Annual Report

for the year ended 30 June 2017

De Grey Mining Limited
ABN 65 094 206 292

Corporate Information

ABN 65 094 206 292

Directors
Simon Lill (Executive Chairman)
Steven Morris (Non-Executive Director)
Davide Bosio (Non-Executive Director)

Company Secretary
Craig Nelmes

Registered Office and Principal Place of Business
Level 2, Suite 9
389 Oxford Street
MOUNT HAWTHORN WA 6016
Telephone: +61 8 9381 4108
Facsimile: +61 8 9380 6761

Postal Address
PO Box 281
MOUNT HAWTHORN WA 6915

Solicitors
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Bankers
National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

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

Internet Address
www.degreymining.com.au

Email Address
admin@degreymining.com.au

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

Contents

Executive Chairman's Report

Last year I reported that the year had played out in two halves. I find myself repeating that, with the half way point for this Financial Year being the execution of the Option Agreement with North West Non Ferrous Australia Mining Limited ("NWII") on 24 January 2017 to acquire the neighbouring Indee Gold Project. This Agreement elevated De Grey from a company with a smallish resource and exploration potential to a gold development story. We started the year with gold resources of 346,000 ounces, and now have a Project inventory of just over 1.2M ounces.

We are excited about the potential of our tenement holding – we control over 160kms of mineralised shear zone, numerous drill ready exploration targets, and existing resources able to be increased as most remain open in most directions. Like many junior explorers we have been frustrated at a lack of market recognition for what we have, and what we have achieved. Fortuitously in recent times the spotlight has turned on the region through the land grab, market performance and nugget discoveries of Novo Resources of Canada and their JV partner, Artemis Resources. Novo believe the area to be highly prospective for conglomerate gold mineralisation considered analogous to the Witwatersrand in South Africa. This has resulted in interest in all regional tenements, of which De Grey now controls a significant package of around 1,800 km2.

Further we have announced that we have some similar style conglomerate mineralisation within our tenements to that which Novo is chasing, and have confirmed similar geology through the metal detection of a number of pitted watermelon seed gold nuggets.

As we sign this report we also welcome Kirkland Lake Gold of Canada to our register. Kirkland Lake are a Canadian TSX listed mid-tier gold producer with a market capitalisation of approximately US$2.7 Billion.

The Operations Review summarises our activities through the last 12 months activities in some detail. A bird's eye view outlines the following achievements:

- Definition of a high grade lode from surface within the Wingina Well gold deposit together with proving this deposit continues to be mineralised at depth;
- A significant increase in gold resources at Mt Berghaus, with associated resource upgrade across all tenements;
- Discovery of a 7km lithium containing pegmatite trend on the tenements which had never previously been identified. As this report is finalised we are awaiting assay results from the maiden drilling program;
- Significant upgrade of Base Metals resources at the Discovery-Orchard Tank Zn-Ag-Pb deposits on our wholly owned tenements;
- Entering into an option agreement to acquire the Indee Gold Project, significantly increasing the resource base;
- Upgrade of all resources at Indee Gold to JORC 2012, increasing the overall resource base of the Pilbara Gold Project to over 1.2 million ounces; and
- Confirmation of conglomerate style mineralisation hosting gold resulting in an investment in De Grey by Kirkland Lake Gold Ltd, to be approved by shareholders at the forthcoming Annual General Meeting.

We are proud of the year's achievements and prouder that this has been achieved with a small hardworking team, allowing more funds to be spent on Project development. Hence there is only a small number of people to thank! We have come a long way since being advised that the Turner River Gold Project was being returned to us in February of 2016. Much of this has been driven by Andy Beckwith with the geological support of Phil Tornatora. We are fortunate to have two such experienced gold geologists on our team who have also consistently supported the Company through the Capital Raisings undertaken during the year. This is testimony to the quality of the Company's projects. I thank them for their efforts to date, though equally knowing that they are enjoying the geological challenges and are looking forward to an exciting year ahead.

The Company Secretary and CFO, Craig Nelmes has been tireless in his efforts to chase down the minutiae of Project life, and his support to the team in general and myself personally is unquestioned. I thank him for that support.

I should also note the relationship with our Chinese vendors, whom we view in many ways as partners. They knew when entering the transaction with a junior gold explorer that it was a big task for us. Their ongoing support has been further demonstrated with agreement reached to extend the acquisition settlement date out a further twelve (12) months to 24 July 2019. We are also hopeful of their continued support moving forward.

Finally, to my fellow Board Members, Davide Bosio and Steve Morris. We have enjoyed many vigorous conversations through the highs and lows of life as a junior but have maintained our humour and support for each other throughout. The Board recognises it is time for a change and we will be introducing new Board Members to ensure we are more resource orientated in the near future.

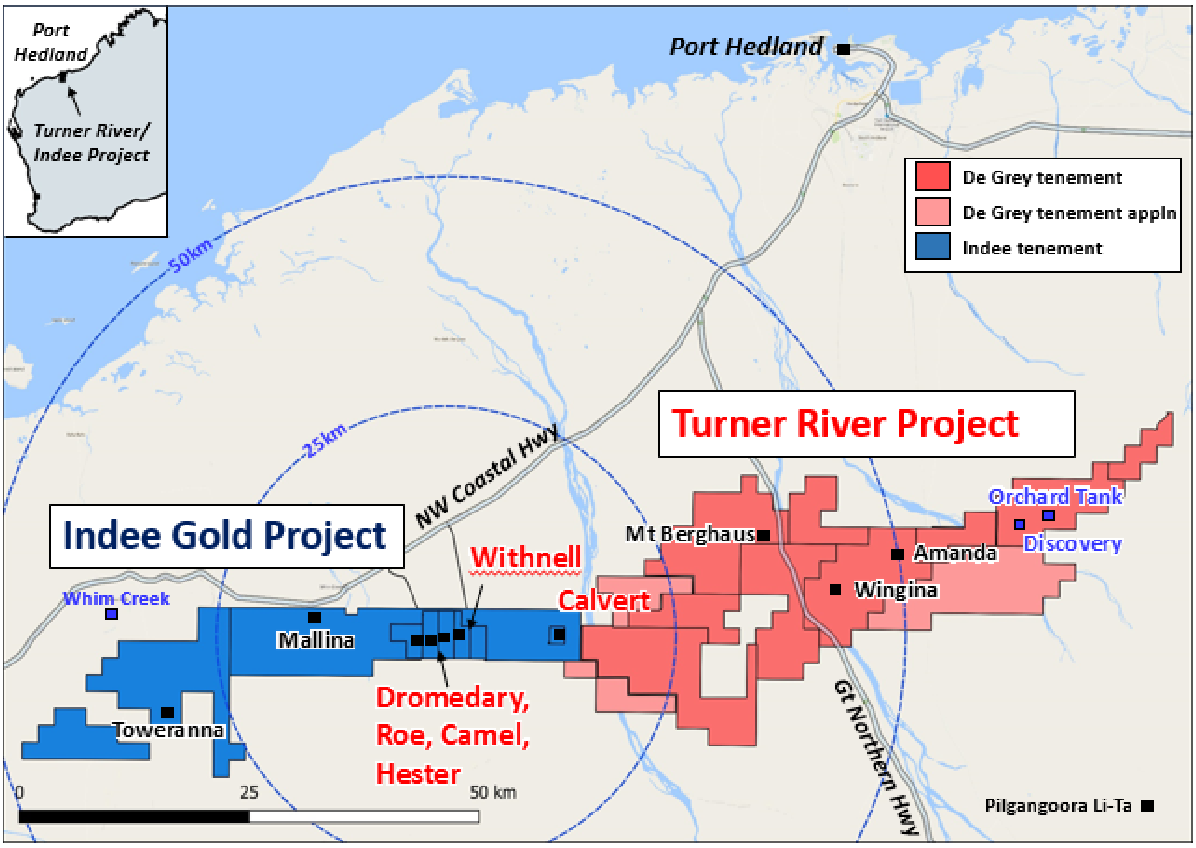
In closing we look forward to an exciting year ahead. The Witwatersrand style of mineralisation could be a game changer, but we do know we have much to do on the more traditional shear zones that we do control. We look forward to providing you, the shareholders with a steady stream of exciting results – and trust we are rewarded with your support as a result.

Simon Lill
Executive Chairman
Perth, 1 October 2017

The Pilbara Gold Project

During the year De Grey Mining ("De Grey" or "Company") entered into an Option Agreement to acquire the neighbouring Indee Gold Project, thereby amalgamating the Turner River Project with the Indee Gold Project. The combined projects have since been named the Pilbara Gold Project and now covers over 1,800 km^2 some 75 kms to the south west of Port Hedland, in the Pilbara region of Western Australia.

Locality Map – Pilbara Region – Tenements under De Grey Control following Indee Option Agreement



JORC 2012 Resources

During the year the Company has steadily increased the **Pilbara Gold resource base** as tabulated below:

ASX Release Date	Ore (Mt's)	Grade (g/t)	K Oz's	Outcome
2 Jun 2016	6.7	1.6	346	*Restate resources for JORC 2012 Compliance*
28 Oct 2016	7.1	1.6	366	*Restatement of Wingina Well resources for high grade lode*
25 Jan 2017	9.69	1.5	464	*Increase in Mt Berghaus resources following drill program*
9 Feb 2017	Turner River – 9.69 Indee Gold – 6.66	1.5 1.6	464 345	*Enters option agreement to acquire Indee Gold. Restatement of Indee JORC 2004 resources*
3 April 2017	18.84	1.7	1,002	*Upgrade Indee to JORC 2012, including drill data post 2004*
28 Sep 2017	23.88	1.6	1,210	*Upgrade resources through inclusion of Mallina, Toweranna and Heap Leach Pad*

The company also upgraded resources at its Zn-Pb-Ag **Base Metals Project** as indicated below:

Discovery Prospect
1.4Mt @ 2.9% Zn, 1.2% Pb, 1.0g/t Au, 118g/t Ag, <u>including</u> massive sulphide zone hosting 0.6Mt @ 5.2% Zn, 2.2% Pb, 1.5g/t Au, 194g/t Ag

Orchard Tank Prospect
2.1Mt @ 3.4% Zn, 1.4% Pb, 0.7g/t Au, 105g/t Ag

Operations Report

Pilbara Gold Project – Scoping Study

The Company commenced a scoping study during the year which was reported in August 2017. The Study was managed by independent mining consultants Mintrex, with inputs from Cube Consulting and De Grey.

The scope of the 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% and between 90-96% for oxide.

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 Study 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 only 5 years. There will be opportunities to improve the recoverable resources from that inventory as some of the resources show underground potential. The study has indicated that an increase in mine life would have a significant impact on project economics.

The Company recognised this and whilst the study was being finalised had already commenced work to increase resources at the Project, as well as metallurgical work aiming to confirm and improve fresh rock recoveries.

Pilbara Gold Project (Gold resources that are 100% owned by De Grey Group)

The three gold deposits Wingina, Amanda and Mount Berghaus contain an estimated 464,000 ounces of gold at 1.5 g/t (refer to the Annual Statement of Ore Resources - JORC 2012 on page 61). The resources are located in an infrastructure rich area, 50km south of Port Hedland in the Pilbara region of Western Australia, with excellent access via dominantly bitumen roads.

Wingina Well

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

The Wingina Well Mineral Resource estimate was increased during the year by 7% to 5.49Mt at 1.6g/t Au for 288,000 ounces. 173,000oz (60%) is in the Measured category. Importantly the Company also showed that there exists within the resource an internal high grade lode comprising 1.1Mt at 4.1g/t Au for 144,000oz. This lode commences at surface and continues to the bottom of the likely open pit. 50% of Wingina gold is contained in the high grade lodes comprising only 20% of the deposit tonnes. The resource averages over 1,200 ounces per vertical metre/("oz/vm") from surface to 140m depth. The mineralisation remains open at depth and along strike. The remaining Inferred category relates to generally deeper portions of the deposit which have received less drilling density to date. The Company has not yet concluded enough work to prove the resource has the potential to provide for underground mining, though the continuance of the higher grade lode indicates that potential.

Mt Berghaus

Drilling by De Grey during November/December 2016 provided for a significant increase in the Mt. Berghaus deposit (141,000 Oz's @ 1.2 g/t). The Mt Berghaus deposit is controlled by the Mallina Shear Zone and occurs within deformed metasediments of Archean age. Mineralisation is developed within a NE-SW striking, sub-vertical zone with resource grade mineralisation defined to date in three separate areas. The Mt Berghaus zone has a strike extent of 1.4km while the North Lode and West Berghaus zones have strike extents of 160m and 350m respectively. All zones have been reported above a depth of 120m.

