ABN 65 094 206 292

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED
31 DECEMBER 2016

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 2016 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 2016

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DIRECTORS' REPORT

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 2016.

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

RESULTS

The consolidated loss for the half year after tax was $1,268,986 (2015: $182,892).

REVIEW OF OPERATIONS

Turner River Project

Gold

The Wingina Deeps drilling program was completed and confirmed that the gold mineralisation is mineralised to at least 350 m vertical depth.

Diamond drilling assisted in the structural identification of De Grey's mineralisation being contained within a shear zone, providing De Grey with 50kms of the underexplored Wingina Shear Zone and a further 30km along the Mallina shear zone.

An updated resource statement in respect of the Wingina resource was completed during the half-year. This increased the resource by 7% to 5.49Mt at 1.6g/t Au for 288,000 ounces of which 173,000oz (60%) is in the Measured category. Importantly, the estimate also showed an internal high grade lode of 1.1Mt at 4.1 g/t Au for 144,000 ounces, commencing at surface.

An extensional and exploratory drilling program at Mt Berghaus was also completed, with the initial results defining significant new high grade gold mineralisation, multiple sub-parallel lodes defined and importantly remains open.

In January 2017 and subsequent to the end of the half-year, a Mineral Resource Upgrade for Mt Berghaus Mineral was completed, the result being an increase of 227% to 3.5Mt at 1.2g/t Au for 141,000oz.

After the Mt. Berghaus Mineral Resource Upgrade, the Turner River Project Global Gold Resource has climbed to 9.7Mt at 1.5g/t Au for 464,000oz.

DIRECTORS' REPORT (continued)

Base Metals

A Significant, shallow, high grade VMS style mineralisation was intersected at both Discovery and Tabba Tabba prospects though a drilling program completed during the half-year.

Drilling lead to a significant base metals Resource Upgrade dates completed, the results being as follows;

- 1.4Mt @ 2.9% Zn, 1.2% Pb, 1.0g/t Au, 118g/t Ag (Discovery)
- 2.1Mt @ 3.4% Zn, 1.4% Pb, 0.7g/t Au, 105g/t Ag (Orchard Tank)
- 3.5Mt @ 3.2% Zn, 1.3% Pb, 0.8/t Au, 110g/t Ag (Combined)

Lithium

A 7.5 km pegmatite trend was identified – the King Col pegmatite trend.

Initial reconnaissance rock chip samples defined and upgraded a 1.5 km long lithium trend with highly anomalous lithium results and located within the Tabba Tabba greenstone belt. The highest anomalous result was a high-grade result of 4.22% Li2O, identified as lepidolite.

Soil sampling has extended this trend to 2.5 kms with the remaining 5km still to be sampled and remaining prospective for Lithium – Caesium - Tantalum style mineralisation. Sampling is continuing following the end of the half year.

Tenement acquisition

The Company secured 9km of underexplored and highly prospective stratigraphy through an option to explore, mine and acquire the southern portion of E45/2983 from Haoma Mining NL ("Haoma"). The acquired tenure is in between De Grey's existing two tenement packages.

The acquisition provides De Grey with a contiguous 60km's of strike length across the Wingina Shear Zone and is considered to have excellent potential for further gold and base metals discoveries.

Haoma has retained all rights to pegmatite related mineralisation and alluvial sand and scree deposits on E45/2983. De Grey has rights to all other minerals.

The key consideration terms for the acquisition are:

(i) $290,000 consideration paid for the right to explore and mine on the identified portion of the tenement;

(ii) Issued 5 Million options (100,000,000 options on a pre-Capital Consolidation basis) to Haoma or its nominees, as approved by shareholders, at an exercise price of $0.058 per share and expiring in September 2017; and

(iii) A right to acquire the required tenement area through the payment of a further $10,000.

Corporate

The Company completed the following during the half-year:

- a private placement of 21.74 Million ordinary fully paid shares at an issue price of $0.058 per share (on a post consolidation basis) to clients of Beer & Co Pty Ltd and DJ Carmichael Pty Ltd to raise $1.25 Million. Capital raising was completed on 21 October 2016 at an issue price of $0.0029 per share. In addition, the Company subsequently issued one (1) free attaching option for every three (3) new shares subscribed as approved at the 2016 Annual General Meeting.

- an issue of 7.13 Million ordinary fully paid shares at an issue price of $0.058 via a Share Purchase Plan ("SPP"), to raise $0.41 Million. In addition, the Company subsequently issued one (1) free attaching option for every three (3) new shares subscribed as approved at the 2016 Annual General Meeting.

