west.

Brief field checks have also lead to discoveries of epithermal vein quartz on the Bajo Grande and Tres Cerros properties. Limited sampling did not return elevated gold or silver values but, considering the strong vertical zoning of precious metals typical of low-sulphidation epithermal deposits, the vein systems merit more thorough investigation.

Considering the very limited field work undertaken to date, the results are regarded as very encouraging.

Winter prevents exploration access to much of southern Patagonia, particularly for early-stage field work. Exploration campaigns using experienced Argentine geological personnel are scheduled to commence in the December quarter, after winter snows have receded. Detailed mapping and sampling will be completed over the specific exploration targets identified at each of the properties with the aim of rapidly firming up drill targets. This targeted work will be complemented by systematic reconnaissance of all outcropping areas of prospective Jurassic volcanic rocks and soil and stream sediment sampling in less well exposed areas.

AUSTRALIAN PROJECTS

APEX PROJECT FARM-IN, QUEENSLAND

In September 2009 De Grey announced that it had reached agreement to enter into a farm-in arrangement with Teck Australia Pty Ltd (Teck) under which De Grey can earn 100% interest in EPM14142, located north of Cloncurry in Northwest Queensland (Figure 4).

EPM14142 covers a geophysical feature informally called the Apex Magnetic Complex, located 55km north of Xstrata's Ernest Henry copper-gold mine and 90km south of Falcon Minerals/Anglogold Ashanti's Saxby project, in the covered northern extension of the Eastern Succession of the Mount Isa Inlier.

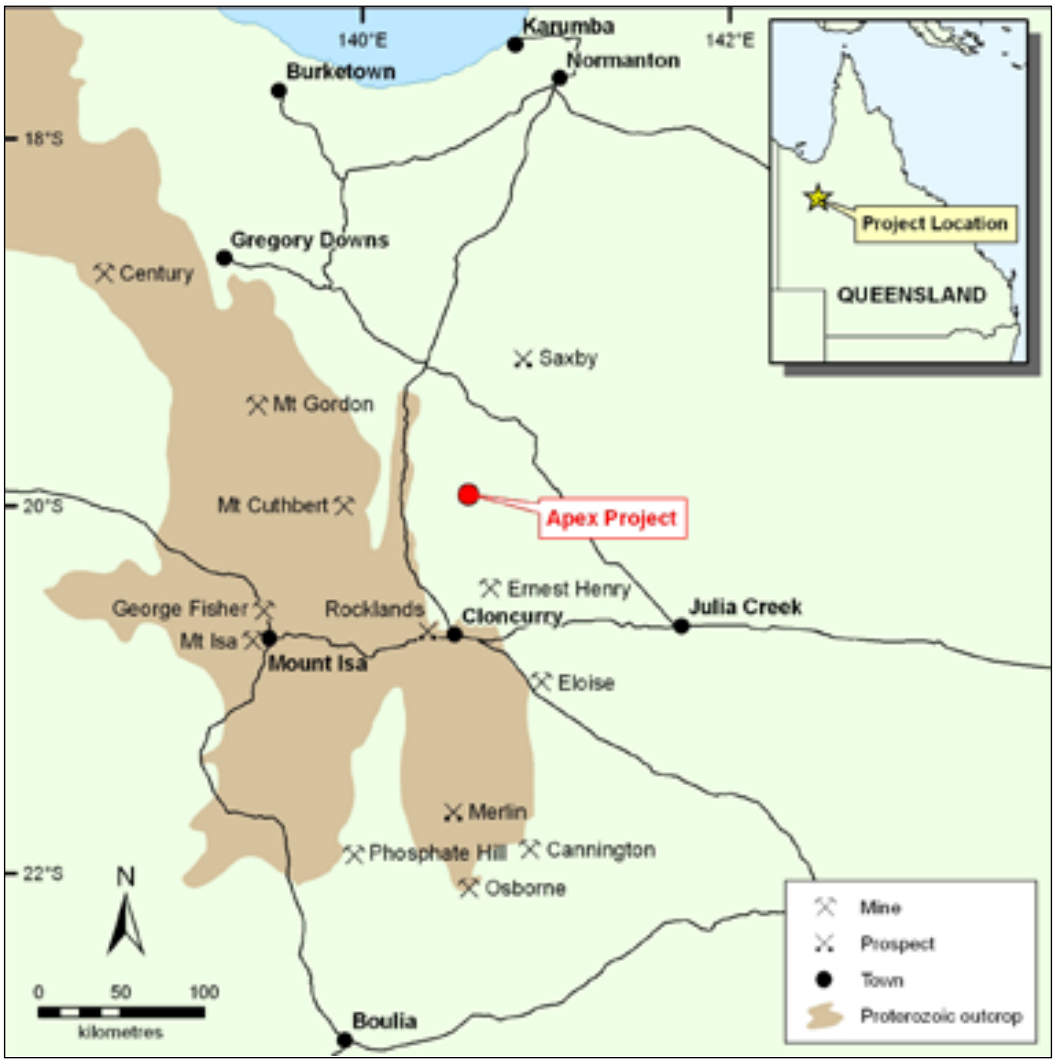


Figure 4: Apex Project location map

A 1,035 station detailed ground gravity survey covering a 32.7 sq km area was completed in June 2010, confirming a significant gravity anomaly at Apex.

The coincident magnetic - gravity signatures at Apex (Figures 5 and 6) are similar to those at Ernest Henry and occur in an area of structural complexity immediately adjacent to the intersection of major, terrane-bounding structures. The high-amplitude anomalies are thought to be due to magnetite associated with an IOCG-style alteration system or, alternatively, a mafic intrusive complex similar to that which hosts nickel-copper mineralisation reported by Falcon Minerals at Saxby.

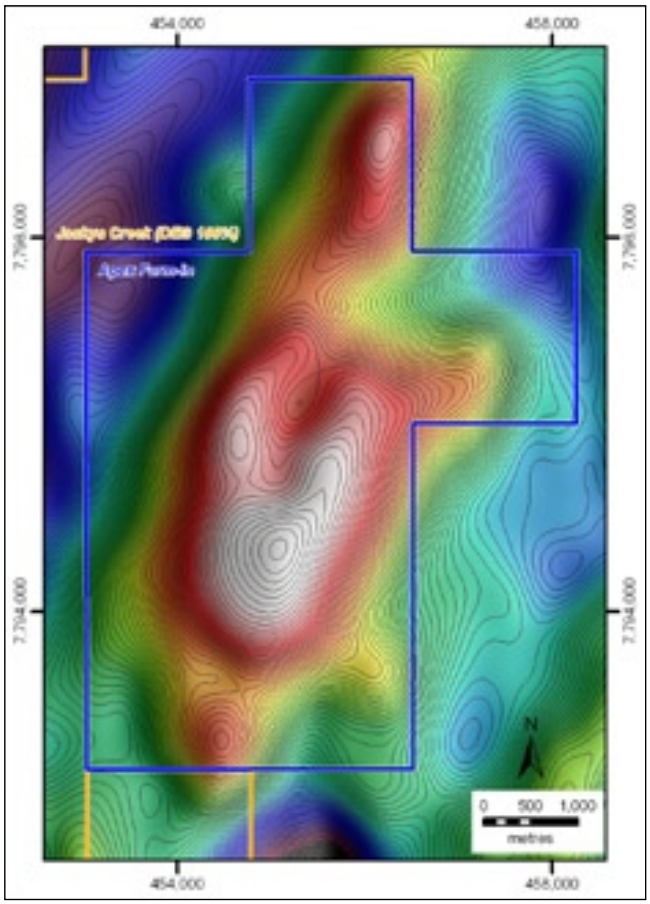


Figure 5: RTP magnetic image of Apex Magnetic Complex. Contours are at 25 nT intervals

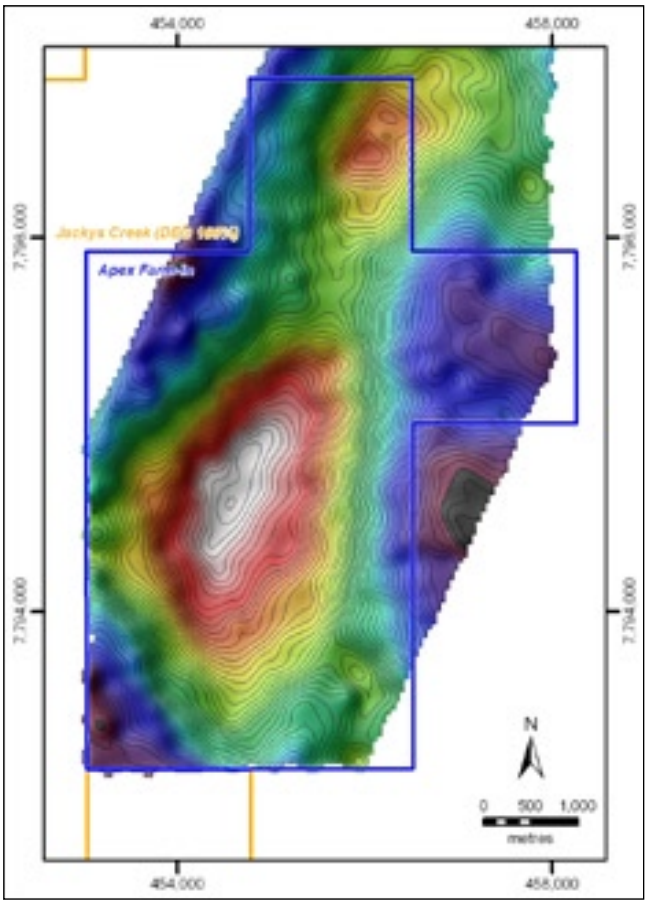


Figure 6: Residual gravity image over Apex Magnetic Complex. Contour intervals are 1 gravity unit

A three dimensional geological model has been created using computer modelling of the combined gravity-magnetic data to aid drill targeting. Diamond drilling is scheduled for the December quarter of 2010.

De Grey has been awarded funding of up to $80,000 under the Queensland Government's Cooperative Drilling Initiative (CDI) to drill test the Apex Magnetic Complex. The CDI grant provides recognition of the quality and the potential of this exciting drill target in a frontier exploration area.

