

DE GREY MINING LIMITED
ACN 094 206 292

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
AND
PROXY FORM

Date of Meeting

Wednesday, 21 November 2012

Time of Meeting

11:30 am (WST)

Place of Meeting

The Celtic Club
48 Ord Street
WEST PERTH WA 6005

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 **2012 Annual Report** may be viewed on the Company's website at www.degreymining.com.au*

DE GREY MINING LIMITED
ACN 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 The Celtic Club, 48 Ord Street, West Perth, Western Australia on Wednesday, 21 November 2012 at 11:30 am (WST) (**Meeting**) for the purpose of transacting the following business.

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice.

Terms used in this Notice will, unless the context otherwise requires, have the same meaning given to them in the glossary contained in the Explanatory Memorandum.

2012 Financial Statements

To receive the financial statements of the Company for the year ended 30 June 2012, consisting of the annual financial report, the Directors' report and the auditor's report.

Resolution 1 – Re-election of Jason Brewer as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, Jason Brewer, having retired as a Director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for re-election, be re-elected a Director of the Company."

Short Explanation: Pursuant to the Company's Constitution, one-third of the Directors of the Company (other than the Managing Director) must retire at each AGM and, being eligible, may offer themselves for re-election at that AGM.

Resolution 2 – Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following **advisory only resolution**:

"That, for the purposes of Section 250R(2) of the Corporations Act, and for all other purposes, the Remuneration Report forming part of the Company's 2012 Annual Report be and is hereby adopted."

Short Explanation: Section 250R of the Corporations Act requires a listed company to put to Shareholders at each AGM a resolution adopting the report on the remuneration of the Company's Directors, executives and senior managers included in the Company's Annual Report. The above Resolution is being proposed to comply with this requirement. The vote on this Resolution is advisory and neither binds the Company's Directors nor the Company. A reasonable opportunity will be provided to Shareholders for discussion of the Remuneration Report at the AGM.

Voting Prohibition: The Company will, in accordance with the Corporations Act, disregard any votes cast on Resolution 2 by a member of the key management personnel or a Closely Related Party of such a member. However, the Company will not disregard a vote if it is cast by such a person if:

- (a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair of the Meeting and the appointment of the Chair as proxy 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.

Resolution 3 – Approval of new Employee Option Plan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, pursuant to and in accordance with Listing Rule 7.2, Exception 9(b) and for all other purposes, the Shareholders approve the issue of Options under the Employee Option Plan known as the “Employee Option Plan of De Grey Mining Limited”, further details of which are provided in the Explanatory Memorandum.”

Short Explanation: Approval is sought under Listing Rule 7.2 Exception 9 to allow the Company to issue of Options under the Employee Option Plan without reducing the Company’s 15% Share placement capacity under Listing Rule 7.1.

Voting Exclusion: The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 3 by any of the Company’s Directors and any of their Associates. However, subject to the voting prohibition below, the Company will not disregard a vote 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 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.

Voting Prohibition: The Company will, in accordance with the Corporations Act, disregard any votes cast on Resolution 3 by a member of the key management personnel or a Closely Related Party of such a member. However, the Company will not disregard a vote if it is cast by such a person if:

- (a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the key management.

Resolution 4 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass, with or without amendment, 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 Memorandum.”

Short Explanation: 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. The 10% Placement Facility is in addition to the Company’s 15% placement capacity under Listing Rule 7. Please refer to the Explanatory Memorandum for details.

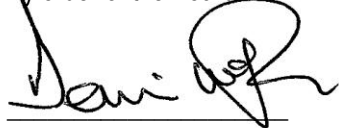
Voting Exclusion: The Company will, in accordance with the Listing Rules of the ASX, disregard any votes cast on Resolution 4 by any person who may participate in the issue and any Associate of that person. However, the Company will not disregard a vote cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or 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.

A Proxy Form is attached.

