

DE GREY MINING LIMITED

ABN 65 094 206 292

PROSPECTUS

For the offer of a non-renounceable pro rata rights issue of approximately 99,230,567 New Shares on the basis of 1 New Share for every 3 Shares held on the Record Date at an issue price of \$0.018 per New Share to raise approximately \$1,786,150

Important Notice

This is an important document and should be read in its entirety. This Prospectus is a transaction-specific prospectus issued in accordance with Section 713 of the Corporations Act 2001. If you have any queries about any part of the Prospectus, please contact your professional adviser without delay.

The Securities offered by this Prospectus should be considered speculative.

DE GREY MINING LIMITED
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CORPORATE DIRECTORY

Directors

Mr Darren Townsend – Non-Executive Chairman

Mr Gary Brabham – Managing Director

Mr Jason Brewer – Non-Executive Director

Company Secretary

Mr Dennis Wilkins

Registered Office and Principal Place of Business

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SUBIACO WA 6005

Telephone: +61 8 9285 7500

Facsimile: +61 8 9285 7599

Postal Address

PO Box 8289

SUBIACO EAST WA 6008

Share Registry

Security Transfer Registrars Pty Ltd*

770 Canning Highway

APPLECROSS WA 6153

Telephone: +61 8 9315 2333

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Stock Exchange Listing

ASX (DEG)

Corporate Advisors to the Company

DWCorporate Pty Ltd*

Ground Floor, 20 Kings Park Road

WEST PERTH WA 6005

Solicitors

Hardy Bowen

1/28 Ord Street

WEST PERTH WA 6005

Auditors

Butler Settineri (Audit) Pty Ltd*

Unit 16, First Floor Spectrum Offices

100 Railway Road

SUBIACO WA 6008

Internet Address

www.degremining.com.au

Email Address

frontdesk@degremining.com.au

*These parties are included for information purposes only. They have not been involved in the preparation of this Prospectus.

IMPORTANT NOTICES

This Prospectus is dated 7 February 2012 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus. The Company has applied to ASX for Official Quotation by ASX of the Shares offered by this Prospectus.

A copy of this Prospectus can be downloaded from the Company's website at www.degreymining.com.au and Eligible Shareholders will be mailed a hard copy of this Prospectus along with a personalized Entitlement and Acceptance Form.

The Shares offered by this Prospectus should be considered speculative. Please refer to Section 3 for details relating to investment risks.

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to Section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form mailed to Eligible Shareholders with this Prospectus. The Entitlement and Acceptance Form sets out an Eligible Shareholders' Entitlement to participate in the Offer.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

No action has been taken to permit the offer of New Shares under this Offer Document in any jurisdiction other than Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons in to whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus. It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company as a representation that there has been no breach of such laws and that the Applicant is an Eligible Shareholder.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office. If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

DE GREY MINING LIMITED
PROPOSED TIMETABLE

PROPOSED TIMETABLE

Announcement Date	2 February 2012
Lodgment of Prospectus	8 February 2012
Ex Date	10 February 2012
Record Date The Company determines eligible shareholders	16 February 2012
Opening Date Offer Documents sent to all eligible shareholders	22 February 2012
Closing Date The date on which the Entitlement Offer closes. Applications must be received by 5.00pm (WST)	7 March 2012
Notification of Shortfall	9 March 2012
Allotment Date The date upon which the New Shares are allotted.	16 March 2012
Dispatch Date The date on which holding statements are sent to shareholders that have taken up their entitlement of New Shares.	16 March 2012
Share Trading Date The date upon which New Shares commence trading on the ASX	19 March 2012

1. Details of the Offer

1.1. The Offer

The Company is making a non-renounceable pro rata offer to issue approximately 99,230,567 New Shares (assuming no existing options are exercised between the lodgment date of this Prospectus and the Record Date) under this Prospectus at an issue price of \$0.018 each to Eligible Shareholders on the basis of 1 New Share for every three (3) Shares held at 5:00 pm (WST) on the Record Date. Refer to Section 4.1 of this Prospectus for further details in relation to the proposed capital structure following completion of the Offer.

In the calculation of an Eligible Shareholders' Entitlement, fractions will be rounded up to the nearest whole number.

The Offer is fully underwritten by the Underwriter. Refer to Section 5.1 for a summary of the terms of the Underwriting Agreement including the commission payable to the Underwriter for fully underwriting the Offer.

Refer to Section 5.1 for a summary of the rights attaching to the New Shares.

1.2. Purpose of the Offer

Completion of the issue of New Shares offered by this Prospectus will result in an increase in the cash on hand of up to approximately \$1,786,150.

The funds raised under the Offer are proposed to be expended as follows:

Description of Cash Outflows	Offer A\$
1. Argentina projects exploration	\$1,097,450
2. Business development activities	\$100,000
3. Working Capital	\$375,840
4. Costs of Offer	\$212,860
Total funds raised under the Offer	\$1,786,150

Actual expenditure may differ significantly from the above estimates due to a number of factors including market conditions, the development of new opportunities, the results obtained from the staged approach to exploration, appraisal and development activities and other factors (including the risk factors outlined in Section 3).

Unallocated working capital may be utilised by the Company to pay for cost overruns in budgeted expenditures (if any), additional exploration and development expenditure, the acquisition of new resource opportunities and in the administration of the Company.

