



DE GREY
MINING LTD

ABN 65 094 206 292

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2018**

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 2018 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 2018

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DE GREY MINING LIMITED

31 DECEMBER 2018

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 2018.

DIRECTORS

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

Simon Lill
Steven Morris
Andrew Beckwith
Brett Lambert
Peter Hood (appointed 19 November 2018)

RESULTS

The consolidated loss for the half year after tax was \$1,561,823 (2017: \$3,719,479).

REVIEW OF OPERATIONS

Pilbara Gold Project

De Grey’s primary focus is on the Pilbara Gold Project (“PGP”) (**Figure 1**), immediately south of Port Hedland in the Pilbara Craton of Western Australia. The Company is undertaking work programs targeting:

- Resource increases to 2Moz in the shorter term, +3Moz in the medium term;
- Pre-Feasibility Study (PFS) considering 2Mtpa for a 7 year, or greater, project life for a stand-alone project.

The PGP consists of a large “province scale” landholding (>1,500km²) which includes over 200km of mineralised shear zones which are under explored. About 10% of the shear zones have been drilled in detail, with very few drill holes deeper than 150 m, and even fewer below 300m.

Exploration prospectivity is considered very high along the shear zones and throughout the tenements. Success from the relatively shallow drilling, has already defined Mineral Resources of 1.4Moz, with exploration drilling programs ongoing designed to achieve the target of 2Moz by the end of 2019.

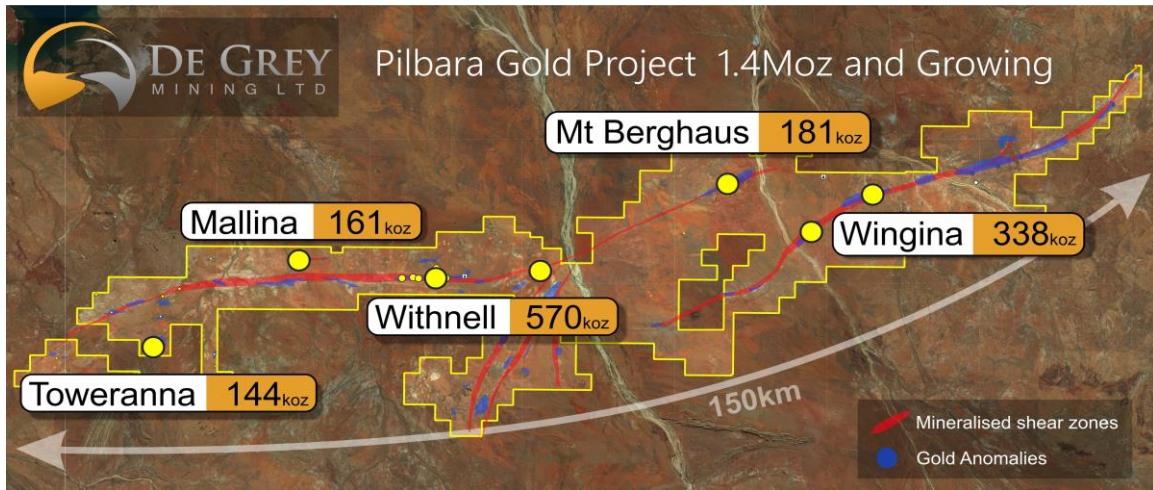


Figure 1 - Pilbara Gold Project – Gold Deposits and Resources

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DIRECTORS' REPORT

2018 Gold Resource Increase

The PGP gold resource was updated to 1.4Moz¹, based on drilling results up to 31 July 2018. Subsequent to the resource drilling cut-off date, significant drilling programs have continued across the 5 major resource areas, with further encouraging results that are likely to provide additional resource increases ('ASX release "2018 Total Gold Mineral Resources Increases to 1.4Moz", 3 October 2018).

Pilbara Gold Project ("PGP") – 2018 Gold Mineral Resources (JORC 2012)²

Total Mineral Resource	27.25Mt @ 1.6g/t Au (1,393,800oz)
M & I (53%)	14.32Mt @ 1.6g/t Au (739,200oz)
Oxide (38%)	11.02Mt @ 1.5g/t Au (529,900oz)
Fresh (62%)	16.23Mt @ 1.7g/t Au (863,900oz)

The resource update provided an overall increase of 183,800oz on the previous 2017 Mineral Resource and a total 391,000oz increase since the 2017 Scoping Study was undertaken. Each of the deposits remain open along strike and at depth. The resource upgrade has been provided with the following resource increases.

Toweranna	254% increase in Total Mineral Resource to 143,900oz Increase in Indicated Resource from nil to 54,400oz
Mt Berghaus	29% increase in Total Mineral Resource to 181,000oz 333% increase in Indicated Resource to 53,300oz
Mallina	9% increase in Total Mineral Resource to 160,700oz 67% increase in Indicated Resource to 50,600oz
Camel	24% increase in M & I Resource to 50,300oz
Amanda	44% increase in Total Mineral Resource to 50,800oz Increase in Indicated Resource from nil to 24,800oz
Roe	31% increase in overall resource to 38,300oz 19% increase in M & I Resource to 17,800oz

Exploration Targets

The Company has now announced an Exploration Target at two of the PGP's major resource areas;

- Withnell Underground Exploration Target of 2.6Mt – 3.5Mt @ 4.0g/t to 6.5g/t for 330,000oz – 720,000oz. This target is immediately below the existing 377,300 resource at Withnell (ASX release "High Grade Lodes confirm Withnell Underground Target", 1 October 2018).
- Toweranna Exploration Target of 9.6Mt – 11.2Mt @ 2.1g/t to 2.3g/t for 680,000oz – 800,000oz# and includes existing resource of 2.01Mt @ 2.2g/t Au for 143,900oz. (#³ASX release "Toweranna –high impact resource extension drilling underway", 13 March 2019)

Exploration Target Cautionary Statement - The potential quantity and grade of the Exploration Target is conceptual in nature. There has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of a mineral resource.