To be valid, properly completed Proxy Forms must be received by the Company no later than 11:30 am (WST) on 19 November 2012:

- by post to PO Box 8289, Subiaco East WA 6008; or
- by facsimile on +61 8 9285 7599.
- by email to frontdesk@degreymining.com.au

By order of the Board



Dennis Wilkins

Company Secretary

Date: 28 September 2012

PROXIES

A Shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights.

A proxy may, but need not be, a Shareholder of the Company.

The instrument appointing the proxy must be in writing, executed by the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, either under seal or under hand of an officer duly authorised.

The instrument of proxy (and the power of attorney or other authority, if any, under which it is signed) must be lodged by person, post, courier or facsimile and reach the registered office of the Company at least 48 hours prior to the meeting. For the convenience of Shareholders a Proxy Form is enclosed.

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 Monday, 20 November 2012 will be entitled to attend and vote at the AGM.

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.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the Shareholders of De Grey Mining Limited ACN 094 206 292 (**Company**) in connection with the business to be conducted at the Annual General Meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on Wednesday, 21 November 2012 commencing at 11:30 am (WST).

This Explanatory Memorandum should be read in conjunction with, and form part of, the accompanying notice.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

At the AGM, Shareholders will be asked to consider the following Resolutions:

- re-electing Mr Jason Brewer as a Director, who retires by rotation in accordance with the Company's Constitution;
- adopting the Remuneration Report;
- approving the new Employee Option Plan; and
- approving the 10% Placement Facility.

Financial and Other Reports

As required by Section 317 of the Corporations Act, the financial statements for the year ended 30 June 2012 and the accompanying Directors report, Directors' declaration and auditor's report will be laid before the meeting.

Neither the Corporations Act, nor the Company's Constitution requires a vote on the reports. However, the Shareholders will have an opportunity to ask questions about the reports at the AGM.

Resolution 1 – Re-election of Jason Brewer as a Director

1.1 General

Mr Jason Brewer was appointed as a Non-Executive Director on 3 December 2010.

In accordance with Listing Rule 14.4, no director of the Company may hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever period is longer. The Company's Constitution also requires that one third of the Company's directors must retire at each AGM. Accordingly, Mr Jason Brewer will retire by rotation and, being eligible, offers himself for re-election.

Resolution 1 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

1.2 Director's Biography

Mr Brewer is a mining engineer with a Master's degree in mining engineering and honours from the Royal School of Mines, London. He has experience in coal, gold and base metal mines, having worked at British Coal's underground operations in Newcastle, the Kidd Creek Copper and Zinc mine in Canada for Falconbridge, the Lanfranchi Nickel Mine in Western Australia for WMC and the Kinross Gold Mine in South Africa for Gencor.

He is a qualified mining engineer with operating experience in Canada, South Africa, and Australia and has had non-executive directorships with a number of public resource companies since 2007.

1.3 Directors' Recommendation

All the Directors, with Mr Brewer abstaining, recommend that Shareholders vote in favour of Resolution 1.

Resolution 2 – Remuneration Report

2.1 General

As required by the Corporations Act, the Board is presenting the Remuneration Report to Shareholders for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- information about the Board's policy for determining the nature and amount of remuneration of the Directors and senior executives of the Company;
- a description of the relationship between the Company's remuneration policy and the Company's performance;
- a summary of performance conditions for each of the Directors and senior executives, including a summary of why they were chosen and how performance is measured against them; and
- remuneration details for each Director and for each of the Company's specified executives.

The Remuneration Report, which is part of the Annual Report, has been sent to Shareholders who have made an election to receive the Annual Report. Copies of the Annual Report are available by contacting the Company's share register or visiting the Company's web site www.degreymining.com.au.

2.2 Voting on the Remuneration Report

In accordance with section 250R(4) of the Corporations Act, a vote on the Remuneration Report Resolution must not be cast (in any capacity) by or on behalf of either the following persons:

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

However, a person described above may cast a vote on the Resolution 2 as a proxy if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (c) the person does so as a proxy appointed in writing that directs how the proxy is to vote on Resolution 2; or
- (d) the person is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 2; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if Resolution 2 is connected directly or indirectly with the remuneration of the key management personnel.

