De Grey Mining Limited

ANNUAL REPORT 2011

CORPORATE INFORMATION

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STOCK EXCHANGE LISTING
De Grey Mining Limited shares are listed on the Australian Securities Exchange (ASX code DEG).

Contents

Tres Cerros Project, Argentina

Paterson Project, W.A. *(uranium, base metals)*

- Discussions on heritage and access agreement progressed with Martu titleholders.
- Discussions with potential farm-in parties to fund exploration.

Turner River Project, W.A. *(gold, base metals)*

- Farm-out agreement executed and exploration drilling recommenced.

Pilbara Iron Assets, W.A. *(iron ore)*

- Mt Dove mining lease granted to facilitate Atlas Iron's mining of iron resource and flow of royalties to De Grey.
- De Grey retains 20% carried interest to decision to mine in +500Mt Beyondie magnetite iron resource.

Santa Cruz Province, ARGENTINA *(gold-silver)*

- In-country operations established and first exploration programs completed successfully in 2010-2011 field season.
- Tenure position expanded by 70% to 3,751 sq km with the majority of new ground 100% De Grey.
- First Argentina drilling planned for early 2012.

Stream sediment sampling at Boleadora Project, Argentina 2011

Minerals resource rent tax, carbon tax, continually escalating capital and operating costs in Australia, the "resources currency hedge effect", delays and costs in gaining exploration access, and intense competition for limited project opportunities in regions where exploration is mature all factors pushing Australian exploration and mining companies to foreign lands to find the "company maker" discovery.

More than two years ago De Grey's board of directors made the decision to expand our horizons in the search for new projects, resulting in the Company establishing a significant presence in Santa Cruz Province, Argentina, currently one of the world's hottest regions for gold exploration. In the past year De Grey has established exploration teams there and completed our first field season with encouraging results. We have also added substantially to our landholdings in the region at very modest cost and the coming summer field campaign will see us undertaking our first drilling programs there.

Having established a presence in Argentina we have been continually reviewing other project opportunities in that country, primarily in copper and gold.

Of course we have not ignored opportunities in Australia. November 2010 saw De Grey complete two diamond drill holes at the Apex IOCG target in the Cloncurry area of NW Queensland. We assessed Apex as a high risk, potentially high reward target with the risk to De Grey ameliorated by the Queensland government's Cooperative Drilling Initiative contributing about half of the direct costs of drilling. Recent nearby discoveries by Red Metals (Corkwood Cu-Au-Ag) and Minotaur (Cormorant Gypsy Plains Cu-Co-Au) demonstrate that we were in the right region doing the right things. Our holes drilled some very unusual rocks but they were, unfortunately, devoid of metals. Nevertheless, it is targets like Apex that are going to yield Australia's future significant mineral discoveries.

In parallel with the above activities we have also maintained the Company's interests in its other Australian projects at near zero cost.

At the Turner River gold and base metals projects we have engaged a farm-in partner, Lansdowne Resources, who have committed to substantial exploration expenditures to earn interests in each of the projects. Lansdowne commenced work in July, drilling targets that we hope will add to the Wingina Well gold resource and render its development viable.

Atlas Iron's expenditures on pre-mine development works at Mt Dove have assisted De Grey to maintain its Turner River tenements. The grant of the Mt Dove mining lease in August moves Atlas one step closer to mining the iron ore resource and the flow of royalty payments to De Grey.

The failure of the proposed sale of our interest in the Beyondie magnetite iron JV was disappointing but De Grey continues to maintain its 20 per cent free carried interest to decision to mine the substantial resource defined by our joint venture partner Emergent Resources.

We also maintain our tenement applications in the Paterson region, being encouraged by the success of other companies working nearby. The area being located entirely with Martu determined native title requires us to negotiate access for exploration. We have made progress toward an agreement with the Martu People and we hope to conclude an agreement before year end.

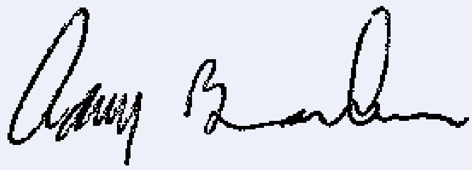
We continue to regularly assess new opportunities both within Australia and overseas locations seeking, in particular, entry into at least one advanced project at a reasonable cost. Of course the competition for such assets is fierce.

The Company's directors and staff remain diligent in trying to contain costs at every available opportunity. Cash income of approximately $680,000 over the past year from government subsidies and commercial agreements with other parties has gone some way to ameliorate operating costs.

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, 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 2011

During 2011 De Grey has expanded its landholdings prospective for epithermal gold and silver deposits in Argentina to over 3,750 square kilometres, making the Company one of the largest tenement holders in the region. We have been able to secure that ground position at very low cost. Many investors are familiar with the success of companies such as Andean Resources, Minera IRL and Mariana Resources in Argentina and it is De Grey's intention to emulate that success. Given the high levels of interest we have received from a number of parties familiar with the prospectively of Argentina, we are confident we have secured the right ground package but success in Argentina will continue to involve a period of patience from us all whilst we advance the multiple targets to the drilling stage. I am very confident that over the next two years shareholders will see the benefit of this work.

This year in the Pilbara we entered into farm in agreements with Lansdowne Resources for work at the Turner River gold and base metals projects. Lansdowne commenced drilling in July and during the course of the year will drill targets that aim to add to the Wingina Well gold resource and render its development viable.

In parallel with our work in Argentina your Company continues to actively assess opportunities to bring other assets into the company. Non-Executive Director Jason Brewer was brought into the Company this year specifically to assist us in securing such opportunities.

I would like to thank the De Grey team for their efforts during 2011 and our shareholders for support. We look forward to De Grey's active exploration program in 2012.

Darren Townsend
Chairman
September 2011

ARGENTINA PROJECTS

Santa Cruz Province Overview

In June 2011 De Grey announced that it has secured a further 1,558 sq km of ground in the highly prospective Deseado Massif of Santa Cruz Province, Argentina, with 20 tenement applications in its own right (1,458 sq km) and an option-to-purchase agreement over the Pachi Project (100 sq km). The additional tenement holdings result from diligent tenement monitoring, conceptual targeting studies and an expanding network of industry contacts.

In total, De Grey has secured mineral rights over approximately 3,751 sq km of ground in the Deseado, making the company one of the largest tenement holders in this under-explored but rapidly emerging gold-silver province that has seen a prolific number of new and high-grade discoveries in recent years.

The Deseado Massif hosts numerous, remarkably well preserved low-sulphidation epithermal gold-silver deposits within Jurassic age volcanic rocks. Resources and reserves totalling 17.5Moz gold and 525Moz silver have been discovered in the region since 1990, making it one of the world's premier exploration regions for this attractive style of mineralisation. Despite this record of discovery, exploration in the region is still in its infancy with almost all deposits discovered to date found by prospecting. All of De Grey's project areas have seen little or no previous exploration and represent early stage exploration opportunities.

De Grey has targeted areas where the prospective Jurassic volcanic rocks are outcropping on surface, as well as areas where these rocks are covered by thin veneers of younger basalts or gravel cover. Very little exploration of covered areas has been attempted to date in the Deseado and De Grey considers that application of geophysics and advanced geochemical sampling techniques, in conjunction with low-level detection assay methods, have potential to yield new discoveries in the region.

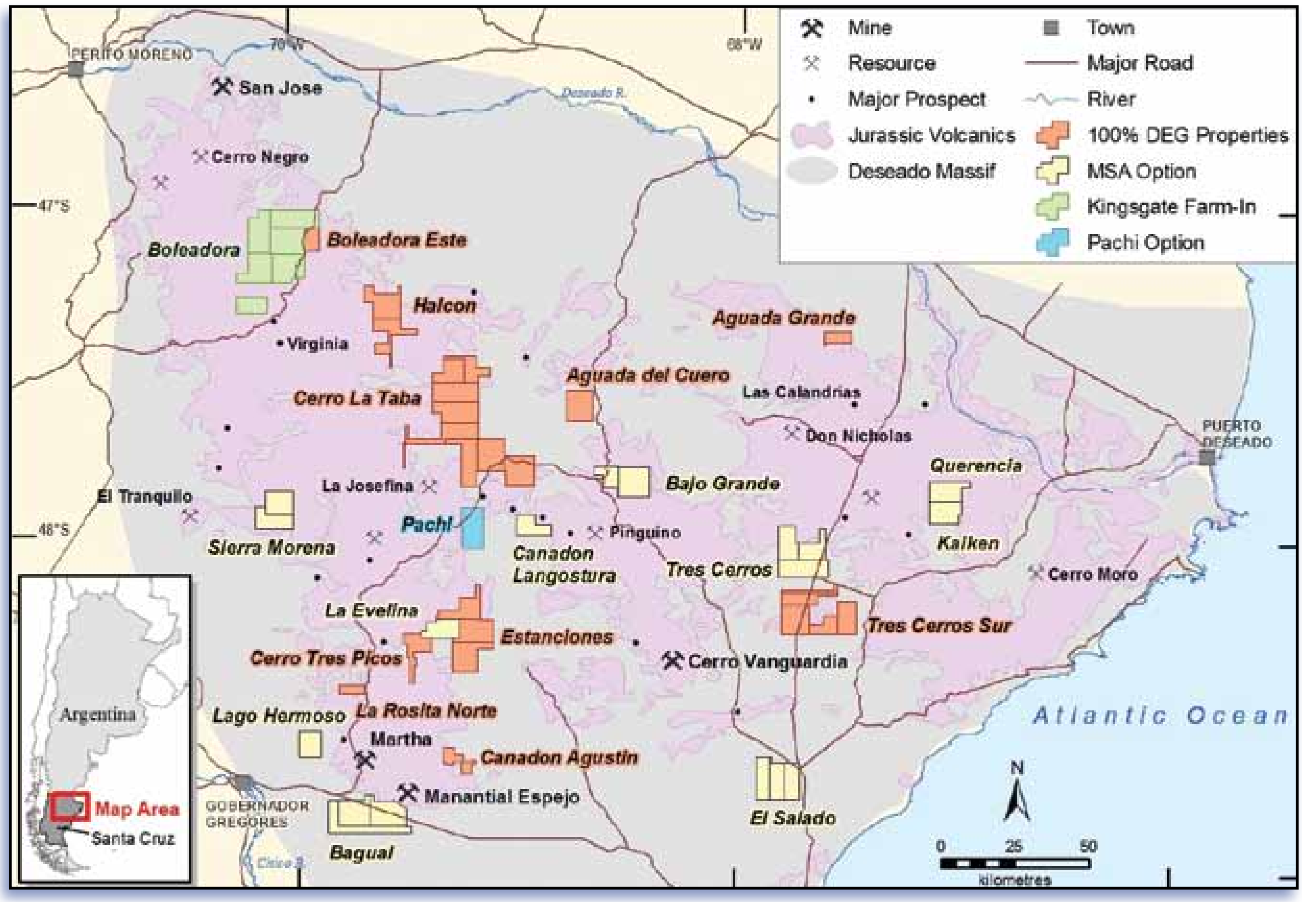


Figure 1: *Locations of De Grey's projects, Santa Cruz, Argentina*

Sierra Morena Project

The Sierra Morena Project comprises two M.D. (*manifestacion de descubrimiento*, "statement of discovery") applications covering an area of 140.4 sq km in the western Deseado Massif. The project is located approximately 25km east of Patagonia Gold's El Tranquilo Project (combined resources of 567,000 oz Au and 19.5Moz Ag).

Jurassic age volcanic rocks outcrop over about 98% of the project area, the remaining 2% covering areas where thin post-mineral basalt flows, generally less than 10m thick, cover the Jurassic rocks.

The tenements were optioned from Minera Sudamericana S.A. (MSA) in 2010. Previous preliminary work by MSA located the Vein Breccia Zone in the eastern part of the property where quartz veining and siliceous breccias are developed on a NW trending fault zone along a strike length of approximately 1.5km. Surface sampling has returned highly anomalous Au+Ag+As+Hg+Sb in rock chip samples (to 0.69g/t Au and 20g/t Ag).

During the 2010-2011 field season, soil sampling across the Vein Breccia Zone on a 200m x 50m spaced grid outlined two parallel NW trending zones/faults (Main and Northern Fault) with co-incident Au+Ag+As+Hg+Sb+Mo+Tl. The metal association and vein textures observed indicate that the Vein Breccia Zone represents the upper portions of an epithermal vein system and De Grey considers there is excellent potential in this system where higher Au-Ag grades could be expected at depth. Prior to drilling, infill lag sampling and detailed mapping will be completed along the Vein Breccia Zone early n the 2011-2012 field season (October) to assist in drill target definition.

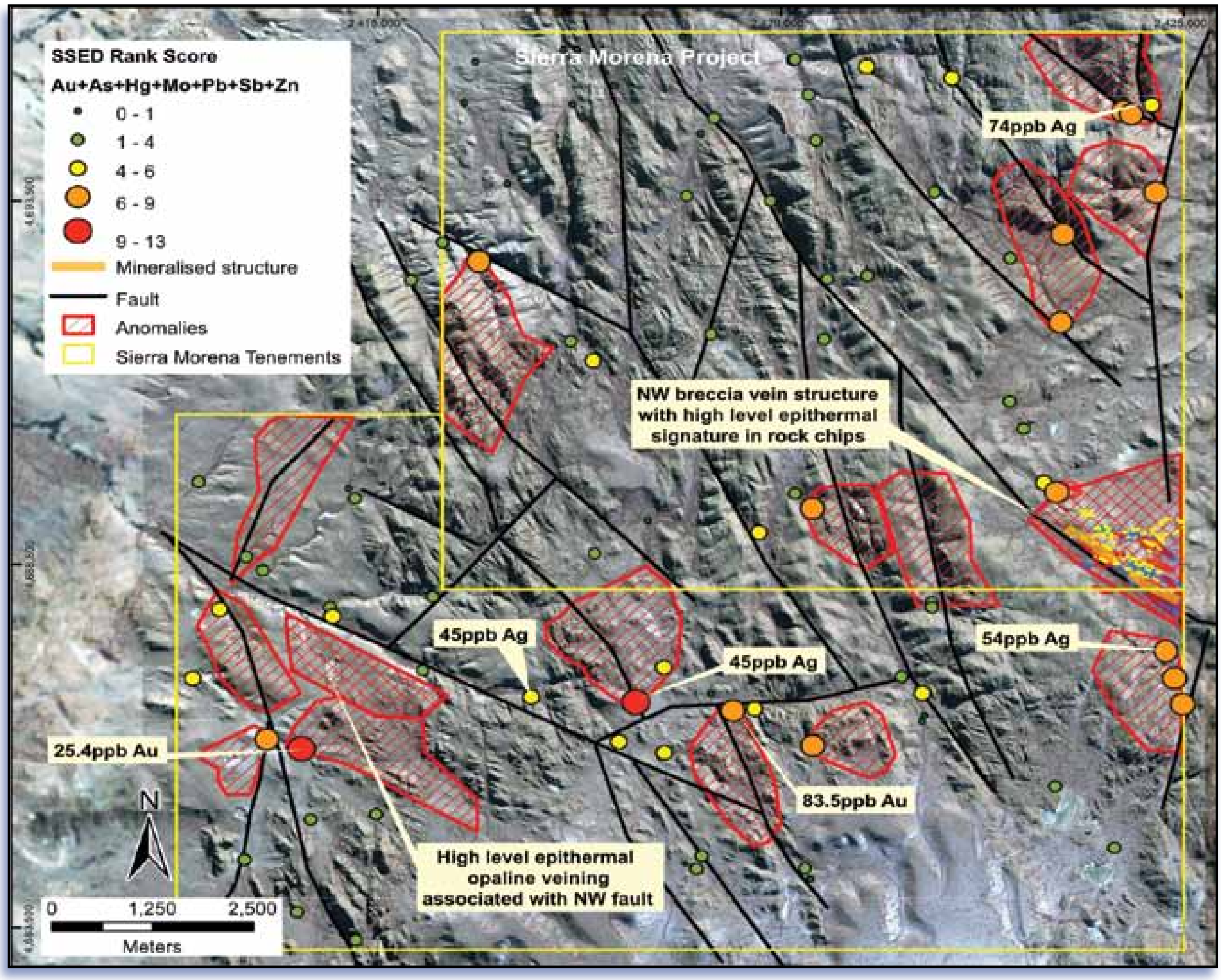


Figure 2: *Sierra Morena Project – Drainage anomalies and areas of interest*

Field reconnaissance during 2010-2011 also identified an area called the "Massive quartz zone" where banded opaline silica vein float is located adjacent to an interpreted NW striking structure. Although lacking anomalous Au+Ag in limited surface samples, the textures present indicate that the area may represent the upper portions of an epithermal vein system. Geological mapping and lag sampling will be completed over this area in the 2011-2012 field season.

