



**DE GREY**  
MINING LTD



# Annual Report

for the year ended 30 June 2018

**De Grey Mining Limited**

ABN: 65 094 206 292



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## Corporate Information

**ABN 65 094 206 292**

### **Directors**

Simon Lill (Executive Chairman)  
Andrew Beckwith (Technical Director & Operations Manager)  
Steven Morris (Non-Executive Director)  
Brett Lambert (Non-Executive Director)

### **Company Secretaries**

Craig Nelmes  
Patrick Holywell

### **Registered Office and Principal Place of Business**

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### **Solicitors**

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### **Auditors**

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### **Stock Exchange Listing**

Australian Securities Exchange (ASX code DEG)  
Frankfurt Stock Exchange (FRA code WKN 633879)

## Chairman's Letter

Dear Shareholders,

The 2018 financial year has been exciting.

The creation of new strategic partnerships has provided for an acceleration in exploration activity and the release of numerous impressive exploration results. These results have allowed the Company to establish a corporate resource target at year end of plus 3M ounces which we intend to move towards through the next 12 months.

We started the financial year with a share price of 4.4 cents and finished it at 18.5 cents – an increase of 420% through the year.

The Operations Report covers the geological and operational activity in detail. I would instead like to highlight the strategic partnerships established during the year.

We commenced the year by securing rights through a 4 year farm in opportunity to a large parcel of land to the south of our existing tenement holdings, EL 47/2502, the Farno McMahon ("Farno") ground. Farno was recently acquired by TSX-V listed Novo Resources Inc and we look forward to working closely with Novo as our new JV partner. We are currently active on the Farno ground where we have commenced drilling underexplored and prospective targets.

In late November 2017, we welcomed Kirkland Lake Gold Limited to our register through their \$5M investment in the Company at a price of \$0.15 per share. Kirkland are a large Canadian gold producer, now listed in Australia, with a current market capitalisation of A\$5.9 Bn. Their initial investment was directed towards our conglomerate gold prospectivity. However, they have also come to understand the significance and potential of our shear zone hosted lode gold. We expect Kirkland to continue to be a supportive shareholder.

We then later welcomed DGO Gold Ltd to our register with a \$5M investment in the company at a price of \$0.20 per share and at a premium to the then market price. DGO is headed by experienced and well-known geologist Ed Eshuys who has noted DGO's attraction to our project as a result of the underexplored nature and potential of the greater than 200kms of prospective shear zones.

The Indee Gold tenements are an integral part of the Pilbara Gold Project. On the 30 January 2018 we signed a fully binding Share Sale Agreement with Northwest Non-Ferrous Australian Mining Pty Ltd. This requires De Grey to settle the outstanding balance on or before 24 January 2019, or through the payment of \$700,000 we are able to extend settlement to 24 July 2019, with that payment reducing the overall commitment. We have an excellent relationship with our Chinese partners and cannot thank them enough for their ongoing support.

We also appreciate the partnership with Top Drill Pty Ltd, whom have now agreed to two drilling equity contracts during the financial year. The first was completed in the first half of the year and resulted in an issue of 7.6 million shares. The second is currently underway and provides for the issue of up to \$1M in equity as part payment of ongoing drilling activities.

These arrangements have been positive for both parties and we expect to continue to work with Top Drill into the future through ongoing drilling programs.

During the year we farewelled Davide Bosio from the Board. Davide played an important role in De Grey's recommencement of gold exploration in the Pilbara, negotiating the Indee Gold transaction and in supporting the early stage project development initiatives. He agreed to step aside in favour of adding minerals exploration and operational experience to the Board. We thank Davide for that and his efforts whilst a member of the board.

We consequently welcomed two new Board Members.

Andy Beckwith has been with De Grey since early 2017 and has been instrumental in showing the Board the potential of the existing project, the region, and then helping put the whole package together. He thoroughly deserves his role as Technical Director in charge of operations.

Brett Lambert is an experienced Mining Engineer and Company Director who has proven his value through both corporate and industry experience.

All three, together with our fellow director Steve Morris are to be thanked.

I would also take the opportunity to thank all of our workforce, from Senior Exploration Managers such as Phil Tornatora (structural) and Michael Jackson (conglomerates) to all geologists, field workers and office staff.

The year ahead will continue to be exciting.

We can look forward to:

- Pre-feasibility Study results in the first quarter of calendar 2019 based on an open pit mining operation with a target plus 7 year mine life at 1M tpa based on an increase in resources from ~ 1M ounces at the Scoping Study level to 1.4M ounces at the Pre-Feasibility Study level;
- Ongoing and accelerating drilling activities as we endeavour to make our corporate target of +3M ounces a reality; and
- Initial results of bulk sampling work from our conglomerate gold areas.

It should be rewarding. We hope you stay with us for the journey ahead.

Yours sincerely,



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

## Review of Operations

### HIGHLIGHTS FOR THE YEAR

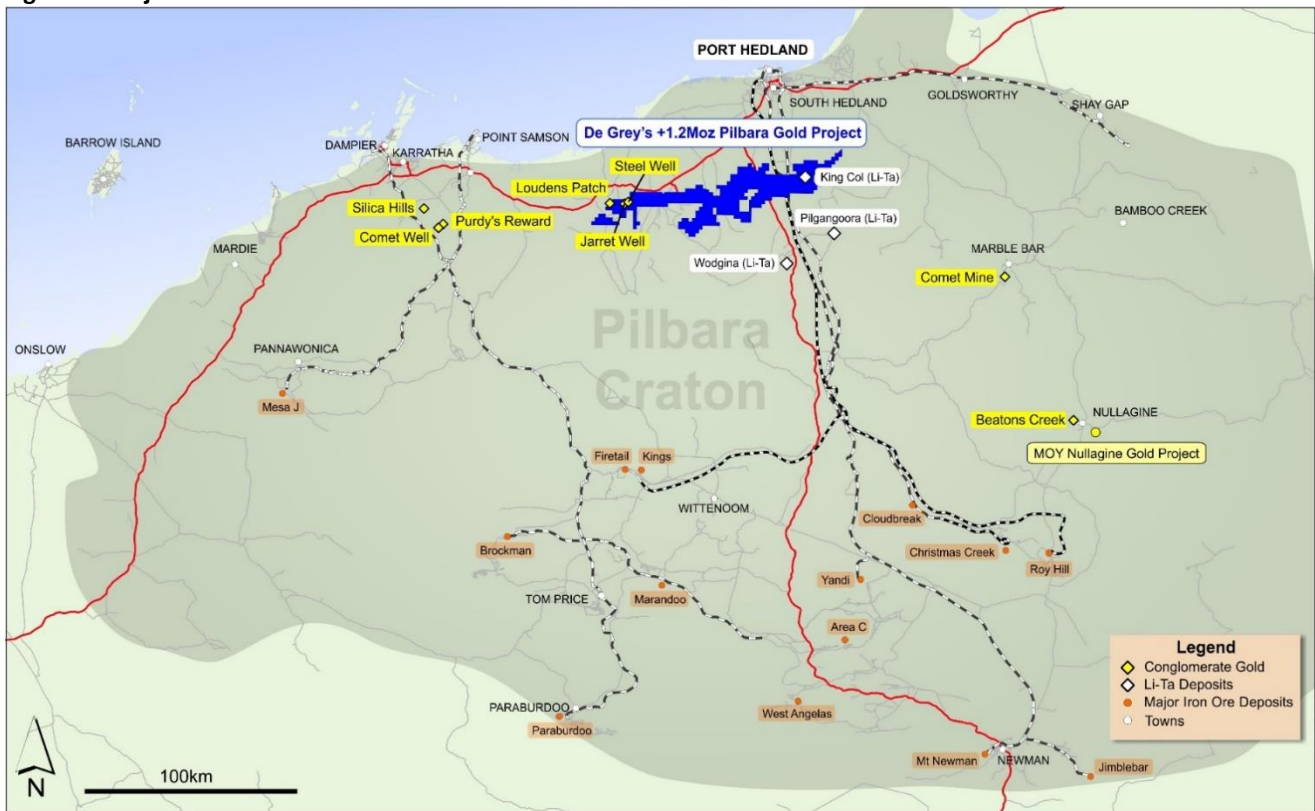
- Pilbara Gold Project Open Pit Mining Scoping Study (“OPMSS”) completed in August 2017 and demonstrates positive economics with potential for substantial upside
- Exploration activity accelerated with greater than 35,000m of RC and Diamond drilling completed
- Total Resources increased to 1.4Moz Au (ASX Release 3 October 2018: “2018 Total Gold Mineral Resource Increases to 1.4M oz”) and objectives met:
  - *Increases achieved at all large gold systems - Withnell, Wingina, Mt Berghaus, Mallina and Toweranna;*
  - *Increasing shallow and open pit mining resources with emphasis on shallow resources to 100m depth to allow future reserve definition through the 2018 Open Pit Mining Pre-Feasibility Study (“OPMPFS”); and*
  - *All systems remaining open along strike and at depth.*
- Measured and Indicated Resources increased by ~ 400,000oz since the OPMSS
- Positive exploration drilling results across the Project
- Discovery of Conglomerate Gold style mineralisation
- OPMPFS advancing
- Metallurgical test work ongoing as part of the OPMPFS
- Underground Scoping Study on Withnell and Wingina commenced with further drilling of Withnell underground planned
- Strategic tenement farm ins – Farno McMahon, Vanmaris and Blue Moon (Southern Areas)

#### ***Introduction - Pilbara Gold Project***

During the 2017-2018 financial year De Grey accelerated its exploration activity at The Pilbara Gold Project (PGP). The PGP is an outstanding development project with excellent potential for significant increases in resources prior to ultimately moving towards production.

The project now hosts a 1.4Moz resource after numerous infill and extensional drilling campaigns across the project through the 2017-2018 year. As all existing prospects remain open along strike and at depth the Company recently reset its stated corporate strategy of targeting over 3Moz in resources.

Figure 1: Project location



The PGP is well located within 1 hours drive from the major coastal port and mining town of Port Hedland, approximately a two hour flight direct from Perth in Western Australia (Figure 1). The project covers a large contiguous landholding (>1,500km<sup>2</sup>) with De Grey holding:

- 100% ownership of the eastern half of the project;
- the right to acquire 100% of the western portion (Indee Gold Pty Ltd) of the project; and
- additional joint venture and option agreements to the south providing De Grey with the right to earn between 70-80% of separate tenements in the southern portion of the project area. The main tenement area is the Farno McMahon ground, EL 47/2502 where our Joint Venture partner is Novo Resources of Canada.

The currently defined 1.4Moz gold resources, and the additional 3.47Mt of base metal resources, are located on granted exploration and mining leases owned either 100% by De Grey or within the Indee Gold tenements where De Grey holds the right to acquire 100%.

Apart from the potential to further increase resources along the shear zones there also exists potential in the newly discovered conglomerate gold where De Grey has recently commenced sampling work. (Figure 2).

The hosting gold structures are large, regional scale, sub-vertical shear zones, similar to structures seen in other Archaean regions like the Eastern Goldfields Yilgarn Craton. De Grey's shear zone hosted gold deposits resemble many of the gold deposits mined throughout the Kalgoorlie to Wiluna region with similar structural settings and alteration assemblages.

The regional scale shear zones extend over 200km in strike length in total within the project area. Detailed RC and diamond drilling is estimated to have tested less than 10% of these prospective shear zones. In general, the detailed drilling has only reached shallow depths of around 100m except for:

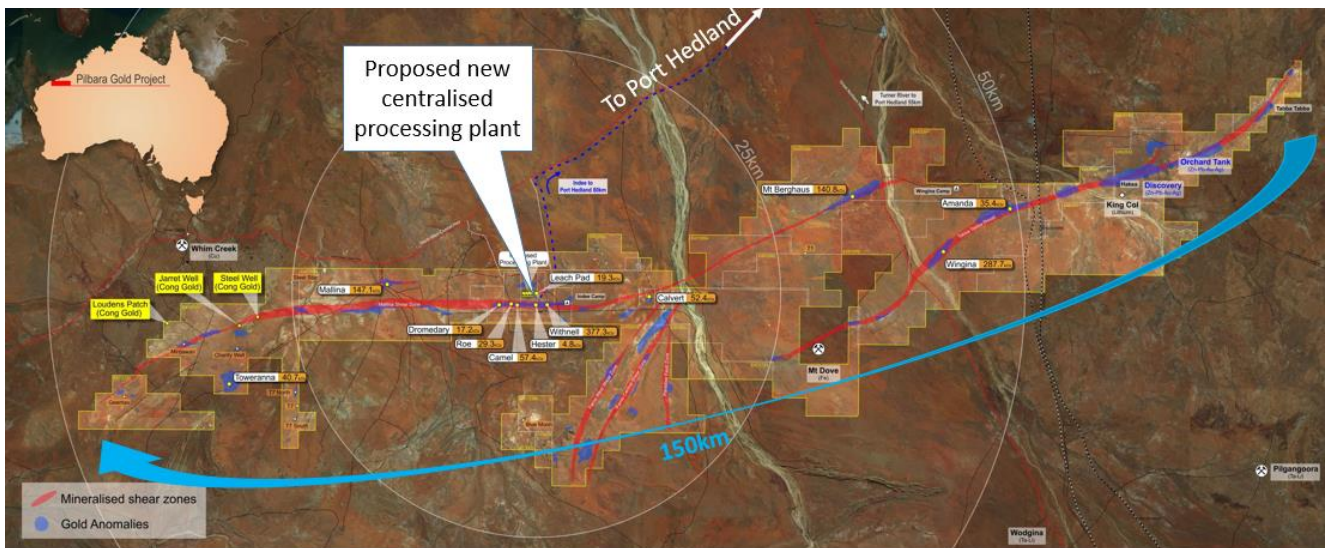
- the two main Withnell and Wingina gold deposits, where limited drilling extends mineralisation to approximately 400m and 300m vertical depth respectively; and
- Toweranna where very limited historical drilling has shown mineralisation to 350m.

The under-explored nature of the mineralised structures coupled with 5 partially tested large gold systems and over 40 untested gold anomalies provides confidence further discoveries will be made within the project area.



In late 2017, De Grey discovered conglomerate gold style gold nuggets at the Loudens Patch target and has subsequently found similar style gold nuggets and conglomerate outcrops along approximately 3km of a 12km long target. The conglomerate gold exploration activities are in their infancy. Limited diamond drilling has recently been completed to better define the host geological sequence. Due to the nuggetty nature of the mineralisation, excavator trenching is underway (and in progress at the date of this report) to create exposures for detailed bulk sampling at Loudens Patch.

**Figure 2: Over 200km of prospective and under-explored shear zones**



### ***Pilbara Gold Project – 2017 Open Pit Mining Scoping Study***

*(ASX “Positive Scoping Study completed at Pilbara Gold Project” 4 August 2017)*

The **2017 Open Pit Mining Scoping Study** (“OPMSS”) suggests the open pit mining strategy of establishing a new purpose built 1Mtpa CIL and sulphide flotation processing plant will form a strong and viable financial basis for building a larger scale production profile as exploration increases resources across the project.

The results of the OPMSS enabled the Directors to confidently commit to the agreement to acquire 100% of the Indee Gold Project which forms part of the overall Pilbara Gold Project. De Grey has subsequently paid the initial \$1.5M deposit under the agreement to acquire the project, with final settlement of \$10.4M cash and \$3M in De Grey shares due by 24 January 2019. Settlement can be extended to 24 July 2019 by De Grey paying a further cash deposit of \$700,000 prior to 24 January 2019, with this amount reducing the settlement by the same amount.

The scope of this study was that it was to be based only on open pit mining within the existing 1Moz resource base, with treatment via a new, purpose built 1Mtpa oxide CIL plant with a sulphide flotation and regrind circuit proposed to be added in year 3. Recoveries used for the sulphide flotation circuit were 80% for fresh rock and between 90-96% for oxide based on metallurgical test results at that time.

In August 2017, the Company released the results of OPMSS that had commenced in the previous financial year. The OPMSS was managed by independent mining consultants Mintrex, with inputs from Cube Consulting and the Company.

The key study outputs for the base case include:

- Total resource mined 4.8Mt at 2.1g/t Au for approximately 325,000oz Au;
- Resource categories 38% Measured, 43% Indicated, 19% Inferred;  
65% oxide & 35% fresh (sulphide);
- Gold production ~290,000 oz. Au recovered over 5 years;  
Ranges from 65,000 oz. in Year 1 to 51,000oz in Year 4;
- C1 cash cost (LOM) < A\$1,000/oz. (calculated by De Grey);
- AISC cost (LOM) < A\$1,200/oz. (calculated by De Grey); and
- Project Capex \$78M for new oxide CIL plant and associated infrastructure + \$18M for sulphide circuit upgrade in year 3, funded from cashflow.

Pit optimisations during the OPMSS showed only 4.8Mt from the Company's 18.84 Mt inventory (at that time) reporting to the mill. This resulted in the project life being just under 5 years.

The OPMSS shows significantly improved economics could be achieved through increasing the operations overall mine life, increased grade of mill feed, increased recoveries in sulphide material, improved mine scheduling and improvement through increased scale delivering reduced unit costs.

These have all been considered in the ensuing period and De Grey is confident that the Pre-Feasibility Study currently underway should demonstrate improved results from the OPMSS.

### Total Gold JORC 2012 Resources

On 23 October 2018, De Grey reported the 2018 Total Resources (JORC 2012) for the Pilbara Gold Project (refer to the Annual Statement of Mineral Resources – JORC 2012 on page 73) (Table 1).

**Table 1 Total Gold Mineral Resources by Mining Centre, October 2018**

	Type	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 Mining Centre	Oxide	0.92	1.8	52,300	2.70	1.4	120,400	1.25	1.4	56,700	4.86	1.5	229,400
	Fresh	0.48	1.5	22,500	4.64	1.7	250,000	6.19	1.9	372,500	11.30	1.8	644,900
	Total	1.39	1.7	74,800	7.33	1.6	370,400	7.43	1.8	429,200	16.16	1.7	874,300
Wingina Mining Centre	Oxide	2.68	1.8	152,100	1.83	1.5	86,900	1.64	1.2	61,400	6.16	1.5	300,400
	Fresh	0.40	1.6	20,500	0.68	1.6	34,500	3.85	1.3	163,900	4.93	1.4	219,000
	Total	3.08	1.7	172,700	2.51	1.5	121,500	5.49	1.3	225,300	11.09	1.5	519,400
TOTAL Pilbara Gold Project	Oxide	3.60	1.8	204,400	4.53	1.4	207,400	2.89	1.3	118,100	11.02	1.5	529,900
	Fresh	0.88	1.5	43,000	5.32	1.7	284,500	10.04	1.7	536,400	16.23	1.7	863,900
	Total	4.47	1.7	247,400	9.85	1.6	491,800	12.93	1.6	654,500	27.25	1.6	1,393,800

The updated Mineral Resource represented a 15% increase on the previous 2017 Mineral Resource and was completed after a substantial RC and diamond drilling campaign throughout 2017/2018. The Mineral Resource includes drilling completed prior to the end of July 2018 and is summarised below:

#### Total Mineral Resource (↑15%) 27.25Mt @ 1.6g/t Au (1,393,800oz)

M & I (53%) (↑25%)	14.32Mt @ 1.6g/t Au (739,200oz)
Oxide (38%) (↑15%)	11.02Mt @ 1.5g/t Au (529,900oz)
Fresh (62%) (↑15%)	16.23Mt @ 1.7g/t Au (863,900oz)

The 2018 Mineral Resource represents a significant increase of ~0.4Moz in Measured and Indicated Resource categories since the 2017 OPMSS. A large portion of the new Mineral Resources are within the top 100m depth from surface and should increase recoverable resources. Highlights of the Resource upgrade are summarised as follows:

- 25% increase in combined “Measured and Indicated Mineral Resource” to 739,200oz.
- 391,000oz added in shallow Mineral Resource, generally less than 100m depth, since the 2017 OPMSS was completed in August 2017.
- 44% increase in “Indicated Mineral Resource” to 491,800oz.
- 15% increase in Total Mineral Resource ounces.
- 14% increase in Total Mineral Resource tonnes.
- Increased geological confidence in proposed open pit optimisation shells.
- All deposits remain open along strike and at depth.

