



De Grey Mining Limited

ACN 094 206 292

ENTITLEMENT ISSUE PROSPECTUS

For a renounceable entitlement issue of **3 Shares for every 2 Shares held** by those Shareholders registered at the Record Date at an issue price of **\$0.001** per Share to raise up to **\$1,715,192** before costs (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

The Offer is fully underwritten and managed by DJ Carmichael Pty Limited. Refer to Section 8.4(a) for details regarding the terms of the Underwriting Agreement.

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 Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Mr. Peter Batten – Executive Chairman
Mr. Simon Lill – Non-executive Director
Mr. Steve Morris – Non-executive Director

Proposed Director

Mr. Davide Bosio – Non-executive Director**

Company Secretary

Mr. Craig Nelmes

Share Registry*

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditor*

Butler Settineri (Audit) Pty Ltd
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100 Railway Road
SUBIACO WA 6008

Registered Office

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The Business Centre
55 Salvado Road
SUBIACO WA 6008

Postal Address

PO Box 131
SUBIACO WA 6904

Telephone: +61 8 9381 4108
Facsimile: +61 8 9380 6761
Email: admin@degreymining.com.au
Website: www.degreymining.com.au

Solicitors

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

Underwriter and Lead Manager and Nominee

DJ Carmichael Pty Limited
Level 14, Parmelia House
191 St George's Terrace,
PERTH WA 6000

*These entities have been 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.

** To be appointed following successful completion of the Offer,

2. TIMETABLE

Lodgement of Prospectus with the ASIC	18 November 2015
Lodgement of Prospectus & Appendix 3B with ASX	18 November 2015
Notice sent to Optionholders	18 November 2015
Notice sent to Shareholders	20 November 2015
Ex date	23 November 2015
Rights start trading	23 November 2015
Record Date for determining Entitlements	25 November 2015
Prospectus sent out to Shareholders & Company announces this has been completed	30 November 2015
Rights stop trading	2 December 2015
Shares quoted on a deferred settlement basis	3 December 2015
Closing Date*	9 December 2015
ASX notified of under subscriptions	14 December 2015
Issue date/Shares entered into Shareholders' security holdings/Deferred settlement trading ends	16 December 2015
Quotation of Shares issued under the Offer*	17 December 2015

*The Directors may extend the Closing Date by giving at least 3 Business Days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 18 November 2015 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 Shares 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 Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall 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.

3.1 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 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 Shares 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 Shares pursuant to this Prospectus.

3.2 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 do 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 7 of this Prospectus.

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a renounceable entitlement issue of 3 Shares for every 2 Shares held by Shareholders registered at the Record Date at an issue price of \$0.001 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of **1,715,191,587** Shares will be issued pursuant to this Offer to raise up to **\$1,715,192**. The purpose of the Offer and the intended use of funds raised are set out in Section 5 of this Prospectus.

The Offer is renounceable. Accordingly, a Shareholder may sell or transfer all or part of their Entitlement.

As at the date of this Prospectus the Company has 45,000,000 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

The Company is seeking Shareholder approval at its upcoming annual general meeting on 25 November 2015 to issue 228,692,212 Options exercisable at \$0.002 on or before 10 June 2019. Holders of these Options will not be eligible to participate in the Offer.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

4.2 What Eligible Shareholders may do

The number of Shares to which Eligible Shareholders are entitled is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) take up all of their Entitlement (refer to Section 4.3);
- (b) sell all of their Entitlement on ASX (refer to Section 4.4);
- (c) take up a proportion of their Entitlement and sell the balance on ASX (refer to Section 4.5);
- (d) take up a proportion of their Entitlement and allow the balance to lapse (refer to Section 4.6);
- (e) sell all or a proportion of their Entitlement other than on ASX (refer to Section 4.7); or
- (f) allow all or part of their Entitlement lapse (refer to Section 4.8).