At the date of this report, the Company was drilling at both of these targets, which collectively provide significant potential in the Company achieving its target of growing the overall resource to 2Moz by the end of calendar year 2019.

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Exploration Activities for the Half-year

During the half-year, De Grey has carried out significant exploration programs, including RC and diamond drilling, on each of the resource areas of Withnell, Wingina, Mt Berghaus, Amanda, Mallina and Toweranna, reporting encouraging results at each of these, and all of which remain open at depth and along strike. It is expected that the results will continue to add to the overall resource.

The Company also concluded initial reconnaissance programs on regional targets, most specifically the southern Farno JV areas where De Grey has the right to earn a 75% interest.

There has also been further exploration work on the conglomerate style mineralisation targets, ongoing data collection and interpretation, and sub audio magnetic (“SAM”) programs at Mt Berghaus and Mallina, which assist in the interpretive and targeting process at these resource areas.

A summary of the key exploration results at Mallina, Toweranna and Withnell for the half-year follows;

Mallina

On entering the Option Agreement to acquire Indee Gold Pty Ltd (*ASX release “Acquisition of Indee Gold – Scale and Development Momentum”, 9 February 2017*), De Grey provided an initial Exploration Target of 53,000 ounces to 125,000 ounces at Mallina.

Since that time, the Mallina Mineral Resource has grown to 3.83Mt @ 1.3 g/t (**160,700 oz**) and the Company has reported further positive results at Mallina subsequent to the Mineral Resource drilling cut-off.

Mallina has a 5 km strike length and remains open at depth and along strike in all directions, with a 5 km by 1 km SAM program in progress at the date of this report.

Results for hole MLRC214D, a diamond tail to the previously reported RC hole MLRC214 and which ended in significant mineralisation (+46m @ 3.26g/t) expanded the total intercept to 56m @ 3.04g/t Au, with a higher grade core of 30m @ 5.29g/t (**Figure 2**). A second gold zone, 8.25m @ 1.05g/t, was intersected on the contacts of a felsic porphyry. (*ASX release- “Ongoing high grade gold hits at Mallina and Toweranna”, 15 October 2018*)

These results, as well as those subsequently released on 1 March 2019, and along with other identified broad alteration zones demonstrate the potential for expanding resources at Mallina. Step-out diamond drilling has subsequently been completed with further assay results pending as noted in **Figure 2**.

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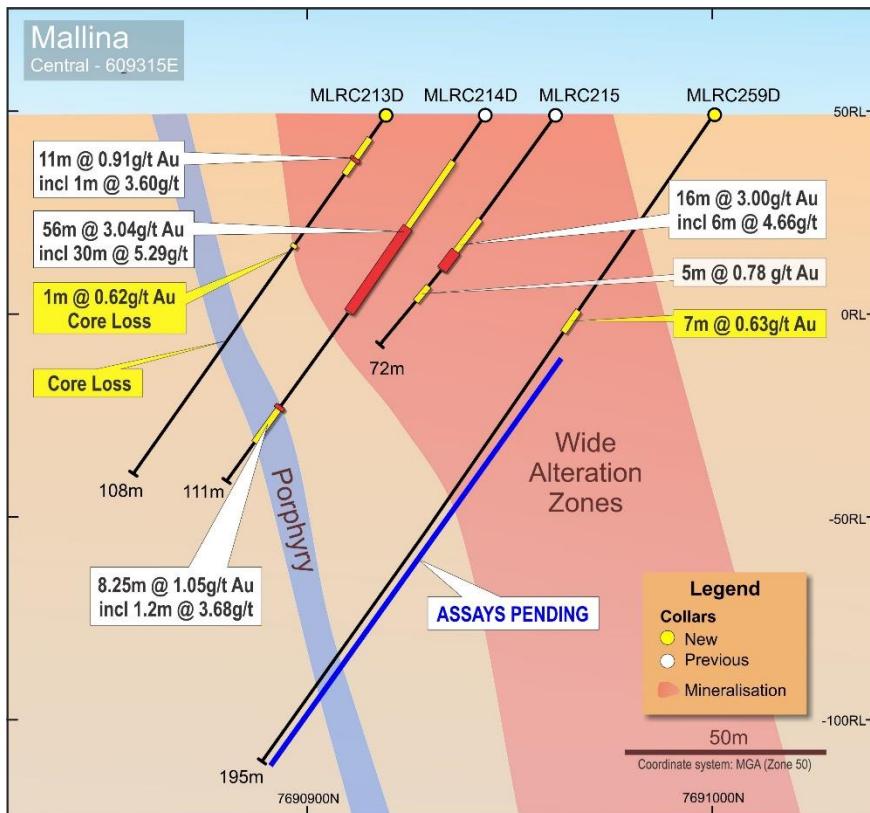


Figure 2 - Mallina Central Section 603915E

Toweranna

On entering the option agreement to acquire Indee Gold Pty Ltd, the initial resource assessment provided at Toweranna was for 30,000 ounces at 2.1 g/t (ASX release “Acquisition of Indee Gold – Scale and Development Momentum”, 9 February 2017).

