

For personal use only

De Grey Mining Ltd

ABN 65 094 206 292

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2020

Contents

Directors' Report.....	3
Audit Independence Declaration	12
Consolidated Statement of Profit or Loss and other Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Changes in Equity.....	15
Consolidated Statement of Cash Flows	16
Notes to the Consolidated Financial Statements.....	17
Director's Declaration	24
Audit Report.....	25
Corporate Information.....	27

For personal use only

Directors' Report

Your directors present their report on the consolidated entity comprising De Grey Mining Limited and its controlled entities (the "Group" or "De Grey") as at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were Directors of the De Grey Mining Limited during the whole of the financial period and up to the date of this report, except as otherwise indicated:

Simon Lill
 Glenn Jardine
 Andrew Beckwith
 Peter Hood
 Eduard Eshuys
 Bruce Parncutt

Principal Activities

The principal activity of the consolidated entity during the course of the half-year was exploration and development activities at the Mallina Gold Project ("MGP"), 80 kms south west of Port Hedland in the Pilbara region of Western Australia. De Grey currently controls a considerable tenement package comprising over 1,500km². The tenement package is highly prospective for gold, other precious metals and also comprises significant base metals resources (Zn-Ag-Pb) as well as lithium prospects.

Operations Review

De Grey's immediate growth strategy is linked to increasing gold resources, extending deposits and making large new discoveries.

De Grey's full focus remains on growing the Hemi discovery in the centre of the Mallina Gold Project area, Hemi is a major gold discovery with world class infrastructure at its doorstep, and is Hemi is made up of a series of zones: Aquila, Brolga, Crow and Falcon with encouraging new discoveries at Diucon and Eagle. Gold mineralisation at Hemi is hosted in a series of intrusions associated with stringer and disseminated sulphide rich zones. This style of mineralisation is new to the Pilbara region and shows a scale of mineralisation not previously seen in the Mallina Basin.

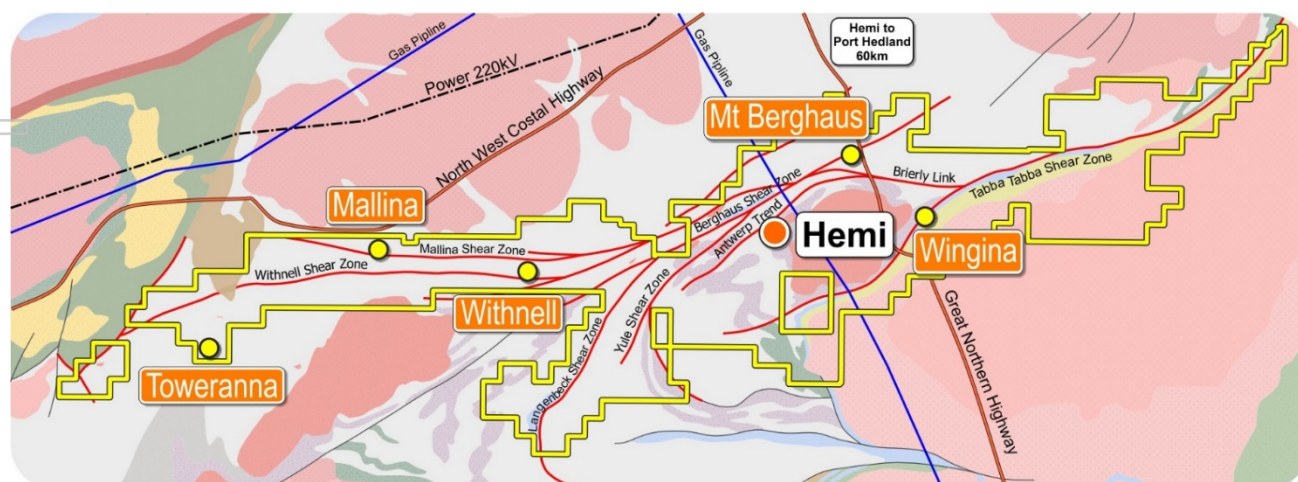


Figure 1: Mallina Gold Project showing main gold deposits and the Hemi Discovery

Highlights for the Half-year

- Drilled rates for the half-year continued to be very productive given the difficulty of some of the terrain with ~98,000m of aircore drilling, ~70,000m of RC and ~17,500m of diamond drilling completed.
- Hemi continues to grow across multiple zones, and the overall Hemi system is now +3,500m north-south, +3,500m east-west, +400m deep and remains open along strike and at depth;
 - Aquila zone defined over a strike length of +1,200m and to a depth of ~400m and considered to remain open to the west;
 - Mineralisation at Brolga defined to a depth of 600m in areas, with the current footprint of 800m x 300m still open in multiple directions, with untested area between Brolga and Brolga South currently being drilled;
 - More high-grade results returned from Crow infill drilling with new sub-parallel zones of mineralisation identified within a 500m strike length;
 - The Falcon zone now has mineralisation confirmed in RC and diamond drilling over +1,000m of strike and to 300m below surface, and considered to remain open along strike and at depth with drilling continuing;
- Aircore drill testing of other intrusions in the Greater Hemi region has commenced with first RC drilling in the region during the half-year; and
- Detailed metallurgical testwork continued on oxide ore and hydrometallurgical pathways including pressure oxidation, Albion® and BIOX® for fresh sulphide ore, with the latest promising results released subsequent to the end of the reporting period.