Gold mineralisation is associated with zones of quartz veining developed as multiple steep zones within metasediments. The deposit has a typical depth of oxidation of 40m to 60m. Over 50,000oz of the Mineral Resource lies within oxidised and transitional material. The newly discovered zones highlight the potential for additional mineralisation with 3 kms of strike between West Berghaus and Mt Berghaus (central) on similar stratigraphy and remains essentially untested.

Amanda

At Amanda, a resource of 35,400 Oz's at 1.6 g/t has previously been defined. There was no work completed on this resource during the year, but as it is controlled by the Wingina shear and remains open in all directions, there is significant potential to increase this resource with further drilling. As indicated above, the intervening 10km strike length has limited deeper RC or diamond drilling that tests this prospective horizon. Although poorly tested highly encouraging drilling intercepts including 2m @ 43.2g/t, 3m @ 29.3g/t, 4m @ 26.9g/t and 16m @ 1.57g/t provide incentive to undertake further exploration along this zone.

Indee Gold Resources (Gold resources subject to Option Agreement with Northwest Non Ferrous Australian Mining Limited ("NNAM")

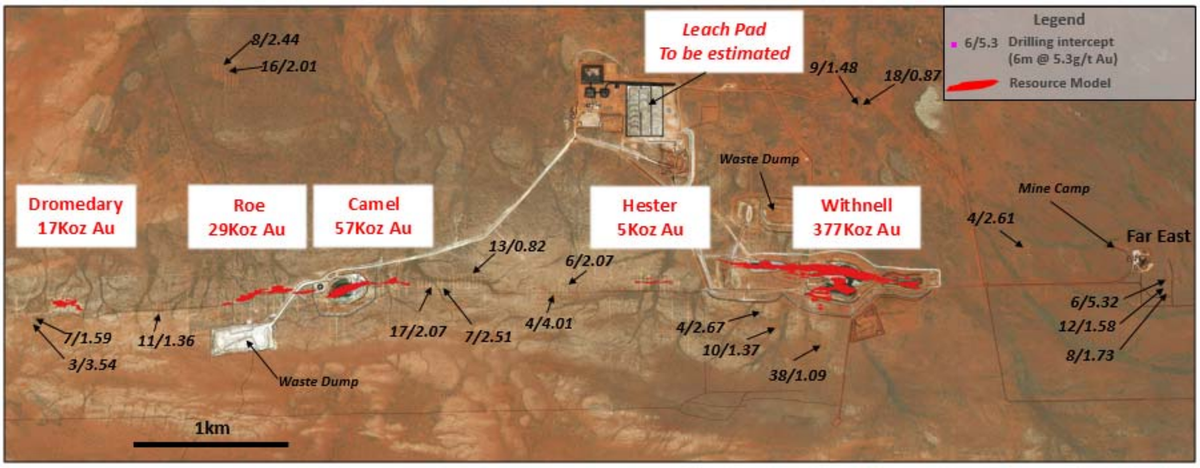
The Indee Project area is dominated by a sequence of Archaean turbidite sediments intruded by a series of granitic plugs. Gold and base metal mineralisation lies within the east-west trending Mallina Shear Zone that extends for over 70km with an overall width of approximately 2km.

Gold mineralisation at Indee is associated with quartz veins, quartz-sulphide lodes, disseminated sulphides and associated carbonate alteration and hosted by altered and poly-deformed folded sediments. The mineralised zones are typically sub-vertical however folding and deformation of the sequence has resulted in some complexity to the interpreted geometry. Thickness of the mineralisation is typically 5m to 20m wide but in excess of 40m wide in some parts of the Withnell and Calvert deposits.

The weathering profile comprises a veneer of calcrete or transported sands overlying weathered bedrock. Oxidisation of the bedrock ranges from 10m to 80m in depth and typically averages around 40m depth.

Below is a location plan of the main deposits from Dromedary to Withnell, with resource models shown in red. The deposits occur along a strong east west trend related to a series of parallel bounding faults over 5km of strike. The plan does not show Calvert which is located a further 10km due east along the same structural trend. Additional near-term resource potential remains along strike extensions of the known resources together with other encouraging drill results as indicated along this specific 5km of trend. The Leach Pad is also shown in the plan and contains just under 20,000 ounces in mined and previously crushed material stacked next to the proposed processing plant.

Aerial Photograph of Resources on Indee Ground



During the year the Company upgraded the resource models of all deposits on the Indee Tenements to JORC 2012 standards, including the results of recent RC and diamond drilling completed by Indee Gold Pty Ltd over a period of eight years since the earlier resource estimates were completed by the previous owner. Drill programmes at Mallina and the Heap Leach Pad plus the re-evaluation of past drilling at Toweranna has resulted in further resource increase which now subsequent to the period total in excess of 1.2 million ounces of gold

	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
De Grey Total	Oxide	3.53	1.8	200,200	2.74	1.3	117,600	3.23	1.4	141,800	9.51	1.5	459,600
	Fresh	0.93	1.7	49,400	4.42	1.6	223,300	9.03	1.6	477,800	14.37	1.6	750,400
	Total	4.46	1.7	249,600	7.15	1.5	340,900	12.26	1.6	619,600	23.88	1.6	1,210,000

On 24 January 2017, the Company entered into a Heads of Agreement to acquire the Indee Gold project, the key terms and conditions of which are that De Grey has:

- an exclusive and binding right to acquire all shares in the Australian company Indee Gold, which holds the major gold assets of the former Indee gold mine and associated mining and exploration leases ("Indee Gold Project") to the immediate west of the Turner River Project;
- 12 month option period (Option Period) to carry out detailed due diligence, including a review of the resources, mining studies, evaluations and exploration prior to electing to proceed ("Election"). De Grey is able to make an early Election if it so chooses; and
- Then a further 6 months from Election in which to settle the transaction through the payment of $15M, less the exclusivity fee of $100,000 referred to below.

Within the 18 month time frame to 24 July 2018, De Grey is or was required to:

pay an initial Option Exclusivity Fee of $50,000 on signing (paid) and a further $50,000 within 3 months of signing. These option fee payments (totalling $100,000) are non-refundable but are deductable from the final acquisition payment.

maintain the tenements by spending a minimum of $600,000 on the Indee Project during the Option Period, 50% of which is to be spent on in ground exploration activities. The exploration works and budget are to be agreed by both parties, with De Grey managing the activities.

prepare and finalise a formal Share Sale Agreement with the vendor within the Option Period on terms outlined in the HoA and including terms normally contained within such agreements.

On 30 September 2017, the Company executed a formal Letter of Extension with NNAM. The extension is granted to De Grey under the following terms:

- Settlement date extended to 24 January 2019, on De Grey paying;
- $100,000 extension fee;
- $2 Million as a non-refundable payment on or before 24 July 2018;
- Settlement can be extended by a further 6 months to 24 July 2019 through the payment of an additional $100,000 to be paid before 24 January 2019;
- Each of these payments representing part of the overall sale consideration payable to NMAM;
- NNAM to accept $3 Million of shares in De Grey as part of settlement proceeds and those Shares to be issued based on a 10% discount to the Volume Weighted Average Price ("VWAP") on the 20 days preceding settlement; and.
- The Parties have also agreed to move to execution of a fuller Share Sale Agreement as soon as practical.

Other Strategic acquisitions completed during the Financial year

Option agreement to acquire E45/2983

On 26 October 2016, the Company entered into an option agreement to acquire the southern portion of E45/2983 from Haoma Mining NL ("Haoma"), thereby securing 9km of underexplored and highly prospective stratigraphy with potential for further gold and base metals discoveries. Haoma retained all rights to pegmatite related mineralisation and alluvial sand and scree deposits on this area.

The acquisition was achieved through the payment of $290,000 for the right to explore and mine on the identified portion of the tenement, and the issue of 5000,000 options (post-reconstruction) with an exercise price of $0.058 per share. These options have since been exercised.

Other Strategic acquisitions subsequent to the Reporting Date

The Company has since the 30 June 2017 reporting date, has a strategic tenement application pending, as well as having entered into the following option agreements to secure additional tenements in close proximity or contiguous to the "Pilbara Gold Project. These are as follows:

Application (E47/3750)

An additional tenement application E47/3750 has also been made by De Grey to secure 100% of the exploration rights and cover an area of 25km2. This application is located along the northern boundary of the Indee Project area, and our due diligence suggests that it includes approximately 10km of prospective strike length where previous third party soil and rock chip sampling has highlighted anomalous gold zones. These zones correlate with aerial imagery and reports of surface gold nuggets that have been previously reported, similar to many other areas within the Pilbara Gold Project.

Farno McMahon option agreement to acquire E45/2502

On 21 August 2017, the Company entered into a 4 year option to acquire 75% of the highly prospective gold tenement E47/2502, which lies immediately to the south of the Indee tenements and within 15 kms of the proposed plant site.

The key Terms of this option agreement are as follows:

Option Period

Cash payment of $40,000 to the Vendor;
Vendor grants DEG an exclusive right and period to assess the project until 30 September 2017;
De Grey to complete a minimum expenditure of $30,000 during the Option Period; and
De grey may elect to enter into a Joint Venture Earn -in phase.

Joint Venture Earn-in

Stage 1 - DEG to spend a minimum of $1.0M over a period of 3 years to earn 30%;
1st Year expenditure requirement of $100,000
2nd Year expenditure requirement of $300,000
3rd Year expenditure requirement of $600,000
Stage 2 - DEG may spend a further $1.0M expenditure over an additional one year period (4th Year) to earn an additional 45% equity in the tenement for a total equity of 75%; and
Vendor retains all alluvial rights.
The tenement comprises 226km2, covering large NE trending regional scale structures and numerous partially drill tested gold anomalies, some with exceptional high-grade drill intercepts, as noted below:

Fir Prospect
1m @ 328.4g/t Au from 7m
1m @ 12.13g/t Au from 38m
Holly Prospect
13m @ 15.15g/t Au from 47m
16m @ 1.40g/t Au (Inc. 1m @ 11.58g/t Au from 5m)
1m @ 13.76g/t Au from 47m
Aspen Prospect
3m @ 3.88g/t Au from 35m

The tenement provides a large landholding with large (> 10 kms) untested gold anomalies and a mineralized system potentially larger than the Indee Gold Project. The drill testing defined in first pass RAB and air core drilling has only tested shallow gold mineralization to less than 50m vertical depth.

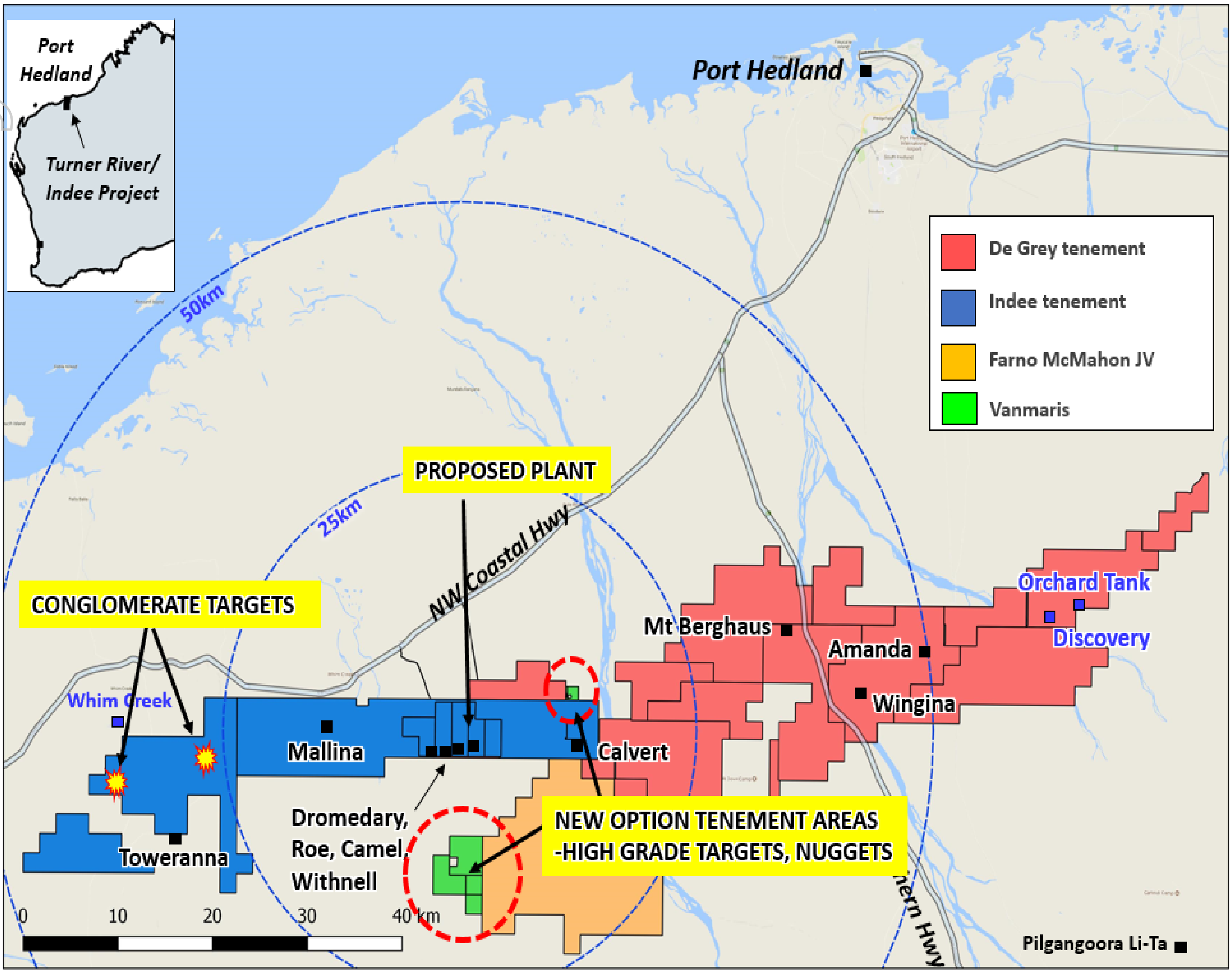
Vanmaris Option to acquire E47/3399, E47/3428-3430 and P47/1732-1733

On 30 September 2017, An Option Agreement was signed with the owner of the tenements E47/3399, E47/3428-3430, P47/1732-1733, the key terms of which are:

- De Grey may acquire an 80% interest in the tenements, located within 20km of a proposed processing plant (previously discussed);
- A 4 year option period;
- Consideration consists of $30,000 cash and the issue of 150,000 De Grey shares from the Company's existing placement capacity under Listing Rule 7.1:
- De Grey are to maintain the tenements in good standing during the option period;
- Within the 4 year period may elect to acquire the 80% interest on payment of $500,000 cash. The vendor retains the alluvial and prospecting rights to the top 3metres depth.

