16th December 2016

Update on Plutonic Dome Mining K2/$3M Funding Package

Highlights:

- **Vango enters into a Heads of Agreement to fund up to $3M for development of K2 Underground**
- **Haul road refurbishment between K2 and Plutonic Processing Facility completed**
- **Site works for dewatering of K2 open pit & underground commenced**

The Directors of Vango Mining Limited (ASX: VAN, "Vango") are pleased to announce that Vango and Dampier Gold Limited (ASX: DAU, "Dampier") have today entered into a Heads of Agreement subject to final documentation and Dampier having satisfied any applicable ASX requirements for the establishment of funding and profit share arrangements which will lead to the commencement of production and extraction of gold from the K2 deposit.

This is a significant milestone for Vango as K2 represents the first project Vango has brought into production. K2 is part of the broader Plutonic Dome Project, which covers 412 km^2, and is 100% held by Vango.

K2 Box-cut and portal

Haul road

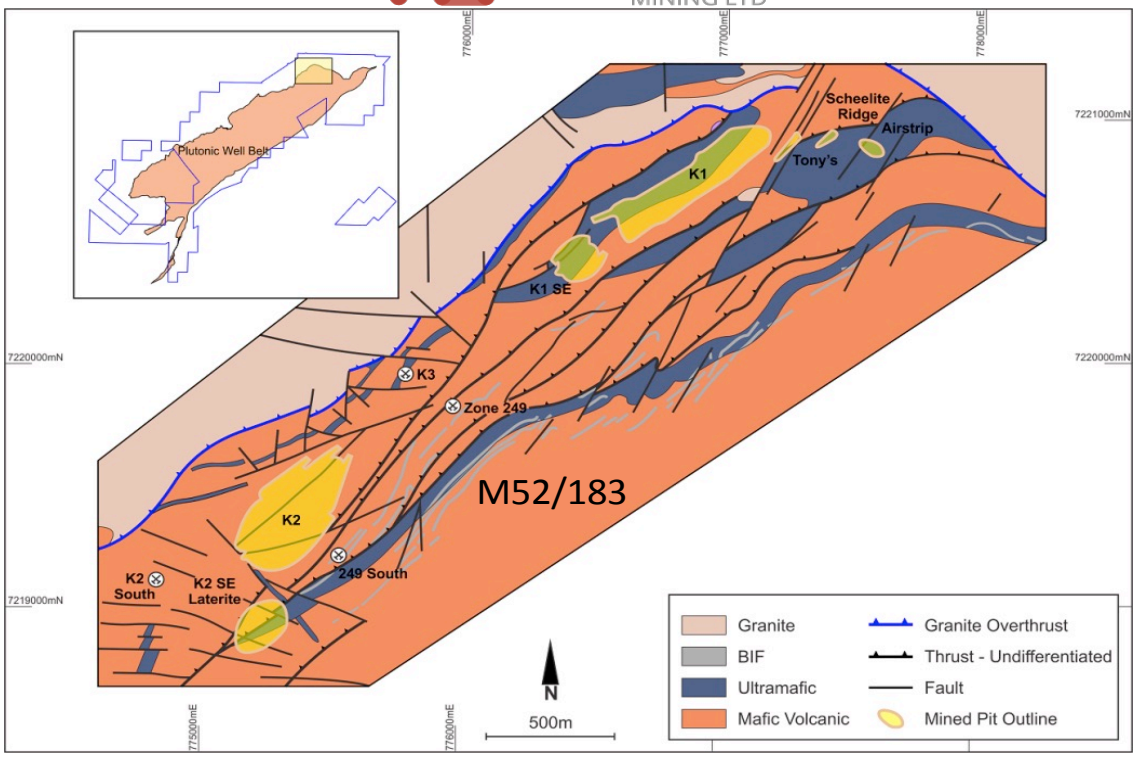
K2 Pit to be dewatered

Dampier may finance up to $3m or 50% of the capital cost (whichever is the lesser) for the development of the K2 deposit in exchange for up to 50% Net Profit derived from production from K2 for the life of mine.

K2 has an established infrastructure including a recently refurbished haul road directly accessing the Plutonic Gold Mine Treatment Plant, box cut, portal and significant underground development. Site work in preparation for dewatering of the underground decline and K2 pit has commenced. Pumping of the water will commence mid to late January 2017 and is expected to be completed within 60 days of commencement. In addition, a program of works has already been submitted and approved by the WA Department of Mines and Petroleum to facilitate surface drilling.