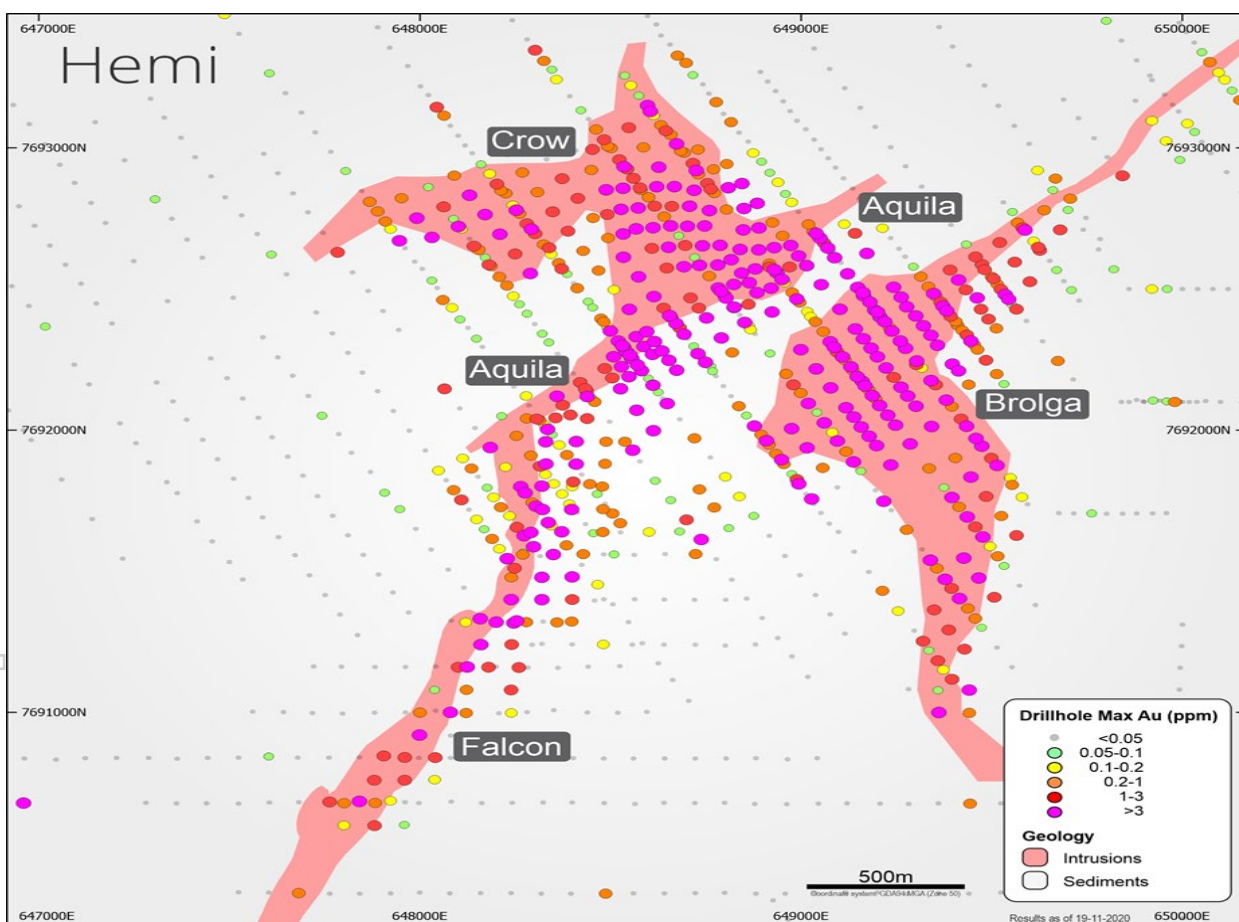


Figure 2: RC and diamond drill collar locations and regional aircore, showing key results to date.

Hemi – Aquila Zone

Aquila is a gold-sulphide zone located to the immediate north of the Brolga zone and adjacent to the Crow zone to the north and Falcon zone to the south.

During the half-year, extensional and infill drilling continued utilising a combination of aircore, RC and diamond drilling. RC and diamond drilling are being undertaken on a combination of 40m x 40m and 80m x 40m spacing to support a future resource estimate and test depth extensions. Aircore drilling is being used to test new strike extensions ahead of RC and diamond drilling. The Infill drilling testing the continuity of the mineralisation is expected to improve the overall resource estimate classification but has also intersected new lodes.

*Significant results (>10gm*m) returned during the period include:*

35.6m @ 1.0g/t Au from 419.0m in HEDD010	10.2m @ 2.5g/t Au from 254.0m in HERC111D
25.2m @ 2.0g/t Au from 300.1m (incl 9.2m @ 3.8g/t Au from 311.7m) in HERC241D	24.6m @ 2.7g/t Au from 244.4m (incl 5m @ 5.0g/t Au from 252.0m) in HERC246D
8.7m @ 1.1g/t Au from 402.3m and 35.6m @ 1.0g/t Au from 419.0m in HEDD101	39.0m @ 1.3g/t Au from 389.0m in HERC104D (incl 8m @ 2.8g/t Au from 415.0m)
39.0m @ 1.3g/t Au from 389.0m in HERC104D (incl 8m @ 2.8g/t Au from 415.0m)	5.0m @ 3.3g/t Au from 407.7m in HERC105D
6.0m @ 1.7g/t Au from 268.0m in HERC110D	2.0m @ 7.1g/t Au from 211.0m in HERC100D

*Significant results at Aquila (> 50gm*m) returned during the period include:*

38.4m @ 3.2g/t Au from 205.05m in HERC106D	53m @ 1.2g/t Au from 165m in HERC109D
68m @ 1.2g/t Au from 136m in HERC314	

Hemi - Brolga/Brolga South Zones

The Brolga zone is the largest gold zone identified at Hemi to date. The mineralised intrusion now spans 800m along strike and up to 300m wide. Gold mineralisation at Brolga remains open down dip, to the east and west and within the major new extension also to the south.

Drilling for the half-year has targeted down dip and strike extensions to the main Brolga zone, in addition to resource infill drilling for resource classification purposes. Several deeper diamond tails were completed to test down dip extensions to the main Brolga zone during the half-year and has demonstrated that the Brolga mineralised system is open to over 600m vertical depth, as well as providing geotechnical information in locations of potential pit walls.

The Recent resource definition drilling at Brolga has targeted drilling to 40m collar spacing along existing 80m spaced sections to better define thickness and grade continuity. The infill program is designed to provide sufficient drill density to enable a significant portion of the maiden resource estimate to meet JORC 2012 Indicated classification and infill drilling is continuing at all Hemi zones into the second half of the 2020-2021 financial year.