The tenements are considered prospective for structurally controlled gold in the older basement rocks similar to mineralisation defined with the greater Pilbara Gold Project.

Tenements under the control of De Grey as at 30 September 2017



Beyondie Iron Ore Joint Venture

The magnetite iron ore project at Beyondie is managed by joint venture partner Emergent Resources Ltd (ASX: EMG, "Emergent") with an 80% interest earned in the project. On 20 July 2017 and subsequent to the reporting date, Emergent advised the ASX that it intended to seek shareholder approval pursuant to ASX Listing Rule 11.2 for Emergent to dispose of its 80% interest in the iron ore, vanadium and manganese rights on the Beyondie Project.

Sands Royalty

An agreement exists between De Grey and Mobile Concrete Solutions Pty Ltd (MCS), a Karratha building company, for the excising of a single graticular block from Exploration Licence 45/3390 for the purpose of extracting sand, shingle and limestone blocks.

The operation generated royalty revenues of $23,030 in the financial year (2016: $13,549).

Capital Raising Activities

During the financial year the Company has raised approximately $3.5 Million through the issue of 56.8 Million shares (with associated options).

Subsequent to the end of the financial year the Company has:

- On 6 September 2017, completed a placement raising a further $2.61 Million through the issue of 52.2 Million shares (and has a Tranche Two issue to raise a further $400,000 (via the issue of an additional 8 million shares) to be approved by shareholders at a General Meeting to be held on 26 October 2017; and
- On 30 September 2017 the Company executed a subscription agreement with Kirkland Lake Gold Ltd, to raise a further $5 Million though the planned issue of 33,333,333 shares and 33,333,333 options. This issue of shares and free attaching options are both subject to shareholder approval and that the Company will seek at its 2017 Annual General Meeting GM to be held in November 2017.

Capital Consolidation

In December 2016, the Company completed, and after receiving shareholder approval, a consolidation of its share capital on a 1 for 20 basis.

Competent Person

The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr. Andrew Beckwith, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr. Beckwith is a consultant to De Grey Mining Limited. Mr. Beckwith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr. Beckwith consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the updated Mineral Resources for the Turner River Wingina Well, Mount Berghaus and Amanda deposits was reported to the ASX on 25 January 2017.

The information in this report that relates to the updated Mineral Resources for the Turner River Discovery and Orchard Tank deposits was reported to the ASX on 8 November 2016.

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 2017.

All amounts are expressed in Australian dollars unless otherwise stated.

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

DIRECTORS

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

Simon Lill
Steven Morris
Davide Bosio

INFORMATION ON DIRECTORS

Simon Lill, BSc MBA
Executive Chairman

Mr. Lill joined De Grey Mining Limited in October 2013 and has a BSc and a Masters of Business Administration, both from The University of Western Australia. He has over 25 years experience in stockbroking, capital raising, management, business development and analysis for a range of small and start-up companies, both in the manufacturing and resources industries. In recent times he has specialised in company restructuring activities.

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

Company	Date appointed	Date ceased
Mejority Capital Limited	18 May 2011	-
Water Resources Group Limited	02 September 2013	-
Mako Hydrocarbons Limited	28 August 2015	30 August 2015

Interest in shares and options:
3,750,000 ordinary fully paid shares
2,333,333 options over ordinary shares in De Grey Mining Limited

Steven Morris, Dip Fin Mkts
Non-executive Director

Mr. Morris was appointed to the board on 29 October 2014 and has over 20 years of experience at the most senior executive level in a range of industries including the last 15 years in Financial Markets.

During that time, he has held positions such as Head of Private Clients Australia for Patersons Securities Ltd and Managing Director of Intersuisse Ltd. He is the Founder of Peloton Shareholder Services offering management of shareholder based capital raising and investor relations advice to numerous ASX listed companies. He is also General Manager of Agentplus, a provider of software solutions to the property management industry and a Director of the Melbourne Football Club.

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

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

Interest in shares and options:
910,000 ordinary fully paid shares
1,000,000 options over ordinary shares in De Grey Mining Limited

Davide Bosio, B Com, GradDipAppFin
Non-executive Director

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

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

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

During the past three years, Mr. Bosio has not served as a Director on other listed companies.

Interest in shares and options:
1,000,000 options over ordinary shares in De Grey Mining Limited

COMPANY SECRETARY

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

Craig Nelmes B. Bus (Accounting & Finance)

Craig Nelmes joined De Grey Mining Limited in October 2013 and is an Accountant with over 20 years experience in the mining sector in Australia and overseas, as well as seven years with International Accounting firm Deloitte. Since 2007, Mr. Nelmes has been employed with Corporate Consultants Pty Ltd, a Company providing accounting, secretarial and administrative services to ASX and TSX listed entities.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the course of the year was minerals exploration and development activities at the Pilbara Gold Project in the Pilbara region of Western Australia. The regional tenement package also comprises of existing base metals resources and Lithium prospects, each with further exploration potential.

FINANCIAL REVIEW

The consolidated loss after tax for the year ended 30 June 2017 was $3,218,897 (2016: $792,657).

EARNINGS PER SHARE

The basic loss per share for the year ended 30 June 2017 was 1.91 cents per share (2016: 0.8[1] cents per share).

[1] Restated for a 20:1 Capital Consolidation completed on receiving shareholder approval at the 2016 Annual General Meeting.

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 which have been covered in both the Operations Review Section of this Annual Report, as well as the following section "Matters Subsequent to the end of the Financial year".

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(i) On 21 August 2017, the Company announced entering into an option agreement to acquire a new prospective tenement area contiguous to its +1M oz. Pilbara Gold Project. Under the terms of the agreement, De Grey has the right to earn up to 75% equity in E47/2502.

Option Period

- Cash payment of $40,000 to the Vendor;
- Vendor grants DEG an exclusive right and period to assess the project until 30 September 2017;
- DEG to complete a minimum expenditure of $30,000 during the Option Period; and
- DEG may elect to enter Joint Venture Earn -in

Joint Venture Earn-in

- Stage 1 - DEG to spend a minimum of $1.0M over a period of 3 years to earn 30%;
- 1st Year expenditure requirement of $100,000;
- 2nd Year expenditure requirement of $300,000;
- 3rd Year expenditure requirement of $600,000;
- Stage 2 - DEG may spend a further $1.0M expenditure over an additional 1year period (4th Year) to earn an additional 45% equity in the tenement for a total equity of 75%; and
- Vendor retains all alluvial rights.

(ii) On 7 September 2017, the Company announced that it has completed the issue of the following securities:

- 7,595,324 shares in settlement of supplier's invoices at an issue price of $0.044 per share, an issue approved by shareholders at a meeting on 26 June 2017. The shares are escrowed for 6 months from the date of issue;
- 52,210,000 shares raising $2.61 Million (before costs) at an issue price of $0.05 per share further to the Company's announcement dated 30 August 2017;
- A Tranche Two issue of 8,000,000 shares at an issue price of $0.05 per share to be approved by shareholders at the General Meeting to be held on the 26th October 2017; and
- 5,000,000 shares at an issue price of $0.058 per share on the exercise of options, raising an additional $0.29 Million.

(iii) On 30 September 2017, the executed a subscription agreement with Kirkland Lake Gold Ltd, a Canadian TSX listed mid-tier gold producer with a market capitalisation of approximately US$2.7Billion. where on receipt of shareholder approval (expected to occur at the 2017 Annual General Meeting to be held in November 2017) the Company has agreed to issue the following securities:

- 33,333,333 shares raising $5 Million (before costs) at an issue price of $0.15 per share; and
- 33,333,333 free attaching unlisted options at an exercise price of $0.20 and expiry date of 30 November 2020.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The objectives of the group are to maximise shareholder value through the discovery and delineation of significant mineral deposits in Australasia, with specific focus in the Pilbara region of Western Australia.

The Company has a significant tenement holding with respect to its Pilbara Gold Project (consisting of 100% owned tenements and others under option agreements), as well as contiguous tenements holding the Turner River base metals project and identified Lithium prospects (the later subject to a drilling program subsequent to balance date with assay results pending at the date of this report).

There are a number of future developments in planning or progress, and the expected results of which cannot be predicted at the date of this report, and include:

1. Ongoing exploration activities across the Pilbara Gold Project tenements, including new acquisitions during and post the balance date;
2. The Group is seeking to both add to existing JORC resources, accelerating exploration around the gold conglomerate discoveries made subsequent to balance date, as well as ongoing work around other highly prospective explorations targets;
3. Continuing feasibility studies at the existing Pilbara Gold Project, prior to finalising a decision to acquire 100% of the Indee Gold Project;
4. Seeking opportunities to further develop the base metals projects; and
5. Continue to carry our exploration activities on King Col Lithium prospect post receiving and assessing recent drilling assay result.

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation in respect to its exploration activities.

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

RISK MANAGEMENT

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

REMUNERATION REPORT

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

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

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

A. Key management personnel

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

Key Management Personnel	Position
Mr Simon Lill	Executive Chairman
Mr Steven Morris	Non-Executive Director
Mr Davide Bosio	Non-Executive Director
Mr Craig Nelmes	Company Secretary / CFO

Except as noted, the named persons held their current position for the whole of the financial year.

B. Remuneration policy

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

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

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

Fixed remuneration

Fixed remuneration consists of total Directors' fees, salaries, consulting fees and employer contributions to superannuation funds, excluding performance pay (cash, shares and options).

Fixed remuneration levels are reviewed annually by the board.

Executive remuneration

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

- Total fixed remuneration - a base salary (which is based on factors such as length of service, performance and experience) and employer contributions to superannuation.
- Short-term performance incentives; and
- Long-term incentives through participation in the EOP and as approved by the Board.

As a result of the Company's current size and scale of activities, the Company does not have an Executive Director. At present all executive functions are being shared between the board members.

Non-executive Directors' remuneration

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

Fees for non-executive directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, these directors may receive short term performance incentives and longer term performance incentives via the Employee Option Plan of De Grey Mining Limited ("**EOP**")

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

The annual remuneration for each non-executive director is $36,000 per annum (from 1 September 2016, the annual rate was increased from $24,000 p.a.). These fees have been determined by the Board of the Company, taking into consideration factors such as the market rates of industry peer companies and the current level of activity. Where there is a significant change in the size and scale of Company activities these annual fees will be reviewed.

Where approved and at the request of the board, any of the Non-Executive Directors may from time to time be required to fulfil certain executive functions. The commensurate remuneration with be paid at the rate $200 per hour or a fixed fee if so agreed. Mr. Lill has since February 2016 (coinciding with the return of the Turner River Gold project) been undertaking executive duties on a needs basis.

Use of remuneration consultants

The Board may (from time to time) engage the services of external consultants to advise on the remuneration policy and to benchmark director and key management personnel remuneration against comparable entities so as to ensure that remuneration packages are consistent with the market and are appropriate for the organisation. The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2017.