Additionally, Eligible Shareholders who will hold less than \$2,000 worth of Shares following the acceptance of their full Entitlements, are encouraged to apply for excess of their full Entitlement in order to increase their relevant Shareholding to above \$2,000. As set out below in Section 4.14, those Eligible Shareholders will have priority under the Shortfall Offer up to a total maximum allocation of 10% of the Shortfall and subject to the Underwriters' discretion. For the avoidance of

doubt, based on the issue price under the Offer the number of Shares that equates to \$2,000 is 2,000,000 Shares.

4.3 Taking up all of your Entitlement

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

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

Completed Entitlement and Acceptance Forms must be accompanied by a cheque (all cheques must be drawn on an Australian bank or bank draft) in Australian dollars, crossed "Not Negotiable" and made payable to "De Grey Mining Limited — Cash Maximiser Account" and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's Share Registry (by delivery or by post) at:

By delivery De Grey Mining Limited
C/- Security Transfer Registrars Pty Ltd
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA

By Post De Grey Mining Limited
C/- Security Transfer Registrars Pty Ltd
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA

If you wish to pay via BPAY® you must follow the personalised instructions in your Entitlement and Acceptance Form. Make sure that you use the specific Biller Code and unique Customer Reference Number (CRN) on your personalised Entitlement and Acceptance Form. You do not need to return a completed Entitlement and Acceptance Form but are taken to have made the declarations in the Entitlement and Acceptance Form and the representations outlined below in Section 4.10. If you have more than one shareholding of Shares and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those Shareholdings only use the CRN specific to that Shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same CRN for more than one of your Shareholdings. This can result in your Application Monies being applied to your Entitlement in respect of only one of your Shareholdings (with the result that any application in respect of your remaining Shareholdings will not be valid).

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 4:00pm (WST) on the Closing Date.

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

4.4 Selling all your Entitlement on ASX

The Entitlements under the Offer are renounceable which means that all or part of an Eligible Shareholder's rights to subscribe for Shares under the Offer may be traded on ASX. If you wish to sell all of your Entitlement on ASX, provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of Entitlements will commence on ASX on 22 November 2015 and will cease on 2 December 2015.

There is no guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.

4.5 Taking up a proportion of your Entitlement and selling the balance on ASX

If you wish to take up only part of your Entitlement, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in Section 4.4, or make a payment by BPAY in accordance with Section 4.11.

Subsequently, provide instructions to your stockbroker regarding the proportion of your Entitlement you wish to sell on ASX.

4.6 Taking up a proportion of your Entitlement and allowing the balance to lapse

If you wish to take up only part of your Entitlement and allow the balance to lapse, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in Section 4.4. If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up or selling that part of your Entitlement.

4.7 Selling all or a proportion of your Entitlement other than on ASX

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible Shareholder or a person that would be an Ineligible Shareholder if they were a registered holder of Shares, that purchaser will not be able to take up the Entitlement they have purchased.

If you are a shareholder on the issuer sponsored subregister and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) and the applicable transferee's cheque for the Shares they wish to subscribe for payable to "De Grey Mining Limited – Cash Maximiser Account" and crossed "Not Negotiable" to the Share Registry (by delivery or by post at any time after the issue of this Prospectus and on or before the Closing Date) at the following address:

By delivery De Grey Mining Limited
C/- Security Transfer Registrars Pty Ltd
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA

By Post De Grey Mining Limited
C/- Security Transfer Registrars Pty Ltd
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA

If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS subregister you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The Application Monies for Shares the transferee of the Entitlement wants to acquire must be received by Share Registry in accordance with Section 4.4.

The Company notes that Shareholders' ability to sell their Entitlements may be limited given the Company's current Share price and the issue price of the Shares pursuant to this Offer.

4.8 Allow all or part of your Entitlement to lapse

Shareholders should be aware that their Entitlement may have value. Entitlement are renounceable, which enable Eligible Shareholders who do not wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement on ASX.

If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, the Offer to you will lapse.

4.9 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application Monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the application may not be varied or withdrawn except as required by law.

Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.10 Underwriting, Lead Manager and Broker

The Offer is fully underwritten by DJ Carmichael Pty Limited (the **Underwriter**). Refer to Section 8.4(a) of this Prospectus for details of the terms of the underwriting.