De Grey can earn 100% interest in the project by sole funding $2 million exploration expenditures over 4 years, including a commitment to spend $250,000 in the first year with a work program to include at least two drill holes to basement, with Teck retaining a 1% NSR royalty and the right to earn back to 70% interest by incurring a significant premium on De Grey's expenditures at any time up until De Grey has spent $7.5 million.

JACKY'S CREEK AND CATTLE CREEK PROJECTS, QUEENSLAND

De Grey has lodged applications for two EPMs, Jacky's Creek and Cattle Creek, covering a combined 158 sq km of ground contiguous with the Apex anomaly EPM that covers the Apex IOCG target.

The application areas cover other discrete geophysical features that may represent alteration associated with IOCG-style copper-gold mineralisation. Exploration will commence upon grant of the tenements.

TURNER RIVER PROJECT

OVERVIEW

The Turner River Project is located 60km south of Port Hedland in the Pilbara Region of Western Australia, covering an area of 1,000 sq km (Figure 7). The Three Kings platinum group mineralisation also lies in the western part of the project area. The western portion is primarily prospective for gold mineralisation and includes the Wingina Well gold deposit discovered in 2003. The eastern portion of the project covers the VMS-style polymetallic deposits discovered in 2006.

On 10 August 2009, a binding letter agreement was executed with HJH Nominees Pty Ltd (HJH) whereby HJH could earn up to 75% interest in each of the Turner River Gold and Turner River Base Metals Projects through expenditure of $4.5 million over 4 years.

No exploration programs were completed during the year. On 11 August 2010 De Grey advised HJH Nominees Pty Ltd that it had repudiated the terms of both the Turner River Gold and Turner River Base Metal farm-in agreements, that De Grey accepted the repudiations and that those agreements were at an end as of 10 August 2010.

The Company is currently in negotiations with prospective funding partners for Turner River that will allow for continued exploration for gold and VMS-style base and precious metal mineralisation at minimal cost to De Grey.

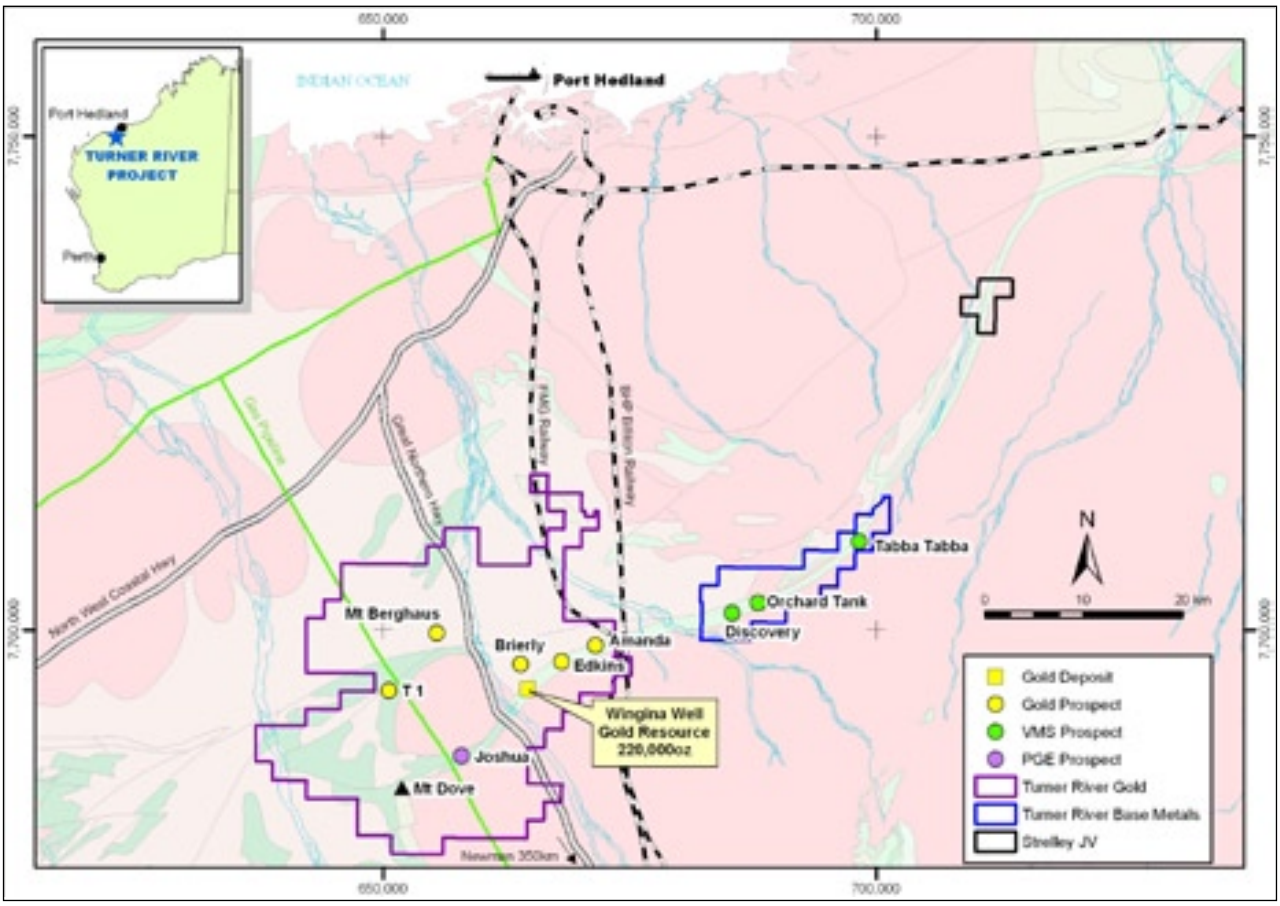


Figure 7: De Grey's Turner River Projects

TURNER RIVER GOLD EXPLORATION

Together with a funding partner, the Company's gold exploration strategy at Turner River remains focused on locating additional resources that would, in conjunction with the Wingina Well deposit, be sufficient to develop a profitable gold mining operation.

The current Wingina Well gold resource stands at 220,000oz, 83% of which are in the Measured or Indicated JORC categories (Table 1).

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 1: Wingina Well 2009 MIK 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

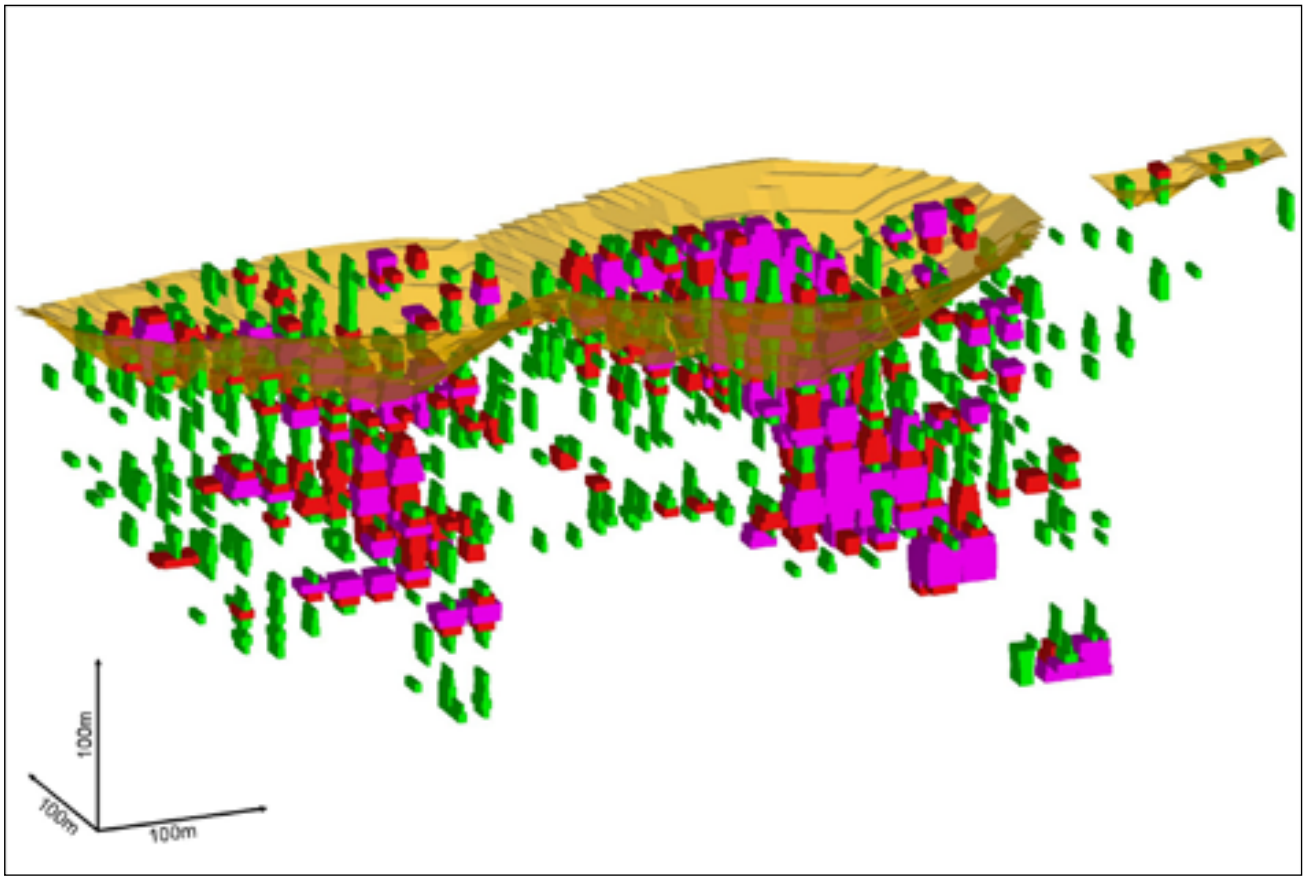


Figure 8: Wingina Well MIK block model and A$1,400/oz optimised pit shell

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

Advanced Stage Gold Targets

Numerous high grade gold intersections have been reported previously from 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 9).

Previous drilling at Mt Berghaus has identified gold mineralisation over a 6.5km strike length with intersections up to **11m at 36.4g/t gold from 4m** in drill hole BGRC097 and **7m at 15.5g/t gold from 21m** in BGRC001.

