Annual Report

for the year ended 30 June 2016

De Grey Mining Limited
ABN 65 094 206 292

Corporate Information

ABN 65 094 206 292

Directors
Simon Lill (Executive Chairman)
Steven Morris (Non-Executive Director)
Davide Bosio (Non-Executive Director) (appointed 18 December 2015)

Peter Batten (Non-Executive Director - resigned 18 December 2015)

Company Secretary
Craig Nelmes

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MOUNT HAWTHORN WA 6915

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

Internet Address
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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

It has been a year of two halves - difficult capital markets continued during the first half of the financial year resulting in many of our fellow junior explorers continuing to move away from mineral exploration. However, De Grey finished the half with a successful capital raising of $1.7M through a rights issue underwritten by DJ Carmichael Pty Ltd an indicator of improving capital markets.

As a result, the start of 2016 saw the company with a reasonable cash balance, and welcoming a new Director, Mr. Davide Bosio. This also resulted in the resignation of Mr. Peter Batten from the Board. Mr. Batten joined the Board in 2012 as Executive Chairman through difficult times for exploration juniors. We would like to thank him for his efforts.

The Company was advised in mid-February by Rugby Mining Limited that it was withdrawing from its earn in arrangements on the Turner River Project. The Company was fortunate that this coincided with renewed interest in the gold sector which was starting to trickle down to the junior sector.

The tenements have remained in De Grey Mining's name since 2002 – but this was now the first time in 7 or 8 years that the Company had 100% control of the whole tenement package and its comprehensive technical database.

We were also fortunate to access the services of Mr. Andy Beckwith to commence a comprehensive review of the project. Mr. Beckwith has a successful exploration background including senior technical roles with AngloGold Ashanti, Acacia Resources, Helix Resources, Normandy NFM, North Flinders Mines, BP Minerals Australia and most recently at Westgold Resources.

The short summary of Mr. Beckwith's work is that the Turner River projects were forgotten projects, and that the Turner River Gold Resource was not the low grade resource that the resource statements had indicated. There exist significant high grade intersections from surface that we have better described in the Operations Review that follows.

More over a review of the entire region indicated that whilst not noted for gold production, it does carry significant gold resources and the opportunity exists for further discoveries. Recently we have advised of a revision of the interpretation of the region and our belief that there exist two significant shear zones, the Mallina Shear Zone and the Wingina Shear zone within the greater Tabba Tabba Thrust.

Planning into the future is to demonstrate the exploration potential of the project tenements, to work on increasing our resource base to 500,000 ounces and above, and to commence feasibility studies with an immediate focus on long lead items such as heritage, environmental and water studies.

The board wishes to thank Mr. Beckwith for his efforts to date and also to our Company Secretary/CFO Mr Craig Nelmes and other support personnel for their tireless efforts throughout the year.

We also wish to thank De Grey shareholders for their continuing support of the Company and look forward to what is shaping to be a very exciting upcoming twelve months.

Simon Lill
Executive Chairman

Perth, 30 September 2016

Turner River Project, Western Australia (100% De Grey Mining)

De Grey Mining Limited ("De Grey" or "Company") is an Australian minerals explorer and developer with its flagship Turner River Project ("TRP") located 50km south of Port Hedland in the Pilbara region of Western Australia (Figure 1). The 100% owned TRP comprises over 900km^2 of prospective gold and base metals tenure covering significant portions of the highly prospective Tabba Tabba Thrust and Mallina Shear Zone, currently host to three gold and two base metal deposits, with numerous exploration targets.

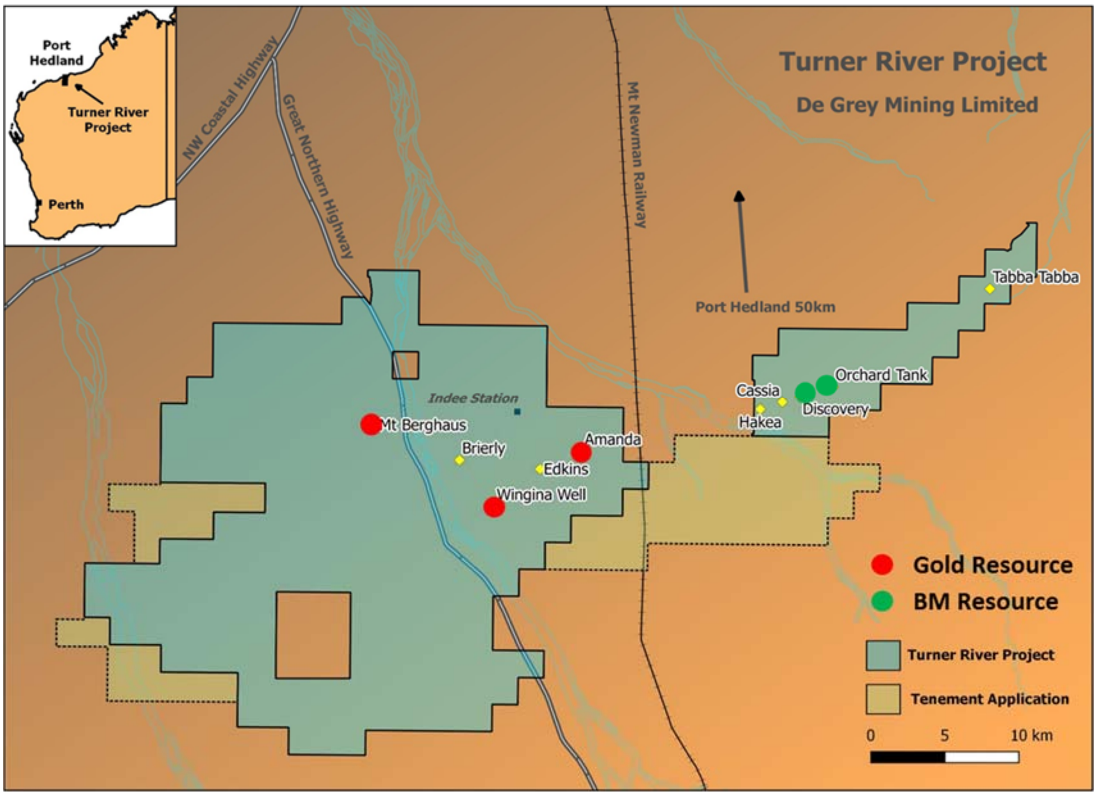
On 12 February 2016, the Company announced it had received formal notification from Rugby Mining Limited that it was withdrawing from its expenditure commitment to earn in to the Great Northern Gold Project (Rugby's renaming of De Grey's Turner River Gold Project) placing a preference on the exploration of their Northern hemisphere projects.

As a result, De Grey retains 100% of the tenements that comprise the Turner River Project. The Board considered this to be a favourable outcome given significant improvement in market sentiment with respect to Australian gold projects, especially those with existing resources.

The Company appointed Mr. Andy Beckwith to commence an initial overview of the entire TRP, with an initial focus on the gold assets.

The review's preliminary findings concluded that the Company had better resource development opportunities than the Board had understood and that an ongoing and more detailed review should be undertaken. The review objectives were to determine the near term potential to develop the existing gold resources, the prospectivity to discover further resources and to better understand the structure of the current JORC resources. This work concluded that there existed substantial potential for further discoveries and thus the capacity to increase the existing resources within the tenement package. The potential to develop the projects is enhanced financially by the significant increase in the gold price to circa US\$1300/oz (~AUS\$1700) seen today, as compared to a gold price of ~US\$800/oz back in 2008.

Figure 1 Location of De Grey's Turner River Project, Western Australia



Existing Gold Deposits

The three gold deposits Wingina, Amanda and Mount Berghaus contain an estimated 346,000 ounces of gold (Refer to the Annual Statement of Ore Resources - JORC 2012 on page 58). The resources are located in an infrastructure rich area, 50km south of Port Hedland in the Pilbara region of Western Australia, with excellent access via dominantly bitumen roads.

