

DE GREY MINING LIMITED

ABN 65 094 206 292

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2012

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 2012 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 2012

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DE GREY MINING LIMITED

31 DECEMBER 2012

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 2012.

DIRECTORS

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

Peter Batten *appointed 16 July 2012*

Darren Townsend

Gary Brabham

Jason Brewer

REVIEW AND RESULTS OF OPERATIONS

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

	2012	
	Revenues	Results
	\$	\$
Consolidated entity revenues and loss	34,266	(1,608,976)

During the period De Grey undertook further exploration for gold-silver deposits in Santa Cruz and Rio Negro Provinces, Argentina and maintained exposure to the value of its Western Australian projects through joint ventures and farm-out agreements with other companies. De Grey also purchased the Puhipuhi epithermal gold-silver project in New Zealand.

Through two option to purchase agreements, a farm in agreement and staking in its own right, De Grey's wholly owned subsidiary company, De Grey Argentina S.A., has secured mineral rights over approximately 3255 sq km in Santa Cruz Province, Argentina. The various properties cover rocks of the Deseado Massif, a geological province hosting numerous recent discoveries of low sulphidation epithermal gold-silver deposits. De Grey has also secured mineral rights over approximately 1420 sq km in Rio Negro Province Argentina. The properties cover rocks of the Somuncura Massif, a geological province hosting epithermal and mesothermal precious and base metal deposits similar to those in Santa Cruz Province. Post the reporting period De Grey appointed an experienced Country Manager to oversee the advancement of De Grey's properties and generate new opportunities in Argentina.

De Grey has also acquired 100% of the Puhipuhi Project located in the north island of New Zealand. The Project comprises one exploration permit covering an area of 6,116 hectares, is considered to have excellent potential to host epithermal gold-silver mineralisation, and has a number of "walk up" drill targets.

De Grey successfully negotiated landowner access agreements over its Sierra Morena Project during the period and completed its 1st drilling program at the SM6 Prospect. De Grey continues to assess other project opportunities in Santa Cruz Province, and elsewhere in Argentina, in particular seeking more advanced projects.

DE GREY MINING LIMITED

31 DECEMBER 2012

DIRECTORS' REPORT (continued)

During the period, Polymetals Mining Ltd acquired 100% of Landsdowne Resources, which was earning 75% of De Grey's Turner River Gold and Base Metals Joint Venture in the Pilbara of Western Australia. Tenements comprising the Turner River Gold and Base Metals projects are the subject of a farm-out and joint venture agreement with De Grey under which Polymetals may earn a 75% interest in the Project by funding exploration expenditure of \$2 Million on the Gold Project and \$1.5 Million on the Base Metal Project over three years, the earn-in period having commenced on 6 May 2011. Upon Polymetals earning its interest, a 75:25 joint venture will be formed and Polymetals will continue to fund all expenditures up to a Decision to Mine. Upon a Decision to Mine, a mining joint venture area will be declared and mine development expenditures will be funded by De Grey and Polymetals in proportion to their JV interests. De Grey's free carried interest will continue in respect of project areas outside of the mining joint venture area. Upon earning into the Gold Project joint venture Polymetals has the option to purchase a 75% interest in the Wingina Well gold resource with a milestone payment of \$4.1 Million to De Grey. Polymetals have a proven track record for developing projects and mineral production and De Grey are confident that under Polymetals management the Turner River Gold and Base Metal Joint Venture will reach its full potential. In the December quarter of 2012 Polymetals advanced exploration towards the Joint Venture milestone and De Grey is confident that Polymetals should reach this position following the end of the wet season when exploration will recommence.

During the period Atlas Iron Ltd commenced mining at the Mt Dove Project under which it has purchased a royalty payable to De Grey for the first two million tonnes of iron ore produced. The royalty remains payable on any iron ore production in excess of two million tonnes derived from Mt Dove. De Grey retains rights to all other minerals other than iron ore under the agreement with Atlas Iron Ltd.

De Grey retains its 20% interest in the Beyondie Iron Joint Venture with Emergent Resources Limited, with De Grey free carried to a decision to mine. De Grey retains the rights to all non-iron ore minerals on the tenements subject to the joint venture, E52/1806 and E52/2215. Having established a significant magnetite iron resource at Beyondie, Emergent is seeking an incoming partner to contribute to further evaluation and development of the project.

