De Grey Mining Limited

ABN 65 094 206 292

Annual Report

for the year ended 30 June 2013

Corporate Information

ABN 65 094 206 292

Directors

Peter Batten (Executive Chairman)
Darren Townsend (Non-Executive Director)
Jason Brewer(Non-Executive Director)

Company Secretary

Dennis Wilkins

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Solicitors

William & Hughes
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WEST PERTH WA 6005

Bankers

National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

Share Registry

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Stock Exchange Listing

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

Contents

Executive Chairman's Report

In the past year De Grey has completed two drill programmes, a mapping programme, a geophysical survey and field sampling programmes on the Sierra Morena project and a field sampling programme over the Boleadora project, both located in the Santa Cruz province in the Patagonia region of southern Argentina.

The results have been technical successes in that we have identified two systems mineralised with gold and silver. It is a credit to De Grey's technical team that in less than 3 years they were able to locate and test by drilling two mineralized epithermal systems.

De Grey has identified two systems at Sierra Morena, SM6 and Vein Breccia Zone, and shown that each is mineralized with gold and silver. The processing of all the data collected shows that the work to date has been located at the northern edge of both systems with the continuation extending to the south and at depth. Mineralization to date has not been extensive and further work is required to determine if either system contains viable economic mineralization.

In late 2012 De Grey purchased the Puhipuhi project, permit EP51985, north of Whangerai in Northlands New Zealand from Waihi Gold Company. Puhipuhi is host to epithermal gold and silver mineralisation and has been subject to limited exploration with a total of 50 drill holes previously drilled in the 6,116 hectares permit.

In 2013 De Grey was successful in the NZ government ballot process and a further two permit applications were awarded to De Grey bringing the total permitted area to 14,581 hectare. De Grey has re-processed all the historic data and completed two sampling programmes at Puhipuhi and is now in a position to design and complete a drilling programme.

During the year De Grey raised $1,397,000 through placement and a partially underwritten rights issue, with these funds spent on exploration programs.

Difficult capital market conditions, together with the high cost of exploring in Argentina resulted in De Grey finishing the year with limited financial resources. Economic necessity has led to staff reductions and suspension of director and board payments.

The Company has recently announced a further capital raising through DJ Carmichael Pty Limited, in two tranches to raise $571,250. The funds provide a platform for the Company to move forward. Consequently De Grey is reviewing all projects and contracts held by the Company.

The arrangements with DJ Carmichael and Co also resulted in certain Board changes, with Jason Brewer resigning in favour of Simon Lill. We thank Jason for his time and welcome Simon's future contributions. I take this opportunity to thank our administration and support staff and my fellow directors for their efforts during the year.

I thank De Grey shareholders for their continuing support of the Company and look forward to a better 12 months ahead.

Peter Batten

Executive Chairman

Perth, 18 October 2013

Operations Report

PROJECT REVIEW PROCESS

With the current difficult capital market conditions for junior explorers and the high cost of operating in remote and difficult jurisdictions such as the Patagonia region of Argentina De Grey is currently reviewing all of its projects to determine their value to the Company and to attempt to derive value for our shareholders.

The Company's recent capital raising does not provide enough funds to provide any meaningful exploration programs on the Company's suite of assets, so economic necessity is likely to see the Company having to reduce its project holdings.

ARGENTINA PROJECTS

Santa Cruz Province Overview

De Grey Mining holds mineral rights over approximately 3,255 sq km of ground in the Deseado Massif (Figure 1).

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.

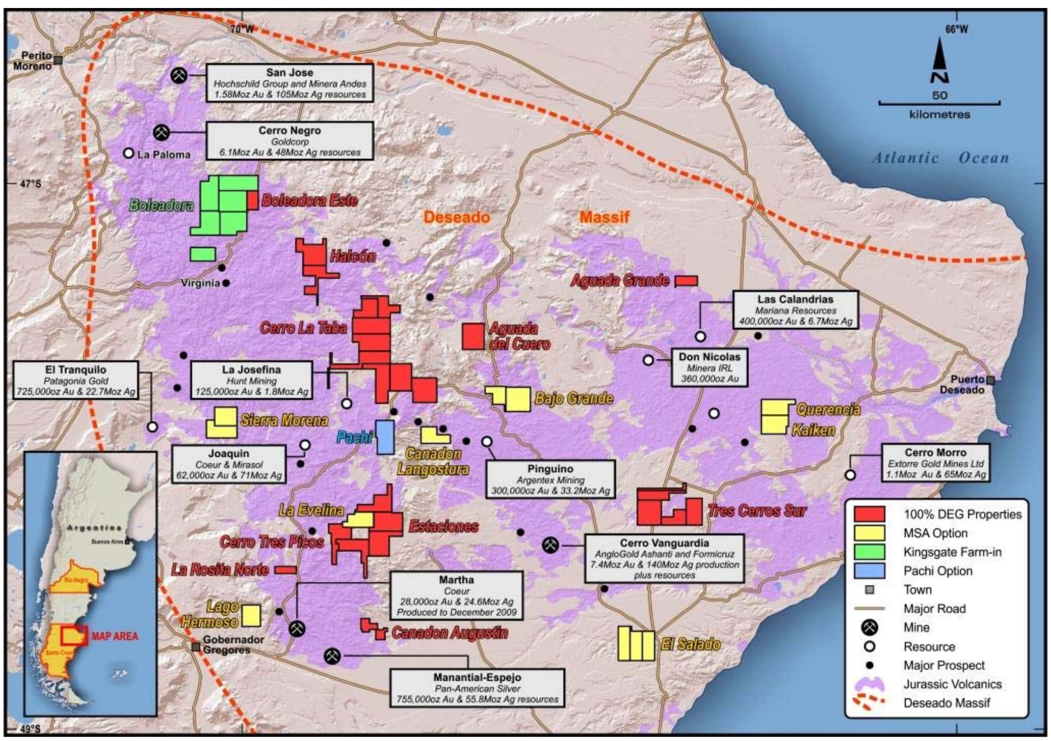

Figure 1: Locations of De Grey's projects, Santa Cruz, Argentina

Sierra Morena Project

The Sierra Morena Project comprises two granted tenements 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). The tenements were optioned from Minera Sudamericana S.A. (MSA) in 2010.

During 2012-2013 De Grey completed follow up prospecting over a number of target areas outlined from a project-wide stream sediment sampling program.

De Grey completed two drilling programs at the SM6 prospect and one drilling program at the Vein Breccia zone for a total of 14 diamond holes. Targeting for the second programmes was taken from a CSAMT geophysical survey completed in early 2013.

SM6 Prospect

The SM6 Prospect is located mostly in the southern M.D. of the Sierra Morena Project.

The first of the two drilling programs were designed to test the Eastern Vein and the Western Vein Breccia identified in mapping and sampling programs completed in 2011 and 2012.

The results confirmed the veins were products of a low sulphidation epithermal system and that gold and silver mineralisation was present in the system.

This program was followed up by mapping and to determine the projection of the mineralized system a CSAMT geophysical survey was undertaken in February 2013.