The Wingina Gold deposit is well drilled with high grade gold mineralisation hosted by the Wingina Shear and associated Banded Iron Formation (BIF) and Chert. Continuous high grade gold mineralisation (>1.8g/t) is hosted in sub-vertical high grade lodes which extend over a 600m strike length and are currently drill tested to 200 - 250m below surface.

A Total Mineral Resource Estimate of 268,000 ounces of gold, including 156,000 ounces in the Measured category and 48,000 ounces in the Indicated category, has been defined at Wingina. The remaining Inferred category relates to generally deeper portions of the deposit which have received less drilling density to date. The deposit is deeply weathered resulting in peripheral zones of lower grade (0.5-1.5g/t) remobilised "supergene" gold mineralisation located adjacent to the higher grade lodes.

A recent diamond drilling programme, completed in September 2016, targeted mineralisation at depth. A shallow diamond hole was also drilled into the shallow oxide high grade material to confirm previous drilling results and to gain further geological information. The results of this programme have provided a significant increase in the geological controls on the mineralisation with the recognition of the Wingina Shear that hosts the bulk of the gold mineralisation. This shear is very important as it continues along strike and hosts the Amanda Deposit to the north east some 10km along strike. Regional reconnaissance and review of the database shows that the shear outcrops as prominent ridges, is anomalous in gold in many localities and is poorly drill tested providing substantial longer term potential.

Figure 2 shows a series of 20m spaced drill sections which highlight the high grade nature of the gold mineralisation within the shear zone. The red zones represent gold mineralisation >1.8g/t and the blue zones represent the lower grade halo between 0.5-1.8g/t. The mineralisation is continuous over approximately 600m strike length.

The Wingina gold resource is currently under review and a new JORC 2012 compliant resource is planned for October 2016.

At Amanda, a resource of 35,000 ounces has previously been defined. The recent recognition of the Wingina shear as the host provides added potential to increase this resource with further drilling. As indicated above the intervening 10km (Figure 3) strike length has limited deeper RC or diamond drilling that tests this prospective horizon. Although poorly tested highly encouraging drilling intercepts including 2m @ 43.2g/t, 3m @ 29.3g/t, 4m @ 26.9g/t and 16m @ 1.57g/t provide incentive to undertake further exploration along this zone.

The Mount Berghaus deposit (43,000 ounces) is located approximately 10km to the north of Wingina and is hosted by the parallel Mallina Shear Zone. The mineralisation is generally quartz vein hosted within the shear zone, and shows similar features to the nearby Indee Gold deposit 20km to the west. A programme of infill and extension drilling is planned to test this prospect further during late 2016. Upon completion of this drilling programme the resource will be updated.

Development Potential

De Grey is planning for the Wingina deposit to be developed as an open pit and underground mining operation with additional ore sourced from satellite open pits within economic trucking distance. A simple CIL processing plant, typical of many gold mines in Western Australia, is the preferred processing option due to the excellent recoveries (>90%) achieved in previous metallurgical testwork on the oxide ore. The Mount Berghaus (43,000oz) and the Amanda (35,000oz) gold deposits, both located within 10km of Wingina, are expected to provide additional ore feed.

The Company is currently assessing the most advanced prospects within the Turner River Project that are considered likely to provide further additional open pittable gold resources and support the proposed Wingina development.

Figure 2 Wingina drilling cross sections highlighting high grade lodes

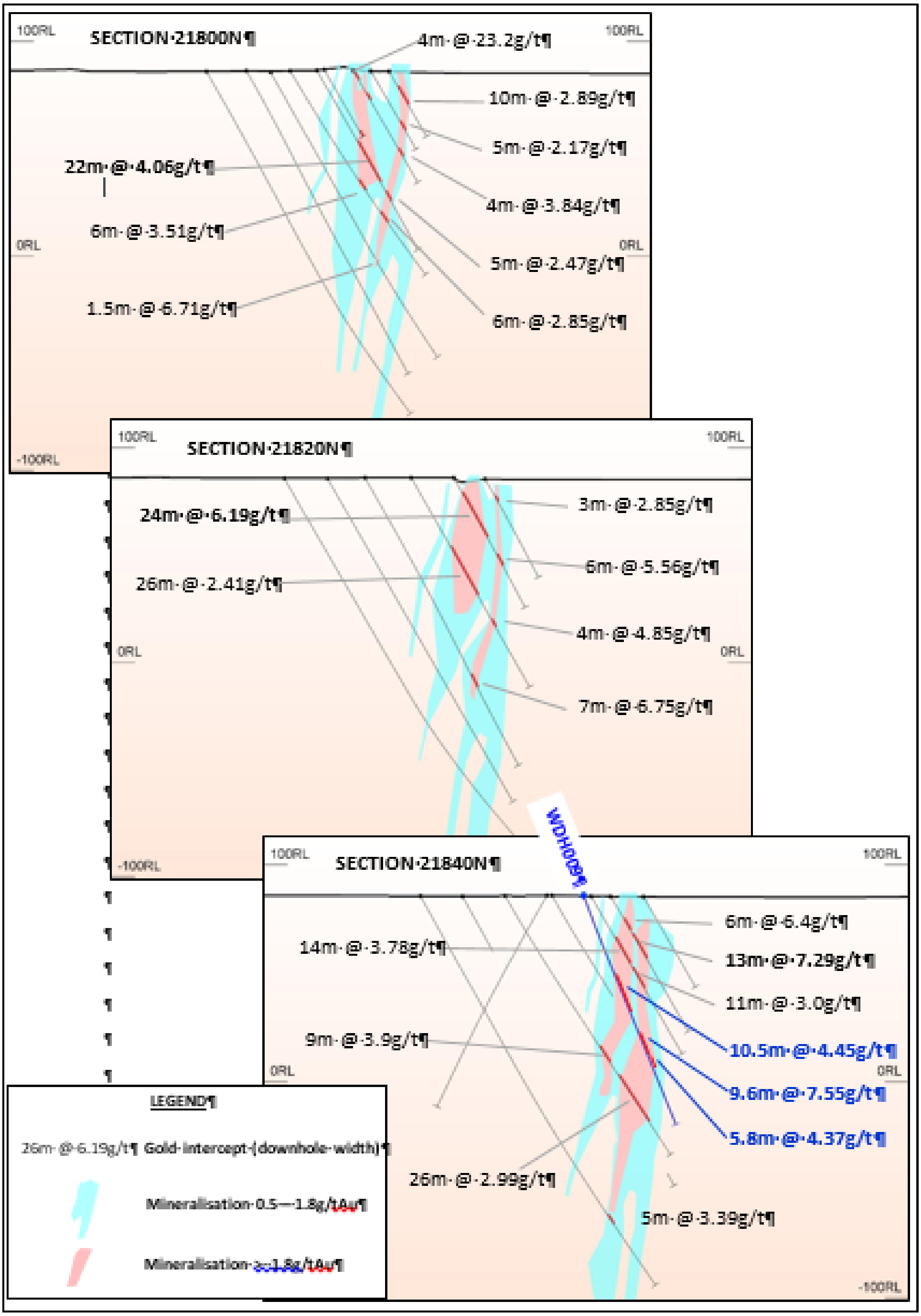
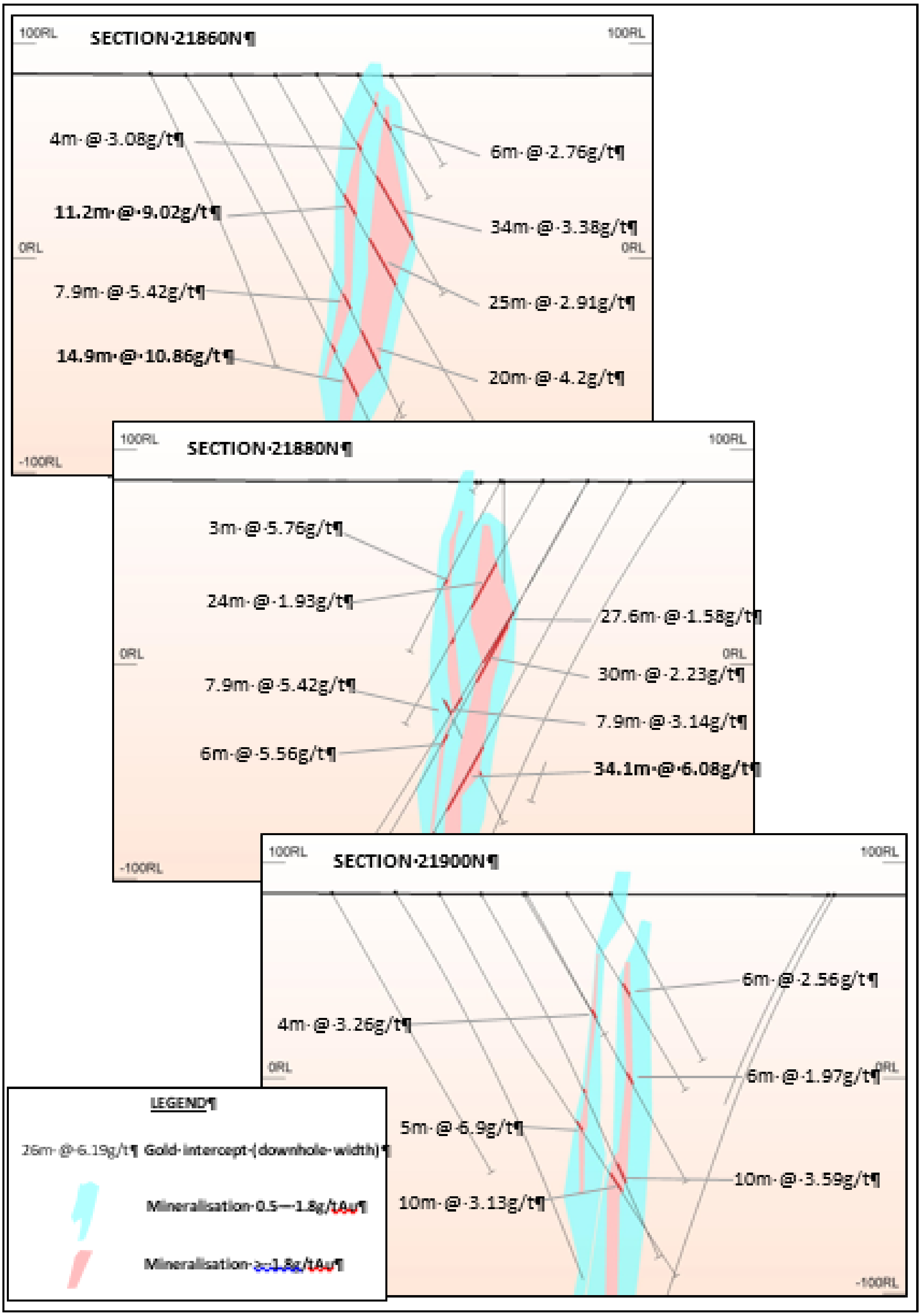