DJ Carmichael Pty Limited has been appointed as Lead Manager/Broker to the Offer, and the terms of the appointment are summarised in Section 8.4(b) of this Prospectus.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. Refer to Section 8.4(a) for details of the terms of the underwriting.

On successful completion of the Offer and subject to the Underwriter complying with its obligations under the Underwriting Agreement, the Company is to appoint a nominee of the Underwriter to the Board. The Underwriter has nominated Mr Davide Bosio, the Proposed Director. It is also anticipated that upon Mr Bosio's appointment, Director, Mr Peter Batten will resign from his position as Director.

Davide Bosio, is a director, employee and shareholder of the Underwriter and is paid a salary by the Underwriter. Additionally, he will have a financial interest in the fees to be paid to the Underwriter by the Company as a shareholder of the Underwriter.

Mr Davide Bosio

Proposed Non-Executive Director

Mr. Bosio is the Managing Director and Head of Corporate Finance of DJ Carmichael Pty Limited, a company which specialises in offering corporate services to listed companies specifically in relation to capital raisings and M&A advice. Davide has over 14 years experience in the finance industry as an Investment Adviser, Institutional Dealer, Responsible Officer and Director specialising in equity capital markets transactions in the Australian market. Davide is a Fellow member of the Financial Services Institute of Australia and a Graduate Member of the Australian Institute of Company Directors. Davide holds a Bachelor of Commerce (Marketing) degree and a Graduate Diploma in Applied Finance and Investment.

4.11 Sub-underwriting

In accordance with the terms of the Underwriting Agreement the Underwriter will appoint sub-underwriters to sub-underwrite the Offer.

The Underwriter has entered into sub-underwriting agreement with Director, Mr Simon Lill for an amount of \$50,000 (50,000,000 Shares).

The Underwriter has agreed to pay Mr Lill a fee of 1% (excluding GST) of his sub-underwritten amount being \$500 and the Underwriter will satisfy this fee from the underwriting fee payable by the Company to the Underwriter.

4.12 Effect of the Offer on the Control of the Company

The Underwriter is presently not a shareholder of the Company, nor a related party of the Company for the purpose of the Corporations Act.

In accordance with the terms of the Underwriting Agreement, the Underwriter will allocate the Shortfall to its sub-underwriters and/or clients and people who have otherwise agreed to assist with the completion of the Offer such that neither the Underwriter, the sub-underwriters nor any of the Underwriter's clients, individually, will have a voting power in the Company in excess of 20% after the issue of the Shortfall or if required.

The maximum number of Shares which will be issued pursuant to the Offer is 1,715,191,587 this equates to 60% of all the issued Shares in the Company following completion of the Offer (on an undiluted basis). Examples of how the dilution may impact individual Shareholders is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up ¹	% post Offer
Shareholder 1	30,000,000	2.62%	45,000,000	30,000,000	1.05%
Shareholder 2	15,000,000	1.31%	22,500,000	15,000,000	0.52%
Shareholder 3	5,000,000	0.44%	7,500,000	5,000,000	0.17%
Shareholder 4	1,000,000	0.09%	1,500,000	1,000,000	0.03%
Total	1,143,461,058		1,715,191,587		2,858,652,645

Notes:

¹The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer.

4.13 Shortfall Shares

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price of each Share to be issued pursuant to the Shortfall Offer is \$0.001 being the price at which Shares have been offered under the Offer.

The Underwriter has the right to nominate and determine who will be issued Shortfall Shares however Eligible Shareholders who apply in excess of their full Entitlement will have priority under the Shortfall Offer subject to applications being received by the Closing Date of the Offer for up to a total maximum allocation of 10% of the Shortfall. In the event of oversubscription from these applications they will be scaled back on a pro-rata basis.

Eligible Shareholders applying under the Shortfall Offer must do so using the Shortfall Application Form. Completed Shortfall Application Forms and accompanying cheques, made payable to "De Grey Mining Limited – Cash Maximiser Account" and crossed "Not Negotiable" to the Share Registry, must be mailed or delivered to the address set out on the Shortfall Application Form by no later than the Closing Date.

Any remaining Shortfall will be subscribed for by the Underwriter in satisfaction of their commitment under the Underwriting Agreement.

