



**ABN 65 094 206 292**

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2017**

**This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by De Grey Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

**DE GREY MINING LIMITED**

**31 DECEMBER 2017**

<b>Contents</b>	<b>Page</b>
<b>DIRECTORS' REPORT</b>	<b>2</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>16</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>17</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>18</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>19</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>20</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>21</b>
<b>DIRECTORS' DECLARATION</b>	<b>28</b>
<b>INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS</b>	<b>29</b>

## DE GREY MINING LIMITED

31 DECEMBER 2017

Your directors submit their report on the consolidated entity consisting of De Grey Mining Limited and the entities (“De Grey” or the “Group”) it controlled at the end of, or during, the half-year ended 31 December 2017.

### DIRECTORS

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

Simon Lill

Steven Morris

Davide Bosio (resigned 26 October 2017)

Andy Beckwith (appointed 26 October 2017)

Brett Lambert (appointed 26 October 2017)

### RESULTS

The consolidated loss for the half year after tax was \$3,719,479 (2016: \$1,268,986).

### REVIEW OF OPERATIONS

#### Pilbara Gold Project (100% owned and agreement to acquire 100% of neighbouring Indee Gold Project)

##### A. Summary

On 24 January 2017, De Grey had previously entered into an Option to Acquire the Indee Gold Project (blue area in Fig 1), located immediately along strike for De Grey’s 100% held Turner River Project (red area in Fig 1)). During the reporting period, De Grey has been actively assessing the potential to develop both projects as a single stand-alone gold development opportunity.

During August 2017, the Company reported positive results of a scoping study covering the potential economics of the proposed gold development. This report indicated a simple open pit mining scenario with a centralised processing plant was potentially an economic viable project, however would benefit from increased resources, lower capex, increased plant size and associated lower operating costs and longer mine life potentially through an expanded additional underground operation.

Since reporting on this initial scoping study, the Company has continued to define additional resources with an updated total mineral resource released in September 2017, with 20% increase in total ounces to over 1.2 Million ounces. The updated resource now includes the historical heap leach pad, Toweranna and the Mallina deposits, as summarised in Table 1 below.

**Table 1 - Total Gold Resource - Pilbara Gold Project (Turner River and Indee Gold Projects)**

Deposit	Measured			Indicated			Inferred			Total		
	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz	Mt	Au g/t	Au Oz
Withnell	1.02	1.3	44,100	2.79	1.7	156,600	2.56	2.1	176,600	6.37	1.8	377,300
Wingina	3.08	1.7	172,700	0.99	1.4	43,300	1.42	1.6	71,700	5.49	1.6	287,700
Mallina				0.90	1.1	30,300	2.85	1.3	116,800	3.74	1.2	147,100
Mt Berghaus				0.21	1.8	12,300	3.30	1.2	128,500	3.52	1.2	140,800
Camel	0.14	3.1	14,000	0.29	2.9	26,700	0.31	1.7	16,700	0.74	2.4	57,400
Calvert				0.99	1.3	41,700	0.28	1.2	10,700	1.27	1.3	52,400
Toweranna							0.43	2.9	40,700	0.43	2.9	40,700
Amanda				0.86	0.7	19,300	0.69	1.6	35,400	0.69	1.6	35,400
Roe	0.11	3.2	11,700	0.08	2.8	7,500	0.20	1.7	10,700	0.39	2.4	29,900
Leach Pad				0.86	0.7	19,300				0.86	0.7	19,300
Dromedary	0.10	2.2	7,200	0.06	1.6	3,200	0.12	1.7	6,900	0.29	1.9	17,200
Hester							0.10	1.5	4,800	0.10	1.5	4,800
<b>Total</b>	<b>4.46</b>	<b>1.7</b>	<b>249,600</b>	<b>7.15</b>	<b>1.5</b>	<b>340,900</b>	<b>12.26</b>	<b>1.6</b>	<b>619,600</b>	<b>23.88</b>	<b>1.6</b>	<b>1,210,000</b>

## DE GREY MINING LIMITED

31 DECEMBER 2017

### DIRECTORS' REPORT

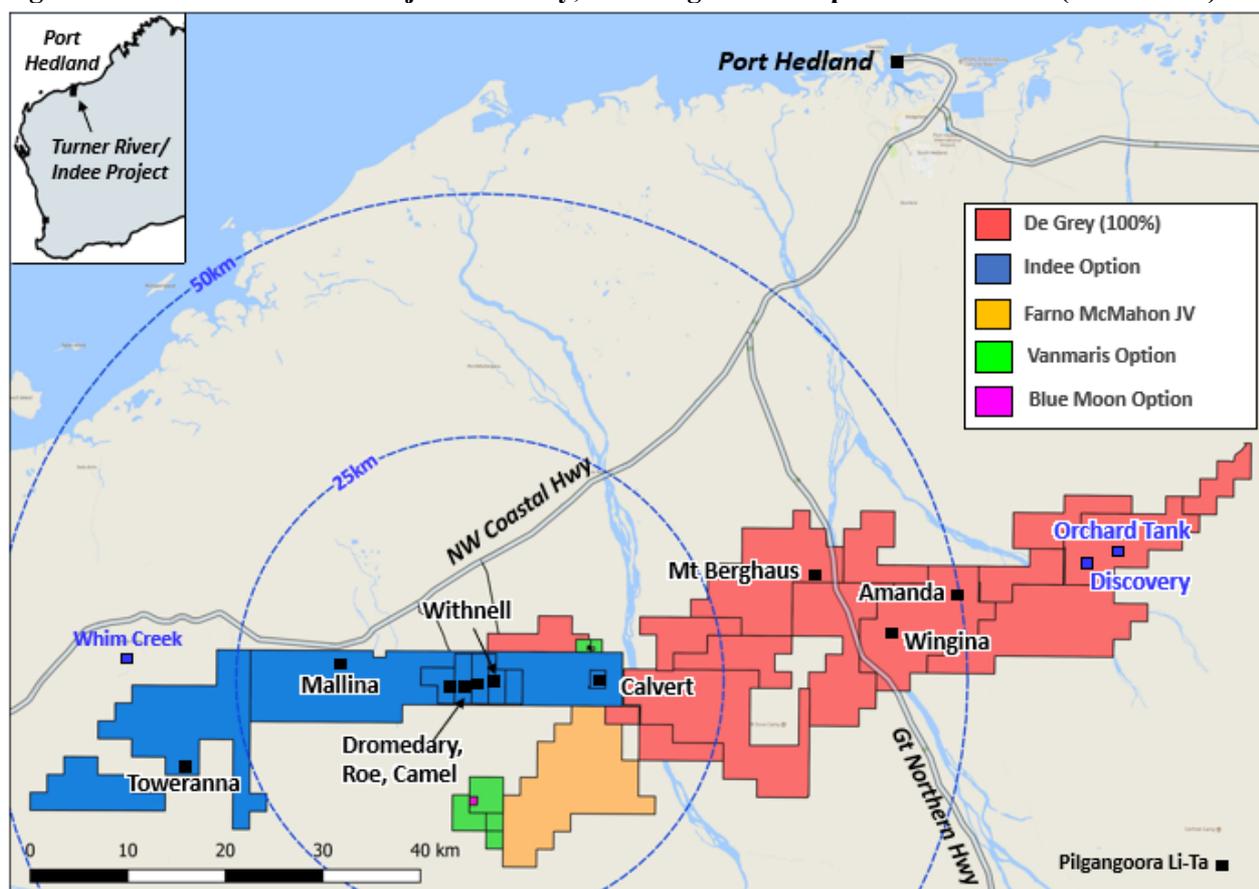
As announced on 2 October 2017, the Company negotiated a formal extension letter with Northwest Non-Ferrous Australian Mining Limited (“NNAM”), owner of the Indee Gold Project. On 9 February 2018, being subsequent to the reporting date, the Company executed a formal Share Sale Agreement (“SSA”) to acquire 100% ownership of Indee Gold Project. On settlement, De Grey will have established 100% ownership of the combined Pilbara Gold Project, with the existing 1.2Moz gold resources, near-term resource upgrade potential, as well as an extensive pipeline of exploration, targets including the exciting new conglomerate gold targets.