The data produced from the geophysical survey showed anomalism projecting from the surface position of the Western Vein Breccia and beneath the acid sulphate cap to the northeast of the Eastern Vein.

The second drill program tested anomalies derived from the data. The results show the Western Vein Breccia extending to the south and at depth. Mineralization intercepted in the drilling confirmed gold and silver in the system.

Vein Breccia Zone Prospect

The Vein Breccia Prospect is located in the east of the Sierra Morena Project area.

In February 2013 a CSAMT survey was completed over the prospect. Targets derived from this survey were drilled April/May. A total of four holes tested three targets with the southern target returning high base metal grades along with gold and silver grades.

The three dimensional projection of the geophysical data and the grades from drilling confirm the VBZ prospect as a polymetallic epithermal system. The system is deep seated and projects to the south of the current drilling.

Boleadora Project

The Boleadora Project comprises seven *cateo* (exploration licence) applications covering an area of 561.9 sq km in the north western Deseado Massif.

De Grey may earn up to 80% in six tenements under the terms of a farm-in with Minera Kingsgate Argentina S.A., a wholly owned subsidiary of Kingsgate Consolidated Ltd. The seventh tenement (Boleadora Este) is held 100% by De Grey and is not part of the farm-in agreement with Minera Kingsgate Argentina S.A.

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.

Work completed during the 2012/2013 period comprised mapping and surface sampling.

The sampling has confirmed alteration trends identified from Aster data and has highlighted the need to further define the prospects potential using geophysical methods.

De Grey Mining 100% owned properties

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 mineralization at each of those prospects are interpreted to trend beneath the basalt cover into the Cerro La Taba tenements.

A pilot study was undertaken at Cerro La Taba to determine if biogeochemistry could be used to locate structures under the basalt cover. Sampling of various parts of a number of plants occurring over the mineralized structures at Hunt Mining's El Gateado prospect were used to determine the optimal sampling horizon. This sampling was repeated over the basalt cover directly adjacent and along trend from the mineralized structures on De Grey's tenement.

The results of this study show that biogeochemistry may work to allow identification of structures through what is considered an impenetrable sampling barrier in this area.

Rio Negro Province Overview

Similar to the Deseado Massif (located to the south), the Somuncura Massif in Rio Negro (Figure 2) represents a giant felsic igneous province that resulted from large-scale crustal thinning related to the initial of the opening of the South Atlantic Ocean in the Triassic and Jurassic periods, approximately 200 million years ago. The Somuncura Massif underlies large parts of Chubut and Rio Negro provinces in southern Argentina.

Stream sediment and surface sampling programs were undertaken over areas identified as Aster anomalies.

The results from this sampling has identified eight priority target areas requiring follow up testing.

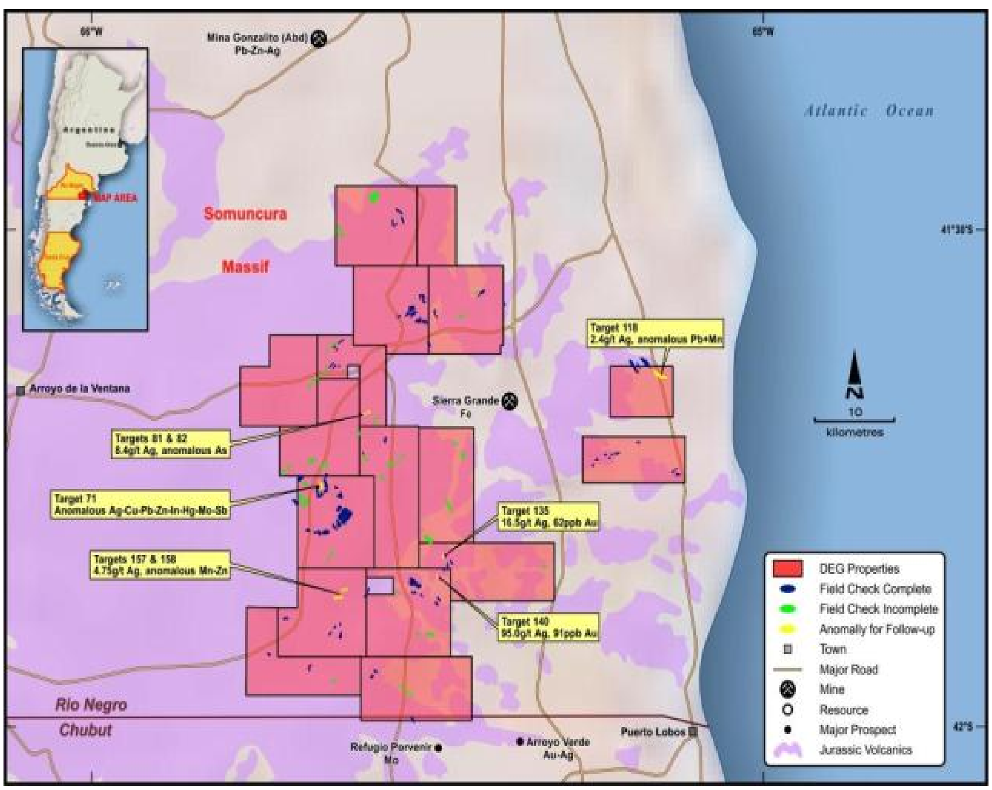

Figure 2: Locations of De Grey's projects, Rio Negro, Argentina

NEW ZEALAND PROJECTS

Puhipuhi

In 2012 De Grey Mining signed a definitive agreement with Waihi Gold Company Ltd ("**Waihi**"), a wholly owned subsidiary of Newmont Mining, to acquire 100% of the Puhipuhi Project located on the North Island of New Zealand (refer to Figure 3).
The Project comprises one exploration permit that was granted to Waihi in 2009 and has a term of 5 years (with the right to a further 5 year extension available). The permit area comprises 6,116 hectares located approximately 30km NNW of Whangarei, in the Northland Region of New Zealand.

The Project is wholly contained within an area defined by the New Zealand Government's Ministry of Economic Development as being open for mineral exploration. The majority of the project is located on private lands, predominantly farmland and the area provides straightforward access, an educated workforce and good availability of drilling contractors.

Despite exploration commencing in the early 1980s by companies such as Homestake, BHP and Macraes, the Project remains relatively underexplored.

Of the 50 drillholes completed within the Project area, only 4 are greater than 200m in length in what has been interpreted from petrology, geochemistry, mapping and geophysics to be the top of an epithermal system.

Puhipuhi is interpreted to represent a well preserved hot spring sinter/breccia system that formed as an outflow from a venting geothermal system. Mineralisation in these systems is commonly restricted to fluid upflow settings and very low gold contents are deposited at surficial levels. Fluid upflow settings typically form fissure vein systems at depth, developed in competent basement rocks and fluid quenching in such an environment may produce good gold grades. Fissure vein epithermal gold-silver mineralisation commonly forms in dilatant structural environments and examples of these systems include Hishikari (Japan), Cracow (Queensland), Sleeper (Nevada) and Waihi (New Zealand).

Since acquiring the Puhipuhi permit De Grey has re-processed the available data and completed two programs of soil and surface sampling.