*Significant results (>10gm*m) returned during the period include:*

14.7m @ 1.1g/t Au from 40m and 70.2m @ 1.5g/t Au from 100.9m in HEDD007	3m @ 10.5g/t Au from 418m and 15m @ 1.3g/t Au from 457m in HERC134D
31m @ 1.1g/t Au from 225m and 12m @ 1.5g/t Au from 537m in HERC138D	5m @ 4.4g/t Au from 79m and 17m @ 2.1g/t Au from 105m in HERC183
11m @ 6.7g/t Au from 189m in HERC362	17m @ 1.5g/t Au from 72m in HERC186
6m @ 2.8g/t Au from 54m in HERC179	9m @ 3.7g/t Au from 62m in HERC189
81m @ 1.7g/t Au from 37m in HERC192	23m @ 1.6g/t Au from 65m in HERC197
11m @ 1.7g/t Au from 163m in HERC192	27m @ 1.6g/t Au from 98m in HERC197
9m @ 1.3g/t Au from 63m in HERC193	13m @ 1.2g/t Au from 50m in HERC199
2m @ 14g/t Au from 128m in HERC193	26m @ 1g/t Au from 109m in HERC199
46m @ 2.7g/t Au from 43m in HERC196	32m @ 1.4g/t Au from 154m in HERC199
11m @ 2.1g/t Au from 191m in HERC199	23m @ 1.1g/t Au from 50m in HERC304
7m @ 5.4g/t Au from 163m in HERC170	

Hemi – Crow Zone

The Crow zone represents a large intrusion with highly anomalous gold mineralisation north of the Aquila zone defined by wide-spaced aircore drilling over an area +1,000m x +400m. Crow dips moderately to steeply to the south and is adjacent to the Aquila zone. The style of mineralisation is similar to the Aquila and Brolga zones with more discrete lodes of sulphide rich altered and brecciated intrusion.

Progressive extensional RC and diamond drilling is being completed on 80m x 40m spacing and infill resource definition to 40m x 40m spacing. Significant wide, shallow zones of mineralisation continue to be intersected, and includes the high grade intercept within HERC238 which of **64m @ 13.4g/t** (using a 0.3g/t lower cut off) and that included a bonanza grade interval of 19m @ 42g/t. This bonanza interval includes a continuous run of individual 1m assays of 43.4, 229.0, 55.2, 42.0, 106.0, 103.0, 46.3 and 53.1 for an interval of 8m @ 84.7g/t (Figure 3). This area at Crow includes numerous sub-parallel zones of mineralisation over a strike length of at least 500m. Mineralisation remains open at multiple localities and further extensional and infill drilling is expected to define additional shallow lodes.

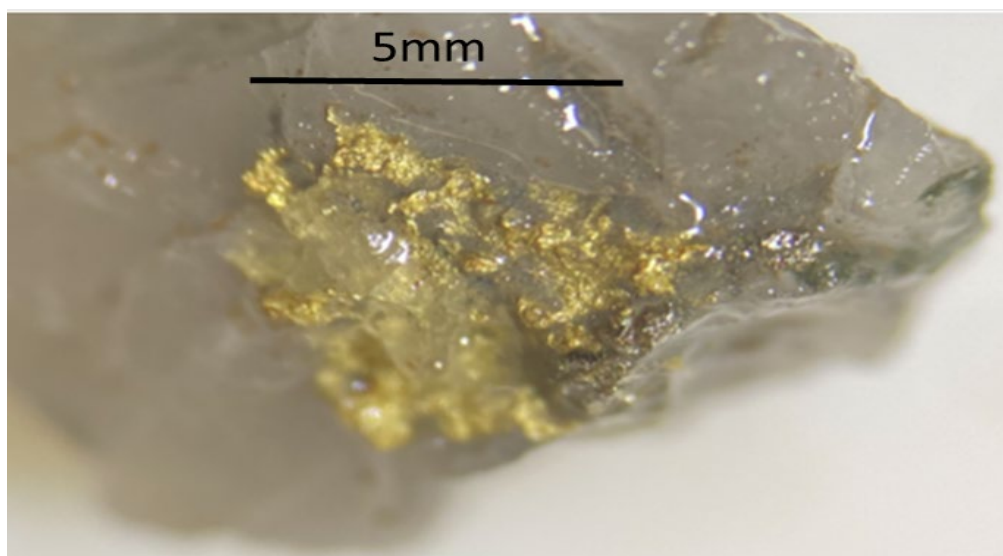


Figure 3: Visible gold noted in HERC238

Wide spaced 80 x 80m extensional drilling is continuing in the northwest of Crow, with further assay results awaited. Recent aircore drilling has defined further western extensions of the Crow intrusive into an area called Diucon and follow up RC drilling for this area is being planned.

*Significant results (>10gm*m) returned during the period include:*

44m @ 2.6g/t Au from 51m and 14m @ 1g/t Au from 104m in HERC320	15m @ 1.8g/t Au from 173m and 28m @ 2.6g/t Au from 193m in HERC091D
17m @ 12.9g/t Au from 91m in HERC342 (including 7m @ 29.4g/t Au)	5m @ 7.4g/t Au from 139m in HERC343 (including 3m @ 11.6g/t Au)
18.18m @ 0.7g/t Au from 230.61m in HERC112D	25m @ 0.6g/t Au from 56m in HERC219
12m @ 2.4g/t Au from 109m in HERC175	12m @ 2.2g/t Au from 72m in HERC220
4m @ 2.5g/t Au from 116m in HERC221 and 10m @ 1.1g/t Au from 149m in HERC221	7m @ 1.7g/t Au from 42m in HERC227 and 31m @ 2.2g/t Au from 69m in HERC227
24m @ 1.1g/t Au from 51m in HERC225	35m @ 0.8g/t Au from 84m in HERC226
37m @ 22.3g/t Au from 155m in HERC238 (incl 19m @ 42g/t Au from 170m) & 8m @ 3.1g/t Au from 197m	5m @ 72.9g/t Au from 105m in HERC311 (incl 1m @ 358g/t Au from 105m)
42.8m @ 2.8g/t Au from 234m in HERC038D	

Hemi – Falcon Zone

Extensional drilling south of Aquila and west of Brolga delineated a highly brecciated and extensively sulphide altered subvertical intrusion with a north-south orientation in the second half of 2020, and is referred to as the *Falcon zone*. The style of brecciation and intrusion is similar to the nearby Aquila deposit. Bedrock mineralisation at Falcon is located under 30 – 40m of transported cover, consistent with the Aquila, Brolga and Crow deposits. Visible gold has been noted in drilling at Falcon.

Aircore drilling has delineated the intrusion over a strike of 3km. The strongest gold mineralisation and subsequent follow-up RC and diamond drilling has focused on the northern 1 km of strike. The initial RC and deeper diamond drill has defined robust and wide (up to 50m) gold zones over a strike of more than 1,000m and to a depth of 300m with good continuity. Infill RC and diamond drilling is being conducted on a nominal 80m x 40m basis, with deeper resource extensions currently targeting to 500m depth. This pattern is expected to support a high quality maiden Mineral Resource estimate in mid-2021.