The shallow nature of the Mineral Resources is an underlying theme of all drilling across the project. All deposits discovered to date show gold mineralisation from surface and constrained by drilling, i.e. remain open along strike and at depth beyond the current limits of drilling. In all circumstances, except for Withnell and Wingina, the deposits have rarely been targeted beyond 100m depth. Deeper drilling will form an integral component of future drilling campaigns as will further drilling along strike.

De Grey remains confident of continued resource growth from both the known deposits and the numerous untested regional targets.

Individual deposit increases since the 2017 OPMSS include:

#### **Toweranna**

- 254% increase in overall Mineral Resource to 143,900oz
- 173% increase in oxide Mineral Resource to 34,100oz
- 288% increase in fresh Mineral Resource to 109,800oz
- Increase in Indicated Mineral Resource from nil to 54,400oz

#### **Mt Berghaus**

- 29% increase in overall Mineral Resource to 181,000oz
- 333% increase in Indicated Mineral Resource to 53,300oz

#### **Mallina**

- 9% increase in overall Mineral Resource to 160,700oz
- 67% increase in Indicated Mineral Resource to 50,600oz

#### **Camel**

- 24% increase in Measured & Indicated Mineral Resource to 50,300oz

#### **Amanda**

- 44% increase in overall Mineral Resource to 50,800oz
- Increase in Indicated Mineral Resource from nil to 24,800oz

#### **Roe**

- 31% increase in overall Mineral Resource to 38,300oz
- 19% increase in Measured and Indicated Mineral Resource to 17,800oz

### Exploration Activity for the Year

Considerable effort has been focussed on resource drilling at the five major known gold systems (Withnell, Wingina, Mt Berghaus, Toweranna and Mallina) after further encouraging results were achieved at each of these prospects.

The De Grey geological team remain confident that further increase in gold resources can be achieved along both the Mallina and Tabba Tabba shear zones. Resources should be expanded along strike and below the major mineralised gold systems already defined. The recently discovered conglomerate gold style of mineralisation within the project area provides an exciting “X factor” to the project as exploration advances.

A large pipeline of over 40 targets are currently being assessed by independent geological consultants. This assessment includes the recent acquisition of new regional aeromagnetic data and high quality resolution and georeferenced aerial photography, together with the integration of the company’s extensive and existing project wide geochemical, geophysical and drilling databases. RAB drilling has commenced at some of these targets.

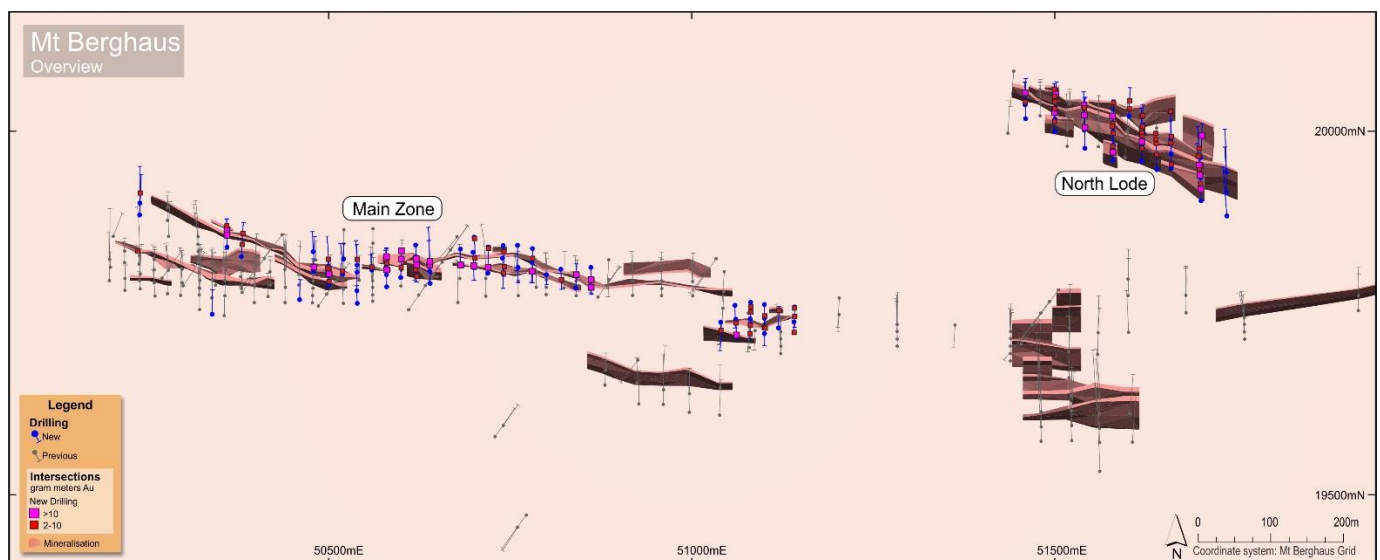
A new structural and geological basement interpretation is currently underway and is expected to provide an improved understanding of the strong pipeline of targets and prioritisation for further testing.

In many instances, access to these new exploration target areas requires aboriginal heritage clearances and statutory Program of Works (PoW) approvals from the Mines Department. The majority of PoW approvals have been received, and a series of large aboriginal heritage surveys have been recently completed, paving the way for numerous drilling and bulk sampling programs to be advanced over the coming 12 months in line with our overall corporate strategy.

The 2017/2018 exploration drilling results have been positive with significant results and consequent resource increases at Mallina, Mt Berghaus and Toweranna during the period.

At **Mt Berghaus**, mineralisation has been infilled and extended along approximately 1.2km of the overall prospective 5km anomaly. Drilling has focussed on improving and extending the resources with numerous broad moderate grade intersections with many higher grade zones also defined. Current work underway includes a detailed 6km long Sub-Audio-Magnetic (SAM) survey which aims to map the controlling shear zones and associated porphyry dykes along the trend under the thin sand cover. Figure 3 highlights drilling completed during the period and the Main and North Lodes. Encouragingly, all lodes remain open along strike and down dip.

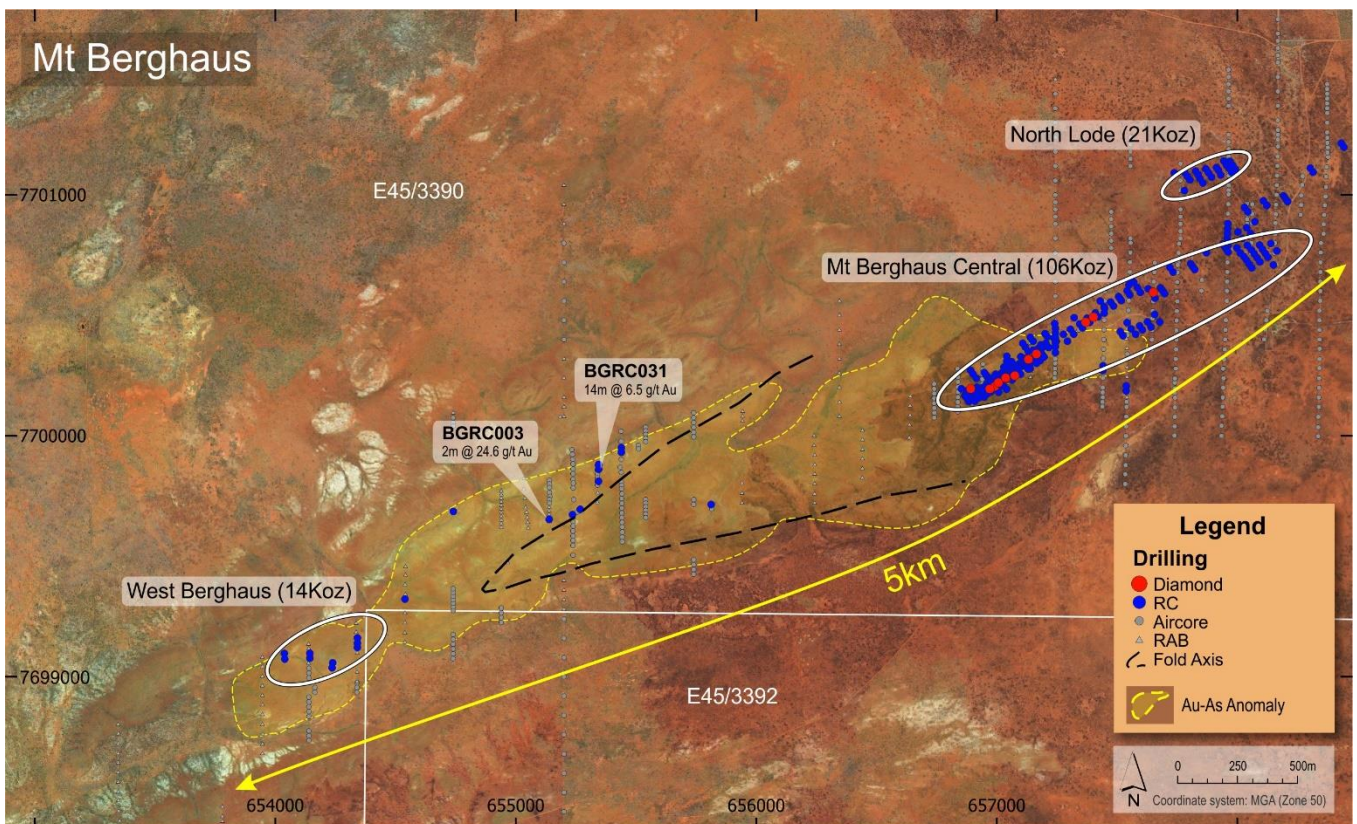
**Figure 3: Mt Berghaus – Main Lode and North Lodes and drilling locations (local grid)**



A selection of the recent RC drilling results below, show examples of the broad moderate grades and the narrower higher grade zones being intersected at Mt Berghaus.

<p><b>Main Lode (&gt;20g*m)</b></p> <p>24m @ 2.05g/t Au from 21m in BGRC231 incl 4m @ 6.24g/t Au from 40m</p> <p>23m @ 2.2g/t Au from 2m in BGRC241 incl 6m @ 5.22g/t Au from 12m</p> <p>8m @ 5.92g/t Au from 49m in BGRC255 incl 2m @ 21.81g/t Au from 49m</p> <p>17m @ 3.25g/t Au from 28m in BGRC259 incl 4m @ 7.92g/t Au from 33m</p> <p>2m @ 12.83g/t Au from 61m in BGRC275</p> <p>26m @ 3.45g/t Au from 3m in BGRC294 incl 3m @ 24.37g/t Au from 3m</p>	<p><b>North Lode (&gt;20g*m)</b></p> <p>13m @ 3.49g/t Au from 16m in BGRC281 incl 4m @ 10.35g/t Au from 21m</p> <p>21m @ 2.22g/t Au from 26m in BGRC282 incl 3m @ 8.45g/t Au from 44m</p> <p>11m @ 4.92g/t Au from 22m in BGRC291 incl 2m @ 24.07g/t Au from 27m</p> <p>9m @ 2.62g/t Au from 55m in BGRC291</p>
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Figure 4: Mt Berghaus – 5km long target



At **Toweranna**, gold mineralisation is hosted by stacked quartz veins within a 250m diameter granite plug. The recent drilling has focussed on infill along the western margin and extensions predominantly along the southern margin. Additional reconnaissance drilling has also been completed where the gold has been infilled along the Western and Southern margins. These two areas form the bulk of the new resource update. Additional limited drilling has been completed along the northern and eastern margins, with positive results.

Overall the **Toweranna** drilling to date has highlighted gold quartz veins throughout the entire granite body and therefore the Company is confident additional resource increases are likely at Toweranna with additional drilling. The gold mineralisation is also noted to extend to at least 200-250m depth based on historical holes and remains open. Selected recent drill results are provided below to demonstrate the high grade nature of the mineralisation. Further drilling is planned to fully test the northern and eastern portions of the shallow portions of the deposit and deeper drilling is currently being tested to determine underground potential.

#### Toweranna – Selected drilling results

<b>23m @ 4.37g/t</b> from 42m	<b>12m @ 7.0g/t</b> from 0m including <b>4m @ 16.2g/t</b>
<b>10m @ 6.82g/t</b> from 6m	<b>8m @ 5.7g/t</b> from 88m including <b>4m @ 9.0g/t</b>
<b>19m @ 4.74g/t</b> from 43m	<b>12m @ 4.9g/t</b> from 104m
<b>5m @ 6.72g/t</b> from 34m	<b>12m @ 4.1g/t</b> from 40m including <b>4m @ 8.47g/t</b>
<b>12m @ 4.69g/t</b> from 1m	<b>5m @ 8.38g/t</b> from 64m including <b>2m @ 19.43g/t Au</b> ,
<b>10m @ 7.13g/t</b> from 37m	<b>3m @ 18.43g/t</b> from 111m
<b>18m @ 5.60g/t</b> from 49m	<b>4m @ 19.14g/t</b> from 51m
<b>4m @ 35.0g/t</b> from 8m	<b>9m @ 5.19g/t</b> from 41m including <b>2m @ 19.94g/t</b>
<b>4m @ 25.3g/t</b> from 28m	<b>11m @ 7.07g/t</b> from 105m
<b>8m @ 21.7g/t</b> from 48m including <b>4m @ 40.2g/t</b>	<b>5m @ 12.87g/t</b> from 28m including <b>3m @ 20.62g/t</b>
<b>4m @ 20.2g/t</b> from 8m	
<b>4m @ 14.7g/t</b> from 32m	

Figure 5: Toweranna sheeted veins hosted in a 250m diameter circular granite

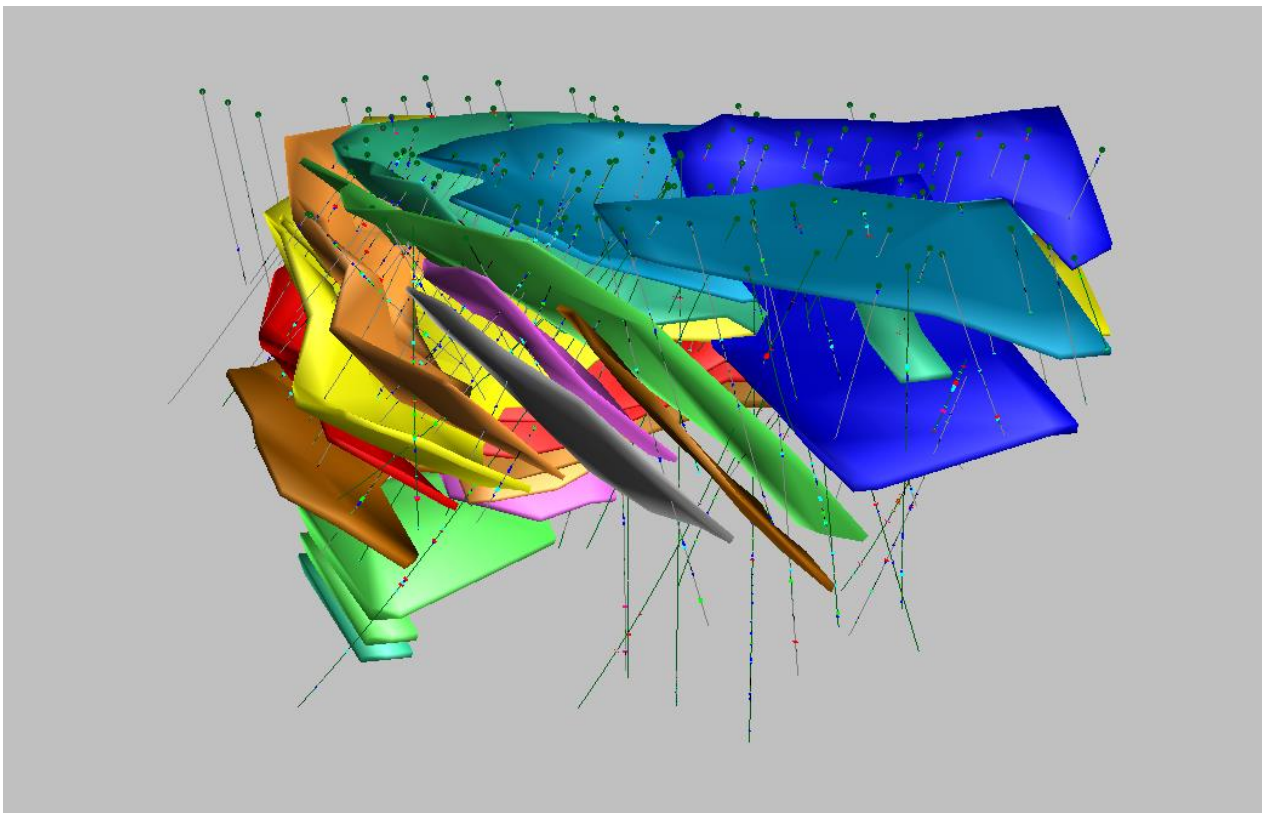
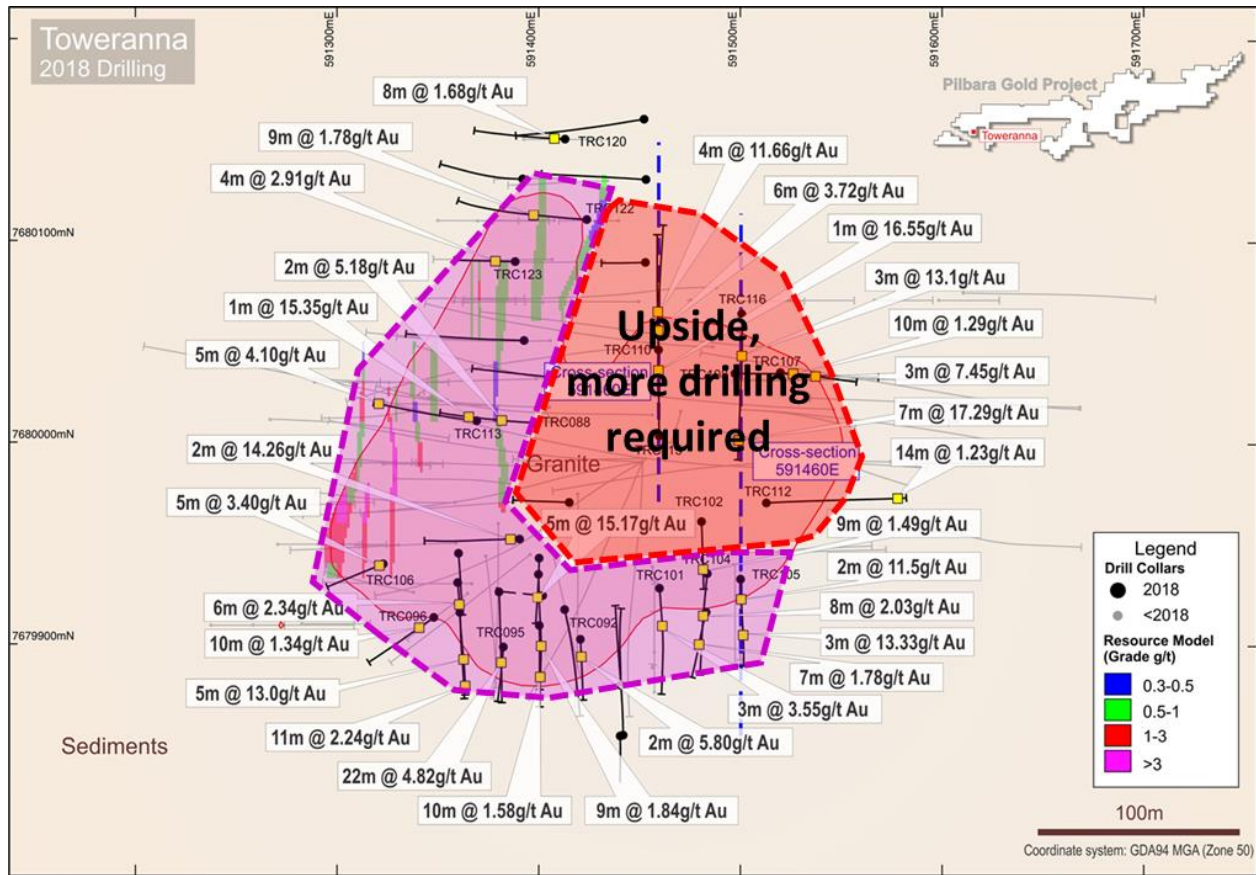


Figure 6: Toweranna plan showing shallow resource upside in red area



Drilling at **Mallina** has also been successful with significant mineralisation defined with the infill holes and new extensions defined. The most significant new hole result is in MLRC214 which intersected 46m @ 3.26g/t Au and ended in mineralisation, immediately below the 2017 OPMSS pit shell (Figure 7). This hole has been extended with a diamond tail with results pending.