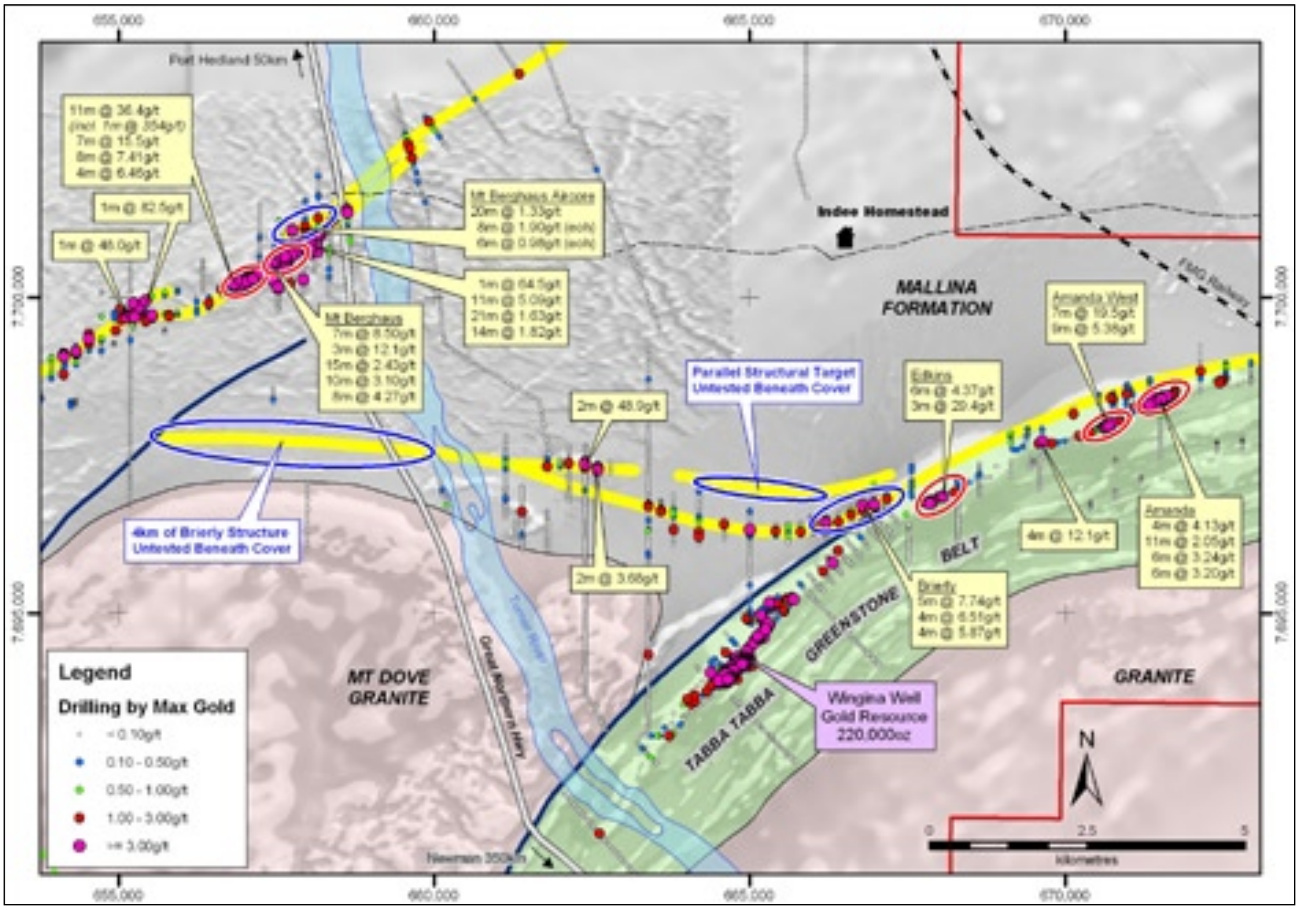


Figure 9: Turner River Gold Project Exploration Potential

Intermediate Stage Gold Targets

These consist of encouraging gold intersections returned from wide spaced aircore drilling over several hundred metres strike length in new areas yet to be tested by closer spaced RC programs. Prospects at this stage of exploration include 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 over a 600m strike length.

Gold anomalism +1g/t has been defined by aircore drilling only over a 1,500m strike length at the Brierly Prospect, located just 3km from the Wingina Well gold deposit. Intersections up to **5m at 7.74g/t gold from 14m** on 200m spaced drill traverses remain untested by RC drilling.

These high priority RC drill targets have immediate potential for the discovery of new gold resources.

Early Stage Gold Targets

The sand-covered strike continuations of known mineralised structures are attractive targets. Individual areas include the 4km long Brierly West target and strike extensions to the Mt Berghaus gold mineralisation (Figure 9). These areas are completely untested by drilling and as such have the potential to host significant gold mineralisation.

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 7). Intersections previously reported illustrate the high-grade nature of the polymetallic mineralisation and include:

Discovery Prospect: 17m at 4.64% Zn, 124g/t Ag, 1.84% Pb, 0.48g/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 rocks. 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 (China Minmetals Corp) and Jaguar (Jabiru Metals Limited). CBH Resources Limited's planned 1.5 million tonnes per annum Sulphur Springs mine and processing plant lies only 60km from De Grey's Turner VMS prospects.

Six individual VMS prospects have been located at Turner River to date over a strike length of 18km. The regional long section in Figure 10 below summarises some of the drill intersections returned to date from a 7km section of this strike length 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.

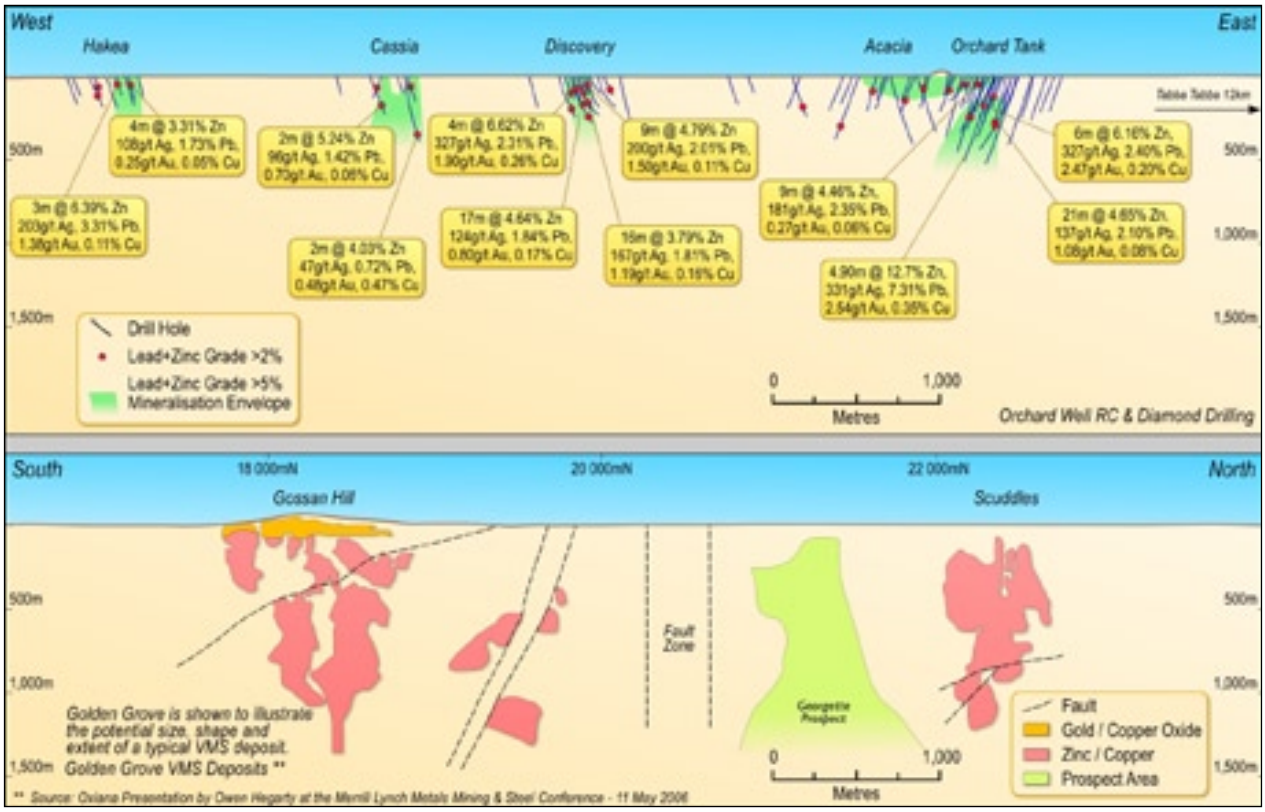


Figure 10: Orchard Well drill coverage compared to a typical VMS camp

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 is currently in negotiations with a potential new funding partner to progress the exploration of the VMS base metals targets at reduced risk to De Grey.

PILBARA IRON PROJECTS

BEYONDIE IRON ORE JOINT VENTURE

In April 2010, Emergent Resources Limited served notice that it had fulfilled requirements to earn 80% interest in the Beyondie Iron Ore Joint Venture, having sole-funded expenditure of $1.75 million. The joint venture terms leave De Grey with 20% free carried interest in the project to a decision to mine at which point the Company can decide whether to contribute to mine development costs or convert its interest to a royalty.

Emergent's work at Beyondie has established an inferred resource of 561 million tonnes grading 27.5% Fe[1] in magnetite. The resource is presently limited only by drill coverage and aeromagnetic data indicate potential to considerably expand the resource tonnage. In addition in June 2010 Emergent also announced a hematite iron exploration target of **70-120 million tonnes** grading **52% to 57% Fe.**

In late 2009, Emergent approached De Grey seeking to purchase De Grey's right to the free carried interest in the joint venture. After seeking independent advice on the likely value of that interest, a sale and purchase agreement was executed. On the 16th September 2010 De Grey was informed by Emergent that their proposed joint venture with China Beijing Metallurgical Investment Co Limited will not proceed. As a result the sale agreement between De Grey and Emergent has fallen away and De Grey continues to enjoy a 20% free carried interest to decision to mine under the original joint venture arrangements.

