

De Grey Mining Limited

ABN 65 094 206 292

11

Annual Report

for the year ended 30 June 2015

Corporate Information

ABN 65 094 206 292

Directors

Peter Batten (Executive Chairman)
Simon Lill (Non-Executive Director)
Steven Morris (Non-Executive Director) (appointed 29 October 2014)
Darren Townsend (Non-Executive Director) (resigned 20 November 2014)

Company Secretary

Craig Nelmes

Registered Office and Principal Place of Business

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The Business Centre
55 Salvado Road
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Telephone: +61 8 9381 4108
Facsimile: +61 8 9380 6761

Postal Address

PO Box 131
SUBIACO WA 6904

Solicitors

William & Hughes
25 Richardson Street
WEST PERTH WA 6005

Bankers

National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditors

Butler Settinari (Audit) Pty Ltd
Unit 16, First Floor Spectrum Offices
100 Railway Road
SUBIACO WA 6008

Internet Address

www.degreymining.com.au

Email Address

admin@degreymining.com.au

Stock Exchange Listing

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

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Executive Chairman's Report

We present you the 2015 Annual Report for De Grey Mining Limited.

The past twelve months have been challenging, with the difficulties facing junior exploration companies in the current environment are well documented, that:

- capital for exploration purposes is difficult to attract;
- commodity prices are in general low – certainly relative to the recent price spikes associated with the Chinese inspired commodity boom;
- the Stock Exchange is attributing limited value to exploration assets; and
- there are a myriad of junior exploration companies seeking attention in a crowded market.

As a junior exploration company it can at times be about survival, and we have indeed survived another difficult year as an exploration company. To that end it is worth noting that myself and my fellow directors have operated at minimal fee levels and have contributed substantial effort well and truly above their remuneration.

The Company has been assisted with its funding requirements through:

- A capital raising that raised a total of \$114,346 via the issue of 228,692,212 ordinary shares with attaching options to professional and sophisticated investors; and
- The sale of the Company's New Zealand project, Puhipuhi, to Evolution Mining Limited for \$370,000.

We were disappointed to have to sell Puhipuhi as it is a project that we believed in, but which required greater resources than we could contribute. The sale to a significant gold company growing in status on the ASX vindicates our belief and we wish Evolution exploration success in the future with the Project.

Funds were expended during the year on the Turner River Base Metals Project and on due diligence activities on a diamond project in the Kimberley region of South Africa, both as reported in more detail in the Operations Review but summarised below.

Turner Rive Base Metals – Zinc/Silver Project

During the year De Grey completed a drilling programme at the Tabba Tabba and Discovery prospects.

Post the year's end we have:

- completed an outcrop sampling programme; and
- reanalysed the geophysics covering the Tabba Tabba prospect to better understand why the drilling failed to intersect the indicated target.

At the date of this report, the review and assessment of the data obtained from these activities is continuing.

The board of De Grey has also continuously assessed other opportunities that may benefit the Company and improve De Grey's market position. This included taking an option over a diamond project in the world famous Kimberley district of South Africa, subject to legal, commercial and technical due diligence. We entered into the agreement believing that the initial results would underpin a project with potential significant market impact. Unfortunately (and subsequent to balance date) the technical aspects of the Due Diligence process were unexpectedly negative and the Company was not able to proceed past the due diligence stage.

With respect to its other two projects;

- Great Northern Gold Project - Rugby Mining Limited are in the process of earning an 80% interest and during the year completed two hole drill programmes at Mt Berghaus and Wingina Well, and a regional lag sampling programme; and
- Beyondie Iron Ore - managed by Emergent Resources Limited (80%) and in which De Grey holds a passive 20% interest.

In summary, following another difficult and trying year, De Grey finds itself with interests in several projects and continues to look at other opportunities to progress the company whilst ensuring valid exploration work is completed on its projects to maintain and improve its prospects. 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, 30 September 2015

Operations Report

Overview

The Company, following the closure of its Argentinian interests and the sale of Puhupuhi has four mining and exploration projects, as follows:

- Turner River Base Metals Project;
- Turner River Gold project (renamed Great Northern Gold project by the Joint Venturer, Rugby Mining Limited, who are earning into 80% of the project through the expenditure of \$2 Million over a three year period, with De Grey retaining 20% on a free carried basis through the period);
- Beyondie Iron Ore Joint Venture; and
- Sands Project.

The Company also spent some time in examining the potential of a diamond project in the Kimberley region of South Africa, on which it decided to not proceed.

The Company recognises its two key projects are the Turner River Base Metal and the Great Northern Gold projects which are located 35km south of Port Hedland in the Pilbara Region of Western Australia, covering a combined area of 1,000 sq km (Figure 1). The eastern portion of the project, TR Base Metals, covers the VMS-style polymetallic mineralization discovered in 2006. Tenements in the western portion of the project, Great Northern Gold, are primarily prospective for gold mineralization and include the Wingina Well gold deposit discovered in 2003.

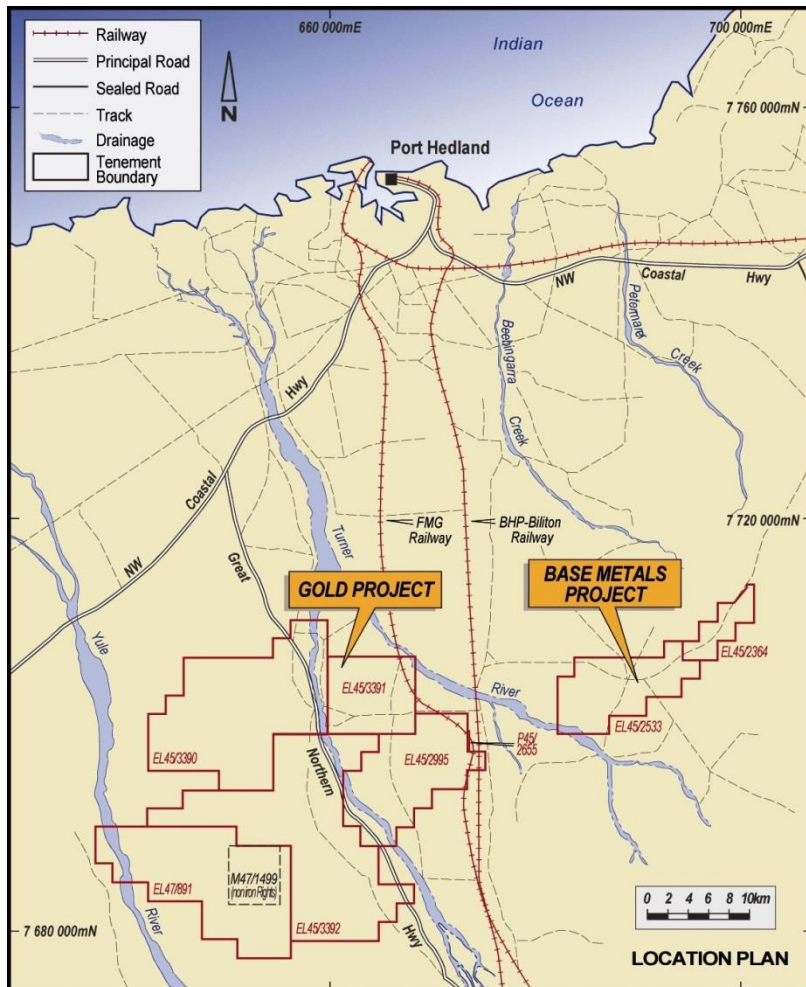


Figure 1: Turner River Location Plan

Operations Report

Turner River Base Metals Project (“TRBMP”)

De Grey’s Base metals project consists of;

- two initial independently estimated resource areas (Discovery and Orchard Tank) with mineralization open at both sites; and
- six prospects with mineralization intersected in drilling.

The resource tables for the TRBMP have been reported to the ASX and are contained further in this report.

Volcanogenic massive sulphide-style (VMS) mineralisation within the Tappa Tappa greenstone belt of the Archaean Pilbara Craton of northern Western Australia was a virgin discovery by De Grey in October 2005.

A 23km strike length of the east-west striking greenstone belt is contained within the TRBMP. The greenstone belt is up to 2km wide and the Tappa Tappa shear is interpreted to represent a terrane boundary separating the Mallina Basin of the Central Pilbara from the East Pilbara Granite-Greenstone region to the southeast.

Drilling December Quarter 2014

The December drilling programme completed five of the six proposed Reverse Circulation (RC) holes for a total of 1,601m (Figure 2). The drilling targeted potential mineralized horizons at the Discovery Prospect and the Tappa Tappa prospect.

The purpose of the drilling was:

- Extend shallow mineralization at Discovery;
- Target existing IP anomalies along strike at Discovery;
- Test a series of IP anomalies at Tappa Tappa, including a zone showing the highest IP anomaly seen to date at Turner River Base Metals

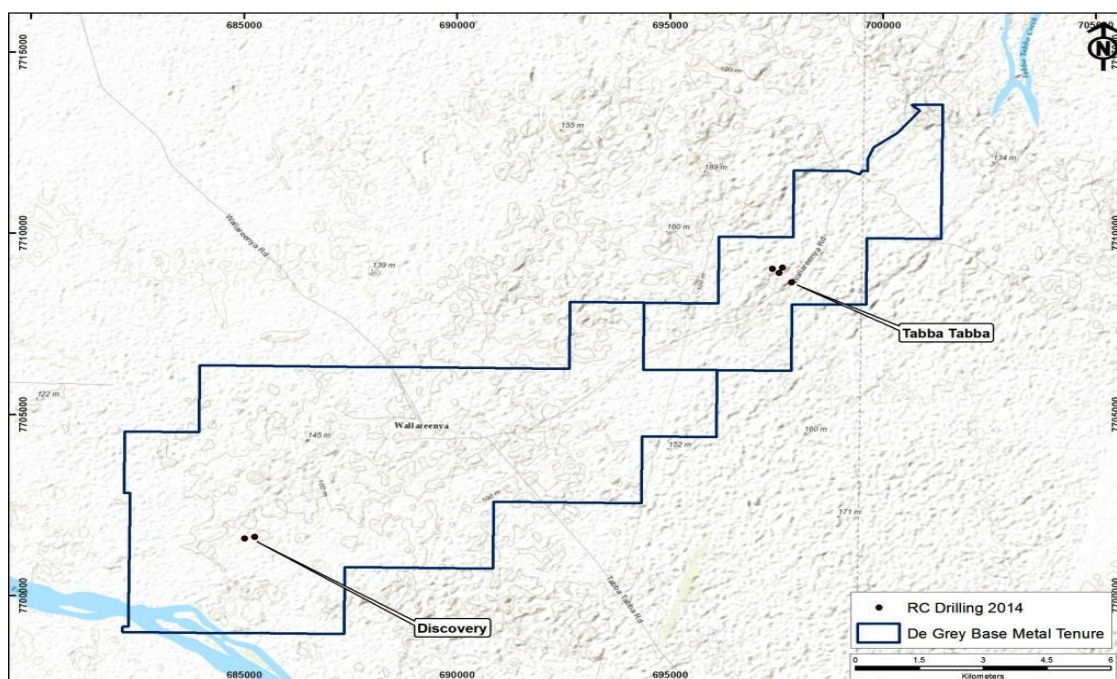


Figure 2: Prospect Locations – showing drill collars

Discovery

The drilling for the Discovery Prospect targeted IP anomalies along strike from the existing mineralization. The drilling was designed to extend the shallow (~100m) mineralisation to the west of the existing resource at Discovery (Figure 3).

The programme completed two of the planned three holes of RC drilling for a total of 364m. The IP anomaly to the east of existing resource at Discovery was not drilled.

DISRC004 was located approximately 100m west of the existing drill delineated mineralization at Discovery and was targeting shallow mineralization extensions.

