

DE GREY MINING LIMITED
ABN 65 094 206 292

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY STATEMENT

AND

PROXY FORM

Date of Meeting

Wednesday 19th November 2014

Time of Meeting

11:00 am

Place of Meeting

Suite 5, Level 1, The Business Centre
55 Salvado Road
Subiaco WA 6008

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

The 2014 Annual Report may be viewed on the Company's website at www.degreymining.com.au

DE GREY MINING LIMITED
ABN 65 094 206 292
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of De Grey Mining Limited (**Company**) will be held at Suite 5, Level 1, The Business Centre, 55 Salvado Road, Subiaco WA 6008 on the 19th November 2014 at 11:00 am (**Meeting**) for the purpose of transacting the following business.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

AGENDA

ORDINARY BUSINESS

2014 Financial Report

To receive and consider the financial report of the Company for the year ended 30th June 2014, together with the reports by the directors and auditors thereon.

Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass the following **advisory only resolution**:

"That, for the purpose of section 250R(2) of the Corporations Act, and for all other purposes, the Remuneration Report forming part of the Company's 2014 Annual Report be adopted."

Please note that the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion applies and is described below

Resolution 2 – Re-election of Mr Simon Lill as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Mr Simon Lill, having retired in accordance with Clause 22 of the Constitution of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company".

Resolution 3 – Approval of Issue of Options to Mr. Peter Batten

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and section 208 of the Corporations Act, the Shareholders approve the issue of up to 20,000,000 Director Options to Mr Batten, a director of the Company, or his nominee(s), for nil consideration and on the terms and conditions as set out in the Explanatory Statement."

Voting Exclusion applies and is described below

Resolution 4 – Approval of Issue of Options to Mr. Simon Lill

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and section 208 of the Corporations Act, the Shareholders approve the issue of up to 15,000,000 Director Options to Mr Lill, a director of the Company, or his nominee(s), for nil consideration and on the terms and conditions as set out in the Explanatory Statement."

Voting Exclusion applies and is described below

Resolution 5 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.”

Voting Exclusion applies and is described below

Resolution 6 – Adoption of New Constitution

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, the Constitution, in the form of the proposed Constitution initialled by the Chairman of the Meeting for the purposes of identification, be approved and adopted, in accordance with section 136(2) of the Corporations Act and for all other purposes, as the Company's Constitution in substitution for the existing Constitution of the Company.”

OTHER BUSINESS

To deal with any other business that may be brought forward in accordance with the Constitution and the Corporations Act.

VOTING EXCLUSIONS

Resolution 1 - Key Management Personnel (KMP) Remuneration related Voting Exclusion: Voting restrictions apply to Resolution 1 under the Corporations Act.

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (**the voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

Resolution 3 and 4 Voting Exclusion: The Company will, in accordance with Listing Rule 10.13, disregard any votes cast on these Resolutions by Mr Batten (in the case of Resolution 3), Mr Lill (in the case of Resolution 4) and any of their associates and any other person who might obtain a benefit, except a benefit solely in the capacity of the holder of Shares, if the Resolutions are passed.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the 10% Placement Facility and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares and any associate of that person (or those persons).

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

PROXIES

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a “proxy”) to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions on the form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- a proxy need not be a member of the Company; and
- a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

If you are a registered Shareholder of the Company and are unable to attend the Meeting in person, please date and execute the accompanying Proxy Form in accordance with its instructions prior to 11:00 am WST on 17 November 2014 by:

1. Post to De Grey Mining Limited, C/- PO Box 131, Subiaco, Western Australia 6904; or
2. Facsimile to De Grey Mining Limited at (61 8) 9380 6761.

If you are a beneficial Shareholder and receive these materials through your broker or through another intermediary, please complete and return the form of proxy or voting instruction form in accordance with the instructions provided to you by your broker or by the other intermediary.

ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding Shares at 5.00 pm WST on 17 November 2014 will be entitled to attend and vote at the Meeting.

CORPORATIONS

A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to the Company, before the Meeting.

