

DE GREY MINING LIMITED
ACN 094 206 292

SPP PROSPECTUS

For an offer of up to 201,149,425 Options (Pre-Consolidation) exercisable at \$0.005 each expiring on 30 November 2018, on the basis of one (1) free-attaching Option for every three (3) Shares subscribed for by subscribers under the Share Purchase Plan (**Offer**).

The issue of Options under the Offer is conditional upon Shareholder approval being obtained at the Annual General Meeting.

SHARE PURCHASE PLAN INFORMATION

The Share Purchase Plan is currently scheduled to close at 5.00pm WST on 22 November 2016. Valid applications must be received by that time. Details of how to apply for Shares and Options under the Share Purchase Plan are set out in the Share Purchase Plan Offer Booklet announced to the Company's ASX platform on 28 October 2016.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Options offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Simon Lill – Non- Executive Chairman
Steve Morris – Non-executive Director
Davide Bosio – Non-executive Director

Registered Office

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Company Secretary

Craig Nelmes

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Email: admin@degreymining.com.au
Website: www.degreymining.com.au

ASX: DEG

Share Registry*

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Telephone: (08) 9315 2333
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Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Auditor*

Butler Settineri (Audit) Pty Ltd
Unit 16, First Floor Spectrum Offices
100 Railway Road
SUBIACO WA 6008

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

2. SUMMARY OF IMPORTANT DATES AND INFORMATION

2.1 Timetable

Event	Date (WST)*
Record Date to determine Eligible Shareholders	14 October 2016
Announcement of Offer	17 October 2016
Lodgement of Prospectus with ASIC	22 November 2016
Lodgement of Prospectus & Appendix 3B with ASX	22 November 2016
Opening Date of Offer	1 November 2016
Annual General Meeting	30 November 2016
Closing Date of Share Purchase Plan and the Offer**	22 November 2016
Issue of Options pursuant to the Offer	2 December 2016
Application for Official Quotation of Options pursuant to the Offer	5 December 2016
Official Quotation of Options pursuant to the Offer	6 December 2016

*These dates are indicative only and may change without prior notice.

** The Directors reserve the right to bring forward or extend the Closing Date of the Share Purchase Plan at any time after the Opening Date without notice.

2.2 Important Notes

This Prospectus is dated 22 November 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Options may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

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

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Options the subject of this Prospectus should be considered highly speculative.

Applications for Options offered pursuant to this Prospectus can only be submitted on an original Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

2.3 ASIC Class Order on Share Purchase Plans

In certain circumstances a listed company may undertake a share purchase plan in accordance with ASIC Class Order CO 09/425 (**Class Order**). This Class Order allows a share purchase plan to be conducted without the use of a prospectus.

The Company relied on the Class Order in respect of the Shares to be issued pursuant to the SPP however it is unable to rely on the Class Order for the Options because the Options are a new class of securities not quoted on the ASX. Accordingly, the Company is undertaking the Offer under this Prospectus.

2.4 Risk factors

Potential investors should be aware that subscribing for Options in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 6 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Options in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

2.5 Taxation implications

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

2.6 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6.

3. DETAILS OF THE OFFER

3.1 Background

As announced on 17 October 2016, the Company is undertaking an offer of Shares to existing Shareholders pursuant to a share purchase plan (**SPP** or **Share Purchase Plan**).

Under the SPP, Shareholders registered on the Record Date have been offered the opportunity to subscribe for up to 603,448,275 new Shares at \$0.0029 per Share (together with 1:3 free-attaching Options exercisable at \$0.005 on or before 30 November 2018).

The issue price per Share represents 18% discount to the volume weighted average share price of the Company's Shares on the ASX over the last 5 trading days up to and including the Record Date.

This Prospectus makes the offer of the free-attaching Options under the Share Purchase Plan.

The issue of Options under the SPP is subject to Shareholder approval being obtained at the Annual General Meeting.

3.2 Offer

By the Offer under this Prospectus, the Company offers, for nil cash consideration, up to 201,149,425 free-attaching Options exercisable at \$0.005 on or before 30 November 2018 on the basis of one (1) free-attaching Option for every three (3) Shares subscribed for by subscribers under the SPP.