The results of the sampling have been used to orientate the proposed drilling program over the combined geochemical and geophysical anomalies identified at Puhipuhi.

Figure 3: Location of project area

In June 2013 De Grey Mining Ltd was advised that it had been successful in its bid for additional exploration permits in the Northland region of New Zealand (Figure 4) as part of the competitive bidding set by the Ministry of Economic Development, New Zealand.

The Exploration Permits are adjacent to and contiguous with De Grey's existing permit EP51985, the Puhipuhi project (Figure 4). EP55057 runs along the eastern boundary with Puhipuhi and comprises 1,966 Ha. EP 55058 extends from the northern boundary of the Puhipuhi permit and comprises 6,499 Ha for a combined exploration area in the Northland region of 14,581 Ha.

The permits are for an initial 5 year period with additional extensions permissible following completion of the proposed exploration programmes.

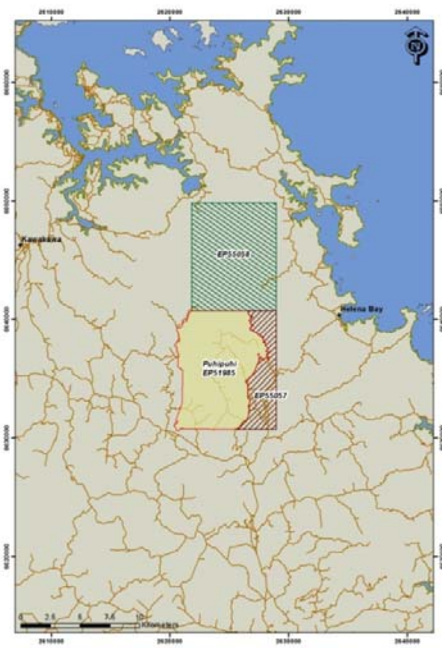

Figure 4 Permit Applications

AUSTRALIAN PROJECTS

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. Tenements in the western portion of the project area are primarily prospective for gold mineralization and include the Wingina Well gold deposit discovered in 2003. The eastern portion of the project covers the VMS-style polymetallic mineralization 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. On September 24 2012 Polymetals Mining Ltd (ASX:PLY) announced it had acquired Lansdowne in a cash and scrip bid. In March 2013 Polymetals announced it had agreed to merge with Southern Cross Goldfields Ltd (ASX:SXG) this merger was completed on 20 August 2013 with Lansdowne a subsidiary of SXG.

The Base Metals farm-out and joint venture agreement allows Lansdowne to earn a 75% interest in the project by sole funding exploration expenditure of $1.5 million over three years ending in May 2014.
The Gold farm-out and joint venture agreement allows Lansdowne to earn a 75% interest in the project by paying $99,000 at commencement and sole funding $2 million exploration expenditure over three years (May 2014).
De Grey has also granted Lansdowne an option to purchase a 75% interest in the Wingina Well gold resource. The option period commences upon Lansdowne earning its interest in the Gold joint venture and is exercisable by payment of $4.1 million.
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.

PILBARA IRON PROJECTS

Beyondie Iron Ore Joint Venture

De Grey maintains a 20% free carried interest in the Beyondie Iron Ore Joint Venture, with Emergent Resources Ltd (80%). 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 in primary magnetite mineralization and demonstrated that the mineralization is amenable to processing to produce a commercial grade concentrate product.

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.
The royalty remains payable on any iron ore production in excess of 2 million tonnes derived from Mount Dove.

During the year Atlas Iron Ltd announced an upgrade to the Mt Dove reserve from 2 million tonnes to 2.2 million tonnes.

PATERSON PROJECT

During the year De Grey sort partners interested in the Paterson Province to allow the company to concentrate on its other activities.

The Company was unsuccessful in attracting interest and hence withdrew the applications.

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 Peter Batten, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Batten 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 Batten consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Batten is a full time employee of De Grey Mining Ltd.

Directors' Report

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 2013.

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

Peter Batten, BAppSc (Geol), MAusIMM, MGSA (Executive Chairman, appointed 16 July 2012)

Peter joined De Grey Mining Limited in July 2012 and brings 30 years of experience in mineral exploration and mining in a wide variety of commodities (including substantial gold experience), ranging from project generation, managing various mining operations, running his own consulting firm and in more recent times a number of Managing Director roles.

Peter's corporate experience includes time as Managing Director of Bannerman Resources, taking it from early stage exploration company through to feasibility study and listing on the Toronto Stock Exchange. Peter listed Berkeley Resources on the ASX before taking the company to China and in 2010 guided White Canyon Uranium through initial production in Utah, USA and completing the company's listing on the TSX-V.

Peter is a non-executive director of ASX listed Walkabout Resources Ltd.

Darren Townsend, B.Eng (Mining) – Hons, EMBA (Independent Non-Executive Director since July 2012, Independent Non-Executive Chairman from January 2011 to July 2012, 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.

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

Jason has over 19 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 Glencore.

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], Black Mountain Resources Limited [from 2/2012] and Kupang Resources Limited [from 9/2013]. Jason is a former director of Altona Mining Limited and Kaboko Mining Limited within the last 3 years.

Gary Brabham was a director from the beginning of the year until his resignation on 21 March 2013.

COMPANY SECRETARY

Dennis William Wilkins, B.Bus, AICD, ACIS

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. Mr Wilkins is a former director of Minemakers Limited within the last 3 years.

Directors' Report continued

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
Peter Batten	15,321,336	19,500,000
Darren Townsend	4,460,660	2,000,000
Jason Brewer	1,100,001	2,000,000

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 2013 was $3,789,410 (2012: $1,580,537). Included in this loss figure is an amount of exploration expenditure of $2,455,695 (2012: $1,765,021). Refer notes to the financial statements note 1(m).

Summarised operating results are as follows:

	2013	
	Revenues $	Results $
Consolidated entity revenues and loss from ordinary activities before income tax expense	40,084	(3,789,410)

Shareholder Returns

	2013	2012
Basic loss per share (cents)	**(0.9)**	(0.5)

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

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Directors' Report continued

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 key management personnel 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 key management personnel of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), 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 key management personnel receive a superannuation guarantee contribution required by the government, which was 9%. Some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation. In addition, directors receive options in the company in accordance with the employees option incentive plan.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management personnel. 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 key management personnel remuneration packages.

Company performance, shareholder wealth and key management personnel remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to the majority of key management personnel 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 key management personnel interests in options at year end, refer to note 16 of the financial statements.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2013.

Voting and comments made at the Company's 2012 Annual General Meeting

The Company received approximately 96% of "yes" votes on its remuneration report for the 2012 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Directors' Report continued

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

The key management personnel of the Group include only the directors, as per page B3 above.