REVOCAION OF PROXIES

A Shareholder executing and delivering a proxy has the power to revoke it in accordance with the provisions of the Corporations Act, which provides that every proxy may be revoked by an instrument in writing executed by the Shareholder or by his or her attorney authorised in writing and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

By Order of the Board of Directors



Craig Nelmes
Company Secretary
Date: 17 October 2014

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared for the Shareholders of De Grey Mining Limited (“**De Grey**” or the “**Company**”) in connection with the business to be conducted at the Company’s Annual General Meeting to be held at Suite 5, Level 1, The Business Centre, 55 Salvado Road, Subiaco WA 6008 on the 19th November 2014 commencing at 11:00 am WST and any adjournment thereof.

This Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting.

2. 2014 ANNUAL REPORT

In accordance with the requirements of the Company’s Constitution and the Corporations Act, the Company’s audited financial statements for the financial year ended June 2014, together with the report of the auditor thereon will be tabled at the Meeting, and shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report.

Representatives from the Company’s auditors, Butler Settineri, will be present to take shareholders’ questions and comments about the conduct of the audit and the preparation and content of the audit report.

The Annual Report is available on the Company’s website at www.degreymining.com.au for you to download or read online. Alternatively you can obtain a hard copy by contacting the Company.

3. RESOLUTION 1 – Adoption of Remuneration Report

Pursuant to section 250R(2) of the Corporations Act, the Company submits to Shareholders for consideration and adoption, by way of a non-binding resolution, its remuneration report for the year ended 30 June 2014 (the “Remuneration Report”). The Remuneration Report is a distinct section of the Annual Report which deals with the remuneration of Directors and executives of the Company.

By way of summary, the Remuneration Report:

1. explains the Company’s remuneration policy and the process for determining the remuneration of its Directors and executive officers;
2. addresses the relationship between the Company’s remuneration policy and the Company’s performance; and
3. sets out the remuneration details for each director and executive officer named in the Remuneration Report for the financial year ended 30 June 2014.

The Directors recommend that Shareholders vote in favour of the adoption of the Remuneration Report. As previously stated, this resolution is advisory only and does not bind the Company. However, the Board will take the outcome of the vote on this resolution into consideration when reviewing the remuneration practices and policies of the Company in the future.

The Chairman of the Meeting will provide Shareholders with reasonable opportunity at the Meeting to ask questions about, or to make comments on, the Remuneration Report.

If at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Meeting, and then again at the Company’s 2015 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of new directors of the Company (“**Spill Resolution**”).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene a general meeting (“**Spill Meeting**”) within 90 days of the Company’s 2015 annual general meeting. All of the directors who are in office when the Company’s 2015 Directors’ Report is approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where Shareholders have appointed the Chair of the Meeting as their proxy, the Chair will vote in favour of Resolution 1 “Adoption of Remuneration Report” unless the Shareholder has expressly indicated a different voting intention. This is so notwithstanding that the resolution is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chair.

4. RESOLUTION 2 - Re-election of Director

In accordance with the requirements of the Company’s Constitution, ASX Listing Rules and the Corporations Act, directors appointed by the Board since the last annual general meeting as well as one-third of the directors of the Company (other than the Managing Director) and those who were last re-elected more than three years ago retire from office at this annual general meeting of the Company and, being eligible, offer themselves for re-election.

On that basis Mr Simon Lill who will retire at the Meeting and offers himself for re-election.

4.1 Mr Lill

Mr Lill’s was appointed as a Director on 2 October 2013, and details of his qualifications and experience are available in the 2014 Annual Report.

The Directors (other than Mr, Lill, who makes no recommendation) recommend the re-election of Mr Lill as a Director.

5. RESOLUTIONS 3 and 4 – Approval to Issue Options to Directors

5.1 Background

Resolutions 3 and 4 seek Shareholder approval for the issue of Director Options to Directors pursuant to section 208 of the Corporations Act and Listing Rule 10.11.