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

The De Grey Mining Limited EOP was last approved by Shareholders at the 2015 Annual General Meeting held on 25 November 2015 and Directors and full and part time employees of De Grey Mining Limited are eligible to participate in the Plan. Any issue of Options to Directors under the Plan will be subject to Shareholder approval pursuant to the provisions of the ASX Listing Rules and the *Corporations Act 2001.* The Directors consider that the EOP is an appropriate method to:

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

Voting on the Remuneration Report - 2016 Annual General Meeting

The Company received approximately 96.9% of "yes" votes on its remuneration report for the 2016 financial year (2016: 97.6%).

C. Service agreements

The key terms of the service agreements in place for the year ended 30 June 2017 were as set out below:

Simon Lill, Executive Chairman

In accordance with Mr Lill's existing Directors agreement, Mr. Lill was remunerated $10,000 per month (from 1 January 2017, the monthly rate was increased from $7,000).

D. Details of Remuneration

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

Key management personnel of the Group

	Short-Term		Post Employment	Share-based Payments	Total	*% of remuneration*
	Salary& Fees	*Non-Monetary*	*Superannuation*	*Options*		*Options*
	$	$	$	$	$	%
Directors						
Simon Lill						
2017	**102,000**	**-**	**-**	**10,200**	**112,200**	**9%**
2016	44,000	-	-	-	44,000	-
Steven Morris						
2017	**34,000**	**-**	**-**	**6,800**	**40,800**	**17%**
2016	24,000	-	-	-	24,000	-
Davide Bosio						
2017	**35,580**	**-**	**3,610**	**6,800**	**45,990**	**15%**
2016	11,675	-	1,225	-	12,900	-
Peter Batten (resigned 18 December 2015)						
2016	19,200	-	-	-	19,200	-
Sub- total Directors						
2017	**171,580**	**-**	**3,610**	**23,800**	**198,990**	
2016	98,875	-	1,125	-	100,100	-
Other Key management personnel						
Craig Nelmes (Company Secretary/CFO) [1]						
2017[1]	**-**	**-**	**-**	**6,800**	**6,800**	**100%**
2016[1]	-	-	-	-	-	-
Total key management personnel compensation						
2017	**171,580**	**-**	**3,610**	**30,600**	**205,790**	
2016	98,875	-	1,125	-	100,100	-

[1]Mr Nelmes is an employee of Corporate Consultants Pty Ltd, a consulting firm of which Craig Nelmes is an employee and whom provided Company Secretarial, CFO, bookkeeping and corporate administration services.

Share-holdings of Key Management Personnel

	Opening Balance 1 July 2016	Received on exercise of options	Purchases (disposals) during the year	Other changes during the year	Closing Balance 30 June 2017
	No.	No.	No.	No.	No.
Directors					
Simon Lill	3,000,000[1]	-	750,000	-	3,750,000
Steven Morris	250,000[1]	-	660,000	-	910,000
Davide Bosio	-	-	-	-	-
Other executives					
Craig Nelmes	634,811[1]	-	227,300	-	862,111
Total	**4,384,811**	**-**	**1,137,300**	**-**	**5,522,111**

[1] Restated for a 20:1 Capital Consolidation completed on receiving shareholder approval at the 2016 Annual General Meeting.

Option-holdings of Key Management Personnel

	Opening Balance 1 July 2016	Options acquired as compensation	Purchases (disposals) during the year	Other changes during the year	Closing Balance 30 June 2017
	No.	No.	No.	No.	No.
Directors					
Simon Lill	750,000[1]	1,500,000	83,333	-	2,333,333
Steven Morris	-	1,000,000	-	-	1,000,000
Davide Bosio	-	1,000,000	-	-	1,000,000
Other executives					
Craig Nelmes	1,009,811[1]	1,500,000	-	-	2,509,811
Total	**1,759,811**	**5,000,000**	**83,333**	**-**	**6,843,144**

[1] Restated for a 20:1 Capital Consolidation completed on receiving shareholder approval at the 2016 Annual General Meeting.

E. Securities based compensation

The Company has granted 4,500,000 (2016: Nil) 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
2017								
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
2016								
Nil								

On 24 September 2017, and since the end of the financial year, the Company granted a further 2,250,000 options under the De Grey Mining Limited Employee Option Plan and that issue included 500,000 to Mr. Craig Nelmes.

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

F. Other transactions and balances with Key Management Personnel

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

End of Audited Remuneration Report

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held in the 12 months to 30 June 2017 and the number of meetings attended by each Director were:

	Directors Meetings	
	Eligible	**Attended**
Simon Lill	13	13
Steven Morris	13	13
Davide Bosio	13	13

SHARE OPTIONS

At the date of this report there are 59,280,714 unissued ordinary shares in respect of which options are outstanding.

	Number	Exercise Price	Expiry Date
Unlisted options	2,125,000	8 cents	25 November 2017
Listed options	23,621,103	10 cents	30 November 2018
Unlisted options	7,350,000	10 cents	30 November 2018
Unlisted options	23,934,611	4 cents	10 June 2019
Unlisted options	2,250,000	10 cents	31 October 2020

During the financial year 35,971,103 options were issued and none were exercised. Since the end of the financial year 2,250,000 options were issued and 5,000,000 were exercised.

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 18). 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:

	2017 $	2016 $
Tax compliance services	**3,750**	2,400

PROCEEDINGS ON BEHALF OF THE COMPANY

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20.

Signed in accordance with a resolution of the directors

Simon Lill
Executive Chairman

Perth, 1 October 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of De Grey Mining Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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: 1 October 2017

Corporate Governance Statement

The Board of Directors of De Grey Mining Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of De Grey Mining Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company's governance approach aims to achieve exploration, development and financial success while meeting stakeholders' expectations of sound corporate governance practices by proactively determining and adopting the most appropriate corporate governance arrangements.

ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at 30 June 2017, and has been approved by the Board of Directors. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX *Corporate Governance Principles and Recommendations (3rd edition).*

The Company's directors are fully cognisant of the Corporate Governance Principles and Recommendations published by CGC and have adopted those recommendations where they are appropriate to the Company's circumstances. However, a number of those principles and recommendations are directed towards listed companies considerably larger than De Grey Mining Limited, whose circumstances and requirements accordingly differ markedly from the Company's. For example, the nature of the Company's operations and the size of its staff mean that a number of the board committees and other governance structures recommended by the CGC are not only unnecessary in the Company's case, but the effort and expense required to establish and maintain them would, in the directors' view, be an unjustified diversion of shareholders' funds.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Company's website at **www.degreymining.com.au** contains a corporate governance section that includes copies of the Company's corporate governance policies.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1:
Companies should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management and disclose those functions.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board is responsible for:

- overseeing the Company's commitment to the health and safety of employees and contractors, the environment and sustainable development;
- overseeing the activities of the Company, including its control and accountability systems;
- appointing and removing the Managing Director, Company Secretary, and other senior executives, evaluating their performance, reviewing their remuneration and ensuring an appropriate succession plan;
- setting the strategic objectives of the Company and monitoring its progress against those objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control;
- setting the operational and financial objectives and goals for the Company;
- ensuring that there are effective corporate governance policies and practices in place;
- approving and monitoring budgets, capital management and acquisitions and divestments;
- approving and monitoring all financial reporting to the market;
- appointing external auditors and principal professional advisors; and
- making formal determinations required by the Company's constitutional documents or by law or other external regulation.

The Managing Director (MD) is normally responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out those responsibilities, the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results. Given the present size and scale of operations, the Company does not have a Managing Director, and as such the board as a whole is taking responsibility for day to day management of the business, with specific assistance from the CFO/Company Secretary.

Corporate Governance Statement

Recommendation 1.2:
Companies should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background.

All security holder releases will contain material information about any candidate to enable an informed decision to be made on whether or not to elect or re-elect a director.

Recommendation 1.3:
Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.

All directors have in place a formal letter of appointment including a director's interest agreement with respect to disclosure of security interests.

Recommendation 1.4:
The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary has a direct reporting line to the Board, through the Chair.

Recommendation 1.5:
The Company should establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to developing a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company has not yet formalised this policy into a written document. It is the Board's intention to formalise the policy at a time when the size of the Company and its activities warrants such a structure.

As at the date of signing this report, the Company has seven staff (with includes directors and the CFO/Company Secretary), and including two women. There are no women in senior executive positions or on the board.

Recommendation 1.6:
The Company should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman conducted an informal review during the financial year whereby the performance of the Board as a whole and the individual contributions of each director were discussed. The board considers that at this stage of the Company's development an informal process is appropriate.

Recommendation 1.7:
The Company should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board undertakes a review of the senior executives' performance, at least annually, including setting the goals for the coming year and reviewing the achievement of these goals.

Performance has been measured to date by the efficiency and effectiveness of the enhancement of the Company's mineral interest portfolio, the designing and implementation of the exploration and development programme and the securing of ongoing funding so as to continue its exploration and development activities. This performance evaluation is not based on specific financial indicators such as earnings or dividends as the Company is at the exploration stage and during this period is expected to incur operating losses.

Due to the size of the Company and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of senior executives. The Non-executive directors conducted an informal review process whereby they discussed with the Executive Chairman the approach toward meeting the short and long-term objectives of the Company. The board considers that at this stage of the Company's development an informal process is appropriate.

Corporate Governance Statement

Principle 2: Structure the board to add value

Recommendation 2.1:
The Board should establish a Nomination Committee comprising a majority of independent directors (including the Chair).

The Company does not have a nomination committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Directors are appointed under the terms of the Company's constitution. Appointments to the Board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise, and experience of the board. The categories considered necessary for this purpose are a blend of accounting and finance, business, technical and administration skills. Casual appointments must stand for election at the next annual general meeting of the Company.

Retirement and rotation of Directors are governed by the Corporations Act 2001 and the Constitution of the Company. All Directors, with the exception of the Managing Director (if appointed), serve for a period of three years before they are requested to retire and if eligible offer themselves for re-election.

Recommendation 2.2:
The Company should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company has a skills or diversity matrix in relation to its Board members which reflects the current size and scope of the Company's operations. The Board will adopt a more detailed and comprehensive matrix if and when there is a significant change in the size and scale of its activities.

Director	Gender	Skills/Qualifications	Experience Based on Skills/Knowledge				
			Accounting/ Finance	Communications /Investor Relations	Corporate Management	Fund Raising	Geology
Simon Lill	Male	*Finance BSc and MBA in Business Admin*	√	√	√	√	
Steve Morris	Male	*Broking & Investor Relations Diploma Fin Mkts AAICD*		√	√	√	
Davide Bosio	Male	*BCom & GradDipAppFin*	√	√	√	√	

Recommendation 2.3:
The Company should disclose the names of the directors considered to be independent directors and length of service of each director.

The names, position, appointment date and independence classification are set out in the table below:

Director	Position	Date Appointed	Independent
Simon Lill	Executive Chairman	2 October 2013	**No**
Steve Morris	Non-executive Director	29 October 2014	**Yes**
Davide Bosio	Non-executive Director	18 December 2015	**No**

Recommendation 2.4:
A majority of the Board of the Company should be independent directors.

In assessing whether a director is classified as independent, the Board considers the independence criteria set out in the ASX Corporate Governance Council Recommendation 2.1 and other facts, information and circumstances deemed by the Board to be relevant. Using the ASX Best Practice Recommendations on the assessment of the independence of Directors, the Board considers that of a total of three Directors, only Mr Morris is independent and therefore the Company does not currently have a majority of independent directors.

The Company considers that each of the directors possesses the skills and experience suitable for building the Company. Although the Company does not currently have a majority of independent directors, the current composition of the Board is considered appropriate in the circumstances. It is necessary that Mr. Lill will be required from time to time undertake specific executive roles, relevant to their skills and experience, given the Company's current size, operations and levels of activity.

It is the Board's intention to review its composition on a continual basis and in line with any future changes to Company's size and level of activities.

Corporate Governance Statement

Recommendation 2.5:
The Chair of the Board should be an independent director, and should not be the CEO of the Company.

Given the present size and scale of operations, the Company does not have a Managing Director. In addition, the Chairman, Mr. Lill, will from time from time undertake executive functions specific to his skills and experience, and as such he is not an independent director in accordance with the criteria for independence as outlined in ASX Recommendation 2.3.

The board believes that Mr. Lill is an appropriate person for the position as Chairman because of his experience in the resources sector and as a public company director.

Recommendation 2.6:
The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company does not currently have a formal induction program for new Directors nor does it have a formal professional development program for existing Directors. The Board does not consider that a formal induction program is necessary given the current size and scope of the Company's operations.

All Directors are generally experienced in exploration and mining company operations, and have listed company experience. Some of the current Directors are also directors of other listed companies. The Board seeks to ensure that all of its members understand the Company's operations. Directors also attend, on behalf of the Company and otherwise, technical and commercial seminars and industry conferences which enable them to maintain their understanding of industry matters and technical advances.