Operations Report

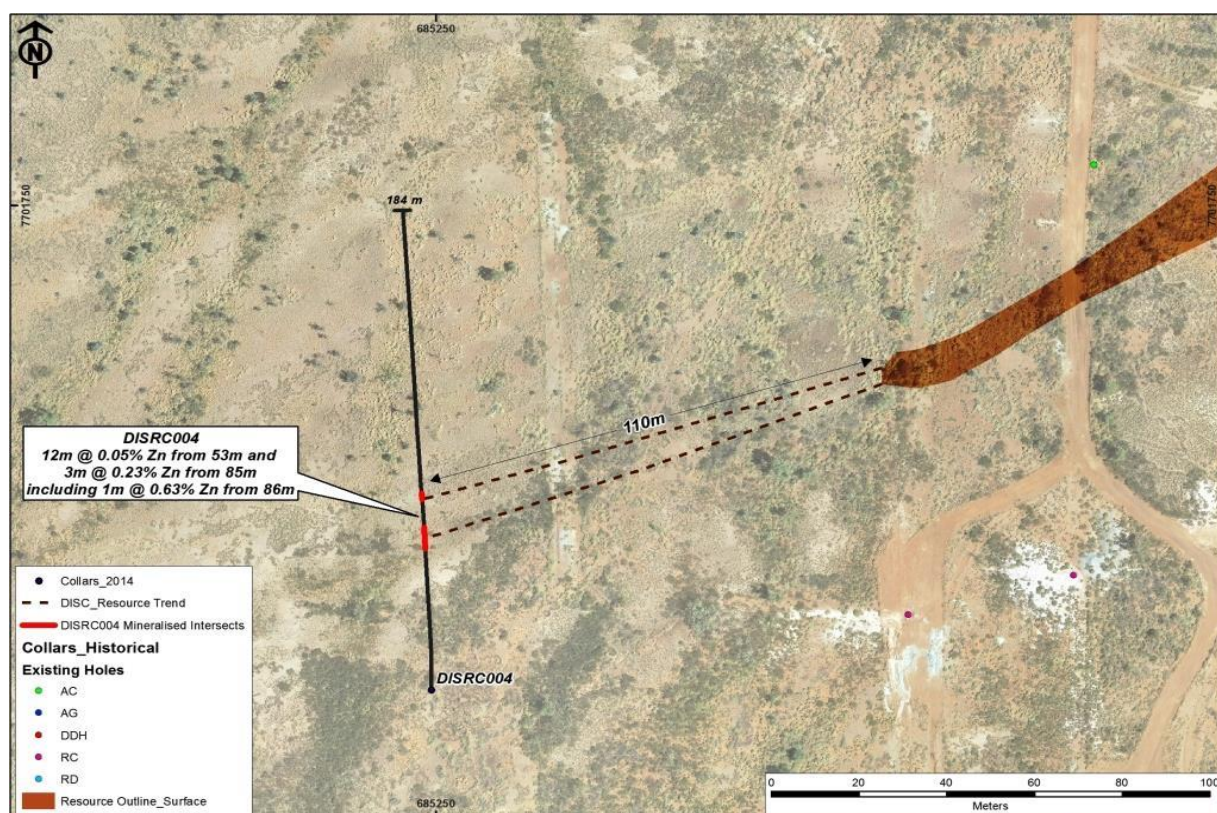


Figure 3: Discovery prospect

DISRC004 intersected two zones of elevated zinc levels that are interpreted as the target mineralized horizon. The two zones, at 53m downhole and 85m downhole, extend the known mineralized horizon by in excess of 100m. This extends the known strike length of the Discovery horizon by approximately 50%.

The wide (12 metres) but low grade mineralization is potentially edge mineralization of the plunging zone. This can be tested with further drilling.

DISRC005, collared 250m west of DISRC004, did not intersect significant mineralization. The mineralization at Discovery may plunge below the level tested by drilling.

Tabba Tabba

The drilling for the Tabba Tabba Prospect tested IP chargeability anomalies that were the product of a survey completed before the project was returned to De Grey's management in early 2014.

These anomalies represent a series of parallel zones extending south west from existing zinc mineralization at Tabba Tabba and to the northwest.

The drilling of the known mineralized horizon, TTRC027, intersected zinc mineralization, 4m at 0.14% Zn, from 300m downhole, effectively extending the strike of the target horizon by more than 500m, a 100% increase in the target strike length (Figure 4). The lower grade mineralization may indicate that the plunge of the mineralization is steeper than predicted and the main zone sits below the recent drillhole.

The other holes drilled at Tabba Tabba, TTRC020, TTRC022 and TTRC023, were targeting the higher level IP anomalies parallel and to the northwest of the known line of mineralization at Tabba Tabba.

Difficult ground conditions resulted in the abandonment of the first hole, TTRC022, and an adjustment of the programme. The other holes targeting this IP anomaly did not intersect significant mineralization.

The source of the IP anomaly has not been resolved. As this mineralization does not display a surface expression it is possible the drilling has straddled the emitter (Figure 4). In an effort to better locate the source of the chargeability anomaly at Tabba Tabba geophysical data were reviewed.

Operations Report

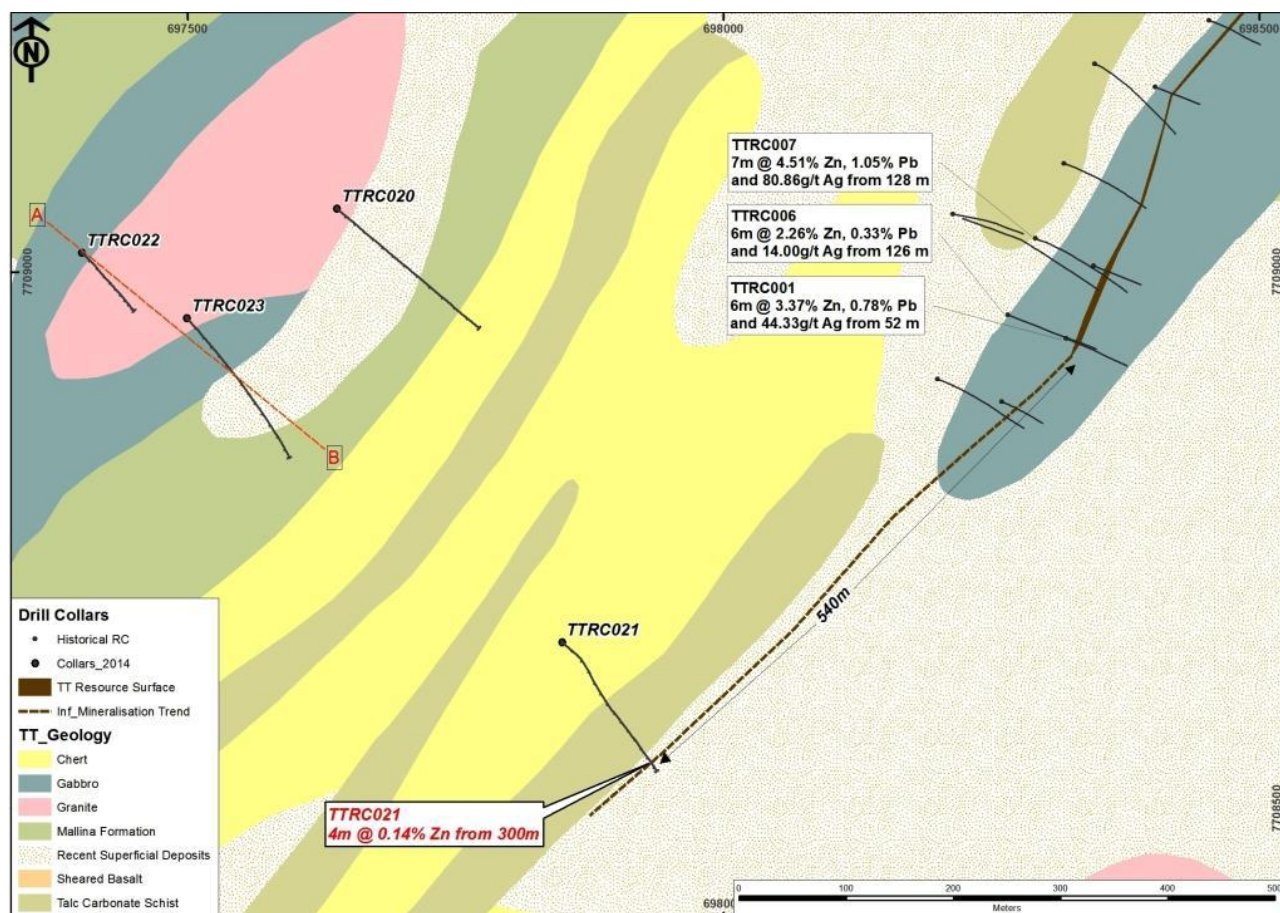


Figure 4: Tabba Tabba prospect (historic drilling previously reported)

TTRC021 was designed to test for the southern extension of the existing mineralization, previously reported at Tabba Tabba. The IP chargeability anomaly at this location was interpreted as being in the downplunge position from the existing zinc mineralization.

TTRC021 intersected low grade mineralization of 4 metres at 0.14% Zn from 300 metres downhole. This mineralization could represent the edge of a mineralized zone with better mineralization below the drilling or to the northeast closer to the existing mineralization (Figure 4).

The weak mineralization intersected in TTRC021 does not resolve the source of the IP chargeability anomaly for IP zone 1.

The purpose of this drilling programme was to extend the mineralized horizon and to resolve the source of the high tenor IP anomalies at Tabba Tabba.

Despite the weak grades returned from TTRC021 this drillhole has intersected the host horizon and zinc mineralization was still present over 500 metres from the previously identified mineralization. The potential mineralized horizon at Tabba Tabba has increased to over 1,000 metres.

Geophysics Review

Following the December drill programme De Grey engaged Core Geophysics Pty Ltd to review the Induced Polarisation data from the Tabba Tabba prospect in conjunction with the drilling data to ensure the anomalies used to design the drilling were spatially tested.

Reprocessing of the 2012 Tabba Tabba Induced Polarisation data and review against the 2014 drilling indicated that only one drill hole TTRC020, sufficiently intersected a target IP anomaly.

- Holes TTRC022-23 appear to have deviated below and above the target IP anomaly on line 50400 and TTRC021 was drilled too far to the north west to test the IP anomaly associated with the down strike extension of the known mineralisation.
- A previously undetected IP anomaly was partially resolved at the northern limit of line 51600 and should be further investigated.
- Drilling of the IP anomaly missed by TTRC021 on the eastern end of line 50400 is considered a high priority.
- If base metal mineralisation is intersected, then the IP survey should be extended in order to delineate any further continuation to the south west.

Operations Report

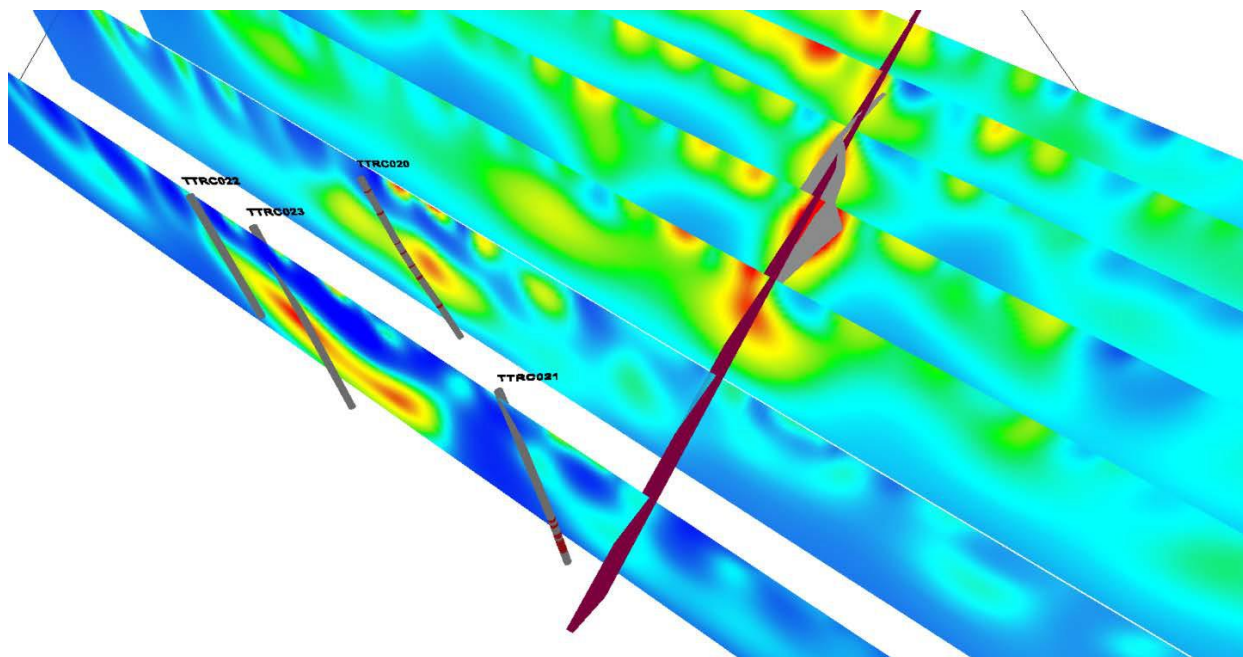


Figure 5: Elevated 3D view, looking down, showing drill traces over chargeability inversion sections with mineralization wireframe and projected strike extent.