The Director Options are to be issued (if Resolutions 3 and 4 are passed) to ensure an ongoing incentive to the Directors to maximise the performance of the Company and add value for Shareholders. It is proposed to issue 35,000,000 Options to the Directors, for nil consideration as outlined in Section 5.3 (Table 1) which follows.

Options form an important part of the incentive based remuneration for Directors and are a means of rewarding Directors without taking cash from the Company. The Board feels that Director Options are the most appropriate means under the current circumstances to reward performance. The Directors face considerable ongoing responsibilities and challenges in their roles within the Company. The granting of these Director Options will provide a long term incentive for outstanding performance and promote their opportunities for Share ownership in the Company.

The Company acknowledges that the issue of Director Options to Mr Lill as a non-executive director may be contrary to guidelines for non-executive remuneration in recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Options to be reasonable in the circumstances given the Company’s size and stage of development and the importance of maintaining the Company’s cash reserves.

5.2 Related Party Transactions

Chapter 2E of the *Corporations Act* prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Directors are considered to be a related party of the Company.

Resolutions 3 and 4 provide for the grant of Director Options to related parties, which is a financial benefit which requires Shareholder approval. For the purpose of Chapter 2E of the *Corporations Act* the following information is provided.

5.3 The related party to whom the proposed resolution would permit the financial benefit to be given

The following number of Director Options will be issued to the following Directors or their nominees:

Table 1: Details of Director Options to be issued to Directors

| Name | Total Director Options |
|--------------|------------------------|
| Peter Batten | 20,000,000 |
| Simon Lill | 15,000,000 |
| Total | 35,000,000 |

5.4 Nature of the financial benefit

The proposed financial benefit to be given is the allotment of a total of 35,000,000 Director Options. Each Director Option has an exercise price that is equal to the higher of 0.4 cents or 150% of the 5 day VWAP prior to the Annual General Meeting. The rights attaching to the Director Options and terms of issue of the Director Options are set out in Annexure 1. The valuation of the Director Options is set out under the heading "Valuation of Director Options".

5.5 The reasons for the financial benefit and Directors' recommendation

The Company entered into agreements with each Director in their capacity as a Director of the Company. The Directors have, and continue to be paid, what the Directors consider is less than their industry peers in order to direct the maximum funds towards creating value for all Shareholders. This is in line with the Company's general policy of non-cash based incentives in lieu of reduced wages.

None of the Directors of the Company wish to make a recommendation about the proposed resolution as the resolution seeks the issue of Director Options to other Directors.

5.6 Requirements for the notice under Listing Rule 10.11 and any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the securities in the Placement issue:

- (a) The proposed Resolutions would have the effect of giving power to the Directors to grant a total of up to 35,000,000 Director Options to the Directors or their respective nominees;
- (b) The exercise of the Director Options by each Director is subject to the terms and conditions outlined in Annexure 1.
- (c) The Director Options will vest immediately upon their issue to Directors;
- (d) The Director Options will be issued within one month of the date of the Meeting (or such other date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Director Options will all be issued on one date;
- (e) The Director Options will be issued for nil consideration and as such no funds will be raised from the issue;

- (f) Each Director's current interest in securities of the Company is detailed in Table 2 as follows;

Table 2: Details of Director's current holdings of securities in the Company

| Name | Shareholding | Option Holdings |
|--------------|--------------|-------------------------|
| Peter Batten | 36,842,136 | 13,000,000 ¹ |
| Simon Lill | Nil | Nil |

¹ 6,500,000 options exercisable at 2.3 cents and 6,500,000 options exercisable at 2.6 cents and all expiring 3 September 2015.