De Grey also completed a project-wide stream sediment sampling program in 2010-2011 that has outlined 15 high priority target areas of elevated gold and/or multi-element signatures associated with faults in Jurassic volcanic rocks. Those areas are targeted for follow-up early in the 2011-2012 field season.

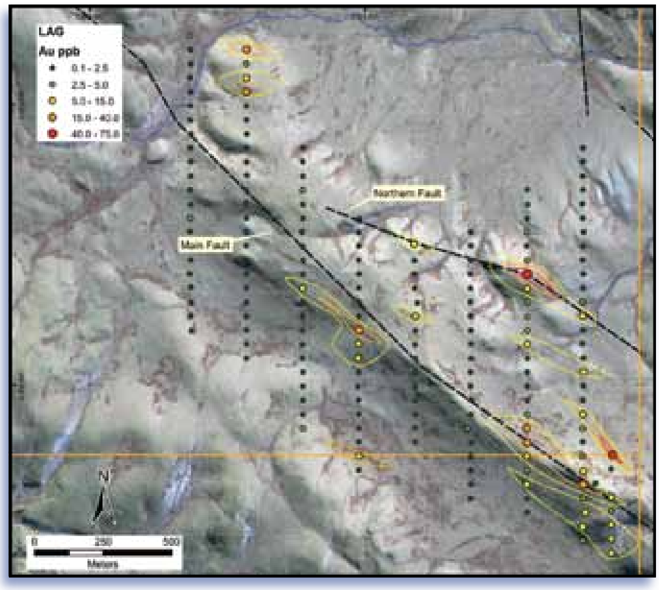


Figure 3: *Vein Breccia Zone – Au in lag*

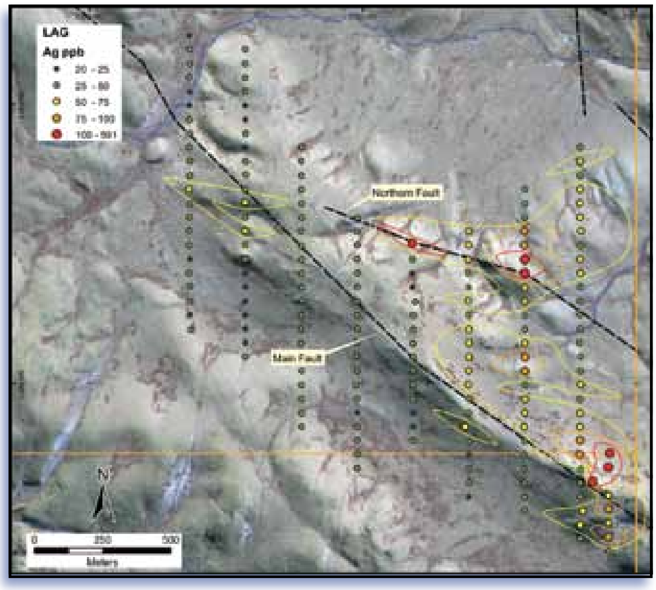


Figure 4: *Vein Breccia Zone – Ag in lag*

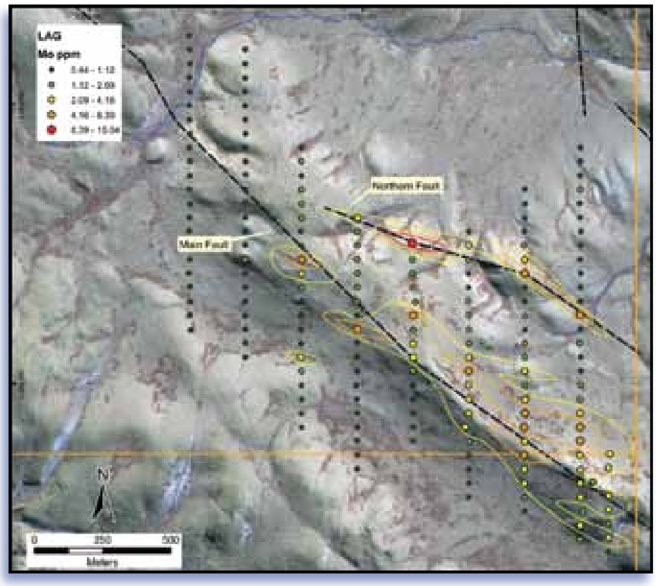


Figure 5: *Vein Breccia Zone – Mo in lag*

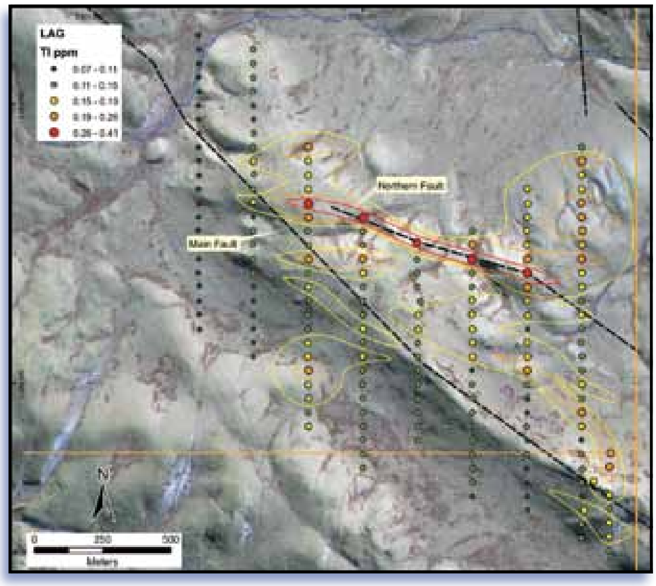


Figure 6: *Vein Breccia Zone – Tl in lag*

Boleadora Project

The Boleadora Project comprises six *cateo* (exploration licence) applications covering an area of 526.9 sq km in the north western Deseado Massif.

De Grey may earn up to 80% in Boleadora under the terms of a farm-in with Minera Kingsgate Argentina S.A., a wholly owned subsidiary of Kingsgate Consolidated Ltd. The project is strategically located between Goldcorp's Cerro Negro project (ex-Andean Resources), just 30km to the north, and Mirasol Resources' recent grass roots Virginia silver vein field discovery, approximately 25km to the south.

Prospective Jurassic volcanic rocks underlie about 95% of the project area and prior to De Grey's entry no systematic exploration had been completed.

De Grey completed a project-wide stream sediment sampling program in 2010-2011 that has outlined 15 high priority target areas of elevated gold and/or multi-element signatures predominantly associated with northwest to northeast trending faults. The clustered anomalies in the central-western and south-western parts of the project area are of particular interest given their highly anomalous spot Au and Ag values. The target areas will be followed up early in the 2011-2012 field season with the aim of progressing at least one target area to "drill ready" status before the end of 2012.

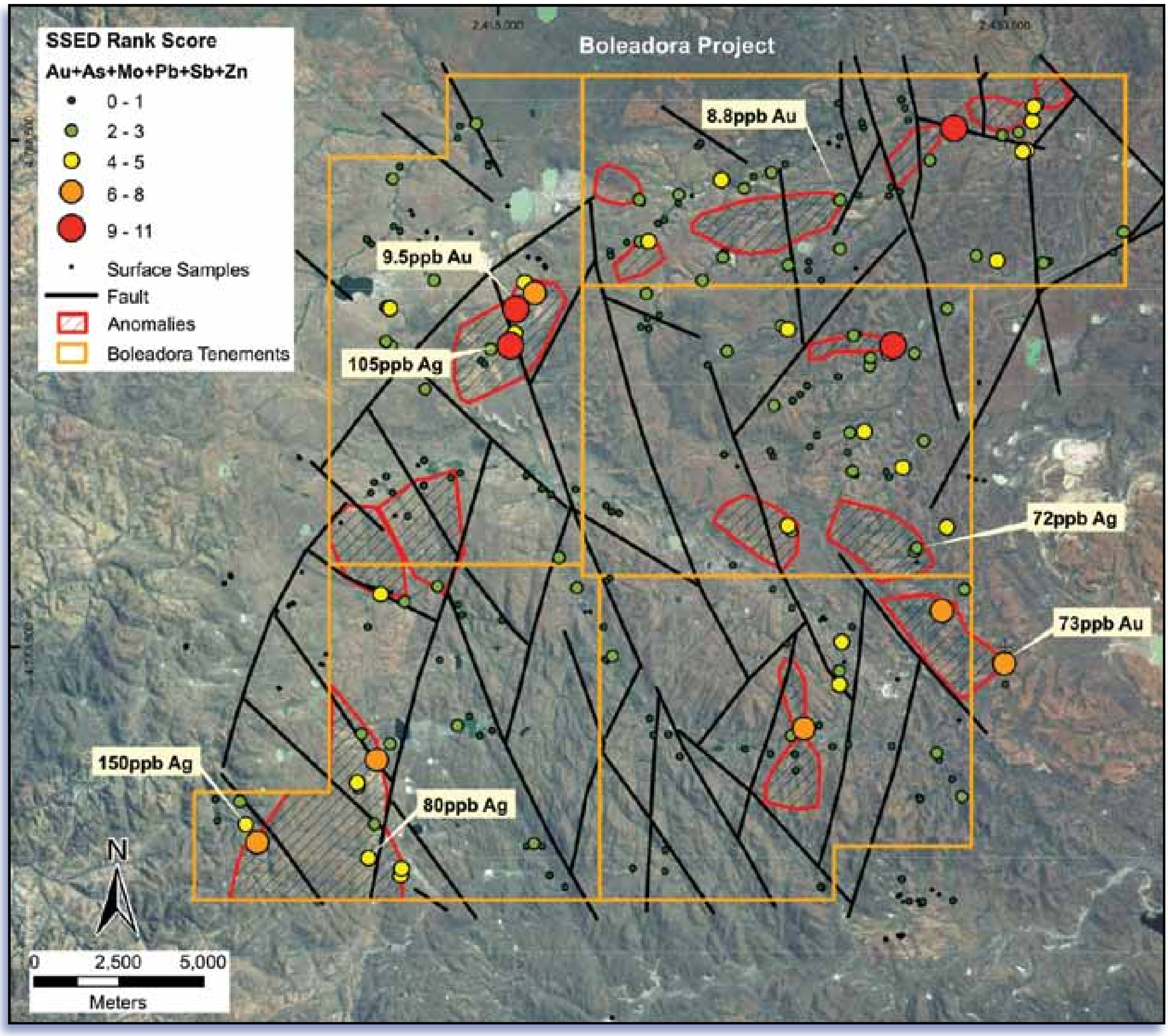


Figure 7: Boleadora Project – Drainage anomalies and areas of interest

Pachi Project

The Pachi Project comprises a single *cateo* covering and areaof 100 sq km in the central-western Desseado Massif. In July 2011 De Grey entered into an option-to-purchase agreement with the Argentine individual who holds the tenement.

The property lies less than 15km SE of Hunt Mining Corporation's La Josefina deposits (125,000 oz Au and 1.7Moz Ag) and just 5km south of Hunt's El Gateado prospect.

Pachi contains interpreted extensions and repeats of structures that host mineralisation on the La Josefina and El Gateado properties and exploration to date has been limited to two areas. In the first, previous rock chip sampling over a silica-carbonate sinter horizon that sub-crops over 800m strike length has returned up to 0.29g/t Au (with 58.7g/t Ag) and 68g/t Ag. This sinter horizon also contains highly anomalous As+Hg+Mn, indicating that it represents the fossil outflow zone of an epithermal system that carried significant metal concentrations. In the second area, previous rock chip sampling over a quartz vein approximately 500m long returned Ag values up to 134g/t (with all 6 samples returning >15g/t Ag), with low level, but anomalous Au.

Apart from this sampling, the rest of the project area remains unexplored, and given its strategic location De Grey intends to rapidly advance exploration of this project early in the 2011-2012 field season, aiming for a first-pass drill program early in 2012.

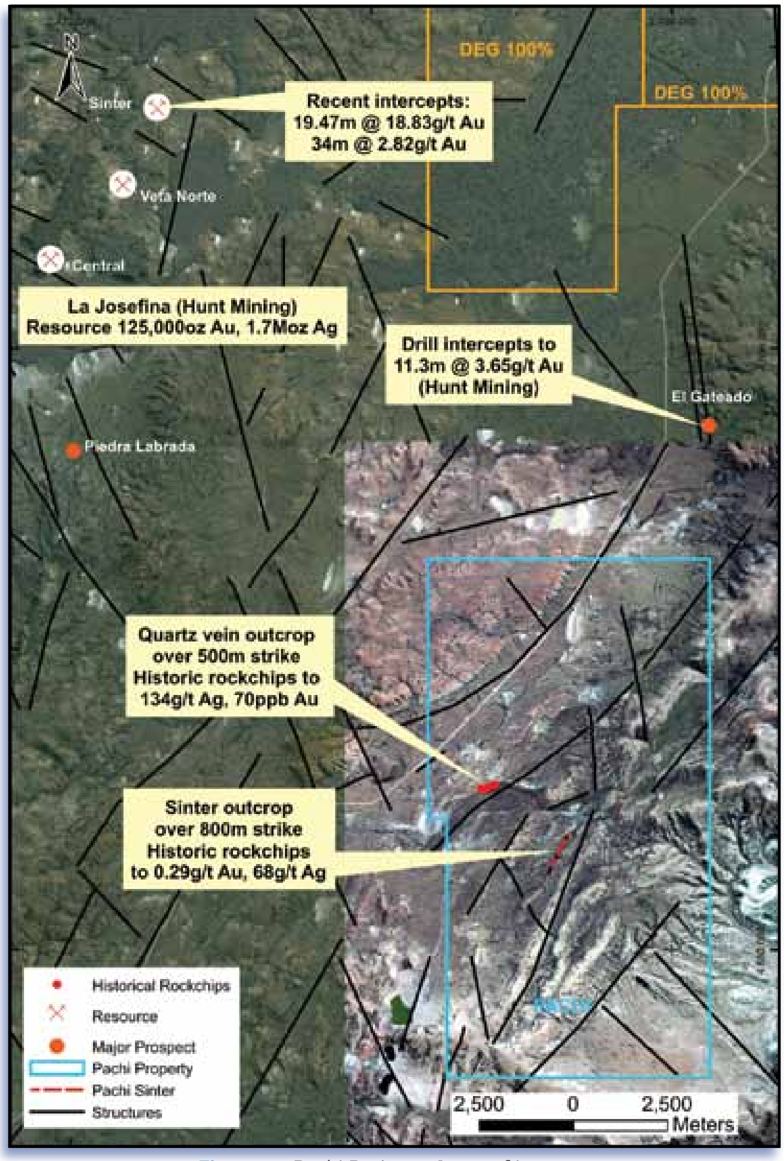


Figure 8: Pachi Project – Areas of interest

De Grey Mining 100% owned properties

Aguada Grande

Aguada Grande comprises a single *cateo* covering an area of 34.3 sq km in the north-eastern Deseado Massif.

