

17th January 2017

Dampier : Vango K2 Mine Development

The Directors of Dampier Gold Limited (ASX:DAU) are pleased to announce that the Company and Vango Mining Limited (ASX:VAN) have entered into a non-binding heads of agreement (**HOA**), whereby Dampier may finance up to 50% of the capital cost for the development of the K2 Mine in exchange for up to a 50% equity interest in the tenements comprising the K2 Mining Project (**Proposed Transaction**).

Pursuant to the HOA, Dampier may contribute up to the lesser of 50% of CAPEX or \$3,000,000 to the development of the K2 Mine and the mining of gold ore, and its processing for the extraction of gold in accordance with the mining exploration and related work programs and budgets. Dampier's contributions are to be made in tranches defined and pre-approved by the joint Vango/Dampier K2 mining committee, with funds to be provided within 5 business days of the committee's approval.



In exchange for Dampier's contribution to the CAPEX for development of the K2 Mine, Dampier will be entitled to earn up to a maximum of a 50% equity interest in the K2 tenements ("Farm-in Interest"). Dampier's Farm-in Interest is to be calculated on the basis of Dampier's contribution to CAPEX ("X") as per the ratio $\frac{X}{\$CAPEX}$ or 50% (whichever is the lesser). In the event Dampier should contribute less than 50% of the CAPEX, it shall be entitled to a pro rata Farm-in Interest.

ASX has determined that the Proposed Transaction will require shareholder approval in accordance with ASX Listing Rule 11.1.2. In that regard, the Company anticipates that a General Meeting of shareholders will be held in late February 2017. ASX has further advised that in accordance with ASX Listing Rule 12.1, ASX may suspend the Company's securities from official quotation on 28 February 2017 if the Proposed Transaction does not proceed. In addition to the Proposed Transaction, the Company is actively reviewing and assessing other investment opportunities.

The HOA is subject to execution of a mining agreement (and any other legal documents) which is satisfactory to both Dampier and Vango, including terms of a usual nature in documents of this kind but expressly including a right for Dampier to be offered at any time following 12 months from the date of signing the mining agreement (or such other date as agreed between the Parties), the priority right to earn the same interest as provided for in the HOA in relation to the K2 tenements over the other tenements held by

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Vango as previously acquired from Dampier that are to be developed by Vango. The mining agreement will be subject to Dampier's shareholders approving the Proposed Transaction at the General Meeting.

In the event that Vango is unable to comply with its funding obligations, Vango permits Dampier to register a mortgage in favour of tenement M52/183.

Dampier intends to fund its share of the K2 CAPEX through a combination of Dampier's existing cash reserves totalling \$3.48 million, debt and/or equity. Following the receipt of shareholder approval for the Proposed Transaction, the Company intends to commence discussions with debt and/or equity participants in order to evaluate those funding options.

It is anticipated that Dampier will commence contributing to the CAPEX in the next 12 months as follows:

	Amount
March Quarter 2017	\$300,000
June Quarter 2017	\$450,000
September Quarter 2017	\$450,000
December Quarter 2017	\$300,000
TOTAL	\$1,500,000

Note: the above table is a statement of current intentions as at the date of this announcement. Intervening events may alter the way funds are ultimately applied by the Company.