*Significant results (>10gm*m) returned during the period include:*

67m @ 1.6g/t Au from 119m and 14m @ 1.7g/t Au from 250m within an overall interval of 93m @ 1.2g/t Au from 110m in HERC421	92m @ 1.3g/t Au from 124m in HERC424
59m @ 1.2g/t Au from 156m in HERC422	6m @ 5.9g/t Au from 99m in HERC426
31m @ 1.0g/t Au from 269m in HERC423	
Overall interval of 90m @ 1.0g/t Au from 210m in HERC425, 18m @ 0.9g/t Au from 144m and 25m @ 2.1g/t Au from 268m within the overall interval	
Overall interval of 133.4m @ 0.7g/t Au from 256.5m in HERC299DW1, 11m @ 0.7g/t Au from 265m, 16.5m @ 1.7g/t Au from 297.7m, 8.7m @ 1.1g/t Au from 321.1m, 20.9m @ 1.9g/t Au from 369.0m and 4.2m @ 1.2g/t Au from 421.0m within the overall interval.	
66.7m @ 1.4g/t Au from 198.3m, 10.0 @ 1.0g/t Au from 292.0m and 6.0m @ 0.6g/t Au from 310.0m within an overall interval of 145.7m @ 0.9g/t Au from 198.3m in HERC402D	
20m @ 1.1g/t Au from 172m and 48m @ 1.2g/t Au from 222m in HERC428	22m @ 2.0g/t Au from 93m in HERC429
38m @ 1.3 g.t Au from 171m in HERC430	60m @ 1.2g/t Au from 83m in HERC431
31m @ 1.5g/t Au from 211m in HERC261D (incl 5m @ 4.1g/t Au from 232m)	25m @ 2.2g/t Au from 124m in HERC256 (incl 5m @ 3.7g/t Au from 142m)
2m @ 3.6g/t Au from 58m in HERC258	42m @ 5.2g/t Au from 47m in HERC260 (incl 31m @ 6.6g/t Au from 50m)
62m @ 1.5g/t Au from 143m in HERC262	50m @ 3.3g/t Au from 50m (incl 29m @ 4.6g/t Au from 50m) and 17m @ 1.2g/t Au from 119m in HERC265
12m @ 2.7g/t Au from 52m in HERC267 (incl 3m @ 7.6g/t Au from 52m)	4m @ 0.9g/t Au from 79m in HERC269
3m @ 2.6g/t Au from 147m in HERC271	

Greater Hemi Exploration – including Scooby, Antwerp, Shaggy and Alectroenas

A program of systematic aircore drilling of the Greater Hemi area, inclusive of four similar intrusions already identified in the immediate vicinity of Hemi, being Scooby, Shaggy, Antwerp and Alectroenas is progressing (Figure 4).

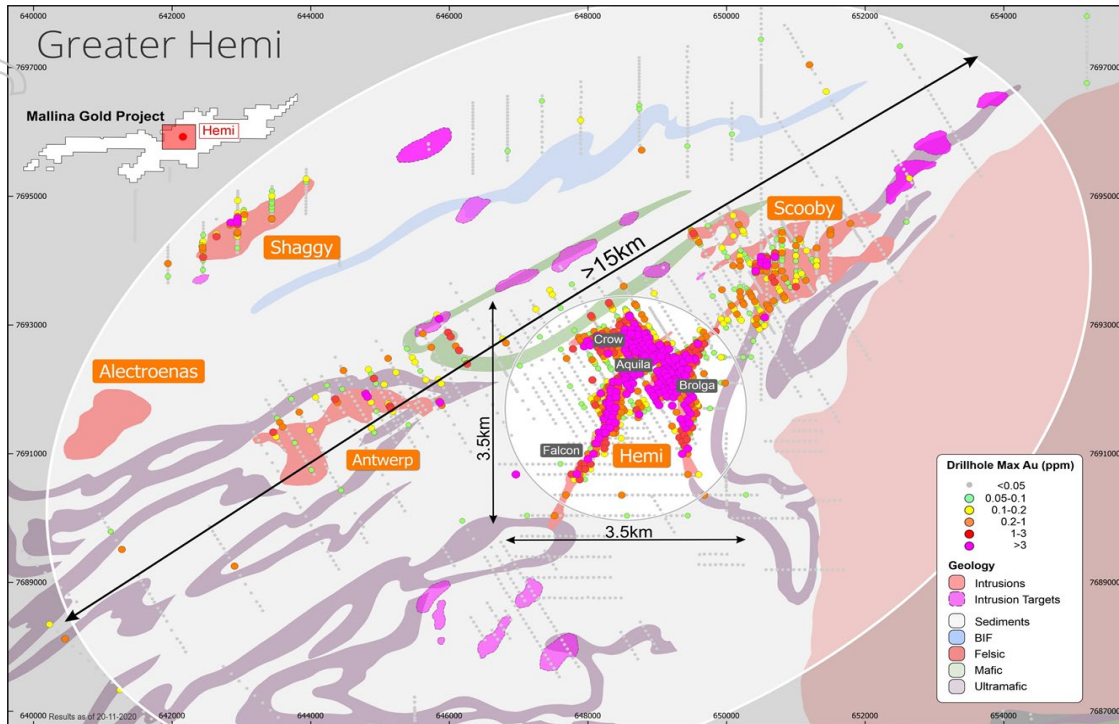


Figure 4: Geology and drilling completed in the Hemi and Greater Hemi areas

Those prospective areas identified by aircore drilling will be followed up with meaningful blocks of RC drilling to determine the extent of mineralisation. Initial RC drilling across Greater Hemi commenced in the later part of the half-year and is planned to continue into the first half of 2021.

Regional Exploration

The interpretation of a detailed, project-wide aeromagnetic survey and geochemical sampling results has already highlighted more than 30 potential intrusive targets requiring assessment. A dedicated Regional Exploration team was established during the later part of the half-year, and its initial focus will be on identifying new, large scale, high value intrusion-hosted deposits similar to Hemi and outside of the Greater Hemi area (Figure 5).