No funds will be raised from the issue of Options pursuant to this Prospectus.

The Options offered under this Prospectus will be issued on the terms and conditions set out in Section 5.1 of this Prospectus.

The purpose of the Offer is set out in Section 4.1.

3.3 Shareholders eligible to participate

Only Eligible Shareholders who participated in the SPP may participate in the Offer. Participation in the Offer is optional and is subject to the terms and conditions set out in this Prospectus.

3.4 Minimum subscription

There is no minimum subscription for the Offer.

3.5 Applications

An application for the Offer must be made on the prescribed Offer application form (**Application Form**) accompanying this Prospectus. Applications pursuant to the Offer must only be made by those Investors who participated in the SPP. Where the amount applied for results in a fraction of an Option, the number of Options issued will be rounded down to the nearest whole Option.

The Offer is non-renounceable, which means that Eligible Shareholders may not transfer their rights to any Options offered under the Offer.

The Company reserves the right to close the Offer early.

If you require assistance in completing an Application Form, please contact the Company's share registry on +61 8 9315 2333 or the Company on + 61 8 9381 4108

3.6 Underwriting

The Offer is not underwritten.

3.7 ASX listing

Application for Official Quotation of the Options offered pursuant to this Prospectus will be made in accordance with the timetable set out in Section 2.1. The Options will remain unquoted until such time as the Company satisfies the quotation requirements. The Company anticipates that quotation will occur soon after issue. If ASX does not grant Official Quotation of the Options offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), any Options issued will be void in accordance with section 723(3) of the Corporations Act.

Application for Official Quotation of the Shares to be issued on exercise of the Options will be made in accordance with the ASX Listing Rules. The Company anticipates that quotation will occur soon after issue.

The fact that ASX may grant Official Quotation to the Shares to be issued upon exercise of the Options is not to be taken in any way as an indication of the merits of the Company or the Options now offered.

3.8 Issue

Options issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out in Section 2.1.

Holding statements for Options issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out in Section 2.1.

3.9 Overseas shareholders

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offers are not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Options are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and

is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that applying for Shares under the Offers does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Application Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

3.10 Enquiries

Any questions concerning the Offer should be directed to Craig Nelmes, Company Secretary, on + 61 8 9381 4108.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offers

The primary purpose of the Offer is to issue up to 201,149,425 Options (Pre-Consolidation) on the basis of one (1) free-attaching Option for every three (3) Shares subscribed for under the SPP.

No funds will be raised from the issue of the Options pursuant to the Offer as they are free-attaching to Shares subscribed for under the SPP.

4.2 Effect of the Offers

The principal effect of the Offers, assuming all Options offered under the Prospectus pursuant to the Offer are issued, will be to increase the number of Options currently on issue by up to 201,149,425 Options.

4.3 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming the maximum number of Options offered under this Prospectus are issued, is set out below.

Shares

	Number
Shares currently on issue	3,323,315,800
Shares offered pursuant to the SPP	603,448,275 ²
Shares offered pursuant to the Offer	Nil
Total Shares on issue after completion of the Offer	3,926,764,075

Options

	Number
Options currently on issue 42,500,000 Unlisted Options exercisable at \$0.004 on or before 25 November 2017 478,692,212 Unlisted Options exercisable at \$0.002 on or before 10 June 2019	521,192,212
Options offered pursuant to the Offer	201,149,425
Total Options on issue after completion of the Offer⁴	722,341,637

Notes:

1. All figures stated above are on a Pre-Consolidation basis.
2. Assuming the maximum allotment is completed under the SPP pursuant to the ASX Listing Rules.

4.4 Financial effect of the Offer

There will be no proceeds from the Offer. The expenses of the Offer will be met from the Company's existing cash reserves.

As such, the Offer will have an effect on the Company's financial position, being the decrease in the Company's existing cash reserves as a result of the costs of the Offer of approximately \$13,704.