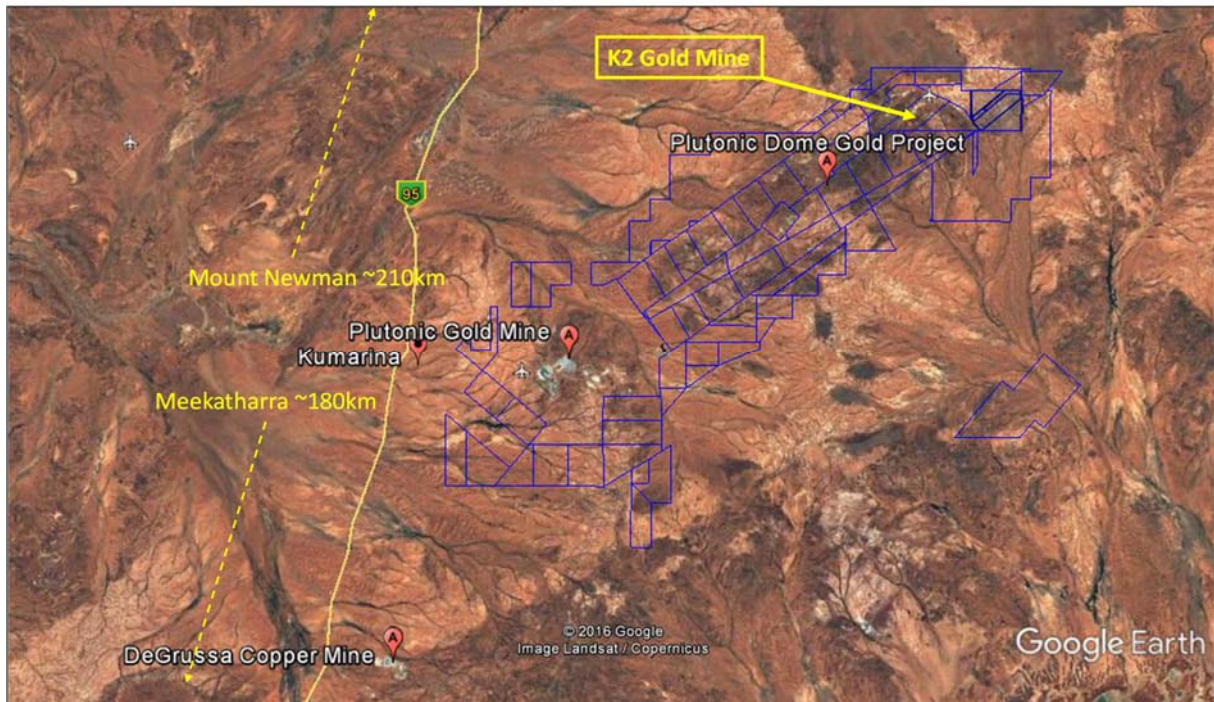
A proforma balance sheet of the Company showing the effect of the Proposed Transaction is set out in Annexure 1.

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Project details

The Plutonic Dome Gold Project is in NW Western Australia, south of Mt Newman, north of Meekatharra and near the Kumarina Road House.

Location K2 Gold Mine and Plutonic Dome Gold Tenements



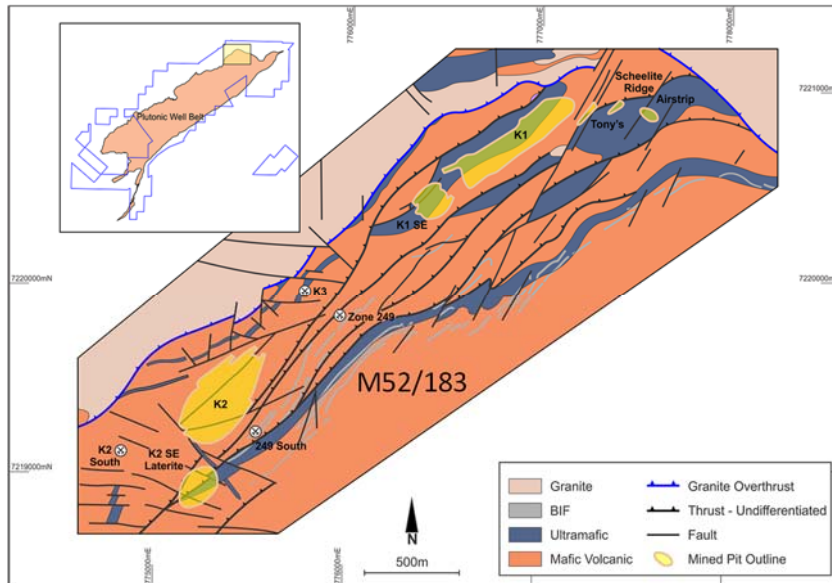
Stage 1 scoping and feasibility studies completed by West Australian based Entech Mining Engineering Consultants on behalf of Dampier/Vango were undertaken in 2014.

We refer to further details of the project which can be found in Vango Mining's announcement dated 8th October 2014.

De-watering of the underground decline will commence immediately following the refurbishment of the ramp to the portal and the receipt of environmental approval.