The Toweranna Resource is now 2.01Mt @ 2.2 g/t (**143,900 oz**) (ASX release “2018 Total Gold Mineral Resources Increases to 1.4Moz”, 3 October 2018) and escalated as a priority target for resource growth (also refer to the previously mentioned Exploration Target).

During the half-year, assay results from a 3,192m RC (41 holes) drill program further expanded the deposit’s high grade footprint. (ASX release- “Toweranna drilling expands high grade footprint”, 3 July 2018) In addition, assay results from a 9 hole diamond drilling program also demonstrated the high-grade nature of the mineralisation. (ASX release- “Ongoing high grade gold hits at Mallina and Toweranna”, 15 October 2018)

The Company has subsequent to the end of the period released further positive results from Toweranna and a metallurgical diamond hole which confirms the previous RC drilling results. Metallurgical samples have been submitted to ALS metallurgy with test work underway. (ASX release – “Toweranna –high impact resource extension drilling underway 13 March 2019”).

At the date of this report, the Company is undertaking a +5000 RC program at Toweranna that aims to expand resource to a 250m depth (ASX release – “Toweranna –high impact resource extension drilling underway 13 March 2019”) with the diamond drilling planned to commence shortly thereafter to initially test depths to 400m.

The Toweranna gold mineralisation is hosted by stacked dipping quartz veins within a 250m diameter granite plug. The drilling to date has highlighted gold in quartz veins throughout the granite body. The gold

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mineralisation is also noted to extend to at least 400m depth based on historical holes, with grades seen to date showing potential for an underground mine at Toweranna.

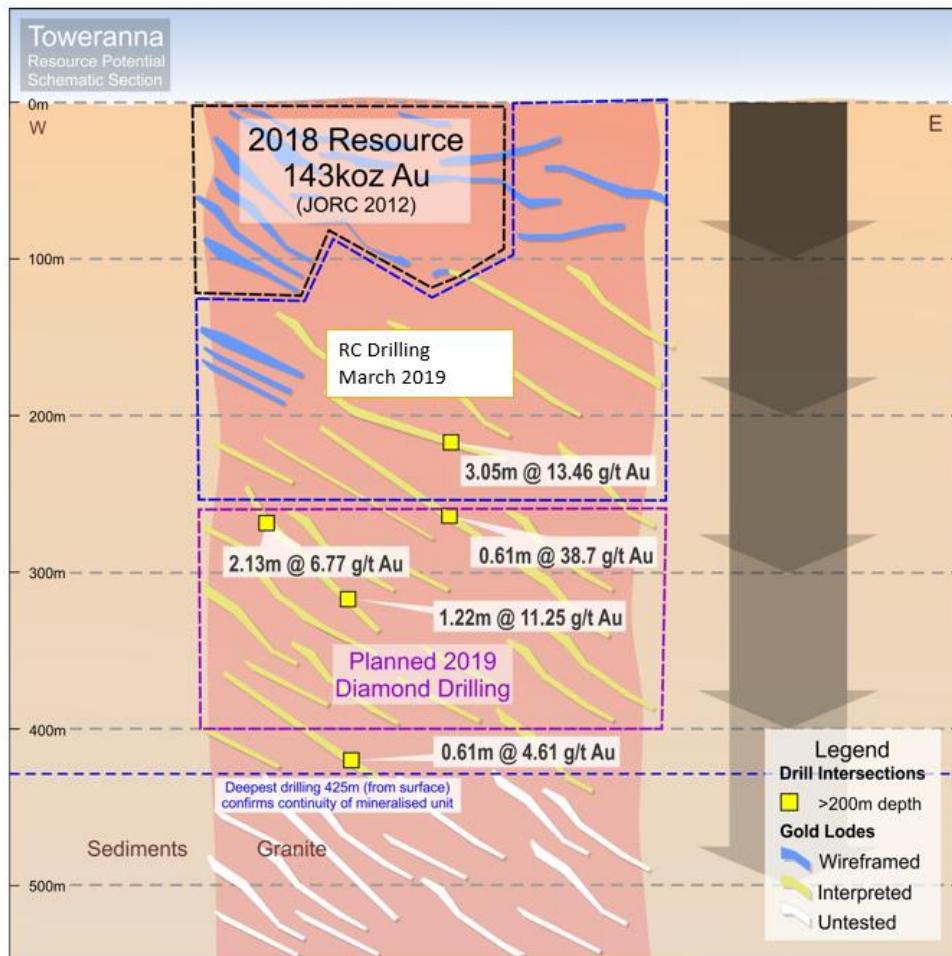


Figure 3 - Toweranna Schematic Cross Section

Withnell Deepes

The Withnell Current Resource is 6.37Mt @ 1.8 g/t (377,300 oz).

The results of drilling subsequent to the Mineral Resource cut-off has continued to consistently report positive grades and widths at depth. It is a key part of the Company's operational strategy to demonstrate Withnell also has higher grade underground development potential.

Previous drilling at Withnell had defined a series of at least 4 high grade lodes at depth beneath the existing open pit. A program of 15 diamond holes was completed during the half-year with encouraging high-grade results reported. Two lodes were targeted in the program over a 400m x 100m panel, to better define controls on mineralisation, grade distribution and continuity of lodes. The results are encouraging with further high-grade gold mineralisation intersected.

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The potential to materially increase resources and improve economics by including high grade underground mining is considered compelling, with results to date supporting the Withnell Underground Exploration Target.