- (g) If Director Options granted to the Directors or their nominee(s) are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders. The key terms and total value of the Director Options to be issued is outlined in Table 3 as follows;

Table 3: Details of Director Options to be issued to related Parties

| Name | Number of Options | Vesting Date | Exercise Price | Expiry Date | Value as determined by Black Scholes valuation |
|--------------|-------------------|--------------|--|-------------|--|
| Peter Batten | 20,000,000 | 19 Nov 2014 | The higher of 0.4 cents or 150% of the VWAP of fully paid ordinary shares 5 days prior to, and including, the date of shareholder approval | 19 Nov 2017 | \$13,200 |
| Simon Lill | 15,000,000 | 19 Nov 2014 | | 19 Nov 2017 | \$9,900 |

- (h) The Directors, in conjunction with the Company's advisers have valued the Director Options by reference to the Black-Scholes valuation method, based upon the assumptions outlined in Table 4 below;

Table 4: Director Option valuation details

| Details | Input |
|--------------------------------|------------------|
| Share price | \$0.0020 |
| Exercise price | \$0.0040 |
| Risk free Rate (RBA Cash Rate) | 2.50% |
| Volatility (Annualised) | 75% |
| Start Date | 19-Nov-2014 |
| Expiry Date | 19-Nov-2017 |
| Value per Option | \$0.00066 |

- (i) As at 10 October 2014, the issued capital of the Company comprised of 914,768,846 shares and 15,500,000 unlisted options. The issue of Director Options would have the effect of diluting the existing Shareholders by approximately 3.7% based upon the current number of shares on issue;
- (j) The market price of the Company's Shares during the term of the Director Options will normally determine whether or not the option holder exercises the Director Options. At the time any Director Options are exercised and Shares issued pursuant to the exercise of the Director Options, the Company's Shares may be trading on ASX at a price which is higher than the exercise price of the Director Option;
- (k) The Director Options will not be quoted on ASX and as such have no actual market value. The Shares of the Company have been traded on ASX since 3 July 2002. In the previous 12 months the Shares have traded in the range of 0.3 cents to 0.1 cents. The most recent closing price prior to the date of this Notice was 0.2 cents on 10 October 2014. The Director Options are capable of being converted to Shares by payment of the exercise price and on the terms set out in Annexure 1;
- (l) The total remuneration package of each of the Directors that are to receive Director Options under resolutions 3 and 4 for the financial year ended 30 June 2014 are outlined in Table 5 as follows;

Table 4: Details of Directors 2013-2014 Remuneration

| Name | Salary and Fees | Superannuation | Share-based payments | Total |
|--------------|-----------------|----------------|----------------------|---------|
| Peter Batten | 116,111 | 2,415 | 57,530 | 176,056 |
| Simon Lill | 18,000 | - | - | 18,000 |

- (m) As the Director Options were agreed to be issued in lieu of foregone fees and salary, forfeiture of future higher fees and salary and to incentivise long term performance, the Directors consider that the Director Options are a reasonable and cost effective reward for the Company as opposed to alternative forms of reward;

- (n) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 3 and 4;
- (o) A voting exclusion statement in respect of the Resolutions is included in the Notice.

6. RESOLUTION 5 – Approval of 10% Placement Facility

6.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the AGM (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 6.2(c) below).

The Directors believe that Resolution 5 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

6.2 Description of Listing Rule 7.1A

- (a) *Shareholder approval*
The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an AGM.
- (b) *Equity Securities*
Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue four classes of Equity Securities, being listed Shares and three classes of unlisted Options.

- (c) *Formula for calculating 10% Placement Facility*
Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

- A** is the number of shares on issue 12 months before the date of issue or agreement:
 - (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (ii) plus the number of partly paid shares that became fully paid in the 12 months;
 - (iii) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
 - (iv) less the number of fully paid shares cancelled in the 12 months.
- D** is 10%;
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

- (d) *Minimum Issue Price*
The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days (on which trades in that class were recorded) immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (e) *10% Placement Period*
Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:
- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or
 - (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), or such longer period if allowed by ASX (**10% Placement Period**).