De Grey maintains four exploration licence applications covering a total area of 1718 sq km in the Patterson region of Western Australia. These applications lie within granted Martu native title lands and the terms of heritage and access agreements are the subject of ongoing negotiations with Martu. The tenements are highly prospective for base metals (particularly copper) and uranium.

In addition to the above activities, De Grey continued to evaluate a number of potential new project opportunities, both in Australia and overseas.

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, 12 March 2013

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of De Grey Mining Ltd for the half year ended 31 December 2012, 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 respect to De Grey Mining Limited and the entities it controlled during the half year ended 31 December 2012

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth

Date: 12 March 2013

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Number 289109

*Liability limited by a scheme
approved under Professional
Standards Legislation*

DE GREY MINING LIMITED

31 DECEMBER 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Half-year	
	2012	2011
	\$	\$
REVENUE		
Interest received	34,266	28,049
Sales of interests in exploration properties	-	500,000
EXPENDITURE		
Depreciation expense	(9,436)	(16,170)
Employee benefits expense	(321,883)	(301,688)
Exploration expenditure	(878,312)	(737,586)
Corporate expenses	(55,848)	(69,168)
Occupancy expenses	(64,516)	(50,439)
Consulting expenses	(76,766)	(61,907)
Investor relations and advertising expenses	(27,763)	(12,412)
Administration expenses	(89,267)	(53,985)
Share based payments	(115,802)	(151,417)
Other expenses	(3,649)	(47,876)
LOSS BEFORE INCOME TAX EXPENSE	(1,608,976)	(974,599)
Income tax benefit/(expense)	-	-
LOSS FOR THE HALF-YEAR	(1,608,976)	(974,599)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(318)	1,726
Other comprehensive (loss)/income for the period, net of tax	(318)	1,726
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED	(1,609,294)	(972,873)
Basic and diluted loss per share (cents per share)	(0.4)	(0.4)

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

DE GREY MINING LIMITED**31 DECEMBER 2012****CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	31 December 2012 \$	30 June 2012 \$
CURRENT ASSETS		
Cash and cash equivalents	1,147,579	2,418,214
Trade and other receivables	10,710	25,443
Other assets	77,182	40,413
TOTAL CURRENT ASSETS	1,235,471	2,484,070
NON-CURRENT ASSETS		
Plant and equipment	72,816	79,487
TOTAL NON-CURRENT ASSETS	72,816	79,487
TOTAL ASSETS	1,308,287	2,563,557
CURRENT LIABILITIES		
Trade and other payables	325,437	256,534
Provisions	41,829	20,798
TOTAL CURRENT LIABILITIES	367,266	277,332
TOTAL LIABILITIES	367,266	277,332
NET ASSETS	941,021	2,286,225
EQUITY		
Contributed equity	42,346,039	42,197,751
Reserves	602,121	486,637
Accumulated losses	(42,007,139)	(40,398,163)
TOTAL EQUITY	941,021	2,286,225

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

DE GREY MINING LIMITED

31 DECEMBER 2012

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Contributed Equity \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2011	39,939,495	313,075	43,473	(38,954,701)	1,341,342
Loss for the half-year	-	-	-	(974,599)	(974,599)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	1,726	-	1,726
TOTAL COMPREHENSIVE LOSS	-	-	1,726	(974,599)	(972,873)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Vesting of employee and contractor options	-	151,417	-	-	151,417
Transfer of reserve upon expiry of options	-	(137,075)	-	137,075	-
BALANCE AT 31 DECEMBER 2011	<u>39,939,495</u>	<u>327,417</u>	<u>45,199</u>	<u>(39,792,225)</u>	<u>519,886</u>
BALANCE AT 1 JULY 2012	42,197,751	422,146	64,491	(40,398,163)	2,286,225
Loss for the half-year	-	-	-	(1,608,976)	(1,608,976)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(318)	-	(318)
TOTAL COMPREHENSIVE LOSS	-	-	(318)	(1,608,976)	(1,609,294)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	150,000	-	-	-	150,000
Share issue transaction costs	(1,712)	-	-	-	(1,712)
Vesting of employee and contractor options	-	115,802	-	-	115,802
BALANCE AT 31 DECEMBER 2012	<u>42,346,039</u>	<u>537,948</u>	<u>64,173</u>	<u>(42,007,139)</u>	<u>941,021</u>