The total acquisition price payable under the SSA remains at A\$15 Million (*as per the initial Heads of Agreement, dated 24 January 2017*) and consists of payments made to date or payables as follows:

- Initial Exclusivity Fee of \$100,000 (paid in Jan 2017);
- Initial Deposit of \$1.5 Million (paid on SSA execution - 9 February 2018);
- \$10.4 Million to be paid on Settlement scheduled for 24 January 2019;
- \$3 Million of Consideration Shares (new De Grey fully paid ordinary shares) to be issued on Settlement (The Company will seek shareholder approval for the issue of shares to NNAM); and
- De Grey has the right to extend Settlement by 6 months to 24 July 2019 by payment of an Extension Deposit of \$700,000, before 24 January 2019, which would reduce the cash payable at Settlement to \$9.7 Million.

With the sale agreement now executed, the company is accelerating the detailed Pre-Feasibility (PFS) activities on the stage 1 open pit mining scenario, targeting an initial 6-7 year mine life and annual processing throughput of 1Mtpa. This PFS is targeted to be completed by the end of 2018.

**Figure 1 – Pilbara Gold Project Locality, showing Indee Option tenements (blue areas)**



## DE GREY MINING LIMITED

31 DECEMBER 2017

### DIRECTORS' REPORT

#### B. Exploration activities for the Half-Year

##### Pilbara Gold Project

Exploration activities completed during the reporting period to the end of December 2017 include:

1. Metallurgical diamond drilling of various deposits for detailed metallurgical test work.
2. Resource confirmation drilling of the Heap Leach Pad and resultant resource update.
3. Mallina resource updated based on positive drill results
4. Resource drilling at Toweranna and the definition of numerous high-grade drill intercepts along the western and southern zones.
5. Consolidation of additional prospective landholdings – Farno McMahon JV, Blue Moon and Vanmaris Options
6. Discovery of Conglomerate Gold style mineralisation

##### *Metallurgical diamond drilling*

Diamond drilling (PQ diameter - 85mm) was undertaken to obtain representative samples of oxide, transitional and fresh mineralisation for detailed metallurgical test work at the Withnell, Calvert, Mt Berghaus, Dromedary, Roe and Camel deposits. This drilling was designed with two purposes:

1. To confirm and provide greater confidence in the resource model within the optimised open pit shells for due diligence purposes.
2. Provide metallurgical samples for detailed evaluation of the fresh bedrock mineralisation. The samples are to be used to confirm recoveries, comminution and processing flowsheet to advance the processing plant design.

Initial assay results of the fresh bedrock mineralisation have confirmed continuity of grade within the existing resource models and in many instances, results had been better than expected. Intercepts include:

<b>Withnell</b>	<b>12.0m @ 6.61g/t from 74m</b>
<b>Calvert</b>	<b>24.3m @ 2.52g/t from 34.7m including 8.0m @ 5.34g/t</b>
<b>Mt Berghaus</b>	<b>12.9m @ 3.13g/t from 50m</b>

Subsequent to the reporting period, detailed metallurgical test work has commenced on the drill core and this data will be used in the PFS to model recovery, design crushing, grinding and processing requirements of the ore.

##### *Mallina Resource Update*

An extensive drilling program of 90 RC holes for 7,588m was undertaken in two phases along the 3.2km prospective strike length of the Mallina structure. Results were encouraging with significant mineralisation defined both along strike and at depth from the known previous drilling. Drilling tested specific zones of mineralisation to a nominal 100m vertical depth on 50m spaced lines.

Significant downhole gold intersections are summarised below:

##### **Central Lode**

- 48m @ 1.00g/t Au from 8m in MLRC118 (including 4m @ 5.19g/t Au from 24m)
- 40m @ 1.51g/t Au from 32m in MLRC121 (including 12m @ 3.18g/t Au from 52m)
- 36m @ 1.43g/t Au from 76m in MLRC123 (including 12m @ 2.97g/t Au from 88m)

## DE GREY MINING LIMITED

31 DECEMBER 2017

### DIRECTORS' REPORT

#### Central Lode (Continued)

32m @ 0.83g/t Au from 116m in MLRC124 (including 8m @ 1.45g/t Au from 140m)  
4m @ 3.96g/t Au from 96m in MLRC115  
12m @ 1.58g/t Au from 112m in MLRC115  
16m @ 1.06g/t Au from 0m in MLRC116  
16m @ 1.00g/t Au from 32m in MLRC116

#### Alfred Argyle

12m @ 1.40g/t Au from 24m in MLRC082  
20m @ 3.11g/t Au from 80m in MLRC090 (including 8m @ 6.79g/t Au from 88m)  
4m @ 4.54g/t Au from 36m in MLRC091

#### Mallina Lode 5

8m @ 6.76g/t Au from 108m in MLRC126

#### Mallina Lode 8

36m @ 0.59g/t Au from 84m in MLRC150 (including 4m @ 1.64g/t Au from 112m)

Resource modelling resulted in an initial JORC (2012) resource estimate of **3.74Mt @ 1.2g/t Au (147,100oz)**.

#### *Heap leach Pad Resource Update*

The Heap leach Pad comprises of material previously mined, crushed to minus 25mm and leached during the period 2006 to 2008 by the previous owners of the project. As this material is located immediately adjacent the proposed new CIL plant, this material will be modelled in the pre-feasibility studies as run of mine feed with only minimal rehandling costs expected.

A program of 49 vertical drill holes for a total of 366m on a 20m x 40m pattern across the leach pad, using a Push Probe rig, was completed with excellent sample recovery achieved.

Resource modelling resulted in an initial JORC (2012) resource estimate of **0.86Mt @ 0.7g/t Au (19,300oz)**

#### *Toweranna Prospect*

A 35 RC hole program for a total 4,008m drill program was completed at Toweranna during November and December. The drilling targeted mineralisation associated with the margins of a 250m diameter granitic intrusion in the axis of a regional fold. The primary focus of the drilling was to:

- infill existing drilling and extend mineralisation along strike and down dip around the sediment/granite contact;
- increase overall resources to potentially open pit depths of approximately 100-120m below surface;
- increase confidence on the controls and continuity of gold mineralisation; and
- allow the resource to be upgraded to Indicated category which will allow for later conversion to reserves in line with De Grey's planned open pit mining and development strategy.

The current resource estimate at Toweranna (0.43Mt @ 2.9g/t Au for 40,700oz) is confined to the western margin of the granite contact and this drilling targeted infill and strike and depth extensions along this known zone and also the southern zone where previous limited historic drilling indicated