Key management personnel of the Group

	Short-Term		**Post Employment**	**Retirement Benefits**	**Share-based Payments**	**Total**
	Salary & Fees	Non-Monetary	Superannuation		Options	
	$	**$**	**$**	**$**	**$**	**$**
Directors						
Peter Batten (appointed 16 July 2012)						
2013	**283,256**	**-**	**25,493**	**-**	**202,746**	**511,495**
Darren Townsend						
2013	**30,375**	**-**	**-**	**-**	**4,971**	**35,346**
2012	83,385	-	-	-	27,229	110,614
Jason Brewer						
2013	**30,375**	**-**	**2,734**	**-**	**4,971**	**38,080**
2012	40,500	-	3,645	-	27,229	71,374
Gary Brabham (resigned 21 March 2013)						
2013	**29,286**	**-**	**2,636**	**-**	**-**	**31,922**
2012	325,932	-	25,115	-	81,688	432,735
Total key management personnel compensation						
2013	**373,292**	**-**	**30,863**	**-**	**212,688**	**616,843**
2012	449,817	-	28,760	-	136,146	614,723

Service agreements

The details of service agreements of the key management personnel of the Group are as follows:

Peter Batten, Executive Chairman:

- Term of agreement – 3 years, commencing 16 July 2012.
- Salary, inclusive of statutory superannuation, of $325,000 per annum.
- The agreement may be terminated by either party, without reason, by giving 3 months' written notice. The agreement contains usual clauses for termination in the case of misconduct, incapacity, or breach of agreement. There are no benefits payable on termination other than entitlements accrued to the date of termination, unless approved by shareholders in accordance with the Corporations Act. By mutual agreement with the Company the service agreement has been suspended on Aug 15th 2013 and no outstanding payments are due

Directors' Report continued

Share-based compensation

Options are issued at no cost to key management personnel as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of key management personnel of De Grey Mining Limited to increase goal congruence between key management personnel 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
Directors								
Peter Batten	03/09/2012	6,500,000	14/09/2012	03/09/2014	2.2	1.15	N/A	19.1
Peter Batten	03/09/2012	6,500,000	03/09/2013	03/09/2015	2.3	1.32	N/A	13.8
Peter Batten	03/09/2012	6,500,000	03/09/2014	03/09/2015	2.6	1.30	N/A	6.8
Darren Townsend	21/10/2011	1,000,000	21/10/2012	30/04/2014	6.5	1.61	N/A	14.1
Jason Brewer	21/10/2011	1,000,000	21/10/2012	30/04/2014	6.5	1.61	N/A	13.1
Gary Brabham	21/10/2011	3,000,000	(1)	30/04/2014	6.5	1.61	N/A	-

(1) These options, originally vesting on 21 October 2012, were cancelled following Mr Brabham's change of role from Managing Director to Non-Executive Director in July 2012. The cancellation prior to vesting resulted in a write-back of previously recognised share-based payment expense of $33,388.

DIRECTORS' MEETINGS

During the year the company held ten meetings of directors. The attendance of directors at meetings of the board were:

			Meetings of Committees			
	Directors Meetings		Audit		Remuneration	
	A	**B**	**A**	**B**	**A**	**B**
Peter Batten	10	10	2	2	-	-
Darren Townsend	10	10	2	2	-	-
Jason Brewer	10	10	1	2	-	-
Gary Brabham	6	8	1	2	-	-

Notes

A - Number of meetings attended.

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

SHARES UNDER OPTION

At the date of this report there are 39,500,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	20,500,000
Movements of share options during the year:	
Issued, exercisable at 2.2 cents, on or before 3 September 2014	6,500,000
Issued, exercisable at 2.3 cents, on or before 3 September 2015	6,500,000
Issued, exercisable at 2.6 cents, on or before 3 September 2015	6,500,000
Issued, exercisable at 3 cents, on or before 10 January 2016	2,500,000
Cancelled, exercisable at 6.5 cents, on or before 30 April 2014	(3,000,000)
Total number of options outstanding as at 30 June 2013 and the date of this report	**39,500,000**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
30 April 2014	6.5	7,000,000
30 June 2014	6.5	10,500,000
3 September 2014	2.2	6,500,000
3 September 2015	2.3	6,500,000
3 September 2015	2.6	6,500,000
10 January 2016	3.0	2,500,000
Total number of options outstanding at the date of this report		**39,500,000**

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 issue of any other body corporate.

Directors' Report continued

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, De Grey Mining Limited paid a premium to insure the directors and secretary of the Company. The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Butler Settineri (Audit) Pty Ltd, or associated entities (refer note 17). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general standard of independence for auditors.

Butler Settineri received or are due to receive the following amounts for the provision of non-audit services:

	2013 $	2012 $
Tax compliance services	**1,779**	1,616

PROCEEDINGS ON BEHALF OF THE COMPANY

As at the date of this report there are no leave applications or proceedings booked on behalf of De Grey Mining Limited 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.

Peter Batten
Executive Chairman

Perth, 27 September 2013

Chartered Accountants

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 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 audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

The declaration is in respect of De Grey Mining Limited and the entities it controlled during the year.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 27 September 2013

BUTLER SETTINERI

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Butler Settineri (Audit) Pty Ltd
ACN 112 942 373

Registered Company Auditor Number 289109

Corporate Governance Statement

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 shareholding 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 directors' 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.

Corporate Governance Statement continued

	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 Executive Chairman 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**	
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	**N/A**	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**N/A**	The positions of Chairman and Managing Director are both held by Peter Batten. Sourcing alternative directors to strictly comply with this Principle is considered cost prohibitive for a Company of this size with costs out weighing potential benefits.
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**	The skills and experience and the period of office of Directors are set out in the Company's Annual Report (Directors' 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

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them	**N/A**	The Company has adopted a diversity policy which can be viewed on its website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. The Company does not think that it is appropriate to state measurable objectives for achieving gender diversity due to its size and stage of development.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	**N/A**	The Company has adopted a diversity policy which can be viewed on its website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. However, the policy does not include requirements for the board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development as an exploration company, the board does not think it is yet appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board	**A**	The proportion of women employees in the whole organisation is nil. There are currently no women in senior executive positions. There are currently no women on the board.
3.5	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**	
	• 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**	
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**	

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
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.
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.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
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**	The Board has received the required assurance and declaration.
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	The remuneration committee should be structured so that it:		
	• consists of a majority of independent directors	**A**	The remuneration committee consists of Darren Townsend and Jason Brewer, both of whom are independent directors.
	• is chaired by an independent director	**A**	
	• has at least 3 members	**N/A**	Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs out weighing potential benefits.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	
8.4	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. 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, directors receive options in the company in accordance with the employees and contractors option incentive plan.