The Tabba Tabba mineralization is still open to the south, not having been tested adequately by the drilling and is now the top priority for further work. Apart from extending the known mineralization at Tabba Tabba further anomalies identified on the edge of the current survey data requires further investigation. The initial proposal would be to extend the IP data to the northeast and south to better define two anomalies noted on the edge of the existing data.

Resource Tables – De Grey Mining Limited (as reported to the ASX on 16 July 2014)

Turner River Base Metals Project - Resource Statement (JORC 2012)

Table 1: June 2014 at a 1.0 % Zn cut-off							
Deposit	Classification	Tonnes (Mt)	Zn (%)	Ag (g/t)	Pb (%)	Cu (%)	Au (g/t)
Orchard Tank	Inferred	1.40	2.70	84.44	1.10	0.08	0.56
Discovery	Inferred	1.05	2.63	94.54	1.03	0.12	0.88

Table 2: June 2014 at a 0.5 % Zn cut-off							
Deposit	Classification	Tonnes (Mt)	Zn (%)	Ag (g/t)	Pb (%)	Cu (%)	Au (g/t)
Orchard Tank	Inferred	1.68	2.38	78.56	0.99	0.07	0.52
Discovery	Inferred	1.24	2.34	86.98	0.94	0.11	0.83

Mt is an abbreviation for million tonnes.

Qualifying Notes for All Estimates

Resource estimates are based on RC and diamond core drillhole data deriving from work by both De Grey and Lansdowne Resources Pty Ltd. Industry standard procedures maintained during those works include:

- Drillhole collars located to +/- 20cm by differential GPS;
- Down-hole surveys sufficient to reliably track hole paths;
- Sampling and assay quality controls including regular inclusion of blank and reference samples.

Ravensgate has accepted the sampling and assay data upon which the resource estimates are based as being sufficiently reliable for the estimation of Inferred Resources.

Operations Report

TRBMP - Other Prospects

Along with the three main zones at Turner River (Orchard Tank, Discovery and Tabba Tabba) there are seven other prospects (Hakea, Acacia, Cassia, Gwajai, Clay Pan Well, Tabba Tabba 2 and TRN027. Ref: Figure 6) that have been identified from mineralization with only five of these having been drilled to date.

The Tabba Tabba prospect lies at the northern limit of the current exploration completed to date. Surface mineralization was mapped and sampled with follow up drilling. Continuous mineralization was intersected but no resource estimate has been undertaken at this point.

The Company believes the prospect of significantly enhancing the current resources for both tonnages and grade remains high, for the following reasons:

- Current resource estimates are based on only two out of ten prospects covering only 7kms drilled out of a potential 23km strike length of favourable geology;
- Resource estimates based solely on the Discovery and Orchard Tank prospects. Mineralisation at both prospects remains open at depth and on strike. Discovery considered the best potential for significant increases with resource estimate based on 400m of a 1,000m strike length; and
- Mineralisation is known to exist at Cassia, Acacia, Hakea and Tabba Tabba, with additional mineralisation (minimal testing) at Gwajai, Clay Pan Well, Tabba Tabba 2 and TRN 027.

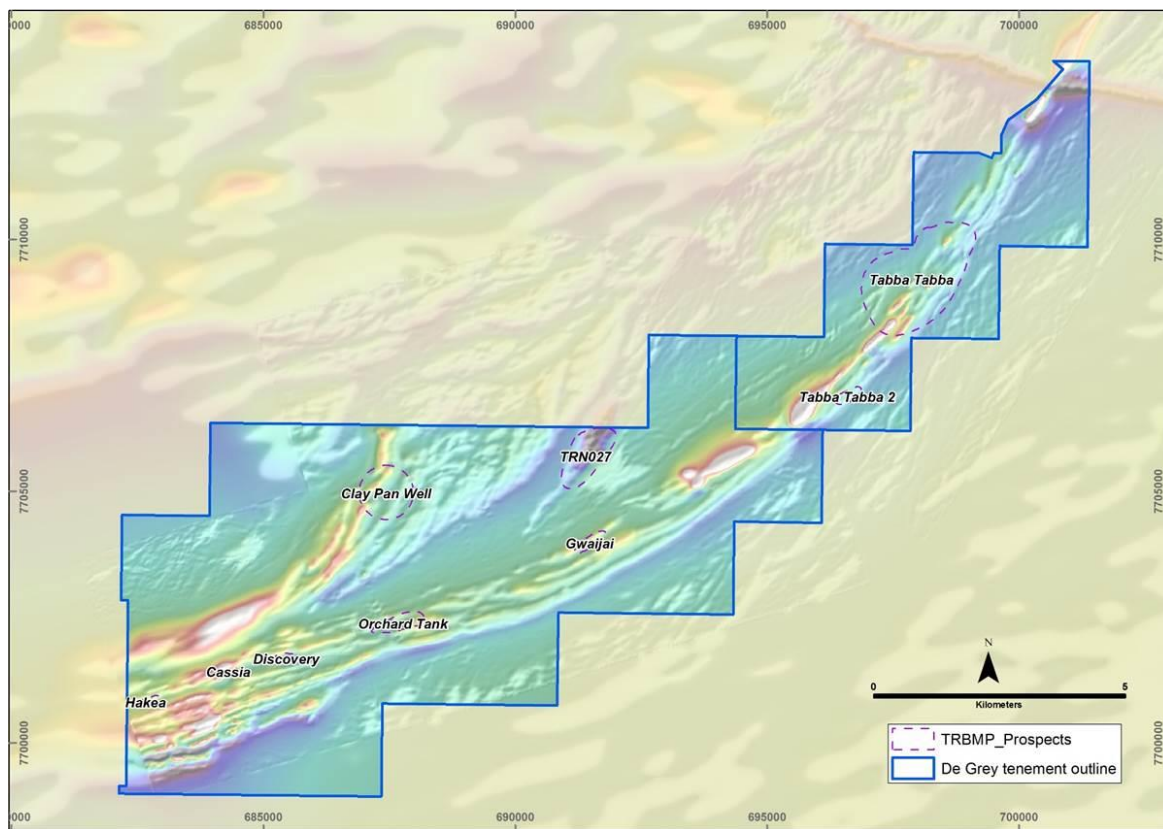


Figure 6: Turner River Base Metals Project identified prospects on magnetic image

Operations Report

Great Northern Gold Project – JV with Rugby Mining Ltd

Rugby Mining Ltd (TSX-V:RUG) initiated its second drill programme in October 2014. The programme was designed to test for high grade zones within the Wingina Well prospect.

Rugby is progressing towards earning their interest in the Great Northern Gold Project under the previously reported Agreement with De Grey. The Agreement with Rugby grants them an option to earn an 80% interest in a 714 square kilometre (“km”) tenement package (the “Tenements”) through exploration and drilling expenditure and an additional option to purchase an 80% interest in a near surface historical resource at Wingina Well (together with the Tenements, the “Great Northern Gold Project”).

Rugby Mining Ltd (TSX-V:RUG) reported that the program comprising five drill holes for a total of 1,191 metres (“m”) was conducted at the Wingina prospect to test for depth extensions to the high grade footwall gold zone. Five RC/rotary pre-collared drill holes and four diamond drill tails were drilled. Unfortunately, due to excessive hole deviation and very difficult ground conditions, only one hole (RWG002) was successfully drilled to the target depth. Preliminary gold assays have been received for all the drill holes with significant results including:

- RWG002 61.5m @ 1.14 g/t gold from 196.4m*
- RWG003 1.0m @ 14.49 g/t gold from 255.3m
- RWG005A 10.0m @ 2.59 g/t gold from 266.0m
and 3.0m @ 5.15 g/t gold from 301.0m

*assumed 3.4 metres of no core recovery assayed 0.0 g/t gold

The drilling on the Wingina prospect has shown a continuation of gold mineralization at depths below the previously established shallow oxide historical mineral resource (not compliant with National Instrument 43-101 (“NI 43-101”)).

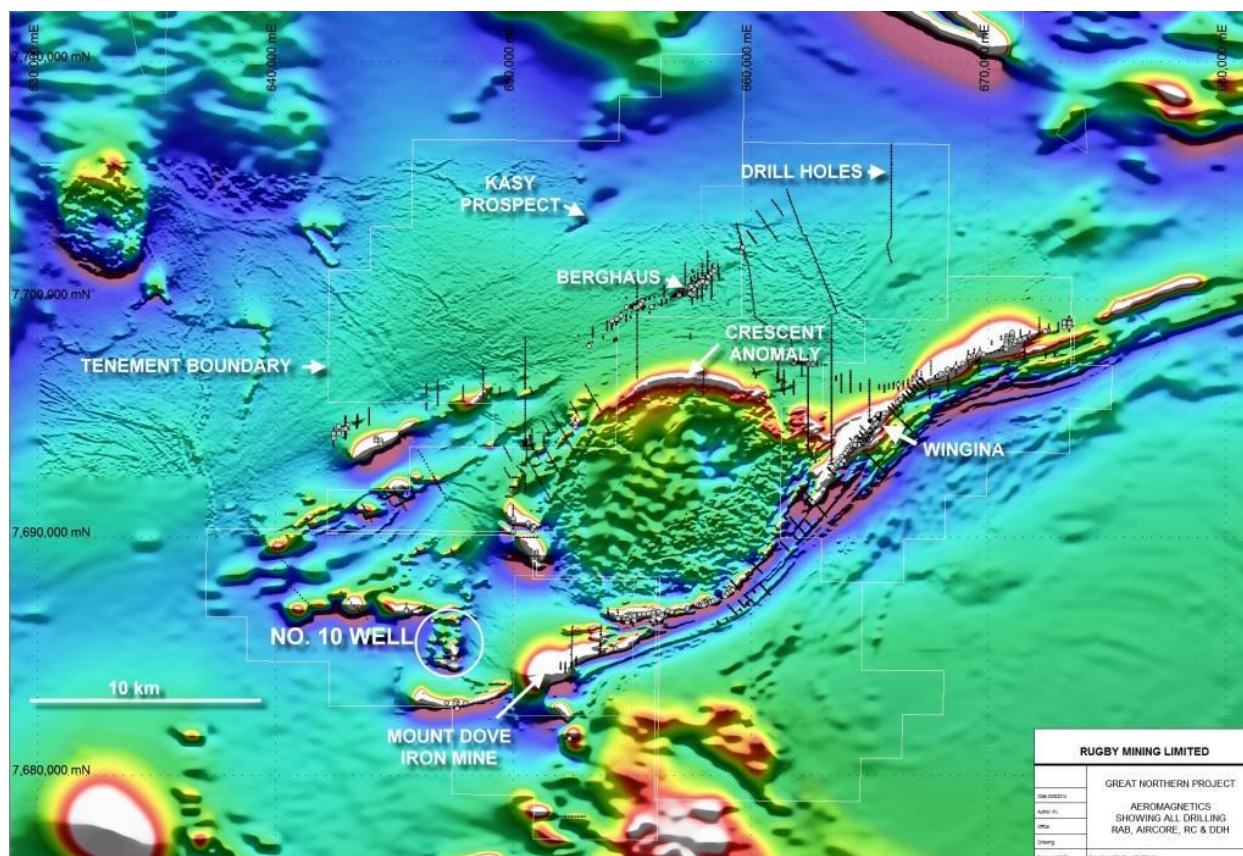


Figure 7: Great Northern Gold Project – Prospects and drilling over aeromagnetics

Rugby has commented that they will focus on defining shallow oxide and underlying high grade deposits to supplement the historical (non-NI 43-101 compliant) Wingina gold resource. Magnetic anomalies in areas adjoining known high grade gold mineralization are untested, with one such target, the Crescent magnetic anomaly, scheduled for follow up.

Rugby recently completed a regional LAG sampling programme over a magnetic feature between the Berghaus and Wingina prospects. Approximately 150 samples were collected on a 500m x 500m spaced grid which covered an area of about 40km².