Figure 2 (cont)



Operations Report

Base Metal Deposits

Two base-metal (Au-Ag-Pb-Zn-Cu) deposits, located approximately 20km east of the Wingina Gold Deposit (Figures 1 and 3) have been discovered within the TRP. The deposits are interpreted to represent VMS style mineralisation and are hosted in the Tabba Tabba greenstone belt immediately south of the main Tabba Tabba Thrust (Refer to the Annual Statement of Ore Resources - JORC 2012 on page 58).

The Company commenced an RC drilling programme at Discovery and at a similar base metal prospect named Tabba Tabba during the period. Subsequent results of this programme have been positive with high grade gold-silver-zinc dominant mineralisation defined from surface. Previous deeper drilling shows the mineralisation remains open at depth at both prospects.

Significant results at Discovery (subsequent to the reporting period) include:

HoleID	From (m)	Interval (m)	Au g/t	Ag g/t	Cu %	Pb %	Zn %	In Situ Grade ZnEq %**
DISRC011	9	**18**	**2.00**	**117.0**	0.12	1.48	**3.23**	**13.33**
DISRC012	25	**16**	**0.79**	**135.8**	0.18	1.49	**3.33**	**11.39**
DISRC013	72	**18**	**2.58**	**269.8**	0.29	2.54	**4.88**	**22.72**
DISRC014	12	**5**	**2.22**	**100.8**	0.17	1.34	**3.11**	**13.22**
DISRC015	29	**12**	**3.65**	**161.0**	0.30	2.23	**4.88**	**21.40**
DISRC016	59	**11**	**1.09**	**132.4**	0.22	2.43	**6.22**	**15.85**

Significant results at Tabba Tabba (subsequent to the reporting period) include:

HoleID	From (m)	Interval (m)	Au g/t	Ag g/t	Cu %	Pb %	Zn %	In Situ Grade ZnEq %**
TTRC027	24	9	0.27	**58.7**	0.22	1.08	**2.68**	**6.78**
including	24	2	**0.71**	**158.5**	0.27	**3.60**	**8.06**	**18.90**
TTRC028	56	9	0.34	**90.1**	0.17	1.57	**5.56**	**11.16**
including	56	3	**0.91**	**216.7**	0.31	**3.94**	**13.62**	**27.22**
TTRC029	29	7	0.13	**60.1**	0.10	1.03	**4.55**	**8.01**
including	31	4	0.18	**95.6**	0.13	1.60	**6.96**	**12.28**

The resource estimates at both the Discovery and Orchard Tank deposits are currently being remodeled and updated resource estimated are anticipated during October 2016.

Exploration Upside

The Turner River Project review has continued to reveal the substantial potential of the region. The company is in a fortunate position of owning a substantial database of quality geological, geophysical and geochemical information. The database continues to be assessed and has provided a number of large target areas requiring follow-up activities.

An example of the exploration potential is evident at the Wallareenya Gold Target where a 6km long zone of highly anomalous gold and indicator elements is coincident with the intersection of the major Tabba Tabba Thrust and a secondary splay structure. This structural intersection is considered a prime target for large scale dilational features that may host a large gold deposit. Previous wide spaced RAB/Air core drilling traverses also highlights a number of significant gold intersections (refer to Figure 4). Additionally, recent prospecting has discovered a zone of gold nuggets within this target zone. Further sampling is planned for this target with the aim of defining drill targets for later testing.

Pegmatite Potential

The Turner River Project is located within a world class lithium province where nearby major resources of spodumene bearing pegmatite have been recently discovered by third parties. De Grey's large tenement portfolio is considered prospective for similar pegmatite potential.

Initial reconnaissance rock chip sampling was successfully completed and defined an 8.5km long pegmatite trend of poorly exposed pegmatites along the southern margin of E45/2355. This sampling established the presence of rare metal fractionated pegmatites, a host rock for lithium.