The Company has existing cash funds of approximately \$1m as at 6 February 2012. Existing funds of the Company and proceeds from the Offer are currently the only sources of funds to finance the exploration programs of the Company. De Grey may require further capital from external sources for further exploration and to cover administrative and corporate overheads. There can be no assurance that additional financing will be available on terms acceptable to the Company to develop any newly discovered mineral deposits or to finance further exploration.

1.3. Your entitlement and acceptance

Your entitlement to participate in the Offer will be determined on the Record Date, being 15 February 2012. The entitlement of Eligible Shareholders receiving this Prospectus is shown on the Entitlement and Acceptance Form sent to Eligible Shareholders with this Prospectus.

Acceptances must not exceed your Entitlement as shown on the Entitlement and Acceptance Form, although you may accept all or only part of your Entitlement. If your acceptance exceeds your Entitlement, acceptance will be deemed to be for your maximum Entitlement and any surplus Application Monies will be returned.

1.4. Opening and Closing Dates

The Company will accept Entitlement and Acceptance Forms from Eligible Shareholders until 5.00 pm WST on the Closing Date, 7 March 2012 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.5. Underwriting

This Offer is fully underwritten by Patersons Securities Limited (**Underwriter**). A summary of the material terms of the Underwriting Agreement is set out at Section 5.1. The Underwriter will be paid an underwriting fee of 5% of the underwritten amount, a corporate advisory fee and will be reimbursed all reasonable costs, charges and expenses incurred in connection with the Offer.

1.6. Shortfall

The Offer is underwritten by the Underwriter, however, in the event that not all Eligible Shareholders accept their full entitlement pursuant to the Offer, the Directors reserve the right, subject to any restrictions imposed by the Corporations Act, the Listing Rules to issue the Shortfall Shares at their sole discretion at the same issue price (or higher) as the New Shares offered pursuant to this Prospectus. The Directors will not be issued any Shortfall Shares.

1.7. Rights trading

Entitlements to New Shares offered pursuant to the Offer are non-renounceable and therefore Shareholders will not be able to trade their respective rights under this Offer.

1.8. Entitlement and Acceptance Form

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for accepted Entitlement. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of your Entitlement.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance of an Entitlement and Acceptance Form as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

1.9. Issue and dispatch

All Shares offered by this Prospectus are expected to be issued, and security holder statements dispatched, on or before the date specified in the timetable.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

1.10. Application Monies held on trust

All Application Monies received for the New Shares will be held in trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the New Shares are issued. All Application Monies will be returned (without interest) if the New Shares are not issued.

1.11. ASX quotation

Application has been made to ASX for the official quotation of the New Shares. If permission is not granted by ASX for the official quotation of the New Shares offered by this Prospectus within 3 months after the date of this Prospectus (or such period as ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.12. CHESSE

The Company participates in the Clearing House Electronic Subregister System, known as CHESSE. ASTC, a wholly owned subsidiary of ASX, operates CHESSE in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESSE, Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASTC will send you a CHESSE statement.

The CHESSE statement will set out the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Advanced Share Registry Services and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESSE statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.13. Overseas Shareholders

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer other than for Shareholders in Australia and New Zealand. Where the Prospectus has been dispatched to Shareholders domiciled outside Australia or New Zealand and the country's securities code or legislation prohibits or restricts in any way the making of the offers contemplated by the Prospectus, the Prospectus is provided for information purposes only.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company as a representation that there has been no breach of such laws and that the Applicant is an Eligible Shareholder.

1.14. Risk factors

An investment in Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are summarized below and provided in further detail in Section 3.

Key risk factors affecting an investment in the Company include:

- The Company's properties may be adversely affected by political instability in Argentina.
- Changes to government regulations and policy may have adverse impacts on the development options available to the Company and its projects.
- Economic conditions, both domestic and global may affect the performance of the Company.
- Exploration programs impact on the environment. These impacts are minimized by the Company's application of best practice principles.

1.15. Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

1.16. Major activities and financial information

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2011 is in the Annual Financial Report which was lodged with ASX on 29 September 2011.

The Company's continuous disclosure notices (i.e. ASX announcements) since 29 September 2011 are listed in Section 5.5.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders review these and all other announcements prior to deciding whether or not to participate in the Offer.

1.17. Enquiries concerning Prospectus

Enquiries concerning the Entitlement and Acceptance Form can be obtained by contacting Security Transfer Registrars Pty Ltd by telephone on (08) 9315 2333.

Enquiries relating to this Prospectus should be directed to the Company Secretary by telephone on (08) 9389 2111.

2. Action required by Shareholders

2.1. If you wish to take up all of your Entitlement

Should you wish to accept all of your Entitlement to the New Shares, then applications for New Shares under this Prospectus must be made on the original Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the Application Monies indicated on the Entitlement and Acceptance Form.

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your entitlements upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form.

If you elect to pay via BPAY® then your payment must be made before 3.00 pm (WST) on the Closing Date. Please read the instructions carefully.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "De Grey Mining Limited" and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

By delivery Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

By Post Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.2. If you wish to take up part of your Entitlement only

Should you wish to only take up part of your Entitlement, then applications for New Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment in respect of the portion of your entitlement you wish to take up, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of New Shares you wish to accept and the Application Monies (calculated at \$0.018 per New Share accepted), and attach a cheque for the appropriate Application Monies.