About Plutonic K2 Underground Project

The Plutonic Dome Gold Project is in northwest Western Australia, south of Mt Newman, north of Meekatharra and near the Kumarina Road House. The K2 Gold Mine is located in the north-eastern extent of the Project, approximately 35km by haul road from the Plutonic Gold Mine Treatment Plant, and in the southwest portion M52/183 as below:



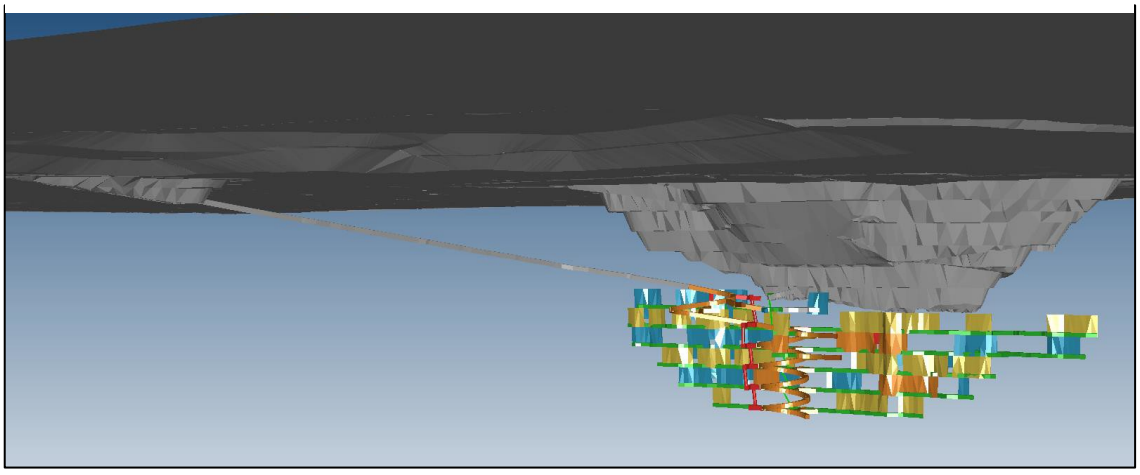
Location Plan of K2

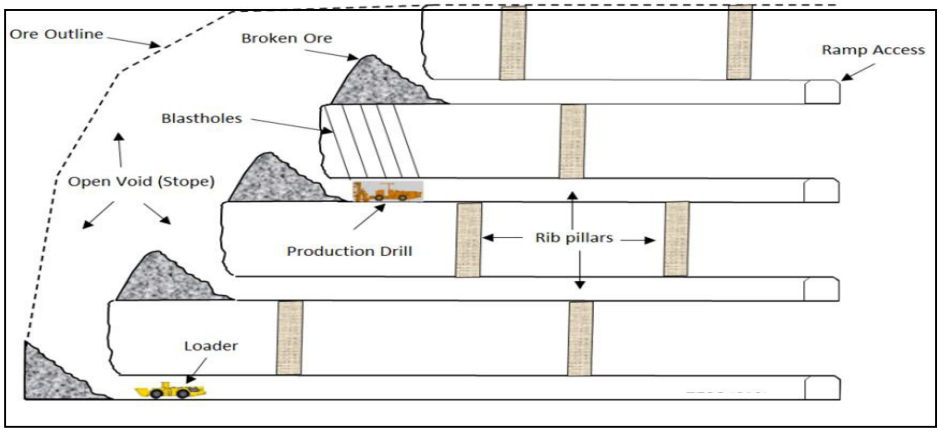
The underground diamond-drilling program will be implemented immediately upon refurbishment of the upper levels of the decline, which are above the water table. This program will be designed to test the upper level mineralised shoots as above and to progressively work down the decline (following dewatering and refurbishment) testing and enhancing our understanding of the existing mineralisation.

The mine design includes rehabilitation of approximately 840m of the existing decline before extending the decline and strike drive level arrangement. The decline is designed with a minimum standoff of 30 metres from the main ore zone. Levels are designed at 20m level spacing (floor to floor) implying that the stopes will be approximately 16m in height over a strike length of 37.5m

The selected mining method of longitudinal open stoping with pillars has been determined to be the optimal method for the style of mineralisation and geotechnical parameters. The mining environment at K2 has been described as being relatively benign given the good rock mass conditions and shallow depths.

Planned Mine Development K2 Underground





Longitudinal Longhole Stoping Schematic

Executive Chairman, Bruce McInnes commented:

"The proposed funding package and commencement of dewatering and mining represents a significant milestone for Vango. Through the activities that are presently underway, Vango is transitioning from an explorer to a developer. We are looking forward to working with the Dampier management team to jointly deliver significant shareholder value."

Please Note Dampier is currently in discussions with the ASX in reference to ASX Chapter 11 requirements. Vango will keep the market informed of any developments that may occur or be contingent upon this arrangement.

Bruce McInnes
Executive Chairman
Vango Mining Limited