

DE GREY MINING LIMITED
ACN 094 206 292

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

AND

PROXY FORM

Date of Meeting

3 September 2012

Time of Meeting

9:30 am

Place of Meeting

The Celtic Club
48 Ord Street
WEST PERTH WA 6005

This Notice of 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.

DE GREY MINING LIMITED
ACN 094 206 292
NOTICE OF GENERAL MEETING

Notice is hereby given that the 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 3 September 2012 at 9:30am 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.

Resolution 1 – Ratification of Issue and Allotment of Shares

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

“That, for the purpose of Listing Rule 7.4 of the Listing Rules ASX and for all other purposes, the Company approves and ratifies the issue and allotment of 38,829,352 fully paid ordinary shares issued on terms and conditions set out in the Explanatory Memorandum accompanying this Notice to persons who are not related parties of the Company.”

Short Explanation: Approval is sought under Listing Rule 7.4 to allow the Company to ratify the issue and allotment of these securities. Please refer to the Explanatory Memorandum for details.

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of any such person.

However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Election of Mr Peter Batten as a Director

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

“That for all purposes Mr Peter Batten be elected as a Director with effect from close of the Meeting.”

Resolution 3 – Approval of Grant of Options to Mr Peter Batten

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

“That, for the purpose of Listing Rule 10.11 of the Listing Rules of the ASX, the issue of 19,500,000 Options to acquire ordinary fully paid shares in the capital of the Company on the terms and conditions outlined in Annexure A, to Mr Peter Batten, or his nominee, for nil consideration, be and is hereby approved.”

Short Explanation: Approval is sought under Listing Rule 10.11 to authorise the Company to issue these securities. Please refer to the Explanatory Memorandum for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Voting Exclusion Statement

The Company will, in accordance with Listing Rule 10.13, disregard any votes cast on Resolution 3 by Mr Batten, and any Associates of Mr Batten. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 – Approval to Participate in a Placement by Mr Peter Batten

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

“That, for the purpose of Listing Rule 10.11 and for all other purposes, approval is given for the Company to be authorised to issue and allot Shares to the value of \$150,000 to Mr Peter Batten (and/or his nominee) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice”.

Short Explanation: Approval is sought under Listing Rule 10.11 to authorise the Company to issue these securities. Please refer to the Explanatory Memorandum for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Voting Exclusion Statement

The Company will, in accordance with Listing Rule 10.13, disregard any votes cast on Resolution 4 by Mr Batten, and any Associates of Mr Batten. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

A Proxy Form is attached.

To be valid, properly completed Proxy Forms must be received by the Company no later than 9:30 am (WST) on 1 September 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: 3 August 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 1 September 2012 will be entitled to attend and vote at the General Meeting.

CORPORATIONS

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

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 General Meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on 3 September 2012 commencing at 9:30 am.

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 General Meeting, Shareholders will be asked to consider the following Resolutions:

- ratifying the issue and allotment of Shares;
- electing Mr Peter Batten as a Director;
- approving a Grant of Options to Mr Peter Batten; and
- approval to participate in a placement by Mr Peter Batten.

Resolution 1 - Ratification of Issue and Allotment of Shares

ASX Listing Rule 7.4 permits the ratification of previous issues of Shares made without prior Shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such a ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the Company without requiring shareholder approval.

Resolution 1 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify a previous issue of Shares. The Company confirms that the issue and allotment of the Shares, the subject of Resolution 1 did not breach ASX Listing Rule 7.1.

Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.4 and the following information is included in this Explanatory Memorandum for that purpose:

- (a) 38,829,352 Shares were issued by the Company;
- (b) funds were raised to further exploration in the Santa Cruz province of southern Argentina;
- (c) the issue price per Share was \$0.018 cents;
- (d) the Shares were allotted to sophisticated and professional investors, none of whom were related parties of the Company;
- (e) \$698,928 (before costs) was raised from the issue of Shares;
- (f) the Shares rank equally with the existing Shares; and
- (g) a voting exclusion statement is included in the Notice.

Recommendation

The Board unanimously recommends Shareholders vote in favour of Resolution 1 as it will provide the Company with further flexibility should any Share issue be considered desirable in the next 12 months.

Resolution 2 – Election of Mr Peter Batten as a Director

2.1 Introduction

Resolution 2 proposes the election of Mr Peter Batten as a Director of the Company with effect from close of the Meeting.