The project is located immediately north of Argentex Mining's La Leona Au-Ag project and outcropping Jurassic aged volcanic rocks with evidence of WNW-NE faulting occur over approximately 70% of the project area.

Work proposed for the 2011-2012 field season includes first-pass prospecting and surface sampling.

Aguada Del Cuero

The Aguada Del Cuero Project comprises a single *cateo* covering an area of 93 sq km in the central-northern Deseado.

The project area is dominantly covered by post-mineral basalts with small erosional windows revealing outcrops of Jurassic volcanic rocks. Exploration in 2010-2011 located evidence of quartz veining and alteration in these windows, indicating that potentially mineralised structures exist beneath the thin basalt cover.

Planned exploration in the 2011-2012 field season will consist of orientation geochemical sampling over basalt covered areas to determine areas of interest for possible geophysical surveys and subsequent drilling.

Halcon

The Halcon Project comprises two *cateo* applications covering an area of 178.9 sq km in the north-western Deseado. Jurassic volcanic rocks outcrop or sub-crop over approximately 85% of the project area.

Halcon is located approximately 30km east of Mirasol Resources' Virginia Project where recent drilling indicates a substantial new Ag project has been discovered. Nearby fossil hot springs deposits provide evidence of hydrothermal systems active nearby during the Jurassic.

Exploration will commence early in the 2011-2012 field season, with stream sediment sampling and first-pass prospecting over areas of Jurassic volcanic rocks.

Cerro La Taba

The Cerro La Taba Project comprises eight *cateo* applications covering an area of 626.7 sq km in the central western Deseado Massif.

The northern and southern-most tenements partially cover exposed Jurassic volcanic rocks, whilst the central portion covers an area where the prospective Jurassic rocks are covered by a veneer of post-mineral basalt flows interpreted in most places to be less than 10m thick.

The El Gateado prospect (Hunt Mining) is located immediately south of Cerro La Taba, whilst the La Josefina Project (Hunt Mining) is located 15km to the southwest. Structures controlling mineralisation at each of those prospects are interpreted to trend beneath the basalt cover into the Cerro La Taba tenements.

Exploration will commence in the 2011-2012 field season with prospecting and surface sampling over areas of exposed Jurassic aged volcanic rocks. Orientation geochemical sampling over basalt covered areas will also commence to determine areas of interest for possible geophysical surveys and subsequent drilling.

Cerro Tres Picos

Cerro Tres Picos Project comprises one *cateo* application covering an area of 71.3 sq km contiguous with the La Evelina Project (under option from MSA). Limited prospecting was completed over Aster generated targets in the 2010-2011 field season but further work is required to fully evaluate the potential of the property.

Estaciones

The Estaciones Project comprises three *cateo* applications covering an area of 269.8 sq km and is contiguous with the La Evelina Project (MSA option).

The northern part of the project covers exposed Jurassic volcanic rocks, including extensions of ESE trending structures that have returned low level gold-silver anomalism at La Evelina. In the south the prospective Jurassic rocks are covered by a thin veneer of post-mineral basalts. Numerous small erosional windows in the basalt indicate it is dominantly less than 10m thick.

Boleadora Este

Boleadora Este comprises one *cateo* application covering an area of 35 sq km and is contiguous with the Boleadora Project. First-pass reconnaissance and sampling of the area will be conducted in conjunction with further exploration at Boleadora.

La Rosita Norte

The La Rosita Norte Project comprises one *cateo* application covering 24.8 sq km. The property is located approximately 21km NNW of the Martha Mine (Coeur Argentina S.R.L) and 38km NW of the Manantial Espejo mine (Pan American Silver Corporation), in the south-western Deseado Massif.

Jurassic volcanic rocks outcrop over approximately 50% of the tenement, the remaining area being covered by thin post-mineral basalt flows.

Tres Cerros Sur

The Tres Cerros Sur Project comprises five *cateo* applications covering an area of 366.3 sq km immediately south of the Tres Cerros properties that are optioned from MSA. The project is located approximately 50km NE of the Cerro Vanguardia mine (AngloGold Ashanti-Fomicruz JV), and is immediately east and contiguous with ground being explored by the Cerro Vanguardia JV.

The majority of the project area is covered by a thin veneer of Patagonian gravels interpreted to be less than 25m thick and immediately overlying prospective Jurassic rocks.

Exploration in the upcoming field season will commence with orientation geochemical sampling to determine the sampling medium most likely to "see" through the gravel cover then progress to systematic surface sampling of the entire project area.

Other Properties under Option from MSA

La Evelina

The La Evelina Project comprises one M.D. covering an area of 69.2 sq km and is contiguous with the De Grey's 100% owned Estaciones and Cerro Tres Picos properties, in the south-western Deseado Massif.

Sampling in 2010-2011 field season outlined three areas of veining and mineralisation associated with a major NW trending fault in the NE portion of the property, with anomalous Au+As+Sb returned from rock chip sampling.

Further surface sampling and prospecting will be completed in the 2011-2012 field season.

Bajo Grande

The Bajo Grande Projects comprises two *cateo* applications covering an area of 151 sq km in the central Deseado.

Sampling of a quartz-carbonate vein zone discovered in the 2010-2011 field season, associated with a major NW trending fault, returned anomalous Hg-As-Sb and further work is warranted over the property. A systematic stream sediment sampling program is proposed for the 2011-2012 field season.

Canadon Langostura

The Canadon Langostura Project comprises one M.D. application covering an area of 63.4 sq km in the south-western Deseado Massif.

The project is located on a strongly developed WNW fault zone that is considered to be an important control on mineralisation on properties such as Mariana Resource's Sierra Blanca (La Chala vein) and Argentex's El Pinguino property.

Within the project area, the WNW fault zone transects the upper part of the (Jurassic age) Chon Aike stratigraphy and also forms the northern boundary of a Cretaceous basin. This structural situation is considered highly favourable because there may be a better possibility of having a completely preserved epithermal vein system where less of the Chon Aike stratigraphy has been eroded than at La Chala or El Pinguino. Furthermore, the fault structure appears to bound the Cretaceous basin which indicates a long history of movement extending from at least the Jurassic into the lower Cretaceous and opens the possibility of mineralisation having formed in a pull-apart basin that could be wholly or partially concealed beneath the Cretaceous sediments.

Limited sampling in the 2010-2011 field season was completed on four separate 100m long WNW oriented chalcedonic quartz veins, within Jurassic volcanic rocks. No anomalous Au-Ag was returned, but samples displayed elevated Hg+Ba+Sb, suggestive of the high levels of an epithermal system.

Exploration in the 2011-2012 field season will comprise stream sediment sampling and further prospecting over the entire property.

Querencia/Kaiken

The Querencia/Kaiken properties comprise two *cateo* applications covering an area of 159 sq km in the eastern Deseado.

Approximately 60% of the area is covered by a veneer of Patagonian gravels, interpreted on the basis of regional magnetic data to be only tens of metres in thickness. The magnetic data shows that the area is located on the intersection of an ENE striking structure and WNW to NW trending structures. Aster multispectral satellite data indicate some linear zones with kaolinite +/- iron oxides in the outcropping Jurassic volcanic rocks exposed outside the zone of gravel cover.

An initial visit to establish access and meet with landowners was completed during the 2010-2011 field season. Short traverses over the Aster anomalies were completed and rock chip sampling of banded chalcedonic quartz veins indicated elevated As-Ba, which suggests the veining may represent the upper levels of an epithermal system.

Similar to the nearby Tres Cerros and Tres Cerros Sur projects, exploration requires orientation geochemical sampling to determine the sampling medium most likely to "see" through the gravel cover followed by systematic surface sampling of the entire project area.

Tres Cerros

The Tres Cerros Project comprises three *cateo* applications covering an area of 224.1 sq km located immediately north of the Tres Cerros settlement in the eastern Deseado.

In much of the project area the prospective Jurassic volcanic rocks are covered by a veneer of Patagonian gravels, outcrops of Jurassic rocks being restricted to erosional windows through this cover. Field investigation of these windows, to prioritize anomalies seen in images derived from processing of Aster data, led to the discovery of several sets of low temperature epithermal quartz veins. Samples from the veins have not returned significant precious metal mineralisation at surface but their textures, the presence of strong clay alteration in the wall rock and elevated Hg-As values are indications that the hydrothermal system is potentially mineralised at depth.

In conjunction with programs proposed for the Querencia/Kaiken and Tres Cerros Sur projects, exploration planned for the area comprises orientation geochemical sampling to determine the sampling medium most likely to "see" through the transported cover followed by systematic surface sampling of the entire project area.

El Salado

The El Salado Project comprises three M.D. applications covering an area of 195.6 sq km in the south-eastern Deseado Massif where a present day drainage has incised a thick valley fill of Patagonian gravels.

The properties were selected by MSA geologists on the basis that signatures in the regional magnetic data are similar to those at the Cerro Vanguardia vein field, located approximately 40km to the northwest. No outcropping Jurassic volcanic units have been located on the properties, however, the intensity of the magnetic features on the eastern and south-western margins of the properties suggests that the Patagonian gravel cover sequence is less than 25m thick.

Lago Hermoso

The Lago Hermoso Project comprises one M.D. application over an area of 66 sq km in the south-western Deseado Massif.

The tenement covers a window incised into Tertiary aged volcanic cover on the western extrapolation of the "Manantial Espejo - Marta" trend. In one of the more deeply eroded parts of this window, Aster satellite data indicate a zone of clay alteration located on the intersection of NW and ENE striking structures inferred from regional magnetic data.

At this stage no exploration is planned on the project area in the 2011-2012 field season.

Bagual

The Bagual Project comprises three *cateo* applications covering an area of 292.1 sq km near the town of Gobernador Gregores in the south-western Deseado.

The project area includes a narrow belt of exposed Jurassic age volcanic rocks along the north eastern boundary of the property block. The remainder of the project area is covered by Tertiary to Recent aged alluvial gravels, terrace gravels and minor basalts. Initial reconnaissance in 2010-2011 indicated that the gravel cover is prohibitively thick but the properties are retained under the MSA option agreement at no additional cost because of their proximity to the Manantial Espejo Ag-Au vein field, located only 5km to the north.

No exploration is planned on the project area in the 2011-2012 field season.

AUSTRALIAN PROJECTS

Apex IOCG Target, Queensland

In late 2009 De Grey entered into a farm-in agreement with Teck Australia Pty Ltd under which De Grey could earn up to 100% interest in EPM14142, located north of Cloncurry in Northwest Queensland (Figure 9).

EPM14142 covered 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.

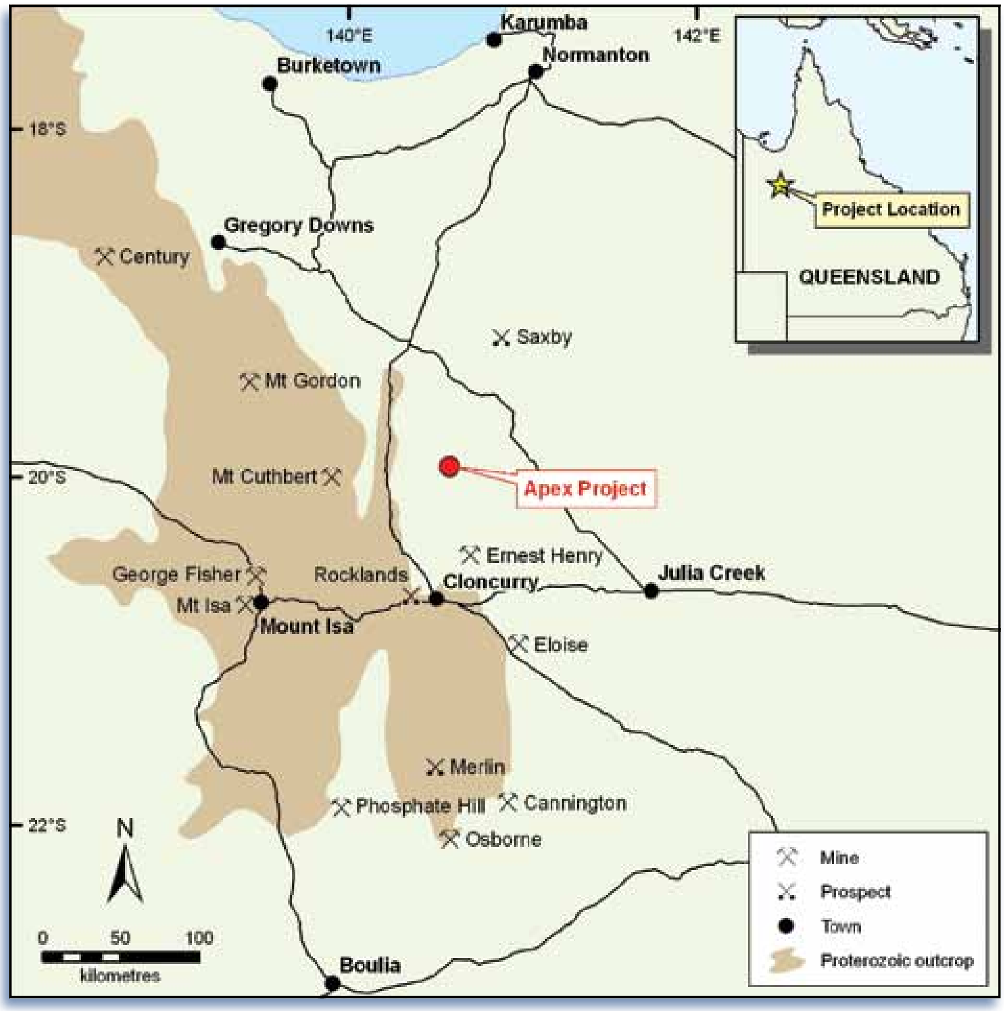


Figure 9: *Apex Project location map*

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 were interpreted as being similar to those at Ernest Henry and occurring in an area of structural complexity immediately adjacent to the intersection of major, terrane-bounding structures. The high-amplitude anomalies were 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.