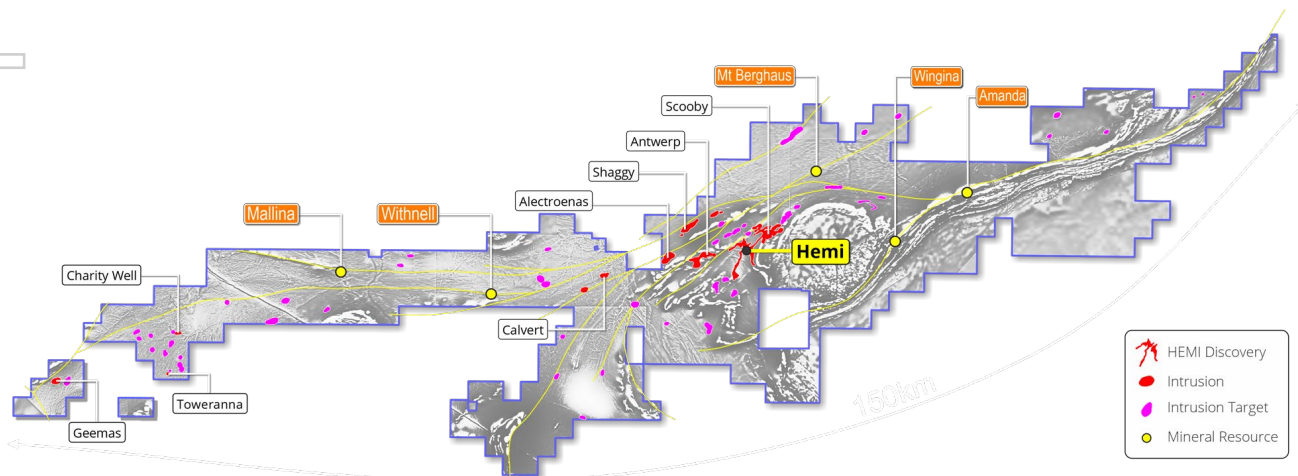


Figure 5: Intrusion targets within the Mallina Project, including regional magnetic survey

Three of the known intrusion targets - Charity Well, Calvert and Geemas – have been prioritised for planned aircore drilling programs for the first half of 2021. At Calvert there already exists a small shear zone hosted resource in sediments lying to the south of the intrusion target. The intrusion has anomalous gold and has been tested to only shallow depths (<30m) in historical drilling.

With more than 200km of shear zones also in existence across the Mallina Project and the majority of the current Mineral Resource of 37.4 million tonnes grading 1.8g/t Au for 2.2 million ounces (excluding Hemi) is found in shear-hosted deposits, the team has already commenced assessments on both existing and new shear-hosted targets across the project area.

Response to the COVID-19 pandemic

Throughout the reporting period, the Company was closely monitoring its actions with respect to the COVID-19 pandemic and made changes to a range of its operating procedures to ensure the safety of our people and our local communities. From time to time, flexibility with respect to shift changes of site-based team members were implemented so as to reduce risks associated with travel. All site based personnel and visitors are tested for COVID-19 prior to departure and increased hygiene measures remain in place at site and in our Perth office.

These measures have been successful in having no employee or contractor test positive to COVID-19.

Corporate

Changes to the Board Composition and Senior Executive Appointments

From 1 July 2020, Mr Simon Lill moved from the role of Executive Chairman to Non-executive Chairman, with Mr Peter Hood taking on the role of Lead Independent Director.

In December 2020, the Group appointed Ms Bronwyn Campbell in the newly created role of Executive Manager Community Relations. Bronwyn has more than 10 years of experience in community relations including with direct experience in the Pilbara mining industry as a senior manager with Rio Tinto.

On 4 January 2021 and subsequent to the end of the reporting period, the appointment of Mr. Peter Canterbury as the Group's Chief Financial Officer was announced and he commenced the role on 1 February 2021. Peter brings highly relevant financial expertise to support De Grey's ambitions of becoming a Tier 1 gold producer from Hemi. Mr. Craig Nelmes, who has served as De Grey's CFO since October 2013, will continue in his role as Company Secretary.

Capital Raisings

In September 2020, De Grey received commitments for a placement of ~83.4 million shares at a price of A\$1.20 per share to sophisticated, professional and other exempt investors to raise ~A\$100 million (before costs). Argonaut Securities Pty Ltd and Canaccord Genuity (Australia) acted as Joint Leader Managers and Bookrunners. Bell Potter Securities Limited acted as Co-Manager. The A\$1.20 per share Placement price represented a 16.4% discount to the last closing price before the Placement and a 1.0% premium to the 10-day volume weighted average price (VWAP).

- On 18 September 2020, De Grey completed an allotment of ~73.3 million shares, representing the 1st Tranche and raising ~A\$87.7 million (before costs).
- At a General Meeting of shareholders, held on 23 October 2020, approval was received for the participation of both major shareholder DGO Gold Limited (ASX:DGO) and Non-Executive Director Peter Hood in the placement. On 3 November 2020, De Grey issued 10.3 million shares, representing the 2nd Tranche and raising a further A\$12.36 Million.

Financial Overview

The consolidated loss after tax for the half-year ended 31 December 2020 was \$3,411,958 (2019: \$1,892,875).

The basic loss per share for the half-year ended 31 December 2020 was 0.27 cents per share (2019: 0.23 cents per share).

Dividends

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

Significant changes in the state of affairs

There were no significant changes in the nature of the activities of the Group during the period, other than those included in the Key Highlights within the Operations Review.

Matters subsequent to the end of the financial period

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

- On 18 January 2021, 457,000 ordinary fully paid shares were issued on the exercise of 457,000 unlisted options, exercisable as 35 cents each and raising \$159,950.
- On 4 March 2021, an aggregate 1,050,143 Zero priced unlisted options were issued to Mr. Glenn Jardine (553,454) and Mr. Andrew Beckwith (496,689) with an expiry date of 3 December 2024, and as approved by shareholders at the Annual General Meeting held on 4 December 2020.

Environmental Regulation

The Group holds mining and exploration licences all of which are subject to environmental regulations that include compliance with heritage obligations. The Group acknowledges the Traditional Custodians of the land upon which we operate and recognise their unique cultural heritage, beliefs and connection to these lands, waters and communities. The Group is subject to The Aboriginal Heritage Act 1972 and processes are in place to ensure heritage approvals are received prior to intensive exploration and ensure it is in compliance with heritage legislation.

All environmental performance obligations are monitored by the board via regular board meetings. The directors of the Group are not aware of any breach of environmental legislation for the period under review.

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*.

Rounding

The amounts contained in this director's report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Group is an entity to which the legislative instrument applies.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

This report is made in accordance with a resolution of the Directors under section 306(3) of the Corporations Act 2001 dated 10 March 2021 and authorised for release by the Board of Directors.