Resolution 2 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

2.2 Director's Biography

Peter joined De Grey Mining Limited in July 2012 and brings almost 30 years' experience in mineral exploration and mining in a wide variety of commodities (including substantial gold experience), ranging from project generation, managing various mining operations, running his own consulting firm and in more recent times a number of Managing Director roles.

Peter has an impressive pedigree including time as Managing Director of Bannerman Resources Limited, taking it from early stage exploration company through to feasibility study and listing on the Toronto Stock Exchange. Under his leadership the market capitalisation of Bannerman increased significantly.

2.3 Directors' Recommendation

All the Directors except Mr Batten recommend that Shareholders vote in favour of Resolution 2.

Resolution 3 – Approval of Grant of Options to Mr Peter Batten**3.1 Introduction**

The Company proposes to grant a total of 19,500,000 Options to Mr Peter Batten, or his nominee, for nil consideration as follows:

Name	Class of Options	Number of Options	Expiry Date	Exercise Price	Vesting
Peter Batten	Class A	6,500,000	3 September 2014	125% of the VWAP of the fully paid ordinary shares 5 days prior to, and including, the date of shareholder approval	3 September 2012
	Class B	6,500,000	3 September 2015	133% of the VWAP of the fully paid ordinary shares 5 days prior to, and including, the date of shareholder approval	3 September 2013
	Class C	6,500,000	3 September 2015	150% of the VWAP of the fully paid ordinary shares 5 days prior to, and including, the date of shareholder approval	3 September 2014

The full terms of the Options are set out in Annexure A to this Explanatory Memorandum.

The Directors' consider that the incentive represented by the grant of Options is a cost effective and efficient means for the Company to provide a reward and an incentive.

The exercise price will only be known on the date of the meeting. Assuming that the Options were issued on the date of this Notice, the exercise prices would be:

Class A	\$0.014
Class B	\$0.015
Class C	\$0.017

On that basis, in the event that all the Options are exercised Mr Batten (or his nominees) will need to pay a total of \$299,000 to the Company.

The funds raised from the exercise of the Options will be used for working capital purposes.

3.2 Related Party Transactions Generally

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

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months, are considered to be a related party of the Company.

Resolution 3 provides for the grant of Options to a related party which is a financial benefit which requires Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

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

Subject to Shareholder approval, the Options the subject of Resolution 3 will be granted to Mr Batten or his nominee within one month of the passing of this Resolution. Mr Batten is a Director of the Company and is therefore classified as a related party.

3.4 The nature of, reasons for and basis for the financial benefit

The proposed financial benefit is the grant to Mr Batten or his nominee, for no issue price, that number of Options shown in Table 1 below. Each Option will allow Mr Batten to subscribe for one ordinary fully paid Share in the Company. The exercise price of each Option is also detailed in Table 1.

The Options form part of Mr Batten's incentive for continuing and future efforts. Options are considered to be the appropriate incentive at the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Batten is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a significant premium to the most recent closing Share price prior to the date of this Notice, and the average Share price as traded over the previous 6 months, the Options represent an incentive to Mr Batten to achieve this significant increase in the Share price, which would result in an increase in Shareholder value.

The exercise price of the Options is structured to ensure that the Options are granted at a significant premium to the current share price as at shareholder approval. The Company reviewed the practices of other exploration companies of a similar size and stage of development to determine the number of options required to be issued to attract and retain senior directors. Based on that review, the Board determined the number of Options proposed in Resolution 3 to be appropriate

3.5 Directors' recommendation

All the Directors except Mr Batten recommend that Shareholders vote in favour of Resolution 3.

3.6 Interests of Directors

Mr Batten notes his interest in the approval of Resolution 3 in relation to the Options.

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

- (a) The proposed Resolutions would have the effect of giving power to the Directors to grant 19,500,000 Options to Mr Batten or his nominee;
- (b) The Options will be issued to Mr Batten within one month of the date of the GM (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Options will be issued on one date;
- (c) The Options will be issued for nil consideration and as such no funds will be raised from the issue;
- (d) A voting exclusion statement is included in the Notice;