A = Adopted
N/A = Not adopted

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $
REVENUE	4	**40,084**	1,580,684
EXPENDITURE			
Depreciation expense		**(19,100)**	(30,717)
Employee benefits expense		**(575,198)**	(586,688)
Exploration expenditure		**(2,455,695)**	(1,765,021)
Corporate expenses		**(113,792)**	(175,292)
Occupancy expenses		**(127,319)**	(112,628)
Consulting expenses		**(141,088)**	(136,835)
Investor relations and advertising expenses		**(40,085)**	(17,172)
Administration expenses		**(132,533)**	(87,654)
Share based payments	26	**(215,550)**	(246,146)
Other expenses		**(9,134)**	(3,068)
LOSS BEFORE INCOME TAX		**(3,789,410)**	(1,580,537)
INCOME TAX BENEFIT / (EXPENSE)	6	**-**	-
LOSS FOR THE YEAR		**(3,789,410)**	(1,580,537)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**17,429**	21,018
Other comprehensive income for the year, net of tax		**17,429**	21,018
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED		**(3,771,981)**	(1,559,519)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	25	**(0.9)**	(0.5)

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

Consolidated Statement of Financial Position

AT 30 JUNE 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $
CURRENT ASSETS			
Cash and cash equivalents	7	**237,484**	2,418,214
Trade and other receivables	8	**28,801**	25,443
Other assets	9	**36,695**	40,413
TOTAL CURRENT ASSETS		**302,980**	2,484,070
NON-CURRENT ASSETS			
Plant and equipment	10	**71,418**	79,487
TOTAL NON-CURRENT ASSETS		**71,418**	79,487
TOTAL ASSETS		**374,398**	2,563,557
CURRENT LIABILITIES			
Trade and other payables	11	**251,417**	256,534
Provisions	12	**40,452**	20,798
TOTAL CURRENT LIABILITIES		**291,869**	277,332
TOTAL LIABILITIES		**291,869**	277,332
NET ASSETS		**82,529**	2,286,225
EQUITY			
Contributed equity	13	**43,550,486**	42,197,751
Reserves	14(a)	**719,616**	486,637
Accumulated losses	14(b)	**(44,187,573)**	(40,398,163)
TOTAL EQUITY		**82,529**	2,286,225

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

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2013

Consolidated	Notes	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 year	14(b)	-	-	-	(1,580,537)	(1,580,537)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	14(a)	-	-	21,018	-	21,018
TOTAL COMPREHENSIVE LOSS		-	-	21,018	(1,580,537)	(1,559,519)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	13(b)	2,484,935	-	-	-	2,484,935
Share issue transaction costs	13(b)	(226,679)	-	-	-	(226,679)
Issue of employee and contractor options	14(a)	-	246,146	-	-	246,146
Transfer of reserve upon expiry of options	14(a)	-	(137,075)	-	137,075	-
BALANCE AT 30 JUNE 2012		42,197,751	422,146	64,491	(40,398,163)	2,286,225
Loss for the year	14(b)	**-**	**-**	**-**	**(3,789,410)**	**(3,789,410)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	14(a)	**-**	**-**	**17,429**	**-**	**17,429**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**17,429**	**(3,789,410)**	**(3,771,981)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	13(b)	**1,534,870**	**-**	**-**	**-**	**1,534,870**
Share issue transaction costs	13(b)	**(182,135)**	**-**	**-**	**-**	**(182,135)**
Issue of employee and contractor options	14(a)	**-**	**215,550**	**-**	**-**	**215,550**
BALANCE AT 30 JUNE 2013		**43,550,486**	**637,696**	**81,920**	**(44,187,573)**	**82,529**

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

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,118,987)**	(1,148,259)
Interest received		**45,183**	64,301
Proceeds on sale of tenements		**-**	1,500,000
Payments for exploration and evaluation expenditure		**(2,464,431)**	(1,668,444)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	24	**(3,538,235)**	(1,252,402)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		**1,420**	22,727
Payments for plant and equipment		**(18,966)**	(7,668)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(17,546)**	15,059
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**1,534,870**	2,484,935
Payments of share issue transaction costs		**(182,135)**	(226,679)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,352,735**	2,258,256
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,203,046)**	1,020,913
Cash and cash equivalents at the beginning of the financial year		**2,418,214**	1,375,979
Effects of exchange rate changes on cash and cash equivalents		**22,316**	21,322
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**237,484**	2,418,214

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

Notes to the Consolidated Financial Statements

30 JUNE 2013

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 27 September 2013. 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 and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. De Grey Mining Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

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).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(iv) 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 2013 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

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.

(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, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

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.

De Grey Mining Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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.

(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 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

(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.

(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 quoted in an active market 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.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of 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) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment 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 profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(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 the 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

(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 measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and long service leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(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.

(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.

(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 2013 reporting periods and have not been early adopted by the Group. 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

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 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)

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 2012–2 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 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2011–7] (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 2011–7: 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

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 materially 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)

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 materially 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.

AASB 119: Employee Benefits (applicable for annual reporting periods commencing on or after 1 January 2013)

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn.

Consequential amendments were also made to other standards via AASB 2011-10.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (applicable for annual reporting periods commencing on or after 1 January 2013)

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the “stripping activity asset”.

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

(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 $3,789,410 (2012: $1,580,537) for the year ended 30 June 2013, a cash and cash equivalents balance of $237,484 (2012: $2,418,214) and exploration and other commitments due within one year as described in note 19 to the financial statements. 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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

The Group has 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 $237,484 (2012: $2,418,214) 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 3.0% (2012: 3.4%).

Sensitivity analysis

At 30 June 2013, 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 $10,623 lower/higher (2012: $15,000 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

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 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	
	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$
Segment revenue	-	1,500,000	-	-	-	1,500,000
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue					**40,084**	64,225
Other revenue					-	16,459
Total revenue					**40,084**	1,580,684
Segment results	**(221,485)**	1,338,838	**(2,234,210)**	(1,603,859)	**(2,455,695)**	(265,021)
Reconciliation of segment result to net loss before tax:						
Other corporate and administration					**(1,333,715)**	(1,315,516)
Net loss before tax					**(3,789,410)**	(1,580,537)
Segment operating assets	-	-	-	-	-	-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					**374,398**	2,563,557
Total assets					**374,398**	2,563,557
Segment operating liabilties	**169,525**	143,689	**60,198**	86,309	**229,723**	229,998
Reconciliation of segment operating liabilities to total liabilities:						
Other corporate and administration liabilities					**62,146**	47,334
Total liabilities					**291,869**	277,332

4. REVENUE

	Consolidated	
	2013	2012
	$	$
From continuing operations		
Other revenue		
Interest	**40,084**	64,225
Net gain on sale of tenements	-	1,500,000
Net gain on disposal of plant and equipment	-	2,993
Foreign exchange gains	-	4,710
Other revenue	-	8,756
	40,084	1,580,684

Notes to the Consolidated Financial Statements continued

30 JUNE 2013	Consolidated 2013 $	Consolidated 2012 $
5. EXPENSES		
Loss before income tax includes the following specific expenses:		
Net loss on disposal of plant and equipment	**1,628**	-
Rental of premises under operating lease	**91,113**	91,799
Contributions to superannuation funds	**66,761**	66,530
Foreign exchange losses	**1,853**	-
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	**(3,789,410)**	(1,580,537)
Prima facie tax benefit at the Australian tax rate of 30% (2012: 30%)	**(1,136,823)**	(474,161)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capital raising fees	**(28,504)**	(17,576)
Sundry items	**12,350**	(30,740)
	(1,152,977)	(522,477)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**1,152,977**	522,477
Income tax expense	**-**	-
(c) Unrecognised deferred tax assets		
Unrecognised deferred tax assets		
Provisions	**34,470**	24,788
Capital raising fees	**92,464**	66,328
Carry forward tax losses	**13,051,682**	11,898,706
Gross deferred tax assets	**13,178,616**	11,989,822

No deferred tax asset has been recognised for the above balance as at 30 June 2013 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.

