Dear Option holder

4 October 2007

As an Option Holder in Graynic Metals Limited ("Graynic" ASX:GYN) I am writing to inform you that your Options are due to expire on 31 October 2007. This provides an opportunity for you to become a full shareholder in Graynic by exercising your options and making a payment of $0.20c per option held. If you choose to exercise your options, you will receive a fully paid share in Graynic that will rank pari-passu with existing Graynic shares.

To exercise your options, you will need to complete the enclosed Exercise of Option form, attach a cheque for the number of options you wish to exercise, and return both documents in the reply paid envelope provided. Once all forms have been received, and the option term expires, Advanced Share Registry will mail out your final share notice.

To assist you to make an informed decision I have attached information on the company's recent activities and direction. The Company's 2007 Annual Report can now be viewed on our website at – www.graynicmetals.com.au. I encourage option holders to take the time to review the Annual Report as well as further information on Graynic's current projects and exploration activities.

General

Following a successful listing in June 2005, Graynic Metals Limited has progressed a number of exploration projects in Western Australia and New South Wales. The focus to date has been on Graynic's Quartz Circle project, located 25km north-northeast of Nullagine in the East Pilbara District of Western Australia. Quartz Circle has been historically prospected for gold and base metals, but has all the footprints of a large volcanic-hosted massive sulphide (VMS) deposit. Earlier in the year, exploration results from the flagship project at Quartz Circle in the Pilbara region of Western Australia highlighted the potential of the project. Results from the drilling programme undertaken in May, confirmed strong zinc mineralisation at *Emperor Prospect* with **12m @ 5.48% Zn and 4m @ 3.90% Zn** recorded. We also recorded high silver values in first-ever base metal intersection at *Imperial Prospect* with **8m @ 1.26% Zn, 0.9% Pb & 458 g/t Ag** from 100m. This is in addition to high-grade gold intersection with **4m @ 21.8 g/t Au**. Based on these results further drilling at the Quartz Circle prospect will now take place in late 2007.

More recently the Company received positive rock chip sample results from the Yanco Glen project in New South Wales. While only limited sampling was conducted along the historic *Anaconda* mine workings, results are encouraging, such as with gold up to 2.37g/t, copper up to 14.2% and silver at 74g/t. Graynic has now completed a soil sampling project for this prospect and results should be available towards the end of October 2007.

The recent Joint Venture with Proto Resources and Investments Ltd ("Proto") for the *Wertago* Project underpins the board's commitment to partnering with dynamic and mobile partners who are committed to undertaking exploration activities on our projects in timelines suitable to both the market and our shareholders expectations. Announced in August 2007, the Joint Venture allows Proto to earn 60 percent of the Wertago tenement in NSW through the expenditure of $650,000 on agreed exploration activities, with a minimum commitment of $150,000 to be spent during the first six months. Proto has also negotiated an option to earn a further 20 percent of the project through additional expenditure and the allotment to Graynic of 500,000 Proto shares.

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Proto brings experience, focus and technical resources to the project, facilitating Graynic's intention to concentrate on its high interest projects at Quartz Circle and Gulf Creek.

Management Team

Graynic has recently undergone significant changes to the senior management team. The appointment of Bronwyn Barnes as Graynic's Managing Director in July 2007 brings with it an opportunity for Graynic to refocus on its strategic direction and realise its full potential. An experienced corporate advisor, Bronwyn joined Graynic from BHP Billiton Nickel West where she held the position of Manager External Affairs. Bronwyn has played a corporate advisory role for a range of companies having also worked as General Manager – Corporate Affairs West for WMC Resources Ltd and held similar positions with Wesfarmers Energy, ConocoPhillips and Anaconda Nickel Ltd.