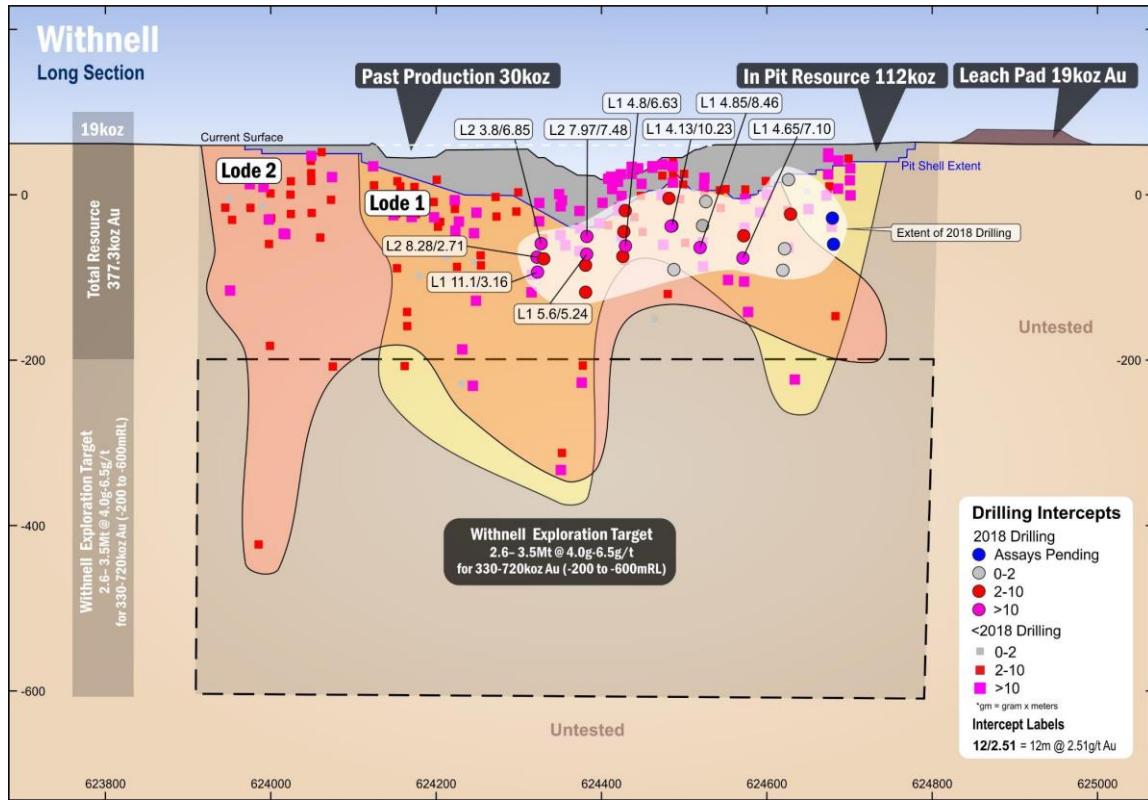


Figure 4 - Withnell Exploration Target

Drilling at Withnell has continued during the half-year period and subsequent drilling continuous since mid-January 2019. The drilling continues to target the underground lodes at Withnell as per **Figure 4** (ASX release - *Further high grade hits beneath Withnell*, 5 November 2018).

Metallurgical Activities

The Company continued ongoing metallurgical work during the half, which provided encouraging results. (ASX release “Positive Au Recoveries Enhance Gold Project Potential”, 12 February 2019).

Previous work utilised in the Company’s Scoping Study had indicated 80% recoveries for pyrite dominated sulphides which dominated mineralisation at one of the key pits, Withnell. Results reported indicated a breakthrough +90% recovery for this sulphide, providing average indicated recoveries for mineralisation types as follows:

- +94% - Oxide material
- +92% - Free milling fresh material
- +90% - Pyrite dominated sulphide material

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These metallurgical results have provided for a simplified process flow sheet developed by GR Engineering Services as below:

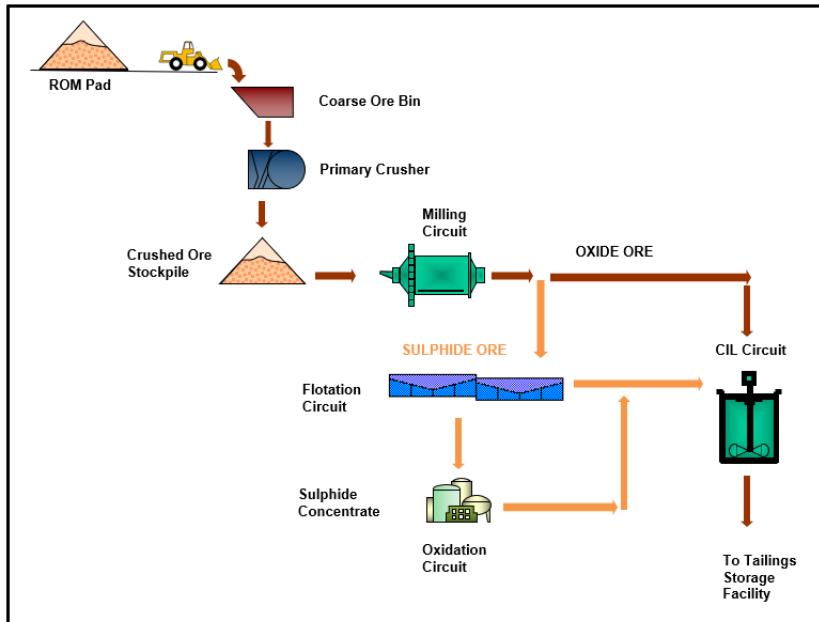


Figure 5 – GR Engineering's Simplified Flow Sheet

Importantly, the positive high gold recovery was maintained at a coarser grind size, significantly reducing grinding requirements and energy costs. The Company believes there are ongoing optimisation opportunities to reduce costs and continue to improve recoveries.