Operations Report

Sampling defined a gold anomaly (up to 28ppb Au) with background generally less than detection. The LAG gold anomaly is located within an interpreted diorite intrusive and the occurrence is possibly different from the Berghaus (metasediments) and Wingina (BIF, mafic metavolcanics) style mineralisation (Figure 8). Other elements, As, Pb/Zn, are generally depleted within the intrusive and increase on the periphery.

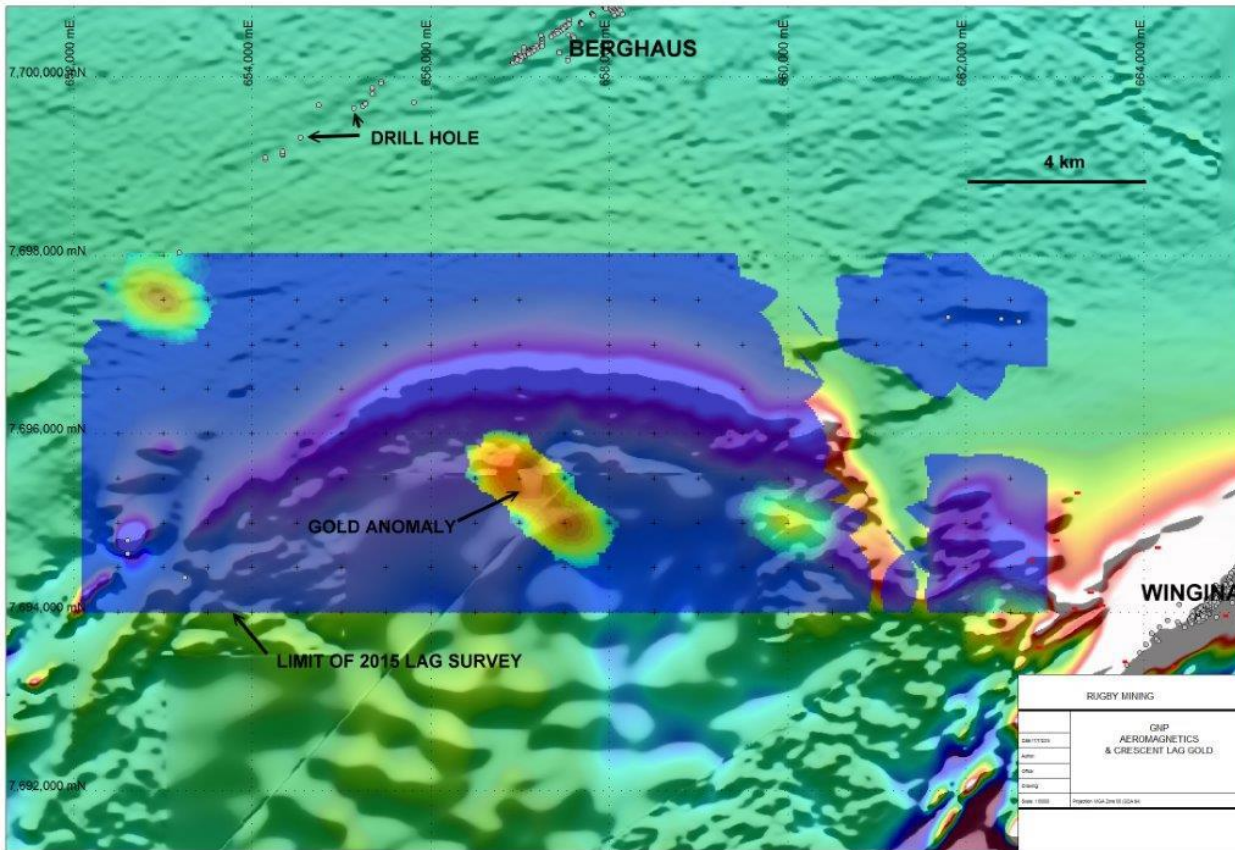


Figure 8: LAG sampling gold results – peak value 28ppb Au

A follow-up sampling programme is planned to be conducted 4th quarter 2015. The LAG sampling survey will also be extended over the Kasy and No. 10 Well prospects (Figure 7).

Heap leach metallurgical testwork is currently being conducted on Berghaus drill core (sample details, etc are attached). This testwork includes both bottle roll and column tests. All results are awaited.

Operations Report

Great Northern Gold Project (formerly Turner River Gold Project) - Resource Statement (JORC 2012)

Deposit		Wingina Well ⁽¹⁾		Mount Berghaus ⁽²⁾	Amanda ⁽³⁾	Total
Material		Above -55 mRL	Below -55 mRL	All	All	
Cut-off Grade (Au g/t)		0.5	1	0.5	0.5	
Measured Resource	Tonnes (Mt)	2.3	0.4			2.7
	Grade (Au g/t)	1.8	2.1	-	-	1.8
	Ounces (kozs)	130	26			157
Indicated Resource	Tonnes (Mt)	0.7	0.4			1.1
	Grade (Au g/t)	1.1	1.6	-	-	1.3
	Ounces (kozs)	26	22			47
Inferred Resource	Tonnes (Mt)	0.1	1.2	0.9	0.7	2.9
	Grade (Au g/t)	1.2	1.5	1.4	1.6	1.5
	Ounces (kozs)	5	58	43	35	141
Total Resource	Tonnes (Mt)	3.1	2	0.9	0.7	6.8
	Grade (Au g/t)	1.6	1.6	1.4	1.6	1.6
	Ounces (kozs)	162	106	43	35	345

Note:

- (1) Polymetals Mining Ltd, Mar 2013. 458 drill holes. Ordinary Kriging.
(2) Resource estimation by Ravensgate, Feb-2012. 125 drill holes. Ordinary Kriging, verified by Polymetals
(3) Resource estimation by Ravensgate, Mar-2012. 248 drill holes. Ordinary Kriging verified by Polymetals

Beyondie Iron Ore Joint Venture

The magnetite iron ore project at Beyondie is managed by joint venture partner Emergent Resources Ltd (ASX: EMG, "Emergent") with an 80% interest earned in the project.

The announcements relating to this project can be viewed on the Emergent website www.emergentresources.com.au

Sands Royalty

An agreement exists between De Grey and Mobile Concrete Solutions Pty Ltd (MCS), a Karratha building company, for the excising of a single graticular block from Exploration Licence 45/3390 for the purpose of extracting sand, shingle and limestone blocks.

De Grey has received royalty payments covering the production from this block for both the year totalling \$31,998.

Other Projects**Puhipuhi**

During the year the Company sold its New Zealand project, Puhipuhi, to Evolution Mining Limited for \$370,000. We were disappointed to have to sell Puhipuhi as it is a project that we believed in, but which required greater resources than we could contribute. The sale to a significant gold company growing in status on the ASX vindicates our belief and we wish Evolution exploration success in the future with the Project.

Kimberley Diamond Project

On 11 June 2015 the Company announced that it had entered into an Option Agreement to acquire a diamond project in the Kimberley region of South Africa. It was subject to a detailed due diligence process – technical, legal and financial. The Company sought to replicate results presented to it by the vendor indicating significant Kimberlite Indicator Minerals with associated reports indicating that they were proximal to source, as well as the presence of microdiamonds in the < 300 micron fractions.

The Company was unable to replicate these results, ceased all work on the project, and advised the vendor and the ASX that it was not planning to continue.

Operations Report

Competent Person Statement:

Great Northern Gold Project

The information in this report that relates to exploration results is based on information compiled by Mr Francisco Montes, who is a consultant and security holder to Rugby Mining Limited and reviewed by Mr Peter Batten. Mr Batten is the Executive Chairman of De Grey Mining Limited. Mr Batten and Mr Montes are members of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Montes consents to the form and context in which the Exploration Results and the supporting information are presented in this report.

The information in this report that relates to Mineral Resources for the Great Northern Gold Project (formerly the Turner River Gold Project) is based on, and fairly represents information and supporting documentation prepared by Mr Stephen Hyland, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Hyland is employed by Ravensgate Mining Industry Consultants. Ravensgate Mining Industry Consultants was engaged by Lansdowne Pty Ltd, a wholly owned subsidiary of Polymetals Mining Limited at the time, to prepare the Great Northern Gold Project Mineral Resource estimates and both Ravensgate Mining Industry Consultants and Mr Hyland have declared themselves to be independent of the Company. Mr Hyland has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hyland consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2012 on 16 July 2014 by De Grey Mining Limited. This information was prepared and first disclosed under the JORC Code 2012 on 13 March 2013 by Polymetals Mining Limited and subsequently reported by De Grey Mining Limited on 25 March 2014.

Turner River Base Metals Project

The information in this report that relates to Mineral Resources for the Turner River Base Metals Project is based on, and fairly represents information and supporting documentation prepared by Mr Stephen Hyland, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Hyland is employed by Ravensgate Mining Industry Consultants. Ravensgate Mining Industry Consultants was engaged by De Grey Mining Limited to prepare the Turner River Base Metals Project Mineral Resource estimates and both Ravensgate Mining Industry Consultants and Mr Hyland have declared themselves to be independent of the Company. Mr Hyland has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hyland consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2012 on 16 July 2014 by De Grey Mining Limited.

Directors' Report

Your directors present their report on the consolidated entity comprising De Grey Mining Limited (“De Grey” or “the Company”) and its controlled entities (“the consolidated entity” or “Group”) for the year ended 30 June 2015.

All amounts are expressed in Australian dollars unless otherwise stated.

De Grey is a company limited by shares that is incorporated and domiciled in Australia.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, except as otherwise indicated:

Peter Batten
 Simon Lill
 Steven Morris (appointed 29 October 2014)
 Darren Townsend (resigned 20 November 2014)

INFORMATION ON DIRECTORS

Peter Batten, BAppSc (Geol), MAusIMM, MGSA

Executive Chairman

Mr. Batten 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.

Mr. Batten’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.

During the past three years, Mr. Batten has also served as a Director of the following listed companies:

Company	Date appointed	Date ceased
Walkabout Resources Limited	22 August 2011	28 April 2015

Interest in shares and options:

36,842,136 ordinary shares in De Grey Mining Limited

20,000,000 options over ordinary shares in De Grey Mining Limited

Simon Lill, BSc MBA

Non-executive Director

Mr. Lill joined De Grey Mining Limited in October 2013 and has a BSc and a Masters of Business Administration, both from The University of Western Australia. He has over 25 years’ experience in stockbroking, capital raising, management, business development and analysis for a range of small and start-up companies, both in the manufacturing and resources industries. In recent times he has specialised in company restructuring activities.

During the past three years Mr Lill has also served as a Director of the following listed companies:

Company	Date appointed	Date ceased
First Growth Funds Limited	16 July 2012	16 May 2014
Bridge Global Capital Management Limited (<i>formerly Natural Fuel Limited</i>)	18 May 2010	-
Mako Hydrocarbons Limited	28 August 2015	-
Narhex Life Sciences Limited	13 January 2011	20 December 2012
Safety Medical Products Limited	6 October 2010	20 May 2014
Water Resources Group Limited	2 September 2013	-

Interest in shares and options:

15,000,000 options over ordinary shares in De Grey Mining Limited

Directors' Report

Steven Morris

Non-executive Director

Mr. Morris was appointed to the board on 29 October 2014 and has over 20 years of experience at the most senior executive level in a range of industries including the last 15 years in Financial Markets.

During that time he has held positions such as Head of Private Clients Australia for Paterson's Securities Ltd, Managing Director of Intersuisse Ltd. Currently he is managing director of Peloton Shareholder Services, offering management of shareholder based capital raising and investor relations advice to many ASX listed companies.

Company	Date appointed	Date ceased
Water Resources Group Limited	2 September 2013	-

Darren Townsend, B. Eng (Mining) – Hons, EMBA

Non-executive Director

Mr. Townsend resigned from the board on 20 November 2014 as a result of his increasing workload as the Executive Director of ASX listed Peak Resources Limited. Mr. Townsend first joined the De Grey Mining Ltd in 2004 as General Manager – Operations, was Managing Director from May 2006 to December 2007 and then a Non-executive Director until his resignation.

COMPANY SECRETARY

The following person acted as Company Secretary of the Company during the whole of the financial year and up to the date of this report, except as otherwise indicated:

Craig Nelmes (appointed 2 October 2013)

Craig Nelmes B. Bus (Accounting & Finance)

Craig Nelmes joined De Grey Mining Limited in October 2013 and is an Accountant with over 20 years experience in the mining sector in Australia and overseas, as well as seven years with International Accounting firm Deloitte. Since 2007, Mr. Nelmes has been employed with Corporate Consultants Pty Ltd, a Company providing accounting, secretarial and administrative services to ASX and TSX listed entities.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the course of the year was minerals exploration.