6.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days (on which trades in that class were recorded) immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Convertible Securities, only if the Convertible Securities are converted into Shares). There is a risk that:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- (i) two examples where variable “A” has increased by 50% and 100%. Variable “A” is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer), or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

| Variable “A” in Listing Rule 7.1A.2 | | Dilution | | |
|--|----------------------------|---|------------------------|--|
| | | \$0.001 50% decrease in Issue Price | \$0.002 Issue Price | \$0.004 100% increase in Issue Price |
| Current Variable A 914,768,846 Shares | 10% voting dilution | 91,476,885 Shares | 91,476,885 Shares | 91,476,885 Shares |
| | Funds raised | \$91,477 | \$182,954 | \$365,908 |
| 50% increase in current Variable A 1,372,153,269 Shares | 10% voting dilution | 137,215,327 Shares | 137,215,327 Shares | 137,215,327 Shares |
| | Funds raised | \$137,215 | \$274,431 | \$548,861 |
| 100% increase in current Variable A 1,829,537,692 Shares | 10% voting dilution | 182,953,769 Shares | 182,953,769 Shares | 182,953,769 Shares |
| | Funds raised | \$182,954 | \$365,908 | \$731,815 |

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (ii) No Convertible Securities (including any Convertible Securities issued under the 10% Placement Facility) are converted into Shares before the date of the issue of the Equity Securities.
 - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder’s holding at the date of this Meeting.
 - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
 - (vii) The issue price is \$0.002, being the closing price of Shares on the ASX on 10 October 2014.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) for cash consideration, in which case the Company may use the funds raised towards making (or to securing the right to make) one or more acquisitions and/or to further its existing projects; and/or general working capital; so that the Company has the necessary working capital and flexibility to consider, and if thought fit, to put it in a stronger position to make (or to secure the right to make) one or more acquisitions and/or to further its existing projects; or
 - (ii) non-cash consideration for the acquisition of (or securing the right to make acquisitions of) new projects and investments or to further its existing projects. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

- (e) The Company's allocation policy is dependent on the purpose of the proposed issue and prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.

The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an Associate of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (f) The Company previously obtained Shareholder approval under Listing Rule 7.1A at the 2013 annual general meeting on 22 November 2013.

The Company issued a total of 269,103,200 equity securities in the 12 months preceding the date of this notice of meeting which represents 41.7% of the Equity Securities on issue at the commencement of the 12 month period.

The details of issues of all equity securities (quoted and unquoted) made in the 12 months preceding the date of this Notice are provided in Annexure 2.

- (g) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

7. RESOLUTION 6 – Adoption of New Constitution

7.1 Background

Resolution 6 is a special resolution proposing to replace the current Constitution in its entirety. Section 136 of the Corporations Act allows a company to adopt a new constitution by a special resolution passed at a general meeting of the company

7.2 Reasons for the proposed Resolution

The principal reason for the proposed replacement of the existing Constitution is the significant changes to the Corporations Act and the ASX Listing Rules since the current Company Constitution was first adopted.

Given the number of proposed changes which would need to be made throughout the current Constitution, it is more appropriate to adopt the new Constitution than to put forward a resolution for proposed amendments to the current Constitution.

The new Constitution reflects a typical listed company constitution and is drafted in a modern, clear style.

The new Constitution updates the definitions used to reflect current terminology and where possible relies upon terms defined in the Corporations Act, the ASX Listing Rules and ASTC Settlement Rules.

The new Constitution further reflects changes to the dividend payment provision in the Corporations Act which came into effect on 28 June 2010. A replacement section 254T has been included in the Corporations Act which introduces a three-tiered test that a company will need to satisfy before paying a dividend. This replaces the previous test that a company may only pay dividends from profits. The new section 254T provides that a company must not pay a dividend unless:

- (a) the Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the Company's Shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

The new Constitution enables the Directors to pay dividends as they resolve, subject to the Corporations Act and the ASX Listing Rules rather than restricting dividends to be paid only out of the profits of the Company.

It is not practicable to list all of the changes to the Constitution in this Explanatory Statement and Shareholders are invited to contact the Company if they have any queries or concerns. For this purpose, a copy of the new Constitution is available for review by Shareholders at the office of the Company and on the Company's website at www.degreymining.com.au. A copy will be available for inspection at the Meeting. A copy of the proposed new Constitution will also be sent to Shareholders on request prior to this meeting free of charge. Adoption of the new Constitution will provide consistency between the Company's Constitution and the ASX Listing Rules and the Corporations Act.