Noting the above, the Board considers that a formal induction program is not necessary given the current size and scope of the Company's operations, though the Board may adopt such a program in the future as the Company's operations grow and evolve.

Principle 3: Act ethically and responsibly

Recommendation 3.1:
Companies should have a Code of Conduct for its directors, senior executives and employees.

The Company has established a Code of Conduct which sets out the Company's key values and how they should be applied within the workplace and in dealings with those outside the Company. A copy of the Code is available on the Company's website.

Principle 4: Safeguard Integrity in Financial Reporting

Recommendation 4.1
The Board should have an Audit Committee.

The Company does not have an audit committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate audit committee.

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

The external audit firm partner or an appropriate delegate responsible for the Company audit attends meetings of the board by invitation

Recommendation 4.2
The Board of the Company should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company has in place a procedure whereby prior to approval of financial statements by the Board (in addition to any formal management representation letter to the Company's auditor) the CEO and CFO provide a declaration in accordance with Sections 286 and 295(3)(b) of the Corporations Act 2001 (Cth) that financial records have been properly maintained, the financial statements comply with the accounting standards, and give a true and fair view of the financial position based on sound risk management and internal controls operating effectively.

Corporate Governance Statement

Recommendation 4.3
The Company should ensure that the external auditor is present at the AGM and be available to answer questions from security holders relevant to the audit.

The Company invites the auditor or representative of the auditor to the AGM in accordance of the requirements of Section 250RA of the Corporations Act 2001 (Cth) and is available to answer questions relevant to the audit.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:
Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.

The Company has developed an ASX Listing Rules Disclosure Strategy which has been endorsed by the Board. The ASX Listing Rules Disclosure Strategy ensures compliance with ASX Listing Rules and Corporations Act obligations to keep the market fully informed of information which may have a material effect on the price or value of its securities and outlines accountability at both the board and (where and when applicable) senior executive level for that compliance. All ASX announcements are posted to the Company's website as soon as possible after confirmation of receipt is received from ASX.

A copy of the continuous disclosure policy is available on the Company's website.

Principle 6 – Respect the rights of security holders

Recommendation 6.1 and 6.2:
Companies should provide information about itself and its governance to investors via its website.

Companies should design and implement an investor relations program to facilitate two-way communication with investors.

The Company is committed to maintaining a Company website with general information about the Company and its operations, information about governance and information specifically targeted at keeping the Company's shareholders informed about all major developments affecting the Company's state of affairs.

The Company has a Shareholder Communication Policy which is available on the Company's website. Through this the Board aims to ensure that the shareholders are informed of the Company's governance and all major developments affecting the Company's state of affairs. Information is communicated to shareholders through the:

- Company website;
- ASX Company Announcements platform;
- Quarterly Operational and Cash-flow reports;
- Half-year Financial Report;
- Annual Report;
- Investor Presentations;
- Shareholder meetings; and
- Other correspondence from time to time regarding matters impacting on shareholders.

Recommendations 6.3 and 6.4:

Companies should disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.

Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

In accordance with the Company's Shareholder Communications Policy, the Company supports shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation. The Company will use general meetings as a tool to effectively communicate with shareholders and allow shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting.

Mechanisms for encouraging and facilitating shareholder participation will be reviewed regularly to encourage the highest level of shareholder participation.

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner. In accordance with the Shareholder Communication Policy, the Company has, as a matter of practice, provided new shareholders with the option to receive communications from the Company electronically and the Company encourages them to do so. Existing shareholders are also encouraged to request communications electronically. All shareholders that have opted to receive communications electronically are provided with notifications by the Company when an announcement or other communication (including annual reports, notices of meeting etc.) is uploaded to the ASX announcements platform.

Corporate Governance Statement

Principle 7 – Recognise and manage risk

Recommendation 7.1:
The Board should have a committee or committees to oversee risk.

The Company does not have a separate risk management committee. The role of the risk management committee is undertaken by the full Board, which comprises a Chairman and two Non-Executive Directors. The Board considers that, given the current size and scope of the Company's operations and that no one Director holds a full time executive position in the Company, efficiencies or other benefits would not be gained by establishing a separate risk management committee at present.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate risk management committee. However, the Board has adopted a Risk Management Policy that sets out a framework for a system of risk management and internal compliance and control, and this is available on the Company's website.

Recommendation 7.2:
The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively. The Board believes that the Consolidated Group is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing, monitoring and managing risk in the Company.

Recommendation 7.3:
The Company should disclose if it has an internal audit function.

The Company does not have an internal audit function. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of an internal audit function at this time. The Board as a whole continually evaluates and improves the effectiveness of its risk management and internal control processes, and in doing so is subject to the overall supervision of the board.

Recommendation 7.4:
The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the mineral exploration industry, the Company does not currently have material exposure to environmental and social sustainability risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:
The Board should have a Remuneration Committee.

The Company does not have a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a remuneration committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee.

Recommendation 8.2:
Companies should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company's policies and practices regarding the remuneration of Executive and Non-Executive Directors is set out in its Remuneration Policy which is available on the website.

This information is also set out in the Remuneration Report contained in the Company's Annual Report for each financial year.

Recommendation 8.3:
A Company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or summary of it.

Recipients of equity-based remuneration (e.g. incentives options) are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements, so the Company is not affected by this recommendation.

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2017	Notes	Consolidated 2017 $	2016 $
REVENUE	4	**30,798**	22,289
EXPENDITURE			
Depreciation expense		**(11,276)**	(8,253)
Employee benefits expense		**(182,147)**	(92,900)
Exploration expenditure		**(2,323,620)**	(304,394)
Impairment – non-listed investments		**-**	(75,000)
Corporate expenses		**(235,835)**	(144,933)
Occupancy expenses		**(28,500)**	(8,675)
Consulting expenses		**(99,682)**	(1,525)
Investor relations and advertising expenses		**(68,854)**	(45,700)
Administration expenses		**(249,778)**	(133,358)
Share based payments	5/26	**(49,980)**	-
Other expenses		**(23)**	(208)
LOSS BEFORE INCOME TAX		**(3,218,897)**	(792,657)
INCOME TAX BENEFIT / (EXPENSE)	6	**-**	-
LOSS FOR THE YEAR		**(3,218,897)**	(792,657)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Other comprehensive income for the year, net of tax		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF DE GREY MINING LIMITED		**(3,218,897)**	(792,657)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	25	**(1.91)**	(0.80)

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 2017	Notes	Consolidated 2017 $	Consolidated 2016 $
CURRENT ASSETS			
Cash and cash equivalents	7	**1,007,029**	1,207,561
Trade and other receivables	8	**126,738**	23,693
Inventories	9	**11,695**	-
Other assets	10	**16,040**	7,130
TOTAL CURRENT ASSETS		**1,161,502**	1,238,384
NON-CURRENT ASSETS			
Available-for-sale financial assets	11	**-**	-
Deferred exploration & evaluation expenditure	12	**980,397**	-
Plant and equipment	13	**58,361**	26,019
TOTAL NON-CURRENT ASSETS		**1,038,758**	26,019
TOTAL ASSETS		**2,200,260**	1,264,403
CURRENT LIABILITIES			
Trade and other payables	14	**1,024,126**	189,717
TOTAL CURRENT LIABILITIES		**1,024,126**	189,717
TOTAL LIABILITIES		**1,024,126**	189,717
NET ASSETS		**1,176,134**	1,074,686
EQUITY			
Contributed equity	15	**49,108,104**	45,837,739
Reserves	16	**170,530**	120,550
Accumulated losses	16	**(48,102,500)**	(44,883,603)
TOTAL EQUITY		**1,176,134**	1,074,686

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

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2017 Consolidated	Notes	Contributed Equity $	Reserves $	Accumulated Losses $	Total $
BALANCE AT 30 JUNE 2015		44,344,280	234,600	(44,297,496)	281,384
Loss for the year	16(b)	-	-	(792,657)	(792,657)
OTHER COMPREHENSIVE INCOME					
		-	-	-	-
TOTAL COMPREHENSIVE LOSS		-	-	(792,657)	(792,657)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	15(b)	1,755,192	-	-	1,755,192
Share issue costs	15(b)	(261,733)	-	-	(261,733)
Share based payments (capital raising cost)	16(a)	-	92,500		92,500
Transfer of reserve on expiry of options	16(a)	-	(206,550)	206,550	-
BALANCE AT 30 JUNE 2016		45,837,739	120,550	(44,883,603)	1,074,686
Loss for the year	16(b)	-	-	(3,218,897)	(3,218,897)
OTHER COMPREHENSIVE INCOME					
		-	-	-	-
TOTAL COMPREHENSIVE LOSS		-	-	(3,218,897)	(3,218,897)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	15(b)	3,514,063	-	-	3,514,063
Share issue costs	15(b)	(243,698)	-	-	(243,698)
Share based payments	16(a)	-	49,980	-	49,980
Transfer of reserve on expiry of options	16(a)	-	-	-	-
BALANCE AT 30 JUNE 2017		49,108,104	170,530	(48,102,500)	1,176,134

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

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2017

	Notes	Consolidated 2017 $	Consolidated 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Royalties received		**19,562**	14,743
Payments to suppliers and employees		**(918,750)**	(378,532)
Interest received		**7,268**	8,340
Payments for exploration and evaluation expenditure		**(2,125,359)**	(194,313)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	24	**(3,017,279)**	(549,762)
CASH FLOWS FROM INVESTING ACTIVITIES			
Option payments to acquire tenements		**(390,000)**	-
Payments for plant and equipment		**(43,618)**	(3,607)
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		**(433,618)**	(3,607)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**3,494,063**	1,687,692
Payments of share issue transaction costs		**(243,698)**	(169,234)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**3,250,365**	1,518,458
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(200,532)**	965,089
Cash and cash equivalents at the beginning of the financial year		**1,207,561**	242,472
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**1,007,029**	1,207,561

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 2017

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 1 October 2017. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

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

(i) Application of New and Revised Accounting Standards

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2016:

- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012 – 2014 cycle*, and
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101.*

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of Standard	**AASB 9 *Financial Instruments***
Nature of Change	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The financial assets held by the Group had been fully impaired as at balance date (2016: Nil), and accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group does not partake in hedging activities. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Mandatory application date	Must be applied for financial years commencing on or after 1 January 2018. The group does not currently intend to adopt AASB 9 before its mandatory date

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

Title of Standard	**AASB 15 *Revenue from Contracts with Customers***
Nature of Change	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of 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. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Management has begun to assess the potential effects of applying the new standard on the Group's financial statements and has identified that the potential impact of the new standard on revenue recognition is, whereas the Group currently recognises broking commission revenue on trade date, it may be required to change its revenue recognition policy to instead be settlement date. As the difference between trade date and settlement date is only three days, the Group does not expect any significant impact on its financial results once the new standard is adopted.
Mandatory application date	Must be applied for financial years commencing on or after 1 January 2018. The group does not currently intend to adopt AASB 15 before its mandatory date.

Title of Standard	**AASB 16 *Leases***
Nature of Change	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change
Impact	The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has no non-cancellable operating lease commitments.
Mandatory application date	Must be applied for financial years commencing on or after 1 January 2019. The group does not currently intend to adopt AASB 16 before its mandatory date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(ii) Historical cost convention

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of De Grey Mining Limited ("company" or "parent entity") as at 30 June 2017 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 23.

(iii) Changes in ownership interests

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

(e) Revenue recognition

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

Interest Revenue

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

Royalty Revenue

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

(f) Income tax

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

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

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

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

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

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

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

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

(g) Leases

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

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

(h) Impairment of assets

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

(k) Investments and other financial assets

Classification

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

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

Financial assets - reclassification

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

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

Recognition and derecognition

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

Measurement

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

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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

Impairment

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

(i) Assets carried at amortised cost

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

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

(ii) Assets classified as available-for-sale

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

(l) Plant and equipment

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

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

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

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

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

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

(m) Exploration and evaluation costs

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

(a) The Group has secured tenure, including legal rights to explore an area of interest;

(b) Exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing; and

(c) The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

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

Basis for the Change in Accounting Policy

The Group has adopted a more comprehensive accounting policy with respect to the exploration expenditure and specifically when an exploration and evaluation asset will be recognised in relation to specific area(s) of interest. Exploration and evaluation expenditure incurred is expensed unless it relates to a specific area of interest in which case it is carried forward to the extent that it is expected to be recouped through successful development of the area, or by its sale. All expenses capitalised related to the Mt Berghaus, Wingina and Amanda gold prospects, on the basis that both have been converted to JORC 2012 as well as being included within a Scoping Study for the overall "Pilbara Gold Project".

(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 26.

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 $3,218,897 (2016: $792,657) for the year ended 30 June 2017, has a cash and cash equivalents balance of $1,007,029 (2016: 1,207,561).