Notes to the Consolidated Financial Statements continued

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	Consolidated 2013 $	Consolidated 2012 $
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**120,544**	56,261
Short-term deposits	**116,940**	2,361,953
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**237,484**	2,418,214

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

	2013 $	2012 $
Sundry debtors	**28,801**	25,443

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

9. CURRENT ASSETS – OTHER ASSETS

	2013 $	2012 $
Prepayments	**36,695**	40,413

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2013 $	2012 $
Plant and equipment		
Cost	**457,257**	474,303
Accumulated depreciation	**(385,839)**	(394,816)
Net book amount	**71,418**	79,487
Plant and equipment		
Opening net book amount	**79,487**	122,574
Exchange differences	**(4,887)**	(304)
Additions	**18,966**	7,668
Disposals	**(3,048)**	(19,734)
Depreciation charge	**(19,100)**	(30,717)
Closing net book amount	**71,418**	79,487

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2013 $	2012 $
Trade payables	**150,111**	122,844
Other payables and accruals	**101,306**	133,690
	251,417	256,534

Included in trade and other payables above is an amount of $229,723 (2012: $229,998) relating to exploration.

12. CURRENT LIABILITIES – PROVISIONS

	2013 $	2012 $
Employee benefits		
Annual leave	**23,298**	6,442
Long service leave	**17,154**	14,356
	40,452	20,798

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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

13. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2013 Number of shares	2013 $	2012 Number of shares	2012 $
Ordinary shares fully paid	13(b), 13(d)	**570,915,646**	**43,550,486**	396,914,226	42,197,751
Total contributed equity		**570,915,646**	**43,550,486**	396,914,226	42,197,751

(b) Movements in ordinary share capital

	2013 Number of shares	2013 $	2012 Number of shares	2012 $
Beginning of the financial year	**396,914,226**	**42,197,751**	258,862,350	39,939,495
Issued during the year:				
– Cash received in advance of share issue	**-**	**50,000**	-	-
– Issued for cash at 0.8 cents per share	**166,858,562**	**1,334,870**	-	-
– Issued for cash at 1.8 cents per share	**-**	**-**	138,051,876	2,484,935
– Issued for cash at 2.1 cents per share	**7,142,858**	**150,000**	-	-
Transaction costs	**-**	**(182,135)**	-	(226,679)
End of the financial year	**570,915,646**	**43,550,486**	396,914,226	42,197,751

(c) Movements in options on issue

	Number of options 2013	Number of options 2012
Beginning of the financial year	**20,500,000**	14,250,000
Issued/(cancelled or expired) during the year:		
– Exercisable at 2.2 cents, on or before 3 Sep 2014	**6,500,000**	-
– Exercisable at 2.3 cents, on or before 3 Sep 2015	**6,500,000**	-
– Exercisable at 2.6 cents, on or before 3 Sep 2015	**6,500,000**	-
– Exercisable at 3 cents, on or before 10 Jan 2016	**2,500,000**	-
– Exercisable at 6.5 cents, on or before 30 Apr 2014	**(3,000,000)**	10,000,000
– Exercisable at 6.5 cents, on or before 30 Jun 2014	**-**	2,500,000
– Exercisable at 25 cents, on or before 4 Jul 2012	**-**	(3,000,000)
– Exercisable at 25 cents, on or before 30 Jun 2013	**-**	(3,250,000)
End of the financial year	**39,500,000**	20,500,000

(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 2013 (2012: Nil).

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

	Consolidated 2013 $	Consolidated 2012 $

13. CONTRIBUTED EQUITY (cont'd)

(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 2013 and 30 June 2012 are as follows:

	2013 $	2012 $
Cash and cash equivalents	**237,484**	2,418,214
Trade and other receivables	**28,801**	25,443
Other assets	**36,695**	40,413
Trade and other payables	**(251,417)**	(256,534)
Provisions	**(40,452)**	(20,798)
Working capital position	**11,111**	2,206,738

14. RESERVES AND ACCUMULATED LOSSES

	2013 $	2012 $
(a) Reserves		
Share-based payments reserve	**637,696**	422,146
Foreign currency translation reserve	**81,920**	64,491
	719,616	486,637
Movements:		
Share-based payments reserve		
Balance at beginning of year	**422,146**	313,075
Option expense	**215,550**	246,146
Transfer to Accumulated Losses on expiry of options	**-**	(137,075)
Balance at end of year	**637,696**	422,146
Foreign currency translation reserve		
Balance at beginning of year	**64,491**	43,473
Exchange differences on translation of foreign operation	**17,429**	21,018
Balance at end of year	**81,920**	64,491
(b)Accumulated losses		
Balance at beginning of year	**(40,398,163)**	(38,954,701)
Net loss for the year	**(3,789,410)**	(1,580,537)
Transfer from Share-Based Payments Reserve	**-**	137,075
Balance at end of year	**(44,187,573)**	(40,398,163)

(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 entity are recognised in other comprehensive income as described in note 1(d) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

	Consolidated 2013 $	Consolidated 2012 $

15. DIVIDENDS

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

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2013 $	2012 $
Short-term benefits	**373,292**	449,817
Post-employment benefits	**30,863**	28,760
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**212,688**	136,146
	616,843	614,723

Detailed remuneration disclosures are provided in the remuneration report on pages B5 to B7.

(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 B7.

(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:

2013	**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							
Peter Batten	**-**	**19,500,000**	**-**	**-**	**19,500,000**	**6,500,000**	**13,000,000**
Darren Townsend	**2,000,000**	**-**	**-**	**-**	**2,000,000**	**2,000,000**	**-**
Jason Brewer	**2,000,000**	**-**	**-**	**-**	**2,000,000**	**2,000,000**	**-**
Gary Brabham	**6,000,000**	**-**	**-**	**(3,000,000)**	**3,000,000[(1)]**	**3,000,000**	**-**

(1) Balance held at the date of resignation.

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

2012	**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	1,000,000	2,000,000	-	(1,000,000)	2,000,000	1,000,000	1,000,000
Gary Brabham	3,250,000	6,000,000	-	(3,250,000)	6,000,000	3,000,000	3,000,000
Jason Brewer	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000

Notes to the Consolidated Financial Statements continued

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16. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(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.

2013	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				
Peter Batten	**-**	**-**	**15,321,336**	**15,321,336**
Darren Townsend	**890,440**	**-**	**3,570,220**	**4,460,660**
Jason Brewer	**733,334**	**-**	**366,667**	**1,100,001**
Gary Brabham	**192,860**	**-**	**-**	**192,860**(1)

(1) Balance held at the date of resignation.