Graynic has also recently appointed Mark Fletcher as Exploration Manager. Mark is a qualified geologist with over fifteen years experience in the mining and exploration industry with BHP Billiton and WMC Resources Ltd. Mark was most recently the *Project Leader – Base Metal and Bulk Commodities*, Australia South Asia Region for BHP Billiton Minerals Exploration Division. He has been responsible for the successful nickel discoveries at the Collurabbie Project, Western Australia and various mineralised bodies close to the Mt Keith deposit, as well as base metal exploration activities at Olympic Dam. The Board of Graynic is delighted to welcome Mark to the Graynic team and looks forward to working with him on Graynic's existing projects, as well as the identification of further potential projects for the Company

Finance

Our cash position has been secured with the appointment of Indian Ocean Capital Pty Ltd as underwriters for the current option conversion programme. In addition, Graynic has reached agreement with Indian Ocean Capital Pty Ltd for the placement of an additional three million (3 million) shares at $0.20 (20 cents) to Indian Ocean Capital Pty Ltd for a total sum of $600,000. The above will ensure that Graynic will have $3 million with which to progress its current exploration projects. Graynic welcomes the support of Indian Ocean Capital as it looks to progress its current exploration and drilling programmes in WA and NSW.

Strategic Direction

Over the coming six months, Graynic has developed a strong activity based programme to fully evaluate the value of the assets we currently hold. This programme includes soil sampling programmes for our projects at Copper Ridge and Yanco Glen, further drilling at Quartz Circle and exploration drilling at Gulf Creek. Included in the following pages is a company presentation[1] containing an overview of the Company's current projects and activities.

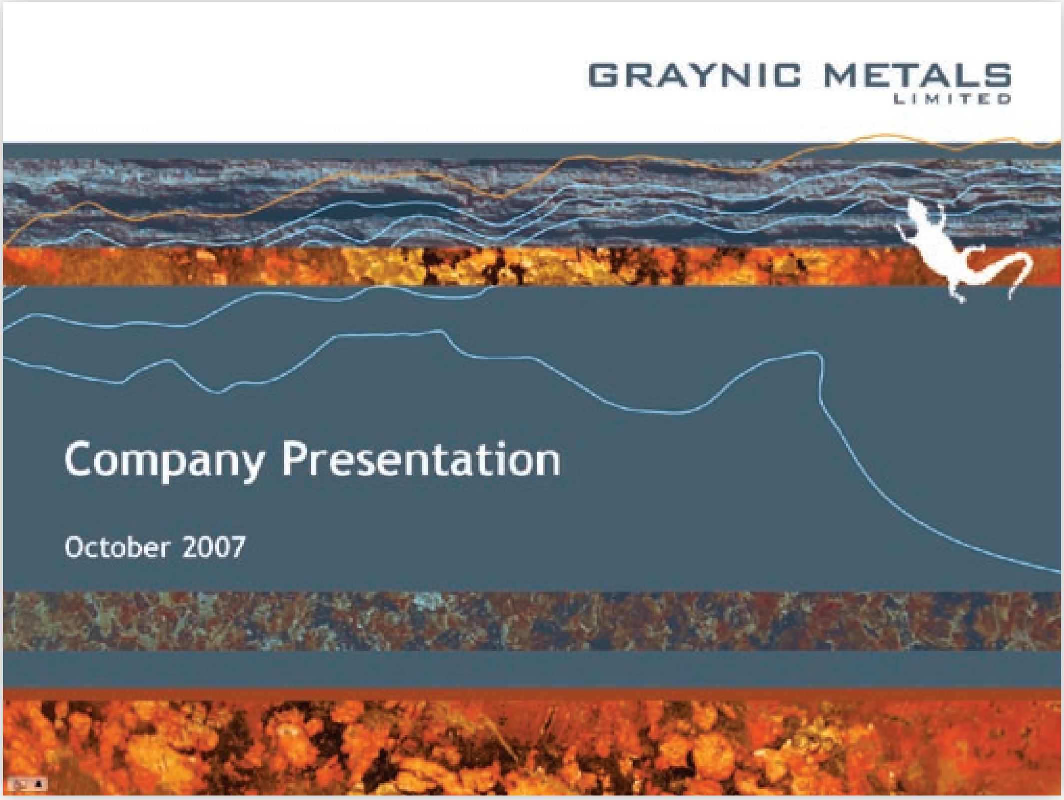
If you are unsure as to the number of Graynic options you hold, you can contact Advanced Share Registry on (08) 9389 8033 to clarify the number held. I look forward to you exercising your options to become full shareholders in Graynic and sharing the journey of exploration and discovery with us.