4.5 Details of substantial holders

Based on publicly available information as at the date of this Prospectus, the Company does not have any Shareholders who (together with their associates) have a relevant interest in 5% or more of the Shares on issue.

On completion of the Offer, no persons which (together with their associates) will have a relevant interest in 5% or more of the Shares on issue.

5. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

5.1 Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option entitles the holder (**Option Holder**) to subscribe for one Share in the Company.
- (b) The Options may be exercisable at any time prior to the Expiry Date, being 5.00pm WST on 30 November 2018. Options not exercised before the expiry date will automatically lapse.
- (c) The exercise price of each Option is \$0.005.
- (d) The Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date.
- (e) All Shares in the Company issued on the exercise of Options will rank equally in all respects with the then existing Shares. The Company will apply to ASX to have the Shares granted Official Quotation.
- (f) The Company must apply for quotation of all Shares in the Company allotted pursuant to the exercise of Options not later than 10 Business Days after the date of issue.
- (g) An Option Holder may only participate in issues of securities to holders of Shares in the Company if the Options have been exercised and Shares allotted in respect of the Options before the record date for determining entitlements to the Issue. The Company must give to the Option Holder at least 7 Business Days' notice of any Issue before the record date for determining entitlements to the Issue in accordance with the Listing Rules.
- (h) There will be no change to the exercise price of the New Options or the number of Shares over which the New Options are exercisable in the event of the Company making a pro-rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).
- (i) If there is a bonus issue to the holders of Shares in the Company (**Bonus Issue**), the number of Shares over which the New Options are exercisable will be increased by the number of Shares which an Option Holder would have received if the New Option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares on issue as the date of issue of the Bonus Shares.
- (j) If prior to the expiry date there is a re-organisation of the issued capital of the Company, the New Options are to be treated in the manner set out in the Listing Rules.

5.2 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares, being the underlying securities of the Options to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to receive notice of and be present in person, or by proxy, attorney or representative and attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be

applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

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

(g) **Future increase in capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

6. RISK FACTORS

6.1 Introduction

The Options offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.2 Company specific

(a) Exploration Risks

No assurance can be given that exploration will be successful or that a commercial mining operation will eventuate. The ultimate success and financial viability of the Company depends on the discovery and delineation of economically recoverable ore reserves, design and construction of efficient mining and processing facilities, and competent operational and managerial performance.

There is no assurance that exploration and development of the mineral interests held by the Company (which are all at an exploration stage), or any other projects that may be acquired by the Company in the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

Development of a commercial mining operation is also dependent on the Company's ability to obtain necessary titles and governmental and other regulatory approvals.

(b) Exploration Costs

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(c) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to

amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and 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 and scale back its exploration programmes, as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) **Resource Estimations**

Resources estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made.

Additionally, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

(e) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

6.3 Mining Industry specific

(a) **Metals Market Conditions**

The Company's ability to benefit from any future mining operations will depend on market factors, some of which may be beyond its control. The world market for minerals is subject to many variables and may fluctuate markedly.

(b) **Environmental Risks**

The operations and proposed activities of the Company are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceed. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean-up

costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(c) **Failure to Satisfy Expenditure Commitments**

The Company's interests in tenements are governed by the Mining Act 1978 (WA) and regulations that are current in Western Australia and are evidenced by the granting of licences or leases.

Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

6.4 General risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

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

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward specific market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration 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) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

6.5 Speculative investment

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 Options offered under this Prospectus and the underlying Shares.

Therefore, the underlying Shares 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 advisers before deciding whether to apply for Shares pursuant to the Share Purchase Plan.