No issue will be made under the Shortfall Offer if this would result in a person acquiring a relevant interest in more than 20% of the voting Shares immediately following that issue.

4.14 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares 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), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

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

4.15 Issue of Shares

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

4.16 Overseas shareholders

This Offer 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 Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

New Zealand

The Shares 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.

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.17 Nominee for Ineligible Shareholders

Pursuant to ASX Listing Rule 7.7, the Company has appointed a nominee, DJ Carmichael (AFSL 232571), to sell the Entitlements to which Ineligible Shareholders are entitled. The nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Ineligible Shareholders as described below.

DJ Carmichael will charge a fee being the greater of 2% of total Entitlements sold on behalf of Ineligible Shareholders or \$1,000 (plus GST). These fees will be paid out of the proceeds of the sale of the Entitlements of Ineligible Shareholders but where these proceeds are insufficient to cover the that fee will be payable by the Company.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the Ineligible Shareholders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the nominee may sell Entitlements, Ineligible Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements or to sell them at a particular price. If, in the reasonable opinion of the nominee, there is no viable market for the Entitlements of the Ineligible Shareholders, or a surplus over the expenses of the sale cannot be obtained the Entitlements that would have been offered to the Ineligible

Shareholders, then those Entitlements will be allowed to lapse in which case they will revert to the Shortfall Offer.

4.18 Enquiries

Any questions concerning the Offer should be directed to Mr. Craig Nelmes, Company Secretary or Mr Simon Lill, Director, on +61 8 9381 4108 or Davide Bosio (DJ Carmichael) on +61 8 9263 5210.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to **\$1,715,192** before issue costs.

The Company will utilise part of these funds to commence staged exploration activities at its Turner River Base Metals Project (**TRBMP**).

As announced to ASX in the quarterly activities report on 30 October 2015, the Company continues to believe in the potential of TRBMP.

- There is an existing resource at Discovery and Orchard Tank (refer ASX announcement 23 October 2014). The resource remains open at depth and on strike with grades continuing to increase at depth.
- There are numerous prospects on TRBMP that have not been properly tested. All have intersected base metal or gold mineralization in drilling and retain the potential to expand on the known mineralization of the overall project.
- The review of the geophysical data showed the recent drilling at Tabba Tabba was not sufficient in order to test the geophysical anomalies. Further the review of the data identified additional anomalies that require further testing.
- Structural complexity observed at Clay Pan Well displays dilational tendencies with the emplacement of large volumes of quartz. The Company believes this is positive in terms of mineralization potential and should be further investigated.

The funds raised through this Offer will in the first instance be spent on a Stage One exploration program as follows:

1. **Tabba Tabba**, where further drilling is designed to test:
 - the mineralization at both depth and on strike; and
 - the anomaly identified in the original induced polarization (**IP**) survey and further delineated by core.

This programme is expected to test an anomaly resolved in the existing mineralization at Tabba Tabba.

2. **Discovery**, where further drilling is designed to test the depth extension of existing mineralization beneath hole WARC024.

3. **Tabba Tabba and Clay Pan Well – geophysical surveys.**

- The recent review of data at Tabba Tabba identified new anomalies that are not clearly defined by the existing survey limits. An IP extension of the IP surveyed area is proposed to cover these potential anomalies and to more clearly define their positions and tenor; and
- A magnetic survey is proposed for the Clay Pan Well prospect together with a structural study to hopefully identify areas for exploration focus. This survey work will be done in conjunction with a

geological structural assessment to identify areas for planned further exploration.

4. Data Base – Clean Up

On 31 December 2013 Southern Cross Exploration Limited advised De Grey of their discontinuance of their earn in to the two Turner River Projects. All information and data was handed back to De Grey, with the database requiring further work to bring it up to date.

The above programs are under planning and expected to commence in the first quarter of 2016. Consequently results are anticipated to be available by the end of the second quarter of 2016. Results will dictate the Second Stage program in respect of scale, focus and design. At this point in time the Company plans to invest a further \$500,000 into a larger Stage Two program, but cannot finalise that plan until the Stage One results have been reviewed and analysed.