The Company has annual minimum exploration commitments on its Turner River Project of $577,160 as well additional commitments of $730,100 under option agreements entered into to acquire other regional tenement packages.

Although the above is indicative of a material uncertainty, the Directors believe that it is appropriate to prepare the financial statements on the going concern basis for the following reasons:

(i) There has been a continuation in the interest and market sentiment around Australian gold projects and especially those with existing resources;

(ii) On 6 and 7 September 2017, the Company completed a private placement raising $2.61 million and a further $290,000 from the exercise of unlisted options respectively;

(iii) On 30 September 2017, the Company has entered into a subscription agreement that, subject to shareholder approval, will lead to a placement to raise a further $5 million; and

(iv) The Company believes it has the capacity to raise additional funds at an appropriate time in the future to undertake further exploration work and to also continue its development and feasibility study work programs for the Pilbara Gold project.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

2. FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

(ii) Price risk

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

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $1,007,029 (2016: $1,207,561) 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 1.29% (2016: 0.94%).

Sensitivity analysis

At 30 June 2017, 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 $5,620 lower/higher (2016: $8,846 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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	
	2017	2016	2017	2016
	$	$	$	$
Segment revenue	**23,030**	13,549	**23,030**	13,549
Reconciliation of segment revenue to total revenue before tax:				
Interest revenue			**7,268**	8,340
Other revenue			**500**	400
Segment results	**(2,300,589)**	(290,847)	**(2,300,589)**	(290,847)
Reconciliation of segment result to net loss before tax:				
Impairment – unlisted investments			**-**	(75,000)
Other corporate and administration			**(926,076)**	(435,550)
Net loss before tax			**(3,218,897)**	(792,657)
Segment operating assets	**1,154,526**	-	**1,154,526**	-
Reconciliation of segment operating assets to total assets:				
Other corporate and administration assets			**1,045,734**	1,264,403
Total assets			**2,200,260**	1,264,403
Segment operating liabilties	**972,127**	105,797	**972,127**	105,797
Reconciliation of segment operating liabilities to total liabilities:				
Other corporate and administration liabilities			**51,999**	83,920
Total liabilities			**1,024,126**	189,717

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

4. REVENUE

	Consolidated 2017 $	Consolidated 2016 $
From continuing operations		
Royalties- sands	**23,030**	13,549
Interest	**7,268**	8,340
Other	**500**	400
	30,798	22,289

5. EXPENSES

	2017	2016
Loss before income tax includes the following specific expenses:		
Net loss on disposal of plant and equipment	-	-
Rental of premises under operating lease	-	-
Impairment – unlisted investments	-	75,000
Contributions to superannuation funds	**15,729**	1,255
Share based payments	**49,980**	-

6. INCOME TAX

	2017	2016
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(3,218,897)**	(792,657)
Prima facie tax benefit at the Australian tax rate of 27.5% (2016: 30%)	**(885,197)**	(237,797)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Capital raising fees	**(40,267)**	(42,906)
Other allowable expenditure	**(269,609)**	-
Sundry items	**29,959**	(2,053)
Overseas projects income and expenses	-	3,409
	(1,165,114)	(279,347)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**1,165,114**	279,347
Income tax expense	-	-
(c) Unrecognised deferred tax assets		
Unrecognised deferred tax assets		
Provisions		
Capital raising fees	**99,250**	42,906
Carry forward tax losses	**11,827,572**	11,653,402
Gross deferred tax assets	**11,926,822**	**11,696,308**

No deferred tax asset has been recognised for the above balance as at 30 June 2017 as it is not considered probable that future taxable profits will be available against which it can be utilised.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2017

(d) Tax consolidation

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

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

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

(e) Franking credits

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

	Consolidated	
	2017	2016
	$	$

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**30,926**	37,860
Short-term deposits	**976,103**	1,169,701
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**1,007,029**	1,207,561

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

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

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Receivable – sands royalty	**3,469**	3,989
GST receivable	**91,157**	16,994
Fuel tax credits	**31,127**	-
Sundry debtors	**985**	2,710
	126,738	23,693

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

9. CURRENT ASSETS - INVENTORIES

Diesel fuel in stock	**11,695**	-
	11,695	-

10. CURRENT ASSETS – OTHER ASSETS

Prepayments	**16,040**	7,130

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated 2017 $	Consolidated 2016 $
11. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Equity securities – unlisted (i)	-	-
	-	-

(i) The Company continues to hold a 4% interest 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

	2017 $	2016 $
Beginning of financial period	-	-
Additions – all areas of interest (i)	**3,304,017**	304,394
Expensed to P&L	**(2,323,620)**	(304,394)
	980,397	-

(i) In accordance with enhanced change in accounting policy (note 1 (m), the Group has capitalised costs associated with two specific areas of interest, being those that cover the Wingina and Mt. Berghaus gold resources within the Turner River 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

	2017 $	2016 $
Plant and equipment		
Cost	**456,171**	412,553
Accumulated depreciation	**(397,810)**	(386,534)
Net book amount	**58,361**	26,019
Plant and equipment		
Opening net book amount	**26,019**	30,665
Additions	**43,618**	3,607
Depreciation charge	**(11,276)**	(8,253)
Closing net book amount	**58,361**	26,019

14. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2017 $	2016 $
Trade payables	**610,214**	141,151
Trade payables to be settled via an equity issue	**332,113**	-
Other payables and accruals (i)	**81,799**	48,566
	1,024,126	189,717

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

15. CONTRIBUTED EQUITY

(a) Share capital

	2017		2016	
	Number of shares	$	Number of shares	$
Ordinary shares fully paid	**201,296,240**	**49,108,104**	2,878,652,645	45,837,739
Total contributed equity	**201,296,240**	**49,108,104**	2,878,652,645	45,837,739

	2017 Number of shares	2017 $	2016 Number of shares	2016 $
(b) Movements in ordinary share capital				
Beginning of the financial year	**2,878,652,645**	**45,837,739**	1,143,461,058	44,344,280
Issued during the year:				
Rights entitlement allotment @ $0.01 cents per share	-	-	543,485,409	543,485
Rights shortfall allotment at $0.01 cents per share	-	-	1,171,706,178	1,171,707
Placement shares (non-cash) @ $0.002 per share	**10,000,000**	**20,000**	20,000,000	40,000
Placement shares @ $0.0029 per share	**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 allotment @ $0.058 per share	**7,130,000**	**413,540**	**-**	**-**
Placement @ $0.065 cents per share	**28,000,000**	**1,820,000**	**-**	**-**
Transaction costs	**-**	**(243,698)**	-	(261,733)
End of the financial year	**201,296,240**	**49,108,104**	2,878,652,645	45,837,739

(c) Share Consolidation

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

(d) Movements in options on issue

		Number of options	
		2017	2016
Beginning of the financial year		**521,192,212**	58,000,000
Issued / (cancelled or expired) during the year:			-
– Exercisable at 0.2 cents, on or before 10 June 2019[1]	Unlisted	**(478,692,212)**	478,692,212
– Exercisable at 4 cents, on or before 10 June 2019[1]	Unlisted	**23,934,611**	-
– Exercisable at 0.2 cents, on or before 10 June 2019[1]	Unlisted	**(42,500,000)**	-
– Exercisable at 8 cents, on or before 25 Nov 2017[1]	Unlisted	**2,125,000**	-
– Exercisable at 2.3 cents, on or before 3 Sep 2015	Expired	**-**	(6,500,000)
– Exercisable at 2.6 cents, on or before 3 Sep 2015	Expired	**-**	(6,500,000)
– Exercisable at 3.0 cents, on or before 10 Jan 2016	Expired	**-**	(2,500,000)
– Exercisable at 10 cents, on or before 30 Nov 2018	Listed	**23,621,103**	-
– Exercisable at 10 cents, on or before 30 Nov 2018	Unlisted	**7,350,000**	-
– Exercisable at 5.8 cents, on or before 6 Sep 2017[2]	Unlisted	**5,000,000**	-
End of the financial year		**62,030,714**	521,192,212

[1] The options were re-stated after the 20:1 Capital Consolidation completed in December 2016 (Note 15(c))
[2] The options were exercised on 6 September 2017, being subsequent to year end.

15. CONTRIBUTED EQUITY (Continued)

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. Neither the Company, nor any of its subsidiaries, holds any shares in the Company at 30 June 2017 (2016: Nil).

(e) Capital risk management

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

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2017 and 30 June 2016 are as follows:

	Consolidated	
	2017	2016
	$	$
Cash and cash equivalents	**1,007,029**	1,207,561
Trade and other receivables	**126,738**	23,693
Trade and other payables (excluding payables to be settled by an equity issue[1])	**(692,013)**	(189,717)
Working capital position	**441,754**	1,041,537

[1] There were payables totalling $332,113 (Note 14) settled by an equity issue of ordinary fully paid shares, with allotment approved by shareholders at a meeting held 26 June 2017 and allotment completed on 6 September 2017 (subsequent to the financial reporting date).

16. RESERVES AND ACCUMULATED LOSSES

	2017	2016
(a) Reserves		
Share-based payments reserve (i)	**170,530**	120,550
	170,530	120,550
Movements:		
Share-based payments reserve		
Balance at beginning of year	**120,550**	234,600
Share based payments (options) expense (Directors & EOP issue)	**49,980**	-
Share based payments (options) expense (Broker option issue)	**-**	92,500
Transfer to Accumulated Losses on expiry of options	**-**	(206,550)
Balance at end of year	**170,530**	120,550
(b)Accumulated losses		
Balance at beginning of year	**(44,883,603)**	(44,297,496)
Net loss for the year	**(3,218,897)**	(792,657)
Transfer from Share-Based Payments Reserve	**-**	206,550
Balance at end of year	**(48,102,500)**	(44,883,603)

(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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated 2017 $	Consolidated 2016 $
17. DIVIDENDS	**-**	-

No dividends were paid during the financial year.

No recommendation for payment of dividends has been made.

18. 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:

	2017 $	2016 $
(a) Audit services		
Butler Settineri (Audit) Pty Ltd - audit and review of financial reports	**20,500**	17,500
Total remuneration for audit services	**20,500**	17,500
(b) Non-audit services		
Butler Settineri – tax compliance services	**3,750**	2,400
Total remuneration for other services	**3,750**	2,400

19. CONTINGENT LIABILITIES

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

20. COMMITMENTS

(a) Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in.

Outstanding exploration commitments are as follows:

	2017 $	2016 $
Annual commitments for the Turner River Project tenements (100% owned)	**577,160**	673,000
Annual commitments for tenements under option agreements – Indee Gold and Haoma (ii)	**590,100**	-
Farno McMahon – option agreement entered into 21 August 2017 (subsequent to balance date)	**140,000**	-
Annual commitment for the Pilbara assets	**1,307,260**	673,000

(i) The Turner River Project tenements are owned 100% and have minimum aggregate expenditure requirements of $577,160 p.a. (2016: $673,000)

(ii) The Indee Gold and Haoma tenements are under option agreements described in Note 23.

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

(b) Capital commitments

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

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 30 JUNE 2017

21. 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 22.

(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.

22. SUBSIDIARIES

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

Name	Country of Incorporation	Class of Shares	Equity Holding[1]	
			2017	2016
			%	%
Beyondie Gold Pty Ltd	Australia	Ordinary	**100**	100
Domain Mining Pty Ltd	Australia	Ordinary	**100**	100
Winterwhite Resources Pty Ltd	Australia	Ordinary	**100**	100
Last Crusade Pty Ltd	Australia	Ordinary	**100**	100

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

23. INTERESTS IN JOINT VENTURES

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

In February 2007, De Grey acquired 100% of tenement E45-2364 on exercise of an option. 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 screes on part of the De Grey tenement E45/2533 and the full tenement E45/4751.

(e) Indee Gold Option

In January 2017, De Grey entered into an exclusive and binding Heads of Agreement ("HoA") with Northwest Nonferrous Australia Mining Pty Ltd ("NNAM") and its wholly-owned subsidiary, Indee Gold Pty Ltd ("Indee Gold"). Indee Gold owns the gold assets to the immediate west of De Grey's Turner River Project near Port Hedland, Western Australia. The key terms and conditions:

(i) an exclusive and binding right to acquire all shares in the Australian company Indee Gold, which holds the major gold assets of the former Indee gold mine and associated mining and exploration leases ("Indee Gold Project") to the immediate west of the Turner River Project.

(ii) a 12 month option period (Option Period) to carry out detailed due diligence, including a review of the resources, mining studies, evaluations and exploration prior to electing to proceed ("Election"). De Grey is able to make an early Election if it so chooses; then

(iii) a further 6 months from Election in which to settle the transaction through the payment of $15M, less the exclusivity fee of $100,000 referred to at (iv).