Simon Lill
Chairman

Perth, 10 March 2020



Bruce Parncutt
Chairman of the Audit & Risk Committee



**Building a better
working world**

Ernst & Young
11 Mounts Bay Road
Perth WA 6000, Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the directors of De Grey Mining Limited

As lead auditor for the review of the half-year financial report of De Grey Mining Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Pierre Dreyer
Partner
10 March 2021

For personal use only

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the half-year ended 31 December 2020	Notes	31 December 2020 \$	31 December 2019 \$
Revenue		14,116	5,317
Other income		161,750	128,832
Corporate, technical support and administration expenses		(2,732,540)	(1,308,613)
Share based payments (directors & employees)	9	(484,049)	(133,242)
Share based payments – corporate advisory		-	(80,400)
Other corporate advisory expenses		(125,000)	(367,752)
Depreciation expenses		(246,235)	(137,017)
LOSS BEFORE INCOME TAX		(3,411,958)	(1,892,875)
INCOME TAX EXPENSE		-	-
LOSS FOR THE PERIOD		(3,411,958)	(1,892,875)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(3,411,958)	(1,892,875)
Total comprehensive loss for the period attributable to:			
Owners of De Grey Mining Limited		(3,411,958)	(1,892,875)
		Cents	Cents
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company:		(0.27)	(0.23)

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

As at 31 December 2020	Notes	31 December 2020 \$	30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents	4	103,952,334	28,152,622
Trade and other receivables		1,039,108	428,348
Inventories		66,479	87,758
Other assets		110,425	1,797
TOTAL CURRENT ASSETS		105,168,346	28,670,525
NON-CURRENT ASSETS			
Financial assets		121,487	201,275
Deferred exploration & evaluation expenditure	5	71,542,084	48,938,399
Property, plant and equipment		3,841,520	1,455,005
Right of use asset		437,478	499,975
TOTAL NON-CURRENT ASSETS		75,942,569	51,094,654
TOTAL ASSETS		181,110,915	79,765,179
CURRENT LIABILITIES			
Trade and other payables		3,893,021	2,915,522
Lease liabilities		121,000	115,864
Employee benefit obligations		198,627	79,318
TOTAL CURRENT LIABILITIES		4,212,648	3,110,704
NON-CURRENT LIABILITIES			
Lease liabilities		337,674	399,815
Rehabilitation provision		1,022,230	1,022,230
TOTAL NON-CURRENT LIABILITIES		1,359,904	1,422,045
TOTAL LIABILITIES		5,572,552	4,532,749
NET ASSETS		175,538,363	75,232,430
EQUITY			
Contributed equity	6	234,352,283	130,713,404
Reserves	8	941,621	862,609
Accumulated losses	8	(59,755,541)	(56,343,583)
TOTAL EQUITY		175,538,363	75,232,430

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

For the Half-year ended 31 December 2020	Notes	Contributed Equity	Reserves	Accumulated	Total
		\$	\$	Losses	\$
BALANCE AT 1 JULY 2019		70,787,718	1,414,570	(52,588,581)	19,613,707
Loss for the year		-	-	(1,892,875)	(1,892,875)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		-	-	(1,892,875)	(1,892,875)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		28,038,459	-	-	28,038,459
Shares issued during period in lieu of supplier invoices		247,178	-	-	247,178
Share based payments - options		-	80,400	-	80,400
Share based payments – performance rights		-	133,242	-	133,242
Transfer of reserve on exercise/expiry of performance rights		671,500	(844,876)	173,376	-
BALANCE AT 31 DECEMBER 2019		99,744,855	783,336	54,308,080	46,220,111
BALANCE AT 1 JULY 2020		130,713,404	862,609	(56,343,583)	75,232,430
Loss for the year		-	-	(3,411,958)	(3,411,958)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		-	-	(3,411,958)	(3,411,958)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		103,233,842	-	-	103,233,842
Share based payments - options		-	414,000	-	414,000
Share based payments – performance rights		-	70,049	-	70,049
Transfer of reserve – on exercise of options		405,037	(405,037)	-	-
BALANCE AT 31 DECEMBER 2020		234,352,283	941,621	(59,755,541)	175,538,363

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

Consolidated Statement of Cash Flows

For the Half-year ended 31 December 2020	Notes	31 December 2020	31 December 2019
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Option fee received – lag gravel rights		-	330,000
Royalties received		9,394	6,171
EIS Grants received		56,994	-
Research & development grant received		-	306,651
Interest received		159,230	30,847
Other Grants and income received		80,065	-
Payments to suppliers and employees		<u>(2,442,778)</u>	<u>(1,999,836)</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		<u>(2,137,095)</u>	<u>(1,326,167)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation expenditure		<u>(22,787,807)</u>	(6,494,437)
Payments – for the acquisition of Indee Gold Pty Ltd		-	(9,750,000)
Proceeds from the disposal of plant and equipment		36,800	-
Payments for plant and equipment		<u>(2,482,700)</u>	<u>(361,114)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(25,233,707)</u>	<u>(16,605,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		107,781,320	26,707,101
Payments of share issue transaction costs		<u>(4,545,028)</u>	<u>(1,796,442)</u>
Principal lease payments		(65,778)	-
Transaction costs related to loans & borrowings		-	<u>(367,752)</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>103,170,514</u>	<u>24,542,907</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		75,799,712	6,611,189
Cash and cash equivalents at the beginning of the financial half-year		<u>28,152,622</u>	<u>1,335,398</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL HALF-YEAR	4	<u><u>103,952,334</u></u>	<u><u>7,946,587</u></u>

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

1. Corporate Information

The financial report of De Grey Mining Limited for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 10 March 2021. De Grey Mining Limited is a for-profit Company limited by shares and domiciled in Australia where shares are publicly traded. Details of the Group's principal activities are included in Note 3.

The financial statements are for the consolidated entity consisting of De Grey Mining Limited and its subsidiaries ("Group"), and have been presented in Australian dollars.

2. Basis of Preparation of Half-year Report

These condensed consolidated interim financial statements for the half-year reporting period ended 31 December 2020 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financing Reporting Standard IAS 34 Interim Financial Reporting.

These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by De Grey during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020 and the corresponding interim reporting period, except for the adoption of new standards effective as of 1 July 2020. Several amendments and interpretations became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

3. Segment Information

(a) Description of segment(s) and principal activities

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 the Mallina Gold Project, Pilbara Region of Western Australia. These segments include the activities associated with the determination and assessment of the existence of commercial economic resources, from the Group's mineral assets in the sole geographic location.