2012	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	-	547,814	890,440
Gary Brabham	144,645	-	48,215	192,860
Jason Brewer	-	-	733,334	733,334

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

17. REMUNERATION OF AUDITORS

	Consolidated 2013 $	Consolidated 2012 $
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:		
(a) Audit services		
Butler Settineri (Audit) Pty Ltd - audit and review of financial reports	**27,404**	28,559
Total remuneration for audit services	**27,404**	28,559
(b) Non-audit services		
Butler Settineri – tax compliance services	**1,779**	1,616
Total remuneration for other services	**1,779**	1,616

Notes to the Consolidated Financial Statements continued

30 JUNE 2013	Consolidated 2013 $	Consolidated 2012 $

18. CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets of the Group at balance date.

19. COMMITMENTS

(a) Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	2013 $	2012 $
within one year	-	1,150,500
later than one year but not later than five years	-	3,767,000
later than five years	-	-
	-	4,917,500

As at 30 June 2013 the Group does not have any statutory minimum expenditure requirements on its tenement holdings, but does have minimum statutory work requirements to maintain the tenements in good order. These include a commitment to drill 1,500m by March 2014 on EP 51985 (Puhipuhi, NZ), with an additional 1,500m by 19 October 2014. Also, to meet the conditions of the option to purchase Pachi (Argentina), 500m of drilling needs to be completed by 31 December 2013.

(b) Lease commitments: Group as lessee

	2013 $	2012 $
Operating leases (non-cancellable):		
Minimum lease payments		
within one year	**59,955**	62,545
later than one year but not later than five years	**49,963**	-
later than five years	-	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**109,918**	62,545

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) 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 $6,224,808 (2012: $2,688,231). 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 $13,089,171 (2012: $13,141,993) at 30 June 2013.

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.

Notes to the Consolidated Financial Statements continued

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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*	
			2013	2012
			%	%
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. The Atlas shares received as consideration were subsequently sold by De Grey during prior financial periods. 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 an agreement with Attgold Pty Ltd to acquire an extra 16 kilometres of strike along the Tabba Tabba Shear in the company's Turner River Province, 60 kms south of Port Hedland.

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.

(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 April 2013 De Grey sold its royalty over the first 2 million tonnes of iron ore to be produced from Mt Dove to Atlas Iron for cash payment of $1,000,000, that payment being received in April 2013.

At inception, De Grey received an initial consideration of 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 over tonnes produced from Mt Dove in excess of 2 million tonnes.

(d) Turner River Gold Farm-out

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.

Notes to the Consolidated Financial Statements continued

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22. INTERESTS IN JOINT VENTURES (cont'd)

On September 24 2012, Polymetals Mining Ltd (ASX:PLY) announced that they had acquired a 100% interest in Lansdowne Resources Pty Ltd.

In March 2013 Polymetals Mining Ltd announced a merger with Southern Cross Goldfields Ltd (ASX: SXG). The merged entity will control Lansdowne as a wholly owned subsidiary.

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 Wingina 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 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.

On September 24 2012, Polymetals Mining Ltd (ASX:PLY) announced that they had acquired a 100% interest in Lansdowne Resources Pty Ltd.

In March 2013 Polymetals Mining Ltd announced a merger with Southern Cross Goldfields Ltd (ASX: SXG). The merged entity will control Lansdowne as a wholly owned subsidiary.

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

(f) 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.
- In March 2013 MSA agreed to allow DGA to retain exclusive exploration rights over the remaining projects in this agreement. No further payments were required from DGA to continue to explore and a separate purchase agreement will be negotiated should DGA notify MSA of an intention to purchase a project under this agreement.

(g) Sierra Morena Purchase Option Agreement

In April 2012 De Grey, through the wholly owned subsidiary De Grey Argentina SA ("DGA"), exercised its rights under the Minera Sudamericana ("**MSA**")Option Agreement to enter into an option-to-purchase agreement over the Sierra Morena Project comprising tenements MS401.670/MSD/07 and MS401.671/MSD/07 located in Santa Cruz Province, Argentina. The purchase agreement requires DGA to make a series of escalating payments over 3 years from the commencement date on 1 April 2012, those payments to total US$2 million. In the event that DGA completes the purchase of Sierra Morena, 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. DGA may withdraw from the purchase agreement at any time in which event it would retain no further interest in the project.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

22. INTERESTS IN JOINT VENTURES (cont'd)

(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.

Due to access complications De Grey Argentina SA has requested an extension of time to complete their expenditure commitments from Minera Kingsgate Argentina SA. Negotiations are continuing.

(i) Pachi Project Option Agreement

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 ounces 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.

The initial exploration period for the completion of the drilling and the first payment was extended to the end of December 2013.

(j) Turner River Shingles, River Sand and Limestone Blocks Farm-Out

During October 2012 De Grey, through the wholly owned subsidiary Last Crusade Pty Ltd ("LC"), entered into an agreement with Mobile Concreting Solutions Pty Ltd ("MCS") under which LC will facilitate the excision of graticule B703 from LC's Exploration Licence 45/3390. Under the agreement, MCS will apply for a mining licence over the excised graticule to mine for shingles, river sand and limestone blocks. LC retains the right to explore for all other minerals on the affected ground and MCS will pay a royalty of $0.50 per tonne for all material removed. Mining operations have yet to commence.

23. EVENTS OCCURRING AFTER THE REPORTING DATE

During July 2013 the Company completed the shortfall allocation associated with the Entitlements Offer dated 9 April 2013, via the issue of 6,250,000 ordinary shares. The funds associated with this issue had been received prior to the reporting date.

During September 2013 the Company entered into separate loan agreements with Messer's Batten and Townsend. Mr Batten provided funds totalling $33,000, and Mr Townsend provided funds totalling $16,800, to the Company. The loans are all unsecured, repayable six months from completion, and attract interest at the rate of 12% per annum. In conjunction with the placement outlined below, the Company has agreed to convert these loans in to equity at $0.0025 per fully paid ordinary share.

During September 2013 the Company agreed that it will place up to 228.5 million fully paid ordinary shares at $0.0025. As a fee for facilitation of this placement the Company has agreed to issue an additional 50 million fully paid ordinary shares at $0.0001. As a result of this placement the Board composition is currently under review.

No other matter or circumstance has arisen since 30 June 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

	Consolidated 2013 $	Consolidated 2012 $
24. STATEMENT OF CASH FLOWS		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(3,789,410)**	(1,580,537)
Non-Cash Items		
Depreciation of non-current assets	**19,100**	30,717
Net loss/(gain) on disposal of plant and equipment	**1,628**	(2,993)
Option expense	**215,550**	246,146
Change in operating assets and liabilities		
(Increase)decrease in trade and other receivables	**(3,358)**	20,656
Decrease/(increase) in other assets	**3,718**	(245)
(Decrease)/increase in trade and other payables	**(5,117)**	72,535
Increase/(decrease) in employee entitlement provisions	**19,654**	(38,681)
Net cash outflow from operating activities	**(3,538,235)**	(1,252,402)

25. LOSS PER SHARE

	2013 $	2012 $
(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	**(3,789,410)**	(1,580,537)

	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	**430,219,796**	303,300,415

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2013, 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.