- a Capital Consolidation, on a 1:20 basis was also completed in December 2016, with the effect being that:

  (a) every twenty (20) Shares were consolidated into one (1) Share;
  (b) every twenty (20) Options were consolidated into one (1) Option, with the exercise price increasing for each option by the same ratio of 20; and

- an unmarketable share sale facility was initiated and closed after a six-week period on 12 December 2016.

The Annual General Meeting was held on 30 November 2016 and all fifteen (15) resolutions were approved by a show of hands.

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 5.

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

Simon Lill
Executive Chairman

Perth, 15 March 2017

BUTLER SETTINERI

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of De Grey Mining Limited for the half year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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 its controlled entities during the half year ended 31 December 2016.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 15 March 2017

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RCA No. 289109 ABN 61 112 942 373

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	2016	2015
	$	$
REVENUE		
Interest received	**3,025**	1,256
Minerals sales – royalties	**16,256**	5,668
Other revenue	**500**	-
EXPENDITURE		
Depreciation expense	**(4,623)**	(5,435)
Directors and employee benefits expense	**(82,081)**	(43,000)
Exploration expenditure	**(842,244)**	(35,386)
Corporate expenses	**(133,653)**	(42,654)
Occupancy expenses	**-**	(4,175)
Consulting expenses	**(39,518)**	-
Investor relations	**(29,897)**	-
Administration expenses	**(106,771)**	(59,166)
Share based payments	**(49,980)**	-
LOSS BEFORE INCOME TAX EXPENSE	**(1,268,986)**	(182,892)
Income tax benefit/(expense)	**-**	-
LOSS FOR THE HALF-YEAR	**(1,268,986)**	(182,892)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be reclassified to profit or loss		
Other comprehensive (loss)/income for the period, net of tax	**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF DE GREY MINING LIMITED	**(1,268,986)**	(182,892)
Basic and diluted loss per share (cents per share)	**(0.08)**	(0.01)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	31 December 2016 $	30 June 2016 $
CURRENT ASSETS		
Cash and cash equivalents	**956,476**	1,207,561
Trade and other receivables	**49,826**	23,693
Other assets	**2,751**	7,130
TOTAL CURRENT ASSETS	**1,009,053**	1,238,384
NON-CURRENT ASSETS		
Deferred Exploration & Evaluation	**904,329**	-
Plant and equipment	**24,666**	26,019
TOTAL NON-CURRENT ASSSETS	**928,995**	26,019
TOTAL ASSETS	**1,938,048**	1,264,403
CURRENT LIABILITIES		
Trade and other payables	**506,340**	189,717
TOTAL CURRENT LIABILITIES	**506,340**	189,717
TOTAL LIABILITIES	**506,340**	189,717
NET ASSETS	**1,431,708**	1,074,686
EQUITY		
Contributed equity	**47,413,767**	45,837,739
Reserves	**170,530**	120,550
Accumulated losses	**(46,152,589)**	(44,883,603)
TOTAL EQUITY	**1,431,708**	1,074,686

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed Equity $	Share Based Payments Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2015	**44,344,280**	**234,600**	**(44,297,496)**	**281,384**
Loss for the half-year	-	-	(182,892)	(182,892)
TOTAL COMPREHENSIVE LOSS	-	-	(182,892)	(182,892)
Shares issued during the period	1,715,192	-	-	1,715,192
Share issue expenses	(259,874)	92,500	-	(167,374)
Share based payments	-	-	-	-
Transfer of reserve on expiry of options	-	(170,300)	170,300	-
BALANCE AT 31 DECEMBER 2015	**45,799,598**	**156,800**	**44,310,088**	**1,646,310**

	Contributed Equity $	Share Based Payments Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2016	**45,837,739**	**120,550**	**(44,883,603)**	1,074,686
Loss for the half-year	-	-	(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	-	49,980	-	49,980
BALANCE AT 31 DECEMBER 2016	**47,413,767**	**170,530**	**(46,152,589)**	**1,431,708**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year	
	2016	2015
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Royalties received	**16,529**	7,832
Payments to suppliers and employees	**(430,810)**	(199,941)
Payments for exploration and evaluation	**(1,102,587)**	(38,937)
Interest received	**3,025**	1,256
Net cash used in operating activities	**(1,513,843)**	(229,790)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant & equipment	**(3,270)**	-
Payments for acquisition of mineral tenements	**(290,000)**	-
Net cash used in investing activities	**(293,270)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**1,674,063**	1,687,692
Payments of share issue transaction costs	**(118,035)**	(169,694)
Net cash provided by financing activities	**1,556,028**	1,517,998
Net (decrease)/increase in cash and cash equivalents	**(251,085)**	1,288,208
Cash and cash equivalents at the beginning of the half-year	**1,207,561**	242,472
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	**956,476**	1,530,679

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated 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 2016 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*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period; except for;

Deferred exploration expenditure (Note 2).

