

DE GREY MINING LIMITED

ABN 65 094 206 292

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2008

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2008 and any public announcements made by De Grey Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DE GREY MINING LIMITED

31 DECEMBER 2008

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DE GREY MINING LIMITED

31 DECEMBER 2008

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of De Grey Mining Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Campbell Ansell

Gary Brabham

Darren Townsend

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year is set out below:

	2008	
	Revenues	Results
	\$	\$
Consolidated entity revenues and loss	195,720	(1,734,005)

During the period the Company's activities were directed at exploration for gold and base metals at the Turner River Project, Yandeyarra Joint Venture, Yule Joint Venture and Beyondie Project.

At Yandeyarra, where De Grey is earning an interest from Chalice Gold Mines, a comprehensive program of geological mapping, soil geochemical sampling and prospect evaluation was carried out, highlighting several gold and base metals occurrences for follow-up.

Work at the Yule Project (De Grey earning an interest from Talison Minerals), comprised data compilation, target generation, geological reconnaissance and soil geochemical sampling. In December the Company notified Talison Minerals that it intended not to proceed with the Yule earn-in joint venture and De Grey retains no interest in the project.

Two programs of infill and extension aircore drilling were completed at the Brierly gold prospect, Turner River (De Grey 100%), with results extending the strike length of the mineralised structure to more than 1.5km. Aircore drilling at the Strelley Joint Venture (De Grey 80%) intersected consistent anomalous bedrock gold geochemistry over 1km strike beneath transported alluvium.

A seven hole, 1,490m RC drill program was undertaken at Beyondie (De Grey 100%) in September, with broadly spaced holes to an average depth of about 200m testing the full thickness of the shale stratigraphy for the first time. Broad zones of +0.10% zinc mineralisation were intersected in all holes over thicknesses of 84m to 168m over the full 11km strike length tested.

Under the Mount Dove option-to-purchase agreement, Atlas Iron Limited completed a 1,900 station gravity survey over a 5km x 3km area centred on Mount Dove. Atlas retains the option to purchase the rights to iron ore at Mount Dove by payment of \$650,000 cash or 325,000 Atlas shares, at De Grey's election, by June 2009.

Emergent Resources Limited, farming into the rights to iron ore over a portion of the Beyondie Project, completed a detailed aeromagnetic survey which highlighted magnetite-hosted iron mineralisation over 45km strike length. A first-pass program of RC drilling intersected coarse-grained magnetite-chlorite schists over 12km strike length and assays are expected in February 2009. De Grey retains a 20% free carried interest to decision to mine.

DE GREY MINING LIMITED

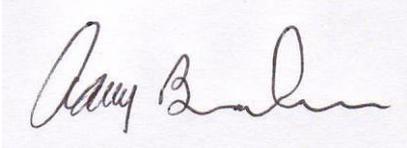
31 DECEMBER 2008

DIRECTORS' REPORT (continued)

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 5.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'Gary Brabham', is written over a light grey rectangular background.

Gary Brabham

Managing Director

Perth, 3 March 2009



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of De Grey Mining Limited for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 3 March 2009

BUTLER
SETTINERI

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

**Locked Bag 18
Subiaco WA 6904
Australia**

Phone: **(08) 6389 5222**
Fax: **(08) 6389 5255**
Email: mail@butlersettineri.com.au

Directors:

Colin Butler
FCA

Paul Chabrel
FCA

Lucy Gardner
CA

DE GREY MINING LIMITED**31 DECEMBER 2008****CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Half-year	
	2008	2007
	\$	\$
REVENUE	195,720	211,662
EXPENDITURE		
Depreciation expense	(48,373)	(48,750)
Employee benefits expense	(302,462)	(227,459)
Exploration expenditure	(1,289,548)	(2,345,462)
Corporate expenses	(46,650)	(57,382)
Occupancy expenses	(80,842)	(47,145)
Consulting expenses	(47,043)	(60,613)
Investor relations and advertising expenses	(15,796)	(17,892)
Administration expenses	(52,262)	(56,030)
Share based payment expense	(4,875)	(643,730)
Other expenses	(41,874)	(6,117)
LOSS BEFORE INCOME TAX EXPENSE	(1,734,005)	(3,298,918)
Income tax benefit / (expense)	-	-
LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED	(1,734,005)	(3,298,918)
Basic and diluted loss per share (cents per share)	(0.8)	(1.6)

The above consolidated income statement should be read in conjunction with the accompanying notes.