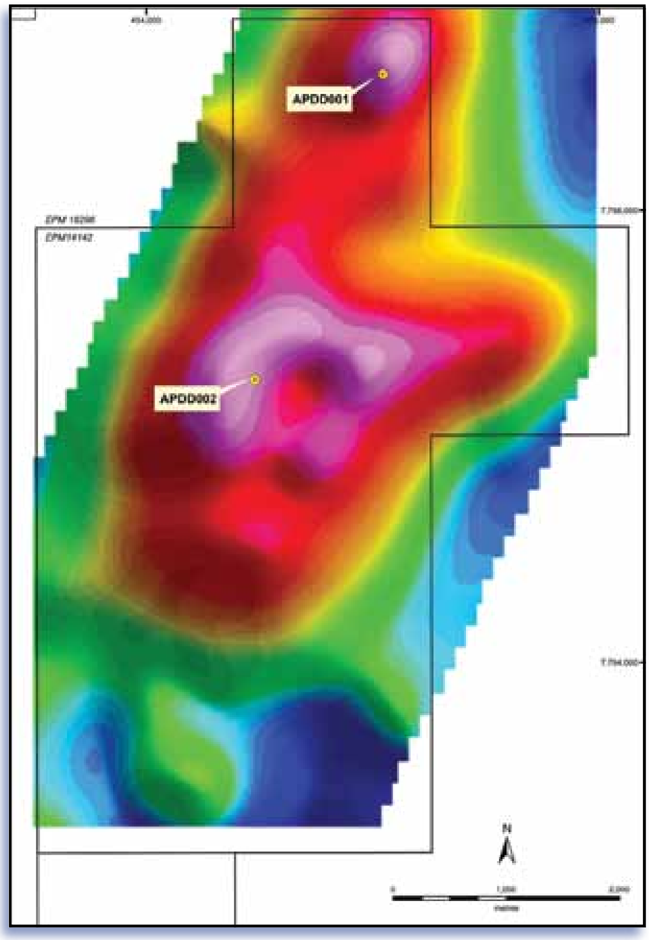


Figure 10: Drillhole location over TMI magnetic Image of Apex Magnetic Complex

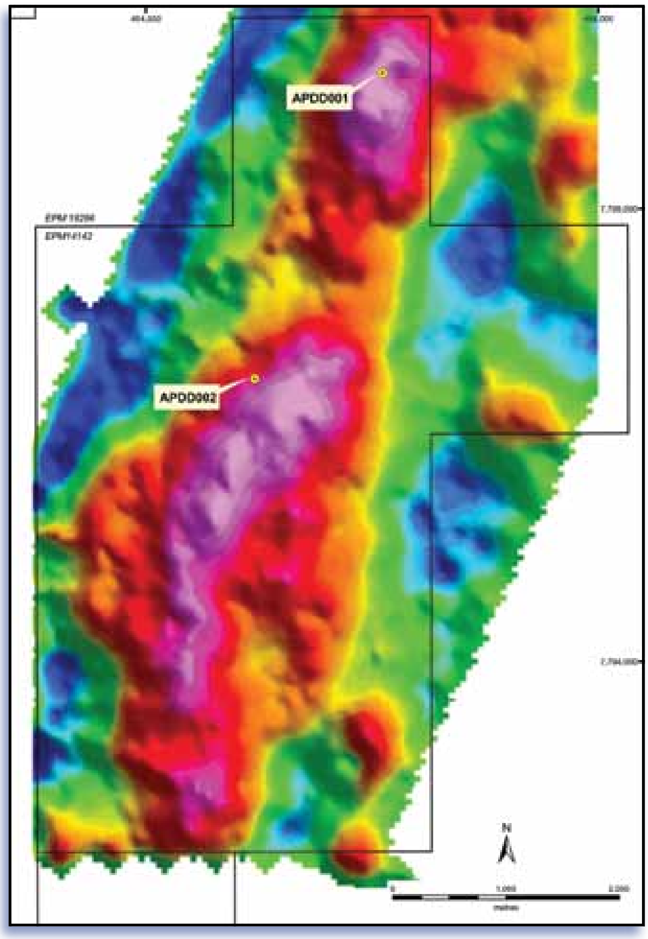


Figure 11: Drillhole location over Residual gravity Image of Apex Magnetic Complex

A three dimensional geological model was created using computer modelling of the combined gravity-magnetic data to aid drill targeting.

Two PCD rotary/diamond drill holes, APDD001 and APDD002, were completed in November-December 2010 for a total of 1,126m.

Both holes intersected Proterozoic basement at 350-360m depth, as expected, and then encountered coarse-grained melanogabbro and dolerite with locally intense magnetite, pyrite, epidote and "red-rock" albite (K feldspar) alteration that in places included quartz-carbonate-magnetite veins. Half-core samples of the basement rocks were submitted for multi-element assays in two metre intervals. No significant assays were reported.

The magnetic and gravity anomalies were adequately explained by the combination of relatively high concentrations of magnetite and dense rock types encountered by drilling. The exploration model was adequately tested and De Grey withdrew from the Teck agreement prior to earning any interest in the property.

TURNER RIVER GOLD AND BASE METALS PROJECTS

Overview

The Turner River gold and base metals projects are located 60km south of Port Hedland in the Pilbara Region of Western Australia, covering a combined area of 1,000 sq km (*Figure 12*). Tenements in the western portion of the project area are primarily prospective for gold mineralisation and include the Wingina Well gold deposit discovered in 2003. The eastern portion of the project covers the VMS-style polymetallic mineralisation discovered in 2006.

In May 2011 De Grey entered into agreements with Lansdowne Resources Pty Ltd under which Lansdowne may earn up to 75% interest in each project. Lansdowne is an unlisted Australian company that intends to apply for admission to listing on the Australian Securities Exchange.

The Base Metals farm-out and joint venture agreement covers tenements in the eastern part of the Turner River project, site of high-grade Pb-Zn-Ag VMS-style mineralisation discovered by De Grey. Lansdowne may earn a 75% interest in the project by sole funding exploration expenditure of $1.5 million over 3 years.

The Gold farm-out and joint venture agreement covers tenements in the west of the Turner River project, containing the Wingina Well gold resource and the T1, Mt Berghaus, Brierly, Amanda and Edkins targets. Lansdowne may earn a 75% interest in the project by paying $99,000 at commencement and sole funding $2 million exploration expenditure over 3 years.

De Grey has also granted Lansdowne an option to purchase a 75% interest in the Wingina Well gold resource in return for $1,000 payable upon signing and the issue of 2 million 20 cent shares in Lansdowne upon its listing on ASX. The option period commences upon Lansdowne earning its interest in the Gold joint venture and is exercisable by payment of $4.1 million. The exercise price escalates by $15 for each $100 by which the gold price exceeds A$1,500 per ounce at the exercise date, the escalation payment being calculated based on ore reserve ounces.

Lansdowne is to manage work at both projects during the sole funding periods.

The farm-out and joint venture agreements specifically recognize Atlas Iron's rights to iron ore over portions of both project areas, arising out of previous De Grey - Atlas agreements. De Grey's residual rights under those agreements are excluded from the farm-outs, remaining entirely for De Grey's benefit.

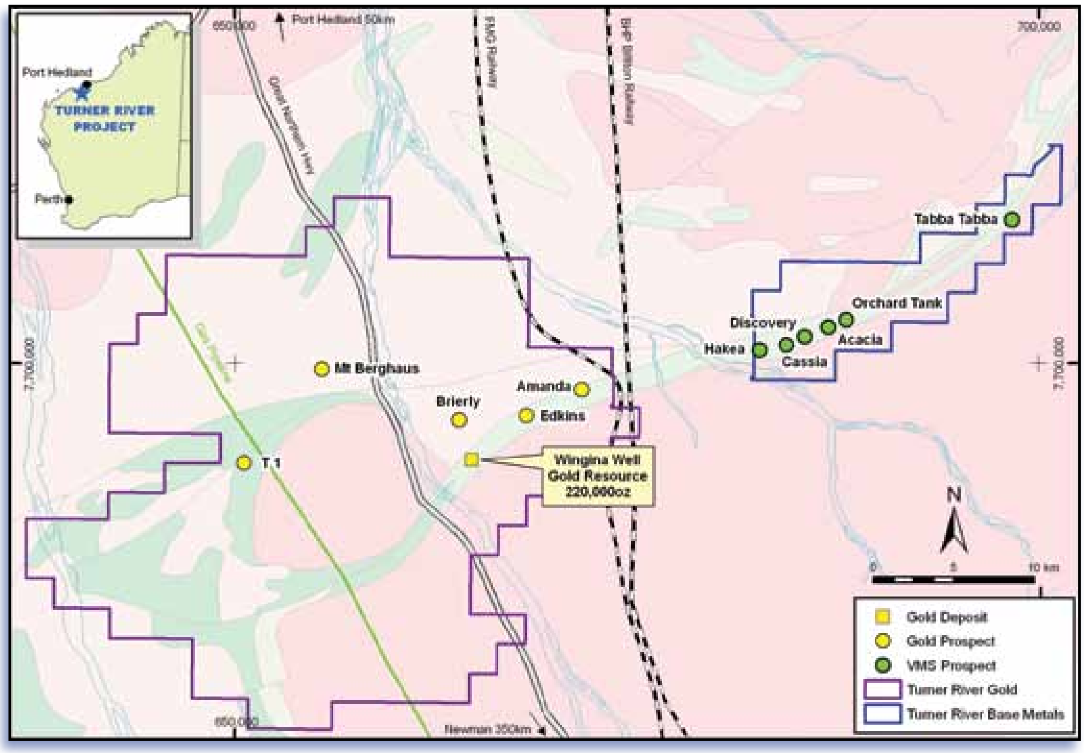


Figure 12: De Grey's Turner River Project

Turner River Gold Exploration

Together with Lansdowne, 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 221,000oz (above 0.5g/t Au cut-off grade), 83% of which is in the Measured and 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*

An updated preliminary economic evaluation of the resource undertaken in 2009 demonstrated that mining and treatment were viable on a cash operating costs basis but that costs of constructing the mine, processing plant and ancillary facilities render the project marginal on a total costs basis at gold prices up to about A$1,500/oz. Capital costs require amortization across an increased resource base to reduce the total cost per ounce.

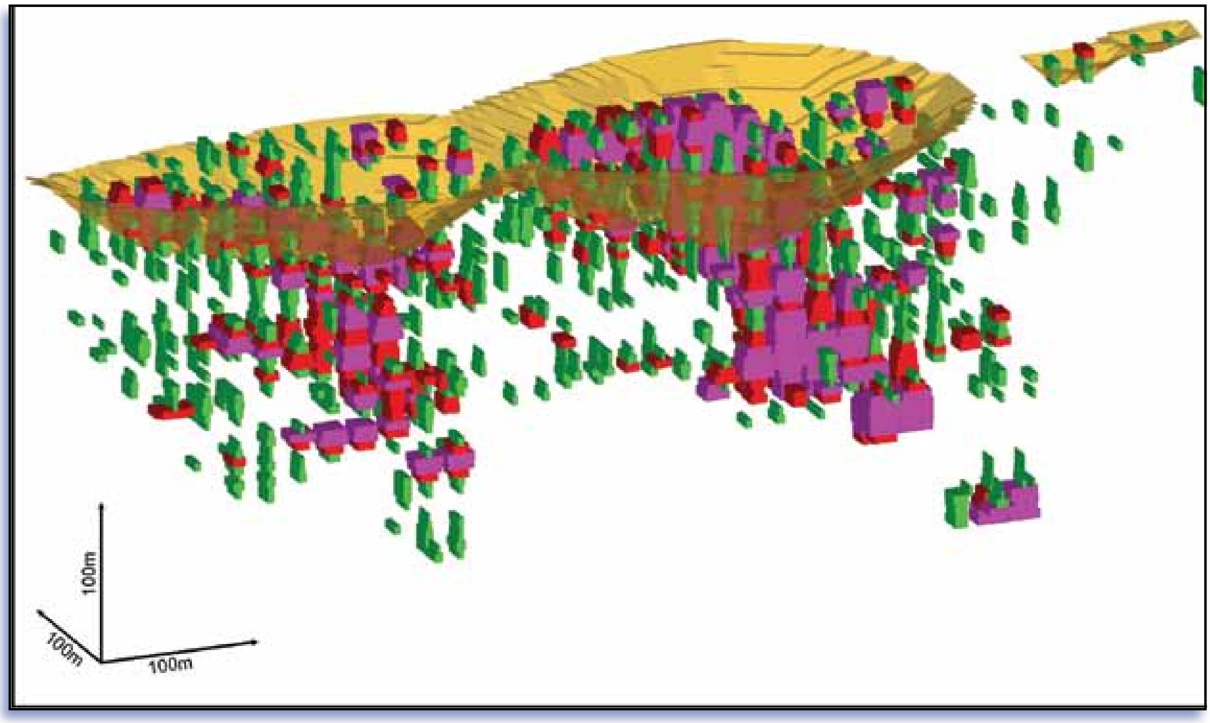


Figure 13: *Wingina Well MIK block model and A$1,400/oz optimised pit shell, 2009*

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

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 14*).

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.