If you wish to pay via BPAY® you must follow the instructions in the Entitlement and Acceptance Form. You will be deemed to have accepted your entitlements upon receipt of the BPAY® payment by the Company. Eligible Shareholders who elect to pay via BPAY® do not need to return their completed Entitlement and Acceptance Form. If you elect to pay via BPAY® then your payment must be made before 3.00 pm (WST) on the Closing Date. Please read the instructions carefully.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "De Grey Mining Limited" and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

DE GREY MINING LIMITED
ACTION REQUIRED BY SHAREHOLDERS

By delivery Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

By Post Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

2.3. If you do not wish to accept any of your Entitlement

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

3. Risk Factors

Activities in the Company, as in any business, are subject to risks, which may impact on the Company's future performance. The Company has implemented appropriate strategies, actions, systems and safeguards for known risks, however, some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which Shareholders need to be aware of in evaluating the Company's business and risks of increasing your investment in the Company. Shareholders should carefully consider the following factors in addition to the other information presented in this Prospectus.

The principal risks include, but are not limited to, the following:

3.1 Specific Risks associated with the Company

- (a) The Company's properties may be adversely affected by political instability in Argentina

The Company conducts exploration activities in Argentina.

The Company's properties in Argentina may be subject to the effects of political changes, war and civil conflict, changes in government policy, lack of law enforcement and labour unrest and the creation of new laws. These changes (which may include new or modified taxes or other government levies as well as other legislation) may impact the profitability and viability of its properties. The effect of unrest and instability on political, social or economic conditions in Argentina could result in the impairment of exploration, development and mining operations and the Company's legal title to its mineral tenements. Any such changes are beyond the control of the Company and may adversely affect its business.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of Australian courts. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for De Grey to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

- (b) Operating Risks of the Company

The prospects of the Company must be considered in light of the considerable risks, expenses and difficulties frequently encountered by companies in a similar stage of resource exploration and development activities as the Company.

The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond the Company's control.

The Company expects to incur losses unless and until such time as any new or current projects enter into commercial production and generate sufficient revenues to fund their continuing operations. The development of the new and current projects will require the commitment of substantial resources. There can be no assurance that the Company will generate any revenues or achieve profitability.

- (c) Reliance on Key Personnel

The resources business in which the Company is involved is reliance upon a number of directors and key management personnel. The loss of any of these personnel could have a material adverse impact on the resources business of the Company.

- (d) Additional Requirements for Funding

The Company's funding requirements depend on numerous factors including the Company's ability to

generate income from its projects, the results of joint venture operations, future exploration and work programs and the acquisition of new projects. It may require further funding in addition to current cash reserves to fund exploration activities.

Additional equity financing, if available, may be dilutive to Shareholders and at lower prices than the current market price. Debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

(e) Markets

The marketability of the Company's production depends in part upon the availability, proximity and capacity of infrastructure such as ports, railways, pipelines and processing facilities. Federal and state regulation of resources production and transportation, tax and energy policies, changes in supply and demand and general economic conditions all could adversely affect the ability to produce and market mineral commodities.

(f) Service Capacity

Exploration and development activities may be undertaken in locations that have limited or no spare service capacity. There may be delays in securing equipment and personnel required to carry out the Company's planned activities.

Due to the demand for equipment and personnel there may also be upward pressure on costs and mechanical failure may result in delays.

Any of these factors may result in cost and time overruns which may have a material impact on the Company's profitability and cash flows.

(g) Title to Tenements

The Company cannot guarantee that those Tenements in which it has an interest and which are still in the application stage or require transfer will ultimately be granted or transferred in whole or in part pursuant to the applicable legislation. There is also no guarantee that the Tenements will be granted or transferred without undue delay or that the Company can economically comply with any conditions imposed on any granted exploration permits.

The Company has an interest in applications for Tenements that have been applied for but not granted. In order for these tenements to be granted the Company must satisfy the mining legislation. There is no guarantee that the Tenements will be granted to the relevant parties, that they will be granted without undue delay, that the Tenements will be transferred to the Company (when applicable) and the holder can comply with any conditions imposed on or granted exploration permits.

The Company's mining exploration activities are dependent upon the maintenance (including renewal) of its Tenements. Although the Company has no reason to think that these Tenements will not be renewed, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will be imposed.

3.2 Mineral Industry Risks

(a) Exploration and development risks

The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a speculative business, characterised by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations,

DE GREY MINING LIMITED
RISK FACTORS

including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in the Company expending significant resources (financial and otherwise) on a property without receiving a return. There is no certainty that expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. The Company believes that those consultants and others are competent and that they have carried out their work in accordance with internationally recognised industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays or increased costs in developing its properties.

(b) Resource estimates

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, Ore Reserves are valued based on future costs and future prices and consequently, the actual Ore Reserves and Mineral Resources may differ from those estimated, which may result in either a positive or negative effect on operations.

(c) Payment obligations

Under the exploration permits and licences and certain other contractual agreements to which the Company is or may in the future become party, the Company is or may become subject to payment and other obligations. In particular, the permit holders are required to expend the funds necessary to meet the minimum work commitments attaching to the permits and licences. Failure to meet these work commitments will render the permit liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Company.