DE GREY MINING LIMITED**31 DECEMBER 2008****CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	31 December 2008 \$	30 June 2008 \$
CURRENT ASSETS		
Cash and cash equivalents	3,122,733	3,887,904
Trade and other receivables	4,887	75,181
Other assets	11,214	52,304
TOTAL CURRENT ASSETS	3,138,834	4,015,389
NON-CURRENT ASSETS		
Other financial assets	473,190	2,048,634
Plant and equipment	259,474	340,110
TOTAL NON-CURRENT ASSETS	732,664	2,388,744
TOTAL ASSETS	3,871,498	6,404,133
CURRENT LIABILITIES		
Trade and other payables	132,610	263,239
Provisions	243,071	215,103
TOTAL CURRENT LIABILITIES	375,681	478,342
TOTAL LIABILITIES	375,681	478,342
NET ASSETS	3,495,817	5,925,791
EQUITY		
Issued capital	38,655,744	37,781,744
Reserves	281,828	1,964,457
Accumulated losses	(35,441,755)	(33,820,410)
TOTAL EQUITY	3,495,817	5,925,791

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

DE GREY MINING LIMITED**31 DECEMBER 2008****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Half-year	
	2008	2007
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	5,925,791	6,896,987
Employee and supplier share options issued	5,475	643,730
Asset revaluation reserve	(1,575,444)	1,122,000
NET (EXPENSE)/INCOME RECOGNISED DIRECTLY IN EQUITY	(1,569,969)	1,765,730
LOSS FOR THE HALF-YEAR	(1,734,005)	(3,298,918)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED	(3,303,974)	(1,533,188)
Transactions with equity holders in their capacity as equity holders:		
Shares issued during the half-year	874,000	-
	874,000	-
TOTAL EQUITY AT THE END OF THE HALF-YEAR	3,495,817	5,363,799

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

DE GREY MINING LIMITED**31 DECEMBER 2008****CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Half-year	
	2008	2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(554,799)	(478,834)
Payments for exploration	(1,232,966)	(2,574,586)
Interest received	130,945	142,681
Other revenue	66,429	53,410
Net cash used in operating activities	(1,590,391)	(2,857,329)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of plant and equipment	5,155	-
Purchase of plant and equipment	(9,935)	(8,411)
Net cash used in investing activities	(4,780)	(8,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	830,000	-
Net cash provided by financing activities	830,000	-
Net increase/(decrease) in cash and cash equivalents	(765,171)	(2,865,740)
Cash and cash equivalents at the beginning of the half-year	3,887,904	5,865,388
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	3,122,733	2,999,648

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

DE GREY MINING LIMITED

31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by De Grey Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

NOTE 2: SEGMENT INFORMATION

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

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	2008	2008	2007	2007
	Shares	\$	Shares	\$
Issues of ordinary shares during the half-year				
Shares issued as part consideration for project earn-in	2,000,000	44,000	-	-
Share purchase plan	16,580,612	830,000	-	-
	18,580,612	874,000	-	-

DE GREY MINING LIMITED**31 DECEMBER 2008****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE (continued)**

	Number of options	
	2008	2007
Movements of options during the half-year		
Issued, exercisable at 20 cents on or before 30 June 2010	3,250,000	-
Issued, exercisable at 20 cents on or before 4 July 2010	-	9,175,000
Issued, exercisable at 20 cents on or before 31 December 2010	2,000,000	-
Issued, exercisable at 25 cents on or before 30 June 2011	3,250,000	-
Issued, exercisable at 25 cents on or before 4 July 2011	-	6,250,000
Cancelled, exercisable at 20 cents on or before 4 July 2010	(1,725,000)	-
Cancelled, exercisable at 25 cents on or before 31 December 2010	-	(1,030,000)
Cancelled, exercisable at 25 cents on or before 4 July 2011	(1,000,000)	-
Cancelled, exercisable at 30 cents on or before 30 June 2011	-	(1,000,000)
Cancelled, exercisable at 30 cents on or before 10 July 2011	-	(3,000,000)
Cancelled, exercisable at 30 cents on or before 30 June 2012	-	(1,000,000)
Cancelled, exercisable at 35 cents on or before 30 June 2013	-	(1,000,000)
Cancelled, exercisable at 50 cents on or before 6 November 2009	-	(1,000,000)
Cancelled, exercisable at 50 cents on or before 22 November 2010	-	(1,000,000)
	5,775,000	6,395,000

NOTE 4: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 5: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2008, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

DE GREY MINING LIMITED

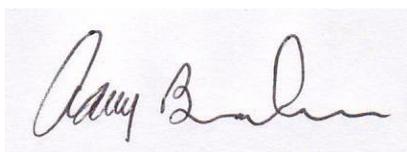
31 DECEMBER 2008

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that De Grey Mining Limited will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'Gary Brabham', is written on a light-colored rectangular background.

Gary Brabham
Managing Director

Perth, 3 March 2009

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF DE GREY MINING LIMITED

Chartered
Accountants



Scope

We have reviewed the accompanying financial report of the De Grey Mining Limited (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both De Grey Mining Limited (the company) and the entities it controlled during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of De Grey Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain the assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BUTLER
SETTINERI

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

**Locked Bag 18
Subiaco WA 6904
Australia**

Phone: **(08) 6389 5222**
Fax: **(08) 6389 5255**
Email: mail@butlerstetteri.com.au

Directors:

Colin Butler
FCA

Paul Chabrel
FCA

Lucy Gardner
CA

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Butler Settineri (Audit) Pty Ltd

A.C.N. 112 942 373

Registered Company Auditor Number 289109

Liability limited by a scheme approved under Professional Standards Legislation

www.butlerstetteri.com.au

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of De Grey Mining Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER
Director

Perth
Date: 3 March 2009