GLOSSARY

In this Explanatory Statement and the Notice, the following terms have the following meanings unless the context otherwise requires:

"**10% Placement Facility**" has the meaning given in Section 6.1 of the Explanatory Statement;

"**10% Placement Period**" has the meaning given in Section 6.2(e) of the Explanatory Statement;

"**AGM**" means an annual general meeting;

"**Annual Report**" means the Directors' Report, the Financial Report and Auditor's Report, in respect of the financial year ended 30 June 2014;

"**Associate**" has the same meaning as defined in section 11 and section 13 to 17 of the Corporations Act;

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Auditor's Report**" means the auditor's report on the Financial Report;

"**Board**" means the board of Directors;

"**Closely Related Party**" of a member of the Key Management Personnel means:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependent of the member or the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- a company the member controls; or
- a person prescribed by the Corporations Regulations 2001 (Cth);

"**Company**" means De Grey Mining Limited ABN 65 094 206 292;

"**Constitution**" means the Company's constitution, as amended from time to time;

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Director**" means a director of the Company;

"**Director Options**" means Options proposed to be granted to certain Directors, subject to Shareholder approval at the Meeting;

"**Directors Report**" means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

"**Equity Securities**" has the same meaning as in the Listing Rules;

"**Explanatory Statement**" means the explanatory statement accompanying this Notice;

"**Financial Report**" means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

"**Key Management Personnel**" has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company;

"**Listing Rules**" means the Listing Rules of the ASX;

"**Meeting**" has the meaning in the introductory paragraph of the Notice;

"**Notice**" means this Notice of annual general meeting;

"**Option**" means an option to acquire a Share;

"**Proxy Form**" means the proxy form attached to this Notice;

"**Remuneration Report**" means the remuneration report of the Company contained in the Director's Report;

"**Resolution**" means a resolution contained in this Notice;

"**Share**" means a fully paid ordinary share in the capital of the Company;

"**Shareholder**" means the holder of a Share;

"**Trading Day**" means a day determined by ASX to be a trading day in accordance with the Listing Rules;

"**WST**" means Australian Western Standard Time.

Capitalised terms referred to in this Notice are defined in the Explanatory Statement.

Shareholders are referred to the Explanatory Statement for more information with respect to these matters to be considered at the Meeting.

ANNEXURE 1

TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Options are to be issued on the following terms:

- (a) Each Option will entitle the holder to subscribe for one Share upon payment of the exercise price which is the higher of \$0.004 or 150% of the volume weighted average price (VWAP) of Shares trading on the ASX over the 5 days prior to, and including, the date of Shareholder approval.
- (b) The Options are exercisable wholly or in part by no later than 5.00pm (WST) on the third anniversary of the issue date (**Expiry Date**).
- (c) The Options may be exercised by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. Options not exercised by the Expiry Date shall automatically lapse.
- (d) The holder may exercise part of the Options only without prejudice to the holder's ability to subsequently exercise any remaining Options.
- (e) Application will not be made to the ASX for official quotation of the Options. Application will be made to the ASX for official quotation of all Shares pursuant to the exercise of the Options no later than 10 Business Days after the date of allotment.
- (f) Subject to the Corporations Act, the Listing Rules and the Constitution, the Options are not transferable without the prior written consent of the Board.
- (g) The Shares allotted pursuant to the exercise of Options shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
- (h) There are no participating rights or entitlements inherent in the Options and holders of the Options will not be entitled to participate in new issues of securities that may be offered to Shareholders during the currency of the Options.
- (i) Holders of Options may only participate in new issues of securities as holders of Shares if Options are exercised and Shares have been allotted pursuant to those Options before the record date for determining entitlements to the issue. The Company must give at least 6 business days' notice to holders of Options before the record date for determining entitlements to the issue in accordance with the Listing Rules.
- (j) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to existing Shareholders after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2.
- (k) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, all rights of the Option holder are to be changed to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.
- (l) If there is a bonus issue to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue. The bonus shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank equally in all respects with the other Shares of that class at the date of issue of the bonus shares.
- (m) The Company shall as soon as practicable, and no later than 10 business days of exercise of the Options:
 - (i) take steps so that any offer of Shares for sale within 12 months of their issue will not require disclosure under section 707(3) of the Corporations Act 2001 (Cth);
 - (ii) allot the resultant Shares and deliver a statement of shareholding with a holders' identification number.