FINANCIAL REVIEW

The consolidated loss after tax for the year ended 30 June 2015 was \$471,771 (2014: \$134,352).

EARNINGS PER SHARE

The basic loss per share for the year ended 30 June 2015 was 0.05 cents per share (2014: 0.02 cents per share).

DIVIDENDS

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have not been significant changes in the state of affairs of the Company and its controlled entities during the financial year, other than as noted in this financial report.

Directors' Report

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no other matters or circumstances, besides those disclosed at note 22, 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

The objectives of the group are to maximise shareholder value through the discovery and delineation of significant mineral deposits in Australasia, working closely with existing and potential alliance partners.

Further 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' MEETINGS

The number of meetings of the Company's Board of Directors held in the 12 months to 30 June 2015 and the number of meetings attended by each Director were:

	Directors Meetings	
	Eligible	Attended
Peter Batten	7	7
Simon Lill	7	7
Steven Morris	4	4
Darren Townsend	3	3

SHARE OPTIONS

At the date of this report there are 45,000,000 unissued ordinary shares in respect of which options are outstanding.

	Number	Exercise Price	Expiry Date
Unlisted options	2,500,000	3.0 cents	10 January 2016
Director unlisted options	35,000,000	0.4 cents	25 November 2017
Unlisted options	7,500,000	0.4 cents	25 November 2017

During the financial year there were 42,500,000 options were issued and none exercised.

Since the end of the financial year no options were issued and/or exercised.

ENVIRONMENTAL REGULATION

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.

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. Given the size and scale of its current operations, the board and key management personnel as a group periodically assess risks and develop strategies to mitigate the impact of any perceived risks. The board endeavours to identify potential risks when carrying out strategy planning and budgeting tasks and assessment and monitoring through its board meetings.

Directors' Report

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A. Key Management Personnel
- B. Remuneration policy
- C. Service agreements
- D. Details of Remuneration
- E. Share Based Compensation
- F. Other Transactions and Balances with Key Management Personnel

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. *Key management personnel*

Names and positions held of the Company's key management personnel ("Key Management Personnel") in office at any time during the financial year are:

Key Management Personnel	Position
Mr Peter Batten	Executive Chairman
Mr Simon Lill	Non-Executive Director
Mr Steven Morris	Non-Executive Director (appointed 29 October 2014)
Mr Darren Townsend	Non-Executive Director (resigned 20 November 2014)
Mr Craig Nelmes	Company Secretary / CFO

Except as noted, the named persons held their current position for the whole of the financial year.

B. *Remuneration policy*

The remuneration policy of De Grey Mining Limited has been designed by the board. Its objective is 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.

From time to time when reviewing the remuneration the Company may also source external advice to assist with salary setting and determination of other benefits, including short term and long term incentive plans.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and director 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.

Fixed remuneration

Fixed remuneration consists of total Directors' fees, salaries, consulting fees and employer contributions to superannuation funds, excluding performance pay (cash, shares and options).

Fixed remuneration levels are reviewed annually by the board.

Executive remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework has three components:

- Total fixed remuneration - a base salary (which is based on factors such as length of service, performance and experience) and employer contributions to superannuation.
- Short-term performance incentives; and
- Long-term incentives through participation in the EOP and as approved by the Board.

As a result of the Company's current size and scale of activities, the Company does not have an Executive Director. At present all executive functions are being shared between the board members.

Directors' Report

Non-executive Directors' remuneration

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.

Fees for non-executive directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, these directors may receive short term performance incentives and longer term performance incentives via the Employee Option Plan of De Grey Mining Limited ("EOP")

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 and is currently \$250,000.

The annual remuneration for each non-executive director is \$24,000 per annum. These fees have been determined by the Board of the Company, taking into consideration factors such as the market rates of industry peer companies and the current level of activity. Where there is a significant change in the size and scale of Company activities these annual fees will be reviewed.

Since 1 January 2015, and given the current size and scale of activities, the Company does not have an Executive Director. Where approved and at the request of the board, any of the Non-executive Directors may from time to time be required to fulfil certain executive functions. The commensurate remuneration will be paid at the rate \$200 per hour or a fixed fee if so agreed.

Use of remuneration consultants

The Board may (from time to time) engage the services of external consultants to advise on the remuneration policy and to benchmark director and key management personnel remuneration against comparable entities so as to ensure that remuneration packages are consistent with the market and are appropriate for the organisation. The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2015.

Employee Option Plan of De Grey Mining Limited (EOP)

The De Grey Mining Limited EOP was approved by Shareholders at the 2012 Annual General Meeting held on 21 November 2012 and Directors and full and part time employees of De Grey Mining Limited are eligible to participate in the Plan. Any issue of Options to Directors under the Plan will be subject to Shareholder approval pursuant to the provisions of the ASX Listing Rules and the *Corporations Act 2001*. The Directors consider that the EOP is an appropriate method to:

- Reward Directors, Key management personnel and employees for their past performance;
- Provide long term incentives for participation in the Company's future growth;
- Establish a sense of ownership in the Company for the Directors and employees;
- Enhance the relationship between the Company and its employees for the long term mutual benefit of all parties;
- Enable the Company to attract high calibre individuals who can bring expertise to the Company;
- Motivate Directors and generate loyalty from senior employees; and
- Assist to retain the services of valuable Directors and employees.

Voting on the Remuneration Report - 2014 Annual General Meeting

The Company received approximately 93.7% of "yes" votes on its remuneration report for the 2014 financial year (2013: 96%).

C. Service agreements

The key terms of the service agreements in place for the year ended 30 June 2015 were as set out below:

Peter Batten, Executive Chairman:

From 1 July 2014 – 30 June 2015

An agreement to provide executive director services on a fixed fee of \$10,000 per month (exclusive of GST). The services performed by agreement between De Grey Mining Limited and Peter Batten – Consultant Geologist. The agreement commenced from 1 October 2013 for an initial 3 month period, with the option to extend. The agreement was subsequently extended each quarter and ceased on 31 December 2014.

Company Secretary, CFO, Bookkeeping and Administration

Fees of \$90,250 (2014: \$64,852) were paid to Corporate Consultants Pty Ltd, a consulting firm of which Craig Nelmes is an employee, for the provision of Company Secretary, CFO, bookkeeping, corporate office and administration services for the year (2014: 9 months).

De Grey Mining Limited

Directors' Report

D. Details of Remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of De Grey Mining Limited and the Group are set out in the following tables. The key management personnel of the Group are the Directors of De Grey Mining Limited and the Company Secretary/CFO.

Key management personnel of the Group

	Short-Term		Post Employment	Share-based Payments	Total	% of remuneration
	Salary & Fees	Non-Monetary	Superannuation	Options		
	\$	\$	\$	\$	\$	%
Directors						
Peter Batten						
2015	77,000	-	-	20,724	97,724	21
2014	116,111	-	2,415	57,530	176,056	33
Simon Lill						
2015	29,000	-	-	9,900	38,900	25
2014	18,000	-	-	-	18,000	0
Steven Morris (appointed 29/10/2014)						
2015	16,000	-	-	-	16,000	-
2014	-	-	-	-	-	-
Darren Townsend (resigned 20/11/2014)						
2015	9,267	-	-	-	9,267	-
2014	18,000	-	-	-	18,000	0
Sub- total Directors						
2015	131,267	-	-	30,624	161,891	
2014	152,111	-	2,415	57,530	212,057	
Other Key management personnel						
Craig Nelmes (Company Secretary/CFO) (Appointed 2 Oct 2013) ¹						
2015 ¹	-	-	-	4,950	4,950	100¹
2014 ¹	-	-	-	-	-	-
Total key management personnel compensation						
2015	131,267	-	-	35,574	166,841	
2014	152,111	-	2,415	57,530	212,057	

¹Mr Nelmes is an employee of Corporate Consultants Pty Ltd, a consulting firm of which Craig Nelmes is an employee and whom provided Company Secretarial, CFO, bookkeeping and corporate administration services.

Directors' Report

Share-holdings of Key Management Personnel

	Opening Balance 1 July 2014	Received on exercise of options	Purchases (disposals) during the year	Other changes during the year	Closing Balance 30 June 2015
	No.	No.	No.	No.	No.
Directors					
Peter Batten	36,842,136	-	-	-	36,842,136
Simon Lill	-	-	-	-	-
Steven Morris	-	-	5,000,000	-	5,000,000
Darren Townsend (resigned 20/11/2014)	11,363,060	-		(11,363,060)	-
Other executives					
Craig Nelmes	-	-	12,692,212	-	12,692,212
Total	48,205,196	-	17,692,212	(11,363,060)	54,534,348

Option-holdings of Key Management Personnel

	Opening Balance 1 July 2014	Options acquired as compensation	Options exercised (expired) during the year	Other changes during the year	Closing Balance 30 June 2015
	No.	No.	No.	No.	No.
Directors					
Peter Batten	19,500,000	20,000,000	(6,500,000)	-	33,000,000
Simon Lill	-	15,000,000		-	15,000,000
Steven Morris	-	-	-	-	-
Darren Townsend (resigned 20/11/2015)	-	-	-	-	-
Other executives					
Craig Nelmes	-	7,500,000	-	-	7,500,000
Total	19,500,000	42,500,000	(6,500,000)	-	55,500,000

Directors' Report

E. Share based compensation

The Company has granted 42,500,000 options over unissued ordinary shares during or since the end of the financial year to Directors or officers as part of their remuneration, as detailed in the table below;

	Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Granted Number	Exercised Number	Vesting Date	Number Vested at end of year
Directors								
Peter Batten	25/11/2014	25/11/2017	0.4	0.066	20,000,000	N/A	25/11/2017	20,000,000
Simon Lill	25/11/2014	25/11/2017	0.4	0.066	15,000,000	N/A	25/11/2017	15,000,000
Craig Nelmes	25/11/2014	25/11/2017	0.4	0.066	7,500,000	N/A	25/11/2017	7,500,000

The following options over ordinary shares of the Company were granted in previous financial years, but include option series that vested during the current financial year:

	Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Granted Number	Exercised Number	Vesting Date	Number Vested at end of year
Directors								
Peter Batten	03/09/2012	03/09/2015	2.6	1.30	6,500,000 ¹	N/A	03/09/2014	6,500,000 ¹

¹These options have expired subsequent to the current year end.

F. Other transactions and balances with Key Management Personnel

There were no other transactions and balances with key management personnel.

End of Audited Remuneration Report

Directors' Report

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 16). 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:

	2015	2014
	\$	\$
Tax compliance services	<u>2,750</u>	<u>3,118</u>

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 23.

Signed in accordance with a resolution of the directors



Peter Batten
Executive Chairman

Perth, 30 September 2015

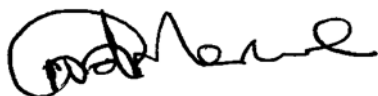
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 2015, 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 its controlled entities during the year ended 30 June 2015.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth
Date: 30 September 2015

Corporate Governance Statement

The Board of Directors of De Grey Mining Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of De Grey Mining Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company's governance approach aims to achieve exploration, development and financial success while meeting stakeholders' expectations of sound corporate governance practices by proactively determining and adopting the most appropriate corporate governance arrangements.

ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at 30 June 2015, and has been approved by the Board of Directors. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX *Corporate Governance Principles and Recommendations (3rd edition)*.

The Company's directors are fully cognisant of the Corporate Governance Principles and Recommendations published by CGC and have adopted those recommendations where they are appropriate to the Company's circumstances. However, a number of those principles and recommendations are directed towards listed companies considerably larger than De Grey Mining Limited, whose circumstances and requirements accordingly differ markedly from the Company's. For example, the nature of the Company's operations and the size of its staff mean that a number of the board committees and other governance structures recommended by the CGC are not only unnecessary in the Company's case, but the effort and expense required to establish and maintain them would, in the directors' view, be an unjustified diversion of shareholders' funds.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Company's website at www.degremining.com.au contains a corporate governance section that includes copies of the Company's corporate governance policies.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management and disclose those functions.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board is responsible for:

- overseeing the Company's commitment to the health and safety of employees and contractors, the environment and sustainable development;
- overseeing the activities of the Company, including its control and accountability systems;
- appointing and removing the Managing Director, Company Secretary, and other senior executives, evaluating their performance, reviewing their remuneration and ensuring an appropriate succession plan;
- setting the strategic objectives of the Company and monitoring its progress against those objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control;
- setting the operational and financial objectives and goals for the Company;
- ensuring that there are effective corporate governance policies and practices in place
- approving and monitoring budgets, capital management and acquisitions and divestments;
- approving and monitoring all financial reporting to the market;
- appointing external auditors and principal professional advisors; and
- making formal determinations required by the Company's constitutional documents or by law or other external regulation.