Yours sincerely

B. J. Barnes.

Bronwyn Barnes
Managing Director

1 This document is not a disclosure document nor does it constitute the provision of financial advice. No representation or warranty is made as to the accuracy, completeness or reliability of the information. The information is provided expressly on the basis that recipients will carry out their own independent inquiries into the matters contained herein and make their own independent decisions about the affairs, financial position or prospects of the Company which reserves the right to update, amend or supplement any information at any time in its absolute discretion.


GRAYNIC METALS
LIMITED
Company Presentation
October 2007


GRAYNIC METALS
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Company Overview
Focused on base metal discovery and production
ASX listed - 30 June 2005
Tight capital structure
Highly prospective exploration ground in WA and NSW
Quartz Circle - Pilbara WA
Gulf Creek - Tamworth NSW
Copper Ridge - Broken Hill NSW
Yanco Glen - Broken Hill NSW - JV with Wolf
Wertago - Broken Hill NSW - JV with Proto
Strong board, management and business strategy

Company people

- Non-executive Chairman - Ivan Hoffman
- Managing Director - Bronwyn Barnes
- Non-executive Director - Jonathon Downes
- Non-executive Director - Clive Jones
- Company Secretary/CFO - David Round
- Exploration Manager - Mark Fletcher

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Projects and target commodities

WA Projects

- Quartz Circle - zinc, lead, silver, gold
- Walgidee Hills - diamonds

NSW Projects

- Gulf Creek - copper, zinc, silver
- Yanco Glen - base metals, tin, tungsten and gold
- Wertago - copper, lead, zinc and silver
- Copper Ridge - copper

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WA - Quartz Circle and Walgidee Hills

Quartz Circle

- proven potential for base metals in a classic VMS setting
- potential for nickel in an extensive ultramafic unit
- Geophysical surveys reveal exciting targets

Walgidee Hills

- Biggest known lamproite in the world
- Contains micro and macro diamonds

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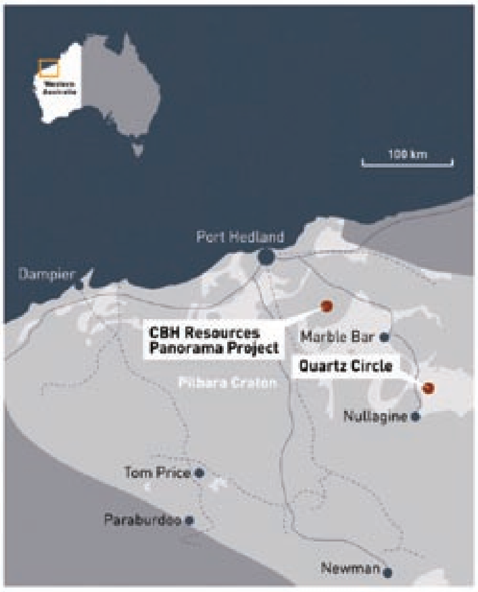
Quartz Circle - Overview



- Tenement package located 25kms NE of Nullagine
- Several prospects including Emperor Zn-Pb-Ag Prospect and Igloo Cu-Au Prospect
- CBH Resources Panorama project
  - Sulphur Springs Reserve 10Mt at 3.7% Zn, 1.5% Cu and 17 g/t Ag
  - Kangaroo Caves Resource 1.7 Mt @ 9.8% Zn and 0.6% Cu
- Both VMS style mineralization hosted in highly prospective Duffer Formation