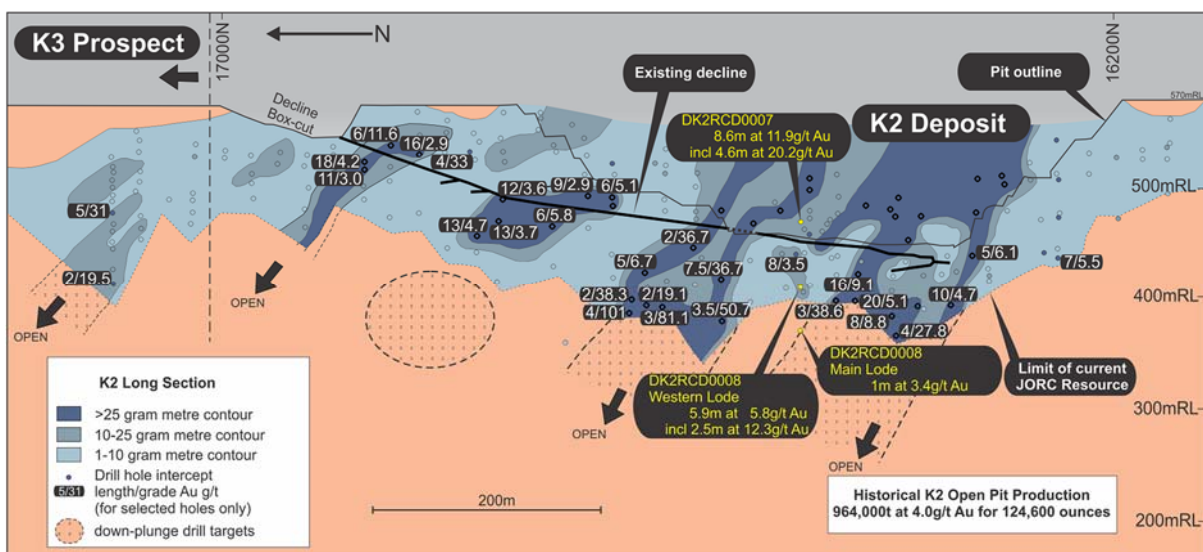
Drilling is expected to commence early in Q1 2017 to further define and enhance the ore shoots along the decline (see below).

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The K2 Gold Mine is in the northwest portion of the tenement block ~35km by existing haul road from the Plutonic Gold Mine Treatment Plant, and in the south west portion M52/183, as shown in the above image.

The following longitudinal section of the K2 decline shows the outline of the existing pit and the ore shoots (or lodes) and the related drill results of mineralised intersections and widths that were first reported to ASX on 31 October 2011. It should be noted that the estimated mineral resources for the K2 deposit previously announced do not include the shallower mineralised zones along the decline and other zones near-to the main K2 Deposit referred to as the Western and Eastern Lodes.

