

DE GREY MINING LIMITED

ABN 65 094 206 292

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2014

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 2014 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 2014

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DE GREY MINING LIMITED

31 DECEMBER 2014

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of De Grey Mining Limited and the entities ("De Grey" or the "Group") it controlled at the end of, or during, the half-year ended 31 December 2014.

DIRECTORS

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

Peter Batten

Simon Lill

Steven Morris - appointed 29 October 2014

Darren Townsend – resigned 20 November 2014

RESULTS

The consolidated loss for the half year after tax was \$439,395 (2013: \$185,989), the increase being attributable to the increase in exploration activity and specifically the undertaking of a five hole drill program at the Turner River Base Metals Project.

REVIEW OF OPERATIONS

Turner River Base Metals Project (Pilbara, Western Australia)

During the period, the Company completed a five (5) hole Reverse Circulation (RC) drill program with the following outcomes:

- A total of 1601m were drilled,
- Tabba Tabba potential mineralization horizon strike extended over 500m,
- Discovery potential mineralization horizon strike extended over 100m, and
- IP anomaly tested at Tabba Tabba did not return significant mineralization, but we suspect the drilling may not have hit the anomaly, which may have been more steeply dipping than anticipated and hence remains untested
- Requires follow-up work and analysis, with the Company planning to complete down hole testing.

Great Northern Gold Project

Project partner, Rugby Mining Ltd (TSX-V:RUG), completed a drill program consisting of five RC/rotary pre-collared drill holes and four diamond drill tails, for a total of 1,191 metres ("m") at the Wingina prospect to test for depth extensions to the high grade footwall gold zone. Key outcomes being:

- Impacted by excessive hole deviation and very difficult ground conditions, meaning only one hole (RWG002) was successfully drilled to the target depth;
- Preliminary gold assays were received for all the drill holes and demonstrated a continuation of gold mineralization at depths below the previously established shallow oxide historical mineral resource;
- Rugby intend to continue focus on defining shallow oxide and underlying high grade deposits to supplement the historical Wingina gold resource; and
- Magnetic anomalies in areas adjoining known high grade gold mineralization remain untested, with one such target, the Crescent magnetic anomaly, scheduled for follow up drill program

Puhipuhi Project (New Zealand)

A decision was made to relinquish Permits 55057 and 55058 during the period. The Company continues to consider its options with respect to planning further exploration activity on Permit 51985).

DE GREY MINING LIMITED

31 DECEMBER 2014

DIRECTORS' REPORT (continued)

CORPORATE

In October 2014, the Company welcomed Mr Steve Morris to the board. In November 2014, Mr Darren Townsend resigned as a Director after being with the Company for over ten years. Mr Townsend's retirement is as a result of his increasing work load as Managing Director of ASX listed Peak Resources Limited.

In October 2014, the Company entered into an agreement with Dilato Holdings Pty Ltd, a private investment group based in Melbourne, who has agreed to guarantee the provision of \$500,000 at a price of \$0.001 per share by the end of March 2015, if it is required by the Company. The Offer would be subject to shareholder approval which is planned to be sought at a time when/if the Board chooses to accept the Offer.

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.



Peter Batten

Executive Chairman

Perth, 13th March 2015

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of De Grey Mining Limited and its controlled entities for the half year ended 31 December 2014, 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.

This declaration is in respect of De Grey Mining Limited and its controlled entities during the half year ended 31 December 2014.

BUTLER SETTINERI (AUDIT) PTY LTD
Registered Company Auditor Number 289109



MARIUS VAN DER MERWE CA
Director

Perth
Date: 13 March 2015

DE GREY MINING LIMITED

31 DECEMBER 2014

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	2014	2013
	\$	\$
REVENUE		
Interest received	4,293	1,971
Minerals sales – royalties	22,245	85,472
Other revenue	1,869	-
EXPENDITURE		
Depreciation expense	(5,435)	(7,822)
Employee benefits expense	(85,938)	(100,954)
Exploration expenditure	(213,010)	(73,364)
Refund of exploration expenditure – tenement applications	-	104,016
Corporate expenses	(23,343)	(48,175)
Occupancy expenses	(37,497)	(35,542)
Consulting expenses	(3,360)	(4,555)
Investor relations and advertising expenses	-	(1,857)
Administration expenses	(63,645)	(90,096)
Share based payments	(35,574)	-
Loss on disposal of assets	-	(5,405)
Other expenses	-	(9,678)
	(439,395)	(185,989)
LOSS BEFORE INCOME TAX EXPENSE		
Income tax benefit/(expense)	-	-
	(439,395)	(185,989)
LOSS FOR THE HALF-YEAR		
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	-	(81,920)
Other comprehensive (loss)/income for the period, net of tax	-	(81,920)
	(439,395)	(267,909)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED		
	(439,395)	(267,909)
Basic and diluted loss per share (cents per share)	(0.05)	(0.03)