FORTESCUE ISLAND IRON

The Fortescue Island Iron Project covers 378 sq km in shallow waters (predominantly less than 20 metres deep) approximately 70km west-southwest of the iron ore port of Dampier. The area is located less than 15km 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 the potential for bedrock iron resources hosted by the seaward extensions of the Brockman Iron Formation, the unit that hosts the extensive Balmoral deposit which reportedly has potential to host 60 to 100 billion tonnes of mineralisation with a grade of 30-31% Fe[2].

The reprocessed aeromagnetic data clearly highlight potential for the Fortescue Island tenement to contain a greater cumulative strike length of Brockman Iron Formation than hosts the known Balmoral mineralisation (Figure 11). 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 ELA.

[1] Emergent Resources Limited Quarterly Report for the period ending 30 June 2010
[2] According to section 18 of the JORC Code – reported by Hellman & Schofield Pty Ltd Oct 2005

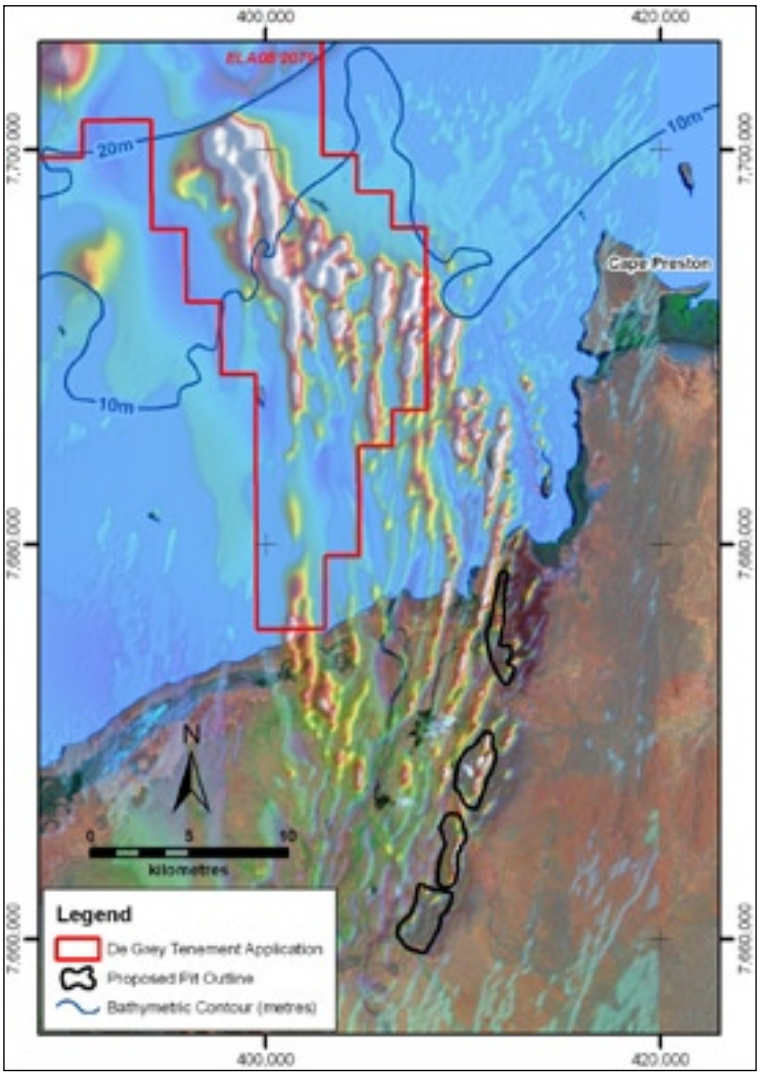


Figure 11: Proposed Balmoral Project open pits and magnetic units of Brockman Iron Formation extending into the Fortescue Island Project area. Contours show water depth.

MT DOVE ROYALTY

De Grey has sold iron ore rights over some tenement areas in the Turner River Gold and Turner River Base Metal Projects to Atlas Iron Ltd.

A 1% to 2% gross royalty on future iron ore production from these areas is retained by De Grey, which include the high grade Mt Dove haematite deposit discovered by De Grey during a reconnaissance rock sampling program in January 2008.

Atlas announced in their June 2009 Quarterly report that Mt Dove now has an inferred resource estimate of 2.5 million tonnes at 58.5% Fe, 6.1% SiO_2, 1.8% Al_2O_3, 0.11% P and 7.9% LOI. Mt Dove is strategically situated 13km from the Great Northern Highway, close to Atlas Iron's Wodgina iron deposits and just 65km south of the iron ore port at Port Hedland.

Atlas is progressing plans for a mining operation at Mt Dove and De Grey expects to receive significant royalty payments in the near term.

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 12).

Exploration efforts in the Paterson region have been given a fresh impetus with the overturn of the ban on uranium mining in WA, new regional datasets in the form of a government funded geophysical survey and new models of the genesis of base metal and uranium mineralisation proposed by Geoscience Australia. A significant new copper discovery reported in late May 2010 at Encounter Resources' BM1 Prospect has also raised the profile of this exciting frontier exploration region.

De Grey's Paterson Project consists of 11 exploration licence applications, together with a joint venture with Raisama Ltd over a single EL application, covering a total area of 4,983 sq km of prospective ground. Five applications (1,718 sq km) lie south of the Rudall River National Park, entirely within the determined native title lands of the Martu People, and contain significant early stage base metal and uranium exploration targets.

These 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.

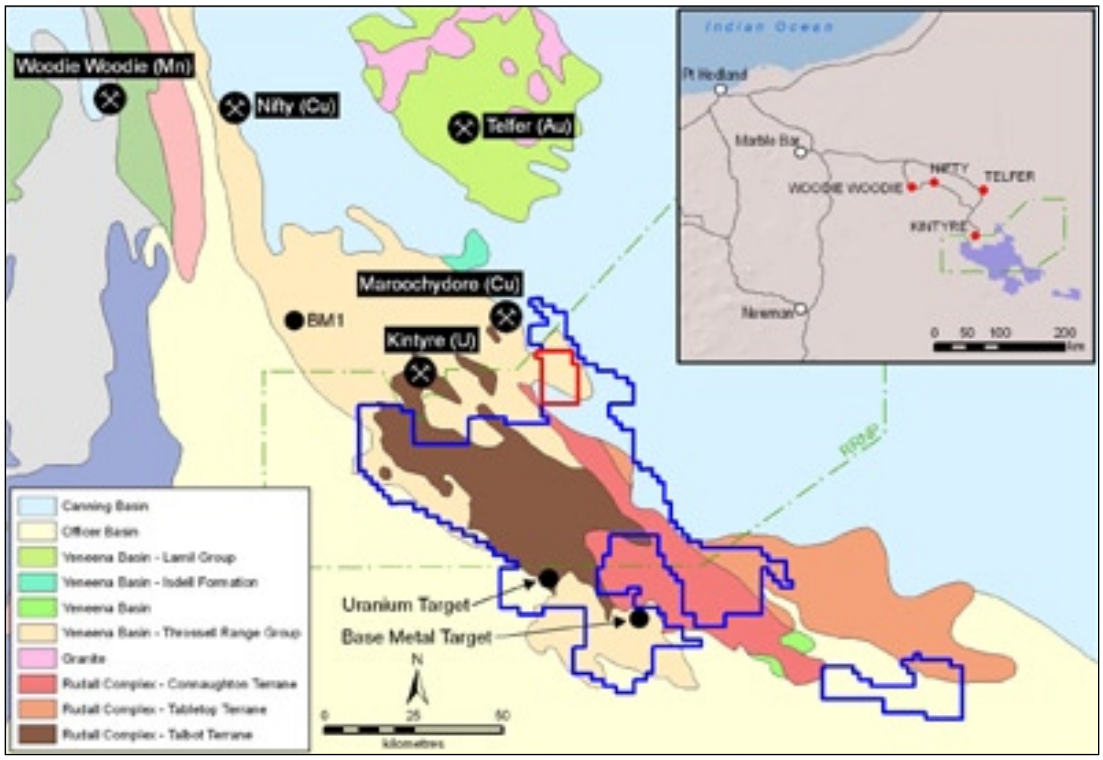


Figure 12: De Grey tenements and major mineral deposits in the Paterson area, WA

PATERSON BASE METAL TARGETS

A compelling Nifty-style base metal exploration target is contained within De Grey's tenement applications south of the Rudall River National Park. There, a fault-bounded basin of Throssell Range Group sediments (host to the Nifty copper mineralisation) contains copper anomalism in at least two areas.

Limited lag sampling by CRA Exploration in 1993 identified lead-copper-silver-cobalt-barium that remains open along strike. Only a small portion of the 15km x 7km basin has been tested by sampling (see Figure 13). 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 a similar lag sampling program.

Rock samples containing up to 1.7% copper are also reported from the same sedimentary sequence 6km to the north west of the lag anomaly.

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.