DE GREY MINING LIMITED

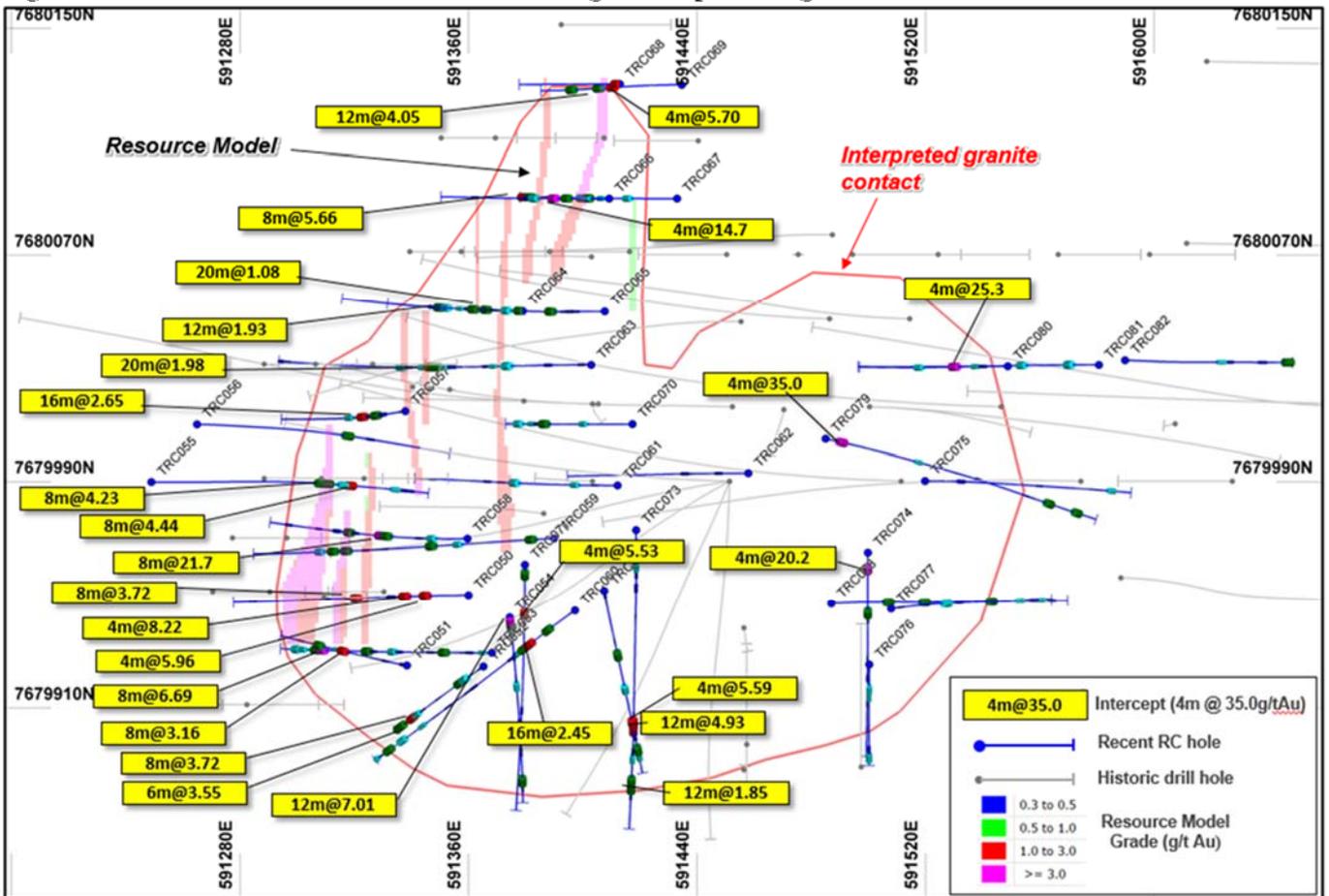
31 DECEMBER 2017

DIRECTORS' REPORT

strong mineralisation potential, with a few additional holes targeting the eastern margin of the granite contact.

Subsequent to the period, the Company finalised both 4m composite sampling and then detailed 1m resplits of the mineralised intervals from this drilling program. The drilling successfully confirmed high-grade gold mineralisation both along the western and southern margins of the granite and sediment contact (Figure 2). Additional mineralisation was noted within the granite body notably near the eastern margin where further drilling will be needed to better define this potential.

Figure 2 Toweranna RC – New RC drilling intercepts > 20-gram metres



## DE GREY MINING LIMITED

31 DECEMBER 2017

### DIRECTORS' REPORT

The 1m resampling results confirmed strong mineralisation extensions further along strike and at depth outside of the existing resource model and also provides strong indications of further high-grade lodes along the Southern Contact and potentially the eastern contact, although further drilling is required to test the eastern zone in more detail.

A summary of selected high-grade intersections returned from 1m resplits include the following:

#### Western Zone

Vertical lodes

5m @ 8.38g/t Au (incl. 2m @ 19.43g/t Au), 3m @  
18.43g/t Au, 18m @ 3.86g/t Au (incl. 2m @ 18.12g/t Au)

Dipping lodes

4m @ 19.14g/t Au, 9m @ 5.19g/t Au (incl. 2m @ 19.94g/t Au)

#### Southern Zone (not included in current resource)

Vertical lodes

16m @ 3.82g/t Au (incl. 2m @ 20.99g/t Au), 11m @ 7.07g/t  
Au, 4m @ 5.10g/t Au

Dipping lodes

14m @ 3.96g/t Au, 4m @ 6.46g/t Au

#### Eastern Zone

Dipping lode

5m @ 12.87g/t Au (incl. 3m @ 20.62g/t Au)

Activities going forward include infill resource drilling along the Southern Zone and further scout drilling along the eastern and Northern zones which has now been previously tested in any detail. This additional drilling will be used to update the resource at Toweranna for inclusion in the PFS.

## DE GREY MINING LIMITED

31 DECEMBER 2017

### DIRECTORS' REPORT

#### *Consolidation of additional prospective landholdings – Farno McMahon JV, Blue Moon and Vanmaris Options*

During the period, De Grey actively targeted new landholdings considered prospective for structural gold mineralisation. The area immediately south of the Indee Gold Project (refer to Fig 1) was targeted due to strong structural elements together with encouraging historical surface geochemical sampling results and limited drill testing.

Initially the **Farno McMahon** ground was secured under a joint venture agreement. Under this agreement De Grey may earn up to 75% over a 4-year period. This tenement area hosts a number of highly prospective surface anomalies and numerous gold nuggets have reportedly been discovered in this tenement area. The area has had only limited previous drilling with most anomalies never drill tested.

Earlier RAB and aircore drilling has partially tested portions of three large anomalies, with many returning numerous significant intersections, including:

#### **Fir Prospect**

2m @ 164.4g/t Au from 7m in BYAC080 (incl 1m @ 328.43g/t Au from 7m)

2m @ 6.31g/t Au from 37m in BYAC351 (incl 1m @ 12.13g/t Au from 38m)

#### **Holly Prospect**

13m @ 15.15g/t Au from 47m in BYRB139

16m @ 1.4g/t Au from 5m in BYRB073 (incl 1m @ 11.58g/t Au from 18m)

2m @ 7.16g/t Au from 47m in BYAC113 (incl 1m @ 13.76g/t Au from 47m)

#### **Aspen Prospect**

13m @ 0.73g/t Au from 34m in BYAC145

3m @ 3.88g/t Au from 35m in BYAC152

Recent surface sampling in the southern portion of the tenement area has also defined a series of large soil anomalies associated with a major regional anticlinal fold. Selective high-grade rock chips have also been defined along a partially outcropping quartz vein providing further focus in the JV area.

Ongoing detailed mapping and surface sampling together with a detailed aeromagnetic survey is planned in the current half year to aid targeting. Heritage surveys are also being organised to allow drilling later in the field season.