Quartz Circle - Recent Results

- Strong zinc mineralisation at *Emperor* Prospect:
  - 12m @ 5.48% Zn from 76m
  - 4m @ 3.9% Zn from 68m
- High silver values in first-ever base metal intersection at *Imperial* Prospect:
  - 8m @ 1.26% Zn, 0.9% Pb & 458 g/t Ag from 100m
- High-grade gold intersection: *Imperial* Prospect:
  - 4m @ 21.8 g/t Au from 64m

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Quartz Circle - Work Programme

- Results indicates good potential for VMS style base metals deposit
- 1500m drilling program targeted for December 2007
- Aim to target gold and base metal anomalies identified to date
- Interest from 3rd parties to JV - GYN committed to initial work program to further understand value of resource before considering JV opportunities

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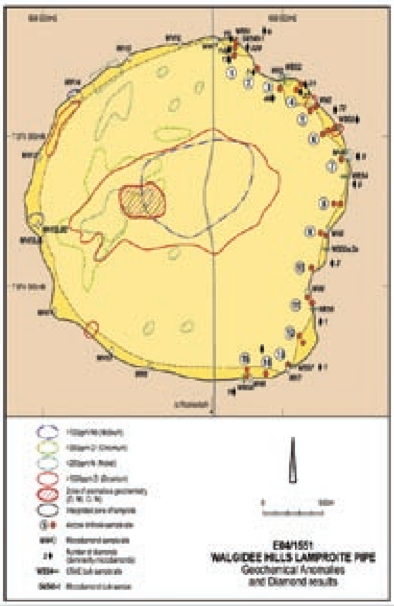
Walgidee Hills, West Kimberley



- Biggest known lamproite in the world
- Contains micro and macro diamonds
- Most testing has been on east side
- Overall, testing seems inadequate for such a large intrusion
  - EL application over diamondiferous lamproite
  - Database, aeromags, bulk sampling details purchased from previous explorer will guide future exploration
- GYN looking for JV partner

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NSW - Base and Precious metals

Gulf Creek
- Copper, zinc and silver

Yanco Glen
- Tungsten as scheelite
- Base metals and gold

Copper Ridge
- Copper

Wertago
- Copper, lead, zinc and silver

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Gulf Creek

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Gulf Creek

- Historic copper production at high Cu grades
- Three-lode system with some existing Cu-Zn resources
- Limited modern exploration undertaken to date
- Immediate drilling target
  - Former Cu mining at high grades
  - Immediate drilling target around former workings
- Heritage survey completed - moving to sign exploration agreement with claimants
- Drilling programme targeted for November 2007

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Wertago

- Strong copper mineralisation over strike length of 2km - also some zinc
- Historic high grade drill intercepts of up to 4.2% Cu at Brady's Open Cut
- Historic silver and lead at Nuntherungie workings - very little previous drilling
- Along strike from Black Range Grasmere copper project
  - 5.75Mt @ 1.03% Cu,
  - 0.35%Zn
  - 2.30g/t Ag
  - 0.05g/t Au
- Adjacent to the highly prospective Koonenberry Fault
- JV with Proto Resources and Investments for $1.15M exploration programme

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Copper Ridge

- Copper Ridge prospect - 75 km NNE of Broken Hill in eastern NSW
- Region mined in the 1880's
  - series of shallow pits and shafts
  - located over a total strike of 3.5 kms
- No modern exploration conducted on the lease since mining (~125 years)
- Rock chip samples - 0.13%-0.29% Cu
- Soil sampling completed September 07- awaiting results

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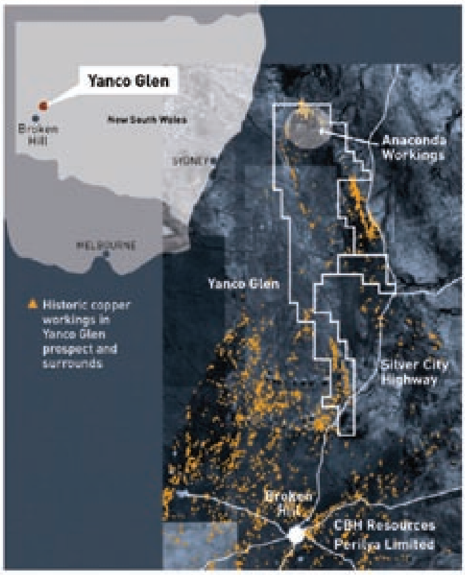
Yanco Glen