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

(b) Segment results, assets and liabilities

	Mallina Gold Project		Consolidated Total	
	31 December 2020 \$	31 December 2019 \$	31 December 2020 \$	31 December 2019 \$
Segment revenue	<u>26,827</u>	5,317	<u>26,827</u>	5,317
<i>Reconciliation of segment revenue to total revenue before tax:</i>				
Interest revenue			171,562	30,610
Change in fair value of equity investments at fair value through profit or loss			(79,788)	93,714
Gain on sale of assets			7,200	-
Other revenue			50,065	4,508
Total revenue and other income			<u>175,866</u>	134,149
Segment results	<u>26,827</u>	5,317	<u>26,827</u>	5,317
<i>Reconciliation of segment result to net loss before tax:</i>				
Corporate advisory			(125,000)	(367,752)
Share based payments			(484,049)	(213,642)
Other corporate and administration			(2,829,736)	(1,316,798)
Net loss before tax			<u>(3,411,958)</u>	(1,892,875)
	31 December 2020 \$	30 June 2020 \$	31 December 2020 \$	30 June 2020 \$
Segment operating assets	<u>75,464,160</u>	50,437,690	<u>75,464,160</u>	50,437,690
<i>Reconciliation of segment operating assets to total assets:</i>				
Cash and cash equivalents			103,952,334	28,152,622
Other corporate and administration assets			1,694,420	1,174,867
Total assets			<u>181,110,915</u>	79,765,179
Segment operating liabilities	<u>(4,060,667)</u>	(3,562,853)	<u>(4,060,667)</u>	(3,562,853)
<i>Reconciliation of segment operating liabilities to total liabilities:</i>				
Other corporate and administration liabilities			(1,511,885)	(969,896)
Total liabilities			<u>(5,572,552)</u>	(4,532,749)

4. Current assets – Cash and cash equivalents

	31 December 2020 \$	30 June 2020 \$
Cash at bank & on hand	4,151,802	391,734
Short-term & on-call deposits (i)	<u>99,800,532</u>	27,760,888
	<u>103,952,334</u>	28,152,622

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

5. Non-current assets – Deferred exploration & evaluation expenditure

	31 December 2020	30 June 2020
	\$	\$
Beginning of financial period – 1 July	48,938,399	30,675,391
Exploration expenditure - all areas of interest for the period (i) (ii)	22,603,685	16,839,283
Indee Gold Pty Ltd -recognised on settlement of acquisition	-	1,451,296
Expensed to P&L	-	(27,571)
	71,542,084	48,938,399

- (i) At each reporting date, the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. That review as at 31 December 2020 resulted in no impairment adjustment with all the deferred exploration and evaluation expenditures relating to the Mallina Project, Pilbara region, Western Australia.
- (ii) 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.

6. Contributed equity

(a) Share capital	31 December 2020			30 June 2020	
	Issue Price	Number of shares	\$	Number of shares	\$
Ordinary shares fully paid		1,288,715,059	234,352,283	1,172,514,204	130,713,404
Total contributed equity		1,288,715,059	234,352,283	1,172,514,204	130,713,404
(b) Movements in ordinary share capital					
Beginning of the financial period		1,172,514,204	130,713,404	427,590,370	70,787,718
Issued during the current period:					
Shares issued on exercise of options	\$0.10	9,210,714	921,071	17,039,286	1,703,928
Shares issued on exercise of options	\$0.30	2,933,333	880,000	13,016,667	3,905,000
Shares issued on exercise of options	\$0.35	1,408,000	492,800	600,000	210,000
Shares issued in lieu of supplier invoices (non-cash)		-	-	3,802,748	247,179
Shares issued on exercise of performance rights		-	-	3,950,000	-
Placement share issue	\$0.045	-	-	111,111,111	5,000,000
Placement share issue	\$0.05	-	-	444,142,014	22,207,101
Placement share issue	\$0.28	19,232,142	5,385,000	92,196,429	25,815,000
Placement share issue	\$1.20	83,416,666	100,099,999	-	-
Shares issued part consideration – Indee Gold Pty Ltd (non-cash)	\$0.050791	-	-	59,065,579	3,000,000
Transaction costs		-	(4,545,028)	-	(3,144,223)
Share based payments reserve transfer on option exercise		-	405,037	-	310,201
Share based payments reserve transfer on performance rights exercise		-	-	-	671,500
End of the financial period		1,288,715,059	234,352,283	1,172,514,204	130,713,404

(c) Movements in options on issue

	Number of options	
	31 December 2020	30 June 2020
Beginning of the financial period	19,844,047	77,333,333
Net issued / (exercised or cancelled) during the period:		
– Exercisable at 10 cents, on or before 31 Oct 2019	-	(7,039,286)
– Exercisable at 20 cents, on or before 30 Nov 2019	-	(33,333,333)
– Exercisable at 25 cents, on or before 30 Nov 2019	-	(12,500,000)
– Exercisable at 30 cents, on or before 30 May 2021	Unlisted (1,433,333)	(13,016,667)
– Exercisable at 30 cents, on or before 30 Sep 2021	Unlisted (1,500,000)	1,500,000
– Exercisable at 10 cents, on or before 31 Oct 2020	Unlisted (7,210,714)	-
– Exercisable at 10 cents, on or before 31 Dec 2021	Unlisted (2,000,000)	2,000,000
– Exercisable at 35 cents, on or before 12 Mar 2021	Unlisted (1,408,000)	4,900,000
– Exercisable at 0 cents, on or before 29 July 2022	Unlisted 450,454	-
End of the financial period	<u>6,742,454</u>	<u>19,844,047</u>

(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.

7. Dividends

No dividends were paid during the financial period and no recommendation for payment of dividends has been made (2019: Nil).

8. Reserves & Accumulated Losses

	31 December 2020	30 June 2020
	\$	\$
(a) Reserves		
Share-based payments reserve (i)	<u>941,621</u>	862,609
	<u>941,621</u>	<u>862,609</u>
(b) Movements in share based payments reserve:		
Balance at beginning of financial period	862,609	1,414,570
Share based payments (options) expense (<i>Directors & EOP plan</i>)	414,000	334,400
Share based payments (options) expense (<i>Corporate advisory</i>)	-	136,251
Share based payments (performance rights) expense (<i>Directors & PR plan</i>)	70,049	180,089
Transfer to Issued Capital on exercise of performance rights	-	(671,500)
Transfer to Issued Capital on exercise of options	(405,037)	(310,201)
Transfer to Accumulated losses on expiry of performance rights	-	(221,000)
Balance at end of period	<u>941,621</u>	<u>862,609</u>
(c) Movements in accumulated losses		
Balance at beginning of financial period	(56,343,583)	(50,579,451)
Net loss for the period	(3,411,958)	(3,976,002)
Transfer from Reserves on expiry of performance rights	-	221,000
Balance at end of period	<u>(59,755,541)</u>	<u>(56,343,583)</u>

9. Share based payments

From time to time options are granted to;

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

(a) Options

Employee Option Plan of De Grey Mining Limited (“EOP”) ¹

Shareholders last approved the EOP at the Annual General Meeting held on 28 November 2018. 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 extended to eligible employees with a contractual right to receive performance rights under the Plan, and/or is at the discretion of the Board.