(iv) Within the 18 month time frame, De Grey is required to:

- pay an initial Option Exclusivity Fee of $50,000 on signing (paid) and a further $50,000 within 3 months of signing. These option fee payments (totalling $100,000) are non-refundable but are deductable from the final acquisition payment.
- maintain the tenements by spending a minimum of $600,000 on the Indee Project during the Option Period, 50% of which is to be spent on in ground exploration activities. The exploration works and budget are to be agreed by both parties, with De Grey managing the activities.
- prepare and finalise a formal Share Sale Agreement with the vendor within the Option Period on terms outlined in the HoA and including terms normally contained within such agreements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

(e) Indee Gold Option (Continued)

On 30 September 2017, the Company executed a formal Letter of Extension from NNAM. The extension is granted to De Grey under the following key revisions to the existing terms and conditions:

(v) Settlement date is to be extended to 24 January 2019, on De Grey paying:

- $100,000 extension fee; and
- $2M as a non-refundable payment on or before 24 July 2018;

(vi) Settlement can also be extended by a further 6 months to 24 July 2019 through the payment of an additional $100,000, to be paid before 24 January 2019;

(vii) NNAM agree to accept $3 Million of shares in De Grey as part of settlement proceeds of the Shares to be issued based on a 10% discount to the Volume Weighted Average Price ("VWAP") on the 20 days preceding settlement;

(viii)Each of these payments representing part of the overall sale consideration payable to NMAM;

The Parties have also agreed to move to expedite execution of a Formal Share Sale Agreement as soon as practical.

	Consolidated	
	2017	2016
	$	$
24. STATEMENT OF CASH FLOWS		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(3,218,897)**	(792,657)
Non-Cash Items		
Depreciation of non-current assets	**11,276**	8,253
Share based payments	**49,980**	-
Non-cash expenses		
Option payments to acquire mineral tenements	**390,000**	-
Equity settlement of expenses	**20,000**	40,000
Impairment – unlisted investments	**-**	75,000
Exploration & evaluation expenditure capitalised	**(980,397)**	-
Change in operating assets and liabilities		
(Increase)/decrease in trade, other receivables and assets	**(37,793)**	(9,703)
(Increase)/decrease in inventories	**(11,694)**	-
(Decrease)/increase in trade and other payables	**760,246**	129,345
Net cash outflow from operating activities	**(3,017,279)**	(549,762)

25. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the company used in calculating basic and diluted loss per share	**(3,218,897)**	(792,657)
	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	168,820,401	2,061,500,292[1]

[1] For the purposes of calculating a comparative Loss per share, the weighted average number of ordinary shares on issue has been converted as if the 20:1 Capital Consolidation had been completed as at 30 June 2016 (refer to Note 15 (c)) and equates to 103,075,014 shares.

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2017, 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

26. SHARE-BASED PAYMENTS

From time to time options are granted to;

(i) eligible employees under the Employee Option Plan of De Grey Mining Limited ("EOP") to align their interests with that of the shareholders of the company.

(ii) Directors under rules comparable with the EOP, but subject to shareholder approval pursuant to the provisions of the ASX Listing Rules and the *Corporations Act 2001*.

The exercise price and expiry date for 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 3,500,000 director granted (shareholder approved at 2016 AGM) and 3,850,000 EOP options[1] granted in the financial year ended 30 June 2017 (2016: Nil) and are all currently outstanding are detailed in the following table:

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Expired or other change during the year	Balance at end of the year	Vested and exercisable at end of the year
		Cents	Number	Number	Number	Number	Number
Consolidated – 2017							
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[1]**	**3,850,000[1]**	**3,850,000[1]**
			42,500,000	**-**	**(33,025,000)**	**9,475,000**	**9,475,000**
Consolidated – 2016							
3 Sep 2012	3 Sep 2015	2.3	6,500,000	-	(6,500,000)	-	-
3 Sep 2012	3 Sep 2015	2.6	6,500,000	-	(6,500,000)	-	-
10 Jan 2013	10 Jan 2016	3.0	2,500,000	-	(2,500,000)	-	-
25 Nov 2014	25 Nov 2017	0.4	42,500,000	-	-	42,500,000	42,500,000
			58,000,000	-	(15,500,000)	42,500,000	42,500,000

Employee Option Plan of De Grey Mining Limited ("EOP")[1]

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.

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was $0.0068 (2016: Nil), with there being no shares based payment transactions for the year. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2017	2016
Weighted average exercise price (cents)	**10.0**	-
Weighted average life of the option (years)	**2.0**	-
Weighted average underlying share price (cents)	**$0.04**	-
Expected share price volatility	**75%**	-
Weighted average risk free interest rate	**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	**49,980**	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

27. 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;

(i) On 21 August 2017, the Company announced entering into an option agreement to acquire a new prospective tenement area contiguous to its +1M oz. Pilbara Gold Project. Under the terms of the agreement, De Grey has the right to earn up to 75% equity in E47/2502.

Option Period

- Cash payment of $40,000 to the Vendor
- Vendor grants DEG an exclusive right and period to assess the project until 30 September 2017
- DEG to complete a minimum expenditure of $30,000 during the Option Period.
- DEG may elect to enter Joint Venture Earn -in

Joint Venture Earn-in

- Stage 1 - DEG to spend a minimum of $1.0M over a period of 3 years to earn 30%.
- 1st Year expenditure requirement of $100,000
- 2nd Year expenditure requirement of $300,000
- 3rd Year expenditure requirement of $600,000
- Stage 2 - DEG may spend a further $1.0M expenditure over an additional 1year period (4th Year) to earn an additional 45% equity in the tenement for a total equity of 75%.
- Vendor retains all alluvial rights.

(ii) On 7 September 2017, the Company announced that it had De Grey Mining Limited (ASX: DEG, “Company”) advises that it has completed the issue of the following securities;

- 7,595,324 shares in settlement of supplier’s invoices at an issue price of $0.044 per share, an issue approved by shareholders at a meeting on 26 June 2017. The shares are escrowed for 6 months from the date of issue;
- 52,210,000 shares raising $2.61 Million (before costs) at an issue price of $0.05 per share further to the Company’s announcement dated 30 August 2017; and
- 5,000,000 shares at an issue price of $0.058 per share on the exercise of options, raising an additional $0.29 Million.

(iii)On 30 September 2017 the Company executed a subscription agreement with Kirkland Lake Gold Ltd, to raise a further $5 Million though the planned issue of 33,333,333 shares and 33,333,333 options. This will be subject to shareholder approval that the Company will seek at the 2017 AGM to be held in November 2017.

28. PARENT ENTITY INFORMATION

The following information relates to the parent entity, De Grey Mining Limited, at 30 June 2017. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	Parent Entity 2017 $	Parent Entity 2016 $
Current assets	**1,161,502**	1,238,384
Non-current assets	**1,038,758**	26,019
Total assets	**2,200,260**	1,264,403
Current liabilities	**1,024,126**	189,717
Total liabilities	**1,024,126**	189,717
Contributed equity	**49,108,104**	45,837,739
Reserves	**170,530**	120,550
Accumulated losses	**(48,102,500)**	(44,883,603)
Total equity	**1,176,134**	1,074,686
Loss for the year	**(3,218,897)**	(792,657)
Other comprehensive loss	**-**	-
Total comprehensive loss for the year	**(3,218,897)**	(792,657)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments

The parent entity had no capital commitments as at 30 June 2017 and 30 June 2016.

Accounting policies

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

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 27 to 53 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 2017 and of their performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with Australian Accounting Standards has been included in the notes to the financial statements.

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

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

Simon Lill
Executive Chairman

Perth, 1 October 2017

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 2017 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 2017 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 while, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Unit 16, First Floor
Spectrum Offices
100 Railway Road
(Cnr Hay Street)
Subiaco WA 6008

Tel : (08) 6389 5222
Fax : (08) 6389 5255
mail@butlersettineri.com.au
www.butlersettineri.com.au

Locked Bag 18
Subiaco WA 6904
Australia

Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373
Liability limited by a scheme approved under Professional Standards Legislation

Key Audit Matter	How our audit addressed the 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. The Group has revised its accounting policy with regards to the treatment of exploration and evaluation expenditure and has now opted to defer costs in relation to three of the Group's projects within the Turner River area of interest, being Wingina, Mt Berghaus and Amanda. All exploration and evaluation expenditure incurred on these areas of interest during the year has been capitalised and recognised as an asset in the Statement of Financial Position. The closing value of this asset is $980,397 as at 30 June 2017. 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.	Our audit procedures included the following: • ensuring that the change in accounting policy has been appropriately reflected in the financial statements in accordance with the requirements of the Australian Accounting Standards • 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.

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 2017, but does not include the financial report and the auditor's report thereon.

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 and 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 and 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 14 to 18 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of De Grey Mining Limited, for the year ended 30 June 2017, 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: 1 October 2017

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 September 2017.

(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	139	27,236	-	-
1,001 - 5,000	70	216,808	-	-
5,001 - 10,000	179	1,579,334	58	338,372
10,001 - 100,000	971	38,665,521	101	4,056,375
100,001 and over	411	225,612,665	63	19,226,356
	1,770	**266,101,564**	222	23,621,103
The number of shareholders holding less than a marketable parcel of shares are:	**178**	**111,611**		

(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	Topham, LJ & PM	7,595,324	2.85%
2	Distinct Racing & Breeding Pty Ltd	7,441,823	2.80%
3	Troca Enterprises Pty Ltd	6,000,000	2.25%
4	Wolpers, R & LA <R&L Wolpers Superfund A/C>	5,850,000	2.20%
5	Eckhof, Klaus	5,000,000	1.88%
6	Haoma Mining NL	5,000,000	1.88%
7	JP Morgan Nominees Australia Pty Ltd	4,945,452	1.86%
8	Troca Enterprises Pty Ltd <Coulson Superfund A/C>	4,000,000	1.50%
9	Pershing Australia Nominees Pty Ltd <RM Capital A/C>	4,000,000	1.50%
10	Lill, Simon Richard	3,750,000	1.41%
11	BNP Paribas Nominees Pty Ltd <IB AU Nominees Retail>	3,546,222	1.33%
12	Lynch, Michael	3,500,000	1.32%
13	DJ Carmichael Pty Ltd	3,024,500	1.14%
14	Penand Pty Ltd <Beckwith Superfund A/C>	2,500,000	0.94%
15	Micjud Pty Ltd (Chester Superfund A/C>	2,400,000	0.94%
16	Redtown Enterprises Pty Ltd	2,300,000	0.86%
17	Parker, Robert	2,250,000	0.85%
18	Tornatora, Lisa Karen	2,110,967	0.79%
19	Coulson, Phillip John	2,000,000	0.75%
20	Golden Oaks Nominees Pty Ltd (K W Lee Family A/C>	2,000,000	0.75%
		9,214,288	29.8%

(c) Substantial shareholders

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

	Number of Shares
Nil.	Nil

ASX Additional Information

(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	Hunt, Michael Rex	1,328,001	5.62%
2	Distinct Racing & Breeding Pty Ltd	1,250,000	5.29%
3	Golden Oaks Nominees Pty Ltd (K W Lee Family A/C>	1,000,000	4.23%
4	Matchett, SA & MA <SA & MA Matchett Superfund>	923,822	3.91%
5	Brennan Super WA Pty Ltd <A T Brennan Superfund A/C>	700,000	2.96%
6	Micjud Pty Ltd (Chester Superfund A/C>	700,000	2.96%
7	BNP Paribas Nominees Pty Ltd <IB AU Nominees Retail>	650,000	2.75%
8	Ajava Holdings Pty Ltd	583,333	2.47%
9	Niu, Chinyan	566,666	2.40%
10	Tornatora, Lisa Karen	559,679	2.37%
11	McChesney, Alan Ross	500,000	2.12%
12	Ranchland Holdings Pty Ltd <RC Steinepreis Family A/C>	466,666	1.98%
13	Wolpers, R & LA <R&L Wolpers Superfund A/C>	460,000	1.95%
14	Piggin JS & DJ & GA <Piggin Family Superfund A/C>	400,000	1.69%
15	Blake, R & EL	400,000	1.69%
16	MacKinnon, Andrew Ronald	400,000	1.69%
17	Buttigieg, PA & JL (Buttigieg Superfund A/C>	333,333	1.41%
18	Jetosea Pty Ltd	310,000	1.31%
19	Court Security WA Pty Ltd	303,974	1.29%
20	Blake, Emma Lesley	280,759	1.19%
		12,116,243	51.28%

(e) Unquoted (unlisted) Securities

			Holders of 20% or more of the class	
Class	Number of Securities	Number of Holders	Holder Name	Number of Securities
Unlisted $0.08 options, expiry 25 November 2017	2,125,000	2	Peter Batten	1,000,000
			Simon Lill	750,000
Unlisted $0.04 options, expiry 10 June 2019	23,934,611		DJ Carmichael Pty Limited	12,500,000
Unlisted $0.10 options, expiry 30 November 2018	7,350,000		Simon Lill	1,500,000
			Andy Beckwith	1,500,000
Unlisted $0.10 options, expiry 31 October 2020	2,250,000		Andy Beckwith	1,000,000
			Phil Tornatora	750,000
			Craig Nelmes	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.