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Conglomerate Gold Activities

During the half year, the Company received assay results from a diamond drilling program at the Jarret Well prospect that sought to provide a detailed stratigraphic assessment of the overall sequence prior to undertaking detailed bulk sampling (ASX release- “Jarret Well – 11.6m pyritic conglomerate intersected in drilling”, 3 July 2018). The drilling intersected variable conglomerates with an 11.6m pyritic conglomerate intersected (**Figure 6**). This unit is interpreted to represent the downdip extension of the ferruginous conglomerate mapped at surface and in close proximity to where 3 gold nuggets were previously found.

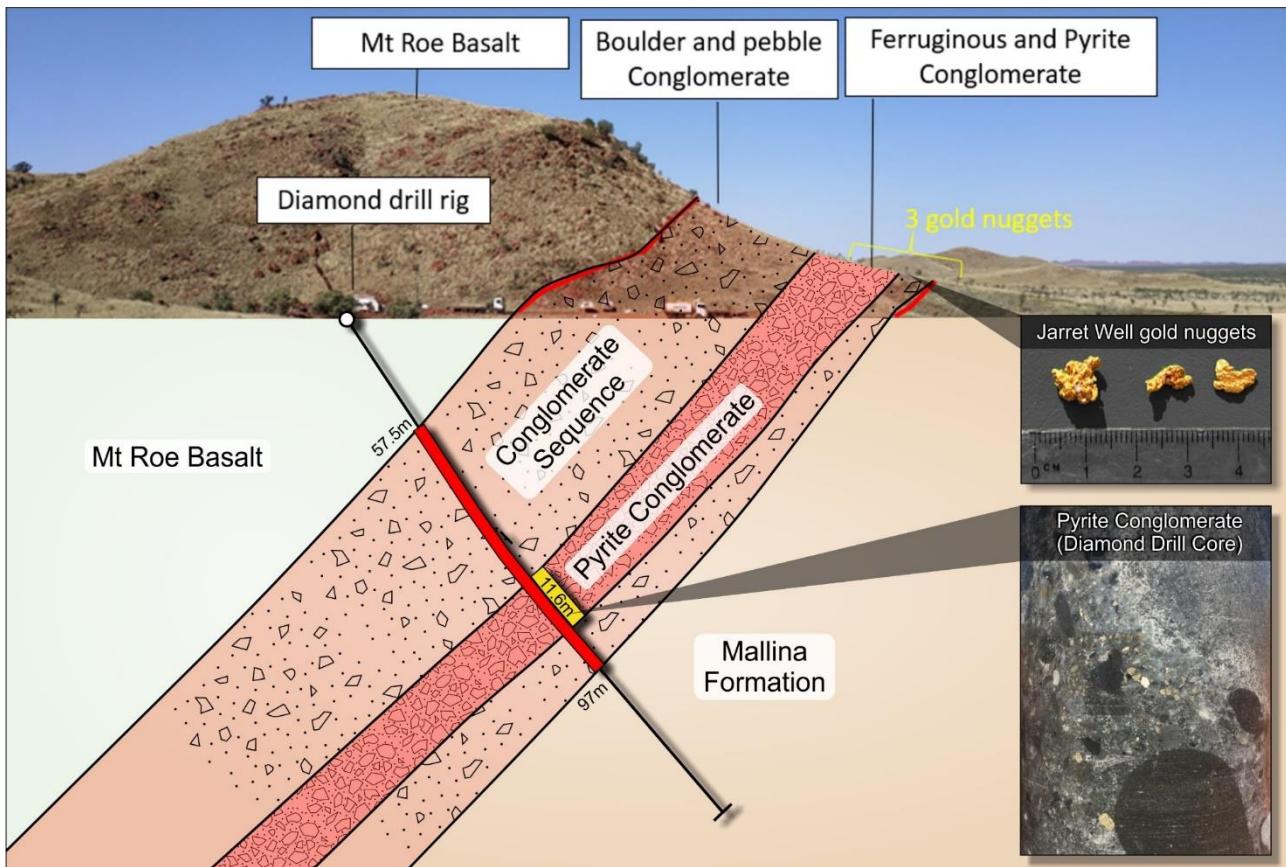


Figure 6 - Jarret Well – Schematic cross-section showing simplified outcrop & correlation with new drill hole geology

At Steel Well, a similar diamond hole was completed to better define the stratigraphic rock units. Multiple conglomerate beds were intersected down-dip of outcropping conglomerate, greywacke and siltstone units demonstrating overall true thickness of 68m. Multiple pyritic horizons were identified throughout the conglomerate sequence which overlies mafic intrusive rocks interpreted to be feeder dykes for the lower Fortescue Group, Mt Roe Basalt. A single gold nugget (0.2gm) was found by metal detector on the drill pad access track (ASX release- “68m conglomerate sequence intersected at Steel Well”, 10 August 2018)

At the Loudens West, the initial trenching and trial bulk sampling program was completed. The program achieved positive results with the bulk sampling confirming visible coarse gold within the first trench (“LTR001”) over a total strike length of 20m, as well as along the first 4m of the second trench (“LTR002”). (ASX releases- “Coarse gold at Loudens Patch in first bulk sampling”, 12 November 2018 and “Further coarse gold in bulk sampling at Loudens Patch”, 27 February 2019).