The Company is currently in the process of further reconnaissance sampling throughout the tenement package and undertaking orientation soil sampling over the prospective pegmatites in order to determine the optimum sampling media to better define future drill targets

Figure 3 Regional magnetics

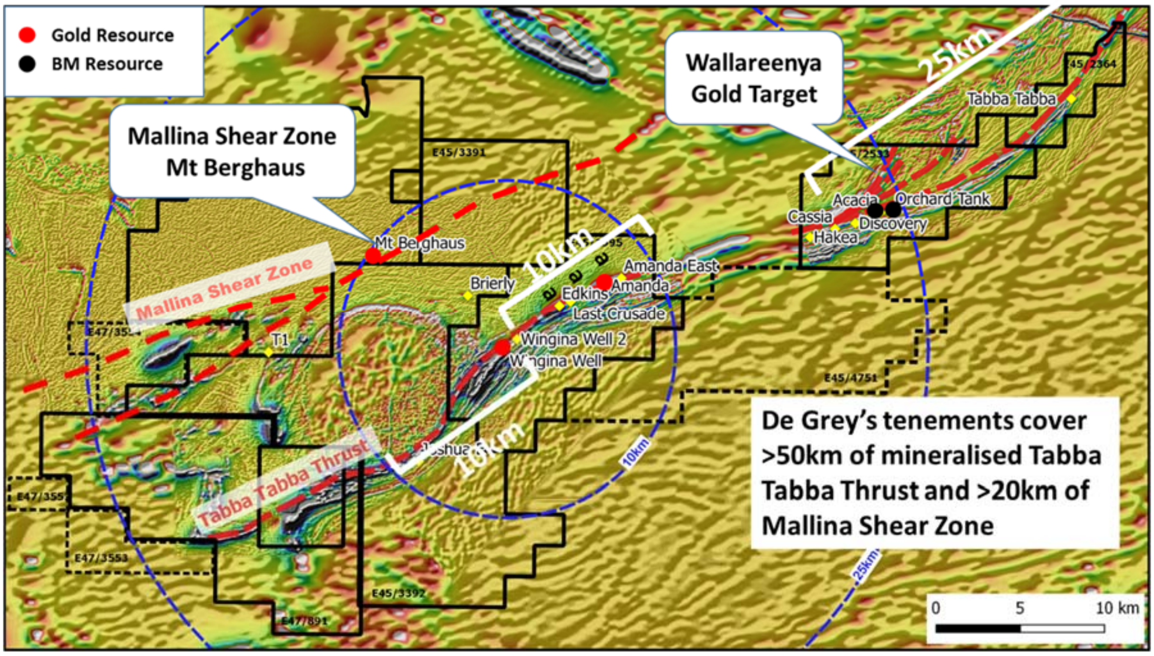
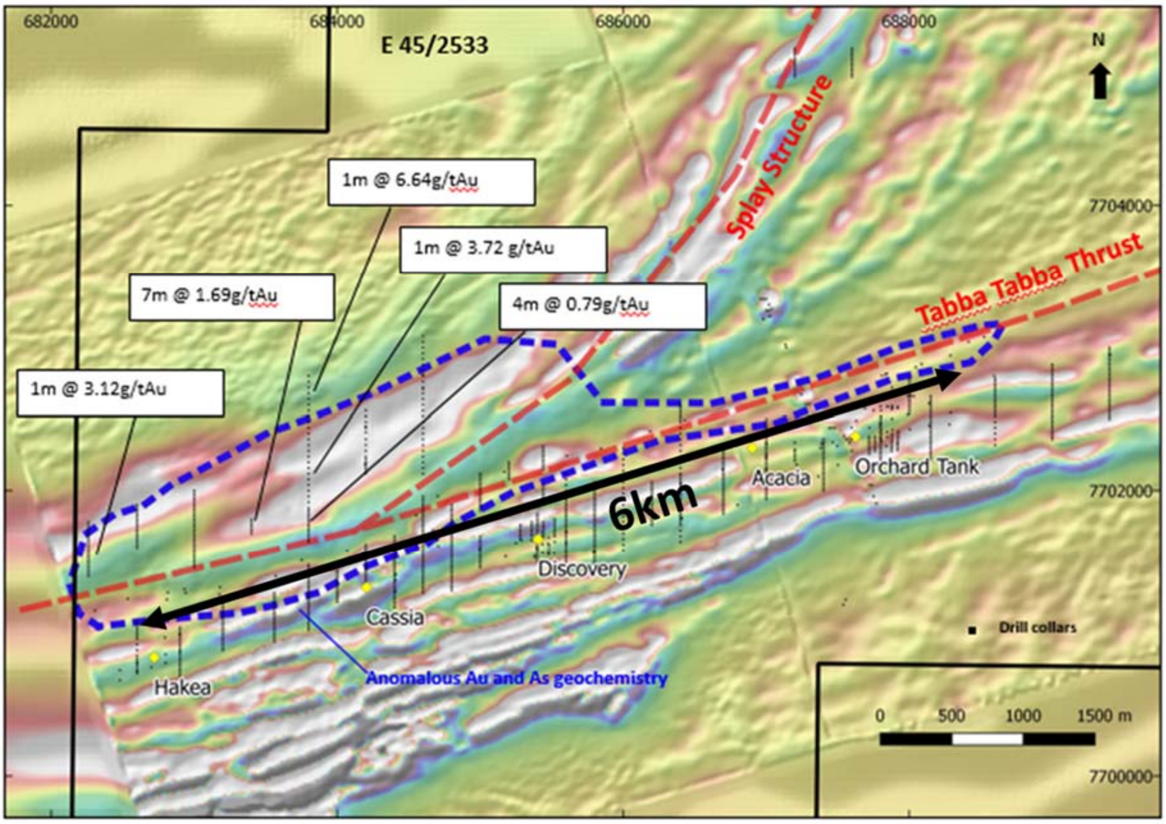


Figure 4 Wallareenya Gold Target



Operations Report

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.

The operation generated royalty revenues of $13,548 in the financial year (2015: $31,998)

Corporate

On 18 November 2015, the Company announce that it has reached agreement with DJ Carmichael Pty Limited to underwrite a 3 for 2 renounceable rights issue at $0.001 per share to raise $1,715,192 (before underwriting costs).

On 18 December 2015, the Company completed the rights issue, the raising comprising of $543,485 from subscription to entitlements and $1,171,707 from the issue of shortfall shares.

On 18 December 2015, the composition of the board also changed with Mr. Peter Batten stepping down and being replaced by Mr. Davide Bosio. Mr. Batten's efforts are acknowledged after he took on the role as Executive Chairman when the Company and broader exploration sector was already experiencing difficulties. His efforts have significantly contributed to its survival into better times for junior Australian gold exploration companies.

Competent Person

The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr. Andrew Beckwith, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr. Beckwith is a consultant to De Grey Mining Limited. Mr. Beckwith has sufficient experience that is relevant to the style of mineralisation and type of deposit 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 Resource and Ore Reserves". Mr. Beckwith consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resources for the Turner River Wingina Well, Mount Berghaus and Amanda deposits was reported to the ASX on 2 June 2016.

The information in this report that relates to Mineral Resources for the Turner River Discovery and Orchard Tank deposits was reported to the ASX on 16 July 2014.

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 2016.

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:

Simon Lill
Steven Morris
Davide Bosio (appointed 18 December 2015)
Peter Batten (resigned 18 December 2015)

INFORMATION ON DIRECTORS

Simon Lill, BSc MBA
Executive Chairman

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
Mejority Capital Limited (*formerly Bridge Global Capital Management Limited*	18 May 2010	-
Safety Medical Products Limited	06 October 2010	20 May 2014
First Growth Funds Limited	16 July 2012	16 May 2014
Water Resources Group Limited	02 September 2013	-
Mako Hydrocarbons Limited	28 August 2015	30 August 2015

Interest in shares and options:
60,000,000 ordinary fully paid shares
15,000,000 options over ordinary shares in De Grey Mining Limited

Steven Morris, Dip Fin Mkts
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 Patersons Securities Ltd and Managing Director of Intersuisse Ltd. He is the Founder of Peloton Shareholder Services offering management of shareholder based capital raising and investor relations advice to numerous ASX listed companies. He is also General Manager of Agentplus, a provider of software solutions to the property management industry and a Director of the Melbourne Football Club.

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

Interest in shares and options:
5,000,000 ordinary fully paid shares

Davide Bosio, B Com, GradDipAppFin
Non-executive Director

Mr Bosio was appointed to the board on 18 December 2015.

Mr Davide Bosio has over 10 years' experience in the finance industry as an Investment Advisor providing financial product advice and dealing to wholesale and retail clients. He currently holds the position of managing director of DJ Carmichael, a Perth based broking business.

Mr Bosio is a Fellow Member of the Financial Services Institute of Australia (Finsia) and a Graduate Member of Australian Institute of Company Directors (GAICD). He holds a Bachelor of Commerce (Marketing) degree and a Graduate Diploma in Applied Finance and Investment.