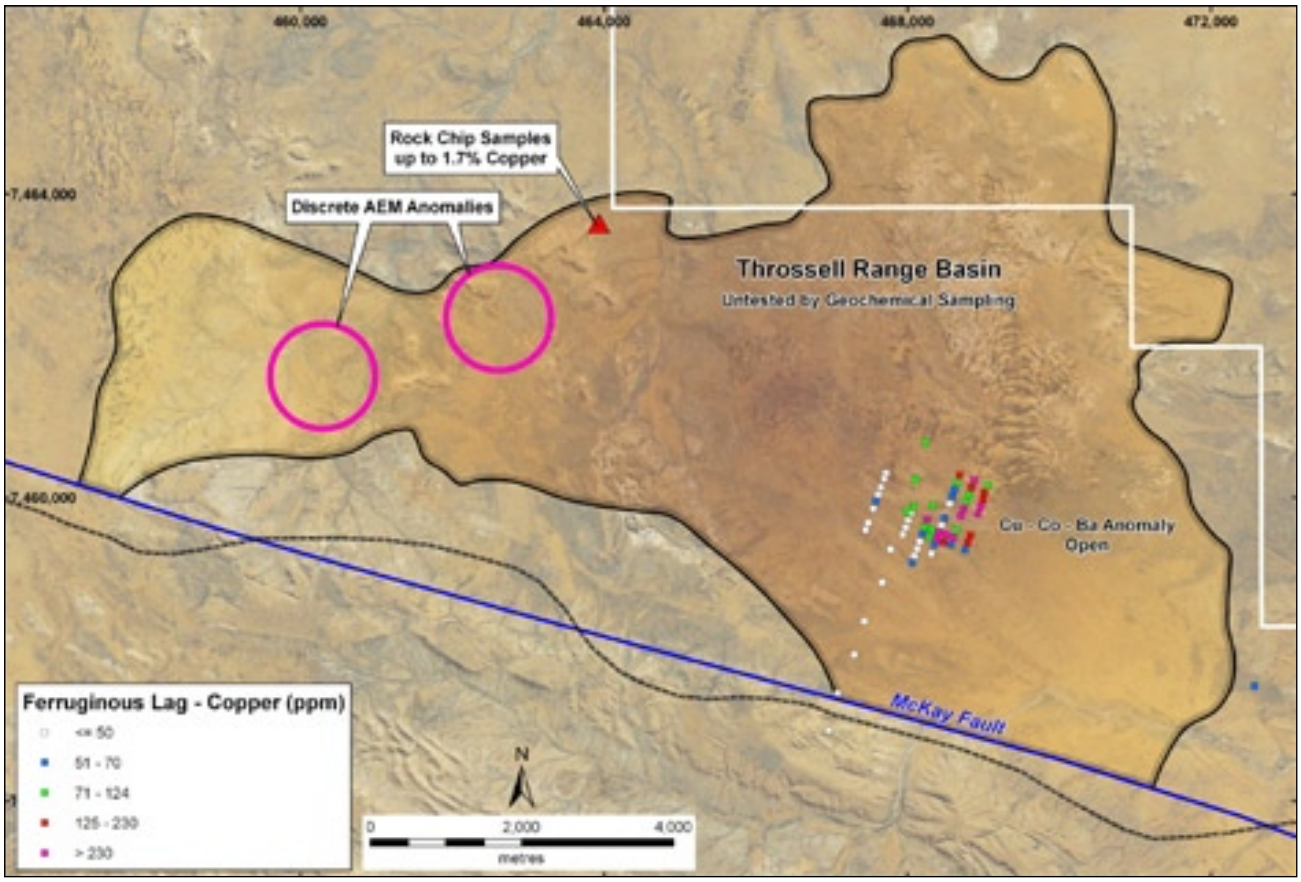


Figure 13: Base metal exploration targets in the Throssell Range Basin, Paterson Project

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 8km (Figure 14).

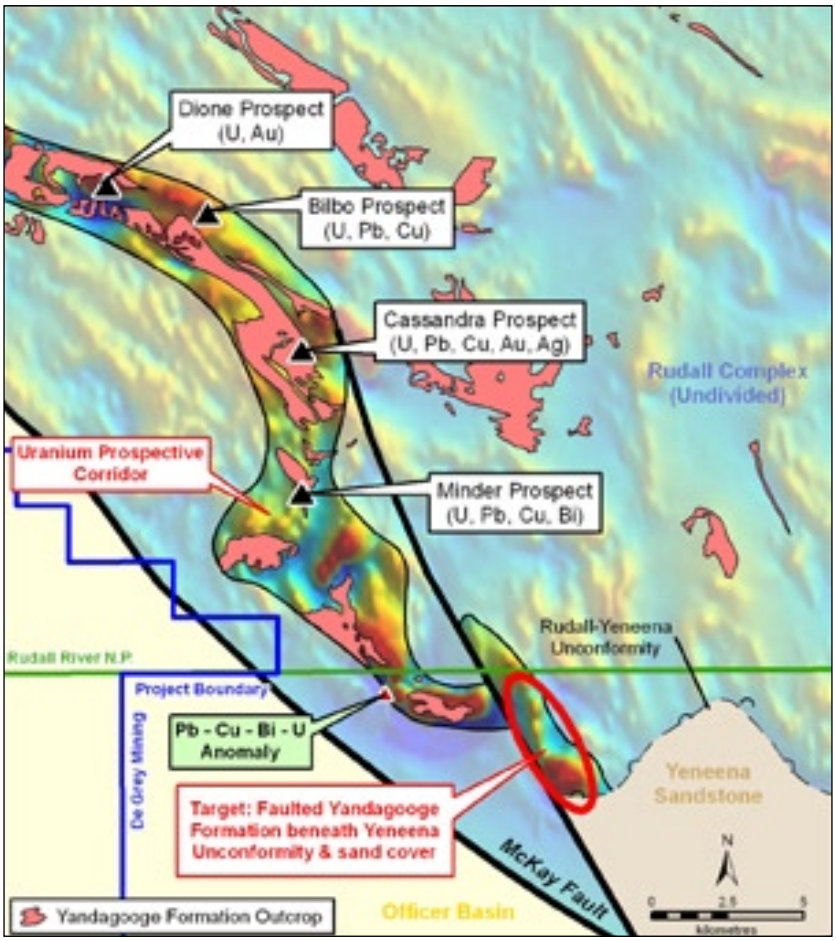
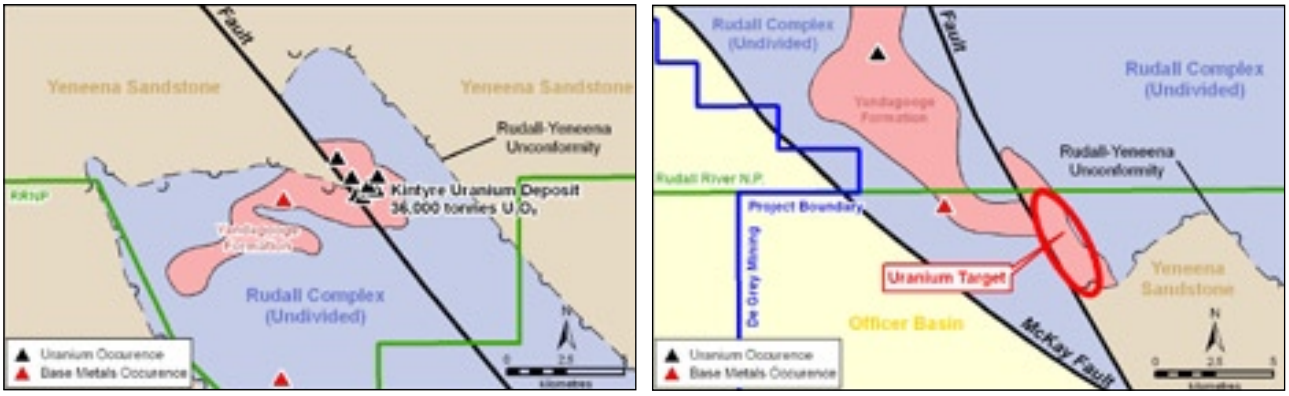


Figure 14: Uranium exploration targets in the Paterson Project

In an geological setting analogous to that at Kintyre, the magnetic Yandagooge Formation is cut by faulting beneath sand cover (Figures 15a and 15b). 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.



Figures 15a and 15b: Geological analogue of the Kintyre Uranium Deposit (left) to De Grey's Uranium Target (right)

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 and has a joint venture over a total area of 3,265 sq km within the Rudall River National Park. The applications cover areas of the Rudall Complex prospective for uranium, base metal and gold mineralisation, and are centred about 35km 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 authorised to represent 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.

The Company is seeking to negotiate similar access agreements for its tenements south of Rudall River National Park which lie entirely within determined Martu native title lands.

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 assessed 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 vacant areas in prospective regions of Western Australia.

The information in the report to which this statement is attached that relates to Mineralisation is based on information compiled 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.

De Grey Mining Limited

ABN 65 094 206 292

Annual Financial Report

for the year ended 30 June 2010

Corporate Information

ABN 65 094 206 292

Directors
Campbell Ansell (Non Executive Chairman)
Gary Brabham (Managing Director)
Darren Townsend (Non Executive Director)

Company Secretary
Dennis Wilkins

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Telephone: +61 8 9285 7500
Facsimile: +61 8 9285 7599

Postal Address
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SUBIACO EAST WA 6008

Solicitors
William & Hughes
25 Richardson Street
WEST PERTH WA 6005

Bankers
National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditors
Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor Spectrum Offices
100 Railway Road
SUBIACO WA 6008

Internet Address
www.degreymining.com.au

Email Address
frontdesk@degreymining.com.au

Stock Exchange Listing
De Grey Mining Limited shares are listed on the Australian Securities Exchange (ASX code DEG).

Contents

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 2010.

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: 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 (Member of audit committee)

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 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	1,000,000

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.

Directors' Report continued

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 2010 was $648,090 (2009: $2,600,438). Included in this loss figure is an amount of exploration expenditure ($639,549). Refer notes to the financial statements note 1(l).

Summarised operating results are as follows:

	2010	
	Revenues	Results
	$	$
Consolidated entity revenues and loss from ordinary activities before income tax expense	883,007	(648,090)

Shareholder Returns

	2010	2009
Basic loss per share (cents)	**(0.3)**	(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 23, 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.

Directors' Report continued

REMUNERATION REPORT

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

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 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 16 of the financial statements.

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 economic environment prevailing at that time. The freeze on employee salary levels was lifted in March 2010 in conjunction with performance appraisals conducted at that time. Remuneration to non-executive directors remains unchanged at the date of this report.

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

- David Hammond – *Exploration Manager*

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

Directors' Report continued

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

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement Benefits	Options	
	$	$	$	$	$	$
Directors						
Campbell Ansell						
2010	**76,500**	**-**	**6,885**	**-**	**-**	**83,385**
2009	99,875	-	8,989	-	-	108,864
Gary Brabham						
2010	**267,889**	**-**	**24,110**	**-**	**-**	**291,999**
2009	274,071	-	24,666	-	4,875	303,612
Darren Townsend						
2010	**44,145**	**-**	**-**	**-**	**-**	**44,145**
2009	42,536	-	2,835	-	-	45,371
Other key management personnel						
Dennis Wilkins						
2010	**50,394**	**-**	**-**	**-**	**-**	**50,394**
2009	52,086	-	-	-	-	52,086
David Hammond						
2010	**215,385**	**-**	**19,385**	**-**	**-**	**234,770**
2009	218,077	-	19,627	-	-	237,704
Total key management personnel compensation						
2010	**654,313**	**-**	**50,380**	**-**	**-**	**704,693**
2009	686,645	-	56,117	-	4,875	747,637

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 $312,000.
- 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.