This large intercept occurs within a broader anomalous corridor of mineralisation along the Central Zone. This corridor remains open at depth and could be open for up to 600m to the east where no shallow drilling has occurred to date. A detailed SAM survey similar to the one being undertaken at Mt Berghaus is being considered subject to positive results from the Mt Berghaus survey. The survey would aim to delineate and map the associated shear zones and porphyry dykes for direct drill testing.

Mallina is another large gold system with a minimum strike length of 3km. This is likely to grow as further exploration is undertaken. Mineralisation remains open and the new broad +3g/t zone in MLRC214 provides incentive to drill deeper as these grades and thicknesses would support deeper open pits. The following results are examples of broader zones of encouraging mineralisation:

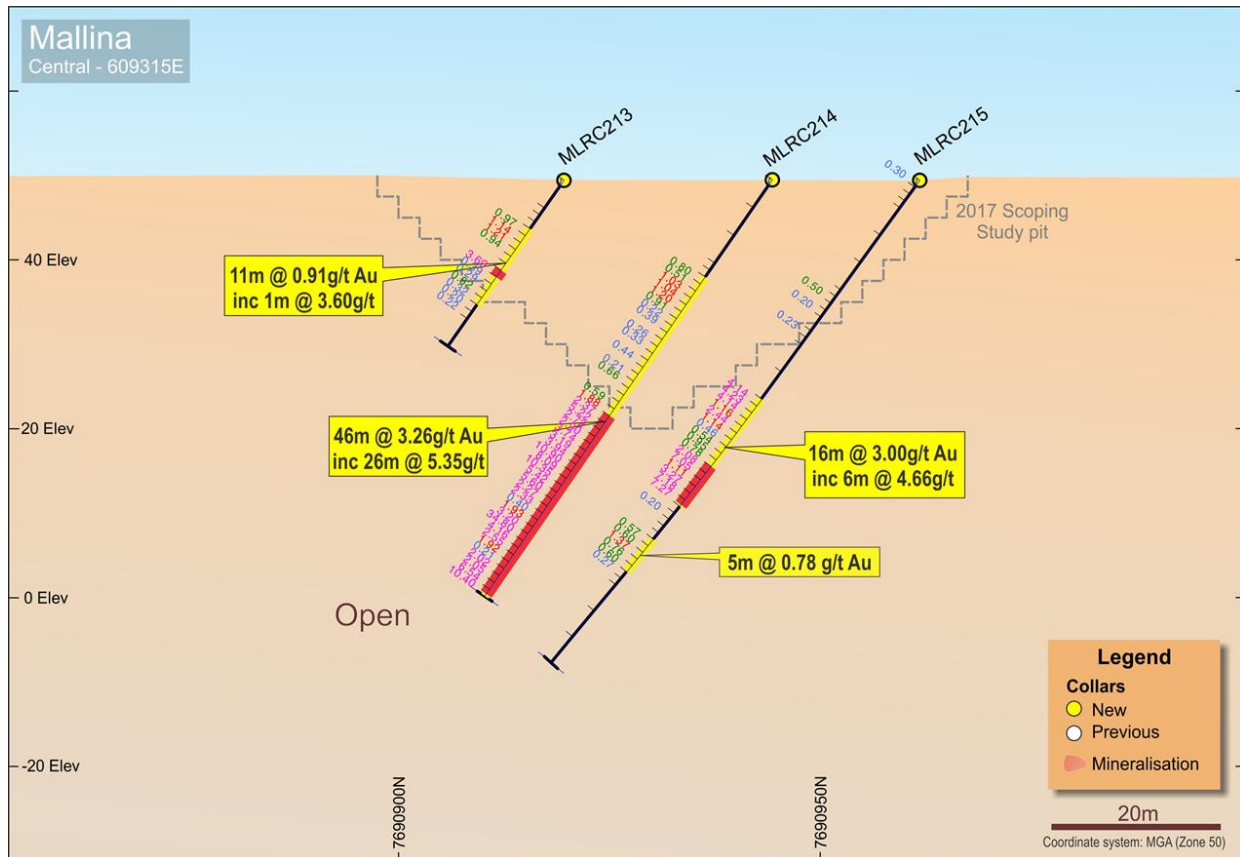
**56m @ 3.04g/t** from 14m including **30m @ 5.29g/t**

**16m @ 3.00g/t** from 32m including **6m @ 4.66g/t**

**13m @ 3.80g/t** from 51m including **6m @ 7.35g/t**

**19m @ 2.44g/t** from 35m

Figure 7: Mallina cross section 609315E



### Withnell Underground Target

The 2017 Open Pit Mining Scoping Study defined potential to extend the existing previously mined 45m deep open pit to a new depth of approximately 120m. Drilling by previous owners partially tested the zone beneath the proposed new open pit limits returning numerous encouraging high grade intersections along an 800m strike length with widths and grades typical of many modern Australian underground gold mines.

Four subvertical lodes have been previously defined at Withnell (Figure 8) that extend beneath the open pit limits, with Lodes 1 & 2 semi-continuously defined over 800m of strike.

A recent drilling program comprised 15 diamond core holes drilled from surface targeting Lodes 1 and 2 within a 400m x 100m “panel” of known mineralisation directly below the eastern portion of the proposed pit. The drilling was designed to infill and confirm continuity, grade distribution and geological definition of each lode and to assess the veracity of previous wider spaced drill intersections. The holes will also be used for added metallurgical characterisation and recovery testwork.

The results to date have successfully confirmed:

1. Lode definition, geology and continuity along strike and dip;
  2. High grade nature of mineralisation;
  3. Stacked nature of lodes and potential for additional splays off the main lodes;
  4. The strike rate of intersecting both lodes 1 & 2 is very high, both along strike and down dip;
  5. Previous drill intersections, both low and high grade, which provides confidence in the deeper wide spaced drill results;
- and
6. Potential for higher grade shoots within the broad mineralised system.



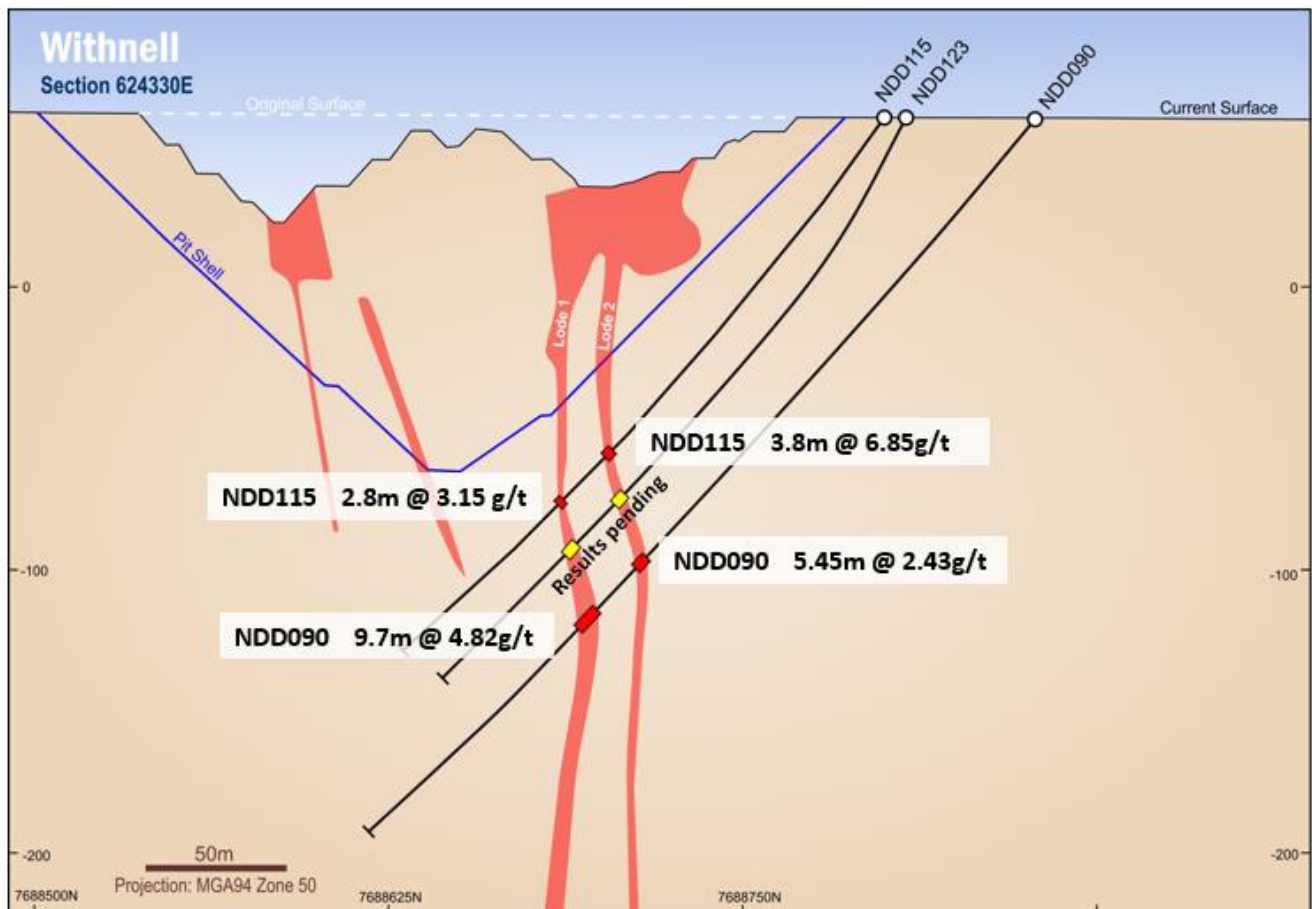
A summary of the intersections by lode >20gm (downhole gram\*metres) is provided below with both the low-grade and high-grade intercepts noted. The high-grade intercepts are also shown in the representative section (Figure 8).

#### New drill intersections >20g\*m

HoleID	Lode	Full intercept	Metal (g*m)
NDD109	WD01	<b>4.85m @ 8.46g/t Au</b> from 158.15m in NDD109 (incl <b>0.35m @ 70.4g/t Au</b> from 159.2m)	41.0 24.6
NDD115	WD02	<b>3.8m @ 6.85g/t Au</b> from 151.7m in NDD115	26.0
NDD117	WD02	<b>7.97m @ 7.48g/t Au</b> from 137.03m in NDD117 (incl <b>2.5m @ 14.52g/t Au</b> from 138.5m)	59.6 36.3
NDD117	WD01	<b>5.6m @ 5.24g/t Au</b> from 166.3m in NDD117 (incl <b>0.95m @ 21.3g/t Au</b> from 170.2m)	29.3 20.2
NDD118		<b>1.4m @ 20.05g/t Au</b> from 228.7m in NDD118	28.1
NDD119	WD01	<b>4.8m @ 6.63g/t Au</b> from 165m in NDD119 (incl <b>1m @ 22.78g/t Au</b> from 165.5m)	31.8 22.8

At the date of this report, results from the remaining Withnell underground diamond drilling program are pending. As announced subsequent to the reporting date, follow-up diamond drilling to test the depth extensions is currently being planned. This follow up drilling plans to test the 800m x 400m Withnell Underground Exploration Target (ASX 1 October 2018 "High grade lodes confirm Withnell Underground target"). The next program will be to undertake extensional drilling to define the limits and higher grade plunging shoots of this large gold system.

Figure 8: Withnell Representative cross-section 624330E



## Open Pit Mining Pre-Feasibility Study

The Open Pit Mining Pre-Feasibility Study (“OPMPFS”) commenced during the financial year and remains in progress at the date of this report. It aims to assess the economic viability of an **open pit mining only strategy** based on the new 1.4Moz resource. This study is expected to provide material improvements on the 2017 OPMSS based on overall significantly increased resources, improved metallurgical recoveries and better mine scheduling of higher grade material earlier in the mine life. This study will be based on a nominal 1Mtpa throughput with a conventional oxide CIL plant and flotation circuit for the fresh sulphide rich ores.

The work completed to date has centred on completion of the recent extensive infill and extensional drilling programs to allow the now updated resources to be finalised. Detailed metallurgical testwork includes the drilling of specific diamond holes at various deposits for suitable oxide and fresh material and the completion of specific comminution and recovery testwork to enable a detailed flowsheet to be designed. The majority of this testwork has been completed by GR Engineering and ALS. The metallurgical aspect of the testwork is nearing completion and flowsheet design will commence shortly. Additional environmental, hydrological and geotechnical studies are advancing well.

De Grey is targeting a 2018 OPMPFS that demonstrates a robust financial base case on a viable standalone open pit mining operation. There is also underground potential seen at both the Withnell and Wingina deposits which would improve the financial returns on investment through increased throughput, higher grade and increased mine life.

To assess this financial benefit and potential, a scoping study was commenced on the Withnell underground. This study commenced with a program of diamond drilling of a 400m x 100m panel of higher grade resources immediately beneath the proposed 2017 OPMSS open pit limits. This drilling has now been completed with initial logging confirming the geological continuity of the interpreted underground lodes. Assay results have been encouraging in defining the two lodes below the Withnell open pit area.

If the Company continues to achieve positive underground drilling results then this is likely to drive an expanded Withnell underground drilling program which in turn is expected to positively impact an expanded PFS to include underground mining from Withnell. The company intends to undertake further drilling to define and scope out the overall mineralised system to approximately 600m vertical depth, including infill drilling of the higher grade shoots.

At this point in time, any new regional greenfields discovery or higher grade brownfields under-ground extensions are considered of great importance in the scale of any future mining development.

## Base Metal Resources

(ASX: “Pilbara Gold Project increases gold resources by >20% to over 1.2Moz, 28 September 2017)

The Base Metals resources comprise the VMS style multi-metallic deposits of Discovery and Orchard Tank. Assessment of the mineralisation during 2017/18 shows the deposits remain open and the entire 60km strike length of the host Tabbata Tabbata greenstone belt remains prospective and essentially only partially tested with surface geochemistry and limited drilling.

The Base Metal Mineral Resource has not changed since the 2017 Mineral Resource statement and comprise:

<b>Total</b>	<b>3.47Mt @ 3.2% Zn, 1.3% Pb, 0.1% Cu, 0.8g/t Au, 110g/t Ag</b> (111,000t Zn, 46,100t Pb, 4,100t Cu, 91,900oz Au and 12.3Moz Ag)
Indicated	<b>0.41Mt @ 3.7% Zn, 1.7% Pb, 0.2% Cu, 1.68g/t Au, 140g/t Ag</b> (15,200t Zn, 7,100t Pb, 700t Cu, 20,600oz Au and 1.9Moz Ag)
Inferred	<b>3.06Mt @ 3.1% Zn, 1.3% Pb, 0.1% Cu, 0.7g/t Au, 106g/t Ag</b> (95,800t Zn, 39,000t Pb, 3,400t Cu, 71,300oz Au and 10.4Moz Ag)

The Company has undertaken an extensive review of the Base Metals potential. De Grey will update the market on the outcome of that review once results are assessed.

## Lithium

During the year the Company reported on its discovery hole at the King Col pegmatite trend, with results as follows:

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

Detailed petrology work following this discovery then confirmed the presence of spodumene quartz mineralisation associated with the higher grade (4.84% Li<sub>2</sub>O) portions of KRC012 intercept. Petalite and Lepidolite, both lithium bearing minerals, were also confirmed. Pollucite, a very rare caesium mineral was also noted in the drilling.

The Company also extended the potential target strike length and defined a second large anomaly:

- Main King Col lithium in soil anomaly extended from 2.0km to 4.8km long; and
- New 3.0km long anomaly defined to south east.

The Company has recently drilled two diamond holes, twinning the two main intersections, to provide more accurate lithology on the target. These results are pending.

## 2018/2019 Exploration Strategy

The 2017/2018 exploration programs have delivered numerous significant drilling results as well as the material increase in defined resources. This year's achievements have provided De Grey with a greater degree of confidence as to the potential for further expand resources at each of the large gold mineralised systems at Withnell, Wingina, Mt Berghaus, Mallina and Toweranna.

One such opportunity is in expansion of the Withnell underground lodes. The extremely positive assay results from a diamond drill program, released subsequent to the end of the financial year, has demonstrate continuity of two higher grade lodes beneath the proposed open pit. Wide-spaced earlier drilling shows this high grade mineralisation extends to at least 350vm and remain open or totally untested over large areas of the 1.3km long open pit.

An Exploration Target of **2.6Mt – 3.5Mt @ 4.0g/t to 6.5g/t for 330,000oz – 720,000oz** suggests strong potential to expand this high grade and deeper mineralisation at depths more than 600m below surface (refer to the ASX Announcement on 1 October 2018 for further details on the Exploration Target).

**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 mineral resources will be realised. Refer to Exploration Target section for supporting details.*

Overall, the 5km long Withnell trend currently hosts over 0.5Moz and has seen very limited drilling below 100m depth, other than portions of the main Withnell deposit, currently the target of our underground planning. This is a very similar situation at all of the other larger gold deposits, where drilling at depth is very limited and the full extents of mineralisation remain open.