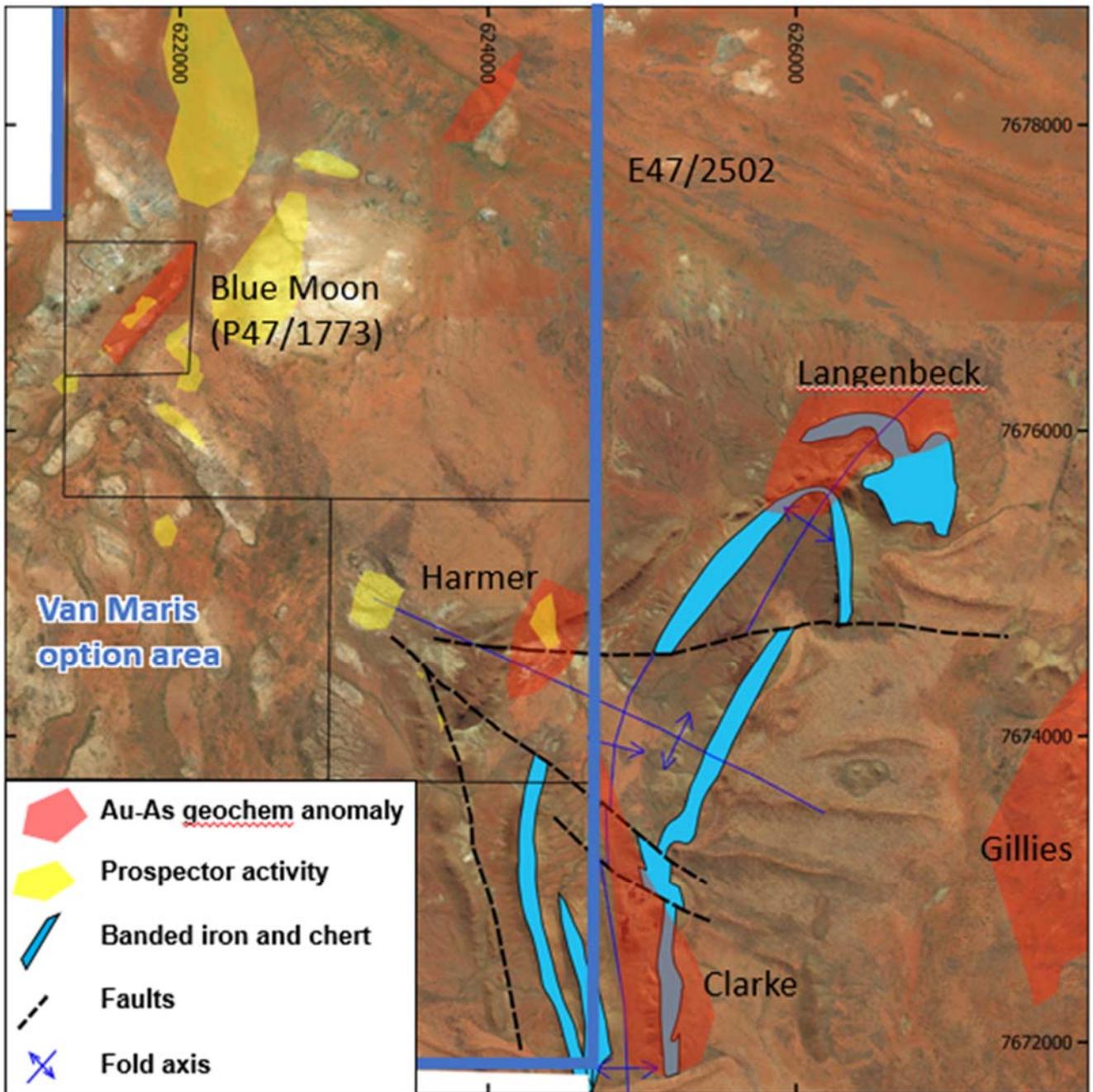
Adjacent to the Farno McMahon JV area, De Grey has secured options to acquire up to 70% and 80% on the **Blue Moon and Vanmaris** properties respectively. These two areas and in particular the Blue Moon prospect have produced over 2000 ounces of gold nuggets from surface detecting and small scale mining.

At Blue Moon, the company completed a limited scout drilling campaign to test the most obvious nugget trend. This drilling comprised of an RC drilling program of 24 holes for 2074m. Results were encouraging however did not intersect the high-grade source of the nuggets.

Drilling was undertaken along the initial 1km strike length of the main gold nugget trend on sections nominally 200m apart with 3-4 holes per section. A second sub-parallel trend was also tested. Initial drill holes intersected ultramafic rocks hosting variable zones of quartz veining with associated pyrite (sulphide mineral visually estimated to range from minor to 5%). Fresh bedrock was intersected at shallow depths between 6-8m downhole. Best intercepts were 4m @ 0.17g/t Au, 4m @ 0.14g/t Au and 4m @ 0.11g/t Au. Further drilling is planned after the detailed magnetics and mapping has been completed.

DE GREY MINING LIMITED  
31 DECEMBER 2017  
DIRECTORS' REPORT

Figure 3 Langenbeck Anticline showing Blue Moon/Vanmaris tenements to the west.



*Conglomerate Gold Targets*

**Loudens Patch**

The Company initially announced the discovery of 91 conglomerate gold style “water melon seed shaped” gold nuggets at Loudens Patch, in late September 2017. A range of remnant Mt Roe Basalt and limited outcrops of conglomerate at the base of this basalt were identified.

**Figure 4** 91 gold nuggets discovered at Loudens Patch



This discovery was the second location in the western Pilbara for this style of mineralisation, second to Novo Resources Purdy’s discovery, approximately 120km to the west near Karratha. Purdy’s has a similar host to the gold mineralisation with the conglomerate outcropping adjacent to and also dipping beneath a ridge of Mt Roe Basalt.

The Loudens Patch conglomerate is estimated to be 5-10m thick at the base of the Mt Roe Basalt and is currently mapped along approximately 200m strike length. Extensive gold alluvial workings occur adjacent to this along a creek draining the area. The overall Mt Roe Basalt range is approximately 1km long and 400m wide and up to 50m thick on the Indee gold tenure.

The Company is currently organising a heritage survey over this highly prospective target with bulk sampling planned to be carried out, subject to successful survey results. The bulk sampling is planned to involve exposing the conglomerate at various localities along the Mt Basalt Range using a bulldozer and excavator. Large bulk samples (>1tonne) are considered the most likely to provide a representative sample due to the expected nuggetty nature of mineralisation.

*Jarret Well*

Jarret Well conglomerates have been mapped over 300m of strike length, are shallow dipping and up to 50m thick and open along strike under basalt scree material. Three (3) gold nuggets were discovered within and immediately adjacent to the lowermost ferruginous (oxidized pyritic) conglomerate beds at Jarret Well. Above this lower conglomerate is a sequence of thicker and massive mafic sands/siltstones transgressing into an upper coarse polymict conglomerate.