Share-based compensation

There were no options granted to or vesting with key management personnel during the year.

Directors' Report continued

DIRECTORS' MEETINGS

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

	Directors Meetings		Meetings of Committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Campbell Ansell	9	9	3	3	1	1
Gary Brabham	9	9	*	*	*	*
Darren Townsend	8	9	3	3	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 14,000,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	19,200,000
Total number of options outstanding as at 30 June 2010	
Movements subsequent to the reporting date:	
Expired on 4 July 2010, exercisable at 20 cents	(5,200,000)
Total number of options outstanding as at the date of this report	**14,000,000**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
30 June 2011	20.0	3,250,000
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		**14,000,000**

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

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.

Directors' Report continued

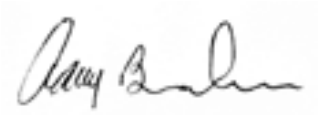
NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Butler Settineri (Audit) Pty Ltd or associated entities.

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 B9.

Signed in accordance with a resolution of the directors.



Gary Brabham
Managing Director

Perth, 10 September 2010

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 2010, 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.

This declaration is in respect of De Grey Mining Limited and the entities it controlled during the year.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 10 September 2010

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.

Corporate Governance Statement continued

	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**	The Board compromises three directors, two of whom are non executive (including the independent Chairman). Given the Company's background, the nature and size of its business and the current stage of its development, the Board believes that this is both appropriate and acceptable.
2.2	The chair should be an independent director	**A**	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**A**	The positions of Chairman and Managing Director are held by separate persons.
2.4	The board should establish a nomination committee	**A**	The full Board is the nomination committee. Acting in its ordinary capacity from time to tome as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate nomination committee would add any substance this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	**N/A**	Given the size and nature of the Company a formal process for evaluating performance has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	**A (in part)**	The skills and experience of Directors are set out in the Company's Annual Report and on its website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**A**	The Company has established a Code of Conduct which can be viewed on the Company's website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	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**	The Board only has one independent director, as does the audit committee. Given the Company's background, the nature and size of its business and the current stage of its development, the Board believes that this is both appropriate and acceptable.
	• is chaired by an independent chair, who is not chair of the board	**N/A**	The chair of the Board is the only independent director. Given the Company's background, the nature and size of its business and the current stage of its development, the Board believes that a non-executive non independent director as chair is appropriate.
	• 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

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**A**	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	**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**	The Company substantially complies with the disclosures required apart from a disclosure of the Company's policies on risk oversight and management of material business risks. Given its current stage of development and size, the Company considers that non-disclosure of this information will not materially affect investors.
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

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2010	Notes	Consolidated 2010 $	2009 $
REVENUE	4	**883,007**	305,922
EXPENDITURE			
Depreciation expense		**(53,052)**	(90,000)
Employee benefits expense		**(467,143)**	(586,000)
Exploration expenditure		**(639,549)**	(1,707,179)
Corporate expenses		**(101,537)**	(105,742)
Occupancy expenses		**(98,506)**	(161,402)
Consulting expenses		**(115,490)**	(89,451)
Investor relations and advertising expenses		**(9,301)**	(24,704)
Administration expenses		**(41,824)**	(68,831)
Share based payment expense	26	**-**	(4,875)
Other expenses		**(4,695)**	(68,176)
LOSS BEFORE INCOME TAX		**(648,090)**	(2,600,438)
INCOME TAX BENEFIT / (EXPENSE)	6	**-**	-
LOSS FOR THE YEAR		**(648,090)**	(2,600,438)
OTHER COMPREHENSIVE LOSS			
Net loss on revaluation of other financial assets		**-**	(1,419,634)
Other comprehensive loss for the year, net of tax		**-**	(1,419,634)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED		**(648,090)**	(4,020,072)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	25	**(0.3)**	(1.2)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2010	Notes	Consolidated 2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	7	**2,389,059**	2,862,131
Trade and other receivables	8	**75,142**	23,204
Other assets	9	**24,115**	11,276
TOTAL CURRENT ASSETS		**2,488,316**	2,896,611
NON-CURRENT ASSETS			
Plant and equipment	10	**143,333**	193,871
TOTAL NON-CURRENT ASSETS		**143,333**	193,871
TOTAL ASSETS		**2,631,649**	3,090,482
CURRENT LIABILITIES			
Trade and other payables	11	**243,959**	91,945
Provisions	12	**250,586**	213,343
TOTAL CURRENT LIABILITIES		**494,545**	305,288
TOTAL LIABILITIES		**494,545**	305,288
NET ASSETS		**2,137,104**	2,785,194
EQUITY			
Contributed equity	13	**38,655,744**	38,655,744
Reserves	14(a)	**421,895**	421,895
Accumulated losses	14(b)	**(36,940,535)**	(36,292,445)
TOTAL EQUITY		**2,137,104**	2,785,194

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Contingent Asset, refer note 28

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2010 Consolidated	Notes	Contributed Equity $	Options Reserve $	Available-for-sale Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2008		37,781,744	544,823	1,419,634	(33,820,410)	5,925,791
Loss for the year	14(b)	-	-	-	(2,600,438)	(2,600,438)
OTHER COMPREHENSIVE LOSS						
Net loss on revaluation of other financial assets	14(a)	-	-	(1,419,634)	-	(1,419,634)
TOTAL COMPREHENSIVE LOSS		-	-	(1,419,634)	(2,600,438)	(4,020,072)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	13	874,000	-	-	-	874,000
Options issued to employees and contractors	14(a)	-	4,875	-	-	4,875
Options issued to suppliers	14(a)	-	600	-	-	600
Cancellation of options	14(a)	-	(128,403)	-	128,403	-
BALANCE AT 30 JUNE 2009		38,655,744	421,895	-	(36,292,445)	2,785,194
Loss for the year	14(b)	**-**	**-**	**-**	**(648,090)**	**(648,090)**
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**-**	**(648,090)**	**(648,090)**
BALANCE AT 30 JUNE 2010		**38,655,744**	**421,895**	**-**	**(36,940,535)**	**2,137,104**

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

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2010	Notes	Consolidated 2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**16,060**	-
Payments to suppliers and employees		**(810,280)**	(1,017,380)
Interest received		**112,404**	175,195
Proceeds on sale of tenements		**740,000**	-
Payments for exploration and evaluation expenditure		**(541,682)**	(1,763,178)
Research and development tax offset received		**13,251**	66,429
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	24	**(470,247)**	(2,538,934)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(2,825)**	(10,544)
Proceeds on disposal of plant and equipment		**-**	5,155
Proceeds on sale of other financial assets		**-**	688,550
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(2,825)**	683,161
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**-**	830,000
NET CASH INFLOW FROM FINANCING ACTIVITIES		**-**	830,000
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(473,072)**	(1,025,773)
Cash and cash equivalents at the beginning of the financial year		**2,862,131**	3,887,904
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**2,389,059**	2,862,131

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

Notes to the Consolidated Financial Statements

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of De Grey Mining Limited and its subsidiaries. The financial statements are presented in the Australian currency. De Grey Mining Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 10 September 2010. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Statement of Compliance

The consolidated financial statements of the De Grey Mining Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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.

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(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 2010 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 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 acquisition method of accounting is used to account for business combinations 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate 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 22.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of De Grey Mining Limited.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iv) Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity of financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. For management purposes, the Group has identified two reportable segments being exploration activities undertaken in Australia and Argentina. These segments include the activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in these geographic locations. There has been no change to reportable segments required to meet the new standard.

(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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 profit or loss 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 19). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss 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 statement of cash flows 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 statement of financial position.

(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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 statement of financial position.

(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 2009, following amendments made to AASB 139 *Financial Instruments: Recognition and Measurement* in October 2009. 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 statement of comprehensive income. 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 statement of comprehensive income 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

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 statement of comprehensive income.

(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 statement of comprehensive income 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 statement of comprehensive income. 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, annual leave and long service leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 26.

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 owners 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 statement of financial position.

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 2010 reporting periods. The Group has considered the impact of these new standards and interpretations, with details of those changes that are likely to impact on the Group set out below.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. The amendments are not expected to have a significant impact on the financial statements of the Group.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the entity issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010, with retrospective application required. The amendments are not expected to have a significant impact on the financial statements of the Group.

(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

During the 2010 financial year the Group has commenced operations internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Argentine Peso.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

2. FINANCIAL RISK MANAGEMENT (cont'd)

The functional currency of the subsidiary company is the Argentine Peso. All parent entity balances are in Australian dollars and all Group balances are in either Australian dollars or Argentine Peso, so the Group has only minimal exposure to foreign currency risk at the reporting date.

(ii) Price risk

Given the current level of operations, the Group is not exposed to price risk.

(iii) Interest rate risk

The Group is 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 $2,389,059 (2009: $2,862,131) is 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 was 4.3% (2009: 5.3%).