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The Company has received promising results to date from the Loudens West trial bulk sampling with respect to the coarse gold content of the conglomerate. The assay testing of the fine gold content remains to be completed. Further sampling is to be completed along the LTR002 trench at Loudens West, before the trial trenching program moves to Loudens South.

Lithium Prospect

During the half-year, two diamond holes (132 metres) were completed at the south-western end of the 7.5km pegmatite trend. The holes were designed to twin existing RC holes KRC011 and KRC012 in order to confirm lithium, tantalum and caesium grades and to determine distribution and percentages of lithium bearing minerals. The geological logging identified lithium bearing minerals including petalite, spodumene and lepidolite. The drill core has been sent to the WA Geological Survey core library to undergo Hylogger spectral scanning as part of the EIS project funding.

The company is concentrating on the Pilbara Gold Project and consequently is in early stage discussions with several parties on possible future participation in the exploration of the lithium targets.

Corporate

The key Corporate activities for the half-year were:

- A \$5.0 Million placement was completed in July 2018 under a subscription agreement with Pilbara neighbour DGO Gold Limited (“DGO”) of which \$250,000 had been received in the 2018 financial year. Under the agreement DGO subscribed for 25M shares at \$0.20 per share, with two tranches of free attaching unlisted options, being 12.5M options exercisable at \$0.25 by 30 November 2019; and 12.5M options exercisable at \$0.30 by 30 May 2021. The DGO shares are subject to a 12 month escrow from the date of subscription.
- A further \$6.04 Million was received during the half-year on the exercise of listed and unlisted class options.
- On 19 November 2018, the Company announced the appointment of Mr. Peter Hood to the board as a Non-executive Director. Mr Hood, a Chemical Engineer, has had a distinguished career in the Australian Mining and Chemical Industries. His wealth of Company and board management skills and experiences will be of enormous assistance to the Company as it seeks to continue growing its mineral resources as well as pursuing a development path for the flagship Pilbara Gold Project.
- On 21 December 2018, the Company announced it had formally elected to extend the Settlement Date for the 100% acquisition of Indee Gold Pty Ltd (“Indee Gold”) to 24 July 2019. The extension payment of A\$700,000 was made to the owners of Indee Gold, being Northwest Nonferrous Australia Mining Pty Ltd (“NNAM”) and the total consideration remaining reduced to:
 - Payment of \$9.7M in cash; and
 - The issue of \$3.0M of equity in De Grey at a price that is 90% of a 20-day VWAP immediately prior to settlement.

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SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2018, 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.

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 12.

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



Simon Lill
Executive Chairman

Perth, 15 March 2019

The information in this report that relates to the Pilbara Gold Project exploration results (except for the Conglomerate work) 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 Conglomerate exploration results is based on, and fairly represents information and supporting documentation prepared by Mr. Michael Jackson, a Competent Person who is a Member of The Australian Institute of Geoscientists. Mr. Jackson is a consultant to De Grey Mining Limited. Mr. Jackson 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. Jackson 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.

The information in this report that relates to Exploration Targets is based on, and fairly represents information and supporting documentation compiled 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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of De Grey Mining Limited for the half year ended 31 December 2018, 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 2019

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	\$	\$
REVENUE		
Interest received	11,319	12,633
Minerals sales – royalties	11,625	7,041
Gain on sale of investments	23,170	-
Other revenue	80,674	26,768
EXPENDITURE		
Depreciation expense	(99,760)	(20,831)
Director and employee expenses	(521,879)	(240,505)
Share based payments – directors and employees	(479,305)	(78,292)
Exploration expenditure	-	(2,184,703)
Corporate and compliance expenses	(187,715)	(237,183)
Corporate advisory expenses	(12,793)	(548,255)
Occupancy expenses	(37,231)	(18,169)
Consulting expenses	(25,377)	(30,244)
Investor relations and promotional expenses	(239,248)	(151,038)
Administration expenses	(85,303)	(256,701)
LOSS BEFORE INCOME TAX EXPENSE	(1,561,823)	(3,719,479)
Income tax benefit/(expense)	-	-
LOSS FOR THE HALF-YEAR	(1,561,823)	(3,719,479)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Items that may be reclassified to profit or loss</i>	-	-
Other comprehensive (loss)/income for the period, net of tax	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED	(1,561,823)	(3,719,479)
Basic and diluted loss per share (cents per share)	(0.42)	(1.47)

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

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	NOTE	31 December 2018	30 June 2018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		5,504,239	1,147,538
Trade and other receivables		135,871	245,075
Inventories		13,645	19,894
Other assets		29,312	42,962
TOTAL CURRENT ASSETS		5,683,067	1,455,469
NON-CURRENT ASSETS			
Financial assets	2	129,170	200,000
Deferred Exploration & Evaluation	4	26,418,794	21,982,686
Plant and equipment		797,189	691,087
TOTAL NON-CURRENT ASSETS		27,345,153	22,873,773
TOTAL ASSETS		33,028,220	24,329,242
CURRENT LIABILITIES			
Trade and other payables		782,797	1,322,874
Employee benefit obligations		44,831	9,868
Contract liabilities		12,700,000	700,000
TOTAL CURRENT LIABILITIES		13,527,628	2,032,742
NON-CURRENT LIABILITIES			
Contract liabilities		-	12,700,000
TOTAL NON-CURRENT LIABILITIES		-	12,700,000
TOTAL LIABILITIES		13,527,628	14,732,742
NET ASSETS		19,500,592	9,596,500
EQUITY			
Contributed equity	5	70,499,735	59,464,845
Reserves	6	1,142,131	711,106
Accumulated losses		(52,141,274)	(50,579,451)
TOTAL EQUITY		19,500,592	9,596,500