The Managing Director (MD) is normally responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out those responsibilities, the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results. Given the present size and scale of operations, the Company does not have a Managing Director, and as such the board as a whole is taking responsibility for day to day management of the business, with specific assistance from the CFO/Company Secretary.

Corporate Governance Statement

Recommendation 1.2:

Companies should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background.

All security holder releases will contain material information about any candidate to enable an informed decision to be made on whether or not to elect or re-elect a director.

Recommendation 1.3:

Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.

All directors have in place a formal letter of appointment including a director's interest agreement with respect to disclosure of security interests.

Recommendation 1.4:

The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary has a direct reporting line to the Board, through the Chair.

Recommendation 1.5:

The Company should establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to developing a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company has not yet formalised this policy into a written document. It is the Board's intention to formalise the policy at a time when the size of the Company and its activities warrants such a structure.

The Company has four staff (comprising the three directors and the CFO/Company Secretary), none of whom is a woman. There are no women in senior executive positions or on the board.

Recommendation 1.6:

The Company should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman conducted an informal review during the financial year whereby the performance of the Board as a whole and the individual contributions of each director were discussed. The board considers that at this stage of the Company's development an informal process is appropriate.

Recommendation 1.7:

The Company should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board undertakes a review of the senior executives' performance, at least annually, including setting the goals for the coming year and reviewing the achievement of these goals.

Performance has been measured to date by the efficiency and effectiveness of the enhancement of the Company's mineral interest portfolio, the designing and implementation of the exploration and development programme and the securing of ongoing funding so as to continue its exploration and development activities. This performance evaluation is not based on specific financial indicators such as earnings or dividends as the Company is at the exploration stage and during this period is expected to incur operating losses.

Due to the size of the Company and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of senior executives. The Non-executive directors conducted an informal review process whereby they discussed with the Executive Chairman the approach toward meeting the short and long term objectives of the Company. The board considers that at this stage of the Company's development an informal process is appropriate.

Corporate Governance Statement

Principle 2: Structure the board to add value

Recommendation 2.1:

The Board should establish a Nomination Committee comprising a majority of independent directors (including the Chair).

The Company does not have a nomination committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Directors are appointed under the terms of the Company's constitution. Appointments to the Board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise, and experience of the board. The categories considered necessary for this purpose are a blend of accounting and finance, business, technical and administration skills. Casual appointments must stand for election at the next annual general meeting of the Company.

Retirement and rotation of Directors are governed by the Corporations Act 2001 and the Constitution of the Company. All Directors, with the exception of the Managing Director (if appointed), serve for a period of three years before they are requested to retire and if eligible offer themselves for re-election.

Recommendation 2.2:

The Company should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company has a skills or diversity matrix in relation to its Board members which reflects the current size and scope of the Company's operations. The Board will adopt a more detailed and comprehensive matrix if and when there is a significant change in the size and scale of its activities.

Director	Gender	Skills/Qualifications	Experience Based on Skills/Knowledge				
			Accounting/ Finance	Communications /Investor Relations	Corporate Management	Fund Raising	Geology
Peter Batten (Chairman)	Male	Geologist BAppSc (Geol)		√	√	√	√
Simon Lill	Male	Finance BSc and MBA in Business Admin	√	√	√	√	
Steve Morris	Male	Broking & Investor Relations Diploma Fin Mkts AAICD		√	√	√	

Recommendation 2.3:

The Company should disclose the names of the directors considered to be independent directors and length of service of each director.

The names, position, appointment date and independence classification are set out in the table below:

Director	Position	Date Appointed	Independent
Peter Batten (Chairman)	Chairman	16 July 2012	No
Simon Lill	Non-executive Director	2 October 2013	No
Steve Morris	Non-executive Director	29 October 2014	Yes

Recommendation 2.4:

A majority of the Board of the Company should be independent directors.

In assessing whether a director is classified as independent, the Board considers the independence criteria set out in the ASX Corporate Governance Council Recommendation 2.1 and other facts, information and circumstances deemed by the Board to be relevant. Using the ASX Best Practice Recommendations on the assessment of the independence of Directors, the Board considers that of a total of three Directors, only Mr Morris is independent and therefore the Company does not currently have a majority of independent directors.

The Company considers that each of the directors possesses the skills and experience suitable for building the Company. Although the Company does not currently have a majority of independent directors, the current composition of the Board is considered appropriate in the circumstances. It is necessary that Mr. Batten and Mr. Lill from time to time undertake specific executive roles, relevant to their skills and experience, given the Company's current size, operations and levels of activity.

It is the Board's intention to review its composition on a continual basis and in line with any future changes to Company's size and level of activities.

Corporate Governance Statement

Recommendation 2.5:

The Chair of the Board should be an independent director, and should not be the CEO of the Company.

Given the present size and scale of operations, the Company does not have a Managing Director. In addition, the Chairman, Mr. Batten, will from time to time undertake executive functions specific to his skills and experience, and as such he is not an independent director in accordance with the criteria for independence as outlined in ASX Recommendation 2.3.

The board believes that Mr. Batten is an appropriate person for the position as Chairman because of his experience in the resources sector and as a public company director.

Recommendation 2.6:

The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company does not currently have a formal induction program for new Directors nor does it have a formal professional development program for existing Directors. The Board does not consider that a formal induction program is necessary given the current size and scope of the Company's operations.

All Directors are generally experienced in exploration and mining company operations, and have listed company experience. Some of the current Directors are also directors of other listed companies. The Board seeks to ensure that all of its members understand the Company's operations. Directors also attend, on behalf of the Company and otherwise, technical and commercial seminars and industry conferences which enable them to maintain their understanding of industry matters and technical advances.

Noting the above, the Board considers that a formal induction program is not necessary given the current size and scope of the Company's operations, though the Board may adopt such a program in the future as the Company's operations grow and evolve.

Principle 3: Act ethically and responsibly

Recommendation 3.1:

Companies should have a Code of Conduct for its directors, senior executives and employees.

The Company has established a Code of Conduct which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside the Company. A copy of the Code is available on the Company's website.

Principle 4: Safeguard Integrity in Financial Reporting

Recommendation 4.1

The Board should have an Audit Committee.

The Company does not have an audit committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate audit committee.

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

The external audit firm partner or an appropriate delegate responsible for the Company audit attends meetings of the board by invitation

Recommendation 4.2

The Board of the Company should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company has in place a procedure whereby prior to approval of financial statements by the Board (in addition to any formal management representation letter to the Company's auditor) the CEO and CFO provide a declaration in accordance with Sections 286 and 295(3)(b) of the Corporations Act 2001 (Cth) that financial records have been properly maintained, the financial statements comply with the accounting standards, and give a true and fair view of the financial position based on sound risk management and internal controls operating effectively.

Corporate Governance Statement

Recommendation 4.3

The Company should ensure that the external auditor is present at the AGM and be available to answer questions from security holders relevant to the audit.

The Company invites the auditor or representative of the auditor to the AGM in accordance of the requirements of Section 250RA of the Corporations Act 2001 (Cth) and is available to answer questions relevant to the audit.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.

The Company has developed an ASX Listing Rules Disclosure Strategy which has been endorsed by the Board. The ASX Listing Rules Disclosure Strategy ensures compliance with ASX Listing Rules and Corporations Act obligations to keep the market fully informed of information which may have a material effect on the price or value of its securities and outlines accountability at both the board and (where and when applicable) senior executive level for that compliance. All ASX announcements are posted to the Company's website as soon as possible after confirmation of receipt is received from ASX.

A copy of the continuous disclosure policy is available on the Company's website.

Principle 6 – Respect the rights of security holders

Recommendation 6.1 and 6.2:

Companies should provide information about itself and its governance to investors via its website.

Companies should design and implement an investor relations program to facilitate two-way communication with investors.

The Company is committed to maintaining a Company website with general information about the Company and its operations, information about governance and information specifically targeted at keeping the Company's shareholders informed about all major developments affecting the Company's state of affairs.

The Company has a Shareholder Communication Policy which is available on the Company's website. Through this the Board aims to ensure that the shareholders are informed of the Company's governance and all major developments affecting the Company's state of affairs. Information is communicated to shareholders through the:

- Company website;
- ASX Company Announcements platform;
- Quarterly Operational and Cashflow reports;
- Half-year Financial Report;
- Annual Report;
- Investor Presentations
- Shareholder meetings
- Other correspondence from time to time regarding matters impacting on shareholders.

Recommendations 6.3 and 6.4:

Companies should disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.

Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

In accordance with the Company's Shareholder Communications Policy, the Company supports shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation. The Company will use general meetings as a tool to effectively communicate with shareholders and allow shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting.

Mechanisms for encouraging and facilitating shareholder participation will be reviewed regularly to encourage the highest level of shareholder participation.

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner. In accordance with the Shareholder Communication Policy, the Company has, as a matter of practice, provided new shareholders with the option to receive communications from the Company electronically and the Company encourages them to do so. Existing shareholders are also encouraged to request communications electronically. All shareholders that have opted to receive communications electronically are provided with notifications by the Company when an announcement or other communication (including annual reports, notices of meeting etc) is uploaded to the ASX announcements platform.

Corporate Governance Statement

Principle 7 – Recognise and manage risk

Recommendation 7.1:

The Board should have a committee or committees to oversee risk.

The Company does not have a separate risk management committee. The role of the risk management committee is undertaken by the full Board, which comprises a Chairman and two Non-Executive Directors. The Board considers that, given the current size and scope of the Company's operations and that no one Director holds a full time executive position in the Company, efficiencies or other benefits would not be gained by establishing a separate risk management committee at present.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate risk management committee. However, the Board has adopted a Risk Management Policy that sets out a framework for a system of risk management and internal compliance and control, and this is available on the Company's website.

Recommendation 7.2:

The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively. The Board believes that the Consolidated Group is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing, monitoring and managing risk in the Company.

Recommendation 7.3:

The Company should disclose if it has an internal audit function.

The Company does not have an internal audit function. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of an internal audit function at this time. The Board as a whole continually evaluates and improves the effectiveness of its risk management and internal control processes, and in doing so is subject to the overall supervision of the board.

Recommendation 7.4:

The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the mineral exploration industry, the Company does not currently have material exposure to environmental and social sustainability risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should have a Remuneration Committee.

The Company does not have a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a remuneration committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee.

Recommendation 8.2:

Companies should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company's policies and practices regarding the remuneration of Executive and Non-Executive Directors is set out in its Remuneration Policy which is available on the website.

This information is also set out in the Remuneration Report contained in the Company's Annual Report for each financial year.

Recommendation 8.3:

A Company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or summary of it.

Recipients of equity-based remuneration (e.g. incentives options) are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements, so the Company is not affected by this recommendation.