**Figure 5 Jarret Well and Steel Well Conglomerate Targets**

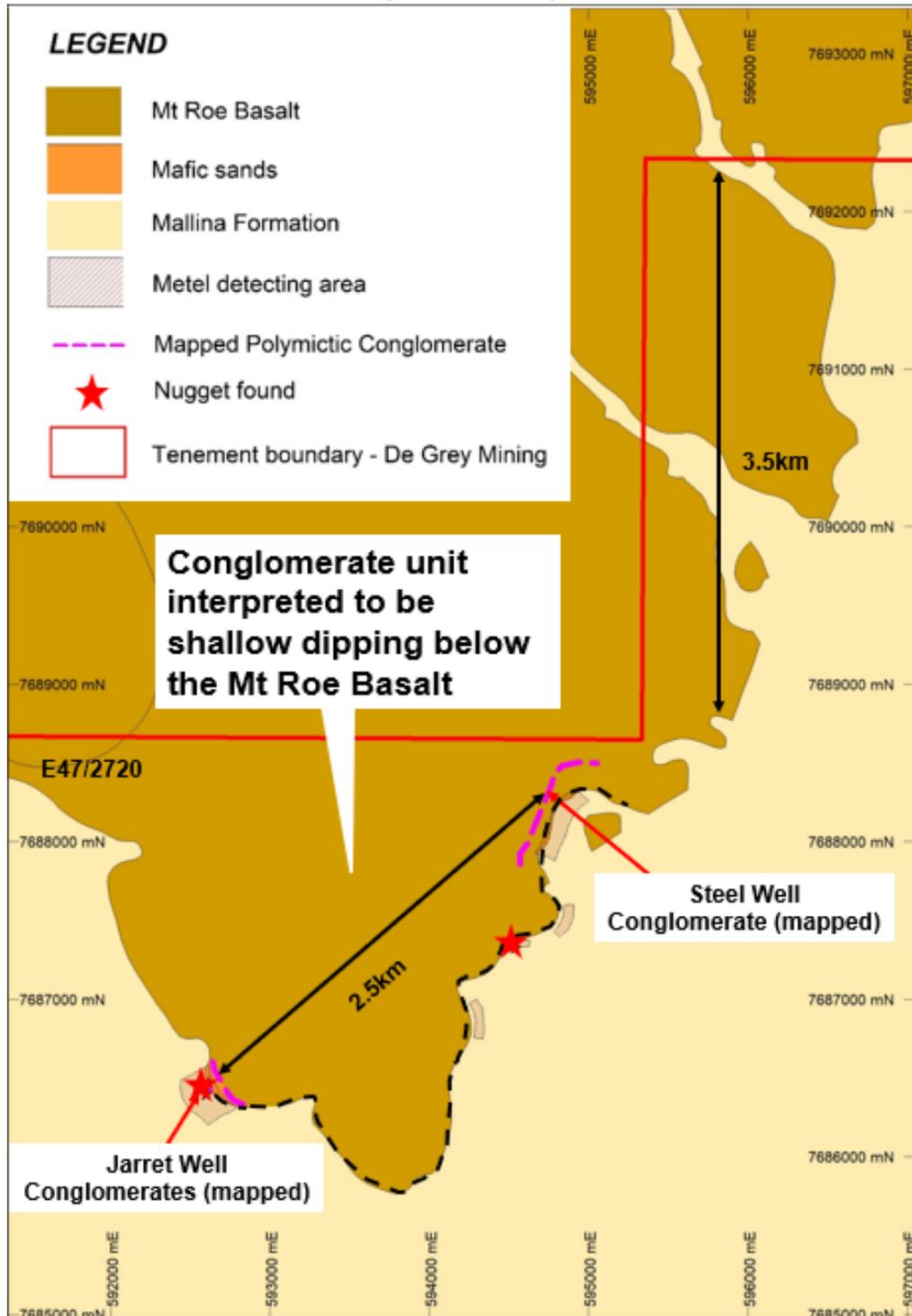
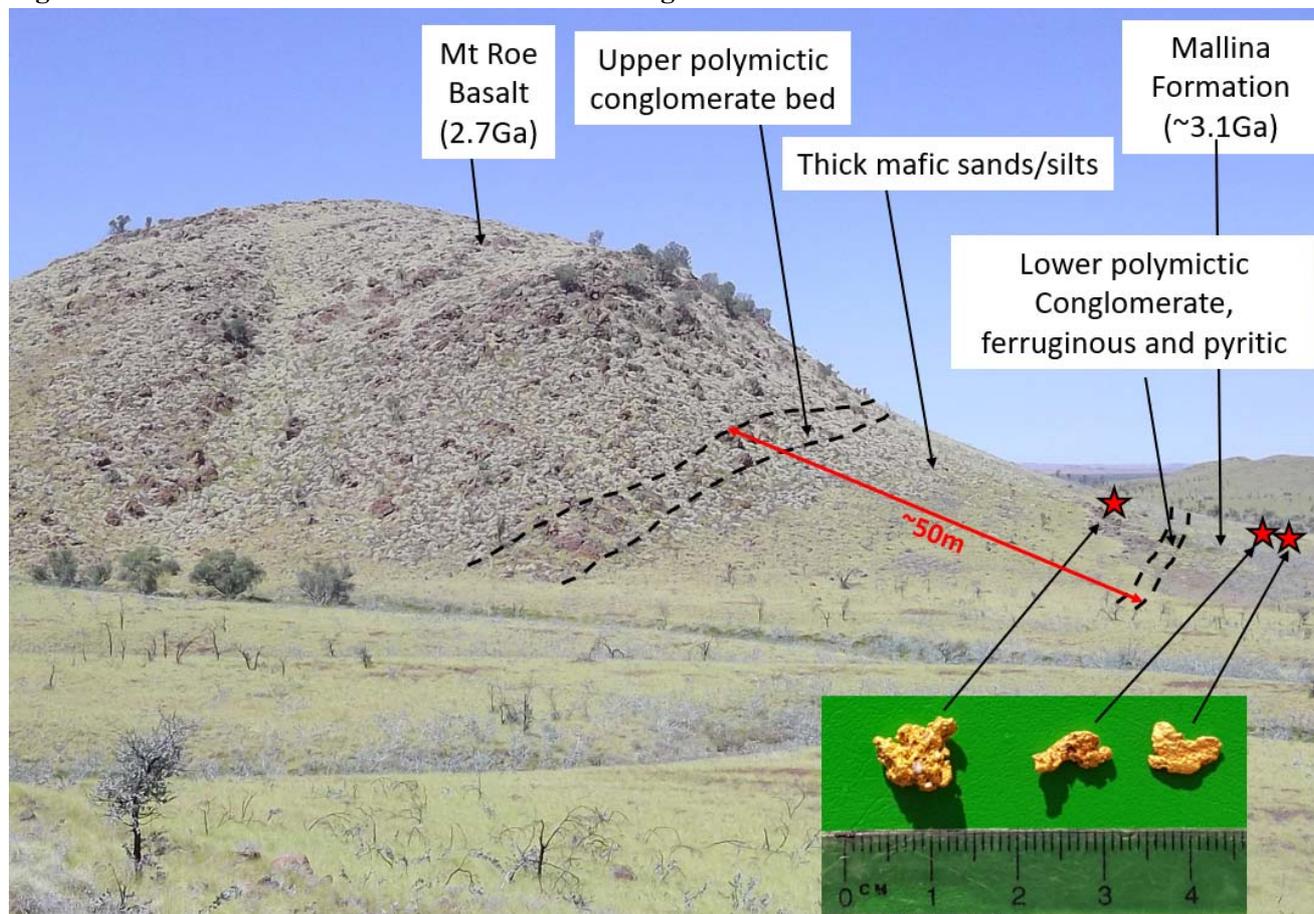


Figure 6 Jarret Well - Panoramic view looking southeast



**Steel Well Conglomerate**

Three (3) gold nuggets were also discovered 500m south of outcropping Steel Well Conglomerate. At Steel Well, the conglomerate sequence is 60m to 80m thick and mapped over a 900m strike length, moderate dipping and open along strike under basalt and scree material.

During the half-year, mapping of the conglomerate outcrops at all three targets has been undertaken in conjunction with orientation geochemical sampling. Results of this work are currently being compiled and interpreted to determine which forms of sampling, analytical procedures and sample size and density might be useful in further exploring for this new style of mineralisation elsewhere in the region.

Importantly, the prospective conglomerate horizon at Jarret Well is interpreted to be the same horizon as at Steel Well. This interpretation suggests the entire 12km of outcropping Mt Roe Basalt is prospective for conglomerate gold style mineralisation. Further mapping and sampling is planned to continue during the 2018 field season to assess this extensive target.

Bulk sampling of the conglomerate sequences is also planned to be undertaken at the outcropping conglomerate sequences at both prospects and in a similar manner as planned at Loudens, subject to the completion of heritage surveys.

## DE GREY MINING LIMITED

31 DECEMBER 2017

### DIRECTORS' REPORT

#### Base Metals

##### *Discovery and Orchard Tank Base Metals Resource*

The Company has engaged an experienced external consultant and commenced a detailed review process of all the existing exploration data and potential for VMS style Zn-Pb-Ag resources across the entire project area.

This review is significantly advanced and has already highlighted a number of new targets and prospective areas not effectively tested along the Tabba Tabba Thrust, and the review was continuing as at the reporting date, as the Company seeks to gain a better recognition and value of these assets for shareholders.

#### Lithium

##### *King Col Prospect*

The King Col prospect occurs at the western end of a 7.5km long pegmatite trend. During the period soil sampling had defined anomalous results along 2km of this trend.

During the half-year, the Company announced promising results from its inaugural 22 hole scout RC drilling program totalling 1,684 metres at the King Col pegmatite prospect. The drilling intersected a number of interpreted stacked pegmatite bodies dipping south and moderately thick to ~20m and remain untested to northeast along strike and down dip.

The program showed that the pegmatite bodies are generally enriched in lithium and one intercept of high grade caesium was also encountered. Best drill results are:

KRC012	<b>17m @ 2.55% Li<sub>2</sub>O from 13m</b>
KRC011	<b>8m @ 1.0% Li<sub>2</sub>O from 27m</b>
KRC011	<b>1m @ 8.63% Cs<sub>2</sub>O from 25m</b>

On the basis of these encouraging drill results, the Company completed a soil sampling across this untested 5.5km strike of pegmatite trend, with results received subsequent to the reporting date. Subsequent soil results have since been reported highlighting further encouraging anomalous results along a further 4.5km and has also defined a second subparallel zone approximately 3km long.