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

DE GREY MINING LIMITED**31 DECEMBER 2014****CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	31 December	30 June
	2014	2014
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	122,378	553,308
Trade and other receivables	17,946	26,286
Other assets	-	13,992
TOTAL CURRENT ASSETS	140,324	593,586
NON-CURRENT ASSETS		
Available for sale financial assets	75,000	75,000
Plant and equipment	44,725	50,160
TOTAL NON-CURRENT ASSETS	119,725	125,160
TOTAL ASSETS	260,049	718,746
CURRENT LIABILITIES		
Trade and other payables	60,635	115,511
TOTAL CURRENT LIABILITIES	60,635	115,511
TOTAL LIABILITIES	60,635	115,511
NET ASSETS	199,414	603,235
EQUITY		
Contributed equity	44,229,934	44,229,934
Reserves	234,600	296,526
Accumulated losses	(44,265,120)	(43,923,225)
TOTAL EQUITY	199,414	603,235

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

DE GREY MINING LIMITED

31 DECEMBER 2014

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2013	43,550,486	637,696	81,920	(44,187,573)	82,529
Loss for the half-year	-	-	-	(185,989)	(185,989)
Exchange differences on translation of foreign operations	-	-	(81,920)	-	(81,920)
TOTAL COMPREHENSIVE LOSS	-	-	(81,920)	(185,989)	(267,909)
Shares issued during the period	724,008	-	-	-	724,008
Share issue transaction costs	(44,560)	-	-	-	(44,560)
BALANCE AT 31 DECEMBER 2013	44,229,934	637,696	-	(44,373,562)	494,068
BALANCE AT 1 JULY 2014	44,229,934	296,526	-	(43,923,225)	603,235
Loss for the half-year	-	-	-	(439,395)	(439,395)
TOTAL COMPREHENSIVE LOSS	-	-	-	(439,395)	(439,395)
Share based payments	-	35,574	-	-	35,574
Transfer of reserve on expiry of options	-	(97,500)	-	97,500	-
BALANCE AT 31 DECEMBER 2014	44,229,934	234,600	-	(44,265,120)	199,414

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

DE GREY MINING LIMITED**31 DECEMBER 2014****CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	2014	2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Royalties received	28,337	-
Payments to suppliers and employees	(181,087)	(300,281)
Payments for exploration	(282,473)	(145,435)
Interest received	4,293	1,749
Net cash used in operating activities	(430,930)	(443,967)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings – director loans	-	49,800
Proceeds from issue of ordinary shares	-	652,950
Payments of share issue transaction costs	-	(40,974)
Net cash provided by financing activities	-	661,776
Net decrease in cash and cash equivalents	(430,930)	217,809
Cash and cash equivalents at the beginning of the half-year	553,308	237,484
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	122,378	455,293

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

DE GREY MINING LIMITED

31 DECEMBER 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated 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 2014 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.

Going Concern

The financial report has been prepared on a going concern basis which assumes the commercial realisation of the future potential of the Group's assets and discharge of its liabilities in the normal course of business. The group recorded a loss of \$439,395 (2013: \$185,989) for the half-year ended 31 December 2014, has a cash and cash equivalents balance of \$122,378 (June 2014: \$553,308).

Although the above is indicative of a material uncertainty, the Directors believe that it is appropriate to prepare the financial statements on the going concern basis for the following reasons:

- (i) The Company has no current committed exploration programs and will only expend future amounts if they have sufficient cash to meet the cost.
- (ii) In October 2014, the Company entered into an agreement with Dilato Holdings Pty Ltd, who has agreed to guarantee the provision of \$500,000 ("**Dilato Facility**") at a price of \$0.001 per share by the end of March 2015 if it is required by the Company. The Offer would be subject to shareholder approval which is planned to be sought at a time when/if the Board chooses to accept the Offer.
- (iii) This offer does not preclude the Company from seeking alternate sources of funding from its existing projects and/or from new investment opportunities.
- (iv) The Company also believes it has the capacity to raise additional funds at an appropriate time in the future.