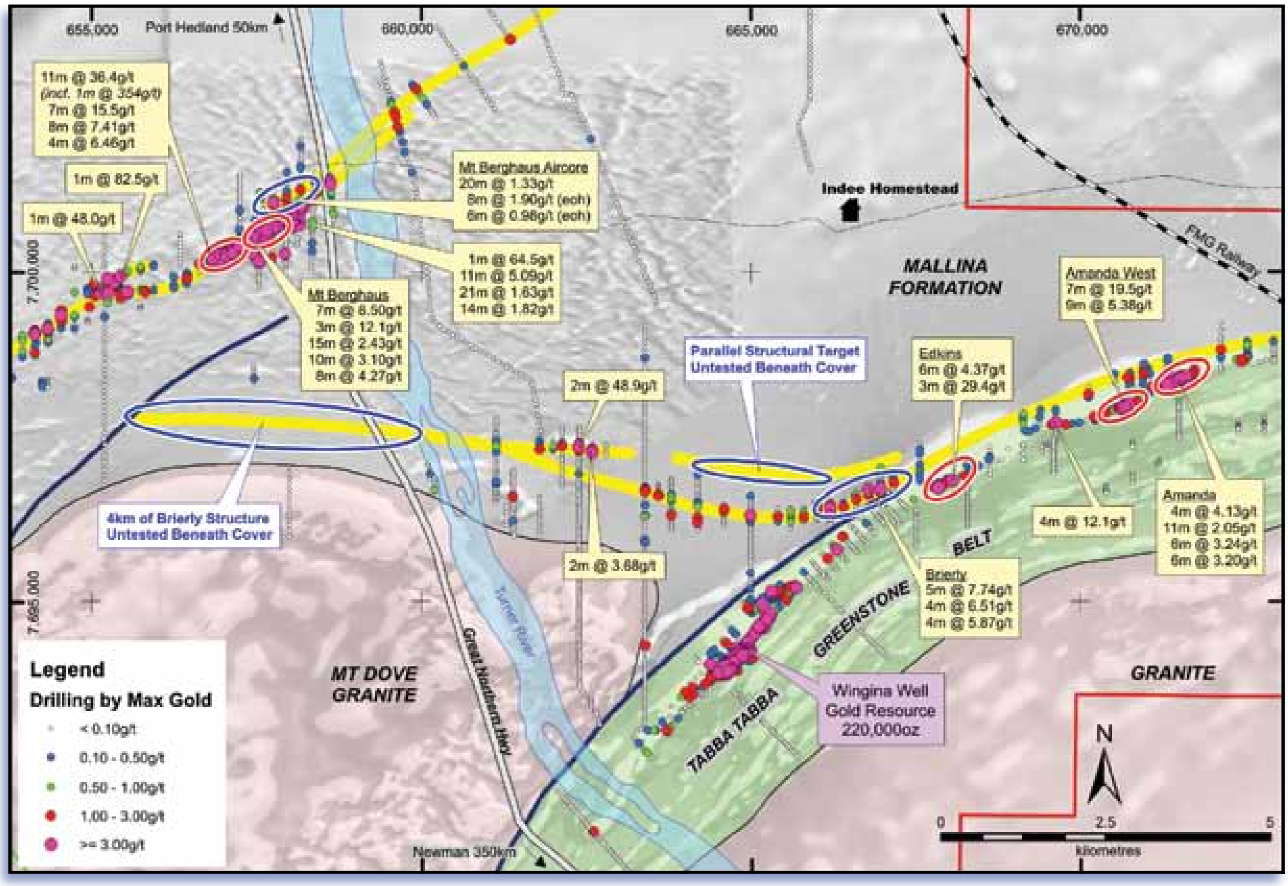


Figure 14: Turner River Gold Project Exploration Potential

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 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 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 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 14*). These areas are completely untested by drilling and as such have the potential to host significant gold mineralisation.

Forward Program

Lansdowne have advised that their initial work programs proposed for the September quarter of 2011 will include diamond drilling at Mt Berghaus gold prospect, to obtain oriented core to enable better understanding of mineralisation controls, and RC drilling at Brierly gold prospect to follow up previous intercepts in air core drilling.

Turner River Base Metals 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 12*). 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 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. Six individual VMS prospects have been located at Turner River to date over a strike length of 18km.

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. The regional long section in Figure 15 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.

In work proposed for the September 2011 quarter, Lansdowne propose to drill RC and pre-collared diamond core holes at Orchard Tank and Discovery VMS-style base metals prospects to test along strike and down-dip of previous Au-Ag-Pb-Zn drill intercepts.

Further exploration will be by staged programs to progressively increase drill coverage of the prospective stratigraphic horizon.

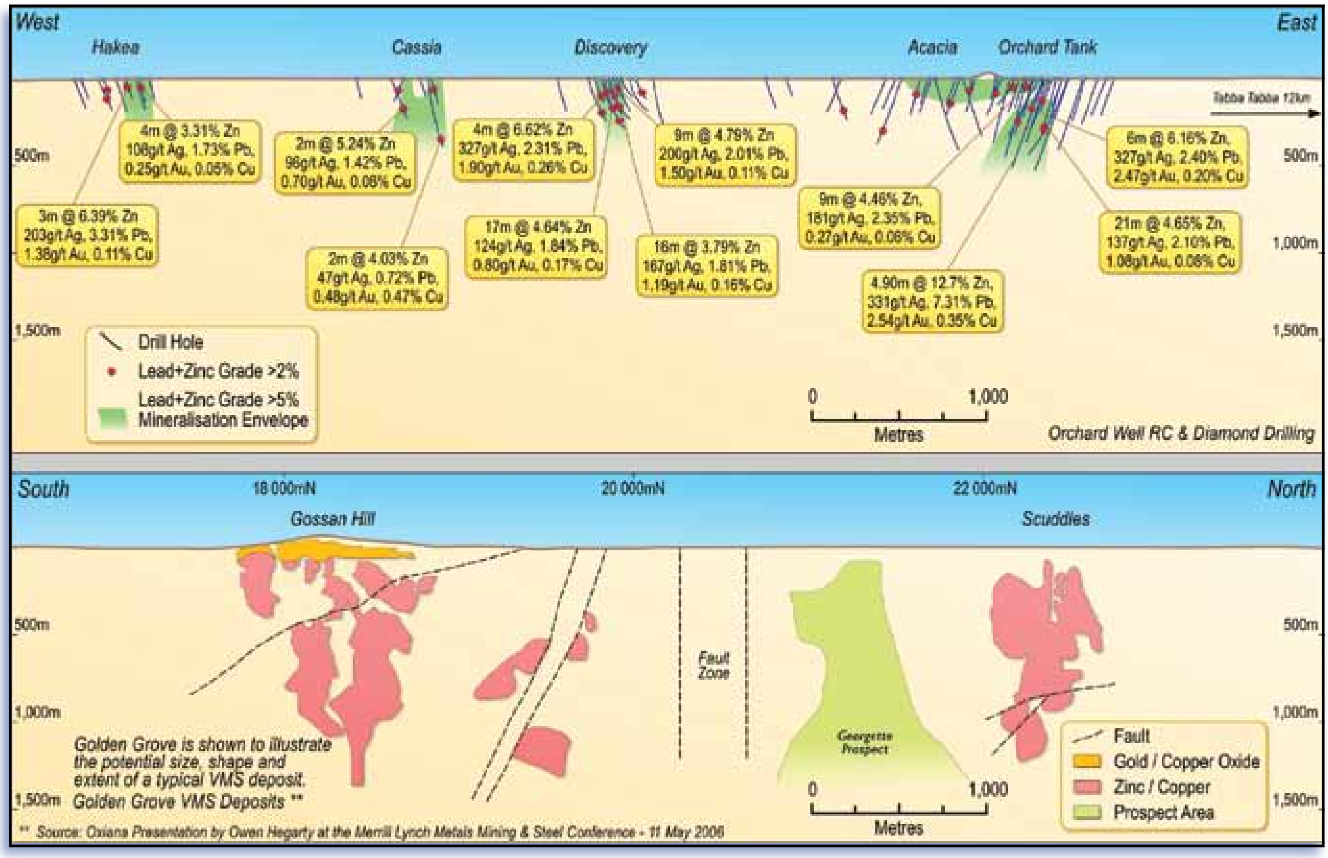


Figure 15: *Orchard Well drill coverage compared to a typical VMS camp*

PILBARA IRON PROJECTS

Beyondie Iron Ore Joint Venture

In April 2010, Emergent Resources Limited 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 primary magnetite mineralisation and demonstrated that the mineralisation is amenable to processing to produce a commercial grade concentrate product. The resource is presently limited only by drill coverage and aeromagnetic data indicate potential to considerably expand the resource tonnage.

The Beyondie Iron Ore Joint Venture is a "split commodity" agreement under which De Grey retains rights to all minerals other than iron ore on the tenements that are subject to the joint venture.

Fortescue Island Iron

The Fortescue Island Iron Project comprises a single exploration licence application over 378 sq km in shallow waters (predominantly less than 20m deep) approximately 70km west-southwest of the iron ore port of Dampier (Figure 16). 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 16*). 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. Exploration can commence upon the grant of the ELA

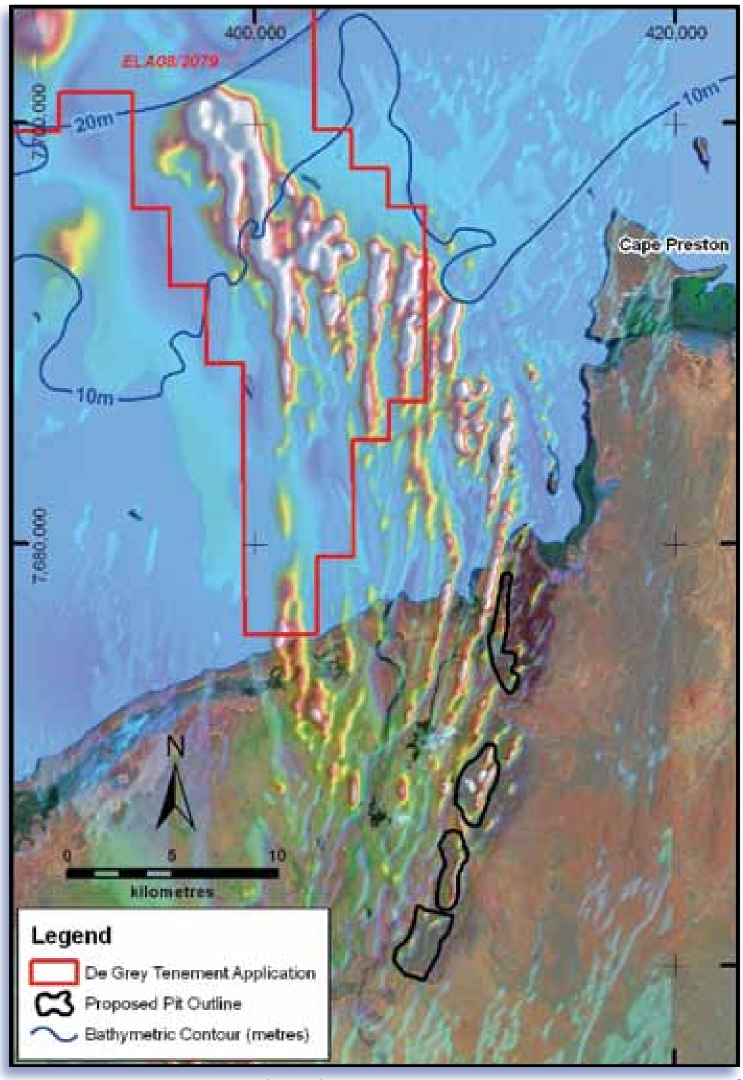


Figure 16: *Proposed Balmoral Project open pits and magnetic units of Brockman Iron Formation extending into the Fortescue Island Project area. Contours show water depth.*

[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*

Mt Dove Royalty

De Grey has sold the rights to iron ore minerals on certain tenement areas in the Turner River Gold and Turner River Base Metal projects to Atlas Iron Ltd. The agreements provide for, variously, 1-2% gross value royalties payable to De Grey from future iron ore production by Atlas.

In 2008 a reconnaissance sampling program by De Grey demonstrated potential for hematite iron mineralisation at Mt Dove, in the western part of the Turner River project. Subsequent work by Atlas has outlined an inferred resource of 2Mt @ 58.5% Fe[3] at Mount Dove and progressed plans to mine the deposit in conjunction with mining of the nearby Wodgina iron resources.

A mining lease was granted in August 2011 and Atlas has indicated that mining may commence in 2012, triggering the flow of royalty income to De Grey.

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 17*).

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 12 exploration licence applications, together with a joint venture with Raisama Ltd over a single EL application, covering a total area of 5,341 sq km of prospective ground. Five applications (1,718 sq km), containing significant early stage base metal and uranium exploration targets, lie south of the Rudall River National Park. The tenement applications lie entirely within determined Martu native title and De Grey is progressing toward exploration access and heritage agreements with Martu to allow exploration to commence.

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.

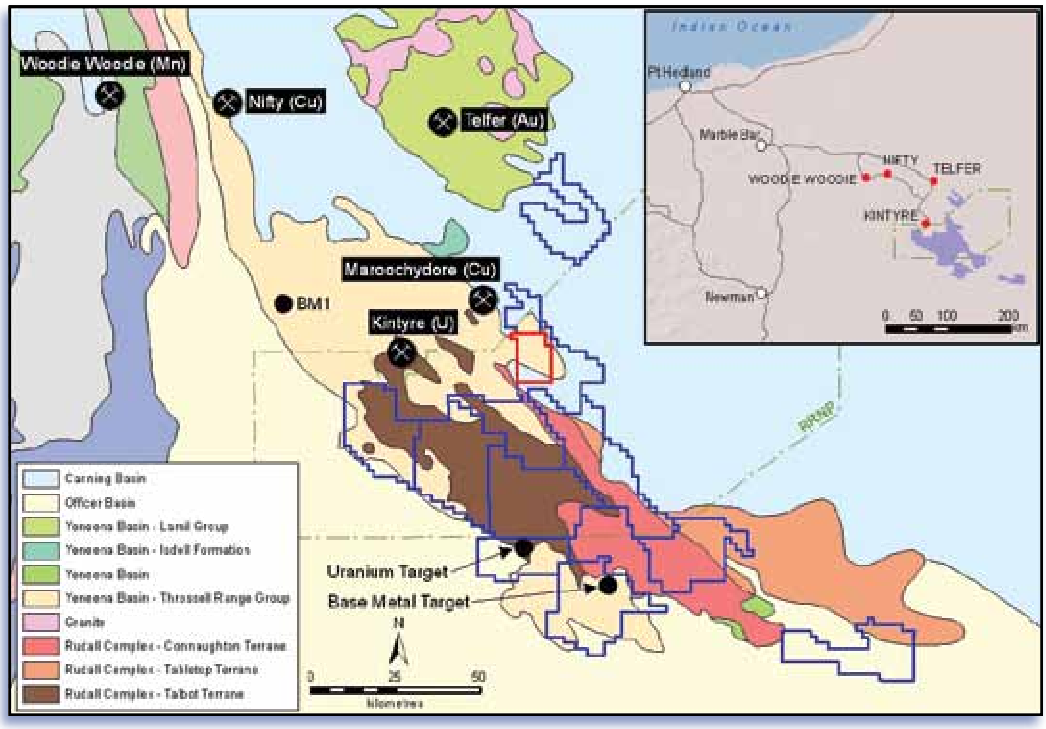


Figure 17: De Grey tenements and major mineral deposits in the Paterson area, WA

[3] Refer to Atlas Iron ASX release dated 1 September 2010

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 18*). 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.