On 1 March 2018, the Company announced petrology results confirming the presence of spodumene within the high grade 17m @ 2.55% Li<sub>2</sub>O zone in KRC012. Petalite and lepidolite were also confirmed within the samples as expected.

The caesium-bearing mineral, pollucite, was also identified in the high-grade caesium intercept within KRC011. The importance of this mineral cannot be overlooked as there are very few localities around the world reported to host this high value mineral.

Further detailed diamond drilling is planned to provide a representative assessment on the distribution and quantities of each lithium mineral present across the entire mineralised interval. Assessment of all the results to date is currently underway however it is expected infill soil sampling will be required to better define follow-up drill targets. The independent consultants review has also highlighted the potential for further targets along the entire 60km of the Tabba Tabba Shear Zone.

## DE GREY MINING LIMITED

31 DECEMBER 2017

### DIRECTORS' REPORT

#### Beyondie

The magnetite iron ore project at Beyondie remains under the management of joint venture partner Emergent Resources Ltd (ASX: EMG, "Emergent"), who had previously earned an 80% interest in the iron ore mineral rights (iron ore, vanadium and manganese) of the project. De Grey retains 20% interest in the iron ore, vanadium and manganese rights and importantly 100% of all other minerals rights.

During the half-year, Emergent advised De Grey that there has been no change to their current status on this tenement, and discussions will be continuing to ensure De Grey's other mineral rights remain protected.

#### Corporate

Cash on hand at end of the period was \$6.15 million, after the Company raised additional cash reserves to advance development and exploration activities across the Pilbara Gold Project during the half-year as follows:

- \$5.0 M through a share subscription agreement with Kirkland Lake Gold Limited. This was through the issue of 33,333,333 shares at a price of \$0.15 per share, together with 33,333,333 options exercisable at \$0.20 at any stage before 30 November 2019. This was approved by shareholders at the Company's AGM held on 30 November 2017. Kirkland Lake Gold Limited is now the largest shareholder of De Grey;
- \$3.02 Million was raised through a two tranche placement at \$0.05 per share with a 1 for 2 attaching listed option exercisable at \$0.10 per share at any stage prior to 30 November 2018. This issue was approved by the Company's shareholders at a General Meeting held on 26 October 2017; and
- An additional \$1.07 Million was raised through the exercise of various options during the half-year.

As the company has progressed the Pilbara Gold Project with development studies and significant advances have occurred on the exploration front, the board recognise the need for additional technical skills. The board changes implemented during the period are:

- Mr. Andy Beckwith, an experienced geologist, has accepted the role of Technical Director and Operations Manager.
- Mr. Brett Lambert, an experienced Mining Engineer, has accepted the role of Non-Executive Director.
- Mr. Davide Bosio has stepped down from the board. The board thanks Davide for his support and dedicated service to De Grey including an integral role on the Indee Gold transaction.

The Annual General Meeting was held on 30 November 2017 and all twelve (12) resolutions were approved by a show of hands.

## DE GREY MINING LIMITED

31 DECEMBER 2017

### DIRECTORS' REPORT

#### SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2017, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, except for the following:

As announced on 12 February 2018, the Group executed a detailed Share Sale Agreement (“SSA”) to acquire all the shares in Indee Gold Pty Ltd (“Indee Gold”) from current owner Northwest Non-Ferrous Australian Mining Limited (“NNAM”). The execution confirmed De Grey’s decision to acquire Indee Gold, which is integral to the consolidation of the overall Pilbara Gold Project ownership.

Under the executed Share Sale Agreement, the total acquisition price of A\$15 Million remains as per the initial Heads of Agreement, dated 24 January 2017 and ASX announced on 9 February 2017. It consists of payments made to date or payables as follows:

- Initial Exclusivity Fee of \$100,000 (paid in Jan 2017);
- Initial Deposit of \$1.5 Million (paid on SSA execution - 9 February 2018);
- \$10.4 Million to be paid on Settlement scheduled for 24 January 2019;
- \$3 Million of Consideration Shares (new De Grey fully paid ordinary shares) to be issued on Settlement (*The Company to seek shareholder approval for the issue of shares to NNAM*); and
- De Grey also has the right to extend Settlement by 6 months to 24 July 2019 by payment of an Extension Deposit of \$700,000, before 24 January 2019, which would reduce the final cash payable at Settlement to \$9.7 Million.

#### 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 16.

This report is made in accordance with a resolution of directors.



**Simon Lill**  
**Executive Chairman**

Perth, 15 March 2018

*The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr. Philip Tornatora, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr. Tornatora is a consultant to De Grey Mining Limited. Mr. Tornatora 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. Tornatora 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 Mineral Resources is based on information compiled by Mr. Paul Payne, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Payne is a full-time employee of Payne Geological Services. Mr. Payne 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. Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of De Grey Mining Limited for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

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

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth  
Date: 15 March 2018

**DE GREY MINING LIMITED**

**31 DECEMBER 2017**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	\$	\$
<b>REVENUE</b>		
Interest received	12,633	3,025
Minerals sales – royalties	7,041	16,256
Other revenue	26,768	500
<b>EXPENDITURE</b>		
Depreciation expense	(20,831)	(4,623)
Directors and employee benefits expense	(240,505)	(82,081)
Exploration expenditure	(2,184,703)	(842,244)
Corporate expenses	(237,183)	(133,653)
Corporate advisory expenses	(548,255)	-
Occupancy expenses	(18,169)	-
Consulting expenses	(30,244)	(39,518)
Investor relations	(151,038)	(29,897)
Administration expenses	(256,701)	(106,771)
Share based payments	(78,292)	(49,980)
	<hr/>	<hr/>
<b>LOSS BEFORE INCOME TAX EXPENSE</b>	<b>(3,719,479)</b>	<b>(1,268,986)</b>
Income tax benefit/(expense)	-	-
	<hr/>	<hr/>
<b>LOSS FOR THE HALF-YEAR</b>	<b>(3,719,479)</b>	<b>(1,268,986)</b>
	<hr/>	<hr/>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
<i>Items that may be reclassified to profit or loss</i>		
Other comprehensive (loss)/income for the period, net of tax	-	-
	<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED</b>	<b>(3,719,479)</b>	<b>(1,268,986)</b>
	<hr/> <hr/>	<hr/> <hr/>
Basic and diluted loss per share (cents per share)	<b>(1.47)</b>	<b>(0.82)</b>
	<hr/>	<hr/>

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

**DE GREY MINING LIMITED****31 DECEMBER 2017****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	NOTE	31 December 2017 \$	30 June 2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		6,153,295	1,007,029
Trade and other receivables		150,233	126,738
Inventories		9,221	11,695
Other assets		11,489	16,040
<b>TOTAL CURRENT ASSETS</b>		<b>6,324,238</b>	<b>1,161,502</b>
<b>NON-CURRENT ASSETS</b>			
Deferred Exploration & Evaluation	2	1,083,950	980,397
Plant and equipment		557,858	58,361
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,641,808</b>	<b>1,038,758</b>
<b>TOTAL ASSETS</b>		<b>7,966,046</b>	<b>2,200,260</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		628,581	1,024,126
<b>TOTAL CURRENT LIABILITIES</b>		<b>628,581</b>	<b>1,024,126</b>
<b>TOTAL LIABILITIES</b>		<b>628,581</b>	<b>1,024,126</b>
<b>NET ASSETS</b>		<b>7,337,465</b>	<b>1,176,134</b>
<b>EQUITY</b>			
Contributed equity	3	58,647,617	49,108,104
Reserves	4	511,827	170,530
Accumulated losses		(51,821,979)	(48,102,500)
<b>TOTAL EQUITY</b>		<b>7,337,465</b>	<b>1,176,134</b>