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

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Contributed Equity	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
BALANCE AT 1 JULY 2017	49,108,104	170,530	(48,102,500)	1,176,134
Loss for the half-year	-	-	(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)	-	-
BALANCE AT 31 DECEMBER 2017	58,647,617	511,827	(51,821,979)	7,337,465
BALANCE AT 1 JULY 2018	59,464,845	711,106	(50,579,451)	9,596,500
Loss for the half-year	-	-	(1,561,823)	(1,561,823)
TOTAL COMPREHENSIVE LOSS	-	-	(1,561,823)	(1,561,823)
Shares issued during the period	10,790,720	-	-	10,790,720
Share issue expenses	(150,938)	-	-	(150,938)
Share based payments – in lieu of supplier invoices	346,828	-	-	346,828
Share based payments – options	-	202,350	-	202,350
Share based payments – performance rights	-	276,955	-	276,955
Transfer of reserve on exercise/expiry of options	48,280	(48,280)	-	-
BALANCE AT 31 DECEMBER 2018	70,499,735	1,142,131	(52,141,274)	19,500,592

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

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Half-year	
	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Royalties received	14,692	6,360
Payments to suppliers and employees	(1,210,210)	(1,083,469)
Payments for exploration and evaluation	(4,213,246)	(2,062,412)
EIS Grant	7,320	-
Interest received	11,319	12,634
Net cash used in operating activities	(5,390,125)	(3,126,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equity investments	94,000	-
Payments for plant & equipment	(276,956)	(499,497)
Payments toward acquiring – Indee Gold Pty Ltd	(700,000)	-
Payments for acquisition of mineral tenements	(10,000)	(195,000)
Net cash used in investing activities	(892,956)	(694,497)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	10,790,720	9,093,057
Payments of share issue transaction costs	(150,938)	(125,407)
Net cash provided by financing activities	10,639,782	8,967,650
Net increase/(decrease) in cash and cash equivalents	4,356,701	5,146,266
Cash and cash equivalents at the beginning of the half-year	1,147,538	1,007,029
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	5,504,239	6,153,295

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

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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 2018 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 2018.

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 2018

In the half-year ended 31 December 2018, 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 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 on the Company and therefore no material change is necessary to Group accounting policies.

DE GREY MINING LIMITED

31 DECEMBER 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

This 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 \$1,561,823 (2017: \$3,719,479) for the half-year ended 31 December 2018, has a cash and cash equivalents balance of \$5,504,239 (June 2018: \$1,147,538).

The Company has annual minimum exploration commitments on its Pilbara Project tenements of \$1,804,920 (June 2018: \$1,563,620), including those agreements to acquire or an option to acquire.

In addition, the Company has a remaining liability of \$12.7 Million owing to the current owners of Indee Gold Pty Ltd, which is due on or before 24 July 2019.

Although the above matters are 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:

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 in the 18 months up to 31 December 2018, demonstrated its capacity to raise new equity capital as required via the completion of three private placements (~\$13 Million before costs), including those to two strategic investors ASX/TSX listed Kirkland Lake Gold Limited and ASX listed DGO Limited;
- (ii) An additional ~\$7 Million was raised via the exercise of various class of options during that same period also;
- (iii) A further cash payment of \$9.7 Million is to be paid on or before 24 July 2019 (settlement date) to the current owners of Indee Gold Pty Ltd;
- (iv) There is a recognition that in the coming 12 month period it will be necessary to secure additional funding to complete settlement of the Indee Gold acquisition as well as for ongoing exploration and pre-feasibility studies, ongoing corporate and administrative costs; and
- (v) It considers that it has the capacity to raise additional funds so as to continue its exploration and feasibility related activities 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 Group'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 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. FINANCIAL ASSETS

	31 December 2017	30 June 2018
	\$	\$
Non-current		
<i>Financial assets at fair value through profit or loss</i>		
TSXV listed equity securities	129,170	200,000
	129,170	200,000

(i) *Classification of financial assets at fair value through profit or loss*

The Group classifies its equity based financial assets at fair value through profit or loss upon adoption of AASB 9. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. Changes in the fair value of financial assets are recognised in other gains/(losses) in the statement of profit or loss as applicable.

(ii) *Amounts recognised in profit or loss*

Changes in the fair values of financial assets at fair value have been recorded through profit or loss, representing a net gain of \$23,170 for the period.

3. FAIR VALUE MEASUREMENT

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three (3) levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

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

Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
December 2018				
Listed equity securities	129,170	-	-	129,170
Fair value at 31 December 2018	129,170	-	-	129,170

DE GREY MINING LIMITED

31 DECEMBER 2018

4. DEFERRED EXPLORATION & EVALUATION

	December 2018	June 2018
	\$	\$
Non-current		
Deferred exploration & evaluation – at cost	26,418,794	21,982,686
<i>Movement for the period</i>		
Beginning of financial period	21,982,686	
Additions – all areas of interest (i)	4,426,108	
Tenement acquisition payments (non Indee Gold Pty Ltd)	10,000	
Expensed to P&L	-	
End of financial period (i)	26,418,794	

4. The Group has capitalised all costs associated with The Pilbara Project.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