The Chairman will cast available proxies in favour of Resolution 2.

Resolution 3 – Approval of new Employee Option Plan

3.1 Background

The Company has an existing employee share option plan, the “Employee and Contractors Option Plan of De Grey Mining Limited,” which was approved by Shareholders at the 2010 annual general meeting. The Directors considered it appropriate to review the existing employee share option plan to ensure it satisfies ASIC class order conditions, the provisions of the Corporations Act and ASX Listing Rules as well as the current operations and size of the Company.

The Directors believe that it is preferable to replace the existing employee share option plan with the “Employee Option Plan of De Grey Mining Limited” (**Plan**) rather than to insert a multitude of amendments to its existing employee share option plan.

The Company proposes to adopt the Plan pursuant to which the Board may grant Options to eligible employees of the Company in order to attract and retain eligible employees, provide an incentive to deliver growth and value for the benefit of all Shareholders and facilitate capital management by enabling the Company to preserve cash reserves for expenditure on principal activities. Participation in the Plan is at the discretion of the Board and no eligible employee has a contractual right to receive an option under the Plan.

The Plan satisfies certain ASIC class order conditions, relieving the Company from the obligation to issue a prospectus for the grant of the Options to eligible employees under the Plan.

3.2 Approval under Exception 9(b) of Listing Rule 7.2

Listing Rule 7.1 prohibits a listed company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities without shareholder approval, unless an exception applies.

Listing Rule 7.2, Exception 9(b) provides that Listing Rule 7.1 does not apply in relation to an issue under an employee incentive scheme if within three years before the date of the issue the holders of the entity’s ordinary securities approve the issue of securities under the scheme as an exception to Listing Rule 7.1.

The Plan is an employee incentive scheme of the type contemplated by Exception 9(b) of Listing Rule 7.2. The Options which eligible employees will receive under the Plan are Options to subscribe for ordinary shares. These Options are “equity securities” for the purposes of the Listing Rules.

Accordingly Shareholder approval is sought for the issue by the Company of Options under the Plan (and the subsequent issues of Shares on the exercise of these Options) for the purposes of Exception 9(b) of Listing Rule 7.2. If approval is given, Options issued under the Plan during the next three years will be excluded in determining the 15% annual placement capacity under Listing Rule 7.1. Shareholder approval would assist the Company to retain maximum flexibility in relation to use of that 15% capacity.

In accordance with Exception 9(b) of Listing Rule 7.2, the following information is provided in relation to the issue of Options under the Plan:

(a) A summary of the terms of the Plan

A summary of the terms of the Plan is set out below and a copy of the Plan will be sent to Shareholders free of charge on request.

- (i) Eligible employees include full or part-time employees (including Directors and the Company Secretary) of the Company or its subsidiaries (**Eligible Employee**).
- (ii) The Board may from time to time, in its absolute discretion, issue invitations in writing to Eligible Employees inviting an Eligible Employee to participate in the Plan and be granted Options in accordance with the Plan.
- (iii) The number of Options to be granted to an Eligible Employee will be determined by the Board in its absolute discretion and in exercising that discretion, the Board may have regard to some or all of the following considerations: the position the Eligible Employee holds, the terms of their employment, the

contribution the Eligible Employee makes to the Company or its subsidiaries and any other matter which the Directors consider relevant.