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

Company	Date appointed	Date ceased
Emerald Oil and Gas NL	20 November 2012	03 October 2013
Spookfish Limited	02 May 2013	31 October 2014

Interest in shares and options: Nil

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:

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 at its flagship Turner River Project in the Pilbara region of Western Australia.

FINANCIAL REVIEW

The consolidated loss after tax for the year ended 30 June 2016 was $792,657 (2015: $471,771).

EARNINGS PER SHARE

The basic loss per share for the year ended 30 June 2016 was 0.04 cents per share (2015: 0.05 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.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters or circumstances that 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 2016 and the number of meetings attended by each Director were:

	Directors Meetings	
	Eligible	**Attended**
Simon Lill	10	10
Steven Morris	10	10
Davide Bosio	6	6
Peter Batten	4	4

SHARE OPTIONS

At the date of this report there are 521,192,212 unissued ordinary shares in respect of which options are outstanding.

	Number	Exercise Price	Expiry Date
Unlisted options	42,500,000	0.4 cents	25 November 2017
Unlisted options	478,692,212	0.2 cents	10 June 2019

During the financial year 478,692,212 options were issued and none were exercised. 228,692,212 options were issued as part of a placement prior to the 2015/2016 Financial Year and only issued after shareholder approval at the Company's AGM.

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

ENVIRONMENTAL REGULATION

The Group is subject to 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.

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. Securities 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 Simon Lill	Executive Chairman
Mr Steven Morris	Non-Executive Director
Mr Davide Bosio	Non-Executive Director (appointed 18 December 2015)
Mr Peter Batten	Non- Executive Director (resigned 18 December 2015)
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.

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.

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 with be paid at the rate $200 per hour or a fixed fee if so agreed. Mr. Lill has since February 2016 (coinciding with the return of the Turner River Gold project) been undertaking executive duties on a needs basis.

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 2016.

*Employee Option Plan of De Grey Mining Limited (**EOP**)*

The De Grey Mining Limited EOP was last approved by Shareholders at the 2015 Annual General Meeting held on 25 November 2015 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 - 2015 Annual General Meeting

The Company received approximately 97.6% of "yes" votes on its remuneration report for the 2015 financial year (2014: 93.7%).

C. Service agreements

The key terms of the service agreements in place for the year ended 30 June 2016 were as set out below:

Simon Lill, Executive Chairman

In accordance with Mr Lill's existing Directors agreement, Mr. Lill was remunerated for executive functions services carried during the financial year of $20,000, in addition to his Non-executive fees of $24,000 p.a.

Peter Batten, former Non-Executive Director

In accordance with Mr Batten's Directors agreement, Mr. Batten was remunerated for executive functions services carried during the financial year and up to the date of his resignation (on 18 December 2015) of $7,200, in addition to his Non-executive fees of $12,000.

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*		*Options*
	$	$	$	$	$	%
Directors						
Simon Lill						
2016	**44,000**	**-**	**-**	**-**	**44,000**	**-**
2015	29,000	-	-	9,900	38,900	25
Steven Morris						
2016	**24,000**	**-**	**-**	**-**	**24,000**	**-**
2015	16,000	-	-	-	16,000	-
Davide Bosio (appointed 18 December 2015)						
2016	**11,675**	**-**	**1,225**	**-**	**12,900**	**-**
2015	-	-	-	-	-	
Peter Batten (resigned 18 December 2015)						
2016	**19,200**	**-**	**-**	**-**	**19,200**	**-**
2015	77,000	-	-	20,724	97,724	21
Darren Townsend (resigned 20 November 2014)						
2016	-	-	-	-	-	**-**
2015	9,267	-	-	-	9,267	-
Sub- total Directors						
2016	**98,875**	**-**	**1,125**	**-**	**100,100**	**-**
2015	131,267	-	-	30,624	161,891	
Other Key management personnel						
Craig Nelmes (Company Secretary/CFO) [1]						
2016[1]	-	-	-	-	-	-
2015[1]	-	-	-	4,950	4,950	100[1]
Total key management personnel compensation						
2016	**98,875**	**-**	**1,125**	**-**	**100,100**	
2015	131,267	-	-	35,574	166,841	

[1]Mr 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.

Share-holdings of Key Management Personnel

	Opening Balance 1 July 2015	Received on exercise of options	Purchases (disposals) during the year	Other changes during the year	Closing Balance 30 June 2016
	No.	No.	No.	No.	No.
Directors					
Simon Lill	-	-	60,000,000	-	60,000,000
Steven Morris	5,000,000	-	-	-	5,000,000
Davide Bosio (appointed 18 Dec 2015)	-	-	-	-	-
Peter Batten (resigned 18 Dec 2015)	36,842,136	-	-	(36,842,136)	-
Other executives					
Craig Nelmes	12,692,212	-	-	-	12,692,212
Total	**54,534,348**	**-**	**60,000,000**	**(36,842,136)**	**77,692,212**

Option-holdings of Key Management Personnel

	Opening Balance 1 July 2015	Options acquired as compensation	Options exercised (expired) during the year	Other changes during the year	Closing Balance 30 June 2016
	No.	No.	No.	No.	No.
Directors					
Simon Lill	15,000,000	-	-	-	15,000,000
Steven Morris	-	-	-	-	-
Davide Bosio (appointed 18 Dec 2015)	-	-	-	-	-
Peter Batten (resigned 18 Dec 2015)	33,000,000	-	(13,000,000)	(20,000,000)	-
Other executives					
Craig Nelmes	7,500,000	12,692,212[1]	-	-	20,196,212
Total	**55,500,000**	**12,692,212**	**(13,000,000)**	**(20,000,000)**	**35,196,212**

[1] Free attaching option issue approved by shareholders at the 2015 AGM on 25 November 2015, and with respect to the placement completed in June 2015.

E. Securities based compensation

The Company has granted Nil (2015: 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
2016								
Nil								
2015								
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

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

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:

	2016 $	2015 $
Tax compliance services	**2,400**	2,750

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 20.

Signed in accordance with a resolution of the directors

Simon Lill
Executive Chairman

Perth, 30 September 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 2016, 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 2016.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 30 September 2016

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Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373

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 2016, 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.degreymining.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
Simon Lill	Male	*Finance BSc and MBA in Business Admin*	√	√	√	√	
Steve Morris	Male	*Broking & Investor Relations Diploma Fin Mkts AAICD*		√	√	√	
Davide Bosio (appointed 18 December 2015)	Male	*BCom & GradDipAppFin*	√	√	√	√	
Peter Batten (resigned 18 December 2015)	Male	*Geologist BAppSc (Geol)*		√	√	√	√

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
Simon Lill	Executive Chairman	2 October 2013	**No**
Steve Morris	Non-executive Director	29 October 2014	**Yes**
Davide Bosio	Non-executive Director	18 December 2015	**Yes**
Peter Batten	Non-executive Director	16 July 2012 (resigned 18 December 2015)	**No**

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. Lill will be required 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. Lill, will from time from 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. Lill 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 Cash-flow reports;
- Half-year Financial Report;
- Annual Report;
- Investor Presentations;
- Shareholder meetings; and
- 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 2016	Notes	Consolidated	
		2016	2015
		$	$
REVENUE	4	**22,289**	410,446
EXPENDITURE			
Depreciation expense		**(8,253)**	(12,396)
Employee benefits expense		**(92,900)**	(131,102)
Exploration expenditure		**(304,394)**	(387,543)
Impairment – non-listed investments		**(75,000)**	-
Corporate expenses		**(144,933)**	(80,455)
Occupancy expenses		**(8,675)**	(64,577)
Consulting expenses		**(1,525)**	(3,972)
Investor relations and advertising expenses		**(45,700)**	-
Finance facility fee		**-**	(50,000)
Administration expenses		**(133,358)**	(112,905)
Share based payments	24	**-**	(35,574)
Other expenses		**(208)**	(3,693)
LOSS BEFORE INCOME TAX		**(792,657)**	(471,771)
INCOME TAX BENEFIT / (EXPENSE)	6	**-**	-
LOSS FOR THE YEAR		**(792,657)**	(471,771)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Other comprehensive income for the year, net of tax		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED		**(792,657)**	(471,771)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	23	(0.04)	(0.05)