The Company also is continuing to review other investment opportunities both within and outside the resources sectors and a proportion of funds will be used to carry out such reviews and other due diligence tasks for those projects or opportunities capable of adding shareholder value.

The Directors intend to apply the proceeds from the Offer and cash on hand (as at 30 September 2015) in the 12-15 month period following completion of the Offer in accordance with the table set out below:

Proceeds of the Offer	Amount (\$)
Cash on hand	160,100
Funds raised under the Offer	1,715,192
Use of funds¹	Amount (\$)
Stage One exploration and evaluation activities	275,000
Stage Two exploration and evaluation activities	500,000
Review and due diligence of new investment opportunities	150,000
Corporate advisory fee – post raising (\$10,000 per month)	60,000
Corporate, secretarial and administrative	250,000
Expenses of the Offer (legal, ASX, share registry, prospectus and other costs associated with the capital raising) ²	171,912
Working capital and cash reserves	468,380
Total	1,875,292

Notes:

¹This table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

²See Section 8.8, of this Prospectus, for further details relating to the estimated expenses of the Offer.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by **\$1,543,280** (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from **1,143,610,058** as at the date of this Prospectus to **2,858,652,645** Shares.

5.3 Pro-forma balance sheet

The unaudited balance sheet as at 30 September 2015 and the unaudited pro-forma balance sheet as at 30 September 2015 shown below have been prepared on the basis of the following adjustments and assumptions:

- (a) the Offer was fully subscribed on 30 September 2015 with costs of approximately \$171,912; and
- (b) no further Shares are issued, including by way of exercise of Options prior to the Record Date;
- (c) as the offer is underwritten, assuming all Entitlements are taken up.

The significant accounting policies upon which the pro-forma balance sheet is based are contained in the Company's audited financial report for the year ended 30 June 2015.

	UNAUDITED 30 September 2015	PROFORMA 30 September 2015
CURRENT ASSETS		
Cash	160,100	1,703,380
Trade and other receivables	9,009	9,009
Other current assets	4,612	4,612
TOTAL CURRENT ASSETS	173,721	1,717,001
NON-CURRENT ASSETS		
Available-for-sale financial assets	75,000	75,000
Plant and equipment	27,947	27,947
TOTAL NON-CURRENT ASSETS	102,947	102,947
TOTAL ASSETS	276,668	1,819,948
CURRENT LIABILITIES		
Trade and other payables	82,367	82,367
TOTAL CURRENT LIABILITIES	82,367	82,367
TOTAL LIABILITIES	82,367	82,367
NET ASSETS (LIABILITIES)	194,301	1,737,581
EQUITY		
Contributed equity	44,344,280	45,887,560
Reserves	234,600	234,600
Accumulated losses	(44,384,579)	(44,384,579)
TOTAL EQUITY	194,301	1,737,581

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	1,143,461,058
Shares offered pursuant to the Offer	1,715,191,587
Total Shares on issue after completion of the Offer	2,858,652,645

Options

	Number
Unlisted Options currently on issue:	
Exercisable at \$0.03, on or before 10 January 2016	2,500,000
Exercisable at \$0.004, on or before 25 November 2017	42,500,000
Exercisable at \$0.002, on or before 10 June 2019 ¹	228,692,212 ¹
Total Options on issue prior to the Offer¹	273,692,212¹
New Options offered pursuant to the Offer	Nil
New Option to be issued to the Underwriter and/or its nominees ²	
Unlisted Options exercisable at \$0.002 on or before 10 June 2019	250,000,000
Total Options on issue after completion of the Offer^{1 and 2}	523,392,212

1. The Company completed a private placement of 228,692,212 Shares on 10 June 2015 with each Share, subject to Shareholder approval, having a free attaching Option exercisable at \$0.002 each at any stage in the 4 years from the share issue date, being 10 June 2019. The Company is seeking shareholder approval for the issue of these Options at its annual general meeting to be held on 25 November 2015.
2. Refer to Section 8.4(a) of this Prospectus for further details regarding the remuneration of the Underwriter.