(d) Operating risks

The operations of the Company may be affected by various factors including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be

adequate and available to cover any such claims.

(e) Commodity price volatility

Metal prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for minerals and metals, forward selling by producers, and production cost levels in major mineral-producing regions.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the metal as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(f) Insurances

Insurance of all risks associated with exploration and production is not always available and, where it is available, the cost may be high.

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as in clement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability, particularly as the Company is seeking to acquire new projects which are located in other jurisdictions or involve a new commodity.

It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

3.3 Environmental risks

(a) Environmental risk

The operations and activities of the Company are subject to regulations concerning the environment. The Government and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidents or other unforeseen circumstances, which could subject the Company to extensive liability.

3.4 General Risks

(a) Securities investments

There are risks associated with any securities investment. The prices at which the Shares trade may

fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price of the Shares regardless of the Company's operational performance.

(b) Share market conditions

Share market conditions may affect the value of Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- changes in investor sentiment toward particular countries;
- global media reports;
- the demand for, and supply of, capital; and
- other external factors whether real or perceived by the market.

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company, or any return on an investment in the Company.

(c) Economic Risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption, the rate of growth of gross domestic product in Australia, or any other country in which the Company may operate, interest rates and the rate of inflation.

(d) Changes in Government Policies and Legislation

Any material adverse changes in government policies or legislation of Australia or any other country where the Company may acquire economic interests may affect the viability and profitability of the Company.

3.5 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company.

The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Shares pursuant to this Prospectus.

4. Effect of the Offer

4.1 Capital Structure on completion of the Offer

If all Shareholders take up their full Entitlement under the Offer, the capital structure will be as follows:

	Number of Shares
Balance at the date of this Prospectus	297,691,702
To be issued under the Offer	99,230,567
Balance after the Offer	396,922,269

If all of the options currently on issue are exercised prior to the Record Date and Shareholders take up their full Entitlement under the Offer an additional 20,500,000 Shares will be issued pursuant to the exercise of Options and an additional 6,833,333 Shares will be issued pursuant to the Offer. The Directors consider the probability of option holders exercising their options to be low.

4.2 Effect of the Offer on control of the Company

The Company is of the view that the Offer will not affect the control (as defined by section 50AA of the Corporations Act) of the Company.

No investor or existing Shareholder will have a voting power greater than 20% as a result of the completion of the Offer.

There are no substantial Shareholders of the Company who are participating as sub-underwriters of the Offer.

DE GREY MINING LIMITED
EFFECT OF THE OFFER

4.3 Proposed Offer

Basis of Preparation

The pro-forma statement of financial position is based on the management prepared statement of financial position at 31 December 2011.

	Actual	Proforma
Current Assets		
Cash and cash equivalents	634,890	2,872,163
Trade and other receivables	66,337	66,337
Financial assets at fair value through profit or loss	10,493	10,493
	711,720	2,948,993
Non-Current Assets		
Plant and equipment	108,169	108,169
	108,169	108,169
Total Assets	819,889	3,057,162
Current Liabilities		
Trade and other payables	299,111	299,111
	299,111	299,111
0		
Net Assets	520,778	2,758,051
Equity		
Contributed equity	39,939,495	42,176,768
Reserves	372,616	372,616
Accumulated losses	(39,791,333)	(39,791,333)
	520,778	2,758,051

The Pro-Forma Statement of Financial Position includes the following adjustments:

- (a) Placement to sophisticated and professional investors of 38,829,352 shares at 1.8 cents each;
- (b) Entitlements issue of 99,230,567 New Shares on a 1 for 3 basis at 1.8 cents each; and
- (c) costs of issue of \$212,860.

4.4 Market price of Shares

The highest and lowest market sale prices of the Company's Shares on the ASX during the 3 months immediately preceding the date of lodgment of this Prospectus with ASIC and the respective dates of those sales were:

Highest:	\$0.027 per Share on 17 November 2011
Lowest:	\$0.018 per Share on 2 February 2012

The latest available market sale price of the Company's Shares on ASX prior to the date of lodgment of this Prospectus with ASIC was \$0.020 per Share on 7 February 2012.

4.5 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5. Additional information

5.1 Material Contracts

Underwriting Agreement

The Underwriter has agreed to fully underwrite the Offer and to manage and co-ordinate the Offer pursuant to an Underwriting Agreement.

The Underwriter will be paid an underwriting fee of 5% of the underwritten amount and will be reimbursed all reasonable costs, charges and expenses incurred in connection with the Offer.

The Underwriter will also be paid a corporate advisory fee of \$60,000.

Under the Underwriting Agreement, the Underwriter may procure the sub-underwriting of the Shortfall Shares.