- (iv) Once an Option has been granted to an Eligible Employee, it is not transferrable except with the prior written consent of the Board.
- (v) No consideration is payable by any Eligible Employee in respect of the grant by the Company of an Option under the Plan.
- (vi) The exercise price for the Options granted under the Plan will be determined by the Board.
- (vii) The Board may impose conditions, including performance-related conditions, on the right of an Eligible Employee to exercise Options granted under the Plan.
- (viii) An Eligible Employee will be entitled to exercise an Option if it has not lapsed or cancelled and the exercise conditions and other requirements on the Option certificate have been met. An Eligible Employee may exercise an Option by delivering an exercise notice to the registered office of the Company together with the Option certificate and paying the applicable exercise price in respect of each Option being exercised.
- (ix) Each Option is exercisable into one Share in the Company ranking equally in all respects with the existing issued Shares in the Company. Following allotment of a Share as a result of the exercise, the Company will make an application, within the period specified in the Listing Rules, for the new Share to be quoted on ASX.
- (x) Each Option will lapse on the earliest to occur of:
 - the date specified in the Option certificate as the date on which the Option expires or lapses; or
 - the date on which the Option holder ceases to be an Eligible Employee, regardless of the reasons or causes for the Option holder ceasing to be an Eligible Employee.
- (xi) Subject to certain exceptions, the total number of Shares issued as a result of exercise of Options issued under the Plan during the previous a five year period must not exceed 5% of the Company's issued share capital.

(b) The number of securities issued under the Plan since the date of the last approval

As at the date of this Notice of AGM, no Options have been issued to any party under the Employee Option Plan of De Grey Mining Limited. However, 8,000,000 Options have been issued under the Company's existing employee share option plan since the date of its approval in November 2010. These Options all have an exercise price of 6.5 cents per Option and to date no Shares have been issued on exercise of these Options.

(c) A voting exclusion statement

A voting exclusion statement for Resolution 3 is included in the Notice.

3.3 Directors' Recommendation

The Directors of the Company make no recommendation in relation to Resolution 3 on the basis that the Employee Option Plan of De Grey Mining Limited allows for Options to be granted to Directors and consequently the resolution relates to Directors' remuneration.

Resolution 4 – Approval of 10% Placement Facility**4.1 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 annual general meeting (**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 4.2(c) below).

As previously disclosed to ASX, the Company continues to explore for mineral deposits in the Patagonia region of Argentina. The Company may use the 10% Placement Facility to advance these goals.

The Directors of the Company believe that Resolution 4 is in the best interest of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

4.2 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 quote class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue six classes of Equity Securities, Shares and five 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 annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, 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 approval of holders of shares 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.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

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) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 404,057,084 Shares and therefore has a capacity to issue:

- (i) 60,608,563 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 4, 40,405,708 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 4.2(c) above).

(e) 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 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.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting 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 annual general meeting 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),

(10% Placement Period).

4.3 Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

4.4 Specific information required by Listing Rule 7.3A

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 immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issues 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 4 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. 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 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 50% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.0115 50% decrease in Issue Price	\$0.023 Issue Price	\$0.046 100% increase in Issue Price
Current Variable A 404,057,084 Shares	10% voting dilution	40,405,708 Shares	40,405,708 Shares	40,405,708 Shares
	Funds raised	\$464,666	\$929,331	\$1,858,663
50% increase in current Variable A 606,085,626 Shares	10% voting dilution	60,608,563 Shares	60,608,563 Shares	60,608,563 Shares
	Funds raised	\$696,998	\$1,393,997	\$2,787,994
100% increase in current Variable A 808,114,168 Shares	10% voting dilution	80,811,417 Shares	80,811,417 Shares	80,811,417 Shares
	Funds raised	\$929,331	\$1,858,663	\$3,717,325

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) 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%.
 - (iii) 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 the Shareholder's holding at the date of the Meeting.
 - (iv) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (v) The use of Equity Securities under the 10% Placement Facility consists only of Shares.
 - (vi) The issue price is \$0.023, being the closing price of the Shares on ASX on 28 September 2012.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 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) Cash consideration. In such circumstances, the Company intends to use the funds raised towards the continuing exploration for mineral deposits in Argentina or the advancement and development of Australian joint ventures and / or general working capital; or
 - (ii) Non-cash consideration for the acquisition of new projects, resources, assets and investments. 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.

The Company's allocation policy is dependent on the 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 issue or other issue 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 related parties or associates of a related party of the Company.