De Grey's geological team believe the greatest opportunity for near term increased resources is available through:

- testing the Withnell trend and following the higher grade plunging shoots at depth;
- further and deeper drilling at Toweranna where high grade quartz veins occur to at least 200m depth;
- ongoing extensional drilling at Mallina and Mt Berghaus where broad zones of mineralisation are highlighted associated with quartz veins in shear zones, as well as commencement of consideration of the underground potential of both resources at depth; and
- associated porphyries and dykes at Wingina where high grade gold mineralisation remains open at depth.

Accordingly, the FY2019 exploration strategy will be to:

- (i) Improve the resource confidence at the higher grade brownfields underground lodes at the Withnell deposit in order to include the resources into an “expanded open pit and underground feasibility study”.
- (ii) Expand resource extensions at the larger gold systems both along strike and at depth with larger step out resource definition drilling.
- (iii) Discover new greenfields mineralisation from within the large existing pipeline of regional targets, including the new conglomerate gold targets.

As noted within the report, De Grey has reset its corporate target to +3Moz of resources. It anticipates taking significant steps towards that figure during the course of the forthcoming year.

### **Competent Person**

*The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr. Phil 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.*

*The information in this report that relates to Withnell Underground Exploration Target 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.*

### **Forward Looking Statements**

*Statements regarding De Grey’s plans with respect to the mineral properties, resource reviews, programmes, economic studies and future development are forward-looking statements. There can be no assurance that De Grey’s plans for development of its mineral properties will proceed any time in the future. There can also be no assurance that De Grey will be able to confirm the presence of additional mineral resources/reserves, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of De Grey’s mineral properties.*

## Directors' Report

Your directors present their report on the consolidated entity comprising De Grey Mining Limited ("De Grey" or "the Company") and its controlled entities ("the consolidated entity" or "Group") for the financial year ended 30 June 2018.

All amounts are expressed in Australian dollars unless otherwise stated.

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

### Directors

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

**Simon Lill**

**Andrew Beckwith** (appointed 26 October 2017)

**Steven Morris**

**Brett Lambert** (appointed 26 October 2017)

**Davide Bosio** (resigned 26 October 2017)

### Information on Directors

**Simon Lill, BSc MBA**

*Executive Chairman*

Mr. Lill joined De Grey Mining Limited in October 2013 and has a BSc and MBA, both from The University of Western Australia. He has extensive experience over three decades with ASX listed companies, spanning small cap companies to larger concerns, involving restructuring, corporate, compliance, marketing, company secretarial and management activities.

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

Company	Date appointed	Date ceased
Mejority Capital Limited	18 May 2011	-
Purifloh Limited	2 September 2013	-
XPD Soccer Gear Group Limited	29 March 2018	-

#### **Interest in shares and options:**

5,100,000 ordinary fully paid shares

1,883,333 options over ordinary shares in De Grey Mining Limited

1,500,000 performance rights

**Andrew Beckwith, BSc Geology, Aus IMM**

*Technical Director & Operations Manager*

Mr Beckwith is a successful explorer whose past experience includes senior technical roles with AngloGold Ashanti, Acacia Resources, Helix Resources, Normandy NFM, North Flinders Mines, BP Minerals Australia and at Westgold Resources, where he led the team initially as exploration manager and then as Managing Director. Additionally, Mr Beckwith recently held the position of director of Bulletin Resources Limited until June 2014.

During his time with Westgold, he was intimately involved in the Explorer 108 Pb-Zn-Ag and the Au-Cu Rover 1 (1.2Moz) discoveries, both in the Northern Territory. Westgold was awarded the "2008 Explorer of the Year" for the Rover 1 discovery and also went on to acquire the Central Murchison Gold Project, in Western Australia, with growth from an initial 1.9Moz resource on acquisition to the current 5.0Moz with mining development currently underway by Metals X, which acquired Westgold in 2012. Westgold has since demerged from Metals X and is currently producing over 265,000 ounces per year and growing.

Mr. Beckwith commenced his time with De Grey as a Technical Consultant back in February 2016 and was appointed to the board in October 2017.

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

Company	Date appointed	Date ceased
Carnavale Resources Limited	29 July 2014	-

**Interest in shares and options:**

4,025,000 ordinary fully paid shares

3,066,668 options over ordinary shares in De Grey Mining Limited

2,000,000 performance rights

**Steven Morris, Dip Fin Mkts**

*Non-executive Director*

Mr. Morris was appointed to the board in September 2013 and assumed the role of Chairman soon after. He has some 25 years of experience at the most senior executive level in a range of industries including the last 20 years in Financial Markets.

During that time, he has held positions such as Head of Private Clients Australia for Patersons Securities Ltd and Managing Director of Intersuisse Ltd. He is the Founder and remains a significant shareholder of Peloton Shareholder Services offering management of shareholder based capital raising and investor relations advice to numerous ASX listed companies. He currently holds an executive position within the Little Group, which holds assets across a range of industries including Property Management, Software Solutions, Aviation and Ferries. He is a Non-Executive Director of Purifloh Limited and also serves as a Director of the Melbourne Football Club.

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

Company	Date appointed	Date ceased
Purifloh Limited	2 September 2013	-

**Interest in shares and options:**

1,310,000 ordinary fully paid shares

1,350,000 options over ordinary shares in De Grey Mining Limited

750,000 performance rights

**Brett Lambert, B.AppSc (Mining Engineering), MAICD**

*Non-executive Director*

Mr Lambert is a mining engineer and experienced company director. He has over 30 years involvement in the Australian and international resources industry encompassing mining operations, project development, business development and corporate administration.

After graduating from the Western Australian School of Mines, Mr Lambert commenced his professional career with Western Mining Corporation ("WMC") at Kalgoorlie in 1983. He progressed to a senior management position with WMC before leaving to take responsibility for the development of Herald Resources' Three Mile Hill gold mine at Coolgardie. Mr Lambert has since held senior roles with a number of junior and mid-tier resource companies, including more than 10 years at Chief Executive Officer/Managing Director level.

Mr Lambert has served as a director of companies listed on the Australian Securities Exchange, London's Alternative Investment Market ("AIM") market, the Toronto Stock Exchange and the Stock Exchange of Thailand.

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

Company	Date appointed	Date ceased
Mincor Resources NL	1 January 2017	-
Australian Potash Limited	9 May 2017	-
ABM Resources NL (now Prodigy Gold)	8 March 2016	9 May 2016

***Interest in shares and options:***

Nil ordinary fully paid shares

Nil options over ordinary shares in De Grey Mining Limited

500,000 performance rights

**Daive Bosio**

Mr Bosio resigned from the board on 26 October 2017.

## Company Secretaries

The following persons acted as Company Secretary of the Company during the whole of the financial year and up to the date of this report:

**Craig Nelmes, BBus**

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

**Patrick Holywell, FGIA GradDipCA GAICD BCom**

Patrick Holywell is a Chartered Accountant with over fifteen years of experience in corporate governance, finance and accounting including employment with Deloitte and Patersons Securities Ltd. Mr Holywell has been employed by and acted as company secretary, CFO and/or director of a number of companies in the resources sector.

## Principal Activities

The principal activity of the consolidated entity during the course of the year was exploration and development activities at the Pilbara Gold Project, 80 kms south west of Port Hedland in the Pilbara region of Western Australia. De Grey currently controls a considerable tenement package comprising over 1,500km<sup>2</sup>. The tenement package is highly prospective for gold and also comprises significant base metals resources (Zn-Ag-Pb) as well as the recently identified lithium prospects.

## Financial Review

The consolidated loss after tax for the year ended 30 June 2018 was \$2,476,951 (2017: \$3,218,897).

## Earnings per share

The basic loss per share for the year ended 30 June 2018 was 0.85 cents per share (2017: 1.91 cents per share).

## Dividends

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

## Significant changes in state of affairs

There have a number of significant changes in the state of affairs of the Company and its controlled entities during the financial year; and are as follows:

- Executed a fully binding Share Sale Agreement to 100% acquire the Indee tenements and within forms part of the greater Pilbara Gold Project, with final settlement extended to 24 January 2019 (and the option to extend that date out to 24 July 2019);
- ~\$10 M equity funding injections through a combination of private placements and the exercise of option class during the financial year, with a further \$5M placement completed in July 2018 (*Refer to Matters Subsequent to the end of the Financial Year*).
- Additional funding has allowed for the acceleration of the exploration activities (including extensive diamond and RC drilling programs across the Pilbara project resource areas and exploration targets), as well as commencing pre-feasibility studies; and
- Identified the potential for conglomerate hosted gold mineralization within the Pilbara Gold Project Tenement package.

## Matters subsequent to the end of the financial year

On 11 July 2018, the Company completed a \$5 Million placement to ASX listed DGO Gold Limited (“DGO”) via the issue of 25 Million ordinary fully paid shares at a price of \$0.20 each. For each share two classes of free attaching unlisted options were also issued on a 1:2 basis, being 12.5M unlisted options with an exercise price of \$0.25 and expiry date of 31 October 2020 and 12.5M unlisted options with an exercise price of \$0.30 and expiry date of 30 May 2021.

## Likely developments and expected results

De Grey seeks to maximise shareholder value through its ongoing exploration and development work at The Pilbara Gold Project. The Project consists of a combination of 100% owned tenements, tenements with farm in rights in favour of De Grey and tenements where De Grey has entered into a fully binding share sale agreement to acquire 100% of the *Indee tenements*). The combination of the above, represents a tenement package of over 1,500Km<sup>2</sup> in the Pilbara region of Western Australia, and +200 km of prospective shear zones hosting mineralisation and which includes gold, base metals and lithium.

De Grey has focused on infill and extensional drilling at its existing identified resources as a pre-cursor to completion of an Open Pit Mining Pre- Feasibility Study (PFS”). That PFS work remains in progress at the date of this report, with completion anticipated during the first quarter of 2019. The Company through the PFS is targeting an open pit 7+ year mine life at 1Mtpa to consider the economics of such a Project.



The Company also recognises the potential of its land package for further substantial gold discoveries with over 40 identified gold anomalies already identified, as well as significant underground potential at a number of the existing resources. It is also anticipated that regional exploration work through a combination of air core and RC drilling will represent part of the overall plan to increase the resource base will continue through 2019 and beyond.

Aside from the shear zone hosted resources the Company also controls three zones of conglomerate gold mineralisation and intends to undertake bulk sample testing. The style of mineralisation does not lend itself to traditional sampling methods due to nuggety gold mineralisation. The potential of these zones is seen as significant, and exploration work will continue in tandem with the shear zone hosted mineralisation remaining the strong focus.

De Grey is also continuing to explore its base metals and lithium prospects and is considering mechanisms to continue to add shareholder value through various corporate strategies.

## Remuneration Report (Audited)

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

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

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

### A. Key management personnel

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

Key Management Personnel	Position
Mr Simon Lill	Executive Chairman
Mr Andrew Beckwith	Technical Director & Operations Manager (appointed 26 October 2017)
Mr Steven Morris	Non-Executive Director
Mr Brett Lambert	Non-Executive Director (appointed 26 October 2017)
Mr Davide Bosio	Non-Executive Director (resigned 26 October 2017)
Mr Craig Nelmes	Company Secretary
Mr Patrick Holywell	Company Secretary (appointed 2 July 2018)

Except as noted, the named persons held their current position for the whole of the financial year and/or at the date of this report.

## B. Remuneration policy

The remuneration policy of De Grey Mining Limited has been designed by the board. Its objective is to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of De Grey Mining Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

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

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and director and key management personnel performance. Currently, this is facilitated through the issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth.

### *Fixed remuneration*

Fixed remuneration consists of total Directors' fees, salaries, consulting fees and employer contributions to superannuation funds, excluding performance pay (cash, shares and options). Fixed remuneration levels are reviewed annually by the board.

### *Executive remuneration*

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

- Total fixed remuneration - a base salary (which is based on factors such as length of service, performance and experience) and employer contributions to superannuation.
- Short-term performance incentives; and
- Long-term incentives through participation in the Performance Rights ("PRP") and/or Employee Option ("EOP") Plans of De Grey Mining Limited and as approved by the Board.

### *Non-executive Directors' remuneration*

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

Fees for non-executive directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, these directors may receive short term performance incentives and longer-term performance incentives via the EOP.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently \$250,000.

The annual remuneration for each non-executive director remained at \$36,000 per annum for the 2017-2018 financial year. These fees have been determined by the Board of the Company, taking into consideration factors such as the market rates of industry peer companies and the current level of activity. Where there is a significant change in the size and scale of Company activities these annual fees will be reviewed. Where approved and at the request of the board, any of the Non-Executive Directors may from time to time be required to fulfil certain executive functions.

### *Use of remuneration consultants*

The Board may (from time to time) engage the services of external consultants to advise on the remuneration policy and to benchmark director and key management personnel remuneration against comparable entities so as to ensure that remuneration packages are consistent with the market and are appropriate for the organisation. The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2018.

### *Performance Rights (PRP) and Employee Option Plans (EOP) of De Grey Mining Limited*

The PRP and EOP were last approved by Shareholders at the 2017 and 2015 Annual General Meetings respectively.

Directors and full and part time employees of De Grey Mining Limited are eligible to participate in each Plan. Any issue of Rights or Options to Directors under either Plan will be subject to Shareholder approval pursuant to the provisions of the ASX Listing Rules and the *Corporations Act 2001*. The Directors consider that collectively the PRP and EOP represent an appropriate method to:

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

### *Voting on the Remuneration Report - 2017 Annual General Meeting*

The Company received approximately 99.4% of "yes" votes on its remuneration report for the current financial year (2017: 96.9%).

## **C. Executive service agreements**

Remuneration and other terms of employment for the executive directors and other KMP are formalised in employment or service agreements. The major provisions of the agreements relating to remuneration for the year ended 30 June 2018 are set out in the table below:

Name	Agreement	Base Salary p.a.	Term of the Agreement	Redundancy
Simon Lill	Service	\$156,000 <sup>1</sup>	Not specified	6 months
Andrew Beckwith	Employment	\$250,000 <sup>2</sup>	Not specified	6 months
Andrew Beckwith	Service	\$180,000 <sup>3</sup>	Not specified	N/A
Craig Nelmes	Service	\$169,512 <sup>4</sup>	Not specified	6 months

<sup>1</sup> Mr. Lill's service agreement was effective from 1 November 2017 and supersedes his prior service agreement dated 1 October 2013.

<sup>2</sup> Mr. Beckwith's employment agreement was effective from 1 November 2017.

<sup>3</sup> Mr. Beckwith's provided consulting services via his consultancy entity Penand Pty Ltd, before mutual termination on 31 October 2017.

<sup>4</sup> Mr. Nelmes's service agreement was effective from 1 May 2018, previously he provided Secretarial and financial services via his former employer – Corporate Consultants Pty Ltd.

## D. Details of Remuneration

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

	Short-term		Post-employment	Share based payments		Total	% of remuneration
	Salary & Fees	Consulting & Fees	Superannuation	Options	Performance rights		Share-based
	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>							
Simon Lill							
2018	-	147,000	-	-	62,401	209,401	30%
2017	-	102,000	-	10,200	-	112,200	9%
Andrew Beckwith <sup>3</sup>							
2018	152,216	60,000	14,461	26,200	86,698	339,575	33%
Steven Morris							
2018	-	36,000	-	-	32,512	68,512	47%
2017	-	34,000	-	6,800	-	40,800	17%
Brett Lambert <sup>3</sup>							
2018	21,917	3,000	2,082	-	21,675	48,674	45%
Davide Bosio <sup>2</sup>							
2018	19,005	-	1,995	-	-	21,000	0%
2017	35,580	-	3,610	6,800	-	45,990	15%
<b>Sub- total Directors</b>							
2018	193,138	246,000	18,538	26,200	203,286	687,162	
2017	35,580	136,000	3,610	23,800	-	198,990	
<b>Other Key management personnel</b>							
Craig Nelmes <sup>1</sup>							
2018 <sup>1</sup>	-	28,059	-	13,100	37,441	78,600	64%
2017 <sup>1</sup>	-	-	-	6,800	-	6,800	100%
Patrick Holywell <sup>4</sup>							
2018	-	-	-	-	-	-	-
Total key management personnel compensation							
2018	193,138	274,059	18,538	39,300	240,727	765,762	
2017	35,580	136,000	3,610	30,600	-	205,790	

<sup>1</sup>Mr Nelmes service agreement entered into from 1 May 2018, previous via former employer Corporate Consultants Pty Ltd's service agreement for Secretarial, financial, administrative services

<sup>2</sup>Mr Bosio resigned 26 October 2017.

<sup>3</sup>Mr. Beckwith and Mr. Lambert were appointed directors 26 October 2017.

<sup>4</sup>Mr Holywell was appointed 2 July 2018

## Share-holdings of Key Management Personnel

	Opening Balance 1 July 2017	Received on exercise of options	Purchases (disposals) during the year	Other changes during the year	Closing Balance 30 June 2018
	No.	No.	No.	No.	No.
<b>Directors</b>					
Simon Lill	3,750,000	750,000	600,000	-	5,100,000
Andrew Beckwith <sup>2</sup>	3,225,000	-	800,000	-	4,025,000
Steven Morris	910,000	-	400,000	-	1,310,000
Brett Lambert <sup>2</sup>	-	-	-	-	-
Davide Bosio	-	-	-	-	- <sup>1</sup>
<b>Other executives</b>					
Craig Nelmes	862,111	525,000	425,000	-	1,812,111
Patrick Holywell <sup>3</sup>	-	-	-	-	-
<b>Total</b>	<b>8,747,111</b>	<b>1,275,000</b>	<b>2,225,000</b>	<b>-</b>	<b>12,247,111</b>

<sup>1</sup>Mr Bosio resigned 26 October 2017.

<sup>2</sup>Mr Beckwith and Mr Lambert were appointed directors 26 October 2017.

<sup>3</sup>Mr Holywell was appointed 2 July 2018.

## Option-holdings of Key Management Personnel

	Opening Balance 1 July 2017	Options acquired as compensation	Purchases (disposals) during the year	Options exercised/Other changes during the year	Closing Balance 30 June 2018
	No.	No.	No.	No.	No.
<b>Directors</b>					
Simon Lill	2,333,333	-	300,000	(750,000)	1,883,333
Andrew Beckwith <sup>2</sup>	2,666,668	-	400,000	-	3,066,668
Steven Morris	1,000,000	-	350,000	-	1,350,000
Brett Lambert <sup>2</sup>	-	-	-	-	-
Davide Bosio	1,000,000	-	-	-	1,000,000 <sup>1</sup>
<b>Other executives</b>					
Craig Nelmes	2,509,811	-	300,000	(525,000)	2,284,811
Patrick Holywell <sup>3</sup>	-	-	-	-	-
<b>Total</b>	<b>9,509,812</b>	<b>-</b>	<b>1,350,000</b>	<b>(1,275,000)</b>	<b>9,584,812</b>

<sup>1</sup>Mr Bosio resigned 26 October 2017.

<sup>2</sup>Mr Beckwith and Mr Lambert were appointed directors 26 October 2017.

<sup>3</sup>Mr Holywell was appointed 2 July 2018.