DE GREY MINING LIMITEDNotice of General Meeting 3 September 2012

- (e) The exercise of the Options is subject to the terms and conditions as set out in Annexure A to this Explanatory Statement and as otherwise mentioned above;
- (f) The Directors, in conjunction with the Company's advisers have provided an indicative value to the options by reference to the Black-Scholes valuation method, based upon the assumptions outlined in Table 2. The valuation cannot be finalised until the grant date of the Options;
- (g) The total value of the Options to be issued is outlined in Table 1. If Options granted to Mr Batten or his nominee are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders;
- (h) As at the date of this Notice, the issued capital of the Company comprised 396,914,226 Shares and 20,500,000 Options. If all Options granted as proposed above are exercised, and assuming no existing Options on issue are exercised, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares & Options
Shares and Options	396,914,226
Options to be granted	19,500,000
New Total	416,414,226
Dilutionary Effect	4.7%

- (i) Mr Batten's current interests in the securities of the Company are detailed in Table 3;
- (j) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options;
- (k) The Options will not be quoted on ASX and as such have no actual market value. The fully paid ordinary Shares of the Company have been traded on ASX since July 2002. In the twelve months prior to the date of this notice the Shares have traded in the range of \$0.01 to \$0.0341, the most recent closing price prior to the date of this Notice was \$0.013. The Options are capable of being converted to Shares by payment of the exercise price;
- (l) Mr Batten currently receives director fees of \$325,000 per annum, inclusive of superannuation;
- (m) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options to Mr Batten or his nominee pursuant to Resolution 3; and
- (n) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this resolution.

Table 1 - Details of options to be issued to Related Parties

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Peter Batten	Executive Chairman	6,500,000	125% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	3 Sept 2014	3 Sept 2012	\$38,000
		6,500,000	133% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	3 Sept 2015	3 Sept 2013	\$44,500
		6,500,000	150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	3 Sept 2015	3 Sept 2014	\$42,500

Table 2 - Option Valuation details

	Class A	Class B	Class C
Details	Input	Input	Input
Share price	\$0.013	\$0.013	\$0.013
Exercise Price	\$0.014	\$0.015	\$0.017
Risk Free Rate (RBA Cash Rate)	2.40%	2.33%	2.33%
Volatility (Annualised)	87%	87%	87%
Start Date	3 September 2012	3 September 2012	3 September 2012
Expiry Date	3 September 2014	3 September 2015	3 September 2015
Value per Option	\$0.0059	\$0.0069	\$0.0065

Table 3 – Directors' current holdings of securities in the Company

Director	Shareholding	Option holding
Peter Batten	Nil	Nil

Resolution 4 - Approval to Participate in Placement by Mr Peter Batten

Approval is sought for the issue of up to \$150,000 of Shares to Mr Batten (and/or his nominee), for the purposes of Listing Rule 10.11.

Mr Batten is a Director of the Company and is therefore classified as a related party of the Company.

Section 210 of the Corporations Act provides that shareholder approval for the purposes of section 208 of the Corporations Act, is not needed to give a financial benefit on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length. The directors consider the issue of the Shares to the related Party pursuant to Resolution 4 will be on arm's length as the issue will be made at a price that is at a 25% premium to the volume weighted average price of the fully paid ordinary shares of the Company for the 5 days prior to the date of the meeting.

Accordingly, the issue of Shares to Mr Batten falls within the arm's length terms exception provided by section 210 of the Corporations Act to the requirement to obtain prior shareholder approval under Part 2E of the Corporations Act.

Listing Rule 10.11 requires prior shareholder approval where an entity issues, or agrees to issue equity securities to a related party.

Listing Rule 10.13 requires the following information be provided to Shareholders in respect of Resolution 4:

DE GREY MINING LIMITEDNotice of General Meeting 3 September 2012

- (a) the Shares will be issued to Mr Peter Batten (and/or his nominees);
- (b) the maximum number of Shares to be issued is on the date of issue, that number of Shares which equate to a value of \$150,000 divided by the issue price as calculated under clause (d);
- (c) the Shares will be allotted and issued to Mr Peter Batten (and/or his nominees) within one month of the passing of this Resolution;
- (d) the Shares will be issued at an issue price of 125% of the volume weighted average price of the fully paid ordinary shares of the Company for the 5 days prior to the date of the meeting;
- (e) the Shares are fully paid ordinary Shares in the capital of the Company and will rank equally with the Company's current issued Shares;
- (f) the funds raised will be used to facilitate the working capital requirements of the Company; and
- (g) a voting exclusion statement is included in this Notice.

4.1 Dilution

The trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.0341	25 July 2011
Lowest	\$0.01	19 July 2012
Last	\$0.013	24 July 2012

Based on the lowest market price for Shares over the past 12 months, the lowest issue price (ie a 125% premium to the lowest Share price) of the Shares would be \$0.014 per share.

