

Capital Raising and Share Purchase Plan

ASX Code DEG

ABN 65 094 206 292

COMPANY DIRECTORS

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Executive Chairman

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Highlights

- A\$1.26M raised in an oversubscribed share placement to sophisticated investors of Beer & Co Pty Ltd and DJ Carmichael Pty Limited
- Capital raising price of \$0.0029 per share with a 1 for 3 attaching option
- Existing shareholders to be offered opportunity to participate in a Share Purchase Plan ("SPP") to raise up to an additional \$1.25M under same terms as placement
- Funds to be used to continue work at the Company's De Grey Turner River Project, most specifically:
 - Drilling at Mt. Berghaus to increase and upgrade resource base;
 - Soil sampling across the King Col pegmatite trend and the new Wallareenya Gold Target to identify drill targets;
 - Ongoing structural work to improve geological understanding of the shear zones; and
 - Initiating long lead Feasibility Study activities.
- An unmarketable share sale facility will be initiated alongside the proposed SPP.
- A capital consolidation on a 1 for 20 basis to be voted on by shareholders at the Company's forthcoming AGM.

De Grey Mining Limited (ASX: "DEG") ("De Grey" "Company") wishes to announce the following capital raising and planned corporate action initiatives:

Capital Raising

De Grey is pleased to announce that it has successfully completed a placement to sophisticated investors of Beer & Co Pty Ltd and DJ Carmichael Pty Limited, raising \$1.26M (before costs).

The raising has been completed via the Company's available placement capacity under 7.1 and 7.1A. The one free attaching option for every three shares issued under the placement is subject to shareholder approval, and the Company intends seeking that approval at the upcoming 2016 Annual General Meeting ("2016 AGM"). The option to be exercisable at \$0.005, within two years of the grant date.

Share Purchase Plan ("SPP")

The Company is also providing existing shareholders an opportunity to participate on same terms and conditions as the placement and is seeking to raise up to an additional \$1.25M via an SPP offer to existing shareholders.

The SPP will be offered to shareholders registered on the record date of 14 October 2016, whose registered addresses are in Australia and New Zealand. New shares to be issued under the SPP will rank equally in all respects with all other shares of the Company.

Under the SPP eligible shareholders will have an opportunity to subscribe for up to \$14,500 of new shares each at an offer price of \$0.0029 per share. This price represents a 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 14 October 2016.

A total of 431 million shares will be offered under the SPP.

Funds raised through the combined placement and SPP will be used to fund ongoing exploration and early stage pre-development work at the Turner River project, corporate initiatives and additional working capital.

The one free attaching option for every three shares issued under the SPP is subject to the Company both issuing a prospectus and obtaining shareholder approval. The Company intends seeking that approval at the upcoming 2016 Annual General Meeting ("2016 AGM").

A detailed timetable for the SPP and the offer documents will be announced separately in the coming days.

The Company also intends seeking to have the Options as a listed class security if it is able to meet the ASX criteria for such a listing.

Unmarketable Share Sale Facility (“Share Sale”)

The Company intends to implement a Share Sale for those shareholders whose shareholding does not constitute a “marketable parcel” under the ASX Operating Rules (a “marketable parcel” is shareholding with a market value of at least \$500).

The Company is required to provide sufficient notice to shareholders prior to conducting the Share Sale and the net proceeds of the Share Sale will be distributed pro-rata to all shareholders whose shares have been sold.

The underlying value of each share to determine what constitutes an unmarketable parcel will be set based on the closing share price prior to despatch of the unmarketable parcel share notification. By way of example, the last closing price of De Grey was \$0.004 on 14 October 2016. That would determine that any shareholder with 124,999 shares or less will be holding an unmarketable parcel.

As at end of business on 14 October 2016, the Company had 3,314 shareholders, with in excess of 1,500 of these shareholders holding less than an unmarketable parcel. The Company is undertaking this unmarketable parcel purchase as it seeks to reduce costs associated with share registry services and mail outs by reducing the number of shareholders in the Company.

Accompanying the 2016 AGM Notice of Meeting and the SPP booklet will be more information regarding the Unmarketable Share Sale Facility, including a detailed timetable.

Capital Consolidation

The Company also wishes to advise that it will seek Shareholder approval to consolidate the number of Shares on issue on a 1 for 20 basis. The Consolidation is proposed so that the Company has a more appropriate capital structure.

Shareholders will be given the opportunity to vote on this at the Company’s forthcoming 2016 AGM and more details will be provided in the Notice of Meeting for that meeting.

Indicative Changes to Company's Capital Structure

Following is an indicative table of movements to the Company's share capital structure post the completed recent capital raising and based upon following assumptions:

1. Company achieves a 100% take up under the SPP Offer;
2. Resolutions to Issue options are approved at the upcoming 2016 AGM; and
3. Resolution to consolidate the Company's capital on a 1:20 basis is also approved at the upcoming 2016 AGM.

	Ordinary Fully Paid Shares	Series A Options ¹	Series B Options ²	Series C Options ³
Existing Shares on Issue	2,888,652,645	42,500,000	478,692,212	
Placement completed	434,663,161			144,887,720
SPP	431,034,483			143,678,161
Total – Pre Consolidation	3,754,350,289	42,500,000	478,692,212	288,565,881
Total – Post Consolidation	187,717,514	2,125,000	23,934,611	14,428,294

Notes:

1. Series A Options - issued to Directors and Management in November 2014, exercisable at \$0.004, by November 2017. Following the capital consolidation these options will be reduced as shown, with the exercise price increased to \$0.08 per option.
2. Series B Option - issued in two tranches, to investors as a free attaching option to placement in June 2015 and to DJ Carmichael Pty Ltd as part of their fees for underwriting the November 2015 entitlement issue, exercisable at \$0.002, by June 2019. Following the capital consolidation these options will be reduced as shown, with the exercise price increased to \$0.04 per option.
3. Series C Options – issues to follow the placement, take up under the Company's SPP (including issue of a prospectus) and obtaining shareholder approval, exercisable at \$0.005 and expiring two years after grant date. Following the capital consolidation these options will be reduced as shown, with the exercise price increased to \$0.10 per option.

For further information:

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