## Performance rights of Key Management Personnel

	Opening Balance 1 July 2017	Rights acquired as compensation	Purchases (disposals) during the year	Other changes during the year	Closing Balance 30 June 2018
	No.	No.	No.	No.	No.
<b>Directors</b>					
Simon Lill	-	1,500,000	-	-	1,500,000
Andrew Beckwith <sup>2</sup>	-	2,000,000	-	-	2,000,000
Steven Morris	-	750,000	-	-	750,000
Brett Lambert <sup>2</sup>	-	500,000	-	-	500,000
Davide Bosio <sup>1</sup>	-	-	-	-	-
<b>Other executives</b>					
Craig Nelmes	-	900,000	-	-	900,000
Patrick Holywell <sup>3</sup>	-	-	-	-	-
<b>Total</b>	-	<b>5,650,000</b>	-	-	<b>5,650,000</b>

<sup>1</sup>Mr Bosio resigned 26 October 2017.

<sup>2</sup>Mr Beckwith and Mr Lambert were appointed directors 26 October 2017.

<sup>3</sup>Mr Holywell was appointed 2 July 2018.

## E. Securities based compensation - options

The Company granted 1,500,000 (2017: 4,500,000) options over unissued ordinary shares during the financial year to Directors and other executives as part of their remuneration, as detailed in the table below:

	Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Granted Number	Exercised Number	Vesting Date	Number Vested at end of year
<b>2018</b>								
Andrew Beckwith	24 Sep 2017	31 Oct 2020	10.0	2.62	1,000,000	-	24 Sep 2017	1,000,000
Craig Nelmes	24 Sep 2017	31 Oct 2020	10.0	2.62	500,000	-	24 Sep 2017	500,000
<b>2017</b>								
Simon Lill	6 Dec 2016	30 Nov 2018	10.0	0.68	1,500,000	-	6 Dec 2016	1,500,000
Steven Morris	6 Dec 2016	30 Nov 2018	10.0	0.68	1,000,000	-	6 Dec 2016	1,000,000
Davide Bosio	6 Dec 2016	30 Nov 2018	10.0	0.68	1,000,000	-	6 Dec 2016	1,000,000
Craig Nelmes	6 Dec 2016	30 Nov 2018	10.0	0.68	1,000,000	-	6 Dec 2016	1,000,000

There are no performance related conditions attached to any of these issued options.

## F. Securities based compensation – performance rights

The number of performance rights granted and their respective vesting status – to directors and key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total
	No.	No.	No.	No.	No.	No.
Simon Lill	200,000	200,000	500,000	500,000	100,000	1,500,000
Andrew Beckwith	400,000	400,000	400,000	400,000	400,000	2,000,000
Steve Morris	150,000	150,000	150,000	150,000	150,000	750,000
Brett Lambert	100,000	100,000	100,000	100,000	100,000	500,000
Craig Nelmes	100,000	100,000	300,000	300,000	100,000	900,000

The values of rights over ordinary shares granted, exercised and lapsed for directors as part of compensation during the year ended 30 June 2018 are set out below:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total
	\$	\$	\$	\$	\$	\$
Simon Lill	9,194	9,194	28,091	11,325	4,597	62,401
Andrew Beckwith	18,389	18,389	22,471	9,060	18,389	86,698
Steve Morris	6,895	6,895	8,429	3,398	6,895	32,512
Brett Lambert	4,597	4,597	5,619	2,265	4,597	21,675
Craig Nelmes	4,597	4,597	16,855	6,795	4,597	37,441
						240,727

## G. Other transactions and balances with Key Management Personnel

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

----- End of Audited Remuneration Report -----

## Directors' Meeting

The number of meetings of the Company's Board of Directors held in the 12 months to 30 June 2018 and the number of meetings attended by each Director were:

	Directors Meetings	
	Eligible	Attended
Simon Lill	12	12
Andrew Beckwith	6	6
Steven Morris	12	11
Brett Lambert	6	6
Davide Bosio	6	5

## Share Options

At the date of this report there are 132,918,975 unissued ordinary shares in respect of which options are outstanding.

	Number	Exercise Price	Expiry Date
Listed options	53,103,031	10 cents	30 November 2018
Unlisted options	6,100,000	10 cents	30 November 2018
Unlisted options	1,134,611	4 cents	10 June 2019
Unlisted options	2,250,000	10 cents	31 October 2020
Unlisted options	12,000,000	10 cents	31 October 2020
Unlisted options	33,333,333	20 cents	30 November 2019
Unlisted options	12,500,000	25 cents	30 November 2019
Unlisted options	12,500,000	30 cents	30 May 2021

During the financial year 79,308,333 options were issued and 31,043,903 were exercised. Since the end of the financial year 25,000,000 options were issued and 2,374,169 were exercised.

## Environmental Regulation

The Group is subject to environmental regulation in respect to its exploration activities. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

## Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board. Given the size and scale of its current operations, the board and key management personnel as a group periodically assess risks and develop strategies to mitigate the impact of any perceived risks. The board endeavours to identify potential risks when carrying out strategy planning and budgeting tasks and assessment and monitoring through its board meetings.

## Insurance of Directors and Officers

During the financial year, De Grey Mining Limited paid a premium to insure the directors and secretary of the Company. The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.



## Non-Audit Services

The following non-audit services were provided by the Group's auditor, Butler Settineri (Audit) Pty Ltd, or associated entities (refer note 20). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general standard of independence for auditors.

Butler Settineri received or are due to receive the following amounts for the provision of non-audit services:

	2018	2017
	\$	\$
Tax compliance services	<b>2,200</b>	<b>3,750</b>

## Proceedings on behalf of the company

As at the date of this report there are no leave applications or proceedings booked on behalf of De Grey Mining Limited under section 237 of the *Corporations Act 2001*.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 32.

Signed in accordance with a resolution of the directors



**Simon Lill**  
Executive Chairman

Perth, 28 September 2018

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 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 audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.

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

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth

Date: 28 September 2018

## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	Consolidated 2017 \$
<b>REVENUE</b>	4	<b>184,311</b>	30,798
<b>EXPENDITURE</b>			
Depreciation expense		(40,663)	(11,276)
Director & employee expenses		(480,303)	(182,147)
Share based payments – directors and employees	5/28	(347,947)	(49,980)
Exploration expenditure		-	(2,323,620)
Corporate and compliance expenses		(346,560)	(205,835)
Consulting expenses		(204,463)	(99,682)
Corporate advisory		(203,375)	(30,000)
Share based payments – corporate advisory	5	(314,880)	-
Investor relations & promotional expenses		(557,269)	(68,854)
Administration expenses		(128,302)	(249,778)
Occupancy expenses		(37,500)	(28,500)
Other expenses		-	(23)
<b>LOSS BEFORE INCOME TAX</b>		<b>(2,476,951)</b>	(3,218,897)
<b>INCOME TAX BENEFIT / (EXPENSE)</b>	6	-	-
<b>LOSS FOR THE YEAR</b>		<b>(2,476,951)</b>	(3,218,897)
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified to profit or loss</i>			
Other comprehensive income for the year, net of tax		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED</b>		<b>(2,476,951)</b>	(3,218,897)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	27	<b>(0.85)</b>	(1.91)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

## Consolidated Statement of Financial Position

AT 30 JUNE 2018	Notes	2018	Consolidated 2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	1,147,538	1,007,029
Trade and other receivables	8	245,075	126,738
Inventories	9	19,894	11,695
Other assets	10	42,962	16,040
<b>TOTAL CURRENT ASSETS</b>		<b>1,455,469</b>	<b>1,161,502</b>
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets	11	200,000	-
Deferred exploration & evaluation expenditure	12	21,982,686	980,397
Plant and equipment	13	691,087	58,361
<b>TOTAL NON-CURRENT ASSETS</b>		<b>22,873,773</b>	<b>1,038,758</b>
<b>TOTAL ASSETS</b>		<b>24,329,242</b>	<b>2,200,260</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,322,874	1,024,126
Employee benefit obligations	15	9,868	-
Contract liabilities	16	700,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,032,742</b>	<b>1,024,126</b>
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities	16	12,700,000	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12,700,000</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>14,732,742</b>	<b>1,024,126</b>
<b>NET ASSETS</b>		<b>9,596,500</b>	<b>1,176,134</b>
<b>EQUITY</b>			
Contributed equity	17	59,464,845	49,108,104
Reserves	18	711,106	170,530
Accumulated losses	18	(50,579,451)	(48,102,500)
<b>TOTAL EQUITY</b>		<b>9,596,500</b>	<b>1,176,134</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity

<b>FOR THE YEAR ENDED 30 JUNE 2018</b>		<b>Contributed</b>	<b>Reserves</b>	<b>Accumulated</b>	<b>Total</b>
	<b>Notes</b>	<b>Equity</b>		<b>Losses</b>	
<b>Consolidated</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>BALANCE AT 30 JUNE 2016</b>		<b>45,837,739</b>	<b>120,550</b>	<b>(44,883,603)</b>	<b>1,074,686</b>
Loss for the year	18(b)	-	-	(3,218,897)	(3,218,897)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	<b>(3,218,897)</b>	<b>(3,218,897)</b>
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>					
Shares issued during the year	17(b)	<b>3,514,063</b>	-	-	<b>3,514,063</b>
Share issue costs	17(b)	<b>(243,698)</b>	-	-	<b>(243,698)</b>
Share based payments - options	18(a)	-	<b>49,980</b>	-	<b>49,980</b>
Transfer of reserve on expiry of options	18(a)	-	-	-	-
<b>BALANCE AT 30 JUNE 2017</b>		<b>49,108,104</b>	<b>170,530</b>	<b>(48,102,500)</b>	<b>1,176,134</b>
Loss for the year	18(b)	-	-	(2,476,951)	(2,476,951)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	<b>(2,476,951)</b>	<b>(2,476,951)</b>
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>					
Shares issued during the year	17(b)	<b>10,110,003</b>	-	-	<b>10,110,003</b>
Share application monies (non-refundable)	17(b)	<b>250,000</b>	-	-	<b>250,000</b>
Share issue costs	17(b)	<b>(158,887)</b>	-	-	<b>(158,887)</b>
Share based payments - options	18(a)	-	<b>407,205</b>	-	<b>407,205</b>
Share based payments – performance rights	18(a)	-	<b>288,996</b>	-	<b>288,996</b>
Transfer of reserve on expiry of options	18(a)	<b>155,625</b>	<b>(155,625)</b>	-	-
<b>BALANCE AT 30 JUNE 2018</b>		<b>59,464,845</b>	<b>711,106</b>	<b>(50,579,451)</b>	<b>9,596,500</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

## Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated	
		2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Royalties received		11,316	19,562
EIS Grant received		53,680	-
Payments to suppliers and employees		(2,019,783)	(918,750)
Interest received		22,596	7,268
Payments for exploration and evaluation expenditure		(5,153,578)	(2,125,359)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	26	(7,085,770)	(3,017,279)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Option payments to acquire tenements		(195,000)	(290,000)
Option payments to acquire – Indee Gold Pty Ltd		(1,500,000)	(100,000)
Payments for available for sale financial assets		(200,000)	-
Payments for plant and equipment		(593,224)	(43,618)
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		(2,488,224)	(433,618)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of ordinary shares		9,623,390	3,494,063
Proceeds from application for issue of ordinary shares (non-refundable)		250,000	-
Payments of share issue transaction costs		(158,887)	(243,698)
NET CASH INFLOW FROM FINANCING ACTIVITIES		9,714,503	3,250,365
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		140,509	(200,532)
Cash and cash equivalents at the beginning of the financial year		1,007,029	1,207,561
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	7	<b>1,147,538</b>	<b>1,007,029</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 June 2018

## 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of De Grey Mining Limited and its subsidiaries. The financial statements are presented in the Australian currency. De Grey Mining Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 28 September 2018. The directors have the power to amend and reissue the financial statements.

### A. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. De Grey Mining Limited is a for-profit entity for the purpose of preparing the financial statements.

#### *(i) New standards and interpretations adopted in the 2018 financial year*

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### *(ii) New standards and interpretations not yet adopted*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

#### *AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

Following the changes approved by the AASB in December 2014, the Company no longer expects any impact from the new classification, measurement and derecognition rules on the Company's financial assets and financial liabilities. While the Company has yet to undertake a detailed assessment of the financial instruments classified as available-for-sale financial assets, it would appear that they would satisfy the conditions for classification as available for sale and hence there will be no change to the accounting for these assets.

Impact – unlikely as the Company does not have any hedging arrangements in place. The new impairment model is an expected credit loss model which may result in the earlier recognition of credit losses. The Company has not yet assessed how its own impairment provisions would be affected by the new rules.

#### *AASB 15 Revenue from Contracts with Customers (applicable for annual reporting period commencing 1 January 2018)*

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for good and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities

will recognise transitional adjustments in retained earnings on the date of initial recognition without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Impact - unlikely as the Company does not have any revenue from contracts with customers at this stage.

*AASB 16: Leases applies to annual reporting periods beginning on or after 1 January 2019*

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, IC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of lease. Early application of the Standard is permitted provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as AASB 16. The key features of AASB 16 are as follows:

- Leases are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also include payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

Impact - The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease office rental commitments of \$244,475, see note 22. The group has assessed that these lease commitments will likely become finance leases under the new standard, and hence an asset and corresponding financial liability of \$219,740 will be recognised upon adopting the new standard.

### *(iii) Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value.

## **B. Principles of consolidation**

### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of De Grey Mining Limited ("company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. De Grey Mining Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of De Grey Mining Limited.



*(ii) Joint ventures*

Jointly controlled assets - the proportionate interests in the assets, liabilities and expenses of joint venture activities have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 25.

*(iii) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of De Grey Mining Limited.

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

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

**C. Segment reporting**

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

**D. Foreign currency translation***(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

*(iii) Group companies*

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

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

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

## E. Revenue recognition

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

### *Interest Revenue*

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

### *Royalty Revenue*

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

## F. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

De Grey Mining Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## G. Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## H. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## I. Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

## J. Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

## K. Investments and other financial assets

### Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

*Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

**Financial assets – reclassification**

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

**Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

**Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security.

The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 1(t).

### **Impairment**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### *Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

#### *Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

## L. Plant and equipment

All plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

## M. Exploration and evaluation costs

Exploration and evaluation 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 (or has the legal right to) tenure, and/or the 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.

## N. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

## O. Employee benefits

### *Wages and salaries, annual leave and long service leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and long service leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

## P. Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 28.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Options over ordinary shares have also been issued as consideration for the acquisition of interests in tenements and other services. These options have been treated in the same manner as employee options described above, with the expense being included as part of exploration expenditure.

## Q. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## R. Earnings per share

### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## S. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## T. Significant accounting judgements estimates and assumptions

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

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

### ***Exploration expenditure***

Exploration and evaluation costs are assessed on the basis of the revised accounting policy with respect to whether or not it is appropriate to carry as a Deferred exploration asset – refer to (m) above.

### ***Financial assets – measurement and impairment assessment***

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

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

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

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

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of consideration of all available information with respect to the asset. In the case of non-listed equity investments classified as available-for-sale, the Company takes into consideration its underlying assets and liabilities, its most recent funding and any other pertinent information to support its carrying value and/or indicators of asset impairment.



## U. Going concern

The financial report has been prepared on a going concern basis which assumes the commercial realisation of the future potential of the Group's assets and discharge of its liabilities in the normal course of business. The group recorded a loss of \$2,476,951 (2017: \$3,218,897) for the year ended 30 June 2018, has a cash and cash equivalents balance of \$1,147,538 (2017: \$1,007,029).

The Company has annual minimum exploration commitments on its Pilbara Project tenements of \$1,563,620 (2017: \$1,307,260), including those agreements to acquire or an option to acquire.

In addition, the Company has a remaining liability of \$13.4 Million owing to the current owners of Indee Gold Pty Ltd, which is due on or before 24 January 2019, or by paying a further \$700,000 by that date, the settlement date can be extended to 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, during the year and up to the date of this report, has demonstrated its capacity to raise new equity capital as required via the completion of three private placements (~\$13 Million before costs), including two to strategic investor and ASX/TSX listed Kirkland Lake Gold Limited and ASX listed DGO Limited (settling in July 2018);
- (ii) An additional ~\$1.6 Million was raised via the exercise of various class of options during the year also;
- (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 Million listed options, exercisable at 10 cents each, and exercisable on or before 30 November 2018;
- (iv) A further cash payment of \$10.4 Million is to be paid on or before 24 January 2019 (settlement date) to the current owners of Indee Gold Pty Ltd, 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 the abovementioned settlement date, 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 as well as ongoing exploration and pre-feasibility studies, ongoing corporate and administrative costs; 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 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.

## 2. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Board, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

### A. Market risk

#### *Foreign exchange risk*

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

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements.

All parent entity and Australian subsidiary entity balances are in Australian dollars and all Group balances are in Australian dollars, so the Group has only minimal exposure to foreign currency risk at the reporting date.

#### *Price risk*

Given the current level of operations, the Group is not exposed to price risk.

#### *Interest rate risk*

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group \$1,147,538 (2017: \$1,007,029) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 0.70% (2017: 1.29%).

#### *Sensitivity analysis*

At 30 June 2018, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been \$32,481 lower/higher (2017: \$5,620 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

### **B. Credit risk**

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

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

### **C. Liquidity risk**

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

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

### **D. Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

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

### 3. Segment Information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For management purposes, the Group has identified one reportable operating segment being exploration activities undertaken in one geographical segment being Australasia. These segments include the activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in the sole geographic location.

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

	Australasia		Consolidated Total	
	2018	2017	2018	2017
	\$	\$	\$	\$
Segment revenue	<u>155,684</u>	23,030	<u>155,684</u>	23,030
<i>Reconciliation of segment revenue to total revenue before tax:</i>				
Interest revenue			22,596	7,268
Other revenue			6,031	500
Segment results	<u>155,684</u>	<u>(2,300,589)</u>	<u>155,684</u>	<u>(2,300,589)</u>
<i>Reconciliation of segment result to net loss before tax:</i>				
Corporate advisory			(203,375)	(30,000)
Share based payments			(662,826)	(49,980)
Other corporate and administration			<u>(1,794,557)</u>	<u>(846,096)</u>
<b>Net loss before tax</b>			<u><b>(2,476,951)</b></u>	<u><b>(3,218,897)</b></u>
Segment operating assets	<u>24,329,242</u>	1,154,526	<u>24,329,242</u>	1,154,526
<i>Reconciliation of segment operating assets to total assets:</i>				
Other corporate and administration assets			<u>1,684,194</u>	1,045,734
<b>Total assets</b>			<u><b>24,329,243</b></u>	<u><b>2,200,260</b></u>
Segment operating liabilities	<u>14,473,198</u>	972,127	<u>14,473,198</u>	972,127
<i>Reconciliation of segment operating liabilities to total liabilities:</i>				
Other corporate and administration liabilities			<u>259,545</u>	51,999
<b>Total liabilities</b>			<u><b>14,732,743</b></u>	<u><b>1,024,126</b></u>

## 4. Revenue

	Consolidated	
	2018	2017
	\$	\$
<b>From continuing operations</b>		
Royalties- sands	11,605	23,030
EIS Grant	53,680	-
Diesel fuel tax rebates	90,399	-
Interest	22,596	7,268
Other	6,031	500
	<b>184,311</b>	<b>30,798</b>

## 5. Expenses

Loss before income tax includes the following specific expenses:

Contributions to superannuation funds	65,879	15,729
Share based payments – options (Directors & under approved plan)	58,950	49,980
Share based payments – performance rights (Directors & under approved plan)	288,997	-
Share based payments – corporate advisory services	314,880	-

## 6. Income tax

### (a) Income tax expense

Current tax	-	-
Deferred tax	-	-
	<b>-</b>	<b>-</b>

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense	(2,476,951)	(3,218,897)
Prima facie tax benefit at the Australian tax rate of 27.5% (2017: 27.5%)	(681,161)	(885,197)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capital raising fees	(38,988)	(40,267)
Other allowable expenditure	(1,678,129)	(269,609)
Sundry items	(18,634)	29,959
Overseas projects income and expenses	-	-
	<b>(2,416,912)</b>	<b>(1,165,114)</b>
Tax effect of current year tax losses for which no deferred tax asset has been recognised	<b>2,416,912</b>	<b>1,165,114</b>
Income tax expense	<b>-</b>	<b>-</b>

### (c) Unrecognised deferred tax assets

#### Unrecognised deferred tax assets

Provisions		
Capital raising fees	103,956	99,250
Carry forward tax losses	18,341,985	11,827,572
Gross deferred tax assets	<b>18,445,941</b>	<b>11,926,822</b>

**(d) Tax consolidation**

Effective 1 July 2004, for the purposes of income taxation, De Grey Mining Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is De Grey Mining Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate De Grey Mining Limited for any current tax payable assumed and are compensated by De Grey Mining Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to De Grey Mining Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

**(e) Franking credits**

The company has no franking credits available for use in future years.