Accordingly, set out below is a worked example of the number of Shares that may be issued under Resolution 4 based on the highest, lowest and current Share price over the past 12 months.

Deemed issue price	Maximum number of Shares which would be issued	Total Issued Capital after Placement	% Holding after placement by Mr Batten
\$0.0426	3,521,127	400,435,353	0.88%
\$0.0125	12,000,000	408,914,226	2.93%
\$0.0162	9,259,259	406,173,485	2.28%

The Company notes that the above workings are an example only and the actual issue price may differ. This will result in the maximum number of Shares to be issued and the dilution percentage to also differ.

The Company will advise the market what the number and exercise price will be on the day of the Meeting.

GLOSSARY

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

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
Corporations Act	means Corporations Act 2001 (Cth).
Director	means a director of the Company.
Explanatory Memorandum	means this information attached to the Notice, which provides information to Shareholders about the Resolutions contained in the Notice.
GM	means a General Meeting
Issue Date	means the date which is within one month after the date of the GM.
Listing Rules	means the listing rules of ASX.
Notice or Notice of Meeting	means the Notice of General Meeting accompanying this Explanatory Memorandum.
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.
VWAP	means the volume weighted average price of the fully paid ordinary shares of the Company for the 5 days prior to the date of the meeting.

ANNEXURE A

OPTION TERMS AND CONDITIONS

1. ENTITLEMENT

Each option (together the “Options”) entitles the holder (**Holder**) to subscribe for and be issued one fully paid ordinary share (**Share**) in De Grey Mining Limited ACN 094 206 292 (**Company**) upon exercise of each Option.

2. EXERCISE PERIOD AND VESTING DATE

The Exercise Price and Vesting Date are referred to in the below table:

Class of Options	Number of Options	Exercise Price	Vesting
Class A	6,500,000	125% above the 5 day VWAP on the date of Shareholder Approval	Issue Date
Class B	6,500,000	133% above the 5 day VWAP on the date of Shareholder Approval	12 months after the Issue Date
Class C	6,500,000	150% above the 5 day VWAP on the date of Shareholder Approval	24 Months after the Issue Date

- (a) the Options will vest on the earlier of the dates set out in column 4 of the table above or such dates as determined in accordance with clause 2(b) (**Vesting Date**).
- (b) the Options immediately vest if a Change in Control Event occurs in respect of the Shares of the Company.

3. EXPIRY DATE

The Options will expire at 5.00 pm (Western Standard Time) on the dates (**Expiry Dates**) as follows:

- (a) if the Options have vested, on the date that is:
 - (i) 2 years after the Issue Date for Class A; and
 - (ii) 3 years after the Issue Date for Class B and Class C;
- (b) if the Options have not vested then on the date which is earlier of:
 - (i) 2 years after the Issue Date for Class A; or
 - (ii) 3 years after the Issue Date for Class B and Class C; and
 - (iii) the Date the Employee ceases to be an employee and an officer of the Company because of:
 - (a) retirement (excluding retirement by rotation as a director at a meeting of Shareholders where re-elected);
 - (b) resignation or voluntary cessation;
 - (c) wilful breach of any of the terms of the employment by the Employee;
 - (d) gross or wilful misconduct, dishonest, insubordination or neglect; and
 - (e) the Employee being charged with or convicted of criminal offence which in the reasonable opinion of the Company might tend to injure the reputation or the business of the Company.

4. EXERCISE PERIOD

Each Option is exercisable at any time after the Vesting Date and before the Expiry Date (**Exercise Period**).

5. NOTICE OF EXERCISE

The Options may be exercised during the Exercise Period by notice in writing to the Company and payment of the Exercise Price for each Option being exercised (**Notice of Exercise**). Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

6. SHARES ISSUED ON EXERCISE

Shares issued on exercise of the Options rank equally with the then shares of the Company.

7. QUOTATION OF SHARES ON EXERCISE

Application will be made by the Company to ASX for official quotation of the Shares issue upon the exercise of the Options.

8. TIMING OF ISSUE OF SHARES

Within 15 Business Days after receipt of the Notice of Exercise and payment of the Exercise Price for each Option being exercised by the Holder, the Company will:

- (a) allot and issue Shares pursuant to the exercise of the Options;
- (b) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act; and
- (c) apply for official quotation on ASX of Shares issued pursuant to the exercise of Options.