5. CONTRIBUTED EQUITY

(a) Share capital

	December 2018	June 2018
	\$	\$
423,155,798 ordinary fully paid shares (June 2018: 334,468,800)	70,499,735	59,464,845

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

	Issue Price	Number of shares	\$
Beginning of the financial period		334,468,800	59,464,845
<i>Placement share issue</i>	\$0.20	25,000,000	5,000,000
<i>Non-refundable placement – application monies received before 1 July 2018</i>		-	(250,000)
<i>Shares issued in lieu of supplier invoices (non-cash) – various issue prices</i>		2,109,798	346,828
<i>Shares issued on exercise of options</i>	\$0.04	1,950,000	78,000
<i>Share issued on exercise of options</i>	\$0.10	59,627,200	5,962,720
<i>Transaction costs for the period</i>		-	(150,938)
<i>Share based payments reserve transfer on option exercise</i>		-	48,280
End of the financial period		423,155,798	70,499,735

DE GREY MINING LIMITED

31 DECEMBER 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. CONTRIBUTED EQUITY (CONTINUED)

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

Expiry Date	Exercise Price	Opening 1 July 2018 No.	Issued No.	Exercised No.	Closing 31 Dec 2018 No.
<i>Listed Class</i>					
30 November 2018	\$0.10	53,527,200	-	53,527,200	-
<i>Unlisted classes</i>					
30 November 2018	\$0.10	6,100,000	-	6,100,000	-
10 June 2019	\$0.04	3,084,611	-	1,950,000	1,134,611
31 October 2020	\$0.10	2,250,000	-	-	2,250,000
31 October 2020	\$0.10	12,000,000	-	-	12,000,000
30 November 2019	\$0.20	33,333,333	-	-	33,333,333
30 November 2019	\$0.25	-	12,500,000	-	12,500,000
30 May 2021	\$0.30	-	12,500,000	-	12,500,000
30 May 2021	\$0.30	-	4,750,000	-	4,750,000
		110,295,144	29,750,000	61,577,200	78,467,944

(d) Performance rights on issue

The unlisted Performance Rights on issue to directors and employees of the Group, consist of five (5) tranches each with specific performance hurdles.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total
Beginning of the financial period	1,300,000	1,300,000	1,450,000	1,450,000	1,200,000	6,700,000
Performance rights issued for the period	-	-	-	-	-	-
Performance rights expired during the period	-	-	-	-	-	-
End of the financial period	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 1Mtpa; 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 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. RESERVES

	December 2018	June 2018
	\$	\$
(a) Reserves		
Share-based payments reserve	1,142,131	711,106
	1,142,131	711,106
Movements:		
Beginning of the financial period (1 July 2018)	711,106	
Transfer to Contributed Equity on exercise of options	(48,280)	
Share based payments (options) expense (Directors & EOP plan) (b)	202,350	
Share based payments (performance rights) expense (Directors and PR plan) (c)	276,955	
End of the financial period (31 December 2018)	1,142,131	

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

The weighted average fair value of the (share-based payments) options granted for the half-year was \$0.0426 (2017: \$0.0259). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2018	2017
Weighted average exercise price (\$)	\$0.30	\$0.10
Weighted average life of the option (days)	956	1,143
Weighted average underlying share price (cents)	\$0.15	\$0.061
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 5 (d).

	Tranche 1	Tranche 2	Tranche 3 ¹	Tranche 4 ¹	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 6 months to 31 Dec 2018	\$57,273	\$57,273	\$78,066	\$31,475	\$276,955

¹Under 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 both dates as appropriate.

DE GREY MINING LIMITED

31 DECEMBER 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. 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.

	Consolidated			
	Australasia		Total	
	2018	2017	2018	2017
	\$	\$	\$	\$
Segment revenue	<u>79,317</u>	7,041	<u>79,317</u>	7,041

Reconciliation of segment revenue to total revenue before tax:

Interest revenue	11,319	12,633
Gain on sale of AFS investments	23,170	-
Other revenue	<u>12,981</u>	26,768
Total revenue	<u>126,787</u>	46,442

Segment result	<u>79,317</u>	(2,177,662)	<u>79,317</u>	(2,177,662)
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Reconciliation of segment result to net loss before tax:

Corporate advisory expenses	(12,793)	(548,255)
Share based payments – performance rights and options	(479,305)	(78,292)
Other corporate and administration	<u>(1,149,042)</u>	(915,270)
Net loss before tax	<u>(1,561,823)</u>	(3,719,479)

	Consolidated			
	Australasia		Total	
	December 2018	June 2018	December 2018	June 2018
	\$	\$	\$	\$
Segment operating assets	<u>27,143,411</u>	24,329,242	<u>27,143,411</u>	24,329,242

Reconciliation of segment operating assets to total assets:

Other corporate and administration assets	5,884,809	1,684,194
Total assets	<u>33,028,220</u>	24,329,243

Segment operating liabilities	<u>13,299,681</u>	14,473,198	<u>13,299,681</u>	14,473,198
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Reconciliation of segment operating liabilities to total liabilities:

Other corporate and administration liabilities	227,947	259,545
Total liabilities	<u>13,527,628</u>	14,732,743

DE GREY MINING LIMITED

31 DECEMBER 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

8. SUBSEQUENT EVENTS

Since the end of the financial period and to the date of this report, no matter or circumstance has arisen which has 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 the subsequent financial year.

DE GREY MINING LIMITED

31 DECEMBER 2018

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 13 to 24 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 2018 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 2019

**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 2018 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 2018 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 modifying our conclusion, 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 for the half year financial report

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 Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2018 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 2019