**7. Current assets – Cash and cash equivalents**

	Consolidated	
	2018	2017
	\$	\$
Cash at bank and in hand (i)	116,128	30,926
Short-term deposits (ii)	1,031,410	976,103
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	1,147,538	1,007,029

(i) Cash at bank earns interest at floating rates based on daily bank deposit rates.

(ii) Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

**8. Current assets – Trade and other receivables**

Receivable – sands royalty	3,759	3,469
GST receivable (net)	184,310	91,157
Fuel tax credits receivable	56,279	31,127
Sundry debtors	727	985
	245,075	126,738

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

**9. Current assets - Inventories**

Diesel fuel in stock	19,894	11,695
	19,894	11,695

**10. Current assets – Other assets**

Prepayment rents	10,000	-
Prepayment – other corporate	31,030	16,040
Advances & deposits	1,932	-
	42,962	16,040

## 11. Available-for-sale financial assets

	Consolidated	
	2018	2017
	\$	\$
Equity securities – Farno-McMahon Pty Ltd – unlisted (i)	200,000	-
Equity securities – Muskateer Resources Pty Ltd - unlisted (ii)	-	-
	200,000	-
	200,000	-

- (i) A 4% interest held in an unlisted minerals exploration entity, whose major assets are mineral tenements in the Pilbara region of Western Australia. On 18 September 2018, the Company announced that Novo Resources Corp. of Canada (“Novo”) had reached a conditional agreement to acquire 100% of Farno McMahon Pty Ltd (“Farno”). The Company agreed to accept the Novo offer, which is a combination of cash and scrip and on the day prior to the announcement had a value of approximately \$314,000.
- (ii) A 4% interest held in an unlisted mineral exploration entity, whose major asset is an Australian based Zinc project. The Company has performed an assessment of the investment and considers it appropriate that it remain fully impaired as at balance date.

## 12. Non-current assets – Deferred exploration & evaluation expenditure

Beginning of financial period	980,397	-
Exploration expenditure - all areas of interest (i)	5,907,789	2,914,017
Tenement option payments (non Indee Gold Pty Ltd)	194,500	290,000
Indee Gold Pty Ltd – acquisition consideration paid	1,500,000	100,000
Indee Gold Pty Ltd – acquisition consideration payable	13,400,000	-
Expensed to P&L	-	(2,323,620)
	21,982,686	980,397
	21,982,686	980,397

- (i) 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.

## 13. Non-current assets – Plant and equipment

<b>Plant and equipment</b>		
Cost	1,129,560	456,171
Accumulated depreciation	(438,473)	(397,810)
Net book amount	691,087	58,361
<b>Plant and equipment</b>		
Opening net book amount	58,361	26,019
Additions	673,389	43,618
Depreciation charge	(40,663)	(11,276)
Closing net book amount	691,087	58,361

## 14. Current liabilities – Trade and other payables

	Consolidated	
	2018	2017
	\$	\$
Trade payables	1,167,211	610,214
Trade payables to be settled via an equity issue	92,750	332,113
Other payables and accruals (i)	62,913	81,799
	<b>1,322,874</b>	<b>1,024,126</b>

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

## 15. Current liabilities – Employee benefit obligations

Employee benefits (i)	<b>9,868</b>	-
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(i) The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement and has an expectation that employees will take the full amount of accrued leave or require payment within the next 12 months.

## 16. Current & non-current liabilities – Contract liabilities

Contract liabilities (i)	<b>13,400,000</b>	-
Consists of:		
<i>Current</i>	<b>700,000</b>	-
<i>Non-current</i>	<b>12,700,000</b>	-
	<b>13,400,000</b>	-

(i) The Company announced on 12 February 2018 that it had completed the execution of a Share Sale Agreement (“SSA”) to purchase 100% of the issued shares in the capital of Indee Gold Pty Ltd (“Indee Gold”) from Northwest Nonferrous Australia Mining Pty Ltd (“NNAM”). The terms of the SSA provide for settlement of the acquisition to be completed no later than 24 July 2019. A part payment of \$700,000 must be paid by 24 January 2019, unless De Grey elects to settle prior to that date. The total consideration remaining to settle the acquisition is:

- (a) Payment of \$10.4M in cash; and
- (b) Issue of \$3.0M of equity in De Grey at a price that is 90% of a 20 day VWAP immediately prior to settlement.

## 17. Contributed equity

(a) Share capital	Issue Price	2018		2017	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid		<b>334,468,800</b>	<b>59,464,845</b>	201,296,240	49,108,104
Total contributed equity		<b>334,468,800</b>	<b>59,464,845</b>	201,296,240	49,108,104
<b>(b) Movements in ordinary share capital</b>					
Beginning of the financial year		<b>201,296,240</b>	<b>49,108,104</b>	2,878,652,645	45,837,739
Issued during the current & prior years:					
Placement share issue (non-cash)	\$0.002	-	-	10,000,000	20,000
Placement share issue	\$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	-
Share purchase plan (SPP) issue	\$0.058	-	-	7,130,000	413,540
Placement share issue	\$0.065	-	-	28,000,000	1,820,000
Share issued in lieu of supplier invoices (non-cash)	\$0.04373	<b>7,595,324</b>	<b>332,113</b>	-	-
Shares issued on exercise of options	\$0.04	<b>20,850,000</b>	<b>834,000</b>	-	-
Placement share issue	\$0.05	<b>60,450,000</b>	<b>3,022,500</b>	-	-
Shares issued on exercise of options	\$0.058	<b>5,000,000</b>	<b>290,000</b>	-	-
Shares issued on exercise of options	\$0.08	<b>2,125,000</b>	<b>170,000</b>	-	-
Shares issued on exercise of options	\$0.10	<b>3,068,903</b>	<b>306,890</b>	-	-
Shares issued - part consideration tenement acquisition	\$0.15	<b>150,000</b>	<b>22,500</b>	-	-
Placement share issue	\$0.15	<b>33,333,333</b>	<b>5,000,000</b>	-	-
Shares issued - part consideration tenement acquisition	\$0.22	<b>600,000</b>	<b>132,000</b>	-	-
Share application monies (non-refundable July 2018 placement)		-	<b>250,000</b>	-	-
Transaction costs		-	<b>(158,887)</b>	-	(243,698)
Share based payments reserve transfer on option exercise		-	<b>155,625</b>	-	-
End of the financial year		<b>334,468,800</b>	<b>59,464,845</b>	201,296,240	49,108,104

### (c) Prior Year 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 options on issue

		Number of options	
		2018	2017
Beginning of the financial year		<b>62,030,714</b>	521,192,212
Net issued / (exercised or cancelled) during the year:			
– Exercisable at 0.2 cents, on or before 10 June 2019 <sup>1</sup>	Unlisted	-	(478,692,212)
– Exercisable at 4 cents, on or before 10 June 2019 <sup>1</sup>	Unlisted	<b>(20,850,000)</b>	23,934,611
– Exercisable at 0.2 cents, on or before 10 June 2019 <sup>1</sup>	Unlisted	-	(42,500,000)
– Exercisable at 8 cents, on or before 25 Nov 2017 <sup>1</sup>	Unlisted	<b>(2,125,000)</b>	2,125,000
– Exercisable at 10 cents, on or before 30 Nov 2018	Listed	<b>29,906,097</b>	23,621,103
– Exercisable at 10 cents, on or before 30 Nov 2018	Unlisted	<b>(1,250,000)</b>	7,350,000
– Exercisable at 5.8 cents, on or before 6 Sep 2017	Unlisted	<b>(5,000,000)</b>	5,000,000
– Exercisable at 10 cents, on or before 31 Oct 2020	Unlisted	<b>2,250,000</b>	-
– Exercisable at 10 cents, on or before 31 Oct 2020	Unlisted	<b>12,000,000</b>	-
– Exercisable at 20 cents, on or before 30 Nov 2019	Unlisted	<b>33,333,333</b>	-
End of the financial year		<b>110,295,144</b>	62,030,714

<sup>1</sup> The options were re-stated after the 20:1 Capital Consolidation completed in December 2016 (Note 17(c))



**(e) Movement in performance rights on issue**

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

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total
Opening balance – 1 July 2017	-	-	-	-	-	-
Performance rights issued for the year	1,300,000	1,300,000	1,450,000	1,450,000	1,200,000	6,700,000
Closing balance – 30 June 2018	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, 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.

**(f) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. Neither the Company, nor any of its subsidiaries, holds any shares in the Company at 30 June 2018 (2017: Nil).

**(g) Capital risk management**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2018 and 30 June 2017 are as follows:

	Consolidated	
	2018	2017
	\$	\$
Cash and cash equivalents	1,147,538	1,007,029
Trade and other receivables	245,075	126,738
Trade and other payables (excluding payables to be settled by an equity issue <sup>1</sup> )	(1,230,124)	(692,013)
Working capital position	162,489	441,754

<sup>1</sup> There were payables totalling \$92,750 (2017: \$332,113) (Refer Note 14) settled by an equity issue of ordinary fully paid shares on 11 July 2017 (subsequent to the financial reporting date).

## 18. Reserves and accumulated losses

	Consolidated	
	2018	2017
	\$	\$
<b>(a) Reserves</b>		
Share-based payments reserve (i)	<b>711,106</b>	170,530
	<b>711,106</b>	170,530
<b>Movements:</b>		
<i>Share-based payments reserve</i>		
Balance at beginning of year	<b>170,530</b>	120,550
Share based payments (options) expense ( <i>Directors &amp; EOP plan</i> )	<b>58,950</b>	49,980
Share based payments (options) expense ( <i>Corporate advisory</i> )	<b>348,255</b>	-
Share based payments (performance rights) expense ( <i>Directors &amp; PR plan</i> )	<b>288,996</b>	-
Transfer to Issued Capital on exercise/expiry of options	<b>(155,625)</b>	-
Balance at end of year	<b>711,106</b>	170,530
<b>(b) Accumulated losses</b>		
Balance at beginning of year	<b>(48,102,500)</b>	(44,883,603)
Net loss for the year	<b>(2,476,951)</b>	(3,218,897)
Balance at end of year	<b>(50,579,451)</b>	(48,102,500)

### (c) Nature and purpose of reserves

#### (i) Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity benefits provided to either employees or directors as remuneration or to suppliers as payment for products and services.

## 19. Dividends

No dividends were paid during the financial year.

No recommendation for payment of dividends has been made.

## 20. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### (a) Audit services

Butler Settineri (Audit) Pty Ltd - audit and review of financial reports	<b>42,737</b>	20,500
Total remuneration for audit services	<b>42,737</b>	20,500

### (b) Non-audit services

Butler Settineri – tax compliance services	<b>2,200</b>	3,750
Total remuneration for other services	<b>2,200</b>	3,750

## 21. Contingent liabilities

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

## 22. Commitments

	Consolidated	
	2018	2017
	\$	\$
<b>(a) Exploration commitments</b>		
The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding Pilbara Project exploration commitments are as follows:		
Turner River tenements (100% owned) (i)	756,240	577,160
Indee Gold Pty Ltd ("Indee Gold") tenements under share sale agreements to acquire 100% (ii)	590,100	590,100
Haoma Mining NL/Elazac Mining Pty Ltd ("Haoma") tenement under option agreement (iii)	70,000	-
Tenements under other option agreements (iv)	147,280	140,000
<i>Annual commitment for the Pilbara Project assets</i>	1,563,620	1,307,260

- (i) The Turner River Project tenements are owned 100% and have minimum aggregate expenditure requirements of \$756,240 p.a. (2017: \$577,160)
- (ii) The Indee Gold tenements are covered under a full share sale agreement, dated 9 February 2018, as detailed in Note 25.
- (iii) The Haoma tenements are covered under an option agreement, and which De Grey formally exercised that option on 12 July 2018, as detailed in Note 25.
- (iv) The other tenements under option agreements are with respect to the Farno McMahon, Vanmaris and Blue Moon Projects, as detailed in Note 25.

### (b) Capital commitments

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

### (c) Operating lease (non-cancellable)

Within one year	48,895	-
Later than one year and less than five years	195,580	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	244,475	-

## 23. Related party transactions

### (a) Parent entity

The ultimate parent entity within the Group is De Grey Mining Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 24.

### (c) Transactions with related parties

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

### (d) Loans to related parties

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

## 24. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding <sup>1</sup>	
			2018 %	2017 %
Beyondie Gold Pty Ltd	Australia	Ordinary	100	100
Domain Mining Pty Ltd	Australia	Ordinary	100	100
Winterwhite Resources Pty Ltd	Australia	Ordinary	100	100
Last Crusade Pty Ltd	Australia	Ordinary	100	100

<sup>1</sup>The proportion of ownership interest is equal to the proportion of voting power held.

## 25. Interests in joint ventures / other acquisitions

### (a) Attgold Pty Ltd Retained Pegmatite Rights across E45-2364 (a tenement within the Pilbara Project)

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

### (b) Mount Dove Iron Rights

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

**(c) Turner River Shingles, River Sand and Limestone Blocks Farm-Out**

In October 2012 De Grey, through its wholly owned subsidiary Last Crusade Pty Ltd (“LC”), entered into an agreement with Mobile Concreting Solutions Pty Ltd (“MCS”) under which LC facilitated the excision of graticule B703 from LC’s Exploration Licence 45/3390. Under the agreement, MCS applied for a mining licence over the excised graticule to mine for shingles, river sand and limestone blocks. LC retains the right to explore for all other minerals on the affected ground and MCS pays a royalty of \$0.50 per tonne to LC for all material removed. The sands mining operations commenced in the December 2013 quarter and have continued throughout the current financial year.

**(d) Haoma Option – Southern Portion of Tenement E45/2983**

In October 2016, De Grey secured an option to acquire 100% of the southern portions of tenement E45/2983, from Haoma Mining NL (Haoma”), by payment of \$10,000 on exercise of such option. Haoma has retained all rights to pegmatite related mineralisation and alluvial sand and scree deposits on E45/2983; and Haoma obtained the rights to alluvials and scree on part of the De Grey tenement E45/2533 and the full tenement E45/4751.

**(e) Indee Gold Option**

On 24 January 2017, De Grey initially entered into an exclusive and binding Heads of Agreement (“HoA”) with current owner Northwest Nonferrous Australia Mining Pty Ltd (“NNAM”) and its wholly-owned subsidiary, Indee Gold Pty Ltd (“Indee Gold”). Indee Gold owns the gold assets to the immediate west of De Grey’s Turner River Project near Port Hedland, Western Australia.

On 9 February 2018, De Grey executed a detailed Share Sale Agreement (“SSA”) on 9 February 2018 to acquire all the shares in Indee Gold from NNAM.

Under the executed SSA, the total acquisition price is A\$15 Million (as per the initial HoA). As at the reporting date, De Grey has completed its financial obligations under the agreement via the payment of an initial Exclusivity Fee of \$100,000 (paid in January 2017) and a deposit of \$1.5 Million (paid in February 2018).

The remaining consideration payable so as to effect settlement are as follows:

- \$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 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.

As at the date of this report, the Company has scheduled a Shareholders Meeting to obtain approval to proceed with both the Indee Gold acquisition, as well as approval to issue shares to NNAM as noted above. The meeting to set down for 5 October 2018.

Up to the date of the SSA settlement of SSA, De Grey is required to meet the statutory expenditure commitments on each of the Indee tenements

**(f) Farno McMahon Project Option**

On 28 July 2017, secured an option to joint venture (earn-in) agreement for tenement E47/2502, representing the Farno McMahon Project. An option fee of \$40,000 was paid to Vendor granting De Grey and exclusive right and period to assess the project and on 2 October 2017, the Company elected to enter into a Joint Venture Earn -in. The vendor retains all alluvial rights.

The Joint Venture Earn-in consists of two stages:

*Stage 1* - DEG to spend a minimum of \$1.0M over a period of 3 years to earn 30%, as follows:

- Year 1 (to 13 December 2017) expenditure requirement of \$100,000 have been met;
- Year 2 (to 13 March 2019) expenditure requirement of \$300,000 is in progress at the date of this report; and
- Year 3 (to 13 December 2019) expenditure requirement of \$600,000

*Stage 2* - DEG may spend a further \$1.0M expenditure over an additional 1-year period (Year 4) to earn an additional 45% equity in the tenement for a total equity of 75%.

**(g) Vanmaris Project Option**

On 25 September 2017, secured an Option letter agreement with the owner of tenements E47/3399, E47/3428-3430, P47/1732-1733 whereby De Grey may acquire an 80% interest in each of these listed tenements, within a 4 year option period.

The terms of the letter agreement included a cash and script option payment to the vendors of \$30,000 cash and 150,000 ordinary fully paid De Grey shares.

De Grey are to maintain the tenements in good standing during the option period and within the 4 year option period can elect to acquire an 80% interest on payment of \$500,000 cash. The vendor retains the alluvial and prospecting rights to a depth of 3 metres.

**(h) Blue Moon Project Option**

On 11 October 2017, secured an Option letter agreement with the owner of tenement P47/1773 whereby De Grey may acquire a 70% interest in the listed tenements, within a 2 year option period.

The key terms of the letter agreement included a cash and script option payment to the vendors of \$125,000 cash and 600,000 ordinary fully paid De Grey shares.

It is then to fund exploration at De Grey's discretion during the 2 year Option Period and after which it can elect to acquire 70% of the mineral rights of the tenement below 6m depth on payment of \$500,000 cash. The Vendor retains all the mineral rights to a depth of 6 metres.