Pursuant to the Underwriting Agreement, the Company represents and warrants that:

- (a) (Prospectus): this Prospectus complies with section 713 of the Corporations Act and there are no statements in this Prospectus that are misleading or deceptive or likely to mislead or deceive (including, without limitation, statements which are taken to be misleading under section 728(2) of the Corporations Act) and there are no omissions from this Prospectus of information required by section 713 of the Corporations Act and the issue and distribution of this Prospectus will not involve any conduct which is misleading or deceptive or likely to mislead or deceive;
- (b) (Forecasts): without limiting the generality of sub-clause (a), the Company has reasonable grounds for making any statements about future matters that appear in this Prospectus and that all such statements have been made in compliance with ASIC's policy on forecasts in disclosure documents (including ASIC Regulatory Guide 111, ASIC Regulatory Guide 170 and ASIC Information Release 01/05);
- (c) (Due Diligence Results): the due diligence results and the verification material are correct in all material respects and there is no material omission from them having regard to the requirements of section 713 of the Corporations Act;
- (d) (No rights to securities): no third party will issue or agree to issue any Shares, options, securities or interests in the Company other than the New Shares offered under the Prospectus and no person has or will have any right to subscribe for or to receive or be issued any Shares, options, shares or interests of any related entity to the Company other than the Shares offered under the Prospectus or otherwise as disclosed in the Prospectus;
- (e) (Permits): the Company and each of its related entities hold all licences, permits and approvals necessary to enable it to carry on each of its businesses and to hold its properties;
- (f) (No encumbrances): other than as disclosed in the due diligence results, neither the Company or any related entity has or will have created or agreed to create any mortgage, charge, lien or other security or encumbrance over any or all of its assets;
- (g) (No litigation): other than as disclosed in this Prospectus, there is and will be no material litigation, arbitration, industrial or administrative proceedings pending or to the best of the Company's knowledge, threatened, or any judgments, orders or awards of any court or tribunal which could reasonably be expected to have a material adverse effect or question or prohibit the Company's power or authority to enter into or perform its obligations under the Underwriting Agreement, to make the Offer or issue this Prospectus;
- (h) (No Event of Insolvency): no event of insolvency has occurred in relation to the Company or any of its related entities, nor is there any act which has occurred or any omission made which may result in an event of insolvency occurring in respect of the Company or any of its related entities;
- (i) (Corporate authority): it is a duly registered corporation and validly exists under the Corporations Act, and all necessary corporate action and authorisations to permit the Company to enter into the Underwriting Agreement, for the Company to lodge this Prospectus with ASIC, and for the Company to make the Entitlement Offer, have been obtained and are and will be in full force and effect;
- (j) (Agreement does not result in breach): the execution and carrying out of the Underwriting Agreement and the

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making of the Offer and the issue of this Prospectus will not conflict with or result in a breach of or a default under any of the terms or provisions of any mortgage, deed or trust or other instrument or material agreement binding on the Company or any of its related entities, and will not violate in any material way any law, regulation, ruling, consent or judgment, order or decree of any governmental agency or body;

- (k) (Binding obligations): the Underwriting Agreement constitutes a legal, valid and binding obligation on the Company and subject to any necessary stamping is enforceable in accordance with its terms;
- (l) (No breach of material agreements): neither the Company or any of its related entities is or will be in breach in any material respect of any material agreement binding on it, and nothing has occurred which is, or with the giving of notice, lapse of time, satisfaction of some other condition, or any combination of the above, constitutes an event which causes or enables the acceleration of any payment to be made under, or the enforcement, termination or rescission of, any material agreement binding on the Company or any of its related entities;
- (m) (No Prescribed Occurrence): no prescribed occurrence exists or will occur in respect of the Company or any of its related entities after the date of the Underwriting Agreement other than the issue of Shares in accordance with, or as disclosed in, this Prospectus and neither the Company or any of its related entities will have agreed to acquire a business or company other than as disclosed in this Prospectus;
- (n) (Certificate correct): the contents of each certificate required by the Underwriting Agreement will be true and correct as at the date on which it is given;
- (o) (Information): all information provided to the Underwriter (including any announcements, advertisements and publicity made or published by the Company in relation to the Offer) by or on behalf of the Company is materially true and correct and is not misleading or deceptive or likely to mislead or deceive and there is no information of which it is aware that has not been disclosed to the Underwriter which has or is likely to have a material adverse effect;
- (p) (Compliance with Legislation): the Company and each of its related entities has complied with, and the Offer and this Prospectus will comply with, the Corporations Act, the Listing Rules and all applicable Acts that relate in any way to it and its constitution and any legally binding requirement or policy of ASIC or ASX in all material respects;
- (q) (Accounts): the Company's accounts present a true and fair view of the financial position or trading results of the Company as at and for the period ending on the balance date of the accounts and there has been no adverse change since that date in the trading results or financial position of the Company;
- (r) (Constitution): the Constitution complies with the Listing Rules, and this Prospectus comply with the Constitution in all material respects;
- (s) (Uncalled capital): no amount is unpaid in relation to any Shares issued by the Company;
- (t) (Shares to be fully paid): all Shares issued pursuant to the Offer and in accordance with the terms of the Underwriting Agreement will, from the date of allotment, rank equally in all respects with other Shares and will be free of all encumbrances; and
- (u) (Register of Members): the register of members kept by the Company has been diligently and properly kept by it and so far as the Company is aware accurately records the share holdings of its members and their respective last known addresses.

The Company has agreed to indemnify the Underwriter (including its employees, officers, agents and servants) against any claim, action, damage, loss, liability, cost, expense or payment in connection with the Offer, the Prospectus, the Underwriting Agreement, reliance on information supplied by the Company, an announcement, advertisement or publicity made by the Company in relation to the Offer and any investigation, enquiry or hearing by ASIC or ASX.