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

**DE GREY MINING LIMITED**

**31 DECEMBER 2017**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	<b>Contributed Equity</b>	<b>Share Based Payments Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	\$	\$	\$	\$
<b>BALANCE AT 1 JULY 2016</b>	<b>45,837,739</b>	<b>120,550</b>	<b>(44,883,603)</b>	1,074,686
<b>Loss for the half-year</b>	-	-	(1,268,986)	(1,268,986)
TOTAL COMPREHENSIVE LOSS	-	-	(1,268,986)	(1,286,986)
Shares issued during the period	1,694,063	-	-	1,694,063
Share issue expenses	(118,035)	-	-	(118,035)
Share based payments options	-	49,980	-	49,980
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>47,413,767</b>	<b>170,530</b>	<b>(46,152,589)</b>	<b>1,431,708</b>
	<b>Contributed Equity</b>	<b>Share Based Payments Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	\$	\$	\$	\$
<b>BALANCE AT 1 JULY 2017</b>	<b>49,108,104</b>	<b>170,530</b>	<b>(48,102,500)</b>	<b>1,176,134</b>
<b>Loss for the half-year</b>	-	-	(3,719,479)	(3,719,479)
TOTAL COMPREHENSIVE LOSS	-	-	(3,719,479)	(3,719,479)
Shares issued during the period	9,579,670	-	-	9,579,670
Share issue expenses	(125,407)	-	-	(125,407)
Share based payments – corporate advisory services	-	348,255	-	348,255
Share based payments – options	-	58,950	-	58,950
Share based payments – performance rights	-	19,342	-	19,342
Transfer of reserve on exercise/expiry of options	85,250	(85,250)	-	-
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>58,647,617</b>	<b>511,827</b>	<b>(51,821,979)</b>	<b>7,337,465</b>

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

**DE GREY MINING LIMITED****31 DECEMBER 2017****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	<b>Half-year</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Royalties received	<b>6,360</b>	16,529
Payments to suppliers and employees	<b>(1,083,469)</b>	(430,810)
Payments for exploration and evaluation	<b>(2,062,412)</b>	(1,102,587)
Interest received	<b>12,634</b>	3,025
<b>Net cash used in operating activities</b>	<b>(3,126,887)</b>	(1,513,843)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant & equipment	<b>(499,497)</b>	(3,270)
Payments for acquisition of mineral tenements	<b>(195,000)</b>	(290,000)
<b>Net cash used in investing activities</b>	<b>(694,497)</b>	(293,270)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	<b>9,093,057</b>	1,674,063
Payments of share issue transaction costs	<b>(125,407)</b>	(118,035)
<b>Net cash provided by financing activities</b>	<b>8,967,650</b>	1,556,028
Net increase/(decrease) in cash and cash equivalents	<b>5,146,266</b>	(251,085)
Cash and cash equivalents at the beginning of the half-year	<b>1,007,029</b>	1,207,561
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>6,153,295</b>	956,476

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

## DE GREY MINING LIMITED

31 DECEMBER 2017

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

##### Statement of Compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by De Grey Mining Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

##### Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

##### Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2017.

##### Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

##### Standards and Interpretations applicable to 31 December 2017

In the half-year ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2017.

## DE GREY MINING LIMITED

31 DECEMBER 2017

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

#### Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2018.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

#### 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 \$3,719,479 (2016: \$1,268,986) for the half-year ended 31 December 2017, has a cash and cash equivalents balance of \$6,153,295, compared to \$1,007,029 as at 30 June 2017.

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis for the following reasons:

- (i) The Group has during the current half-year demonstrated its capacity to raise new equity capital as required via the completion of two private placements (~\$8 Million before costs), including one to strategic investor and ASX/TSX listed Kirkland Lake Gold Limited;
- (ii) An additional ~\$1.070 Million was raised via the exercise of various class of options during the half-year to December 2017;
- (iii) There are currently a number of option classes, that if exercised, has the potential to provide further proceeds within the coming 12 months, that can be allocated to ongoing exploration and feasibility activities, and includes 53.5 Million listed options, exercisable at 10 cents each, and exercisable on or before 31 October 2018;
- (iv) On 12 February 2018, the Company executed a Detailed Share Sale Agreement with respect to the option to acquire the Indee Gold project (refer to Note 6 - Subsequent Events). A further cash payment of \$10.4 Million is to be paid on or before 24 January 2019 (settlement date), however, De Grey also has the right to extend Settlement by a further 6 months to 24 July 2019 by payment of an Extension Deposit of \$700,000, before 24 January 2019, with the remaining \$9.7 Million then payable on or before 24 July 2019;
- (v) There is a recognition that it will be necessary to secure additional funding to complete the Indee Gold acquisition, transition the Group to a development phase as well as in meeting ongoing corporate and administrative costs. As part of the feasibility study process it will assess sourcing further funding via new equity raisings as well as debt funding facilities; and
- (vi) It considers that it has the capacity to raise additional funds so as to continue exploration and feasibility expenditures on its Pilbara Gold Project, further progress its base metals and lithium prospects as well as meeting its corporate and working capital needs.

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.

**DE GREY MINING LIMITED**

**31 DECEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**2. DEFERRED EXPLORATION & EVALUATION**

	December 2017 \$
<i>Deferred exploration &amp; evaluation – at cost</i>	
Beginning of financial period	980,397
Additions – all areas of interest (i)	2,288,256
Expensed to P&L	(2,184,703)
End of financial period (i)	1,083,950

(i) The Group capitalises costs associated with two specific areas of interest, being those that cover the 100% owned Wingina and Mount Berghaus gold resources within the Pilbara Gold Project.

**3. CONTRIBUTED EQUITY**

**(a) Share capital**

	December 2017 \$	June 2017 \$
324,995,466 ordinary fully paid shares (June 2017: 201,296,240)	58,647,617	49,108,104

**(b) Movement in share capital for the half-year**

	Number of shares	\$
Beginning of the financial period	<b>201,296,240</b>	<b>49,108,104</b>
Shares issued in lieu of supplier invoices (non-cash) @\$0.04373	7,595,324	332,113
Shares issued - placement @ \$0.05	60,450,000	3,022,500
Shares issued - placement @ \$0.15	33,333,333	5,000,000
Shares issued – part consideration tenements (non-cash) @\$0.15	150,000	22,500
Shares issued– part consideration tenements (non-cash) @\$0.22	600,000	132,000
Share issued on exercise of options	21,570,569	1,070,557
Transaction costs for the period	-	(125,407)
Share based payments reserve transfer on option exercise	-	85,250
End of the financial period	<b>324,995,466</b>	<b>58,647,617</b>

**DE GREY MINING LIMITED**

**31 DECEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**3. CONTRIBUTED EQUITY**

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

Expiry Date	Exercise Price	Opening 1 July 2017 No.	Issued No.	Exercised No.	Closing 31 Dec 2017 No.
<i>Listed Class</i>					
30 November 2018	\$0.10	23,621,103	30,225,000	(295,569)	53,550,534
<i>Unlisted classes</i>					
6 September 2017	\$0.058	5,000,000	-	(5,000,000)	-
25 November 2017	EOP \$0.08	2,125,000	-	(2,125,000)	-
30 November 2018	EOP \$0.10	7,350,000	-	(250,000)	7,100,000
10 June 2019	\$0.04	23,934,611	-	(13,900,000)	10,034,611
30 November 2019	\$0.20	-	33,333,333	-	33,333,333
30 October 2020	EOP \$0.10	-	2,250,000	-	2,250,000
30 October 2020	\$0.10	-	13,500,000	-	13,500,000
		<b>62,030,714</b>	<b>79,308,333</b>	<b>(21,570,569)</b>	<b>119,768,478</b>

**(d) Performance rights on issue for the half-year**

On 21 December 2017, 6,700,000 unlisted Performance Rights were issued to directors and employees of the Group. The issue consists for five (5) tranches each with specific performance hurdles.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total
Opening – 1 July 2017	-	-	-	-	-	-
Performance rights issued for the period	1,300,000	1,300,000	1,450,000	1,450,000	1,200,000	6,700,000
Closing – 31 December 2017	1,300,000	1,300,000	1,450,000	1,450,000	1,200,000	6,700,000

The Performance Rights shall vest upon satisfaction of the following milestones:

1. Tranche One – the Company declaring greater than 1,500,000 ounce gold resource (JORC 2012) at an overall grade of at least 1.7 g/t and a minimum category of JORC inferred at the Pilbara Gold Project, on or before 30 November 2019;
2. Tranche Two – the Company declaring greater than 2,000,000 ounce gold resource (JORC 2012) at an overall grade of at least 1.7 g/t and a minimum category of JORC inferred at the Pilbara Gold Project, on or before 30 November 2019;
3. Tranche Three – settlement of the Company's 100% acquisition of Indee Gold Pty Ltd;
4. Tranche Four – The Company securing Project Financing for the Pilbara Gold Project at a minimum throughput of 1M tpa; and
5. Tranche Five – The Company confirming higher grade resources of at least 200,000 ounces and at an overall grade of greater than 5 g/t or before 30 November 2019.