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

5.5 Details of substantial holders

Based on publicly available information as at the date of this Prospectus, there are no persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below.

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered 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.

6.1 General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to 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.

6.2 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:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) 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
- (c) 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).

6.3 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.

6.4 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.

6.5 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.

6.6 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.

6.7 Future increase in capital

The 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.

6.8 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.

6.9 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. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7. RISK FACTORS

7.1 Introduction

The Shares 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 Shares 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.

7.2 Company specific

(a) Potential for significant dilution

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase from **1,143,461,058** currently on issue to **2,858,652,645**. This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.001 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

(b) 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.

(c) **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.

(d) **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.

(e) **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.

(f) **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.

7.3 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.

7.4 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 particular 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.

7.5 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 Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 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.

8.2 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 making a decision 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 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
18/11/2015	Reinstatement
18/11/2015	DeGrey Launches Underwritten Rights Issue
17 Nov 2015	Suspension
13 Nov 2015	Trading Halt
30 Oct 2015	Quarterly Cashflow Report – September 2015
30 Oct 2015	Quarterly Activities Report – September 2015
28 Oct 2015	Notice of 2015 Annual General Meeting
30 Sep 2015	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.

8.3 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 market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus has been \$0.001. The last market sale price of the Shares on ASX was \$0.001 on 17 November 2015.

8.4 Material contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

(a) Underwriting Agreement

By an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter agreed to conditionally fully underwrite the Offer for 1,715,191,587 Shares (**Underwritten Securities**).

Fees: Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriter the following fees;

- (i) an underwriting fee of 6% of the total value of the Underwritten Securities;
- (ii) a lead management fee of \$20,000 for its services in managing the Offer; and
- (iii) issue the Underwriter and/or its nominees 250,000,000 unlisted Options, exercisable at \$0.002 per Option with an expiry date of 10 June 2019.

Nominee Director: As set out above at Section 4.10, following closing of the Offer the Company must allow a nominee of the Underwriter to be appointed to the Board, DJ Carmichael has nominated Mr Bosio. It is also intended that subject to completion of the Offer Mr Batten will retire as a Director of the Company.

Underwriter's right to terminate: The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if:

- (i) (**Indices fall**): the All Ordinaries Index as published by ASX is, at the close of trading on any Business Day after the date of the Underwriting Agreement, at a level that is 10% or more below its respective level as at the close of trading on the Business Day prior to the date of the Underwriting Agreement; or
- (ii) (**Share price**): the Company's Shares quoted on the ASX and trading under the ticker "DEG" have a closing price at any time after the date of the Underwriting Agreement which is less than the Price of the Rights Shares for two consecutive trading days; or
- (iii) (**Prospectus**): the Company does not lodge the Prospectus on the Lodgement Date or the Prospectus or the Offer is withdrawn by the Company; or
- (iv) (**Copies of Prospectus**): the Company fails to give the Underwriter relevant copies of the Prospectus in accordance with the Underwriting Agreement is not remedied within 2 days; or
- (v) (**No Official Quotation**): ASX notifies the Company or any other person that Official Quotation will not be or has not been

granted for all the Rights Shares by the Shortfall Notice Deadline Date or, having been granted, is subsequently withdrawn, withheld or qualified; or

- (vi) **(Supplementary prospectus):**
 - (A) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in section 8.4(a)(xvii)(F), forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (B) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter; or
- (vii) **(Non-compliance with disclosure requirements):** it transpires that the Prospectus does not contain all the information required by section 713 of the Corporations Act; or
- (viii) **(Misleading Prospectus):** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of section 713 of the Corporations Act) or if any statement in the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
- (ix) **(Restriction on allotment):** the Company is prevented from allotting the Shares or Underwriter Options, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority; or
- (x) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- (xi) **(ASIC application):** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn; or
- (xii) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the

Prospectus under section 739 or any other provision of the Corporations Act; or

- (xiii) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel; or
- (xiv) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, North Korea, the United States of America, India or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (xv) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (xvi) **(Indictable offence)**: a director or a senior manager of a Relevant Company is charged with an indictable offence in their capacity as a director or senior manager of the Company; or
- (xvii) **(Termination Events)**: any of the following events occurs:
 - (A) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (B) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
 - (C) **(Contravention of constitution or Act)**: a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - (D) **(Adverse change)**: an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any relevant company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;