If any of the following termination events occur before the Underwriter has lodged the applications and application money for the Shortfall Shares with the Company then the Underwriter may terminate the Underwriting Agreement:

- (a) (Indices fall): any of All Ordinaries Index (XAO), or the S&P/ASX 200 Small Ordinaries Index (XSO) as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level at the close of business on the business day prior to the date of the Underwriting

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- Agreement; or
- (b) (Share Price): the closing price of the Shares of the Company as quoted by ASX is less than the Price for any two consecutive Business Days; or
 - (c) (Prospectus): the Company does not lodge the Prospectus on the Lodgement Date or the Prospectus or Offer is withdrawn by the Company; or
 - (d) (No Official Quotation): Official Quotation has not been granted by ASX or, having been granted, is subsequently withdrawn, withheld or qualified; or
 - (e) (Supplementary prospectus):
 - i. the Underwriter forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - ii. the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter; or
 - (f) (Non compliance with disclosure requirements): it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - i. the effect of the Offer on the Company; and
 - ii. the rights and liabilities attaching to the New Shares; or
 - (g) (Misleading Prospectus): it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
 - (h) (Restriction on allotment): the Company is prevented from allotting the Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority; or
 - (i) (Withdrawal of consent to Prospectus): any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
 - (j) (ASIC application): an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn; or
 - (k) (ASIC hearing): ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act; or
 - (l) (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel; or
 - (m) (Hostilities): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Argentina, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel, Kazakhstan or any member of the European Union, or a material terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
 - (n) (Authorisation): any authorisation which is material to anything referred to in the Prospectus is repealed,

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- revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (o) (Indictable offence): a director or senior manager of the Company is charged with an indictable offence; or
- (p) (Termination Events): any of the following events occurs:
- i. (Default): default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking; or
 - ii. (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect; or
 - iii. (Contravention of Constitution or Act): a contravention by the Company of any provision of the Constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX; or
 - iv. (Adverse change): an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time; or
 - v. (Error in Due Diligence Results): it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them; or
 - vi. (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor; or
 - vii. (Public statements): without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Prospectus; or
 - viii. (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of the Company is or becomes misleading or deceptive or likely to mislead or deceive; or
 - ix. (Official Quotation qualified): the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation"; or
 - x. (Change in Act or policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy; or
 - xi. (Prescribed Occurrence): a prescribed occurrence (as defined in the underwriting agreement) occurs, other than as disclosed in the Prospectus; or
 - xii. (Suspension of debt payments): the Company suspends payment of its debts generally; or
 - xiii. (Event of Insolvency): an Event of Insolvency occurs in respect of the Company; or
 - xiv. (Judgment against Company): a Relevant judgment in an amount exceeding \$50,000 is obtained against Company and is not set aside or satisfied within 7 days; or
 - xv. (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Prospectus; or
 - xvi. (Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of the Company before allotment of the Shares without the prior written consent of the Underwriter which consent is not to be unreasonably withheld; or
 - xvii. (Change in shareholdings): there is a material change in the major or controlling shareholdings of the Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company; or

- xviii. (Timetable): the Company causes there to be a delay in any specified date in the Indicative Timetable which is greater than 7 Business Days; or
- xix. (Force Majeure): a Force Majeure event affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs; or
- xx. (Certain resolutions passed): a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter; or
- xxi. (Capital Structure): the Company alters its capital structure in any manner not contemplated by the Prospectus; or
- xxii. (Breach of Material Contracts): any of the Company's material contracts is terminated or substantially modified; or
- xxiii. (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of the Company; or
- xxiv. (Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets; or

The Underwriter may not exercise its rights of termination unless, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of a Termination Event has or is likely to have, or two or more Termination Events together have or are likely to have:

- (a) a material adverse effect (as defined in the Underwriting Agreement); or
- (b) could give rise to a liability of the Underwriter under the Corporations Act or otherwise.

Defined terms in this Section have the same meaning as in the Underwriting Agreement.

5.2 Rights attaching to Shares

(a) General

The New Shares to be issued pursuant to this Prospectus are ordinary shares and will, as from their allotment, rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the New Shares arise from a combination of the Company's Constitution, statute and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office. The Constitution has been lodged with ASIC.

A summary of the more significant rights is set out below.

(b) Reports and Notices

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

(c) General Meetings

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act. All members are entitled to a notice of meeting. A quorum for a meeting of members is 3 eligible voters.

The Company will hold annual general meetings in accordance with the Corporations Act and the Listing Rules.

Shareholders are entitled to be present in person, or by proxy, attorney or representative (in the case of a company) to speak and to vote at general meetings of the Company.

(d) Voting

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by

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proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder. In the case of an equality of votes, the chairperson has a casting vote.

A poll may be demanded by the chairperson of the meeting, any 2 Shareholders entitled to vote in person or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(e) Dividends

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.

(f) Winding Up

Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus must be divided among the Shareholders in the proportion to the shares held by them. Subject to any rights or restrictions attached to a class of Shares, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the Shareholders:

- (i) distribute among Shareholders the whole or any part of the property of the Company; and
- (ii) vest any part of the assets of the Company in a trustee upon such trust for the benefit of the members.