Sensitivity analysis

At 30 June 2010, 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 the Group would have been $21,000 lower/higher (2009: $27,000 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Group does not 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 statement of financial position 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 are confined to trade and other payables as disclosed in the Statement of financial position. 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 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

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For management purposes, the Group has identified two reportable segments being exploration activities undertaken in Australia and Argentina. These segments include the activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in these geographic locations.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

3. SEGMENT INFORMATION (cont'd)

	Australia		Argentina		Consolidated Total	
	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$
Segment revenue	**753,251**	66,429	**-**	-	**753,251**	66,429
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue					**113,696**	179,943
Other revenue					**16,060**	59,550
Total revenue					**883,007**	305,922
Segment results	**222,246**	(1,640,750)	**(108,544)**	-	**113,702**	(1,640,750)
Reconciliation of segment result to net loss before tax:						
Other corporate and administration					**(761,792)**	(959,688)
Net loss before tax					**(648,090)**	(2,600,438)
Segment operating assets	**-**	-	**-**	-	**-**	-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					**2,631,649**	3,090,482
Total assets					**2,631,649**	3,090,482
Segment operating liabilties	**180,826**	71,945	**39,633**	-	**220,459**	71,945
Reconciliation of segment operating liabilities to total liabilities:						
Other corporate and administration liabilities					**274,086**	233,343
Total liabilities					**494,545**	305,288

4. REVENUE

	Consolidated	
	2010	2009
	$	$
From continuing operations		
Other revenue		
Interest	**113,696**	179,943
Net gain on sale of other financial assets	**-**	59,550
Net gain on sale of tenements	**740,000**	-
Research and development tax offset	**13,251**	66,429
Other revenue	**16,060**	-
	883,007	305,922

5. EXPENSES

Loss before income tax includes the following specific expenses:

Net loss on disposal of plant and equipment	**311**	61,628
Rental of premises under operating lease	**90,596**	147,288
Contributions to superannuation funds	**66,322**	92,209

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	Consolidated	
	2010	2009
	$	$
6. INCOME TAX		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
Adjustments for current tax of prior years	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(648,090)**	(2,600,438)
Prima facie tax benefit at the Australian tax rate of 30% (2009: 30%)	**(194,427)**	(780,131)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capital raising fees	**(44,369)**	(56,819)
Research & Development expenditure claimed	**7,466**	4,814
Sundry items	**8,385**	(9,494)
	(222,945)	(841,630)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**222,945**	841,630
Income tax expense	-	-
(c) Unrecognised deferred tax assets		
Unrecognised deferred tax assets		
Provisions	**81,272**	72,886
Capital raising fees	**16,169**	60,539
Carry forward tax losses	**10,629,537**	10,542,335
Gross deferred tax assets	**10,726,978**	10,675,760

No deferred tax asset has been recognised for the above balance as at 30 June 2010 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 Australian 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 to the Consolidated Financial Statements continued

30 JUNE 2010	Consolidated	
	2010	2009
	$	$
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**194,740**	28,916
Short-term deposits	**2,194,319**	2,833,215
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**2,389,059**	2,862,131

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	**75,142**	23,204

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

9. CURRENT ASSETS – OTHER ASSETS		
Prepayments	**24,115**	11,276
10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT		
Plant and equipment		
Cost	**539,048**	538,390
Accumulated depreciation	**(395,715)**	(344,519)
Net book amount	**143,333**	193,871
Plant and equipment		
Opening net book amount	**193,871**	340,110
Additions	**2,825**	10,544
Disposals	**(311)**	(66,783)
Depreciation charge	**(53,052)**	(90,000)
Closing net book amount	**143,333**	193,871
11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	**44,804**	33,077
Other payables and accruals	**199,155**	58,868
	243,959	91,945

Included in trade and other payables above is an amount of $220,459 (2009: $63,343) relating to exploration.

12. CURRENT LIABILITIES – PROVISIONS		
Employee benefits		
Annual leave	**64,617**	53,187
Long service leave	**25,813**	-
Retirement benefit	**160,156**	160,156
	250,586	213,343

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

13. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2010 Number of shares	2010 $	2009 Number of shares	2009 $
Ordinary shares fully paid	13(b), 13(d)	**225,112,350**	**38,655,744**	225,112,350	38,655,744
Total contributed equity		**225,112,350**	**38,655,744**	225,112,350	38,655,744
(b) Movements in ordinary share capital					
Beginning of the financial year		**225,112,350**	**38,655,744**	206,531,738	37,781,744
Issued during the year:					
– 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
End of the financial year		**225,112,350**	**38,655,744**	225,112,350	38,655,744

(c) Movements in options on issue

	Number of options 2010	Number of options 2009
Beginning of the financial year	**19,200,000**	13,925,000
Issued/(cancelled or expired) during the year:		
– Exercisable at 50 cents, on or before 25 Mar 2010	**-**	(500,000)
– 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)
– Exercisable at 20 cents, on or before 31 Dec 2010	**-**	2,000,000
– Exercisable at 25 cents, on or before 30 Jun 2012	**-**	3,250,000
– Exercisable at 25 cents, on or before 4 Jul 2011	**-**	(1,000,000)
End of the financial year	**19,200,000**	19,200,000

(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 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 at 30 June 2010 and 30 June 2009 are as follows:

	Consolidated 2010 $	Consolidated 2009 $
Cash and cash equivalents	**2,389,059**	2,862,131
Trade and other receivables	**75,142**	23,204
Other assets	**24,115**	11,276
Trade and other payables	**(243,959)**	(91,945)
Provisions	**(250,586)**	(213,343)
Working capital position	**1,993,771**	2,591,323

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	Consolidated 2010 $	2009 $
14. RESERVES AND ACCUMULATED LOSSES		
(a) Reserves		
Share-based payments reserve	**421,895**	421,895
Movements:		
Available-for-sale reserve		
Balance at beginning of year	-	1,419,634
Transfer to Statement of comprehensive income on sale of Shares and Options in listed companies	-	(59,550)
Revaluation of Shares and Options in listed companies	-	(1,360,084)
Balance at end of year	-	-
Share-based payments reserve		
Balance at beginning of year	**421,895**	544,823
Option expense	-	5,475
Transfer to Accumulated Losses on cancellation of options	-	(128,403)
Balance at end of year	**421,895**	421,895
(b) Accumulated losses		
Balance at beginning of year	**(36,292,445)**	(33,820,410)
Net loss for the year	**(648,090)**	(2,600,438)
Transfer from Share-Based Payments Reserve	-	128,403
Balance at end of year	**(36,940,535)**	(36,292,445)

(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.

15. DIVIDENDS

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

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation		
Short-term benefits	**654,313**	686,645
Post employment benefits	**50,380**	56,117
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	4,875
	704,693	747,637

Detailed remuneration disclosures are provided in the remuneration report on pages B5 and B6.

Notes to the Consolidated Financial Statements continued

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16. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(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 the remuneration report on page B6.

(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:

2010	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	**6,500,000**	**-**	**-**	**-**	**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.

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	-

(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.

2010	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	**770,645**	**-**	**-**	**770,645**
Gary Brabham	**144,645**	**-**	**-**	**144,645**
Darren Townsend	**342,626**	**-**	**-**	**342,626**
Other key management personnel of the Group				
Ordinary shares				
Dennis Wilkins	**-**	**-**	**-**	**-**
David Hammond	**-**	**-**	**-**	**-**

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

16. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

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	-	-	-	-

(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.

17. REMUNERATION OF AUDITORS

	Consolidated	
	2010	2009
	$	$
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:		
Audit services		
Butler Settineri (Audit) Pty Ltd - audit and review of financial reports	**27,340**	24,963
Total remuneration for audit services	**27,340**	24,963

18. CONTINGENT LIABILITIES

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, 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	Consolidated	
	2010	2009
	$	$

19. COMMITMENTS

(a) Exploration commitments

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

within one year	**555,799**	464,616
later than one year but not later than five years	**264,703**	1,858,464
later than five years	**-**	-
	820,502	2,323,080

(b) Lease commitments: Group as lessee

Operating leases (non-cancellable):

Minimum lease payments		
within one year	**58,729**	70,475
later than one year but not later than five years	**-**	58,729
later than five years	**-**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**58,729**	129,204

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 the remuneration report on page B6 that are not recognised as liabilities and are not included in the key management personnel compensation.

within one year	**85,020**	80,388
later than one year but not later than five years	**-**	-
later than five years	**-**	-
	85,020	80,388

(d) Capital commitments

The Group did not have any capital commitments as at the current or prior balance date.

20. 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 21.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 16.

(d) Loans to related parties

De Grey Mining Limited has provided unsecured, interest free loans to each of its wholly owned subsidiaries totalling $13,179,122 (2009: $13,080,891) at 30 June 2010. 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

21. SUBSIDIARIES

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

Name	Country of Incorporation	Class of Shares	Equity Holding*	
			2010 %	2009 %
Beyondie Gold Pty Ltd	Australia	Ordinary	**100**	100
Domain Mining Pty Ltd	Australia	Ordinary	**100**	100
Winterwhite Resources Pty Ltd	Australia	Ordinary	**100**	100
Last Crusade Pty Ltd (1)	Australia	Ordinary	**100**	-
De Grey Argentina SA(2)	Argentina	Ordinary	**100**	-

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

(1) 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.

(2) On 14 June 2010 the Company incorporated a new entity, De Grey Argentina SA. This company was incorporated in Argentina, and currently has two shareholders who both hold their shares in trust for De Grey Mining Limited, who is the 100% beneficial owner.

22. 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 kilometres of strike along the Tabba Tabba Shear in the company's Turner River Province, 60 kms south of Port Hedland. Under the agreement with Thundelarra (tenement E45/2611) the company 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) 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 De Grey's interest in the project is nil.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

22. INTERESTS IN JOINT VENTURES (cont'd)

(d) Turner River Gold Farm-out

During 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. Subsequent to year end, on 11 August 2010, HJH was advised that De Grey regarded the Turner River Gold Farm-out Agreement as having been repudiated by HJH due to HJH's failure to perform fundamental terms of the Agreement, in particular the minimum expenditure obligation, and that De Grey accepted the repudiation and thus regarded the Agreement as being at an end. The carrying value of De Grey's interest in the project is nil.

(e) Turner River Base Metals Farm-out

During 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. Subsequent to year end, on 11 August 2010, HJH was advised that De Grey regarded the Turner River Base Metals Farm-out Agreement as having been repudiated by HJH due to HJH's failure to perform fundamental terms of the Agreement, in particular the minimum expenditure obligation, and that De Grey accepted the repudiation and thus regarded the Agreement as being at an end. The carrying value of De Grey's interest in the project is nil.

(f) Apex Farm-in

During September 2009, De Grey entered into an agreement with Teck Australia Pty Ltd under which De Grey can earn up to 100% interest (subject to certain earn-back rights to Teck) in EPM 14142 "Apex" in north west Queensland. De Grey may earn a 100% interest in the project by sole funding $2 million in exploration expenditures over 4 years, with a commitment to spend $250,000 in the first year. Teck retains a 1% net smelter royalty and the right to earn back to a 70% interest. The carrying value of De Grey's interest in the project is nil.