ANNEXURE 2

**EQUITY SECURITIES ISSUED IN THE 12 MONTHS
 PRECEDING THIS AGM NOTICE OF MEETING**

| | | | |
|---|---|---|---|
| Date of Issue | 30-Nov-13 | 30-Nov-13 | 30-Nov-13 |
| Number issued | 190,680,000 | 50,000,000 | 28,423,200 |
| Class | Ordinary shares | Ordinary shares | Ordinary shares |
| Summary of terms | Placement – 2 nd tranche of placement ratified as at 2013 AGM | Placement shares for facilitation of the 1 st and 2 nd Tranche Placement ratified at 2013 AGM | Repayment of Director loans ratified at the 2013 AGM |
| Names of persons who received securities or basis on which those persons was determined | Placement to sophisticated and professional investors, being clients of D J Carmichael Pty Ltd. | Acorn Corporate or its nominees as facilitator of the above capital raising | Repayment of Director loans from Mr P Batten and Mr. D Townsend |
| Price | \$0.0025 | \$0.0001 | \$0.0025 |
| Discount to Market (if any) | Nil | 95% | Nil |
| Total cash consideration received | \$476,700 | \$5,000 | \$71,058 |
| Amount of cash consideration spent | 92.6% | 92.6% | 100% |
| Use of cash consideration (%) | <i>Exploration and project desk-top activities (54%) Corporate & Admin (34%) Brokerage (4.6%)</i> | <i>Exploration and project desk-top activities (54%) Corporate & Admin (34%) Brokerage (4.6%)</i> | <i>Repay borrowings (100%)</i> |
| Intended use for remaining amount of cash (if any) | <i>Exploration including drilling (7.4)</i> | <i>Exploration including drilling (7.4)</i> | <i>As above</i> |

END

STEP 1 APPOINTMENT OF PROXY

I/We being a member/s of De Grey Mining Limited and entitled to attend and vote hereby appoint

| | | | |
|--|--|-----------|--|
| | The Chairman of the Meeting (mark with an "X") | OR | |
|--|--|-----------|--|

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding your own name) you are appointing as your proxy.

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of De Grey Mining Limited to be held on 19 November 2014 and at any adjournment of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 marking the appropriate box below under **VOTING DIRECTIONS (STEP 2)**.

Important for Resolution 3 If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Resolution 3 below, **please mark the box in this section**. If you do not mark this box and you have not otherwise directed your proxy how to vote on Resolution 3 the Chairman of the Meeting will not cast your votes on Resolution 3 and your votes will not be counted in computing the required majority if a poll is called on this resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 3.

| | |
|--------------------------|---|
| <input type="checkbox"/> | I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Resolution 3 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest. |
|--------------------------|---|

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

PLEASE MARK TO INDICATE YOUR DIRECTIONS

| | For | Against | Abstain* |
|---|--------------------------|--------------------------|--------------------------|
| Resolution 1 – Adoption of Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 – Re-Election of Mr Simon Lill as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 – Approval of Issue of Options to Mr. Peter Batten | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 – Approval of Issue of Options to Mr. Simon Lill | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 – Approval of 10% Placement Facility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 – Approval of new Constitution | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGN This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and
Sole Company Secretary
Dated: ___/___/2014

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Completed Proxy can be lodged:

BY MAIL: **Level 1, Suite 5, The Business Centre,
55 Salvado Road, Subiaco,
Western Australia 6008**
Or
**P O Box 131
Subiaco, Western Australia 6904**

BY FAX: **(61 8) 9380 6761**

For your vote to be effective, the completed proxy form must be received by 11.00am (Perth time),
17th November 2014

How to complete the Proxy Form**1 Appointment of a Proxy**

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

2 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together.

4 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 48 hours before the time of the Annual General Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.