(g) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, and to the registration of the transfer not resulting in a contravention of, or failure to observe, the provisions of a law of Australia.

(h) Issue of Further Shares

The Directors may, subject to any restrictions imposed by the Constitution and the Corporations Act, allot, issue and grant options over further Shares, on such terms and conditions as they see fit.

(i) Directors

The existing Directors may appoint a new Director to fill a casual vacancy or as an addition to the Board. Any such Director must retire at the next following annual general meeting of the Company (at which meeting he or she may be eligible for election as a Director).

The Constitution contains provisions relating to the rotation and election of directors. No Director other than the Managing Director may hold office later than the third annual general meeting after his or her appointment or election without submitting himself or herself for re-election.

(j) Variation of Shares and Rights Attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

(k) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(l) Listing Rules

Provided the Company remains admitted to the Official List of the Australian Stock Exchange Ltd, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. If as a result of an amendment to the Listing Rules, there is an inconsistency between the Constitution and the Listing Rules, the Company shall, subject to the Corporations Act, do all things necessary to change the Constitution to remove the

inconsistency as soon as possible and in any event, at the first general meeting of the Company held after the date on which the relevant amendment the Listing Rules comes into operation.

5.3 Nature of this Prospectus

This Prospectus issued under the special content rules for continuously quoted securities in Section 713 of the Corporations Act. This enables listed disclosing entities, such as the Company to issue a prospectus for continuously quoted securities and options to acquire continuously quoted securities with modified disclosure requirements if they satisfy certain requirements.

The information in this Prospectus principally concerns the terms and conditions of the Offer and the information reasonably necessary to make an informed assessment of:

- (a) the effect of the Offer on the Company; and
- (b) the rights and liabilities attaching to the New Shares offered pursuant to this Prospectus.

This Prospectus is intended to be read in conjunction with publicly available information in relation to the Company which has been notified to ASX and does not include all of the information included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision on whether or not to invest in the Company.

5.4 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules of ASX.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.5 below).

5.5 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it, a copy of:

- (a) the Annual Financial Report of the Company for the year ended 30 June 2011, being the last financial year for which an annual financial report has been lodged with ASIC in relation to the Company before the issue of this Prospectus; and
- (b) the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgment of the Annual Financial Report referred to in paragraph (a) and before the date of issue of this Prospectus are as follows:

Date Lodged	Subject of Announcement
07/02/2012	Entitlement Offer – Amended Timetable
06/02/2012	Section 708 A Notice
03/02/2012	Appendix 3B
02/02/2012	Reinstatement to Official Quotation
02/02/2012	Capital raising to fund first Argentina drill campaign
01/02/2012	Suspension from Official Quotation.
31/01/2012	Quarterly Report and Cashflow Report
11/01/2012	Drill Target Defined at Pachi Project
08/12/2011	Exploration Update Sierra Morena Project
17/11/2011	Appendix 3Y x 3
17/11/2011	Appendix 3B
07/11/2011	Appendix 3Y
25/10/2011	Annual General Meeting Presentation 2011 - revised
21/10/2011	Results of Meeting
21/10/2011	AGM Presentation
21/10/2011	Quarterly Report and Cashflow Report

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14/10/2011	Expands Argentina Holdings
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The following documents are available for inspection throughout the application period of this Prospectus during normal business hours at the principal office of the Company (details are provided in the Corporate Directory):

- (i) this Prospectus;
- (ii) Constitution; and
- (iii) the consents referred to in Section 5.11 and the consents provided by the Directors to the issue of this Prospectus.

5.6 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

5.7 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

5.8 Directors' interests

(a) Directors' Holdings

Set out in the table below are details of Directors' relevant interests in the securities of the Company at the date of this Prospectus. The Directors intend to take up their full Entitlement under the Offer.

Director	No of Shares Held ⁽¹⁾	No. of Options Held	Entitlement to Subscribe for Shares ⁽²⁾
Darren Townsend	342,626 ⁽³⁾	2,000,000 ⁽⁴⁾	114,209
Gary Brabham	144,645 ⁽⁵⁾	6,000,000 ⁽⁶⁾	48,215
Jason Brewer	400,000 ⁽⁷⁾	2,000,000 ⁽⁷⁾	133,334

(1). Held directly or indirectly by the Director or a related party of the Director.

(2). Entitlement to subscribe for Shares that will be held directly or indirectly assuming no existing options held are exercised before the Record Date.

(3). Held indirectly through Townsend Superannuation Fund.

(4). Held indirectly through Townsend Family Trust.

(5). Held indirectly through Mr Brabham's wife.

(6). Held indirectly through Mr Brabham's wife. Options are exercisable at \$0.065 each, expiring on 30 April 2014.

(7). Held indirectly through Scooby Holdings Pty Ltd <Maynard Brewer Family A/C>.

(b) Remuneration of Directors

No person has paid or agreed to pay any amount or has given any benefit to any Director to induce them to become, or qualify as a Director or for services provided by the Director, in connection with:

- (i) the formation or promotion of the Company; or
- (ii) the offer of Shares under this Prospectus, except asset out below or elsewhere in this Prospectus.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Total directors' fees paid to all non-executive directors is not to exceed \$250,000 per annum.