(g) Minera Sudamericana Option Agreement

Subsequent to year end, in July 2010 De Grey, through the wholly owned subsidiary De Grey Argentina SA ("DGA"), has entered into a binding letter of intent for an option-to-purchase agreement with Minera Sudamericana SA ("MSA") over nine project areas in Argentina. The option agreement comprises two stages, an exploration stage and a project acquisition stage:

- By paying US$15,000 per quarter, DGA retains exclusive rights to conduct exploration, excluding drilling, on any or all of the MSA projects (a project being one or more contiguous mineral tenements) for up to 3 years from 1 April 2010. DGA must complete payments totalling US60,000 prior to terminating the agreement. DGA is then free to exclude any one or more of the projects from the agreement or to withdraw from the agreement in entirety.
- At any time until 31 March 2013, DGA may elect to enter into an option-to purchase agreement over any one or more of the projects. The purchase of any one project requires DGA to make a series of escalating purchase payments over 3 years from the date that the purchase agreement is entered into, those payments to total not more than US$2 million in respect of any one project. In the event that DGA completes the purchase of any project, MSA retains a 1.5% net smelter royalty, 50% of which may be purchased by DGA for US$1.5 million at the time of a decision to mine.

(h) Boleadora Project Farm-in

Subsequent to year end, during July 2010 De Grey, through the wholly owned subsidiary De Grey Argentina SA ("DGA"), has executed a binding letter of intent with Minera Kingsgate Argentina SA, a wholly owned subsidiary of Kingsgate Consolidated Limited, over Kingsgate's Boleadora project. DGA may earn a 60% interest in the project by sole funding US$200,000 exploration expenditure over not more than 3 years. Upon earning 60% interest, DGA may elect to form a joint venture with Kingsgate and the two parties contribute proportionally to further exploration expenditure or, increase its interest to 80% by sole funding a further US$1 million expenditure over a further period of two years at which point an 80:20 joint venture will be formed. DGA can withdraw at any time provided that it must incur minimum expenditure of US$50,000 per year for so long as it is sole funding exploration.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2010, 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.

24. STATEMENT OF CASH FLOWS

	Consolidated	
	2010	2009
	$	$
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(648,090)**	(2,600,438)
Non-Cash Items		
Depreciation of non-current assets	**53,052**	90,000
Exploration expense settled by the issue of shares or options	**-**	44,600
Net loss on disposal of plant and equipment	**311**	61,628
Net gain on sale of other financial assets	**-**	(59,550)
Option expense	**-**	4,875
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
(Increase)/decrease in trade and other receivables	**(51,938)**	51,977
Decrease in other assets	**(12,839)**	41,028
(Decrease) in trade and other payables	**152,014**	(171,294)
(Decrease) in employee entitlement provisions	**37,243**	(1,760)
Net cash outflow from operating activities	**(470,247)**	(2,538,934)

25. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the company used in calculating basic and diluted loss per share	**(648,090)**	(2,600,438)
	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	**225,112,350**	223,408,595

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2010, 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

26. 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 - 2010							
10 Jul 2007	4 Jul 2010	20	**3,000,000**	**-**	**-**	**3,000,000**	**3,000,000**
10 Jul 2007	4 Jul 2011	25	**3,000,000**	**-**	**-**	**3,000,000**	**3,000,000**
19 Jul 2007	4 Jul 2010	20	**2,200,000**	**-**	**-**	**2,200,000**	**2,200,000**
25 Jun 2009	30 Jun 2011	7.5	**2,500,000**	**-**	**-**	**2,500,000**	**2,500,000**
1 Dec 2009	30 Jun 2011	20	**3,250,000**	**-**	**-**	**3,250,000**	**3,250,000**
1 Dec 2009	30 Jun 2012	25	**3,250,000**	**-**	**-**	**3,250,000**	**3,250,000**
17 Dec 2009	31 Dec 2010	20	**2,000,000**	**-**	**-**	**2,000,000**	**2,000,000**
			19,200,000	**-**	**-**	**19,200,000**	**19,200,000**
Consolidated - 2009							
1 Jul 2004	25 Mar 2010	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 2009	30 Jun 2011	7.5	2,500,000	-	-	2,500,000	2,500,000
1 Dec 2009	30 Jun 2011	20	-	3,250,000	-	3,250,000	3,250,000
1 Dec 2009	30 Jun 2012	25	-	3,250,000	-	3,250,000	3,250,000
17 Dec 2009	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

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.9 years (2009: 1.9 years), and the exercise prices range from 7.5 cents to 25 cents.

Expenses arising from share-based payment transactions

There were no options granted during 2010. The weighted average fair value of the options granted during 2009 was 0.1 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2010	2009
Weighted average exercise price (cents)	N/A	21.9
Weighted average life of the option (years)	N/A	2.87
Weighted average underlying share price (cents)	N/A	2.7
Expected share price volatility	N/A	70%
Weighted average risk free interest rate	N/A	5.01%

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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

	Consolidated	
	2010	2009
	$	$

26. SHARE-BASED PAYMENTS (cont'd)

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:

Options issued to employees and contractors	-	4,875
Options issued to a supplier	-	600
	-	5,475

27. PARENT ENTITY INFORMATION

	Parent Entity	
	2010	2009
	$	$

The following information relates to the parent entity, De Grey Mining Limited, at 30 June 2010. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

Current assets	**2,468,179**	2,896,611
Non-current assets	**143,333**	193,871
Total assets	**2,611,512**	3,090,482
Current liabilities	**494,545**	305,288
Total liabilities	**494,545**	305,288
Contributed equity	**38,655,744**	38,655,744
Share-based payments reserve	**421,895**	421,895
Accumulated losses	**(36,960,672)**	(36,292,445)
Total equity	**2,116,967**	2,785,194
Loss for the year	**(668,227)**	(2,600,438)
Other comprehensive loss	**-**	(1,419,634)
Total comprehensive loss for the year	**(668,227)**	(4,020,072)

As detailed in note 18, there are contingent liabilities in respect to tenement acquisition agreements that the parent entity has co-signed with a subsidiary entity.

28. CONTINGENT ASSET

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 kilometres 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.

During October 2009 De Grey agreed to sell to Emergent its remaining 20% free carried interest in the project. The sale is subject to several conditions precedent, and the terms have been amended such that in July 2010 the consideration was set at $5 million cash on completion and a further $1.05 million on or before 30 November 2010.

Because the conditions precedent have not been met at the date of these accounts, the income has not been included for the year ended 30 June 2010.

The joint venture has a carrying value of nil.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages B14 to B38 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

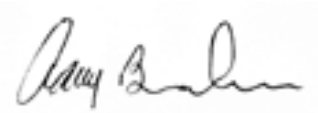
  (ii) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date;

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

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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, 10 September 2010

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DE GREY MINING LIMITED

Chartered Accountants

BUTLER SETTINERI

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Directors:
Colin Butler
FCA
Paul Chabrel
FCA
Lucy Gardner
CA

Report on the Financial Report

We have audited the accompanying financial report of the De Grey Mining Limited group which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the De Grey Mining Limited group (the consolidated entity). The consolidated entity comprises De Grey Mining Limited (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. In note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements of the De Grey Mining Limited group comply with International Financial Reporting Standards.

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.

Independence

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

Auditor's Opinion

In our opinion,

a) the financial report of the De Grey Mining Limited group is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

b) The financial statements also comply with International Financial Reporting Requirements as disclosed in note 1 (a).

Report on the Remuneration Report

We have audited the remuneration report included on pages B5 to B6 of the directors' report for the year ended 30 June 2010.

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 2010, complies with section 300A of the *Corporations Act 2001*.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 10 September 2010

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 20 September 2010.

(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	63	35,235
1,001	-	5,000	311	1,073,591
5,001	-	10,000	344	3,021,388
10,001	-	100,000	1,076	44,848,786
100,001		and over	304	176,133,350
			2,098	225,112,350
The number of shareholders holding less than a marketable parcel of shares are:			751	4,492,133

(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	Bougainvillaea Holdings Pty Ltd <S/F A/C>	8,000,000	3.55
4	Yandal Investments Pty Ltd	6,750,000	3.00
5	ANZ Nominees Ltd <Cash Income A/C>	5,170,469	2.30
6	Tapp A J & Polymeneas M <Super Account>	4,965,112	2.21
7	Manwest Group Pty Ltd	4,800,000	2.13
8	W Brooks Investments Pty Ltd <B & P S/F A/C>	4,530,645	2.01
9	Macquarie Bank Ltd	3,527,500	1.57
10	Dare Eric	3,500,000	1.55
11	Coutelas C M J & Francois	3,000,000	1.33
12	Cook David	2,200,000	0.98
13	Chalice Gold Mines Ltd	2,000,000	0.89
14	Armco Barriers Pty Ltd	2,000,000	0.89
15	Clodene Pty Ltd	1,700,000	0.76
16	O'Meara Denis William	1,570,841	0.70
17	Forty Traders Ltd	1,526,100	0.68
18	Jarra Glen Pty Ltd	1,500,000	0.67
19	Boulevade Investments Pty Ltd	1,500,000	0.67
20	Nijinsky Pty Ltd <Nijinsky Retire Fund>	1,500,000	0.67
		98,330,575	43.70

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	14,000,000	6

ASX Additional Information continued

(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	20%[1]
Beyondie	E52/2215	20%[2]
Turner River	E47/891	100%
Turner River	E45/2533	100%
Turner River	E45/2465	100%
Turner River	E45/2364	100%
Turner River	E45/2611	60%
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	E45/3342 (A)	100%
Paterson	E45/3363 (A)	100%
Paterson	E45/3370 (A)	100%
Paterson	E45/3492 (A)	100%
Paterson	E45/3493 (A)	100%
Paterson	E45/3609 (A)	100%
Paterson	E45/3625 (A)	100%
Bangemall Basin	E08/2028 (A)	100%
Bangemall Basin	E09/1662 (A)	100%
Fortescue Island	E08/2079 (A)	100%[3]
Cloncurry	EPM18296 (A)	100%
Cloncurry	EPM18372 (A)	100%

[1] De Grey retains 100% rights to all non-iron ore related minerals under a Split Commodity Agreement.
[2] De Grey retains 100% rights to all non-iron ore related minerals under a Split Commodity Agreement.
[3] Subject to De Grey fulfilling the requirements of the Fortescue Island Option Agreement (note 18).

De Grey Mining Limited

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