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 2.2 cents to 6.5 cents per option. All options granted to employees in previous financial years have vested. Of options granted to employees during the current financial year, those granted on 10 January 2013 vested on grant date, whilst a third of those granted on 3 September 2012 vested on issue, with a third to vest on 3 September 2013 and a third to vest on 3 September 2014. The options have expiry dates ranging from 30 April 2014 to 10 January 2016.

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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

26. SHARE-BASED PAYMENTS (cont'd)

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 - 2013							
3 Sep 2012	3 Sep 2014	2.2	-	**6,500,000**	-	**6,500,000**	**6,500,000**
3 Sep 2012	3 Sep 2015	2.3	-	**6,500,000**	-	**6,500,000**	-
3 Sep 2012	3 Sep 2015	2.6	-	**6,500,000**	-	**6,500,000**	-
10 Jan 2013	10 Jan 2016	3.0	-	**2,500,000**	-	**2,500,000**	**2,500,000**
18 May 2011	30 Jun 2014	6.5	**8,000,000**	-	-	**8,000,000**	**8,000,000**
14 Jun 2011	30 Jun 2014	6.5	**2,500,000**	-	-	**2,500,000**	**2,500,000**
21 Oct 2011	30 Apr 2014	6.5	**10,000,000**	-	**(3,000,000)**	**7,000,000**	**7,000,000**
			20,500,000	**22,000,000**	**(3,000,000)**	**39,500,000**	**26,500,000**
Consolidated - 2012							
10 Jul 2007	4 Jul 2011	25	3,000,000	-	(3,000,000)	-	-
1 Dec 2009	30 Jun 2012	25	3,250,000	-	(3,250,000)	-	-
18 May 2011	30 Jun 2014	6.5	8,000,000	-	-	8,000,000	8,000,000
14 Jun 2011	30 Jun 2014	6.5	2,500,000	-	-	2,500,000	2,500,000
21 Oct 2011	30 Apr 2014	6.5	-	10,000,000	-	10,000,000	5,000,000
			16,750,000	10,000,000	(6,250,000)	20,500,000	15,500,000

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.5 years (2012: 1.9 years), and the exercise prices range from 2.2 to 6.5 cents.

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was 1.3 cents (2012: 1.6 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2013	2012
Weighted average exercise price (cents)	2.4	6.5
Weighted average life of the option (years)	2.7	2.5
Weighted average underlying share price (cents)	1.7	2.6
Expected share price volatility	148.90%	140.54%
Weighted average risk free interest rate	2.53%	4.75%

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.

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:

	Consolidated	
	2013	2012
	$	$
Options issued to employees and contractors	**215,550**	246,146

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

27. PARENT ENTITY INFORMATION

The following information relates to the parent entity, De Grey Mining Limited, at 30 June 2013. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	Parent Entity 2013 $	Parent Entity 2012 $
Current assets	**289,746**	2,447,273
Non-current assets	**65,805**	71,900
Total assets	**355,551**	2,519,173
Current liabilities	**231,673**	191,021
Total liabilities	**231,673**	191,021
Contributed equity	**43,550,486**	42,197,751
Share-based payments reserve	**637,696**	422,146
Accumulated losses	**(44,064,304)**	(40,291,745)
Total equity	**123,878**	2,328,152
Loss for the year	**(3,772,559)**	(1,475,124)
Other comprehensive loss	**-**	-
Total comprehensive loss for the year	**(3,772,559)**	(1,475,124)

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages B15 to B42 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 2013 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.

Peter Batten

Executive Chairman

Perth, 27 September 2013

INDEPENDENT AUDITOR REPORT
TO THE MEMBERS OF DE GREY MINING LTD

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 2013 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 Company 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.

Chartered Accountants

BUTLER SETTINERI

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Butler Settineri
(Audit) Pty Ltd
ACN 112 942 373

Registered Company Auditor
Number 289109

Liability limited by a scheme approved under Professional Standards Legislation

Independence

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

Auditor's Opinion

In our opinion, the financial report of De Grey Mining Ltd 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 2013 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards the Corporations Regulations 2001.

c) 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 expenditure commitments is dependent upon the Group raising further working capital. These conditions indicate 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.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages B5 to B7 of the directors' report for the year ended 30 June 2013.

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 2013, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 27 September 2013

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 25 September 2013.

(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	76	32,986
1,001	-	5,000	227	752,783
5,001	-	10,000	284	2,420,930
10,001	-	100,000	997	42,760,618
100,001		and over	540	531,198,329
			2,124	577,165,646
The number of shareholders holding less than a marketable parcel of shares are:			1,696	62,155,002

(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	3.95
2	Karari Aust Pty Ltd	15,790,000	2.74
3	Batten Resources Pty Ltd <Batten S/F A/C>	15,321,336	2.65
4	Topspeed Pty Ltd <Skinner No 1 Super>	15,000,000	2.60
5	A J Tapp & M Polymeneas <Super Account>	14,788,415	2.56
6	Bill Brooks Pty Ltd <Bill Brooks Fam A/C>	12,500,000	2.17
7	Kenneth Livingstone	9,150,000	1.59
8	Struven Nom Pty Ltd <Alan Strunin Staff>	9,000,000	1.56
9	Harmanis Holdings Pty Ltd <Harman Fam A/C>	8,422,034	1.46
10	Pontre Sec Pty Ltd	8,290,000	1.44
11	Bougainvillaea Holdings Pty Ltd <Super Fund A/C>	8,000,000	1.39
12	Discovery 111 Pty Ltd <Boschetti S/F Account>	8,000,000	1.39
13	Yandal Inv Pty Ltd	6,750,000	1.17
14	Mannwest Group Pty Ltd	6,400,000	1.11
15	Armco Barriers Pty Ltd	6,000,000	1.04
16	Cary Max Coutelas	5,940,000	1.03
17	Savannah Engineers Pty Ltd	5,250,655	0.91
18	Nockolds Super Pty Ltd <Nockolds S/F A/C>	5,205,152	0.90
19	Jack Yuejin Li	5,185,304	0.90
20	CH Global Pty Ltd <ABC Inv A/C>	5,000,000	0.87
		192,792,804	33.43

(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

(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.

(f) Unquoted Securities

			Holders of 20% or more of the class	
Class	Number of Securities	Number of Holders	Holder Name	Number of Securities
Unlisted $0.065 options, expiry 30 June 2014	10,500,000	7	Glenn Robert Martin	3,000,000
			Geotech International Pty Ltd	2,500,000
Unlisted $0.065 options, expiry 30 April 2014	7,000,000	3	Nicola Maree Brabham	3,000,000
			Scooby Holdings Pty Ltd	2,000,000
			Townsend Family Trust	2,000,000
Unlisted $0.022 options, expiry 3 September 2014	6,500,000	1	Peter Batten	6,500,000
Unlisted $0.023 options, expiry 3 September 2015	6,500,000	1	Peter Batten	6,500,000
Unlisted $0.026 options, expiry 3 September 2015	6,500,000	1	Peter Batten	6,500,000
Unlisted $0.03 options, expiry 10 January 2016	2,500,000	3	Glenn Robert Martin	1,500,000
			Kiesten Drake-Brockman	500,000
			Emma Severne	500,000