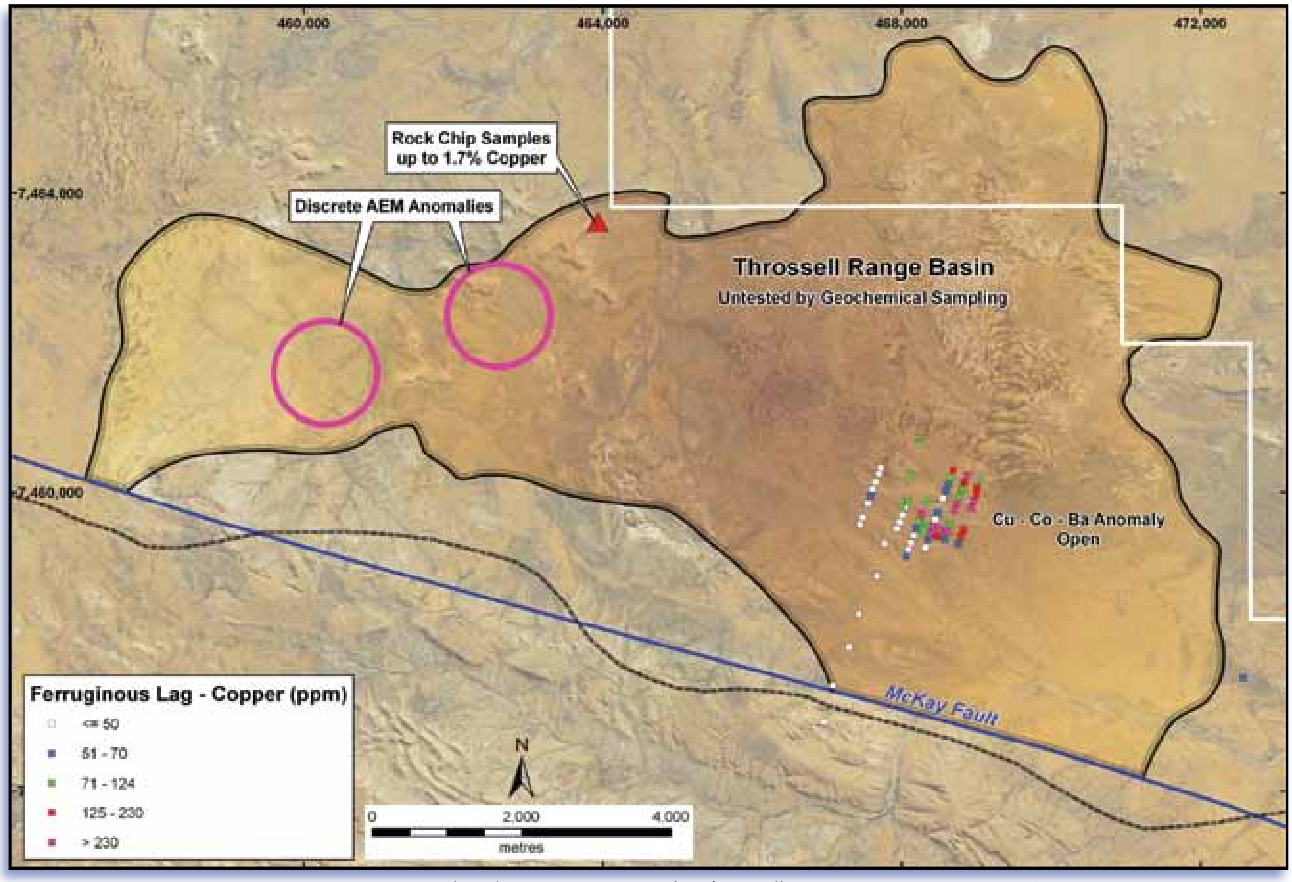


Figure 18: Base metal exploration targets in the Throssell Range Basin, Paterson Project

Telfer SE Project

During 2011 an exploration licence application was lodged for a further 358 sq km of ground north of Rudall River National Park, centred approximately 35km southeast of Newcrest's Telfer gold mine and 25km southeast of the O'Callaghans tungsten deposit (indicated and inferred resources of 78Mt @ 0.33% WO3, 0.29% Cu, 0.50% Zn and 0.25% Pb).

The area has received little exploration attention in the past 10-12 years despite being on-trend from these substantial deposits. Prospective Proterozoic basement rocks of the Yeneena Basin extend beneath cover throughout the application area.

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 has commenced extensive drilling programs at the project and surrounding exploration tenements.

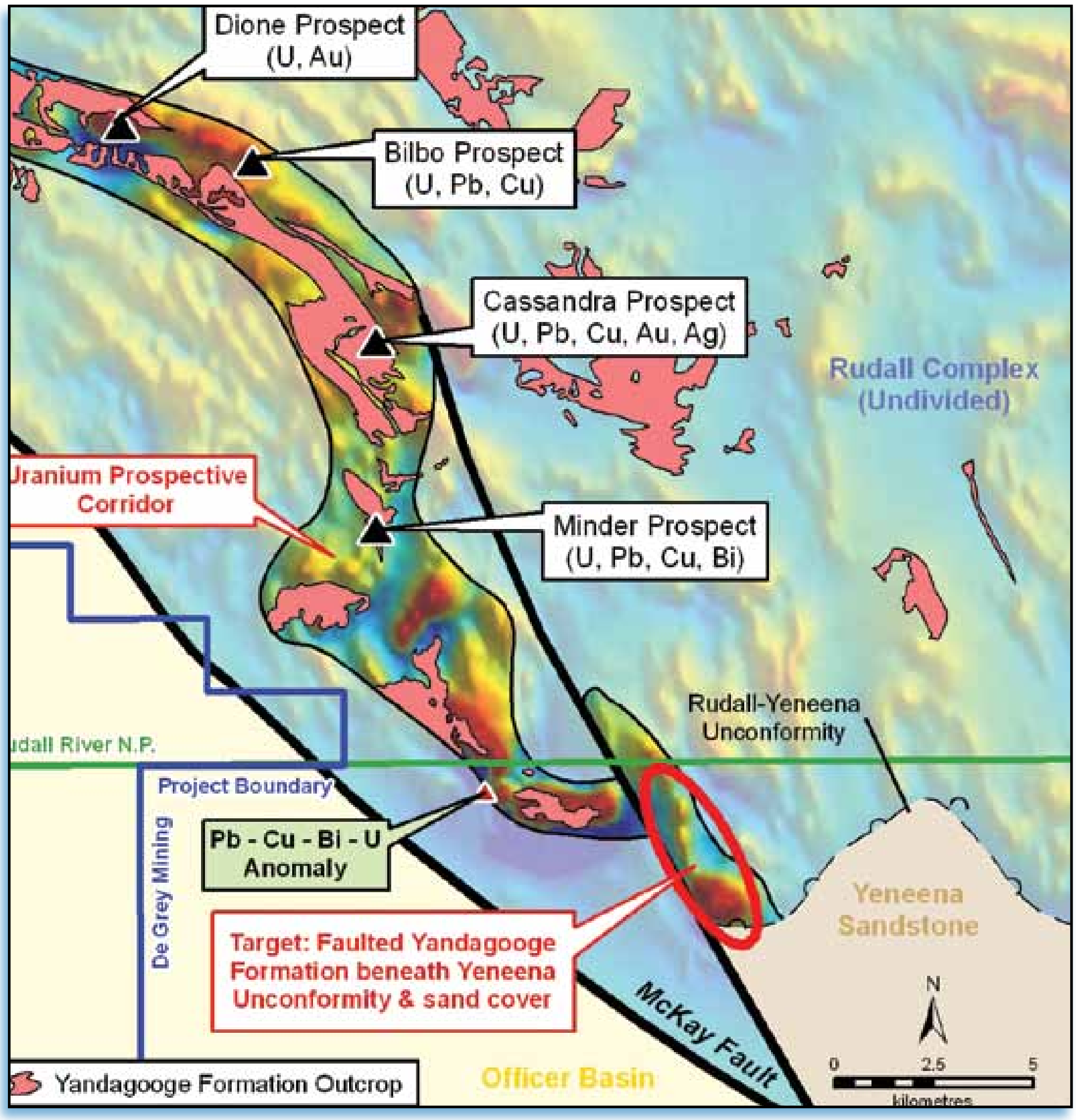
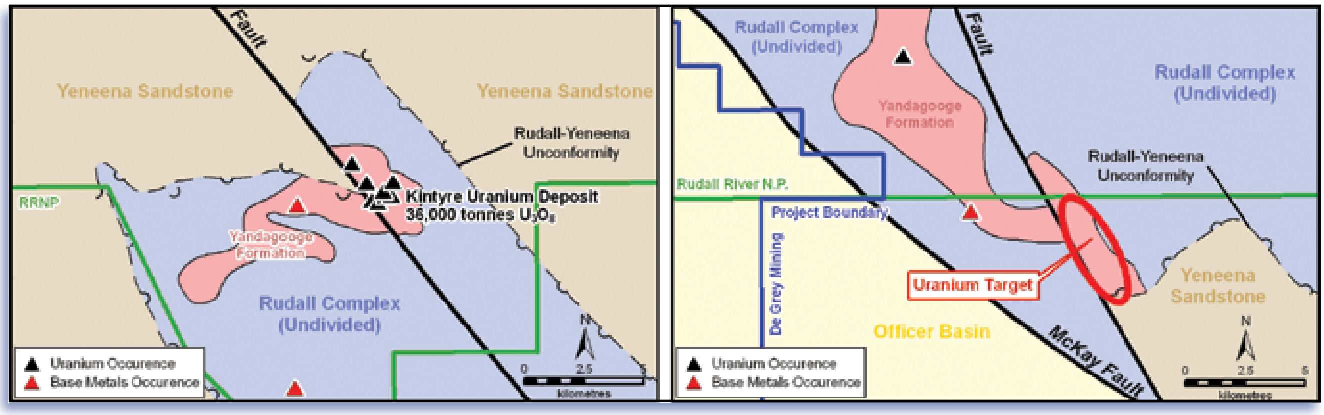


Figure 19: Uranium exploration targets in the Paterson Project

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 tenement application south of the Rudall River National Park, where it continues beneath sand cover for a strike length of 8km (*Figure 19*).

In a geological setting analogous to that at Kintyre, the magnetic Yandagooge Formation is cut by faulting beneath sand cover (*Figures 20a* and *20b*). 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 20a and 20b: 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.

PROJECT ACQUISITION ACTIVITY

The Company continually reviews and evaluates exploration and project acquisition opportunities, aiming to upgrade the quality and value of the project portfolio. The preference is for early stage exploration projects in well endowed but under explored geological regions or an advanced project with exploration upside. The first selection criterion is always technical merit; the project has to have potential to be a company maker.

Quality advanced projects are increasingly rare, competition for them is very strong and they commonly command unrealistic premiums. In most instances, the best value for shareholders remains to be had from exploration in well-endowed terranes where there is potential for company maker virgin discoveries.

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

De Grey Mining Ltd

ABN 65 094 206 292

Annual Financial Report

for the year ended 30 June 2011

CORPORATE INFORMATION

ABN 65 094 206 292

DIRECTORS
Darren Townsend (Non Executive Chairman)
Gary Brabham (Managing Director)
Jason Brewer (Non Executive Director)

COMPANY SECRETARY
Dennis Wilkins

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BANKERS
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STOCK EXCHANGE LISTING
De Grey Mining Limited shares are listed on the Australian Securities Exchange (ASX code DEG).

Contents

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 2011.

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

Darren Townsend, B.Eng (Mining) – Hons, EMBA (Independent Non Executive Chairman from January 2011, director since May 2006, member 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.

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.

Jason Brewer, M.Eng (ARSM) (Independent Non Executive Director from 3 December 2010, Chairman of audit and remuneration committees)

Jason has over 18 years' international experience in the natural resources sector and in investment banking. He is a mining engineer with a Master's degree in mining engineering with honours from the Royal School of Mines, London. He has experience in coal, gold and base metal mines, having worked at British Coal's underground operations in Newcastle, the Kidd Creek Copper and Zinc mine in Canada for Falconbridge, the Lanfranchi Nickel Mine in Western Australia for WMC and the Kinross Gold Mine in South Africa for Gencor.

He is a qualified mining engineer with operating experience in Canada, South Africa, and Australia. Jason is also a director of Continental Coal Limited [from 12/2009], Altona Mining Limited [from 10/2007] and Uran Limited [from 8/2011].

Campbell Ansell was Non Executive Chairman from the beginning of the financial year until his resignation on 31 December 2010.

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.

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
Darren Townsend	342,626	-
Gary Brabham	144,645	3,250,000
Jason Brewer	-	-

PRINCIPAL ACTIVITIES

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

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

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The operating loss after income tax of the Group for the year ended 30 June 2011 was $2,298,986 (2010: $648,090). Included in this loss figure is an amount of exploration expenditure of $1,325,390 (2010: $639,549). Refer notes to the financial statements note 1(l).

Summarised operating results are as follows:

	2011	
	Revenues	Results
	$	$
Consolidated entity revenues and loss from ordinary activities before income tax expense	212,633	(2,298,986)

Shareholder Returns

	2011	2010
Basic loss per share (cents)	**(0.9)**	(0.3)

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.

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.

The key management personnel of De Grey Mining Limited and the Group include the directors and company secretary as per page B3 above and the following executive officers who have authority and responsibility for planning, directing and controlling activities within the Group:

- Glenn Martin – *Exploration Manager, appointed 15 December 2010*
- David Hammond – *Exploration Manager, resigned 19 October 2010*

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

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

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement Benefits	Options	
	$	$	$	$	$	$
Directors						
Darren Townsend						
2011	**63,765**	**-**	**-**	**-**	**-**	**63,765**
2010	44,145	-	-	-	-	44,145
Gary Brabham						
2011	**290,473**	**-**	**26,143**	**-**	**-**	**316,616**
2010	267,889	-	24,110	-	-	291,999
Jason Brewer (appointed 3 December 2010)						
2011	**23,625**	**-**	**2,126**	**-**	**-**	**25,751**
Campbell Ansell (resigned 31 December 2010)						
2011	**38,250**	**-**	**3,442**	**-**	**-**	**41,692**
2010	76,500	-	6,885	-	-	83,385
Other key management personnel						
Dennis Wilkins						
2011	**55,131**	**-**	**-**	**-**	**41,250**	**96,381**
2010	50,394	-	-	-	-	50,394
Glenn Martin (appointed 15 December 2010)						
2011	**117,692**	**-**	**10,592**	**-**	**82,500**	**210,784**
David Hammond (resigned 19 October 2010)						
2011	**92,522**	**-**	**8,327**	**-**	**-**	**100,849**
2010	215,385	-	19,385	-	-	234,770
Total key management personnel compensation						
2011	**681,458**	**-**	**50,630**	**-**	**123,750**	**855,838**
2010	654,313	-	50,380	-	-	704,693

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

Options are issued at no cost to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of De Grey Mining Limited to increase goal congruence between executives, directors and shareholders. The following options over ordinary shares of the Company were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Other key management personnel								
Dennis Wilkins	18/05/2011	1,500,000	18/05/2011	30/06/2014	6.5	2.75	N/A	42.8
Glenn Martin	18/05/2011	3,000,000	18/05/2011	30/06/2014	6.5	2.75	N/A	39.1

DIRECTORS' MEETINGS

During the year the company held ten 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
Darren Townsend	10	10	1	2	1	1
Gary Brabham	10	10	*	*	*	*
Jason Brewer (appointed 3 December 2010)	5	6	1	1	-	-
Campbell Ansell (resigned 31 December 2010)	5	5	1	1	1	1

Notes

A - Number of meetings attended.

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

* Not a member of the relevant committee.