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 2016	Notes	Consolidated 2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	7	**1,207,561**	242,472
Trade and other receivables	8	**23,693**	14,200
Other assets	9	**7,130**	6,919
TOTAL CURRENT ASSETS		**1,238,384**	263,591
NON-CURRENT ASSETS			
Available-for-sale financial assets	10	**-**	75,000
Plant and equipment	11	**26,019**	30,665
TOTAL NON-CURRENT ASSETS		**26,019**	105,665
TOTAL ASSETS		**1,264,403**	369,256
CURRENT LIABILITIES			
Trade and other payables	12	**189,717**	87,872
TOTAL CURRENT LIABILITIES		**189,717**	87,872
TOTAL LIABILITIES		**189,717**	87,872
NET ASSETS		**1,074,686**	281,384
EQUITY			
Contributed equity	13	**45,837,739**	44,344,280
Reserves	14	**120,550**	234,600
Accumulated losses	14	**(44,883,603)**	(44,297,496)
TOTAL EQUITY		**1,074,686**	281,384

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 2016 Consolidated	Notes	Contributed Equity $	Reserves $	Accumulated Losses $	Total $
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	14(a)	**-**	**(97,500)**	**97,500**	**-**
BALANCE AT 30 JUNE 2015		**44,344,280**	**234,600**	**(44,297,496)**	**281,384**
Loss for the year	14(b)	**-**	**-**	**(792,657)**	**(792,657)**
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	14(a)	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**(792,657)**	**(792,657)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	13(b)	**1,755,192**	**-**	**-**	**1,755,192**
		(261,733)	**-**	**-**	**(261,733)**
Share based payments	14(a)	**-**	**92,500**		**92,500**
Transfer of reserve on expiry of options	14(a)	**-**	**(206,550)**	**206,550**	**-**
BALANCE AT 30 JUNE 2016		**45,837,739**	**120,550**	**(44,883,603)**	**1,074,686**

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 2016	Notes	Consolidated	
		2016	2015
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Royalties received		**14,743**	38,581
Payments to suppliers and employees		**(378,532)**	(336,428)
Interest received		**8,340**	5,084
Payments for exploration and evaluation expenditure		**(194,313)**	(480,819)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22	**(549,762)**	(773,582)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale / farm-out of tenements		**-**	370,000
Payments for plant and equipment		**(3,607)**	-
Proceeds from the sale of plant and equipment			3,400
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		**(3,607)**	373,400
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**1,687,692**	114,346
Payments of share issue transaction costs		**(169,234)**	-
Finance facility fee		**-**	(25,000)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,518,458**	89,346
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**965,089**	(310,836)
Cash and cash equivalents at the beginning of the financial year		**242,472**	553,308
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**1,207,561**	242,472

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 2016

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 2016. 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 2016, 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 2016. 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 2016 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.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is De Grey Mining Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

Revenue is recognised to the extent that is it probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

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.

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 . 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.

(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 1(t).

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.

(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 24.

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 the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

Exploration expenditure

Exploration and evaluation costs are expensed as they are incurred.

Financial assets – measurement and impairment assessment

The Company is required to classify those all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as level 3 (if any) is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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.

(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 $792,657 (2015: $471,771) for the year ended 30 June 2016, has a cash and cash equivalents balance of $1,207,561 (2015: $242,472).

The Company has annual minimum exploration commitments of $673,000 on its Turner River Project and commenced a two-month drilling program just prior to balance date.

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) There has been a significant improvement in the interest and market sentiment around Australian gold projects and especially those with existing resources during the 2016 calendar year;

(ii) The Company believes it has the capacity to raise additional funds at an appropriate time in the future to carry out further exploration work and/or development work at its flagship Turner River Project.

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 $1,207,561 (2015: $242,472) 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 0.94% (2015: 1.97%).

Sensitivity analysis

At 30 June 2016, 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 $8,846 lower/higher (2015: $2,583 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements. The only significant concentration of credit risk for the Group is the cash and cash equivalents held with financial institutions. All material deposits are held with the major Australian banks for which the Board evaluate credit risk to be minimal.

As the Group does not presently have any trade debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

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 one reportable operating segment being exploration activities undertaken in one geographical segment being Australasia. 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 the sole geographic location.

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		Consolidated Total	
	2016	2015	**2016**	**2015**
	$	$	**$**	**$**
Segment revenue	**13,548**	401,998	**13,548**	401,998
Reconciliation of segment revenue to total revenue before tax:				
Interest revenue			**8,340**	5,084
Other revenue			**400**	3,364
Total revenue			**22,289**	410,446
Segment results	**(290,847)**	14,455	**(290,847)**	14,455
Reconciliation of segment result to net loss before tax:				
Impairment – unlisted investments			**(75,000)**	-
Other corporate and administration			**(426,810)**	(486,226)
Net loss before tax			**(792,657)**	(471,771)
Segment operating assets	**-**	75,000	**-**	75,000
Reconciliation of segment operating assets to total assets:				
Other corporate and administration assets			**1,264,403**	294,256
Total assets			**1,264,403**	369,256
Segment operating liabilties	**105,797**	2,879	**105,797**	2,879
Reconciliation of segment operating liabilities to total liabilities:				
Other corporate and administration liabilities			**83,920**	84,993
Total liabilities			**189,717**	87,872

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2016

4. REVENUE

	Consolidated 2016 $	Consolidated 2015 $
From continuing operations		
Royalties- sands	**13,549**	31,998
Puhipuhi Project – sale	**-**	370,000
Interest	**8,340**	5,084
Other	**400**	3,364
	22,289	410,446

5. EXPENSES

Loss before income tax includes the following specific expenses:

	2016	2015
Net loss on disposal of plant and equipment	**-**	3,693
Rental of premises under operating lease	**-**	61,899
Impairment – unlisted investments	**75,000**	-
Contributions to superannuation funds	**1,255**	694
Foreign exchange losses	**10**	253

6. INCOME TAX

	2016	2015
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**-**	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(792,657)**	(471,771)
Prima facie tax benefit at the Australian tax rate of 30% (2014: 30%)	**(237,797)**	(141,531)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capital raising fees	**(42,906)**	(31,178)
Sundry items	**(2,053)**	(3,922)
Overseas projects income and expenses	**3,409**	56,826
	(279,347)	(119,805)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**279,347**	119,805
Income tax expense	**-**	-
(c) Unrecognised deferred tax assets		
Unrecognised deferred tax assets		
Provisions		-
Capital raising fees	**42,906**	31,178
Carry forward tax losses	**11,653,402**	11,378,718
Gross deferred tax assets	**11,696,308**	11,409,896

No deferred tax asset has been recognised for the above balance as at 30 June 2016 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 2016

(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	
	2016	2015
	$	$
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**37,860**	242,472
Short-term deposits	**1,169,701**	-
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**1,207,561**	242,472

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

	2016	2015
Receivable – sands royalty	**3,989**	4,496
Sundry debtors	**19,704**	9,704
	23,693	14,200

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

9. CURRENT ASSETS – OTHER ASSETS

	2016	2015
Prepayments	**7,130**	6,919

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated 2016 $	Consolidated 2015 $
10. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Equity securities – unlisted (i)	-	75,000
	-	75,000

The Company holds a 4% interest in an unlisted mineral exploration entity, whose major asset is an Australian based Zinc project. The Company has carried this asset at its investment value through the last two years of financial statements. It now considers it appropriate to fully impair this investment as at balance date.