7. ADDITIONAL INFORMATION

7.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

7.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

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 of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before deciding whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
21/11/2016	Mt. Berghaus Resource Drilling Commences
10/11/2016	Beer & Co Pty Ltd Initiates Research Coverage
09/11/2016	Investor Presentation - Advanced Gold in the Pilbara
08/11/2016	Substantial Resource Increase for Turner River VMS Deposits
01/11/2016	Consolidation/Split - DEG
01/11/2016	Wingina Well Gold Resource Update Amended
01/11/2016	Quarterly Cashflow Report - September 2016
01/11/2016	Quarterly Activities Report - September 2016
01/11/2016	Notice of Annual General Meeting/Proxy Form
28/10/2016	Unmarketable Parcel Share Sale Facility
28/10/2016	Share Purchase Plan Offer Booklet
28/10/2016	Wingina Well Gold Resource Update
27/10/2016	De Grey adds 9kms of highly prospective Tabba Tabba Thrust
24/10/2016	Appendix 3B and Cleansing Statement
17/10/2016	Reinstatement to Official Quotation
17/10/2016	Capital Raising and Share Purchase Plan
14/10/2016	Request for voluntary suspension
14/10/2016	Voluntary Suspension
12/10/2016	Response to ASX Appendix 3Y Query
12/10/2016	Request for Trading Halt
12/10/2016	Trading Halt
11/10/2016	High Grade Lithium on new King Col Pegmatite Trend
07/10/2016	Trading Halt
04/10/2016	Change of Director's Interest Notice - S Morris

Date	Description of Announcement
03/10/2016	Appendix 4G

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.degreymining.com.au.

7.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the last dates of those respective sales were:

	Price	Date
Highest	\$0.002	15 November 2016
Lowest	\$0.0001	1 November 2016
Last	\$0.002	15 November 2016

7.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options
Simon Lill	60,000,000	15,000,000 ¹
Steven Morris	15,000,000 ²	Nil
Davide Bosio	Nil	Nil

Notes:

1. Unlisted options exercisable at \$0.004 on or before 25 November 2017.
2. Comprising of 10,000,000 Shares held indirectly through Targo Holdings Pty Ltd and 5,000,000 Shares held indirectly through Morris Family Super Fund Account, both entities controlled by Mr Morris.

The Directors have indicated their intention to participate in the Offer.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is determined by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors:

Director	FY 2015	FY 2016	FY 2017
Simon Lill	\$38,900 ¹	\$44,000	\$84,000
Steven Morris	\$16,000	\$24,000	\$36,000
Davide Bosio	N/A ²	\$12,900 ³	\$36,000

Notes:

1. Including \$9,900 worth of Share-based payments and \$29,000 attributable to salaries and fees.
2. Davide Bosio was appointed on 18 December 2015.
3. Including \$1,225 attributable to post employment superannuation.

7.5 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company;
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$5,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$48,997.50 (excluding GST and disbursements) for legal services provided to the Company.

7.6 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the securities), the Directors, the persons named in the Prospectus with their consent as proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

7.7 Expenses of the Offers

The total expenses of the Offer is estimated to be approximately \$13,704 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,350
ASX fees	5,204
Legal Fees	5,000
Miscellaneous	1,150
Total	<u>13,704</u>

7.8 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9381 4108 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.degreymining.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

7.9 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

7.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

7.11 Privacy Act

If you complete an application for Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

8. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Simon Lill
Chairman
For and on behalf of
DE GREY MINING LIMITED

9. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Annual General Meeting means the meeting of Shareholders to be held on 30 November 2016.

Applicant means an Eligible Shareholder who applies for Shares pursuant to the SPP Offer.

Application Form means the application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Class Order means ASIC Class Order CO 09/425.

Closing Date means the date specified in the timetable set out in Section 2.1 (unless extended or closed early).

Company means De Grey Mining Limited (ACN 094 206 292).

Consolidation means the consolidation of capital of the Company on a 1:20 basis, for which Shareholder approval is being sought at the Annual General Meeting; and

(a) Pre-Consolidation means before the Consolidation; and

(b) Post-Consolidation means after the Consolidation.

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

Corporations Act means the *Corporations Act 2001* (Cth).

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

Eligible Shareholders are Shareholders with a registered address in Australia or New Zealand who were registered holders of Shares on the Record Date.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out in Section 2.1.

Section means a section of this Prospectus.

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

Shareholder means a holder of a Share.

SPP or **Share Purchase Plan** has the meaning given in Section 3.1.

WST means western standard time as observed in Perth, Western Australia.