Annual Mineral Resources Statement (JORC 2012)

AS AT 30 JUNE 2017

Indee Project 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
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**
	Total				**0.99**	**1.3**	**41,700**	**0.28**	**1.2**	**10,700**	**1.27**	**1.3**	**52,400**
Camel	Oxide	0.14	3.1	14,000	0.26	3.0	25,100	0.11	1.6	5,500	0.51	2.7	44,600
	Fresh				0.03	1.7	1,600	0.20	1.7	11,200	0.23	1.7	12,800
	Total	**0.14**	**3.1**	**14,000**	**0.29**	**2.9**	**26,700**	**0.31**	**1.7**	**16,700**	**0.74**	**2.4**	**57,400**
Roe	Oxide	0.04	2.8	3,700	0.05	2.5	4,400	0.11	1.5	5,400	0.20	2.0	13,500
	Fresh	0.00	2.5		0.06	3.4	7,000	0.11	2.4	8,800	0.18	2.8	15,800
	Total	**0.04**	**2.8**	**3,700**	**0.12**	**3.0**	**11,300**	**0.22**	**2.0**	**14,200**	**0.38**	**2.4**	**29,300**
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
	Total	**0.10**	**2.2**	**7,200**	**0.06**	**1.6**	**3,200**	**0.12**	**1.7**	**6,900**	**0.29**	**1.9**	**17,200**
Withnell above -100mRL	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	2.55	1.7	142,400	0.96	1.7	52,300	3.96	1.7	215,600
	Total	**1.02**	**1.3**	**44,100**	**2.77**	**1.7**	**153,800**	**1.11**	**1.6**	**57,800**	**4.90**	**1.6**	**255,700**
Withnell Below -100mRL	Oxide												
	Fresh				0.02	4.9	2,800	1.45	2.5	118,900	1.47	2.6	121,600
	Total				**0.02**	**4.9**	**2,800**	**1.45**	**2.5**	**118,900**	**1.47**	**2.6**	**121,600**
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
	Total							**0.10**	**1.5**	**4,800**	**0.10**	**1.5**	**4,800**
Indee Total	**Oxide**	**0.85**	**1.8**	**48,100**	**0.99**	**1.9**	**60,200**	**0.52**	**1.4**	**23,400**	**2.36**	**1.7**	**131,700**
	Fresh	**0.45**	**1.4**	**20,900**	**3.25**	**1.7**	**179,300**	**3.08**	**2.1**	**206,600**	**6.78**	**1.9**	**406,700**
	Total	**1.31**	**1.6**	**69,000**	**4.24**	**1.8**	**239,500**	**3.60**	**2.0**	**229,900**	**9.15**	**1.8**	**538,400**

Turner River Project 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	1.76	152,100	0.65	1.3	27,000	0.34	1.3	14,400	**3.67**	**1.6**	**193,500**
	Fresh	0.40	1.5949	20,500	0.34	1.5	16,300	1.08	1.7	57,400	**1.82**	**1.6**	**94,200**
	Total	**3.08**	**1.7427**	**172,700**	**0.99**	**1.4**	**43,300**	**1.42**	**1.6**	**71,700**	**5.49**	**1.6**	**287,700**
Mt Berghaus	Oxide				0.07	2.0	4,400	1.24	1.3	50,000	1.30	1.3	54,400
	Fresh				0.14	1.7	7,900	2.07	1.2	78,500	2.21	1.2	86,400
	Total				**0.21**	**1.8**	**12,300**	**3.30**	**1.2**	**128,500**	**3.52**	**1.2**	**140,800**
Amanda	Oxide							0.15	1.6	7,600	0.15	1.6	7,600
	Fresh							0.54	1.6	27,800	0.54	1.6	27,800
	Total							**0.69**	**1.6**	**35,400**	**0.69**	**1.6**	**35,400**
Turner River Total	**Oxide**	**2.68**	**1.8**	**152,100**	**0.72**	**1.4**	**31,400**	**1.72**	**1.3**	**72,000**	**5.12**	**1.6**	**255,500**
	Fresh	**0.40**	**1.6**	**20,500**	**0.48**	**1.6**	**24,200**	**3.69**	**1.4**	**163,600**	**4.57**	**1.4**	**208,400**
	Total	**3.08**	**1.7**	**172,700**	**1.20**	**1.4**	**55,600**	**5.41**	**1.4**	**235,600**	**9.69**	**1.5**	**463,900**

De Grey Mining Total 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
De Grey Total	**Oxide**	**3.53**	**1.8**	**200,200**	**1.71**	**1.7**	**91,600**	**2.24**	**1.3**	**95,300**	**7.48**	**1.6**	**387,200**
	Fresh	**0.85**	**1.5**	**41,400**	**3.73**	**1.7**	**203,500**	**6.77**	**1.7**	**370,200**	**11.35**	**1.7**	**615,100**
	Total	**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**

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.

Annual Mineral Resources Statement (JORC 2012)

AS AT 30 JUNE 2017

Turner River Project Base Metal Mineral Resources

Deposit	Class	Tonnes Mt	Zn %	Pb %	Cu %	Au ppm	Ag ppm	Zn Metal Tonnes	Pb Metal Tonnes	Cu Metal Tonnes	Au Oz	Ag kOz
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
	Total	**0.61**	**5.2**	**2.2**	**0.2**	**1.5**	**194**	**32,100**	**13,500**	**1,200**	**30,400**	**3,800**
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
	Total	**0.78**	**1.0**	**0.5**	**0.1**	**0.6**	**57**	**8,200**	**3,600**	**400**	**16,000**	**1,400**
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
	Total	**1.39**	**2.9**	**1.2**	**0.1**	**1.0**	**118**	**40,300**	**17,100**	**1,700**	**46,400**	**5,300**
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
	Total	**2.08**	**3.4**	**1.4**	**0.1**	**0.7**	**105**	**70,800**	**28,900**	**2,400**	**45,500**	**7,000**

Turner River Total Base Metal Mineral Resources

	Class	Tonnes Mt	Zn %	Pb %	Cu %	Au ppm	Ag ppm	Zn Metal Tonnes	Pb Metal Tonnes	Cu Metal Tonnes	Au Oz	Ag kOz
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
	Total	3.47	3.2	1.3	0.1	0.8	110	111,000	46,100	4,100	91,900	12,300

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 2016 and June 2017, the total inventory increased from 6.7Mt at 1.6g/t for 345koz to 18.8Mt at 1.7g/t for 1,002koz as shown below. Increases are due to the option to acquire the Indee Gold Project which was announced in January 2017. Mineral Resource estimates for the various Indee deposits were subsequently updated and reported to comply with JORC 2012 reporting guidelines. The total Indee Mineral Resource inventory at June 2017 comprised 9.15Mt at 1.8g/t Au for 538koz, none of which was reported at June 2016.

De Grey Mining Limited - Comparison of June 2016 and June 2017 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
De Grey Total	2017	4.39	1.7	241,700	5.44	1.7	295,100	9.0	1.6	465,500	18.8	1.7	1,002,300
	2016	2.70	1.8	160,100	1.10	1.3	45,300	2.9	1.5	140,100	6.7	1.6	345,600
	Change	63%	-7%	51%	394%	32%	551%	212%	8%	232%	182%	4%	190%

At the Turner River Project, a material increase to the Mt Berghaus Mineral Resource resulted from an updated estimate which incorporated the results of an extensive drilling program completed by De Grey. The Mineral Resource at June 2017 comprised 3.52Mt at 1.2g/t Au for 141koz, an increase of 227% compared to the estimate reported at June 2016.

Re-modelling of the Wingina deposit to include a small number of additional drill holes and a revised geological interpretation has resulted in an increased resource of 5.49Mt at 1.6g/t Au for 288koz. This is an 8% increase in contained gold compared to June 2016.

There has been no change to the Mineral Resource at the Amanda deposit.

Annual Mineral Resources Statement (JORC 2012)

AS AT 30 JUNE 2017

Turner River Project - Comparison of June 2016 and June 2017 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	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**
	2016	2.70	1.8	160,100	1.10	1.3	45,300	1.30	1.5	61,700	**5.10**	**1.6**	**267,200**
	Change	**14%**	**-6%**	**8%**	**-10%**	**7%**	**-4%**	**9%**	**6%**	**16%**	**8%**	**0%**	**8%**
Mt Berghaus	2017				0.21	1.8	12,300	3.30	1.2	128,500	**3.52**	**1.2**	**140,800**
	2016							0.90	1.4	43,000	**0.90**	**1.4**	**43,000**
	Change				**>**	**>**	**>**	**267%**	**-14%**	**199%**	**291%**	**-11%**	**227%**
Amanda	2017							0.69	1.6	35,400	**0.69**	**1.6**	**35,400**
	2016							0.69	1.6	35,400	**0.69**	**1.6**	**35,400**
	Change							**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Turner River Total	**2017**	**3.08**	**1.7**	**172,700**	**1.20**	**1.4**	**55,600**	**5.41**	**1.4**	**235,600**	**9.69**	**1.5**	**463,900**
	2016	**2.70**	**1.8**	**160,100**	**1.10**	**1.3**	**45,300**	**2.89**	**1.5**	**140,100**	**6.69**	**1.6**	**345,600**
	Change	**14%**	**-6%**	**8%**	**9%**	**12%**	**23%**	**87%**	**-9%**	**68%**	**45%**	**-7%**	**34%**

Revised Mineral Resource estimates for the Turner River base metal deposits were completed in the 2017 financial year. At the Discovery deposit, a substantial drilling program was competed by De Grey and incorporated into the revised estimate resulting in a 13% increase in tonnes and 48% increase in zinc metal. At the Orchard Tank deposit, remodelling of the previous drilling resulted in an increase in tonnes of 23% and a 77% increase in zinc metal.

Turner River Project - Comparison of June 2016 and June 2017 Base Metal Mineral Resources

Deposit	Report Year	Tonnes	Zn	Pb	Au	Ag	Zn	Pb	Au	Ag
		Mt	%	%	ppm	ppm	Metal Tonnes		Oz	kOz
Discovery	2017	1.4	2.9	1.2	1.0	118	40,300	17,100	46,400	5,300
	2016	1.2	2.3	0.9	0.8	87	29,000	11,600	33,100	3,500
	Change	**13%**	**23%**	**31%**	**25%**	**35%**	**39%**	**48%**	**40%**	**53%**
Orchard Tank	2017	2.1	3.4	1.4	0.7	105	70,800	28,900	45,500	7,000
	2016	1.7	2.4	1.0	0.5	79	40,066	16,733	28,036	4,252
	Change	**23%**	**43%**	**40%**	**31%**	**34%**	**77%**	**73%**	**62%**	**65%**
Turner River Total	**2017**	**3.5**	**3.2**	**1.32**	**0.82**	**110**	**111,100**	**46,000**	**91,900**	**12,300**
	2016	**2.9**	**2.4**	**1.0**	**0.6**	**82**	**69,100**	**28,300**	**61,100**	**7,800**
	Change	**21%**	**36%**	**38%**	**31%**	**34%**	**61%**	**63%**	**50%**	**58%**

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.

Schedule on Interests in Mining Tenements

FOR THE YEAR ENDED 30 JUNE 2017

Project/Location	Country	Tenement	Percentage held/earning
Beyondie	Australia	E52/2215	20%[1]
Turner River	Australia	E47/891	100%
Turner River	Australia	E45/2533	100%
Turner River	Australia	E45/2364	100%
Turner River	Australia	E45/2995	100%
Turner River	Australia	E45/3390	100%
Turner River	Australia	E45/3391	100%
Turner River	Australia	E45/3392	100%
Turner River	Australia	P45/3028	100%
Turner River	Australia	P45/3029	100%
Turner River	Australia	E45/2983	0%[2]
Indee	Australia	E47/2720	0%[3]
Indee	Australia	E47/3504	0%[3]
Indee	Australia	M47/473	0%[3]
Indee	Australia	M47/474	0%[3]
Indee	Australia	M47/475	0%[3]
Indee	Australia	M47/476	0%[3]
Indee	Australia	M47/477	0%[3]
Indee	Australia	M47/480	0%[3]
Indee	Australia	L47/164	0%[3]
Indee	Australia	L47/165	0%[3]

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

[2] In October 2016, De Grey entered into an option to acquire 100% of the southern graticulates with Haoma Mining NL and Elazac Mining Pty Ltd and the latter being the tenement owner (Note 23 (d)).

[3] In January 2017, De Grey entered into an option agreement to acquire 100% of Indee Gold Pty Ltd – the tenement owner.