SHARES UNDER OPTION

At the date of this report there are 13,750,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	19,200,000
Movements of share options during the year:	
Issued, exercisable at 6.5 cents, on or before 30 June 2014	8,000,000
Expired on 4 July 2010, exercisable at 20 cents	(5,200,000)
Expired on 31 December 2010, exercisable at 20 cents	(2,000,000)
Expired on 30 June 2011, exercisable at 7.5 cents	(2,500,000)
Expired on 30 June 2011, exercisable at 20 cents	(3,250,000)
Total number of options outstanding as at 30 June 2011	**14,250,000**
Movements subsequent to the reporting date:	
Expired on 4 July 2011, exercisable at 25 cents	(3,000,000)
Issued, exercisable at 6.5 cents, on or before 30 June 2014	2,500,000
Total number of options outstanding as at the date of this report	**13,750,000**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
30 June 2012	25.0	3,250,000
30 June 2014	6.5	10,500,000
Total number of options outstanding at the date of this report		**13,750,000**

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 iss 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 incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

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

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

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

NON-AUDIT SERVICES

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

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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, 19 September 2011

Chartered Accountants

BUTLER SETTINERI

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 2011, 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: 19 September 2011

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The Board of Directors

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

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

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

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

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

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

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

Role of the Board

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

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

Appointments to Other Boards

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

Independent Professional Advice

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

Continuous Review of Corporate Governance

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

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the company's size and the resources it has available.

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

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

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	**A**	Matters reserved for the Board are included on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	**N/A**	The remuneration of executive and non executive Directors is reviewed by the remuneration committee with the exclusion of the Director concerned. The remuneration of management and employees is reviewed by the Managing Director and approved by the Board. Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A (in part)**	
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors	**A**	
2.2	The chair should be an independent director	**A**	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**A**	The positions of Chairman and Managing Director are held by separate persons.
2.4	The board should establish a nomination committee	**A**	The full Board is the nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate nomination committee would add any substance this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	**N/A**	Given the size and nature of the Company a formal process for evaluating performance has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	**A (in part)**	The skills and experience of Directors are set out in the Company's Annual Report and on its website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**A**	The Company has established a Code of Conduct which can be viewed on the Company's website.

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/comment
3.2	Replaced by Listing Rule 12.9-12.12		
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	A	
	• is chaired by an independent chair, who is not chair of the board	A	
	• has at least three members	N/A	The Company only has two non executive directors.
4.3	The audit committee should have a formal charter	A	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	A	The Company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The Board is actively aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receive monthly reports on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each Board meeting.
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	A	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company website and the distributions of specific releases covering major transactions or events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy that is disclosed on the Company's website.

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/comment
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a 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

YEAR ENDED 30 JUNE 2011	Notes	Consolidated 2011 $	Consolidated 2010 $
REVENUE	4	**212,633**	883,007
EXPENDITURE			
Depreciation expense		**(39,359)**	(53,052)
Employee benefits expense		**(467,682)**	(467,143)
Exploration expenditure		**(1,325,390)**	(639,549)
Corporate expenses		**(95,884)**	(101,537)
Occupancy expenses		**(94,105)**	(98,506)
Consulting expenses		**(134,892)**	(115,490)
Investor relations and advertising expenses		**(35,484)**	(9,301)
Administration expenses		**(146,961)**	(41,824)
Share based payment expense	26	**(110,000)**	-
Other expenses		**(61,862)**	(4,695)
LOSS BEFORE INCOME TAX		**(2,298,986)**	(648,090)
INCOME TAX BENEFIT / (EXPENSE)	6	-	-
LOSS FOR THE YEAR		**(2,298,986)**	(648,090)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**43,473**	-
Other comprehensive income for the year, net of tax		**43,473**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED		**(2,255,513)**	(648,090)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	25	**(0.9)**	(0.3)

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

AT 30 JUNE 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
CURRENT ASSETS			
Cash and cash equivalents	7	**1,375,979**	2,389,059
Trade and other receivables	8	**46,099**	75,142
Other assets	9	**40,168**	24,115
TOTAL CURRENT ASSETS		**1,462,246**	2,488,316
NON-CURRENT ASSETS			
Plant and equipment	10	**122,574**	143,333
TOTAL NON-CURRENT ASSETS		**122,574**	143,333
TOTAL ASSETS		**1,584,820**	2,631,649
CURRENT LIABILITIES			
Trade and other payables	11	**183,999**	243,959
Provisions	12	**59,479**	250,586
TOTAL CURRENT LIABILITIES		**243,478**	494,545
TOTAL LIABILITIES		**243,478**	494,545
NET ASSETS		**1,341,342**	2,137,104
EQUITY			
Contributed equity	13	**39,939,495**	38,655,744
Reserves	14(a)	**356,548**	421,895
Accumulated losses	14(b)	**(38,954,701)**	(36,940,535)
TOTAL EQUITY		**1,341,342**	2,137,104

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

YEAR ENDED 30 JUNE 2011	Notes	Contributed Equity	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
Consolidated		$	$	$	$	$
BALANCE AT 1 JULY 2009		38,655,744	421,895	-	(36,292,445)	2,785,194
Loss for the year	14(b)	-	-	-	(648,090)	(648,090)
TOTAL COMPREHENSIVE LOSS		-	-	-	(648,090)	(648,090)
BALANCE AT 30 JUNE 2010		38,655,744	421,895	-	(36,940,535)	2,137,104
Loss for the year	14(b)	**-**	**-**	**-**	**(2,298,986)**	**(2,298,986)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	14(a)	**-**	**-**	**43,473**	**-**	**43,473**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**43,473**	**(2,298,986)**	**(2,255,513)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	13(b)	**1,350,000**	**-**	**-**	**-**	**1,350,000**
Share issue transaction costs	13(b)	**(66,249)**	**-**	**-**	**-**	**(66,249)**
Issue of employee and contractor options	14(a)	**-**	**176,000**	**-**	**-**	**176,000**
Transfer of reserve upon expiry of options	14(a)	**-**	**(284,820)**	**-**	**284,820**	**-**
BALANCE AT 30 JUNE 2011		**39,939,495**	**313,075**	**43,473**	**(38,954,701)**	**1,341,342**

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

YEAR ENDED 30 JUNE 2011	Notes	Consolidated	
		2011	2010
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**2,321**	16,060
Payments to suppliers and employees		**(1,167,656)**	(810,280)
Interest received		**115,204**	112,404
Proceeds on sale of tenements		**100,000**	740,000
Payments for exploration and evaluation expenditure		**(1,371,227)**	(541,682)
Research and development tax offset received		**-**	13,251
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	24	**(2,321,358)**	(470,247)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(19,071)**	(2,825)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(19,071)**	(2,825)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**1,350,000**	-
Payments of share issue transaction costs		**(66,249)**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,283,751**	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,056,678)**	(473,072)
Cash and cash equivalents at the beginning of the financial year		**2,389,059**	2,862,131
Effects of exchange rate changes on cash and cash equivalents		**43,598**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**1,375,979**	2,389,059

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

30 JUNE 2011

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 19 September 2011. 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 also 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.

(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 2011 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.

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.

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

(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.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is De Grey Mining Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(e) 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.

(f) 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.

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.

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

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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

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

(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.

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.

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 profit and loss.

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

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.

(l) 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(h)).

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.

(m) Exploration and evaluation costs

Exploration and evaluation costs are expensed as they are incurred.

(n) 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.

(o) 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.

(p) 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 and other services. These options have been treated in the same manner as employee options described above, with the expense being included as part of exploration expenditure.

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

(q) 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.

(r) 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.

(s) 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.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 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 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

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

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011)

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011)

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013)

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

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012)

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011)

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Group.

AASB 1054: Australian Additional Disclosures (applies to periods beginning on or after 1 January 2013)

This Standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.

This Standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

- compliance with Australian Accounting Standards;
- the statutory basis or reporting framework for financial statements;
- whether the financial statements are general purpose or special purpose;
- audit fees; and
- imputation credits.

This Standard is not expected to impact the Group.

AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112 & Interpretation 113] (applies to periods beginning on or after 1 July 2011)

This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.

This Standard is not expected to impact the Group.

AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101 & AASB 1054] (applies to periods beginning on or after 1 July 2013)

This Standard makes amendments to the application of the revised disclosures to Tier 2 entities that are applying AASB 1053.

This Standard is not expected to impact the Group.

AASB 10: Consolidated Financial Statements (applies to periods beginning on or after 1 January 2013)

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

This Standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112*Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This Standard is not expected to impact the Group.

AASB 11: Joint Arrangements (applies to periods beginning on or after 1 January 2013)

This Standard replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-Controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the Group.

AASB 12: Disclosures of Interests in Other Entities (applies to periods beginning on or after 1 January 2013)

This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Group has not yet determined any potential impact on the financial statements.

AASB 13: Fair Value Measurement (applies to periods beginning on or after 1 January 2013)

This Standard establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Group has not yet determined any potential impact on the financial statements.

(u) 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.

(v) Going concern

The Group recorded a loss of $2,298,986 (2010: $648,090) for the year ended 30 June 2011, a cash and cash equivalents balance of $1,375,979 (2010: $2,389,059) and exploration and other commitments due within one year as described in note 19 to the financial statements of $1,106,233. The directors reviewed the working capital requirements of the Group for the period of a year from the date of the directors' report, and determined that subject to an additional capital raising, the Group will be able to continue to pay its debts as and when they fall due.

Although the above facts indicate a material uncertainty in relation to the applicability of the going concern concept as it pertains to these financial statements, the directors are confident of the successful outcome of capital raising activities and therefore the financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

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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 2011 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.

The functional currency of the Group's foreign subsidiary company is the Argentine Peso. All parent entity and Australian subsidiary 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 $1,375,979 (2010: $2,389,059) 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 5.8% (2010: 4.3%).

Sensitivity analysis

At 30 June 2011, 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 $15,000 lower/higher (2010: $21,000 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) 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. The only significant concentration of credit risk for the Group is the cash and cash equivalents held with financial institutions. All material deposits are held with the major Australian banks for which the Board evaluate credit risk to be minimal.

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.

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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.

	Australia		Argentina		Consolidated Total	
	2011	2010	2011	2010	2011	2010
	$	$	$	$	$	$
Segment revenue	**102,321**	753,251	**-**	-	**102,321**	753,251
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue					**108,339**	113,696
Other revenue					**1,973**	16,060
Total revenue					**212,633**	883,007
Segment results	**(665,393)**	222,246	**(557,676)**	(108,544)	**(1,223,069)**	113,702
Reconciliation of segment result to net loss before tax:						
Other corporate and administration					**(1,075,917)**	(761,792)
Net loss before tax					**(2,298,986)**	(648,090)
Segment operating assets	**-**	-	**-**	-	**-**	-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					**1,584,820**	2,631,649
Total assets					**1,584,820**	2,631,649
Segment operating liabilties	**124,406**	180,826	**29,599**	39,633	**154,005**	220,459
Reconciliation of segment operating liabilities to total liabilities:						
Other corporate and administration liabilities					**89,473**	274,086
Total liabilities					**243,478**	494,545

4. REVENUE

	Consolidated	
	2011	2010
	$	$
From continuing operations		
Other revenue		
Interest	**108,339**	113,696
Net gain on sale of tenements	**100,000**	740,000
Research and development tax offset	**-**	13,251
Other revenue	**4,294**	16,060
	212,633	883,007

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	Consolidated 2011 $	Consolidated 2010 $
5. EXPENSES		
Loss before income tax includes the following specific expenses:		
Net loss on disposal of plant and equipment	**346**	311
Rental of premises under operating lease	**85,681**	90,596
Contributions to superannuation funds	**66,553**	66,322
6. INCOME TAX		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
Adjustments for current tax of prior years	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(2,298,986)**	(648,090)
Prima facie tax benefit at the Australian tax rate of 30% (2010: 30%)	**(689,696)**	(194,427)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capital raising fees	**(20,144)**	(44,369)
Research & Development expenditure claimed	-	7,466
Sundry items	**(36,852)**	8,385
	(746,692)	(222,945)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**746,692**	222,945
Income tax expense	-	-
(c) Unrecognised deferred tax assets		
Unrecognised deferred tax assets		
Provisions	**44,420**	81,272
Capital raising fees	**15,900**	16,169
Carry forward tax losses	**11,376,229**	10,629,537
Gross deferred tax assets	**11,436,549**	10,726,978

No deferred tax asset has been recognised for the above balance as at 30 June 2011 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.

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	Consolidated	
	2011	**2010**
	$	**$**

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**166,970**	194,740
Short-term deposits	**1,209,009**	2,194,319
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**1,375,979**	2,389,059

Cash at bank 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	**46,099**	75,142

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

9. CURRENT ASSETS – OTHER ASSETS

Prepayments	**40,168**	24,115

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment		
Cost	**550,686**	539,048
Accumulated depreciation	**(428,112)**	(395,715)
Net book amount	**122,574**	143,333

Plant and equipment		
Opening net book amount	**143,333**	193,871
Exchange differences	**(125)**	-
Additions	**19,071**	2,825
Disposals	**(346)**	(311)
Depreciation charge	**(39,359)**	(53,052)
Closing net book amount	**122,574**	143,333

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	**74,285**	44,804
Other payables and accruals	**109,714**	199,155
	183,999	243,959

Included in trade and other payables above is an amount of $154,006 (2010: $220,459) relating to exploration.

12. CURRENT LIABILITIES – PROVISIONS

Employee benefits		
Annual leave	**47,511**	64,617
Long service leave	**11,968**	25,813
Retirement benefit	**-**	160,156
	59,479	250,586

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

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13. CONTRIBUTED EQUITY

(a) Share capital

		2011		2010	
	Notes	Number of shares	$	Number of shares	$
Ordinary shares fully paid	13(b), 13(d)	**258,862,350**	**39,939,495**	225,112,350	38,655,744
Total contributed equity		**258,862,350**	**39,939,495**	225,112,350	38,655,744

(b) Movements in ordinary share capital

	2011 Number of shares	2011 $	2010 Number of shares	2010 $
Beginning of the financial year	**225,112,350**	**38,655,744**	225,112,350	38,655,744
Issued during the year:				
– Issued for cash at 4 cents per share	**33,750,000**	**1,350,000**	-	-
Transaction costs	-	**(66,249)**	-	-
End of the financial year	**258,862,350**	**39,939,495**	225,112,350	38,655,744

(c) Movements in options on issue

	Number of options 2011	Number of options 2010
Beginning of the financial year	**19,200,000**	19,200,000
Issued/(cancelled or expired) during the year:		
– Exercisable at 6.5 cents, on or before 30 Jun 2014	**8,000,000**	-
– Exercisable at 7.5 cents, on or before 30 Jun 2011	**(2,500,000)**	-
– Exercisable at 20 cents, on or before 4 Jul 2010	**(5,200,000)**	-
– Exercisable at 20 cents, on or before 30 June 2011	**(3,250,000)**	-
– Exercisable at 20 cents, on or before 31 Dec 2010	**(2,000,000)**	-
End of the financial year	**14,250,000**	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.

Neither the Company, nor any of its subsidiaries, holds any shares in the Company at 30 June 2011 (2010: Nil).