**26. Statement of cash flows**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Reconciliation of net loss after income tax to net cash outflow from operating activities</b>		
Net loss for the year	<b>(2,476,951)</b>	(3,218,897)
<b>Non-Cash Items</b>		
Depreciation of non-current assets	<b>40,663</b>	11,276
Share based payments (options and performance rights)	<b>696,201</b>	49,980
<i>Non-cash expenses</i>		
Payments to acquire or option mineral tenements	<b>154,500</b>	390,000
Equity settlement of expenses	<b>332,113</b>	20,000
Exploration & evaluation expenditure capitalised	<b>(5,814,539)</b>	(980,397)
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade, other receivables and assets	<b>(145,510)</b>	(37,793)
(Increase)/decrease in inventories	<b>(8,200)</b>	(11,694)
(Decrease)/increase in trade and other payables	<b>135,953</b>	760,246
Net cash outflow from operating activities	<b>(7,085,770)</b>	(3,017,279)

## 27. Loss per share

	2018	2017
<b>(a) Reconciliation of earnings used in calculating loss per share</b>	\$	\$
Loss attributable to the owners of the company used in calculating basic and diluted loss per share	<u>(2,476,951)</u>	<u>(3,218,897)</u>
	<b>Number of shares</b>	<b>Number of shares</b>
<b>(b) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>291,136,047</u>	<u>168,820,401</u>

### (c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2018, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

## 28. Share-based payments

From time to time options are granted to;

- (i) eligible employees under the Performance Rights Plan ("PRP") and/or the Employee Option Plan ("EOP") of De Grey Mining Limited to align their interests with that of the shareholders of the company.
- (ii) Directors under rules comparable with the PRP and/or EOP, but subject to shareholder approval pursuant to the provisions of the ASX Listing Rules and the *Corporations Act 2001*.

### (a) Options

#### Employee Option Plan of De Grey Mining Limited ("EOP")<sup>1</sup>

Shareholders approved the EOP at the Annual General Meeting held on 25 November 2015. The EOP is designed to attract and retain eligible employees, provide an incentive to deliver growth and value for the benefit of all Shareholders and facilitate capital management by enabling the Company to preserve cash reserves for expenditure on principal activities. Participation in the Plan is at the discretion of the Board and no eligible employee has a contractual right to receive an option under the Plan.

The exercise price and expiry date for all options granted will be determined by the board prior to granting of the options, and in the case of Director options subject to shareholder approval. The options granted may also be subject to conditions on exercise and usually have a contractual life of two to three years.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in the capital of the company with full dividend and voting rights.

There were Nil director options granted (2017: 3,500,000) and 2,250,000 EOP options<sup>1</sup> granted (2017: 3,850,000) in the financial year ended 30 June 2018 and are all currently outstanding are detailed in the following table:

Grant date	Expiry date	Exercise price Cents	Balance at start of the year Number	Granted during the year Number	Expired or other change during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
<b>Consolidated – 2018</b>							
25 Nov 2014	25 Nov 2017		2,125,000	-	(2,125,000)	-	-
30 Nov 2016	30 Nov 2018		3,500,000	-	(1,000,000)	2,500,000	2,500,000
30 Nov 2016	30 Nov 2018		3,850,000 <sup>1</sup>	-	(250,000)	3,600,000	3,600,000
24 Sep 2017	31 Oct 2020		-	2,250,000	-	2,250,000	2,250,000
			<u>9,475,000</u>	<u>2,250,000</u>	<u>(3,375,000)</u>	<u>8,350,000</u>	<u>8,350,000</u>

Grant date	Expiry date	Exercise price Cents	Balance at start of the year Number	Granted during the year Number	Expired or other change during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
<b>Consolidated – 2017</b>							
25 Nov 2014	25 Nov 2017	0.4	42,500,000	-	(42,500,000)	-	-
25 Nov 2014	25 Nov 2017	8.0	-	-	2,125,000	2,125,000	2,125,000
30 Nov 2016	30 Nov 2018	10.0	-	3,500,000	-	3,500,000	3,500,000
30 Nov 2016	30 Nov 2018	10.0	-	3,850,000 <sup>1</sup>	- <sup>1</sup>	3,850,000 <sup>1</sup>	3,850,000
			<b>42,500,000</b>	<b>7,350,000</b>	<b>(40,375,000)</b>	<b>9,475,000</b>	<b>9,475,000</b>

### Expenses arising from options - share-based payment transactions

The weighted average fair value of the options granted during the year was \$0.0262 (2017: \$0.0068). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2018	2017
Weighted average exercise price (cents)	10.0	10.0
Weighted average life of the option (years)	3.1	2.0
Weighted average underlying share price (cents)	\$0.066	\$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.

Total expenses arising from equity settled share-based payment transactions recognised during the period were as follows:

	\$	\$
Options issued to directors and EOP to eligible employees	<b>58,950</b>	<b>49,980</b>

### (b) Performance rights

Employee Performance Rights Plan of De Grey Mining Limited ("PRP")

Shareholders approved the PRP at the Annual General Meeting held on 30 November 2017. The PRP, like the EOP Plan is designed to attract and retain eligible employees, provide an incentive to deliver growth and value for the benefit of all Shareholders and facilitate capital management by enabling the Company to preserve cash reserves for expenditure on principal activities. Participation in the Plan is at the discretion of the Board and no eligible employee has a contractual right to receive performance rights under the Plan.

The performance rights granted will be determined by the board prior to granting of the rights, and in the case of Director performance rights, these are subject to shareholder approval. The rights granted may be subject to performance milestones before the holder has the right to exercise (Refer **Note 17**) and can have a contractual life of up to 5 years.

Rights granted carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share in the capital of the company with full dividend and voting rights.

There were 6,700,000 performance rights granted (2017: Nil) in the financial year ended 30 June 2018 and are all currently outstanding are detailed in the following table:



### Expenses arising from performance rights - share-based payment transactions

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 17 (e)**

	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	30-Nov-2021	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 30 June 2018	\$59,763	\$59,763	\$81,460	\$32,844	\$55,166
					<b>\$288,996</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 board considers both dates as appropriate.

## 29. Events occurring after the reporting date

There has been no matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial years, other than;

On 12 July 2018, the Company completed a \$5 Million placement to ASX listed DGO Gold Limited (“DGO”) via the issue of 25 Million ordinary fully paid shares at a price of \$0.20 each. For each share two classes of free attaching unlisted options were also issued on a 1:2 basis, being 12.5M unlisted options with an exercise price of \$0.25 and expiry date of 31 October 2020 and 12.5M unlisted options with an exercise price of \$0.30 and expiry date of 30 May 2021. On 12 July 2018, the Company also allotted 300,000 and 1,950,000 shares on exercise of 10 cent listed options and 4c unlisted options respectively. Finally, the Company issued 1,009,300 shares as part settlement of supplier invoices.

On 18 September 2018, the Company announced that Novo Resources Corp. of Canada (“Novo”) had reached a conditional agreement to acquire 100% of Farno McMahon Pty Ltd (“Farno”), the owner of four key tenements, including tenement E47/2502. The Company had previously entered into a Joint Venture Heads of Agreement with Farno on E47/2502 whereby it can earn 75% of this tenement through expenditure of \$4 million over 4 years. The Company also held a 4% shareholding in Farno and has agreed to accept the Novo offer, which is a combination of cash and scrip.

On 18 September 2018, the Company allotted 124,169 shares on exercise of 10 cent listed options as well as 607,548 shares as part settlement of supplier invoices.

### 30. Parent entity information

	Parent Entity	
	2018	2017
	\$	\$
The following information relates to the parent entity, De Grey Mining Limited, at 30 June 2018. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.		
Current assets	1,455,470	1,161,502
Non-current assets	22,873,773	1,038,758
<b>Total assets</b>	<b>24,329,243</b>	<b>2,200,260</b>
Current liabilities	2,032,743	1,024,126
Non-current liabilities	12,700,000	-
<b>Total liabilities</b>	<b>14,732,743</b>	<b>1,024,126</b>
Contributed equity	59,464,845	49,108,104
Reserves	711,106	170,530
Accumulated losses	(50,579,451)	(48,102,500)
<b>Total equity</b>	<b>9,596,500</b>	<b>1,176,134</b>
Loss for the year	(2,476,951)	(3,218,897)
Other comprehensive loss	-	-
<b>Total comprehensive loss for the year</b>	<b>(2,476,951)</b>	<b>(3,218,897)</b>

#### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

#### Capital commitments

The parent entity had no capital commitments as at 30 June 2018 and 30 June 2017.

#### Accounting policies

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

## Director's Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 33 to 64 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2018 and of their performance for the financial year ended on that date;
- (b) the audited remuneration report set out on pages 23 to 29 of the directors' report complies with section 300A of the *Corporations Act 2001*;
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (d) a statement that the attached financial statements are in compliance with Australian Accounting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



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

Perth, 28 September 2018

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

### Report on the Financial Report

#### Opinion

We have audited the financial report of De Grey Mining Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018 the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

We have conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical requirements in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

Without qualifying our opinion above, we wish to draw your attention to Note 1(U) of the financial statements "Going Concern". The matters as set forth in Note 1(U) "Going Concern" indicates the existence of a material uncertainty that may cast significant doubt about 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.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key Audit Matter

### Deferred exploration and evaluation expenditure

(refer notes 1(m) and 12)

The Group operates as an exploration entity and as such its primary activities entail expenditure focussed on the exploration for and evaluation of economically viable mineral deposits. These activities are currently limited to the Pilbara region in Western Australia.

All exploration and evaluation expenditure incurred during the year has been capitalised and recognised as an asset in the Statement of Financial Position.

The Group has also capitalised contract liabilities of \$13,400,000 associated with the Share Sale Agreement between the Group and the Vendors of Indee Gold Pty Ltd.

The closing value of deferred exploration and evaluation expenditure is \$21,982,686 as at 30 June 2018.

The carrying value of exploration and evaluation assets is subjective based on the Group's intention, and ability, to continue to explore the asset. The carrying value may also be affected by the results of ongoing exploration activity indicating that the mineral reserves and resources may not be commercially viable for extraction. This creates a risk that the asset value included within the financial statements may not be recoverable.

### Contract liabilities

(refer notes 12 and 16)

The Group has completed the execution of a Share Sale Agreement to purchase 100% of the issued shares of Indee Gold Pty Ltd.

The Agreement includes specific payments to be made on or before 24 July 2019.

The contract liabilities under the Agreement have been recognised as liabilities totalling \$13,400,000 at 30 June 2018.

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

## How our audit addressed the key audit matter

Our audit procedures included the following:

- ensuring the Group's continued right to explore in the relevant areas of interest including assessing documentation such as exploration and mining licences;
- enquiring of management and the directors as to the Group's intentions and strategies for future exploration activity and reviewing budgets and cash flow forecasts;
- assessing the results of recent exploration activity to determine whether there are any indicators suggesting a potential impairment of the carrying value of the asset;
- assessing the Group's ability to finance the planned exploration and evaluation activity; and
- assessing the adequacy of the disclosures made by the Group in the financial report.

Our audit procedures included the following:

- assessing management's assumptions in determining that a constructive obligation arises as a result of the Agreement;
- assessing management's strategy and ability to finance the payments required under the Agreement; and
- assessing the adequacy of the disclosures made by the Group in the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Directors' Responsibilities for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significant in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh public interest benefits of such communication.

## **Report on the Remuneration Report**

### **Opinion**

We have audited the Remuneration Report included on pages 23 to 29 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of De Grey Mining Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

### **Responsibilities**

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

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BUTLER SETTINERI (AUDIT) PTY LTD



LUCY P GARDNER  
Director

Perth

Date: 28 September 2018

## ASX Additional Information

Additional information required by Australian Stock Exchange Ltd, and not shown elsewhere in this report, is as follows. The information is current as at 12 October 2018.

### (a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares		Listed option class	
	Number of holders	Number of shares	Number of holders	Number of options
1 - 1,000	165	28,731	1	136
1,001 - 5,000	457	1,552,549	6	23,401
5,001 - 10,000	453	3,797,175	54	318,550
10,001 - 100,000	1,430	54,846,854	133	5,719,888
100,001 and over	419	303,234,508	102	47,041,056
	<b>2,924</b>	<b>363,459,817</b>	<b>296</b>	<b>53,103,031</b>

The number of shareholders holding less than a marketable parcel of shares are:

	<b>404</b>	<b>614,426</b>
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### (b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are as follows:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 Kirkland Lake Gold Limited	33,333,333	9.17%
2 DGO Gold Limited	25,000,000	6.88%
3 Citicorp Nominees Pty Ltd	19,629,829	5.40%
4 HSBC Custody Nominees Australia Ltd	18,684,750	5.14%
5 JP Morgan Nominees Australia Pty Ltd	18,104,328	4.98%
6 BNP Paribas Nominees Pty Ltd <IB AU Nominees Retail>	13,661,334	3.76%
7 National Nominees Ltd	9,500,000	2.61%
8 Merrill Lynch Australia Nominees Pty Ltd	9,152,703	2.52%
9 Lynch, Michael <Lynch Family Account>	5,750,000	1.58%
10 Wolpers, R & LA <R&L Wolpers Superfund A/C>	5,350,000	1.47%
11 Lill, Simon Richard	5,100,000	1.40%
12 BNP Paribas Nominees Pty Ltd <DRP>	4,089,262	1.13%
13 Parker, Robert	3,250,000	0.89%
14 Penand Pty Ltd <Beckwith Superfund A/C>	3,165,000	0.87%
15 HSBC Custody Nominees Australia Ltd	2,644,598	0.73%
16 Andama Holdings Pty Ltd <J&M Barlow Pension A/C>	2,541,372	0.70%
17 BM Capital Management Pty Ltd <BM Cap Mgmt S/F A/C>	2,075,000	0.57%
18 Vienna Holdings Pty Ltd <Ronjen S/F A/C>	2,000,000	0.55%
19 Nelson Enterprises Pty Ltd <Cavan Street A/C>	2,000,000	0.55%
20 Vienna Holdings Pty Ltd <Westgold A/C>	1,900,000	0.52%
	<b>186,931,509</b>	<b>51.42%</b>



**(c) Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
DGO Gold Limited	25,000,000

**(d) Twenty largest option holders**

The names of the twenty largest holders of quoted options are as follows:

	Listed options	
	Number of options	Percentage of options
1 Troca Enterprises Pty Ltd	3,000,000	5.65%
2 Fedoruk, Mark	2,780,000	5.24%
3 Cotterill, Adam	2,144,594	4.04%
4 BNP Paribas Nominees Pty Ltd <IB AU Nominees Retail>	1,882,590	3.55%
5 Calliton Pty Ltd <Cap Inv Unit A/C>	1,800,000	3.39%
6 Lynch, Michael <Lynch Family Account>	1,750,000	3.30%
7 Matchett Shane A & Melita A <SA MA Matchett Superfund>	1,697,275	3.20%
8 Coulson, Phillip John	1,000,000	1.88%
9 Vienna Holdings Pty Ltd <Ronjen S/F A/C>	1,000,000	1.88%
10 Johnston, David Anthony	980,457	1.85%
11 Golden Oaks Nominees Pty Ltd <KW Lee Family A/C>	980,000	1.85%
12 Sammut, Sam & Lynette R <Rama S/F A/C>	945,000	1.78%
13 Wagner, Wade Peter	900,000	1.69%
14 HSBC Custody Nominees Australia Ltd	878,738	1.65%
15 Bryon, Daryl C & Elizabeth S	867,140	1.63%
16 Woodward, Graham & Sheryl <G&S Woodward S/F A/C>	819,786	1.54%
17 Divin, Paul Venda	706,000	1.33%
18 Brennan Super WA Pty Ltd <A T Brennan S/F A/C>	700,000	1.32%
19 Cotterill, Adam & Victoria	641,700	1.21%
20 Reese, Philip	630,000	1.19%
	26,103,280	49.17%

**(e) Unquoted (unlisted) Securities**

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
Unlisted \$0.04 options, expiry 10 June 2019	1,134,611	2	Craig Nelmes	634,611
			GXB Pty Ltd	500,000
Unlisted \$0.10 options, expiry 30 November 2018	6,100,000	6	Simon Lill	1,500,000
			Andy Beckwith	1,500,000
Unlisted \$0.10 options, expiry 31 October 2020	2,250,000	3	Andy Beckwith	1,000,000
			Phil Tornatora	750,000
			Craig Nelmes	500,000
Unlisted \$0.10 options, expiry 31 October 2020	12,000,000	1	Corporate Resource Consultants Pty Ltd	12,000,000
Unlisted \$0.20 options, expiry 30 November 2019	33,333,333	1	Kirkland Lake Gold Limited	33,333,333
Unlisted \$0.25 options, expiry 30 November 2019	12,500,000	1	DGO Gold Limited	12,500,000
Unlisted \$0.30 options, expiry 30 November 2019	12,500,000	1	DGO Gold Limited	12,500,000
Performance rights	6,700,000	6	Andy Beckwith	2,000,000
			Simon Lill	1,500,000

**(f) Voting rights**

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

The Quoted and unquoted (unlisted) options have no voting rights.

**(g) Corporate Governance**

The Board of De Grey Mining Limited is committed to Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate with Shareholders. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report.

Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at <https://degreymining.com.au/corporate-governance>.

**(h) Application of Funds**

During the financial year, De Grey Mining Limited confirms that it has used its cash and assets (in a form readily convertible to cash) in a manner which is consistent with the Company's business objectives.