	Consolidated 2016 $	Consolidated 2015 $
11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT		
Plant and equipment		
Cost	**412,553**	408,946
Accumulated depreciation	**(386,534)**	(378,281)
Net book amount	**26,019**	30,665
Plant and equipment		
Opening net book amount	**30,665**	50,160
Exchange differences		-
Additions	**3,607**	-
Disposals	**-**	(7,099)
Depreciation charge	**(8,253)**	(12,396)
Closing net book amount	**26,019**	30,665
12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	**141,151**	62,148
Other payables and accruals (i)	**48,566**	25,724
	189,717	87,872

(i) Trade, other payables and accruals are non-interest bearing and are normally settled on terms of 30-45 days.

13. CONTRIBUTED EQUITY

(a) Share capital

	2016 Number of shares	2016 $	2015 Number of shares	2015 $
Ordinary shares fully paid	**2,878,652,645**	**45,837,739**	**1,143,461,058**	**44,344,280**
Total contributed equity	**2,878,652,645**	**45,837,739**	**1,143,461,058**	**44,344,280**

	2016 Number of shares	2016 $	2015 Number of shares	2015 $
(b) Movements in ordinary share capital				
Beginning of the financial year	**1,143,461,058**	**44,344,280**	**914,768,846**	**44,229,934**
Issued during the year:				
Placement at 0.03 cents per share			**137,215,327**	**41,164**
Placement at 0.08 cents per share			**91,476,885**	**73,182**
Rights entitlement allotment at 0.01 cents per share	**543,485,409**	**543,485**	**-**	**-**
Rights shortfall allotment at 0.01 cents per share	**1,171,706,178**	**1,171,707**	**-**	**-**
Placement (in lieu of invoice) at 0.02 cents per share	**20,000,000**	**40,000**		
Transaction costs		**(261,733)**		**-**
End of the financial year	**2,878,652,645**	**45,837,739**	**1,143,461,058**	**44,344,280**

(c) Movements in options on issue

	Number of options 2016	Number of options 2015
Beginning of the financial year	**58,000,000**	22,000,000
Issued / (cancelled or expired) during the year:		
– Exercisable at 0.2 cents, on or before 10 June 2019	**478,692,212**	-
– Exercisable at 0.4 cents, on or before 25 Nov 2017	**-**	42,500,000
– Exercisable at 2.2 cents, on or before 3 Sep 2014	**-**	(6,500,000)
– Exercisable at 2.3 cents, on or before 3 Sep 2015	**(6,500,000)**	
– Exercisable at 2.6 cents, on or before 3 Sep 2015	**(6,500,000)**	
– Exercisable at 3.0 cents, on or before 10 Jan 2016	**(2,500,000)**	
End of the financial year	**521,192,212**	58,000,000

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Neither the Company, nor any of its subsidiaries, holds any shares in the Company at 30 June 2016 (2015: Nil).

13. CONTRIBUTED EQUITY (Continued)

(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 2016 and 30 June 2015 are as follows:

	Consolidated	
	2016	2015
	$	$
Cash and cash equivalents	**1,207,561**	242,472
Trade and other receivables	**23,693**	14,200
Trade and other payables	**(189,717)**	(87,872)
Working capital position	**1,041,537**	168,800

14. RESERVES AND ACCUMULATED LOSSES

	Consolidated	
	2016	2015
	$	$
(a) Reserves		
Share-based payments reserve (i)	**120,550**	234,600
	120,550	234,600
Movements:		
Share-based payments reserve		
Balance at beginning of year	**234,600**	296,526
Share based payments (options) expense	**92,500**	35,574
Transfer to Accumulated Losses on expiry of options	**(206,550)**	(97,500)
Balance at end of year	**120,550**	234,600
(b)Accumulated losses		
Balance at beginning of year	**(44,297,496)**	(43,923,225)
Net loss for the year	**(792,657)**	(471,771)
Transfer from Share-Based Payments Reserve	**206,550**	97,500
Balance at end of year	**(44,883,603)**	(44,297,496)

(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.

	Consolidated	
	2016	2015
	$	$
15. DIVIDENDS	-	-

No dividends were paid during the financial year.

No recommendation for payment of dividends has been made.

16. REMUNERATION OF AUDITORS

	Consolidated	
	2016	2015
	$	$
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	**17,500**	19,000
Total remuneration for audit services	**17,500**	19,000
(b) Non-audit services		
Butler Settineri – tax compliance services	**2,400**	2,750
Total remuneration for other services	**2,400**	2,750

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:		
Annual commitment for the Turner River Project	**673,000**	**140,000**

The Turner River Project tenements are owned 100% and have minimum aggregate expenditure requirements of $673,000 p.a. (2015: The gold tenements (forming part of the Turner River Project) were under a farm-out agreement with TSXV listed Rugby Mining Limited).

The gold tenements were returned in February 2016.

The cumulative past expenditures have far exceeded the minimum tenement expenditure obligations for the past five years.

(b) 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 2016

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.

(d) Loans to related parties
De Grey Mining Limited has provided unsecured, interest free loans to each of its wholly owned Australian subsidiaries and all of 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]	
			2016	2015
			%	%
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

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

21. INTERESTS IN JOINT VENTURES

(a) Turner River Project (Gold, Base Metals and Pegmatite Focus)

The Company has a 100% interest in the tenements referred to as the Turner River Project after Rugby Mining Limited formally withdrew from the project in February 2016.

(b) Attgold Pty Ltd Retained Pegmatite Rights across E45-2364 (a tenement within the Turner River Project)

In February 2007, De Grey acquired 100% of tenement E45-2364 on exercise of an option, Attgold retained the pegmatite related rights on this tenement only. The pegmatite rights give Attgold rights to explore on the tenement for pegmatite minerals, which in turn are defined as "tin, tantalum, niobium, lithium, cesium and non-gold bearing or base metal bearing aggregate." This is subject to various clauses of priority, access and normal statutory requirements. De Grey holds all other mineral rights in this tenement, most specifically gold and base metals and the joint venture has a carrying value of nil.

(c) Mount Dove Iron Rights

On 22 September 2015, the company has entered into a Deed of Termination with the Atlas Iron Group, where they have relinquished their iron ore rights on any of the Turner River Project tenements, the Company shall pay Atlas Iron Limited a one-off payment of $50,000 if it mines iron ore on its tenements.

(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.

	Consolidated	
	2016	2015
	$	$
22. STATEMENT OF CASH FLOWS		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(792,657)**	(471,771)
Non-Cash Items		
Depreciation of non-current assets	**8,253**	12,396
Net loss/(gain) on disposal of plant and equipment	**-**	3,699
Option expense	**-**	35,574
Non-cash expenses		
Proceeds from sale / farm-out of tenements	**-**	(370,000)
Equity settlement of expenses	**40,000**	-
Impairment – unlisted investments	**75,000**	-
Finance facility fee	**-**	50,000
Change in operating assets and liabilities		
(Increase)decrease in trade and other receivables	**(9,492)**	12,086
Decrease/(increase) in other assets	**(211)**	7,073
(Decrease)/increase in trade and other payables	**129,345**	(52,639)
		-
Net cash outflow from operating activities	**(549,762)**	(773,582)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated 2016 $	Consolidated 2015 $	$
23. 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	**(792,657)**	(471,771)	
	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	**2,061,500,292**	927,299,926	

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2016, 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.

24. SHARE-BASED PAYMENTS

Employee Option Plan of De Grey Mining Limited (EOP)

Shareholders approved the EOP at the Annual General Meeting held on 25 November 2015. 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 no options granted in the financial year ended 30 June 2016 (2015: 42,500,000) and those that are currently outstanding are detailed in the following table.