- Large tenement (580km2) in a strongly mineralised area near Broken Hill
- Rock chip sampling at Anaconda returned encouraging results
  - Au 2.37g/t-1.9g/t
  - Cu 1.22% - 14.2%
- Follow up soil sampling programme completed - awaiting results
- JV with Wolf Minerals for tin and tungsten rights
- GYN holds 2 million Wolf shares
- Wolf suspended from trading pending announcements

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Summary

- GYN has new strategy and new management
- Firmly focused on understanding value of current projects
  - Quartz Circle and Gulf Creek drilling programmes
  - Copper Ridge and Yanco Glen soil sampling
- GYN seeking JV partners for diamond project
- Underwriter secured for Oct 07 options - cash flow secured
- Board and management actively seeking exposure to other projects

GRAYNIC METALS LIMITED ABN 87 112 898 825
INCORPORATED IN WESTERN AUSTRALIA

GRAYNIC METALS
LIMITED

Application for Shares upon exercise of Options GYNO

I/ We, Mr/ Mrs/ Miss

First Names/Company Name | Surname/Australian Company Number

Address

Postcode

(Please complete full name and address)

Contact Telephone Number

The registered holder(s) of the Options hereby exercise my/our Option for:

In figures In words

Ordinary Fully Paid Shares and enclose application money of 20 cents per share $

(amount payable on exercise)

I/We whose full name(s) and address(es) appear above hereby apply for the number of Shares shown above.
I/We agree to be bound by the Constitution of the Company.

Securityholder Reference Number (S.R.N.) Complete this only if you are Issuer Sponsored.

Holder Identification Number (H.I.N.) Complete this only if you are CHESS Sponsored.

Signature Of Shareholder(s)
(All joint holders must sign)

Signature Date

Signature Date

Signature Date

Companies Only - Executed in accordance with the Company's Constitution and the Corporations Law.

Sole Director and Sole Secretary Date

Director Date Secretary Date

Director Date Secretary Date

Note: If signed under Power of Attorney, a Certified Copy of the relevant Power of Attorney document must be exhibited to the Registry. The Attorney declares that he/she has had no notice of revocation of the Power of Attorney.

TERMS AND CONDITIONS OF OPTIONS ON REVERSE

TERMS AND CONDITIONS OF OPTIONS

The options will entitle the holders to subscribe for fully paid ordinary shares in the Company on the following terms:

a) Each Option entitles the holder to acquire one fully paid ordinary share in the Company.

b) The Options may be exercised at any time until 31 October 2007. Each Option may be exercised by forwarding to the Company at its principal office the exercise notice, duly completed together with payment of the sum of twenty cents (20c) per Option exercised. The Options will lapse at 5.00pm WST on 31 October 2007.

c) The Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for transfer of Options at any time until 31 October 2007, subject to any restrictions which may be imposed by ASX.

d) Optionholders shall be permitted to participate in new issues of securities on the prior exercise of options in which case the Optionholders shall be afforded the period of at least nine (9) business days prior to and inclusive of the record date (to determine entitlements to the issue) to exercise the Option.

e) Shares issued on the exercise of Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of an Option will rank equally with the then issued ordinary shares of the Company in all respects. Official Quotation of the shares will be sought.

f) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.

g) If there is a bonus issue to shareholders, the number of shares over which the Option is exercisable may be increased by the number of shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

h) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Option may be reduced in accordance with Listing Rule 6.22.

Cheques should be made payable to Graynic Metals Limited and crossed "Not Negotiable" and drawn on an Australian Bank and posted to Advanced Share Registry Services, PO Box 1156, Nedlands, Western Australia 6909.

NOTE: OPTIONS NOT EXERCISED BY 31 OCTOBER 2007 WILL AUTOMATICALLY EXPIRE.