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2015	Notes	Consolidated	
		2015 \$	2014 \$
REVENUE	4	410,446	538,539
EXPENDITURE			
Depreciation expense		(12,396)	(15,644)
Employee benefits expense		(131,102)	(180,155)
Exploration expenditure		(387,543)	(127,082)
Corporate expenses		(80,455)	(89,335)
Occupancy expenses		(64,577)	(73,226)
Consulting expenses		(3,972)	(11,927)
Investor relations and advertising expenses		-	(1,857)
Finance facility fee		(50,000)	-
Administration expenses		(112,905)	(110,395)
Share based payments	25	(35,574)	(57,530)
Other expenses		(3,693)	(5,740)
LOSS BEFORE INCOME TAX		(471,771)	(134,352)
INCOME TAX BENEFIT / (EXPENSE)	6	-	-
LOSS FOR THE YEAR		(471,771)	(134,352)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		-	(81,920)
Other comprehensive income for the year, net of tax		-	(81,920)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED		(471,771)	(216,272)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	24	(0.05)	(0.02)

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 2015	Notes	Consolidated	
		2015	2014
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7	242,472	553,308
Trade and other receivables	8	14,200	26,286
Other assets	9	6,919	13,992
TOTAL CURRENT ASSETS		263,591	593,586
NON-CURRENT ASSETS			
Available-for-sale financial assets	10	75,000	75,000
Plant and equipment	11	30,665	50,160
TOTAL NON-CURRENT ASSETS		105,665	125,160
TOTAL ASSETS		369,256	718,746
CURRENT LIABILITIES			
Trade and other payables	12	87,872	115,511
TOTAL CURRENT LIABILITIES		87,872	115,511
TOTAL LIABILITIES		87,872	115,511
NET ASSETS		281,384	603,235
EQUITY			
Contributed equity	13	44,344,280	44,229,934
Reserves	14	234,600	296,526
Accumulated losses	14	(44,297,496)	(43,923,225)
TOTAL EQUITY		281,384	603,235

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 2015

	Notes	Contributed Equity \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Consolidated						
BALANCE AT 30 JUNE 2013		43,550,486	637,696	81,920	(44,187,573)	82,529
Loss for the year	14(b)	-	-	-	(134,352)	(134,352)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	14(a)	-	-	(81,920)	-	(81,920)
TOTAL COMPREHENSIVE LOSS		-	-	(81,920)	-	(216,272)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	13(b)	724,008	-	-	-	724,008
Share issue transaction costs	13(b)	(44,560)	-	-	-	(44,560)
Share based payments	14(a)	-	57,530	-	-	57,530
Transfer of reserve on expiry of options		-	(398,700)	-	398,700	-
BALANCE AT 30 JUNE 2014		44,229,934	296,526	-	(43,923,225)	603,235
Loss for the year	14(b)	-	-	-	(471,771)	(471,771)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	14(a)	-	-	-	-	-
TOTAL COMPREHENSIVE LOSS		-	-	-	(471,771)	(471,771)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	13(b)	114,346	-	-	-	114,346
Share based payments	14(a)	-	35,574	-	-	35,574
Transfer of reserve on expiry of options		-	(97,500)	-	97,500	-
BALANCE AT 30 JUNE 2015		44,344,280	234,600	-	(44,297,496)	281,384

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 2015	Notes	Consolidated	
		2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Royalties received		38,581	420,824
Payments to suppliers and employees		(336,428)	(487,393)
Interest received		5,084	6,735
Payments for exploration and evaluation expenditure		(480,819)	(311,118)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23	(773,582)	(370,952)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale / farm-out of tenements		370,000	100,000
Payments for other investments		-	(75,000)
Proceeds from the sale of plant and equipment		3,400	-
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		373,400	25,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		114,346	652,950
Proceeds from borrowing – director loans		-	49,800
Payments of share issue transaction costs		-	(40,974)
Finance facility fee		(25,000)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		89,346	661,776
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(310,836)	315,824
Cash and cash equivalents at the beginning of the financial year		553,308	237,484
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	242,472	553,308

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

FOR THE YEAR ENDED 30 JUNE 2015

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 30 September 2015. 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) Application of New and Revised Accounting Standards

In the year ended 30 June 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

(ii) 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 2015 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.

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, De Grey Mining Ltd and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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 21.

(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

FOR THE YEAR ENDED 30 JUNE 2015

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 it is 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.

Royalty Revenue

Royalties revenue is recognised on the basis of actual shipment tonnes and the agreed contractual price per tonne.

(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

FOR THE YEAR ENDED 30 JUNE 2015

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 18). 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

FOR THE YEAR ENDED 30 JUNE 2015

(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

FOR THE YEAR ENDED 30 JUNE 2015

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.

(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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

(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 25.

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) 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:

Exploration expenditure

Exploration and evaluation costs are expensed as they are incurred.

Financial assets – impairment assessment

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 consideration of all available information with respect to the asset. In the case of non-listed equity investments classified as available-for-sale, the Company takes into consideration its underlying assets and liabilities, its most recent funding and any other pertinent information to support its carrying value and/or indicators of asset impairment.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

(u) Going concern

The financial report has been prepared on a going concern basis which assumes the commercial realisation of the future potential of the Group's assets and discharge of its liabilities in the normal course of business. The group recorded a loss of \$471,771 (2014: \$134,352) for the year ended 30 June 2015, has a cash and cash equivalents balance of \$242,472 (2014: \$553,308).

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

(i) The Company has no current committed exploration programs and will only expend future amounts if they have sufficient cash to meet the cost.

(ii) The Company has announced its intention to undertake rights issue on a 1 for 1 basis in the very near term.

(iii) The Company intends to use these funds to further develop its existing Turner River project and to seek and review new investment opportunities.

(iv) The Company also believes it has the capacity to place any shortfall from any such rights offer and/or raise additional funds at an appropriate time in the future.

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

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 minimal operations internationally and there are currently limited exposures to foreign exchange risk arising from currency exposures.

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.

All parent entity and Australian subsidiary entity balances are in Australian dollars and all Group balances are in Australian dollars, 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 \$242,472 (2014: \$553,308) 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 1.97% (2014: 1.75%).

Sensitivity analysis

At 30 June 2015, if interest rates had changed by +/- 100 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 \$2,583 lower/higher (2014: \$3,796 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

(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.

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	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Segment revenue	401,998	531,903	-	-	401,998	531,903
Reconciliation of segment revenue to total revenue before tax:						
Interest revenue					5,084	6,636
Other revenue					3,364	-
Total revenue					410,446	538,539
Segment results	14,455	453,137	-	(48,316)	14,455	404,821
Reconciliation of segment result to net loss before tax:						
Other corporate and administration					(486,226)	(539,173)
Net loss before tax					(471,771)	(134,352)
Segment operating assets	75,000	75,000	-	-	75,000	75,000
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					294,256	643,746
Total assets					369,256	718,746
Segment operating liabilities	2,879	3,353	-	-	2,879	3,353
Reconciliation of segment operating liabilities to total liabilities:						
Other corporate and administration liabilities					84,993	112,158
Total liabilities					87,872	115,511

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

4. REVENUE

	Consolidated	
	2015	2014
	\$	\$
From continuing operations		
Royalties – iron ore	-	421,831
Royalties- sands	31,998	10,072
Turner River Gold Project – farm-out option fee	-	100,000
Puhipuhi Project - sale	370,000	
Interest	5,084	6,636
Other	3,364	
	410,446	538,539

5. EXPENSES

Loss before income tax includes the following specific expenses:

Net loss on disposal of plant and equipment	3,693	5,405
Rental of premises under operating lease	61,899	68,876
Contributions to superannuation funds	694	5,800
Foreign exchange losses	253	3,156

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	(471,771)	(134,352)
Prima facie tax benefit at the Australian tax rate of 30% (2014: 30%)	(141,531)	(40,306)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capital raising fees	(31,178)	(31,178)
Sundry items	(3,922)	(80,257)
Overseas projects income and expenses	56,826	56,308
	(119,805)	(95,432)

Tax effect of current year tax losses for which no deferred tax asset has been recognised

	119,805	95,432
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Income tax expense

(c) Unrecognised deferred tax assets

Unrecognised deferred tax assets

Provisions	-	-
Capital raising fees	31,178	74,655
Carry forward tax losses	11,378,718	11,258,912
Gross deferred tax assets	11,409,896	11,333,567

No deferred tax asset has been recognised for the above balance as at 30 June 2015 as it is not considered probable that future taxable profits will be available against which it can be utilised.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

(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.

	Consolidated	
	2015	2014
	\$	\$
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	242,472	491,608
Short-term deposits	-	61,700
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	242,472	553,308
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		
Receivable – sands royalty	4,496	11,080
Sundry debtors	9,704	15,206
	14,200	26,286
Sundry debtors are non-interest bearing and have repayment terms between 30 and 90 days.		
9. CURRENT ASSETS – OTHER ASSETS		
Prepayments	6,919	13,992
10. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Equity securities – unlisted (i)	75,000	75,000
	75,000	75,000

(i) The Company holds a 4% interest in an unlisted mineral exploration entity, whose major asset is a Australian based Zinc project and which the Company carried out a fair value assessment of the financial asset, taking into consideration the following key unobservable inputs:

- its current understanding and knowledge of the global zinc market, and the well published upcoming changes to the global supply situation;
- the last capital raisings undertaken by the entity and managements capacity to further fund the project; and
- performing high level financial modelling of the entities in ground zinc resource.

The valuation of mineral exploration investments is highly subjective, and after taking into consideration all available information with respect to the Company, the zinc market, the Company considers that the fair value represents as least its cost of investment.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015	2014
	\$	\$
11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT		
Plant and equipment		
Cost	408,946	449,000
Accumulated depreciation	(378,281)	(398,840)
Net book amount	<u>30,665</u>	<u>50,160</u>
Plant and equipment		
Opening net book amount	50,160	71,418
Exchange differences	-	(209)
Additions	-	-
Disposals	(7,099)	(5,405)
Depreciation charge	(12,396)	(15,644)
Closing net book amount	<u>30,665</u>	<u>50,160</u>
12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	62,148	24,311
Other payables and accruals	25,724	91,200
	<u>87,872</u>	<u>115,511</u>

13. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2015		2014	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid		<u>1,143,461,058</u>	<u>44,344,280</u>	914,768,846	44,229,934
Total contributed equity		<u>1,143,461,058</u>	<u>44,344,280</u>	914,768,846	44,229,934

(b) Movements in ordinary share capital

Beginning of the financial year		914,768,846	44,229,934	570,915,646	43,550,486
Issued during the year:					
Issued for cash at 0.8 cents per share				6,250,000	-
Issued for cash at 0.01 cents per share				50,000,000	5,000
Issued for cash at 0.25 cents per share				259,180,000	647,950
Issued settle director loans at 0.25 cents per share				28,423,200	71,058
Issued for cash at 0.03 cents per share		137,215,327	41,164		
Issued for cash at 0.08 cents per share		91,476,885	73,182		
Transaction costs				-	(44,560)
End of the financial year		<u>1,143,461,058</u>	<u>44,344,280</u>	914,768,846	44,229,934

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

(c) Movements in options on issue

	Number of options	
	2015	2014
Beginning of the financial year	22,000,000	39,500,000
Issued/(cancelled or expired) during the year:		
– Exercisable at 0.4 cents, on or before 27 Nov 2017	42,500,000	-
– Exercisable at 2.2 cents, on or before 3 Sep 2014	(6,500,000)	-
– Exercisable at 6.5 cents, on or before 30 Apr 2014		(7,000,000)
– Exercisable at 6.5 cents, on or before 30 Jun 2014		(10,500,000)
End of the financial year	<u>58,000,000</u>	<u>22,000,000</u>

(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 2015 (2014: Nil).

(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 2015 and 30 June 2014 are as follows:

	Consolidated	
	2015	2014
	\$	\$
Cash and cash equivalents	242,472	553,308
Trade and other receivables	14,200	26,286
Trade and other payables	(87,872)	(115,511)
Provisions		-
Working capital position	<u>168,800</u>	<u>464,083</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015	2014
	\$	\$
14. RESERVES AND ACCUMULATED LOSSES		
(a) Reserves		
Share-based payments reserve	234,600	296,526
Foreign currency translation reserve	-	-
	234,600	296,526
Movements:		
<i>Share-based payments reserve</i>		
Balance at beginning of year	296,526	637,696
Option expense	35,574	57,530
Transfer to Accumulated Losses on expiry of options	(97,500)	(398,700)
Balance at end of year	234,600	296,526
<i>Foreign currency translation reserve</i>		
Balance at beginning of year	-	81,920
Exchange differences on translation of foreign operation	-	(81,920)
Balance at end of year	-	-
(b) Accumulated losses		
Balance at beginning of year	(43,923,225)	(44,187,573)
Net loss for the year	(471,771)	(134,352)
Transfer from Share-Based Payments Reserve	97,500	398,700
Balance at end of year	(44,297,496)	(43,923,225)

(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.

	Consolidated	
	2015	2014
	\$	\$
15. DIVIDENDS		
No dividends were paid during the financial year.	-	-
No recommendation for payment of dividends has been made.	-	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

16. REMUNERATION OF AUDITORS

	Consolidated	
	2015	2014
	\$	\$
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	19,000	26,302
Total remuneration for audit services	19,000	26,302
(b) Non-audit services		
Butler Settineri – tax compliance services	2,750	3,118
Total remuneration for other services	2,750	3,118

17. CONTINGENT LIABILITIES

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

18. 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:

within one year

-	-
-	-

The Turner Rive Base Metals Project tenements have minimum aggregate expenditure requirements of \$140,000 p.a. The commitments above however reflect the fact that actual current year (of approximately \$188,000) and its cumulative past expenditures have far exceeded the minimum tenement expenditure obligations for the past five years.