Remuneration (plus superannuation where applicable) for the Chairman is presently \$76,500 per annum and remuneration for Mr Brewer is \$40,500 per annum (exclusive of superannuation).

Information regarding the remuneration received by Directors for the preceding two financial years can be found in the 2011 Annual Report.

Mr Brabham has entered into a services agreement with the Company with respect to his engagement as Managing Director. Pursuant to that services agreement, Mr Brabham is paid a salary of \$312,000 inclusive of superannuation.

(c) Other interests

The Company has entered into Deeds of Indemnity, Access and Insurance on standard terms with each of its current directors. Those deeds indemnify these Directors in respect of certain liabilities and legal expenses incurred by them whilst acting as Directors and insures them against certain risks they are exposed to as Directors. The Company has paid insurance premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings while acting in the capacity of a Director.

5.9 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Offer.

DWCorporate Pty Ltd will be paid fees of approximately \$15,000 (plus GST) in relation to the preparation of this Prospectus. In the past two years DWCorporate Pty Ltd has provided company secretarial and corporate advisory services to the Company to a total value of approximately \$130,000.

Hardy Bowen will be paid fees of approximately \$10,000 (plus GST) in relation to the review of this Prospectus. In the past two years Hardy Bowen has provided legal advice to the Company to a total value of approximately \$3,625.

Security Transfer Registrars Pty Ltd has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

5.10 Expenses of issue

The estimated expenses of the issue are as follows:

	\$
ASIC lodgment fee	2,137
ASX quotation fee*	6,415
Corporate advisor/ legal expenses	45,000
Printing, mailing and other expenses	10,000
Underwriter and Lead Manager Fee	149,308
\$ Total	212,860

5.11 Consents

The following persons have consented to being named in this Prospectus in accordance with the Corporations Act but, have not made any statements that are included in this Prospectus or statements identified in this Prospectus as being based on any statements made by those persons and have had no involvement in the preparation of any part of this Prospectus other than to be named as the respective adviser as described below. The parties listed below have not withdrawn their consent before lodgment of this Prospectus with ASIC:

- DWCorporate Pty Ltd – as corporate adviser;
- Patersons Securities Limited – as Underwriter;

DE GREY MINING LIMITED
ADDITIONAL INFORMATION

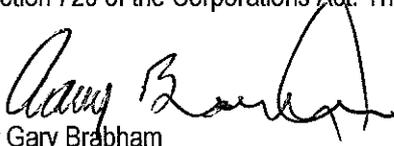
- Hardy Bowen – as solicitors;
- Butler Settineri (Audit) Pty Ltd – as auditor; and
- Security Transfer Registrars Pty Ltd – as share registry.

To the maximum extent permitted by law, each of the persons referred to above expressly disclaims and takes no responsibility for any part of this Prospectus other than the references to their name.

Security Transfer Registrars Pty Ltd, Butler Settineri, Patersons Securities Limited and DWCorporate Pty Ltd have given and, as at the date hereof, has not withdrawn, their written consent to be named in the form and context in which they are named. These parties have had no involvement in the preparation of any part of this Prospectus and have been mentioned in the Prospectus for information purposes only. These parties have not authorised or caused the issue of, and expressly disclaim and take no responsibility for, any part of this Prospectus.

6. Authorisation

Each of the Directors of the Company has consented to the lodgment of this Prospectus in accordance with Section 720 of the Corporations Act. This Prospectus is signed for and on behalf of Company by:



Mr Gary Brabham

Managing Director

Date: 7 February 2012

7. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

Acceptance means a valid application for New Shares made pursuant to this Prospectus on an Entitlement and Acceptance Form.

Annual Financial Report means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2011 and includes the corporate directory, Shareholder information, Directors' declaration, financial statements and the notes thereto, of the Company and its controlled entities for the year ended 30 June 2011, together with a Directors' report in relation to that financial year and the auditor's report for the year to 30 June 2011.

Applicant means a person who submits an Entitlement and Acceptance Form.

Application Monies means application monies for New Shares received by the Company.

ASIC means Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

ASX means ASX Limited ACN 008 624 691.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means • or such later date as the Directors may determine.

Company means De Grey Mining Limited ACN 094 206 292.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means Corporations Act (Cth) 2001.

Directors mean the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date.

Entitlement or Right means an Eligible Shareholder's entitlement to New Shares under the Offer.

Entitlement and Acceptance Form or Form means the entitlement and acceptance form attached to this Prospectus that sets out the entitlement of Shareholders to subscribe for New Shares pursuant to the Offer.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the Listing Rules of ASX.

Offer means as defined in Section 1.1.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Option means the right to acquire one Share in the capital of the Company.

Prospectus means this prospectus dated 7 February 2012.

Record Date means the day specified in the proposed timetable.

Section means a section of this Prospectus.

Shareholder means a holder of Shares.

Share means a fully paid ordinary share in the capital of the Company.

Shortfall means the number of New Shares not taken up by Shareholders under the Offer.

Shortfall Shares means that number of the New Shares that have not validly been applied for under the Offer by the Closing Date.

\$ means Australian dollars.

Underwriter means Patersons Securities Limited.

Underwriting Agreement means the underwriting agreement dated 7 February 2012 between the Company and the Underwriter and summarized in Section 5.1 of this Prospectus.

WST means Western Standard Time, being the time in Perth, Western Australia.