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

DE GREY MINING LIMITED

31 DECEMBER 2012

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Half-year	
	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(673,381)	(552,294)
Payments for exploration	(779,530)	(719,421)
Interest received	37,140	30,664
Net cash used in operating activities	(1,415,771)	(1,241,051)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of tenements	-	500,000
Payments for purchases of plant and equipment	(3,542)	(1,787)
Net cash (used in)/provided by investing activities	(3,542)	498,213
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	150,000	-
Payments of share issue transaction costs	(1,712)	-
Net cash provided by financing activities	148,288	-
Net decrease in cash and cash equivalents	(1,271,025)	(742,838)
Cash and cash equivalents at the beginning of the half-year	2,418,214	1,375,979
Effects of exchange rate changes on cash and cash equivalents	390	1,749
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	1,147,579	634,890

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

DE GREY MINING LIMITED

31 DECEMBER 2012

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 2012 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 2012 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 Group recorded a loss of \$1,608,976 (2011: \$974,599) for the half-year ended 31 December 2012. 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.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, 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 2012.

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 2012. 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

31 DECEMBER 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: 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 Australasia 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.

	Australasia	Argentina	Consolidated Total
Half-year 2012	\$	\$	\$
Segment revenue	-	-	-
Reconciliation of segment revenue to total revenue before tax:			
Interest revenue			34,266
Total revenue			34,266
Segment results	(54,508)	(823,803)	(878,311)
Reconciliation of segment results to net loss before tax:			
Other corporate and administration			(730,665)
Net loss before tax			(1,608,976)
Segment assets and liabilities at 31 December 2012			
Segment operating assets	-	-	-
Reconciliation of segment operating assets to total assets:			
Other corporate and administration assets			1,308,287
Total assets			1,308,287
Segment operating liabilities	45,977	192,183	238,160
Reconciliation of segment operating liabilities to total liabilities:			
Other corporate and administration liabilities			129,106
Total liabilities			367,266

DE GREY MINING LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION (continued)

	Australia	Argentina	Consolidated Total
Half-year 2011	\$	\$	\$
Segment revenue	500,000	-	500,000
Reconciliation of segment revenue to total revenue before tax:			
Interest revenue			28,049
Total revenue			<u>528,049</u>
Segment results	367,741	(605,326)	(237,585)
Reconciliation of segment results to net profit before tax:			
Other corporate and administration			(737,014)
Net profit before tax			<u>(974,599)</u>
Segment assets and liabilities at 30 June 2012			
Segment operating assets	-	-	-
Reconciliation of segment operating assets to total assets:			
Other corporate and administration assets			2,563,557
Total assets			<u>2,563,557</u>
Segment operating liabilities	143,689	86,309	229,998
Reconciliation of segment operating liabilities to total liabilities:			
Other corporate and administration liabilities			47,334
Total liabilities			<u>277,332</u>

DE GREY MINING LIMITED

31 DECEMBER 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	2012 Shares	2012 \$	2011 Shares	2011 \$
Issues of ordinary shares during the half-year				
Share placement at 2.1 cents per share	7,142,858	150,000	-	-
Transaction costs	-	(1,712)	-	-
	7,142,858	148,288	-	-

	Number of options	
	2012	2011
Movements of options during the half-year		
Issued, exercisable at 2.2 cents, expiring 3 September 2014	6,500,000	-
Issued, exercisable at 2.3 cents, expiring 3 September 2015	6,500,000	-
Issued, exercisable at 2.6 cents, expiring 3 September 2015	6,500,000	-
Issued, exercisable at 6.5 cents, expiring 30 June 2014	-	2,500,000
(Cancelled)/issued, exercisable at 6.5 cents, expiring 30 April 2014	(3,000,000)	10,000,000
Cancelled, exercisable at 25 cents, expiring 30 June 2012	-	(3,250,000)
Expired on 4 July 2011, exercisable at 25 cents	-	(3,000,000)
	16,500,000	6,250,000

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 2012, 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 2012

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 13 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 2012 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, 12 March 2013

**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 the De Grey Mining Limited ("the company") and its controlled entities ("the Group") which comprises the consolidated statement of financial position as at 31 December 2012 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 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 2012 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.

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Registered Company Auditor
Number 289109

*Liability limited by a scheme
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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 company's financial position as at 31 December 2012 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 the conclusion expressed above, attention is drawn to the following matter. As a result of matters referred to in note 1 to the financial statements, "Going concern", the ability of the group to continue as a going concern 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.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth

Date: 12 March 2013