

DE GREY MINING LIMITED

ABN 65 094 206 292

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2013

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 2013 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 2013

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DE GREY MINING LIMITED

31 DECEMBER 2013

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 2013.

DIRECTORS

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

Peter Batten

Darren Townsend

Simon Lill – appointed 2 October 2013

Jason Brewer – resigned 2 October 2013

REVIEW OF OPERATIONS

The Company previously advised that through difficulties in raising capital for exploration companies that it had ceased all discretionary expenditure and reduced all administrative costs.

Following the completion of a capital raising, announced in September 2013, the Company undertook a review of its various project interests, resulting in:

- cessation of all expenditure in Argentina, and the withdrawal from its various interests in four projects. The withdrawal is anticipated to be concluded during the March quarter;
- the award of additional Exploration Permits in New Zealand adjacent and contiguous to its Puhipuhi project, being Permit No. 55057 and 55058. The Company continues to explore means of advancing its interests in this project;
- the Company being handed back control of the Turner River Gold and Turner River Base Metals projects immediately prior to year end. Since this time it has been reviewing all project data that has been provided from Southern Cross Goldfields Limited, and anticipates providing more information on the projects in the near future.
- the commencement of royalties from the Mt Dove iron ore project, with \$85,472 being earned for the quarter, and an additional \$350,000 being anticipated as a result of activities during the March quarter; and
- an upgrade in the Beyondie Iron Project Resource to a total of 714 million tonnes grading 27.4% Fe, reported as being at "relatively shallow depth with low deleterious impurities of P, S and Al₂O₃. (De Grey 20%, Emergent Resources Limited 80%) (reported to ASX on 19 Feb 2014).

RESULTS

The consolidated loss for the half year after tax was \$185,989 (2012: \$1,608,976).

DIRECTORS' REPORT (continued)

CORPORATE

Capital Raisings

During the half-year, the Company completed a two tranche placement, raising \$648,000 (before costs), under the mandate of D J Carmichael's.

Restructure and Expenditure Review

Consequent to the capital raising the Company completed a restructure of its board and management team, with a focus upon cost reduction initiatives that reflected the change in the Company's operational focus.

In October 2013, Mr Simon Lill joined the board in a non-executive role, replacing Mr Jason Brewer. In addition, Mr Craig Nelmes was appointed as Company Secretary/CFO replacing Mr Denis Wilkins.

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, 11 March 2014

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 2013, 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 its controlled entities during the half year ended 31 December 2013.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth
Date: 11 March 2014

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Number 289109

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

DE GREY MINING LIMITED

31 DECEMBER 2013

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Half-year	
	2013	2012
	\$	\$
REVENUE		
Interest received	1,971	34,266
Minerals sales - royalties	85,472	-
EXPENDITURE		
Depreciation expense	(7,822)	(9,436)
Employee benefits expense	(100,954)	(321,883)
Exploration expenditure	(73,364)	(878,312)
Refund of exploration expenditure – tenement applications	104,016	-
Corporate expenses	(48,175)	(55,848)
Occupancy expenses	(35,542)	(64,516)
Consulting expenses	(4,555)	(76,766)
Investor relations and advertising expenses	(1,857)	(27,763)
Administration expenses	(90,096)	(89,267)
Share based payments	-	(115,802)
Loss on disposal of assets	(5,405)	-
Other expenses	(9,678)	(3,649)
LOSS BEFORE INCOME TAX EXPENSE	(185,989)	(1,608,976)
Income tax benefit/(expense)	-	-
LOSS FOR THE HALF-YEAR	(185,989)	(1,608,976)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(81,920)	(318)
Other comprehensive (loss)/income for the period, net of tax	(81,920)	(318)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED	(267,909)	(1,609,294)
Basic and diluted loss per share (cents per share)	(0.03)	(0.40)

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

DE GREY MINING LIMITED**31 DECEMBER 2013****CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	31 December	30 June
	2013	2013
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	455,293	237,484
Trade and other receivables	85,472	28,801
Other assets	7,417	36,695
TOTAL CURRENT ASSETS	548,182	302,980
NON-CURRENT ASSETS		
Plant and equipment	57,983	71,418
TOTAL NON-CURRENT ASSETS	57,983	71,418
TOTAL ASSETS	606,165	374,398
CURRENT LIABILITIES		
Trade and other payables	112,097	251,417
Provisions	-	40,452
TOTAL CURRENT LIABILITIES	112,097	291,869
TOTAL LIABILITIES	112,097	291,869
NET ASSETS	494,068	82,529
EQUITY		
Contributed equity	44,229,934	43,550,486
Reserves	637,696	719,616
Accumulated losses	(44,373,562)	(44,187,573)
TOTAL EQUITY	494,068	82,529

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

DE GREY MINING LIMITED

31 DECEMBER 2013

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Contributed Equity	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
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	42,346,039	537,948	64,173	(42,007,139)	941,021
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)
OTHER COMPREHENSIVE INCOME					
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