The Directors have reviewed the Consolidated Entity's and Company's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014.

It has been determined by the Group that there is no material impact of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

DE GREY MINING LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NOTE 2: CONTRIBUTED EQUITY

(a) Share capital

	December 2014 \$	June 2014 \$
914,768,846 ordinary fully paid shares (2013: 914,768,846) (i)	44,229,934	44,229,934

(i) There was no movement in share capital during the half year ended 31 December 2014.

(b) Movements in (unlisted) options on issue for the half-year

Expiry Date	Exercise Price	Opening 1 July 2014 No.	Issued No.	Exercised/ Cancelled/ Expired No.	Closing 31 Dec 2014 No.
September 2014	2.2 cents	6,500,000	-	(6,500,000)	-
September 2015	2.3 cents	6,500,000	-	-	6,500,000
September 2016	2.4 cents	6,500,000	-	-	6,500,000
January 2016	3.0 cents	2,500,000	-	-	2,500,000
November 2017	0.4 cents	-	42,500,000	-	42,500,000
		22,000,000	42,500,000	(6,500,000)	58,000,000

NOTE 3: RESERVES AND ACCUMULATED LOSSES

	December 2014 \$	June 2014 \$
(a) Reserves		
Share-based payments reserve	<u>234,600</u>	296,526
	<u>234,600</u>	<u>296,526</u>
Movements:		
<i>Share-based payments reserve</i>		
Balance at beginning of year	296,526	637,696
Option expense	35,574	57,530
Transfer to Accumulated Losses on expiry of options	(97,500)	(398,700)
Balance at end of year	<u>234,600</u>	<u>296,526</u>
(b) Accumulated losses		
Balance at beginning of year	(43,923,225)	(44,187,573)
Net loss for the period/ year	(439,395)	(134,352)
Transfer from Share-Based Payments Reserve	97,500	398,700
Balance at end of year	<u>(44,265,120)</u>	<u>(43,923,225)</u>

NOTE 4: CONTINGENCIES

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

DE GREY MINING LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NOTE 5: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2014, 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, other than those issues reported in the Director's review of operations.

NOTE 6: 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 one reportable segment being exploration activities undertaken in the Australasia geographical region.

In October 2013 the Company announced its intention to divest its interest in Argentina, with settlement occurring on 5 September 2014.

The Australasian segment includes the activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic region.

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

	Australasia		Argentina		Consolidated Total	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Segment revenue	22,245	85,472	-	-	22,245	85,472
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue					4,293	1,971
Other revenue					1,867	-
Total revenue					28,405	87,443
Segment result	(188,972)	143,214	-	(71,834)	(188,972)	71,380
Reconciliation of segment result to net loss before tax:						
Other corporate and administration					(250,423)	(257,349)
Net loss before tax					(439,395)	(185,969)

	Australasia		Argentina		Consolidated Total	
	Dec 2014	June 2014	Dec 2014	June 2014	Dec 2014	June 2014
	\$	\$	\$	\$	\$	\$
Segment operating assets	75,000	75,000	-	-	75,000	75,000
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					185,049	643,746
Total assets					260,049	718,746
Segment operating liabilities	(16,263)	-	-	-	(16,263)	-
Reconciliation of segment operating liabilities to total liabilities:						
Other corporate and administration liabilities					(44,373)	(115,511)
Total liabilities					(60,636)	(115,511)

DE GREY MINING LIMITED

31 DECEMBER 2014

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 12 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 2014 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.



Peter Batten

Executive Chairman

Perth, 13th March 2015

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

Report on the half year financial report

We have reviewed the accompanying half year 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 31 December 2014 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a statement of significant accounting policies and other selected explanatory notes, and the directors' declaration.

Directors' responsibility for the half year financial report

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

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 a 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 company's financial position as at 31 December 2014 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 financial 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.

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 and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2014 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*.

Material Uncertainty Regarding Going Concern

Without qualifying our conclusion above, we wish to draw your attention to the following matter. As a result of matters referred to in note 1 of the financial statements "Going Concern", the Group's ability to continue as a going concern is dependent upon the Group's ability to obtain additional funds through capital raising activities. This indicates the existence of a material uncertainty that may cast significant doubt on 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.

BUTLER SETTINERI (AUDIT) PTY LTD
Registered Company Auditor Number 289109



MARIUS VAN DER MERWE CA
Director

Perth
Date: 13 March 2015