(i) Set out below are summaries of granted (share based payments) 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 – 2016							
3 Sep 2012	3 Sep 2015	2.3	**6,500,000**	**-**	**(6,500,000)**	**-**	**-**
3 Sep 2012	3 Sep 2015	2.6	**6,500,000**	**-**	**(6,500,000)**	**-**	**-**
10 Jan 2013	10 Jan 2016	3.0	**2,500,000**	**-**	**(2,500,000)**	**-**	**-**
25 Nov 2014	25 Nov 2017	0.4	**42,500,000**	**-**		**42,500,000**	**42,500,000**
			58,000,000	**-**	**(15,500,000)**	**42,500,000**	**42,500,000**
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	**-**	**42,500,000**	**-**	**42,500,000**	**42,500,000**
			22,000,000	**42,500,000**	**(6,500,000)**	**58,000,000**	**58,000,000**

24. SHARE-BASED PAYMENTS (Continued)

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was Nil (2015: 0.066 cents), with there being no shares based payment transactions for the year. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016	2015
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	
	2016 $	2015 $
Options issued to directors and key management personnel	-	35,574

25. EVENTS OCCURRING AFTER THE REPORTING DATE

There has been no matters or circumstances 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 2016

	Parent Entity	
	2016	2015
	$	$

26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, De Grey Mining Limited, at 30 June 2016. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2016 $	2015 $
Current assets	**1,238,384**	263,591
Non-current assets	**26,019**	105,665
Total assets	**1,264,403**	369,256
Current liabilities	**189,717**	87,872
Total liabilities	**189,717**	87,872
Contributed equity	**45,837,739**	44,344,280
Reserves	**120,550**	234,600
Accumulated losses	**(44,883,603)**	(44,297,496)
Total equity	**1,074,686**	281,384
Loss for the year	**(792,657)**	(471,771)
Other comprehensive loss	**-**	-
Total comprehensive loss for the year	**(792,657)**	(471,771)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments

The parent entity had no capital commitments as at 30 June 2016 and 30 June 2015.

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 27 to 50 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 2016 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.

Simon Lill
Executive Chairman

Perth, 30 September 2016

BUTLER SETTINERI

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 2016 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.

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Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373

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 2016 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 Continuation as a 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 report, "Principles of Going Concern", the ability of the Group to continue as a going concern is dependent upon the Group raising further working capital. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 14 to 18 of the Directors' Report for the year ended 30 June 2016.

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 2016, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 30 September 2016

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 27 September 2016.

(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	75	29,441
1,001	-	5,000	217	718,501
5,001	-	10,000	253	2,179,858
10,001	-	100,000	847	35,995,799
100,001		and over	1,805	2,849,729,046
			3,197	2,888,652,645
The number of shareholders holding less than a marketable parcel of shares are:			1,594	67,662,971

(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	Redcode Pty Ltd	100,000,000	3.46%
2	DJ Carmichael Pty Ltd	60,489,998	2.09%
3	Simon Lill	60,000,000	2.07%
4	Amber Plus Pty Ltd	58,500,000	2.03%
5	Pershing Australia Nominees Pty Ltd <DJ Carmichael A/C>	58,500,000	2.03%
6	Struven Nominees Pty Ltd <Alan Strunin Staff S/F A/C>	40,000,000	1.38%
7	Zuojia Du	40,000,000	1.38%
8	Mr Robert Parker	40,000,000	1.38%
9	Batten Resources Pty Ltd <Batten S/F A/C>	36,842,136	1.28%
10	Dilato Holdings Pty Ltd	36,250,000	1.25%
11	Comsec Nominees Pty Ltd	35,449,166	1.75%
12	Citicorp Nominees Pty Ltd	30,351,594	1.31%
13	Laurence Percy Beach	30,000,000	1.04%
14	Topspeed Pty Ltd <Skinner No1 Super A/C>	29,000,000	1.00%
15	Pheakes Pty Ltd	27,500,000	0.95%
16	Pontre Securities Pty Ltd	25,000,000	0.87%
17	Mineralogy Pty Ltd	22,799,908	0.79%
18	Jetosea Pty Ltd	21,000,000	0.73%
19	P R Perry Nominees Pty Ltd <Family A/C>	21,000,000	0.73%
20	JP Morgan Nominees Australia Pty Ltd	18,588,389	0.64%
		766,271,191	27.38%

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

			Holders of 20% or more of the class	
Class	**Number of Securities**	**Number of Holders**	**Holder Name**	**Number of Securities**
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
Unlisted $0.002 options, expiry 10 June 2019	478,692,212		DJ Carmichael Pty Limited	250,000,000

Annual Mineral Resources Statement (JORC 2012)

AS AT 30 JUNE 2016

Deposit		Wingina Well[1]		Mount Berghaus[2]	Amanda[3]	Orchard Tank[4]	Discovery[4]	TOTAL Au koz
Classification	**Material**	above -55mRL	below -55mRL	All	All	All	All	
	Cut off grade (Au g/t)	**0.5**	**1.0**	0.5	0.5			
	Cut off grade (Zn %)					0.5	0.5	
Measured	**Tonnes (Mt)**	2.3	0.4					
	Grade Au (g/t)	1.8	2.1					
	Ounces Au (kozs)	**130**	**26**					**156**
Indicated	**Tonnes (Mt)**	0.7	0.4					
	Grade Au (g/t)	1.1	1.6					
	Ounces Au (kozs)	**26**	**22**					**48**
Inferred	**Tonnes (Mt)**	0.1	1.2	0.9	0.7	1.7	1.2	
	Grade Au (g/t)	1.2	1.5	1.4	1.6	0.5	0.8	
	Ounces Au (kozs)	**5**	**58**	**43**	**35**	**28**	**33**	**202**
	Grade Ag (g/t)					78.6	87.0	
	Ounces Ag (Mozs)					**4**	**4**	
	Grade Zn (%)					2.38	2.34	
	Metal Zn (kt)					**40**	**29**	
	Grade Pb (%)					0.99	0.94	
	Metal Pb (kt)					**17**	**12**	
TOTAL	**Ounces Au (kozs)**	**162**	**106**	**43**	**35**	**28**	**33**	**406**

Tonnes, grade and ounces rounded to reflect accuracy of estimates *kt = 1000 x tonnes* *Mt = Million tonnes* *g/t = grams/tonne* *% = percent*

Errors in totals are due to rounding *Au = Gold* *Ag = Silver* *Zn = Zinc* *Pb = lead*

Notes

[1] Resources Statement by De Grey Mining Limited as reported to the ASX on June 2 2016

[2] Resources Statement by De Grey Mining Limited as reported to the ASX on June 2 2016

[3] Resources Statement by De Grey Mining Limited as reported to the ASX on June 2 2016

[4] Resources Statement by De Grey Mining Limited as reported to the ASX on 16 July 2014

Annual Mineral Resources Statement (JORC 2012)

AS AT 30 JUNE 2016

Review of Material Changes

There has been no change to the mineral resources at Wingina Well, Mount Berghaus, Amanda, Discovery and Orchard Tank between June 2015 and June 2016.

No material activity took place at Wingina Well, Mount Berghaus, Amanda, Discovery and Orchard Tank during the 2015-2016 financial year.

Governance and Internal Control

The Company's procedures for the sample techniques and sample preparation are regularly reviewed and audited by independent experts.

Assays are performed by independent internationally accredited laboratories with a QAQC program showing acceptable levels of accuracy and precision.

The exploration assay results database is maintained and appropriate backed-up internally.

The mineral resource estimates at Wingina Well, Mount Berghaus and Amanda have been undertaken independently by Payne Geological Services Pty Ltd.

The mineral resource estimates at Discovery and Orchard Tank have been undertaken independently by Ravensgate Mining Industry Consultants.

COMPETENT PERSON STATEMENT

The information in this Annual Mineral Resources Statement is based on, and fairly represents information and supporting documentation prepared by Mr Andy Beckwith, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Beckwith is a Technical Consultant of the Company. Mr Beckwith has sufficient experience that is relevant to the style of mineralisation and type of deposit 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 Beckwith has approved the Statement as a whole and consents to its inclusion in the Annual Report in the form and context in which it appears.

Schedule on Interests in Mining Tenements

FOR THE YEAR ENDED 30 JUNE 2016

Project/Location	Country	Tenement	Percentage held/earning
Beyondie	Australia	E52/2215	20%[1]
Turner River	Australia	E47/891	100%
Turner River	Australia	E45/2533	100%
Turner River	Australia	E45/2364	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%

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