During the year ended 30 June 2015, the Group divested its interest in Permit 51985 (Puhipuhi, NZ) and has no further commitments.

	Consolidated	
	2015	2014
	\$	\$
(b) Lease commitments: Group as lessee		
<i>Operating leases (non-cancellable):</i>		
Minimum lease payments		
within one year	-	49,963
later than one year but not later than five years	-	-
later than five years	-	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	-	49,963

The former property lease expired on 1 May 2015.

(c) Capital commitments

The Group did not have any capital commitments as at the current or prior balance date.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

19. 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 20.

(c) Transactions with related parties

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

During the prior year short term loan facilities were provided to the Company by Directors Peter Batten (\$53,802) and Darren Townsend (\$17,256) at an interest rate of 12% p.a. (accruing monthly). On 22 November 2013, shareholders approved the issue of 28,423,200 ordinary fully paid shares in full settlement of both loans.

(d) Loans to related parties

On 5 September 2014, the Company has fully divested its interest in this entity. De Grey Mining Limited, as part of the divestiture, waive all unsecured loans made to its wholly owned Argentinian subsidiary, De Grey Argentina SA, totalling \$6,423,525, and which had previously been fully impaired.

De Grey Mining Limited has provided unsecured, interest free loans to each of its wholly owned Australian subsidiaries which have been fully impaired.

20. 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 ¹	
			2015 %	2014 %
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

¹The proportion of ownership interest is equal to the proportion of voting power held.

²On 5 September 2014, the Group has divested its interest in this subsidiary.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

21. INTERESTS IN JOINT VENTURES

(a) Great Northern Gold Project Farm-out (formerly known as the Turner River Gold Project)

In March 2014, the Company entered into an agreement to farm-out an 80% interest in Project. The key conditions of the Agreement are:

- (i) Rugby paid De Grey \$100,000 to reimburse for past expenditures.
- (ii) a three year option period to acquire an 80% interest in the Tenements by incurring a total of AUD\$2 million in expenditures with a minimum expenditure commitment of AUD\$500,000 and a commitment to drill in the first six months
- (iii) an option to purchase an 80% interest in the historic near surface resource at Wingina Well for AUD\$3 million, by paying AUD\$2 million at any time within 54 months from the date of the Agreement and a further payment of AUD\$1million within 30 days of a decision to mine any part of the historic resource at Wingina Well.

The project was previously under a farm-in agreement with Southern Cross Goldfields Ltd (ASX:SXG), as 100% owner of subsidiary company Lansdowne Resources Pty Ltd, up until it was returned to De Grey Mining Limited in December 2013.

The carrying value of De Grey's interest in the project is 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 ("Atlas"). 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 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 retained a 1% gross sales revenue royalty over tonnes produced from Mt Dove in excess of 2 million tonnes. During the December 2014 quarter, Atlas advised that it would exceed the 2 Million production threshold and royalty payments would resume. Atlas has also advised that production has now ceased from this operation and De Grey do not expect to receive a further royalty payment stream in future years.

On 22 September 2015 and subsequent to the end of the financial year, the company has entered into a Deed of Termination, which will result in the Atlas Iron Group relinquishing its iron ore rights (Note 22).

(d) 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.

Sands mining operations commenced in the December 2013 quarter and have continued throughout the current financial year.

22. EVENTS OCCURRING AFTER THE REPORTING DATE

On 8 September 2015, the Company advised that it would not be exercising its option over a South African Kimberley Diamonds Project.

On 22 September 2015, the Company entered into a Deed of Termination, which will result in the Atlas Iron Group relinquishing its iron ore rights over certain gold and base metals tenements. In the event that iron ore production recommences on any of the tenements, the Company shall pay Atlas Iron Limited a one-off payment of \$50,000.

There has been no other matter or circumstance occurring subsequent to the end of the financial year that 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 future financial years.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015	2014
	\$	\$
23. STATEMENT OF CASH FLOWS		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	(471,771)	(134,352)
Non-Cash Items		
Depreciation of non-current assets	12,396	15,644
Net loss/(gain) on disposal of plant and equipment	3,699	5,405
Option expense	35,574	57,530
Non-cash expenses		(64,040)
Proceeds from sale / farm-out of tenements	(370,000)	(100,000)
Finance facility fee	50,000	-
Change in operating assets and liabilities		
(Increase)decrease in trade and other receivables	12,086	2,515
Decrease/(increase) in other assets	7,073	22,703
(Decrease)/increase in trade and other payables	(52,639)	(135,906)
Increase/(decrease) in employee entitlement provisions	-	(40,452)
Net cash outflow from operating activities	<u>(773,582)</u>	<u>(370,953)</u>

24. LOSS PER SHARE

(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

(471,771)	(134,352)
-----------	-----------

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

927,299,926	784,158,061
-------------	-------------

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2015, 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.

25. SHARE-BASED PAYMENTS

Employee Option Plan of De Grey Mining Limited (EOP)

Shareholders approved the EOP at the Annual General Meeting held on 21 November 2012. The EOP is designed to attract and retain eligible employees (including directors), provide an incentive to deliver growth and value for the benefit of all Shareholders and facilitate capital management by enabling the Company to preserve cash reserves for expenditure on principal activities. Participation in the Plan is at the discretion of the Board and no eligible employee has a contractual right to receive an option under the Plan.

The options are granted to employees to align their interests with that of the shareholders of the company.

Any issue of options to Directors under the Plan will be subject to shareholder approval pursuant to the provisions of the ASX Listing Rules and the *Corporations Act 2001*.

The exercise price and expiry date for options granted under the EOP will be determined by the board prior to granting of the options. The options grant may also be subject to conditions on exercise and usually have a contractual life of two to three years.

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.

There were 42,500,000 options granted in the financial year ended 30 June 2015 (2014: Nil) and as detailed in the following table.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

25. SHARE-BASED PAYMENTS (cont'd)

Set out below are summaries of granted options:

Grant date	Expiry date	Exercise price Cents	Balance at start of the year Number	Granted during the year Number	Cancelled or expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated - 2015							
3 Sep 2012	3 Sep 2014	2.2	6,500,000	-	(6,500,000)	-	-
3 Sep 2012	3 Sep 2015	2.3	6,500,000	-	-	6,500,000	6,500,000
3 Sep 2012	3 Sep 2015	2.6	6,500,000	-	-	6,500,000	6,500,000
10 Jan 2013	10 Jan 2016	3.0	2,500,000	-	-	2,500,000	2,500,000
25 Nov 2014	25 Nov 2017	0.4	-	35,000,000	-	35,000,000	35,000,000
25 Nov 2014	25 Nov 2017	0.4	-	7,500,000	-	7,500,000	7,500,000
			22,000,000	42,500,000	(6,500,000)	58,000,000	58,000,000
Consolidated - 2014							
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	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)	-	-
14 Jun 2011	30 Jun 2014	6.5	2,500,000	-	(2,500,000)	-	-
21 Oct 2011	30 Apr 2014	6.5	7,000,000	-	(7,000,000)	-	-
			39,500,000	-	(17,500,000)	22,000,000	15,500,000

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 22 months (2014: 11 months), and the exercise prices range from 0.4 to 3.0 cents.

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was 0.066 cents (2014: Nil). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2015	2014
Weighted average exercise price (cents)	0.4	-
Weighted average life of the option (years)	3.0	-
Weighted average underlying share price (cents)	0.2	-
Expected share price volatility	75%	-
Weighted average risk free interest rate	2.5%	-

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	
	2015	2014
	\$	\$
Options issued to directors and key management personnel	35,574	57,530

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

	Parent Entity	
	2015	2014
	\$	\$
26. PARENT ENTITY INFORMATION		
The following information relates to the parent entity, De Grey Mining Limited, at 30 June 2015. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.		
Current assets	263,591	593,586
Non-current assets	105,665	125,160
Total assets	369,256	718,746
Current liabilities	87,872	115,511
Total liabilities	87,872	115,511
Contributed equity	44,344,280	44,229,934
Share-based payments reserve	234,600	296,526
Accumulated losses	(44,297,496)	(43,923,225)
Total equity	281,384	603,235
Loss for the year	(471,771)	(141,079)
Other comprehensive loss	-	-
Total comprehensive loss for the year	(471,771)	(141,079)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital commitments

The parent entity had no capital commitments as at 30 June 2015 and 30 June 2014.

Accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 30 to 52 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 2015 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 Australian Accounting 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, 30 September 2015

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF DE GREY MINING LIMITED

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 2015 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 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 consolidated financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group'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 Group'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.

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 2015 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards the Corporations Regulations 2001.

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(u) to the financial statements, "Going concern" the ability of the Group to continue as a going concern is dependent upon the Group raising further working capital. These conditions indicate the existence of a material uncertainty that may cast significant doubt 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 17 to 21 of the Directors' Report for the year ended 30 June 2015.

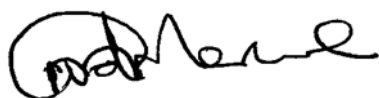
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

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 and its controlled entities for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth

Date: 30 September 2015

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 22 September 2015.

(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	78	32,290
1,001	- 5,000	221	739,437
5,001	- 10,000	272	2,320,906
10,001	- 100,000	897	37,058,892
100,001	and over	568	1,103,309,533
		2,036	1,143,461,058
The number of shareholders holding less than a marketable parcel of shares are:		1,754	104,955,561

(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	Pershing Australia Nominees Pty Ltd <DJ Carmichael A/C>	78,000,000	6.82%
2	Bill Brooks Pty Ltd <Bill Brooks S/F A/C>	42,161,598	3.69%
3	Mr Robert Parker	40,000,000	3.50%
4	Redcode Pty Ltd	39,000,000	3.41%
5	Amber Plus Pty Ltd	39,000,000	3.41%
6	Batten Resources Pty Ltd <Batten S/F A/C>	36,842,136	3.22%
7	Mr Jack Yuejin Li	26,000,000	2.27%
8	Mineralogy Pty Ltd	22,799,908	1.99%
9	Kin-Mun Kan	20,000,000	1.75%
10	Mr Toni Mathieson Frank	20,000,000	1.75%
11	Karari Australia Pty Ltd	15,790,000	1.38%
12	Ms Jane E Somes & Ms Amy J Somes <Jane Somes Pension Fund A/C>	15,000,000	1.31%
13	Topspeed Pty Ltd <Skinner No1 Super A/C>	15,000,000	1.31%
14	Ms Marlene Louise White	15,000,000	1.31%
15	Struven Nominees Pty Ltd <Alan Strunin Staff S/F A/C>	14,000,000	1.22%
16	Mr Kenneth Livingstone	13,517,656	1.18%
17	Mr Craig Andrew Nelmes	12,692,212	1.11%
18	Khe Sanh Pty Ltd	12,000,000	1.05%
19	Mr Raymond Keith Gamble	11,666,666	1.02%
20	Mr Darren Paul Townsend <Townsend S/F A/C>	11,363,060	0.99%
		499,833,236	43.69%

ASX Additional Information

(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
Nil.	Nil

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

The unquoted options have no voting rights.

(e) Unquoted Securities

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
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
Unlisted \$0.004 options, expiry 25 November 2017	42,500,000	3	Peter Batten	20,000,000
			Simon Lill	15,000,000
			Craig Nelmes	7,500,000

Schedule on Interests in Mining Tenements

FOR THE YEAR ENDED 30 JUNE 2015

Project/Location	Country	Tenement	Percentage held/earning
Beyondie	Australia	E52/1806	20% ¹
Beyondie	Australia	E52/2215	20% ²
Turner River	Australia	E47/891	100%
Turner River	Australia	E45/2533	100%
Turner River	Australia	E45/2364	100%
Turner River	Australia	P45/2655	100%
Turner River	Australia	E45/2995	100%
Turner River	Australia	E45/3390	100%
Turner River	Australia	E45/3391	100%
Turner River	Australia	E45/3392	100%

¹De Grey retains 100% rights to all non-iron ore related minerals under a Split Commodity Agreement.

²De Grey retains 100% rights to all non-iron ore related minerals under a Split Commodity Agreement.