9. PARTICIPATION IN NEW ISSUES

There are no participation rights or entitlements inherent in the Options and Holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issued is announced. This will give the Holder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

Subject to clause 10, 11, and 12, the Exercise Price and the number of Shares to be issued on the exercise of Options will not change in the event of a new issue of securities by the Company.

10. ADJUSTMENT FOR BONUS ISSUES OF SHARES

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued in the exercise of an Option will be increased by the number of Shares which the Holder would have received if the Holder has exercised the Option before the record date for the bonus issue; and
- (b) no changes will be made to the Exercise Price.

11. ADJUSTMENT FOR RIGHTS ISSUE

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - \frac{E [P - (S + D)]}{N + 1}}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price (as defined in the ASX Listing Rules) per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

12. ADJUSTMENTS FOR REORGANISATION

If there is any reconstruction of the issued share capital of the Company, the rights of the Holder will, be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

13. QUOTATION OF OPTIONS

No application for quotation of the Options will be made by the Company.

14. OPTIONS TRANSFERABLE

Subject to compliance with the Corporations Act, the Options are transferable as follows:

- (a) prior to the occurrence of a Change in Control Event, the Options may only be transferred to a Related Party of the Holder or the Employee; and
- (b) after the occurrence of a Change in Control Event, the Options are transferrable.

15. LODGEMENT INSTRUCTIONS

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

16. DEFINITION

In this terms and conditions:

Board means the board of the Company.

Change in Control Event means:

- (a) in respect of a takeover offer under Chapter 6 of the Corporations Act 2001 (Cth) (**Corporations Act**) involving an acquisition of all of the issued share capital of the Company, or a change of control within

DE GREY MINING LIMITED

Notice of General Meeting 3 September 2012

the meaning given in section 50AA of the Corporations Act, the receipt of a bidders statement in respect of the takeover offer.

- (b) in respect of a scheme of arrangement pursuant to Part 5.1 of the Corporations Act involving an acquisition of all of the issued share capital of the Company, or a change in control with the meaning given in section 50AA of the Corporations Act, the date the Company dispatches a scheme booklet to its members in respect of the scheme of arrangement; or
- (c) the date on which person's voting power (as defined in section 610 of the Corporations Act) in the Company increases above 35%.

Commencement Date means the Monday immediately following the passing of the Resolution.

Employee means Peter Batten.

Issue Date means the date which is within one month after the date of the GM.

Related Party has the meaning given in section 228 of the Corporations Act.

Resolution means the ordinary resolution authorising the Company to issue to the Employee or his nominee all of the Options.

Shareholder Approval means the date on which the Resolution is passed.

VWAP means the volume weighted average price of the fully paid ordinary shares of the Company for the 5 days prior to the date of the meeting.

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, as the proxy sees fit, except for Resolutions 3 & 4) at the General Meeting of De Grey Mining Limited to be held at The Celtic Club, 48 Ord Street, West Perth Western Australia on 3 September 2012 at 9:30 am (WST) and at any adjournment of that meeting.

Important for Resolutions 3 & 4 – if the Chairman of the meeting is your proxy or is appointed as your proxy by default

By marking this box, you are directing the Chairman of the meeting to vote in accordance with the Chairman's voting intentions on Resolutions 3 & 4 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Resolutions 3 & 4 in Step 2 below, the Chairman of the meeting will be not cast your votes on Resolutions 3 & 4 and your votes will not be counted in computing the required majority if a poll is called on these Resolutions. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the meeting will vote in favour of Resolutions 3 & 4.

The Chairman of the Meeting intends to vote all available proxies in favour of Resolutions 3 & 4 of business.

- I / We (except where I /we have indicated a different voting intention below):
1. direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolutions 3 & 4 to vote in favour of these Resolutions;
 2. authorise, in respect of Resolutions 3 & 4 the Chairman of the meeting to vote as described even though Resolutions 3 & 4 are connected directly or indirectly with the remuneration of a member of key management personnel for the Company; and
 3. acknowledge that the Chairman of the Meeting may exercise my / our proxy in respect of Resolutions 3 & 4 as he sees fit even if the Chairman has an interest in the outcome of Resolutions 3 & 4 and that votes cast by him, other than as proxy holder, would be disregarded because of that interest.

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	Ratification of Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Mr Peter Batten as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Grant of Options to Mr Peter Batten	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to Participate in a Placement by Mr Peter Batten	<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 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 5:00 pm on 1 September 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.