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 term 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 450,454 director options granted and Nil EOP options granted in the financial period to 31 December 2020. All currently outstanding options are detailed in the following table:

Grant date	Expiry date	Exercise price Cents	Balance at start of the period No.	Granted during the period No.	Exercised during the period No.	Balance at end of the period No.	Vested and exercisable at end of the period No.
24 Sep 2017	31 Oct 2020	10 cents	2,250,000	-	(2,250,000)	-	-
17 Oct 2018	30 May 2021	30 cents	4,233,333	-	(1,433,333)	2,800,000	2,800,000
12 Mar 2020	12 Mar 2022	35 cents	4,900,000	-	(1,408,000)	3,492,000	3,492,000
30 July 2020	29 Jul 2022	Nil cents	-	450,454	-	450,454	450,454
			11,383,333	450,454	(5,091,333)	6,742,454	6,742,454

(b) Expenses arising from share-based payment transactions – options

The weighted average fair value of the options granted during the period was \$0.91908. The valuation was calculated by using the 10-day VWAP as at the day prior to the grant date of 10 July 2020 (being the date of shareholder approval), and assuming no dividends paid over their 2 year term (expiring 29 July 2022)

Total expenses of \$414,000 arised from equity settled share-based payment transactions recognised during the period.

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

Shareholders last approved the PRP at the Annual General Meeting held on 4 December 2020. The PRP, like the EOP Plan is designed to attract and retain eligible employees, provide an incentive to deliver growth and value for the benefit of all shareholders and facilitate capital management by enabling the Company to preserve cash reserves for expenditure on principal activities. Participation in the Plan is extended to eligible employees with a contractual right to receive performance rights under the Plan, and/or at the discretion of the Board.

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

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

There were 140,846 performance rights (Series 2) granted in the financial period ended 31 December 2020 and all remained outstanding as at the reporting date, as detailed in the following table (**Note 8(d)**):

(d) Expenses arising from share-based payment transactions - performance rights

On 18 September 2020, 140,846 unlisted Performance Rights were issued to Managing Director, Mr. Glenn Jardine, with the vesting conditions that the Company's Shares reaches a price equal to or greater than 120% of the VWAP for the 10 trading days prior to the Grant Date (27 July 2020) and Mr Jardine remaining employed by the Company as Managing Director at that same date.

The following table summarises the tranches outstanding as at the end of the financial period and the expense to the profit or loss for the financial period:

	Series 1	Series 2
	Tranche 4¹	Tranche 1²
Number Issued (No.)	1,450,000	140,846
Grant Date	21-Dec-2017	27-Jul-2020
Exercise Price (\$)	N/A	N/A
Expiry/Amortisation Date	30-Nov-2022	17-Sep-2021
Underlying Share Price on Grant (\$)	\$0.17	\$0.84
Total Fair Value (\$) – Total expense for Life of Right	\$246,500	\$118,311
Total Fair Value (\$) – Expensed half-year to 31 December 2020	\$25,114	\$44,935
		\$70,049

¹ As at the reporting date, the vesting condition had not been met, being the Company securing Project Financing for the Mallina Gold project at a minimum throughput of 1Mtpa, on or before 30 November 2022.

² On 18 September 2020, the vesting conditions had been met.

10. Commitments

	31 December 2020 \$	30 June 2020 \$
(a) Exploration commitments		
The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding Mallina Project exploration commitments are as follows:		
Mallina Project tenements (100% owned)	1,514,040	1,474,040
Tenements under option agreements	199,280	199,280
<i>Annual commitment for the Mallina Project assets</i>	<u>1,713,320</u>	<u>1,673,320</u>

(b) Capital commitments

The Group had capital commitments of \$974,457 as at the reporting date.

11. Events occurring after the reporting date

There have 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 that;

- On 18 January 2021, 457,000 ordinary fully paid shares were issued on the exercise of 457,000 unlisted options, exercisable as 35 cents each and raising \$159,950.
- On 4 March 2021, an aggregate 1,050,143 Zero priced unlisted options were issued to Mr. Glenn Jardine (553,454) and Mr. Andrew Beckwith (496,689) with an expiry date of 3 December 2024, and as approved by shareholders at the Annual General Meeting held on 4 December 2020.

Director's Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 23 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half year on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Directors in accordance with sections 303(4) and (5) of the *Corporations Act 2001*.



Simon Lill

Non-executive Chairman

Perth, 10 March 2021



**Building a better
working world**

Ernst & Young
11 Mounts Bay Road
Perth WA 6000, Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's review report to the members of De Grey Mining Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of De Grey Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

For personal use only



**Building a better
working world**

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

Independence

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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Pierre Dreyer' in a cursive style.

Pierre Dreyer
Partner
Perth
10 March 2021

For personal use only

Corporate Information

ABN 65 094 206 292

Stock Exchange Listing

Australian Securities Exchange (ASX code DEG)

Frankfurt Stock Exchange (FRA code WKN 633879)

Directors

Simon Lill (Chairman)

Glenn Jardine (Managing Director)

Andrew Beckwith (Technical Director & Operations Manager)

Peter Hood AO (Non-Executive Director)

Eduard Eshuys (Non-Executive Director)

Bruce Parncutt AO (Non-Executive Director)

Chief Financial Officer

Peter Canterbury (appointed 1 February 2021)

Company Secretaries

Craig Nelmes

Patrick Holywell

Registered Office and Principal Place of Business

Level 3, Suites 24-26,

22 Railway Road

SUBIACO WA 6008

Telephone: +61 (0)8 6117 9328

Facsimile: +61 (0)8 6117 9330

Postal Address

PO Box 2023,

SUBIACO WA 6904

Solicitors

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street

PERTH WA 6000

Automic Group

Level 2/267 St Georges Terrace

Perth WA 6000

Telephone: 1300 288 664

Auditors

Ernst & Young

11 Mounts Bay Road

PERTH WA 6000

Website

www.degreymining.com.au

Email Address

admin@degreymining.com.au