The Group has adopted a more comprehensive accounting policy with respect to the exploration expenditure and specifically when an exploration and evaluation asset will be recognised in relation to specific area(s) of interest. Exploration and evaluation expenditure incurred is expensed unless it relates to a specific area of interest in which case it is carried forward to the extent that it is expected to be recouped through successful development of the area, or by its sale. During the half year to 31 December 2016, all expenses capitalised related to the Mt Berghaus and Wingina gold prospects.

The revised accounting policy being:

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which the expenditure is incurred where;

a) The Group has secured tenure, including legal rights to explore an area of interest;
b) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing; and
c) The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

Where the conditions outlined in (a), (b) and/or (c) are not met in relation to specific area(s) of interest, then those exploration and evaluation costs are expensed as incurred.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2016, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. 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 its business and, therefore, no change necessary to Group accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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 $1,268,986 (2015: $182,892) for the half-year ended 31 December 2016, has a cash and cash equivalents balance of $956,476, compared to $1,207,561 as at 30 June 2016.

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

(i) The Company has entered into a transformational corporate transaction subsequent to year end, with respect to the option to acquire the Indee Gold project (Note 6 – Subsequent Events).

(ii) The Company has during the the current half-year demonstrated its capacity to raise new equity capital as required via the completion of a private placement and a Share Purchase Plan.

(iii) The Company has the capacity to raise additional funds from various sources, so as to meet its ongoing obligations at both the Turner River Project and the neighbouring Indee Gold Project, 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.

2. DEFERRED EXPLORATION & EVALUATION

	December 2016 $	June 2016 $
Deferred exploration & evaluation – at cost		
Beginning of financial period	**-**	**-**
Additions – all areas of interest (i)	**1,746,573**	**35,386**
Expensed to P&L	**(842,244)**	**(35,386)**
End of financial period (i)	**904,329**	**-**

1. In accordance with the enhanced accounting policy, the Group has capitalised costs associated with two specific areas of interest, being those that cover the Wingina and Mount Berghaus gold resources within the Turner River Project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. CONTRIBUTED EQUITY

(a) Share capital

	December 2016 $	June 2016 $
173,296,240 ordinary fully paid shares (June 2016: 2,878,652,645[1])	**47,413,767**	45,837,739

[1] The June 2016 comparative shares on issue is on a pre-consolidation basis.

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

	Number of shares	$
Beginning of the financial year	2,878,652,645	45,837,739
8 July 2016 – placement shares (non-cash) @ $0.0020	10,000,000	20,000
21 Oct 2016 – placement shares @ $0.0029	434,663,155	1,260,523
Total shares on issue – pre-capital consolidation	3,323,315,800	-
Shares on issue – post consolidation	166,166,240	-
6 Dec 2016 – share purchase plan allotment @ $0.058	7,130,000	413,540
Transaction costs for the period	-	(118,035)
End of the financial period	173,296,240	47,413,767

(c) Share Consolidation

De Grey Mining completed its one for twenty (20) share consolidation in December 2016 following approval by shareholders at its 2016 Annual general meeting, held on 30 November 2016. The share consolidation involved the conversion of every twenty fully paid ordinary shares on issue into one fully paid ordinary share. Where the share consolidation resulted in a shareholder having a fractional entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation in December 2016, the number of De Grey Mining shares on issue reduced from 3,323,315,800 shares to 166,166,240 shares as at that date.