- (E) **(Error in Due Diligence Results)**: it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
- (F) **(Significant change)**: a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (G) **(Public statements)**: without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the Issue or the Prospectus, other than as required by law or the ASX Listing Rules;
- (H) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (I) **(Official Quotation qualified)**: the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation";
- (J) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (K) **(Prescribed Occurrence)**: a Prescribed Occurrence (as defined in the Underwriting Agreement) occurs;
- (L) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
- (M) **(Event of Insolvency)**: an Event of Insolvency (as defined in the Underwriting Agreement) occurs in respect of a Relevant Company;
- (N) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$25,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (O) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed by the Prospectus;
- (P) **(Board and senior management composition)**: there is a change in the composition of the Board or a change

in the senior management of the Company before Completion without the prior written consent of the Underwriter;

- (Q) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of a Relevant Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (R) **(Timetable)**: there is a delay in any specified date in the timetable which is greater than 3 Business Days;
- (S) **(Force Majeure)**: a force majeure affecting the Company's business or any obligation under the Agreement lasting in excess of 7 days occurs;
- (T) **(Certain resolutions passed)**: a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (U) **(Capital Structure)**: any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus or pursuant to the exercise of options existing at the date of the Prospectus;
- (V) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of a Related Company;
- (W) **(Market Conditions)**: a suspension or material limitation in trading of securities generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, North Korea, the United States of America, India, the Peoples Republic of China, Israel or any member of the European Union or other international financial markets;
- (X) **(Material Breach)**: if the Company fails to rectify any material breach of the Mandate having been given 10 business days notice in writing by the Underwriter of such breach having occurred;
- (Y) **(Suspension)**: the Company is removed from the Official List or the Shares become suspended from Official Quotation without the prior consent of the Underwriter and that suspension is not lifted within 24 hours following such suspension.

The Underwriter is not entitled to exercise its rights under termination event 8.4(a)(xvii) above unless, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of the termination

event has or is likely to have, or two or more termination events together have or are could reasonably be expected to have:

- (i) a material adverse effect; or
- (ii) could give rise to a liability of the Underwriter under the Corporations Act.

(b) **Mandate letter**

On 4 November 2015, the Company and DJ Carmichael entered into a mandate letter pursuant to which the parties agreed that DJ Carmichael will, amongst other things, provide corporate advisory services to the Company (**Mandate**).

In relation to the provision of corporate advisory services, the Company will pay DJ Carmichael a retainer of \$10,000 per month (plus GST) for a period of 6 months. The retainer for the first 3 months will be payable upon completion of the Offer, with the following 3 months to be invoiced and payable at the commencement of the second 3-month term.

(c) **Non-Executive Director Appointment Letter**

The Company proposes to enter into an appointment letter with Mr Davide Bosio, a Proposed Director, on standard terms for agreements of this nature, under which he will be appointed on completion of the Offer as a Non-Executive Director of the Company and will be entitled to Director fees of \$2,000 per month.

8.5 Directors' and Proposed Directors' Interests

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;
- (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:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) 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	Entitlement	\$
Mr. Peter Batten ¹	36,842,136	20,000,000	55,263,204	\$55,263
Mr. Simon Lill ²	Nil	15,000,000	Nil	Nil
Mr. Steve Morris	5,000,000	Nil	7,500,000	\$7,500
Proposed Director	Shares	Options	Entitlement	\$
Mr. Davide Bosio ³	Nil	Nil	Nil	\$Nil

Notes:

1. It is intended that on completion of the Offer, Mr Batten will resign as a Director
2. In addition, Mr Lill has agreed to sub-underwrite up to \$50,000 (50,000,000 Shares). For further details please refer to Section 4.12.
3. Mr Bosio will be appointed as a Director following the completion of 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 initially set by the Constitution and subsequent variation is 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.

A Director may be paid fees or other amounts (ie 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, non-executive directors and proposed director.