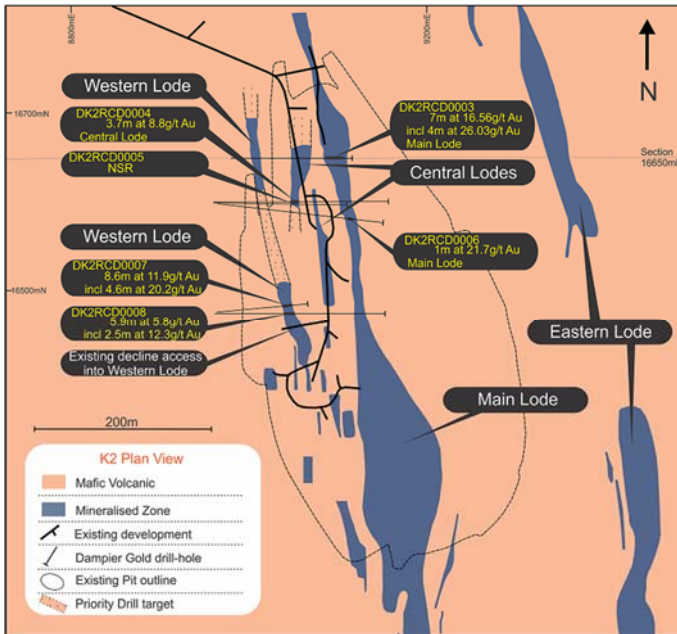


Longitudinal section K2 Deposit showing K2 open pit and existing K2 decline

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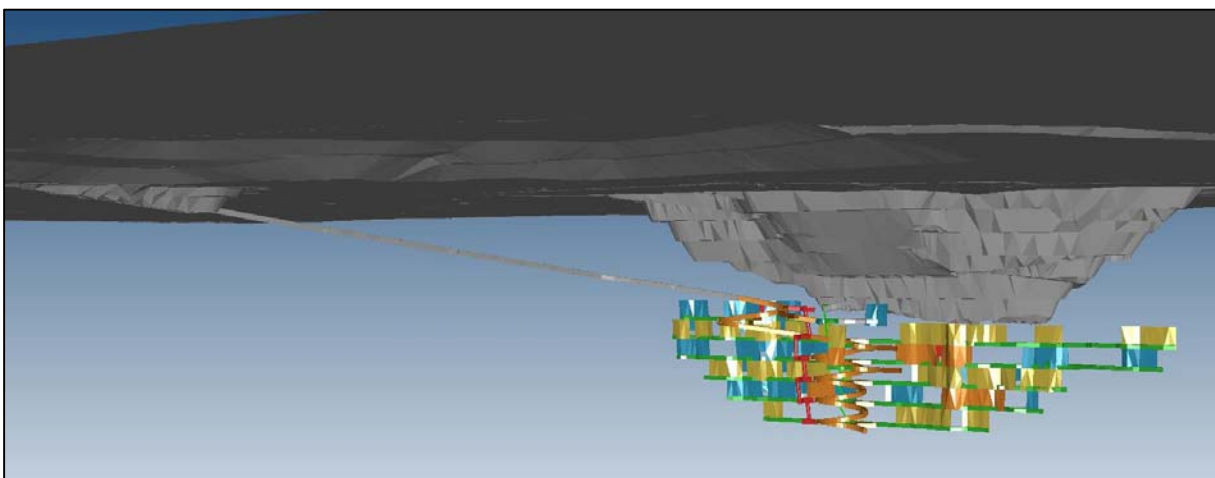


An underground diamond drilling program will be implemented immediately upon refurbishment of the upper levels of the decline which are above the water table. The program will test the upper level mineralised shoots as above and to progressively work down the decline (following dewatering and refurbishment) testing new shoots and enhancing our understanding of existing shoots. This program will assist in optimising mine planning and ore extraction during the dewatering and refurbishment period.



The adjacent figure shows the K2 Deposit in plan view and the location of the Western and Eastern Lodes in proximity to the K2 Main Lodes.

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.

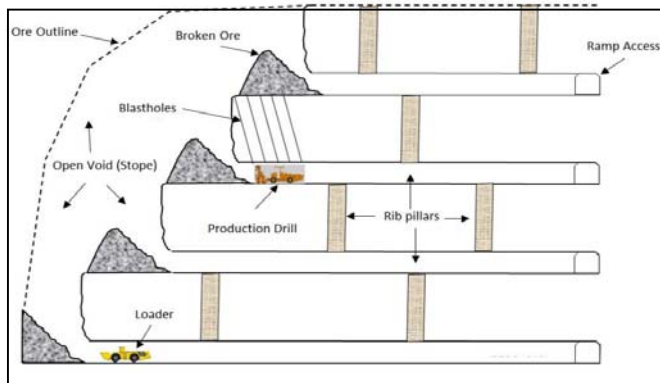


Planned Mine Development K2 Underground

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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.

Longitudinal Longhole Stopping Schematic

Your Directors feel that Dampier shareholders will benefit from the Company's participation in the development of the K2 Mine and the returns it will bring to the Company in the form of the gold sales revenue from its Farm-in Interest, plus the acceleration of royalty and milestone entitlements as per the Company's sale agreement whereby Vango acquired Dampier's residual 40% interest in the Plutonic Dome Project in August 2016.

We look forward to working closely with Vango on the development of the K2 Mine.

Malcolm Carson Chairman

Competent Persons Statement Malcolm Carson

Mr Malcolm Carson has compiled information in this report from information and exploration results supplied to Dampier Gold Limited. Malcolm Carson has sufficient experience that is relevant to the style of mineralisation, the types of deposits under consideration and to the activity that he is undertaking and qualifies as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results ("JORC Code"). Mr Carson is a Member of the Australian Institute of Mining and Metallurgy (AusIMM) and Australian Institute of Geoscientists (AIG) and is a Director of Dampier Gold Limited. Mr Carson consents to the inclusion in the report the matters based on the information in which it appears.

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**ANNEXURE 1 - UNAUDITED PRO-FORMA BALANCE SHEET**

	Notes	31 Dec 2016	Pro Forma 31 Dec 2016
		\$'000	\$'000
Current Assets			
Cash and cash equivalents	1	3,484	1,984
Trade and other receivables		23	23
Prepayments		13	13
Total Current Assets		3,520	2,020
Non-Current Assets			
Property, plant & equipment		3	3
Exploration expenditure	1	-	1,500
Total Non-Current Assets		3	1,503
Total Assets		3,523	3,523
Current Liabilities			
Trade and other payables		28	28
Total Current Liabilities		28	28
Total Liabilities		28	28
Net Assets		3,495	3,495
Equity			
Issued capital		23,772	23,772
Reserves		-	-
Accumulated losses		(20,277)	(20,277)
Total Equity		3,495	3,495

- 1 Cost of estimated CAPEX for initial 12 months of \$1,500,000 capitalised as exploration expenditure. Pursuant to the Proposed Transaction, maximum CAPEX to be contributed by Dampier is \$3,000,000.