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

Expiry Date	Exercise Price	Opening 1 July 2016 No.	Capital Consolidation Adjustment No.	Issued No.	Closing 31 Dec 2016 No.
Listed Class					
30 November 2018	$0.10	-	N/A	9,621,103	9,621,103
Unlisted classes					
25 November 2017	$0.08	42,500,000	(40,375,000)	-	2,125,000
10 June 2019	$0.04	478,692,212	(454,757,601)	-	23,934,611
30 November 2018	$0.10	-	-	7,350,000	7,350,000
6 September 2017	$0.058	-	-	5,000,000	5,000,000
		521,192,212	**(495,132,601)**	**21,971,103**	**48,030,714**

4. RESERVES

	December 2016 $	June 2016 $
(a) Reserves		
Share-based payments reserve	170,530	120,550
	170,530	**120,550**
Movements:		
Balance at beginning of year	**120,550**	
Option expense	49,980	
Balance at end of year	**170,530**	

(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 $0.0068 (2015: $0.002). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016	2015
Weighted average exercise price ($)	**10.0**	0.2
Weighted average life of the option (days)	**725**	1,293
Weighted average underlying share price (cents)	**$0.04**	0.2
Expected share price volatility	**75%**	75%
Weighted average risk free interest rate	**1.5%**	2.0%

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.

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	
	2016	2015	2016	2015
	$	$	$	$
Segment revenue	**16,256**	5,668	**16,256**	5,668
Reconciliation of segment revenue to total revenue before tax:				
Interest revenue			**3,025**	1,256
Other revenue			**500**	-
Total revenue			**19,781**	6,924
Segment result		(35,153)	**(863,123)**	(35,153)
Reconciliation of segment result to net loss before tax:				
Other corporate and administration			**(405,863)**	(147,738)
Net loss before tax			**(1,268,986)**	(182,892)

	Australasia		Consolidated Total	
	December 2016	June 2016	December 2016	June 2016
	$	$	$	$
Segment operating assets	**901,358**	-	**901,358**	-
Reconciliation of segment operating assets to total assets:				
Other corporate and administration assets			**1,036,690**	1,264,403
Total assets			**1,938,048**	1,264,403
Segment operating liabilties	**(393,984)**	(105,797)	**(393,984)**	(105,797)
Reconciliation of segment operating liabilities to total liabilities:				
Other corporate and administration liabilities			**(112,356)**	(83,920)
Total liabilities			**(506,340)**	(189,717)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2016, 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 9 February 2017, the Group entered into an exclusive and binding Heads of Agreement ("HoA") with Northwest Nonferrous Australia Mining Pty Ltd ("NNAM") and its wholly-owned subsidiary, Indee Gold Pty Ltd ("Indee Gold"). The HoA provides De Grey with an initial 12-month option period in which to evaluate the property and the right to acquire Indee Gold for $15M by July 2018.

The key terms and conditions of the HoA are that De Grey has:

- an exclusive and binding right to acquire all shares in the Australian company Indee Gold, which holds the major gold assets of the former Indee gold mine and associated mining and exploration leases ("Indee Gold Project") to the immediate west of the Turner River Project.
- a 12 month option period (Option Period) to carry out detailed due diligence, including a review of the resources, mining studies, evaluations and exploration prior to electing to proceed ("Election"). De Grey is able to make an early Election if it so chooses; then
- a further 6 months from Election in which to settle the transaction through the payment of $15M, less the exclusivity fee of $100,000 referred to below.
- Within the 18 month time frame, De Grey is required to:
  (a) pay an initial Option Exclusivity Fee of $50,000 on signing (paid in January 2017) and a further $50,000 within 3 months of signing (payable in April 2017). These option fee payments (totalling $100,000) are non-refundable but are deductable from the final acquisition payment.
  (b) maintain the tenements by spending a minimum of $600,000 on the Indee Project during the Option Period, 50% of which is to be spent on in ground exploration activities. The exploration works and budget are to be agreed by both parties, with De Grey managing the activities.
  (c) prepare and finalise a formal Share Sale Agreement with the vendor within the Option Period on terms outlined in the HoA and including terms normally contained within such agreements.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 15 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 2016 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 2017

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

Report on the half year financial report

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 2016 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 statement of significant accounting policies and other selected explanatory notes, and the directors' declaration.

Directors' responsibility for the half year financial report

The directors are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half year financial report that 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 the 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2016 and its 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 De Grey Mining Limited, 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 the 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.

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Liability limited by a scheme approved under Professional Standards Legislation

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of De Grey Mining Limited and its controlled entities 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 2016 and of its 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.

Material Uncertainty Regarding Going Concern

Without qualifying our conclusion above, we wish to draw your attention to the following matter. As a result of matters referred to in note 1 of the financial statements "Going Concern", the consolidated entity's ability to continue as a going concern is dependent upon obtaining additional funds through the equity markets. This indicates the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 15 March 2017