## Annual Mineral Resources Statement

### Withnell Mining Centre Mineral Resources - Gold

Deposit	Type	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	Oxide	0.57	1.3	23,300	0.22	1.6	11,400	0.15	1.1	5,400	0.94	1.3	40,000
	Fresh	0.45	1.4	20,900	2.57	1.8	145,200	2.41	2.2	171,200	5.43	1.9	337,300
	<b>Total</b>	<b>1.02</b>	<b>1.3</b>	<b>44,100</b>	<b>2.79</b>	<b>1.7</b>	<b>156,600</b>	<b>2.56</b>	<b>2.1</b>	<b>176,600</b>	<b>6.37</b>	<b>1.8</b>	<b>377,300</b>
Mallina	Oxide				0.45	1.3	19,100	0.55	1.2	21,300	1.00	1.3	40,500
	Fresh				0.81	1.2	31,400	2.01	1.4	88,800	2.82	1.3	120,200
	<b>Total</b>				<b>1.26</b>	<b>1.2</b>	<b>50,600</b>	<b>2.57</b>	<b>1.3</b>	<b>110,100</b>	<b>3.83</b>	<b>1.3</b>	<b>160,700</b>
Toweranna	Oxide				0.27	2.2	18,400	0.23	2.1	15,700	0.50	2.1	34,100
	Fresh				0.46	2.5	36,000	1.06	2.2	73,800	1.51	2.3	109,800
	<b>Total</b>				<b>0.72</b>	<b>2.3</b>	<b>54,400</b>	<b>1.29</b>	<b>2.2</b>	<b>89,500</b>	<b>2.01</b>	<b>2.2</b>	<b>143,900</b>
Camel	Oxide	0.18	2.8	16,400	0.32	2.6	26,800	0.04	1.1	1,500	0.54	2.6	44,700
	Fresh	0.01	2.1	600	0.14	1.4	6,500	0.14	1.8	8,600	0.29	1.7	15,700
	<b>Total</b>	<b>0.19</b>	<b>2.8</b>	<b>17,000</b>	<b>0.46</b>	<b>2.2</b>	<b>33,300</b>	<b>0.19</b>	<b>1.7</b>	<b>10,100</b>	<b>0.84</b>	<b>2.2</b>	<b>60,400</b>
Calvert	Oxide				0.43	1.3	17,900	0.05	0.8	1,400	0.48	1.3	19,300
	Fresh				0.56	1.3	23,800	0.23	1.2	9,300	0.79	1.3	33,100
	<b>Total</b>				<b>0.99</b>	<b>1.3</b>	<b>41,700</b>	<b>0.28</b>	<b>1.2</b>	<b>10,700</b>	<b>1.27</b>	<b>1.3</b>	<b>52,400</b>
Roe	Oxide	0.06	2.7	5,500	0.13	1.5	6,000	0.11	1.6	5,700	0.30	1.8	17,200
	Fresh	0.01	2.5	1,000	0.07	2.3	5,300	0.21	2.2	14,800	0.30	2.2	21,100
	<b>Total</b>	<b>0.08</b>	<b>2.7</b>	<b>6,500</b>	<b>0.20</b>	<b>1.8</b>	<b>11,300</b>	<b>0.33</b>	<b>2.0</b>	<b>20,500</b>	<b>0.60</b>	<b>2.0</b>	<b>38,300</b>
Dromedary	Oxide	0.10	2.2	7,200	0.03	1.6	1,400	0.04	1.6	2,200	0.17	1.9	10,800
	Fresh				0.03	1.6	1,700	0.08	1.8	4,700	0.12	1.7	6,400
	<b>Total</b>	<b>0.10</b>	<b>2.2</b>	<b>7,200</b>	<b>0.06</b>	<b>1.6</b>	<b>3,200</b>	<b>0.12</b>	<b>1.7</b>	<b>6,900</b>	<b>0.29</b>	<b>1.9</b>	<b>17,200</b>
Leach Pad	Oxide				0.86	0.7	19,300				0.86	0.7	19,300
	Fresh										0.00	0.0	0
	<b>Total</b>				<b>0.86</b>	<b>0.7</b>	<b>19,300</b>				<b>0.86</b>	<b>0.7</b>	<b>19,300</b>
Hester	Oxide							0.07	1.6	3,500	0.07	1.6	3,500
	Fresh							0.03	1.2	1,300	0.03	1.2	1,300
	<b>Total</b>							<b>0.10</b>	<b>1.5</b>	<b>4,800</b>	<b>0.10</b>	<b>1.5</b>	<b>4,800</b>
Withnell Mining Centre	Oxide	0.92	1.8	52,300	2.70	1.4	120,400	1.25	1.4	56,700	4.86	1.5	229,400
	Fresh	0.48	1.5	22,500	4.64	1.7	250,000	6.19	1.9	372,500	11.30	1.8	644,900
	<b>Total</b>	<b>1.39</b>	<b>1.7</b>	<b>74,800</b>	<b>7.33</b>	<b>1.6</b>	<b>370,400</b>	<b>7.43</b>	<b>1.8</b>	<b>429,200</b>	<b>16.16</b>	<b>1.7</b>	<b>874,300</b>

### Wingina Mining Centre Mineral Resources - Gold

Deposit	Type	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
Wingina	Oxide	2.68	1.8	152,100	0.65	1.3	27,000	0.34	1.3	14,400	3.67	1.6	193,500
	Fresh	0.40	1.6	20,500	0.34	1.5	16,300	1.08	1.7	57,400	1.82	1.6	94,200
	<b>Total</b>	<b>3.08</b>	<b>1.7</b>	<b>172,700</b>	<b>0.99</b>	<b>1.4</b>	<b>43,300</b>	<b>1.42</b>	<b>1.6</b>	<b>71,700</b>	<b>5.49</b>	<b>1.6</b>	<b>287,700</b>
Mt Berghaus	Oxide				0.68	1.8	38,900	0.99	1.1	35,800	1.67	1.4	74,700
	Fresh				0.27	1.7	14,400	2.40	1.2	91,800	2.77	1.2	106,300
	<b>Total</b>				<b>0.95</b>	<b>1.7</b>	<b>53,300</b>	<b>3.39</b>	<b>1.2</b>	<b>127,600</b>	<b>4.34</b>	<b>1.3</b>	<b>181,000</b>
Amanda	Oxide				0.50	1.3	21,000	0.32	1.1	11,200	0.82	1.2	32,200
	Fresh				0.07	1.7	3,800	0.37	1.2	14,800	0.44	1.3	18,500
	<b>Total</b>				<b>0.57</b>	<b>1.3</b>	<b>24,800</b>	<b>0.69</b>	<b>1.2</b>	<b>26,000</b>	<b>1.26</b>	<b>1.3</b>	<b>50,800</b>
Wingina Mining Centre	Oxide	2.68	1.8	152,100	1.83	1.5	86,900	1.64	1.2	61,400	6.16	1.5	300,400
	Fresh	0.40	1.6	20,500	0.68	1.6	34,500	3.85	1.3	163,900	4.93	1.4	219,000
	<b>Total</b>	<b>3.08</b>	<b>1.7</b>	<b>172,700</b>	<b>2.51</b>	<b>1.5</b>	<b>121,500</b>	<b>5.49</b>	<b>1.3</b>	<b>225,300</b>	<b>11.09</b>	<b>1.5</b>	<b>519,400</b>

## De Grey Mining Limited Total Mineral Resources - Gold

Mining Centre	Type	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	Oxide	0.92	1.8	52,300	2.70	1.4	120,400	1.25	1.4	56,700	4.86	1.5	229,400
	Fresh	0.48	1.5	22,500	4.64	1.7	250,000	6.19	1.9	372,500	11.30	1.8	644,900
	<b>Total</b>	<b>1.39</b>	<b>1.7</b>	<b>74,800</b>	<b>7.33</b>	<b>1.6</b>	<b>370,400</b>	<b>7.43</b>	<b>1.8</b>	<b>429,200</b>	<b>16.16</b>	<b>1.7</b>	<b>874,300</b>
Wingina	Oxide	2.68	1.8	152,100	1.83	1.5	86,900	1.64	1.2	61,400	6.16	1.5	300,400
	Fresh	0.40	1.6	20,500	0.68	1.6	34,500	3.85	1.3	163,900	4.93	1.4	219,000
	<b>Total</b>	<b>3.08</b>	<b>1.7</b>	<b>172,700</b>	<b>2.51</b>	<b>1.5</b>	<b>121,500</b>	<b>5.49</b>	<b>1.3</b>	<b>225,300</b>	<b>11.09</b>	<b>1.5</b>	<b>519,400</b>
Total Pilbara Gold Project	Oxide	3.60	1.8	204,400	4.53	1.4	207,400	2.89	1.3	118,100	11.02	1.5	529,900
	Fresh	0.88	1.5	43,000	5.32	1.7	284,500	10.04	1.7	536,400	16.23	1.7	863,900
	<b>Total</b>	<b>4.47</b>	<b>1.7</b>	<b>247,400</b>	<b>9.85</b>	<b>1.6</b>	<b>491,800</b>	<b>12.93</b>	<b>1.6</b>	<b>654,500</b>	<b>27.25</b>	<b>1.6</b>	<b>1,393,800</b>

All gold deposits are reported at a 0.5g/t Au cut-off grade except Withnell below -100mRL and Wingina below -55mRL where a 1.0g/t Au cut-off was applied.

## Turner River Project Base Metal Mineral Resources

Deposit	Class	Tonnes Mt	Zn	Pb	Cu	Au	Ag	Zn	Pb	Cu	Au	Ag
			%	%	%	ppm	ppm					
Discovery Massive Sulphide	Indicated	0.27	5.2	2.4	0.2	1.9	192	13,900	6,400	600	16,300	1,600
	Inferred	0.35	5.2	2.1	0.2	1.3	196	18,200	7,100	600	14,100	2,200
	<b>Total</b>	<b>0.61</b>	<b>5.2</b>	<b>2.2</b>	<b>0.2</b>	<b>1.5</b>	<b>194</b>	<b>32,100</b>	<b>13,500</b>	<b>1,200</b>	<b>30,400</b>	<b>3,800</b>
Discovery Deposit Halo Mineralisation	Indicated	0.15	0.9	0.5	0.1	0.9	47	1,300	700	100	4,300	200
	Inferred	0.63	1.1	0.5	0.1	0.6	60	6,900	2,900	400	11,700	1,200
	<b>Total</b>	<b>0.78</b>	<b>1.0</b>	<b>0.5</b>	<b>0.1</b>	<b>0.6</b>	<b>57</b>	<b>8,200</b>	<b>3,600</b>	<b>400</b>	<b>16,000</b>	<b>1,400</b>
Discovery Deposit Total	Indicated	0.41	3.7	1.7	0.2	1.6	140	15,200	7,100	700	20,600	1,900
	Inferred	0.98	2.6	1.0	0.1	0.8	108	25,100	10,000	900	25,800	3,400
	<b>Total</b>	<b>1.39</b>	<b>2.9</b>	<b>1.2</b>	<b>0.1</b>	<b>1.0</b>	<b>118</b>	<b>40,300</b>	<b>17,100</b>	<b>1,700</b>	<b>46,400</b>	<b>5,300</b>
Orchard Tank Deposit Total	Indicated											
	Inferred	2.08	3.4	1.4	0.1	0.7	105	70,800	28,900	2,400	45,500	7,000
	<b>Total</b>	<b>2.08</b>	<b>3.4</b>	<b>1.4</b>	<b>0.1</b>	<b>0.7</b>	<b>105</b>	<b>70,800</b>	<b>28,900</b>	<b>2,400</b>	<b>45,500</b>	<b>7,000</b>

## Turner River Total Base Metal Mineral Resources

	Class	Tonnes Mt	Zn	Pb	Cu	Au	Ag	Zn	Pb	Cu	Au	Ag
			%	%	%	ppm	ppm					
De Grey Total	Indicated	0.41	3.7	1.7	0.2	1.6	140	15,200	7,100	700	20,600	1,900
	Inferred	3.06	3.1	1.3	0.1	0.7	106	95,800	39,000	3,400	71,300	10,400
	<b>Total</b>	<b>3.47</b>	<b>3.2</b>	<b>1.3</b>	<b>0.1</b>	<b>0.8</b>	<b>110</b>	<b>111,000</b>	<b>46,100</b>	<b>4,100</b>	<b>91,900</b>	<b>12,300</b>

Discovery and Orchard Tank deposits are reported at a 0.5% Zn cut-off grade

## Review of Material Changes

Material changes have been made to the Company's Gold Mineral Resource Inventory. Between June 2017 and September 2018, the total inventory for the Pilbara Gold Project increased from 18.8Mt at 1.7g/t for 1,002koz to 27.2Mt at 1.6g/t for 1,394koz as shown below.

De Grey Mining Limited - Comparison of June 2017 and September 2018 Gold Mineral Resources

	Report Year	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
Pilbara Gold Project Total	2018	4.47	1.7	247,400	9.85	1.6	491,800	12.93	1.6	654,500	27.25	1.6	1,393,800
	2017	4.39	1.7	241,700	5.44	1.7	295,100	9.01	1.6	465,500	18.84	1.7	1,002,300
	Change	2%	0%	2%	81%	-6%	67%	44%	0%	41%	45%	-6%	39%

At the Withnell Mining Centre, increases are due to the delineation of new Mineral Resources at the Mallina, Toweranna and Leach Pad deposits as well as increases to the Camel and Roe deposits to incorporate successful exploration drilling results. The total Withnell Mining Centre Mineral Resource inventory at September 2018 comprised 16.2Mt at 1.7g/t Au for 874koz, an increase of 62% in ounces compared to the June 2017 estimate.

At the Wingina Mining Centre, material increases to the Mt Berghaus and Amanda Mineral Resource estimates resulted from the incorporation of successful exploration drilling results. The Mineral Resource at September 2018 for the Wingina Mining Centre comprised 11.1Mt at 1.5g/t Au for 519koz, an increase of 12% in ounces compared to the estimate reported at June 2017.

Wingina Mining Centre - Comparison of June 2017 and September 2018 Gold Mineral Resources

Deposit	Report Year	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	2018	1.02	1.3	44,100	2.79	1.7	156,600	2.56	2.1	176,600	6.37	1.8	377,300
	2017	1.02	1.3	44,100	2.79	1.7	156,600	2.56	2.1	176,700	6.37	1.8	377,300
	Change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Mallina	2018				1.26	1.2	50,600	2.57	1.3	110,100	3.83	1.3	160,700
	2017												
	Change				>	>	>	>	>	>	>	>	>
Toweranna	2018				0.72	2.3	54,400	1.29	2.2	89,500	2.01	2.2	143,900
	2017												
	Change				>	>	>	>	>	>	>	>	>
Camel	2018	0.19	2.8	17,000	0.46	2.2	33,300	0.19	1.7	10,100	0.84	2.2	60,400
	2017	0.14	3.1	14,000	0.29	2.9	26,700	0.31	1.7	16,700	0.74	2.4	57,400
	Change	36%	-10%	21%	59%	-24%	25%	-39%	0%	-40%	14%	-8%	5%
Calvert	2018				0.99	1.3	41,700	0.28	1.2	10,700	1.27	1.3	52,400
	2017				0.99	1.3	41,700	0.28	1.2	10,700	1.27	1.3	52,400
	Change				0%	0%	0%	0%	0%	0%	0%	0%	0%
Roe	2018	0.08	2.7	6,500	0.2	1.8	11,300	0.33	2	20,500	0.6	2	38,300
	2017	0.04	2.8	3,700	0.12	3	11,300	0.22	2	14,200	0.38	2.4	29,300
	Change	100%	-4%	76%	67%	-40%	0%	50%	0%	44%	58%	-17%	31%
Dromedary	2018	0.1	2.2	7,200	0.06	1.6	3,200	0.12	1.7	6,900	0.29	1.9	17,200
	2017	0.1	2.2	7,200	0.06	1.6	3,200	0.12	1.7	6,900	0.29	1.9	17,200
	Change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Leach Pad	2018				0.86	0.7	19,300				0.86	0.7	19,300
	2017												
	Change				>	>	>				>	>	>
Hester	2018							0.1	1.5	4,800	0.1	1.5	4,800
	2017							0.1	1.5	4,800	0.1	1.5	4,800
	Change							0%	0%	0%	0%	0%	0%
Withnell Mining Centre	2018	1.39	1.7	74,800	7.33	1.6	370,400	7.43	1.8	429,200	16.16	1.7	874,300
	2017	1.31	1.6	69,000	4.24	1.8	239,500	3.6	2	229,900	9.15	1.8	538,400
	Change	6%	6%	8%	73%	-11%	55%	106%	-10%	87%	77%	-6%	62%

## Wingina Mining Centre - Comparison of June 2017 and September 2018 Gold Mineral Resources

Deposit	Report Year	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
Wingina	2018	3.08	1.7	172,700	0.99	1.4	43,300	1.42	1.6	71,700	5.49	1.6	287,700
	2017	3.08	1.7	172,700	0.99	1.4	43,300	1.42	1.6	71,700	5.49	1.6	287,700
	Change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Mt Berghaus	2018				0.95	1.7	53,300	3.39	1.2	127,600	4.34	1.3	181,000
	2017				0.21	1.8	12,300	3.3	1.2	128,500	3.52	1.2	140,800
	Change				352%	-6%	333%	3%	0%	-1%	22%	8%	29%
Amanda	2018				0.57	1.3	24,800	0.69	1.2	26,000	1.26	1.3	50,800
	2017							0.69	1.6	35,400	0.69	1.6	35,400
	Change							0%	-25%	-27%	88%	-19%	44%
Wingina Mining Centre	2018	3.08	1.7	172,700	2.51	1.5	121,500	5.49	1.3	225,300	11.09	1.5	519,400
	2017	3.08	1.7	172,700	1.2	1.4	55,600	5.41	1.4	235,600	9.69	1.5	463,900
	Change	0%	0%	0%	109%	7%	119%	1%	-7%	-4%	15%	0%	12%

There were no changes to the Mineral Resource estimates for the Turner River base metal deposits during the 2018 financial year.

#### Governance and Internal Control

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

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

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

All De Grey Mineral Resource estimates have been undertaken independently by Payne Geological Services Pty Ltd.

#### COMPETENT PERSON STATEMENT

*The information in this Annual Mineral Resources Statement is based on, and fairly represents information and supporting documentation prepared 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.*

*Mr Payne has approved this Mineral Resources Statement as a whole and consents to its inclusion in the Annual Report in the form and context in which it appears.*

*In relation to Mineral Resources, the Company confirms that all material assumptions and technical parameters that underpin the relevant market announcement continue to apply and have not materially changed*

## Schedule of Interests in Mining Tenements

Project/Location	Country	Tenement	Percentage held/earning
Beyondie	Australia	E52/2215	20% <sup>1</sup>
Turner River	Australia	E47/891	100%
Turner River	Australia	E45/2533	100%
Turner River	Australia	E45/2364	100%
Turner River	Australia	E45/2995	100%
Turner River	Australia	E45/3390	100%
Turner River	Australia	E45/3391	100%
Turner River	Australia	E45/3392	100%
Turner River	Australia	E47/3552	100%
Turner River	Australia	E47/3553	100%
Turner River	Australia	E47/3554	100%
Turner River	Australia	E47/3750	100%
Turner River	Australia	P45/3028	100%
Turner River	Australia	P45/3029	100%
Turner River	Australia	E45/2983	100%
Turner River	Australia	P47/1827	100%
Turner River	Australia	P47/1866	100%
Turner River	Australia	P47/1827	100%
Blue Moon	Australia	P47/1773	0% <sup>2</sup>
Farno-McMahon	Australia	E47/2502	0% <sup>3</sup>
Indee	Australia	E47/2720	0% <sup>4</sup>
Indee	Australia	E47/3504	0% <sup>4</sup>
Indee	Australia	M47/473	0% <sup>4</sup>
Indee	Australia	M47/474	0% <sup>4</sup>
Indee	Australia	M47/475	0% <sup>4</sup>
Indee	Australia	M47/476	0% <sup>4</sup>
Indee	Australia	M47/477	0% <sup>4</sup>
Indee	Australia	M47/480	0% <sup>4</sup>
Indee	Australia	L47/164	0% <sup>4</sup>
Indee	Australia	L47/165	0% <sup>4</sup>
Vanmaris	Australia	E47/3399	0% <sup>5</sup>
Vanmaris	Australia	E47/3428	0% <sup>5</sup>
Vanmaris	Australia	E47/3429	0% <sup>5</sup>
Vanmaris	Australia	E47/3430	0% <sup>5</sup>
Vanmaris	Australia	P47/1732	0% <sup>5</sup>
Vanmaris	Australia	P47/1733	0% <sup>5</sup>

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

<sup>2</sup> De Grey Option has an option to acquire a 70% interest from tenement holder Mr. Craig Gibson (Note 25(h)).

<sup>3</sup>De Grey has an option to acquire 100% of tenement E45/2983, from Haoma Mining NL and Elazac Mining Pty Ltd, the later party being the tenement holder (Note 25 (d)).

<sup>4</sup>In February 2018, De Grey executed a fully binding share agreement to acquire 100% of Indee Gold Pty Ltd – the tenement owner (Note 25(e)).

<sup>5</sup> De Grey Option has an option to acquire an 80% interest from tenement holder Mr. Mathew Vanmaris (Note 25(g)).



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