(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 2011 and 30 June 2010 are as follows:

	Consolidated 2011 $	Consolidated 2010 $
Cash and cash equivalents	**1,375,979**	2,389,059
Trade and other receivables	**46,099**	75,142
Other assets	**40,168**	24,115
Trade and other payables	**(183,999)**	(243,959)
Provisions	**(59,479)**	(250,586)
Working capital position	**1,218,768**	1,993,771

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	Consolidated 2011 $	2010 $
14. RESERVES AND ACCUMULATED LOSSES		
(a) Reserves		
Share-based payments reserve	**313,075**	421,895
Foreign currency translation reserve	**43,473**	-
	356,548	421,895
Movements:		
Share-based payments reserve		
Balance at beginning of year	**421,895**	421,895
Option expense	**176,000**	-
Transfer to Accumulated Losses on expiry of options	**(284,820)**	-
Balance at end of year	**313,075**	421,895
Foreign currency translation reserve		
Balance at beginning of year	-	-
Exchange differences on translation of foreign operation	**43,473**	-
Balance at end of year	**43,473**	-
(b)Accumulated losses		
Balance at beginning of year	**(36,940,535)**	(36,292,445)
Net loss for the year	**(2,298,986)**	(648,090)
Transfer from Share-Based Payments Reserve	**284,820**	-
Balance at end of year	**(38,954,701)**	(36,940,535)

(c) Nature and purpose of reserves

(i) 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.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

15. DIVIDENDS

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

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated 2011 $	2010 $
(a) Key management personnel compensation		
Short-term benefits	**681,458**	654,313
Post employment benefits	**50,630**	50,380
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	**123,750**	-
	855,838	704,693

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

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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:

2011	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							
Darren Townsend	**2,000,000**	-	-	**(1,000,000)**	**1,000,000**	**1,000,000**	-
Gary Brabham	**6,500,000**	-	-	**(3,250,000)**	**3,250,000**	**3,250,000**	-
Jason Brewer	-	-	-	-	-	-	-
Campbell Ansell	-	-	-	-	-	-	-
Other key management personnel of the Group							
Dennis Wilkins	-	**1,500,000**	-	-	**1,500,000**	**750,000**	**750,000**
Glenn Martin	-	**3,000,000**	-	-	**3,000,000**	**1,500,000**	**1,500,000**
David Hammond	**1,500,000**	-	-	**(1,500,000)**	-	-	-

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

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	-

(iii) Shareholdings

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.

2011	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				
Darren Townsend	**342,626**	-	-	**342,626**
Gary Brabham	**144,645**	-	-	**144,645**
Jason Brewer	-	-	-	-
Campbell Ansell	**770,645**	-	**(770,645)**[1]	-
Other key management personnel of the Group				
Ordinary shares				
Dennis Wilkins	-	-	-	-
Glenn Martin	-	-		
David Hammond	-	-	-	-

(1) Mr Ansell's change during the year represents his balance at the date of his retirement as a director of the Company.

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16. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

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	-	-	-	-

(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 2011 $	Consolidated 2010 $
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	**27,051**	27,340
Total remuneration for audit services	**27,051**	27,340

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.

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	Consolidated	
	2011	2010
	$	$

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:

	2011 $	2010 $
within one year	**946,159**	555,799
later than one year but not later than five years	**1,593,772**	264,703
later than five years	**-**	-
	2,539,931	820,502

(b) Lease commitments: Group as lessee

Operating leases (non-cancellable):

	2011 $	2010 $
Minimum lease payments		
within one year	**75,054**	58,729
later than one year but not later than five years	**62,545**	-
later than five years	**-**	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**137,599**	58,729

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.

	2011 $	2010 $
within one year	**85,020**	85,020
later than one year but not later than five years	**-**	-
later than five years	**-**	-
	85,020	85,020

(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 loans to its wholly owned Argentinian subsidiary, De Grey Argentina SA, totalling $774,750 (2010: N/A). Interest is charged on these loans at the NAB standard lending rate plus 1%.

De Grey Mining Limited has provided unsecured, interest free loans to each of its wholly owned Australian subsidiaries totalling $13,089,999 (2010: $13,179,122) at 30 June 2011.

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.

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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*	
			2011	2010
			%	%
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	Australia	Ordinary	**100**	100
De Grey Argentina SA	Argentina	Ordinary	**100**	100

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

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.

(i) Attgold Option

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. The agreement relates to gold, base and precious metals, and the joint venture has a carrying value of nil.

(ii) Thundelarra Agreement

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 2007 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. E45/2611 was surrendered in October 2010 and the joint venture is at an end.

(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.

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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. 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.

During May 2011, De Grey entered into an agreement with Lansdowne Resources Pty Ltd under which Lansdowne may earn up to 75% interest in tenements in the west of the Turner River Project containing the Wingina Well gold resource and the T1, Mt Berghaus, Brierly, Amanda and Edkins targets. Lansdowne paid $99,000 at execution and may earn 75% interest in the project by sole funding exploration expenditure of $2 million over 3 years. Lansdowne must spend $250,000 in the first 6 months and $500,000 (cumulative) in the first 12 months to keep the agreement afoot. Upon Lansdowne earning its 75% interest a 75:25 joint venture is formed and Lansdowne continues to sole fund expenditures to Decision to Mine. Upon a Decision to Mine, a mining joint venture area is declared and further joint venture expenditures are funded by De Grey and Lansdowne in proportion to their JV interests. De Grey's free carried interest continues in respect of exploration expenditures over project areas outside of the mining joint venture area. Should no decision to mine occur within 4.5 years of commencement, Lansdowne can maintain its interest for up to a further 3 years by paying De Grey $250,000 per annum and continuing to sole fund expenditures sufficient to meet statutory expenditure requirements. Should Lansdowne elect not to maintain its interest, De Grey can elect to sole fund further expenditures and Lansdowne's interest dilutes under a 2x accelerated formula.

De Grey has also granted Lansdowne an option to purchase a 75% interest in the Wingina Well gold resource in return for $1,000 paid upon signing and the issue of 2 million 20 cent shares in Lansdowne upon its listing on ASX. The option period commences immediately but the option becomes exercisable only upon Lansdowne earnings its interest in the gold joint venture. The option exercise price comprises $4.1 million plus, if the gold price at the exercise date exceeds $1,500 per ounce, an additional payment of $15 for each $100 by which the gold price exceeds A$1,500, payable in respect of each ore reserve ounce deriving from the Wigina Well resource as presently delineated. The option expires 6 months after a decision to mine under the gold joint venture, 4.5 years after the commencement date or upon termination of the gold farm-out agreement, whichever occurs earliest.

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 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. 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.

During May 2011, De Grey entered into an agreement with Lansdowne Resources Pty Ltd under which Lansdowne may earn up to 75% interest in tenements in the east of the Turner River Project, site of high grade Pb-Zn-Ag VMS-style mineralisation discovered by De Grey. Lansdowne may earn a 75% interest in the project by sole funding exploration expenditure of $1.5 million over 3 years. Lansdowne must spend $175,000 in the first 6 months and $350,000 (cumulative) in the first 12 months to keep the agreement afoot. Upon Lansdowne earning its 75% interest a 75:25 joint venture is formed and Lansdowne continues to sole fund expenditures to Decision to Mine. Upon a Decision to Mine, a mining joint venture area is declared and further joint venture expenditures are funded by De Grey and Lansdowne in proportion to their JV interests. De Grey's free carried interest continues in respect of exploration expenditures over project areas outside of the mining joint venture area. Until such time as a decision to mine is made, Lansdowne may maintain its interest by continuing to sole fund expenditures sufficient to meet statutory expenditure requirements.

The carrying value of De Grey's interest in the project is nil.

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22. INTERESTS IN JOINT VENTURES (cont'd)

(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 retained a 1% net smelter royalty and the right to earn back to a 70% interest. De Grey withdrew from the agreement in May 2011 having fulfilled the minimum requirements of the agreement and having earned no interest.

(g) Minera Sudamericana Option Agreement

In July 2010 De Grey, through the wholly owned subsidiary De Grey Argentina SA ("DGA"), 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 US$60,000 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

During July 2010 De Grey, through the wholly owned subsidiary De Grey Argentina SA ("DGA"), 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.

(i) Pachi Project Option Agreement

Subsequent to the reporting date, in July 2011 De Grey, through the wholly owned subsidiary De Grey Argentina SA, executed a binding letter of intent with an Argentine individual to enter into an option-to-purchase agreement over the Pachi Project, located in Santa Cruz Province, Argentina. The option agreement provides for annual option fee payments of US$24,200 on commencement, US$60,500 second year and US$121,000 in the third year. DGA is to undertake at least 500 metres of drilling in the first year option period provided all required permits are achieved. DGA may elect to purchase 100% interest in the Project by paying US$1,210,000 purchase price no more than 3 years from commencement. An additional US$1,210,000 is payable if a resource over 250,000 of gold equivalent is defined and a decision to mine is made within 5 years of commencement, and the vendor retains a 1% net smelter royalty. DGA may terminate the agreement at any time after payment of the first annual option fee.

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

During July 2011 the Group received income of $500,000 pursuant to an agreement with a party that was granted a Special Railway Licence over land for which the Group holds relevant title. This is a one off fee which does not restrict exploration activity within the affected area, but the Group may require the permission of the licence holder for further development within the affected area.

No other matter or circumstance has arisen since 30 June 2011, 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.

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	Consolidated 2011 $	Consolidated 2010 $
24. STATEMENT OF CASH FLOWS		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(2,298,986)**	(648,090)
Non-Cash Items		
Depreciation of non-current assets	**39,359**	53,052
Net loss on disposal of plant and equipment	**346**	311
Option expense	**176,000**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
Decrease/(increase) in trade and other receivables	**29,043**	(51,938)
(Increase) in other assets	**(16,053)**	(12,839)
(Decrease)/increase in trade and other payables	**(59,960)**	152,014
(Decrease)/increase in employee entitlement provisions	**(191,107)**	37,243
Net cash outflow from operating activities	**(2,321,358)**	(470,247)

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	**(2,298,986)**	(648,090)

	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	**250,447,966**	225,112,350

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2011, 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.

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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 6.5 cents to 25 cents per option. All options granted to employees in previous financial years vested on grant date. Of the options granted to employees during the current financial year, half vested on grant date, with the remaining half to vest on 30 June 2012. The options have expiry dates ranging from 30 June 2012 to 30 June 2014.

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 is 6.5 cents with an expiry date of 30 June 2014.

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	Balance at start of the year	Granted during the year	Cancelled or expired during the year	Balance at end of the year	Vested and exercisable at end of the year
		Cents	Number	Number	Number	Number	Number
Consolidated - 2011							
10 Jul 2007	4 Jul 2010	20	**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)**	-	-
25 Jun 2009	30 Jun 2011	7.5	**2,500,000**	-	**(2,500,000)**	-	-
1 Dec 2009	30 Jun 2011	20	**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)**	-	-
18 May 2011	30 Jun 2014	6.5	-	**8,000,000**	-	**8,000,000**	**4,000,000**
14 Jun 2011	30 Jun 2014	6.5	-	**2,500,000**	-	**2,500,000**	**2,500,000**
			19,200,000	**10,500,000**	**(12,950,000)**	**16,750,000**	**12,750,000**
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

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.1 years (2010: 0.9 years), and the exercise prices range from 6.5 cents to 25 cents.

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was 2.7 cents (2010: N/A). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2011	2010
Weighted average exercise price (cents)	6.5	N/A
Weighted average life of the option (years)	3.1	N/A
Weighted average underlying share price (cents)	3.8	N/A
Expected share price volatility	136.2%	N/A
Weighted average risk free interest rate	4.75%	N/A

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.

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	Consolidated	
	2011	2010
	$	$

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	**110,000**	-
Options issued to a supplier	**66,000**	-
	176,000	-

27. PARENT ENTITY INFORMATION

	Parent Entity	
	2011	2010
	$	$

The following information relates to the parent entity, De Grey Mining Limited, at 30 June 2011. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2011 $	2010 $
Current assets	**1,391,361**	2,468,179
Non-current assets	**121,393**	143,333
Total assets	**1,512,754**	2,611,512
Current liabilities	**213,880**	494,545
Total liabilities	**213,880**	494,545
Contributed equity	**39,939,495**	38,655,744
Share-based payments reserve	**313,075**	421,895
Accumulated losses	**(38,953,696)**	(36,960,672)
Total equity	**1,298,874**	2,116,967
Loss for the year	**(2,277,844)**	(668,227)
Other comprehensive loss	**-**	-
Total comprehensive loss for the year	**(2,277,844)**	(668,227)

As detailed in note 19, there are contingent liabilities in respect to tenement acquisition agreements that the parent entity has co-signed with a subsidiary entity.

In the directors' opinion:

(a) the financial statements and notes set out on pages B14 to B41 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 2011 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, 19 September 2011

INDEPENDENT AUDITOR REPORT
TO THE MEMBERS OF DE GREY MINING LIMITED

Chartered Accountants

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Report on the Financial Report

We have audited the accompanying financial report of De Grey Mining Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report which gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those 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 of the financial report which gives a true and fair view 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 De Grey Mining Limited and its controlled entities is in accordance with the Corporations Act 2001 including:

   a) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   b) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

Material uncertainty regarding going concern

Without qualifying the opinion expressed above, attention is drawn to the following matter. As a result of matters referred to in note 1(v) to the financial statements, "Going concern" the ability of the Group to continue as a going concern and meet its exploration commitments is dependent upon the Group raising further working capital. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 2011.

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 2011, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 19 September 2011

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 2011.

(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	70	35,266
1,001	-	5,000	297	1,020,961
5,001	-	10,000	330	2,900,988
10,001	-	100,000	1,096	47,445,050
100,001		and over	370	207,460,085
			2,163	258,862,350
The number of shareholders holding less than a marketable parcel of shares are:			887	6,690,337

(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	8.81
2	Karari Australia Pty Ltd	15,790,000	6.10
3	Tapp A J & Polymeneas M <Super Account>	9,926,568	3.83
4	Bougainvillaea Holdings Pty Ltd <S/F A/C>	8,000,000	3.09
5	Yandal Investments Pty Ltd	6,750,000	2.61
6	JP Morgan Nominees Australia Ltd <Cash Income A/C>	5,507,947	2.13
7	Manwest Group Pty Ltd	4,800,000	1.85
8	W Brooks Investments Pty Ltd <B & P S/F A/C>	4,530,645	1.75
9	Citicorp Nominees Pty Ltd	3,890,140	1.50
10	Macquarie Bank Ltd	3,527,500	1.36
11	Armco Barriers Pty Ltd	2,500,000	0.97
12	Pension Australia Nominees Pty Ltd <Argonaut Account>	2,500,000	0.97
13	Nielsen Retirement Pty Ltd <Nielsen S Ret Fund?	2,074,000	0.80
14	Chalice Gold Mines Ltd	2,000,000	0.77
15	Cook David	2,000,000	0.77
16	Australia Invrs Pty Ltd	1,900,000	0.73
17	Gregory Robert Gordon	1,872,000	0.72
18	Forty Traders Ltd	1,526,100	0.59
19	Talex Investments Pty Ltd	1,500,000	0.58
20	Loveridge John S	1,381,045	0.53
		104,775,943	40.46

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	13,750,000	8

(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	E45/2364	100%
Turner River	P45/2655	100%
Turner River	E45/2995	100%
Turner River	E45/3390	100%
Turner River	E45/3391	100%
Turner River	E45/3392	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.

De Grey Mining Limited

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