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

DE GREY MINING LIMITED

31 DECEMBER 2013

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Half-year	
	2013	2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(300,281)	(673,381)
Payments for exploration	(145,435)	(779,530)
Interest received	1,749	37,140
Net cash used in operating activities	(443,967)	(1,415,771)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of plant and equipment	-	(3,542)
Net cash (used in)/provided by investing activities	-	(3,542)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings – director loans	49,800	-
Proceeds from issue of ordinary shares	652,950	150,000
Payments of share issue transaction costs	(40,974)	(1,712)
Net cash provided by financing activities	661,776	148,288
Net decrease in cash and cash equivalents	217,809	(1,271,025)
Cash and cash equivalents at the beginning of the half-year	237,484	2,418,214
Effects of exchange rate changes on cash and cash equivalents	-	390
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	455,293	1,147,579

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

DE GREY MINING LIMITED

31 DECEMBER 2013

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 2013 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 2013 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

Although the Group recorded a loss of \$185,989 (2012: \$1,608,976) for the half-year ended 31 December 2013, and had net operating cash outflows of \$443,967 (2012: \$1,415,771), the Directors have determined that the Company has adequate cash reserves in the short to medium term.

The Directors have reviewed the working capital requirements and consequently reduced operating cash outflows. Cash will also be supplemented by the projected receipt of approximately \$435,000 in iron ore royalty payments – of which \$85,472 was received in early February.

Hence the Company will be able to continue to pay its debts as and when they fall due.

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 2013, 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 2013.

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 2013. 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 2013

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 2013	\$	\$	\$
Segment revenue	85,472	-	85,472
Reconciliation of segment revenue to total revenue before tax:			
Interest revenue			1,971
Total revenue			87,443
Segment results	143,214	(71,834)	71,380
Reconciliation of segment results to net loss before tax:			
Other corporate and administration			(257,349)
Net loss before tax			(185,969)
Segment assets and liabilities at 31 December 2013			
Segment operating assets	46,457	-	46,457
Reconciliation of segment operating assets to total assets:			
Other corporate and administration assets			559,708
Total assets			606,165
Segment operating liabilities	46,457	-	46,457
Reconciliation of segment operating liabilities to total liabilities:			
Other corporate and administration liabilities			65,639
Total liabilities			112,096

DE GREY MINING LIMITED

31 DECEMBER 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION (continued)

	Australia	Argentina	Consolidated Total
	\$	\$	\$
Half-year 2012			
Segment revenue	-	-	-
Reconciliation of segment revenue to total revenue before tax:			
Interest revenue			34,266
Total revenue			<u>34,266</u>
Segment results	<u>(54,508)</u>	<u>(823,803)</u>	<u>(878,311)</u>
Reconciliation of segment results to net profit before tax:			
Other corporate and administration			(730,665)
Net profit before tax			<u>(1,608,976)</u>
Segment assets and liabilities at 30 June 2013			
Segment operating assets	-	-	-
Reconciliation of segment operating assets to total assets:			
Other corporate and administration assets			374,398
Total assets			<u>374,398</u>
Segment operating liabilities	<u>169,525</u>	<u>60,198</u>	<u>229,723</u>
Reconciliation of segment operating liabilities to total liabilities:			
Other corporate and administration liabilities			62,146
Total liabilities			<u>291,869</u>

DE GREY MINING LIMITED

31 DECEMBER 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CONTRIBUTED EQUITY

(a) Share capital

	2013	2013
	No.	\$
Ordinary fully paid shares		
Opening balance as at 1 July 2013	570,915,646	43,550,486
Non-renounceable shortfall issue at 0.8 cents per share(i)	6,250,000	-
Placement issue (tranche 1) at 0.25 cents per share	68,500,000	171,250
Placement issue (tranche 2) at 0.25 cents per share	190,680,000	476,700
Placement issue (Acorn Corporate) at 0.001 cents per share	50,000,000	5,000
Issue on conversion of director loans	28,423,200	71,058
Transaction costs	-	(44,560)
Closing balance as at 31 December 2013	914,768,846	44,229,934

- (i) The cash was received in advance of allotment and booked to share capital as at 30 June 2013.

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

Expiry Date	Exercise Price	Opening 1 July 2013 No.	Issued No.	Exercised/ Cancelled/ Expired No.	Closing 31 Dec 2013 No.
April 2014	6.5 cents	7,000,000	-	-	7,000,000
June 2014	6.5 cents	10,500,000	-	-	10,500,000
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
		39,500,000	-	-	39,500,000

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 2013, 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.

DE GREY MINING LIMITED

31 DECEMBER 2013

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 2013 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, 11 March 2014

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 2013 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 2013 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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(Audit) Pty Ltd**
ACN 112 942 373

Registered Company Auditor
Number 289109

*Liability limited by a scheme
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Independence

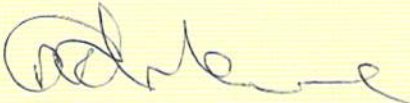
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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 2013 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



MARIUS VAN DER MERWE CA
Director

Perth
Date: 11 March 2014