**DE GREY MINING LIMITED**

**31 DECEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**4. RESERVES**

	December 2017 \$	June 2017 \$
<b>(a) Reserves</b>		
Share-based payments reserve	511,827	170,530
	<b>511,827</b>	<b>170,530</b>
<b>Movements:</b>		
Balance at beginning of year	170,530	
Transfer to Contributed Equity on exercise of options	(85,250)	
Share based payments (options) expense (EOP issue)	348,255	
Share based payments (options) expense (corporate advisory)	58,950	
Share based payments (performance rights) expense (Directors and employees)	19,342	
Balance at end of year	<b>511,827</b>	

**(b) Share based payments - option expense for the period**

The weighted average fair value of the (share-based payments) options granted during the year was \$0.0259 (2016: \$0.0068). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2017	2016
Weighted average exercise price (\$)	0.10	\$0.10
Weighted average life of the option (days)	1,143	725
Weighted average underlying share price (cents)	\$0.061	\$0.04
Expected share price volatility	75%	75%
Weighted average risk-free interest rate	1.5%	1.5%

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.

**(c) Share based payments – performance rights expense for the period**

On 21 December 2017, 6,700,000 unlisted Performance Rights were issued to directors and employees of the Group, with vesting conditions as described in Note 3 (d). The fair value of the

	Tranche 1	Tranche 2	Tranche 3 <sup>1</sup>	Tranche 4 <sup>1</sup>	Tranche 5
Number Issued (No.)	1,300,000	1,300,000	1,450,000	1,450,000	1,200,000
Grant Date	21-Dec-2017	21-Dec-2017	21-Dec-2017	21-Dec-2017	21-Dec-2017
Exercise Price (\$)	N/A	N/A	N/A	N/A	N/A
Expiry/Amortisation Date	30-Nov-2019	30-Nov-2019	24-Jul-2019	24-Jul-2019	30-Nov-2019
Underlying Share Price on Grant (\$)	\$0.17	\$0.17	\$0.17	\$0.17	\$0.17
Total Fair Value (\$) – Life of Right	\$221,000	\$221,000	\$246,500	\$246,500	\$204,000
Total Fair Value (\$) – Expensed 31 December 2017	\$3,424	\$3,424	\$4,667	\$4,667	\$3,160
					<b>\$19,342</b>

<sup>1</sup>Under the performance rights plan, rights expire the earlier of any date specified on issue or 5 years. In the case of tranches 3 and 4 and for the purposes of amortisation, the fair value share-based payments have been calculated on the basis of all information available at date of this report, and the board considers that a date equivalent to the last settlement date for the Indee transactions as appropriate.

**DE GREY MINING LIMITED**

**31 DECEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**5. 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 segment being exploration activities undertaken in the Australasia geographical region. The Australasian segment includes the activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic region.

Segment performance is evaluated based on the operating profit or loss and cash flows and is measured in accordance with the Group's accounting policies.

	Australasia		Consolidated Total	
	2017	2016	2017	2016
	\$	\$	\$	\$
Segment revenue	<u>7,041</u>	<u>16,256</u>	<u>7,041</u>	<u>16,256</u>
Reconciliation of segment revenue to total revenue before tax:				
Interest revenue			12,633	3,025
Other revenue			<u>26,768</u>	<u>500</u>
<b>Total revenue</b>			<u><u>46,442</u></u>	<u><u>19,781</u></u>
Segment result	<u>(2,177,662)</u>	<u>(863,123)</u>	<u>(2,177,662)</u>	<u>(863,123)</u>
Reconciliation of segment result to net loss before tax:				
Corporate advisory expenses			(548,255)	-
Share based payments – performance rights and options			(78,292)	(49,980)
Other corporate and administration			<u>(915,270)</u>	<u>(355,883)</u>
<b>Net loss before tax</b>			<u><u>(3,719,479)</u></u>	<u><u>(1,268,986)</u></u>

	Australasia		Consolidated Total	
	December 2017	June 2017	December 2017	June 2017
	\$	\$	\$	\$
Segment operating assets	<u>1,708,488</u>	<u>1,154,526</u>	<u>1,708,488</u>	<u>1,154,526</u>
Reconciliation of segment operating assets to total assets:				
Other corporate and administration assets			6,257,558	1,045,734
<b>Total assets</b>			<u><u>7,966,046</u></u>	<u><u>2,200,260</u></u>
Segment operating liabilities	<u>(338,490)</u>	<u>(972,127)</u>	<u>(338,490)</u>	<u>(972,127)</u>
Reconciliation of segment operating liabilities to total liabilities:				
Other corporate and administration liabilities			(290,091)	(51,999)
<b>Total liabilities</b>			<u><u>(628,581)</u></u>	<u><u>(1,024,126)</u></u>

## DE GREY MINING LIMITED

31 DECEMBER 2017

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

#### 6. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2017, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years, except for the following:

As announced on 12 February 2018, the Group executed a detailed Share Sale Agreement (“SSA”) to acquire all the shares in Indee Gold Pty Ltd (“Indee Gold”) from current owner Northwest Non-Ferrous Australian Mining Limited (“NNAM”). The execution confirmed De Grey’s decision to acquire Indee Gold, which is integral to the consolidation of the overall Pilbara Gold Project ownership.

Under the executed Share Sale Agreement, the total acquisition price of A\$15 Million remains as per the initial Heads of Agreement, dated 24 January 2017 and ASX announced on 9 February 2017. It consists of payments made to date or payables as follows:

- Initial Exclusivity Fee of \$100,000 (paid in Jan 2017);
- Initial Deposit of \$1.5 Million (paid on SSA execution - 9 February 2018);
- \$10.4 Million to be paid on Settlement scheduled for 24 January 2019;
- \$3 Million of Consideration Shares (new De Grey fully paid ordinary shares) to be issued on Settlement (*The Company to seek shareholder approval for the issue of shares to NNAM*); and
- De Grey also having the right to extend Settlement by 6 months to 24 July 2019 by payment of an Extension Deposit of \$700,000, before 24 January 2019, which would reduce the final cash payable at Settlement to \$9.7 Million.

**DE GREY MINING LIMITED**

**31 DECEMBER 2017**

**DIRECTORS' DECLARATION**

In the directors' opinion:

1. the financial statements and notes set out on pages 17 to 27 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that De Grey Mining Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



**Simon Lill**

Executive Chairman

Perth, 15 March 2018

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DE GREY MINING LIMITED**

### **Conclusion**

We have reviewed the accompanying half year 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 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### **Emphasis of matter – material uncertainty related to going concern**

Without qualifying our opinion, we draw attention to Note 1 in the financial report (which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern). These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the ordinary course of business.

### **Directors' responsibility for the half year financial report**

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with the 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half year financial report is not in accordance with the *Corporations Act 2001* including; giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

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

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth

Date: 15 March 2018