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

- (e) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.
- (f) A voting exclusion statement is included in the Notice. 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.

GLOSSARY

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

10% Placement Facility	has the meaning given in Section 4.1.
10% Placement Period	has the meaning given in Section 4.2.
AGM	means an Annual General Meeting
Annual Report	means the Directors' report, the annual financial report and auditors report in respect of the financial year ended 30 June 2012.
Associate	has the same meaning as defined in Section 11 and Sections 13 to 17 of the Corporations Act.
ASX	means ASX Ltd ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.
Board	means the board of Directors of the Company.
Closely Related Party	has the same meaning as defined in Section 9 of the Corporations Act.
Company	means De Grey Mining Limited ACN 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.
Equity Securities	has the same meaning as in the Listing Rules.
Explanatory Memorandum	means this information attached to the Notice, which provides information to Shareholders about the Resolutions contained in the Notice.
Listing Rules	means the listing rules of ASX.
Meeting	has the meaning in the introductory paragraph of the Notice.
Notice or Notice of Meeting	means the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
Option	means an option to acquire a Share in the Company.
Plan	means the Employee Option Plan of De Grey Mining Limited.
Proxy Form	means the proxy form attached to this Notice.
Remuneration Report	means the remuneration report of the Company outlined in the Annual Report.
Resolution	means a resolution contained in the Notice.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a share.
Trading Day	means day determined by ASX to be a trading day in accordance with the Listing Rules.
WST	means Australian Western Standard Time.

The Company Secretary
De Grey Mining Limited
PO Box 8289
SUBIACO EAST WA 6008

Facsimile: +61 8 9285 7599

Email: frontdesk@degreymining.com.au

Name of Shareholder (s)

Address of Shareholder (s)

STEP 1**Appoint Proxy to Vote on Your Behalf**

I / We being a member / s of De Grey Mining Limited hereby appoint

☐

the Chairman of the meeting

OR

PLEASE NOTE: leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own names (s)

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, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of De Grey Mining Limited to be held at The Celtic Club, 48 Ord Street, West Perth Western Australia on 21 November 2012 at 11:30 am (WST) and at any adjournment or postponement of that meeting.

The Chairman intends to vote all available proxies in favour of the resolutions.

Important – if the Chairman of the meeting is your proxy or is appointed as your proxy by default

The Chairman of the Meeting intends to vote all available proxies in favour of Resolutions 2 & 3. If the Chairman of the meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', or 'against' or 'abstain' box in relation to Resolutions 2 & 3, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions for Resolutions 2 & 3 even if Resolutions 2 & 3 are connected directly or indirectly with the remuneration of a member of key management personnel.

☐

If you wish to appoint the Chairman as your proxy and you do not wish to direct the Chairman how to vote, please mark X in the box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him/her other than as a proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

STEP 2**Resolutions of Business**

PLEASE NOTE: if you mark the **Abstain** box for an Resolution, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority

		For	Against	Abstain
Resolution 1	Re-election of Jason Brewer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of new Employee Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This Proxy is appointed to represent _____ % of my voting right, or if 2 proxies are appointed Proxy 1 represents _____ % and Proxy 2 represents _____ % of my total votes. My total voting right is _____ shares.

SIGN

Signature of Security holder – Please sign here

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Sole Director & Sole Company Secretary

Director / Company Secretary

Director

Dated this _____ day of _____ 2012

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A Shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Annual General Meeting as the Shareholder's proxy. A proxy need not be a Shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the Shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the Shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the Shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint Shareholders, this proxy must be signed by each of the joint Shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a Shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies **must be received by the Company by 11:30 am (WST) on 19 November 2012** by post or facsimile to the respective addresses stipulated in this proxy form.
6. The Chairman will cast all available proxies in favour of the Resolutions.
7. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is the Chairperson, the proxy must vote on a poll and must vote that way, and
 - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.
8. If a proxy is also a Shareholder, the proxy can cast any votes the proxy holds as a Shareholder in any way that the proxy sees fit.