Director	2015-2016 Proposed	2014-2015 Actual	2013-2014 Actual
Mr. Peter Batten ¹	\$36,000	\$77,000	\$118,526
Mr. Simon Lill	\$36,000	\$29,000	\$18,000
Mr. Steve Morris	\$24,000	\$16,000	N/A
Proposed Director	2015-2016 Proposed	2014-2015 Actual	2013-2014 Actual
Mr. Davide Bosio ²	\$12,000	Nil	Nil

Notes:

1. It is intended that on completion of the Offer, Mr Batten will resign as a Director
2. Mr Bosio will be appointed as a Director following the successful completion of the Offer. Davide Bosio, is an director, employee and shareholder of the Underwriter and is paid a salary by the Underwriter. Additionally, he will have a financial interest in the fees to be paid to the Underwriter by the Company as a shareholder of the Underwriter.

8.6 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;
- (b) promoter of the Company; or
- (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:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) 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:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

DJ Carmichael will be paid underwriting and management fees as set out at Section 8.4(a) in respect of the Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, DJ Carmichael has been paid fees totalling \$38,158 by the Company. DJ Carmichael has also been appointed as the nominee under ASX Listing Rule 7.7.1 (c). DJ Carmichael will be paid for this service on standard industry terms and conditions being, \$1,000 or 2% of Entitlements sold on behalf of Ineligible Shareholders plus GST, whichever is the greater.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (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 approximately \$11,115 (excluding GST and disbursements) for legal services provided to the Company.

Mr Roger Steinepreis, a partner at Steinepreis Paganin, has agreed to sub-underwrite the Offer up to \$50,000 through an entity controlled by him, Ranchland Holdings Pty Ltd. Mr Steinepreis will be paid a fee of \$500 for this underwriting service.

8.7 Consents

Each of the parties referred to in this Section 8.7:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) 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.

DJ Carmichael has given its written consent to being named as Underwriter and Lead Manager to the Offer in this Prospectus, in the form and context in which it is named. DJ Carmichael has not withdrawn its consent prior to the lodgement

of this Prospectus with the ASIC. DJ Carmichael is not a Shareholder of the Company and currently has no relevant interest in any of the Company's securities. DJ Carmichael has also given and has not withdrawn its consent to be named as the Company's nominee under ASX Listing Rule 7.7.

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.

Mr Davide Bosio has given his written consent to being named as a proposed director of the Company and to all other information relating to him in this Prospectus, in each case in the form and context in which that information is included. Mr Bosio has not withdrawn his consent prior to lodgement of this Prospectus with ASIC.

8.8 Expenses of the offer

The total expenses of the Offer are estimated to be approximately \$171,912 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,320
ASX fees	6,880
Lead management fee	20,000
Legal / other professional preparation fees	17,800
Printing and distribution	12,000
Share registry fees	5,000
Miscellaneous	5,000
Underwriting cash fee (6%)	102,912
Total	<u>171,912</u>

8.9 Electronic prospectus

The Corporations Act allows distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

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 89 381 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.

8.10 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.

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

The Company will not be issuing share 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.

8.12 Privacy Act

If you complete an application for Shares, 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.

9. 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 and Proposed Director has consented to the lodgement of this Prospectus with the ASIC.



Mr. Simon Lill
Director
For and on behalf of De Grey Mining Limited

10. GLOSSARY

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

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

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.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

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

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

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

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

DJ Carmichael means DJ Carmichael Pty Limited (ACN 003 058 857).

Eligible Shareholder means a Shareholder of the Company as at the Record Date other than an Ineligible Shareholder

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Ineligible Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand.

Offer means the renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proposed Director means Mr Davide Bosio who will be appointed following successful completion of Offer in accordance with Underwriting Agreement.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Relevant Company means the Company and each of its subsidiaries (if any).

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

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

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

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.14 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

Underwriter means DJ Carmichael.

Underwriting Agreement means the underwriting agreement between the Company and DJ Carmichael to fully underwrite the Offer as is summarised at Section 8.4(a) of the Prospectus.

WST means Western Standard Time as observed in Perth, Western Australia.