

24 August 2018

Chairman's Letter to Shareholders

Dear Shareholder

Following on from the recent developments for the Company as presented in our latest announcements and Quarterly Report, I thought it time to personally update shareholders on the progress of your Company and its scope for growth.

Unfortunately, there is some misinformation in the market about our K2 Joint Venture at Plutonic Dome and also surrounding Aurigin Foods. The purpose of this letter is to provide accurate information and our assurance that your Directors remain very focussed and have established a stable foundation for the Company's future.

I will also take this opportunity to further emphasise the potential of the Company's most recent acquisition, the Ruby Plains Gold Project which is located in the East Kimberley of Western Australia. Your Directors consider that this untested area has excellent potential for a discovery.

We have recently lodged a Notice of Meeting with a number of resolutions directed towards ensuring the Company has capacity, as required to secure additional working capital to fund its share of the K2 Joint Venture. As you would be aware, the K2 Project has the potential for significant returns as a near term gold production asset. In addition, on a peer comparison basis we consider that Dampier is currently not being fully valued for its earn-in interest in the K2 Project.

Plutonic Dome Gold Project and the K2 Joint Venture

Your Directors readily acknowledge that shareholders have experienced frustration with the slow progress at the K2 Project.

Before addressing the current status of the K2 Joint Venture, I will take the liberty of presenting some of the history of the Company and the Project.

Since our appointment as Directors, we have been focussed on addressing the many difficulties created following the execution in late 2013 of the Plutonic Dome Gold Project (PDGP) Joint Venture with Ord River Resources Limited (renamed Vango Mining Limited ASX:VAN).

That Joint Venture exposed the Company to considerable financial risk, no upside and leaving the current Board with no choice but to negotiate the sale of the PDGP. This process proved to be both long and arduous. In August 2016, following the receipt of shareholder approval to dispose of the Company's "main undertaking", the Company successfully

concluded the sale of Dampier's PDGP residual equity (40%) for a total consideration of \$8.2M.

Immediately following the sale, your Directors commenced negotiating a farm-in joint venture with Vango covering the K2 mining lease M52/183 and the K2 Mine which is a low CAPEX, early gold production project. Under this joint venture, executed on the 12th May 2017, Vango granted Dampier the "binding right" to earn a 50% interest in mining lease M52/183 for the expenditure of "up to" \$3 million (**K2 Joint Venture**).

In accordance with the binding K2 Joint Venture, Dampier is pro-actively seeking to earn its 50% joint venture interest and preserve its contractual rights.

M52/183 covers the abandoned K2 Mine which and a 1.4 kilometre decline developed by Rolute Mining Limited (ASX:RSG) to the K2 ore blocks in the late 1990's. The presence of existing developed infrastructure means that the start-up capital cost to bring the first 50,000 ounces of a ~7g/t ore body into production is estimated to be \$6 million. All in sustaining costs are estimated to be A\$1,100/oz, making the project viable at the current spot gold price and with scope to generate a substantial cash surplus for Dampier.

The K2 Project neatly fits Dampier's project criteria of a "*near to production, low capital cost*". Dampier also stands to gain leverage from its share of production with an additional \$6.2m in royalty and milestone payments due in accordance with the PGDP Sale and Purchase Agreement.

Dampier through its contribution and in its role as Exploration Manager, as per the terms of the K2 Joint Venture, will utilise its network of consultants and its experience in the mineral sector to expeditiously explore, advance and develop the K2 Mine with Vango.

Ruby Plains Gold Project

In the opinion of the Directors, the Ruby Plains Gold Project has scope for the discovery of concentrations of bio-geochemical and alluvial gold in ancient palaeo-river channels and other economic minerals.

During the June 2018 quarter, Dampier purchased a 100% interest in four tenements covering an area of ~800sqkm. These tenements cover "untested" palaeo-channels, the largest of which is over 50km long and is contained within one tenement (E80/5143). These palaeo-channels have been clearly defined by previous aerial geophysical surveys.

Your Directors consider that the Ruby Plains Gold Project has substantial upside potential based upon:

- the headwaters of the channels are proximal to the Halls Creek Goldfield to the North West and there is reported evidence of gold in an old water bore in these headwaters;

- a number of previous reports from the 1990s and earlier have substantiated the potential for concentrations of gold mineralisation in the palaeo-channels;
- palaeo-channel mineralisation (gold, iron ore, diamonds) has been identified and mined extensively elsewhere in Western Australia;
- the palaeo-channels are analogous to other major producing goldfields in the USA and elsewhere, including Western Australia;
- the potential of the palaeo-channels has not been fully tested by exploration and drilling;
- the recent application of modern ground geophysical techniques has defined palaeo-channel profiles and identified trap sites elsewhere in Western Australia; and
- testing of trap sites has shown the presence of diamonds in traps located nearby at Blina in the West Kimberley.

The palaeo-channels at Ruby Plains have the potential to contain two styles of mineralisation, namely:

- Bio-geochemical supergene gold concentrations; and
- Alluvial physical gold concentrations.

Set out below is a discussion on these two styles of mineralisation.

Bio-geochemical(supergene) Gold Concentrations

The Tertiary age of the channel (50-60 million years) means that it and the surrounding terrain has been subject to substantial bio-geochemical weathering. Experience has shown that in ancient paleo-channels in the Western Australian Goldfields and elsewhere in the world, gold is mobilised through bio-geochemical (supergene) processes and can form into very rich lodes.

Alluvial (physical) Gold Concentrations

The palaeo-channels have also been influenced by younger Quaternary (3-5 million years) erosion and river sediment and gravel transportation. Substantial quantities of gold have been sourced from such concentrations, in particular in the Victorian Goldfields up until ~1900. In fact, it took the rest of Australia nearly 100 years to catch up the quantity of gold produced in Victoria largely from alluvial sources by 1900 (est: 2,500 to 3,000t).

To identify suitable trap sites for drill testing, Dampier needs to map the palaeo-channels and the palaeo-channel profiles in detail. We are looking for palaeo-channels which drain out of goldfields, for example the Halls Creek Goldfield, and further, areas within the palaeo-channel where there has been a sudden loss in energy which allows heavy minerals to drop out and concentrate.

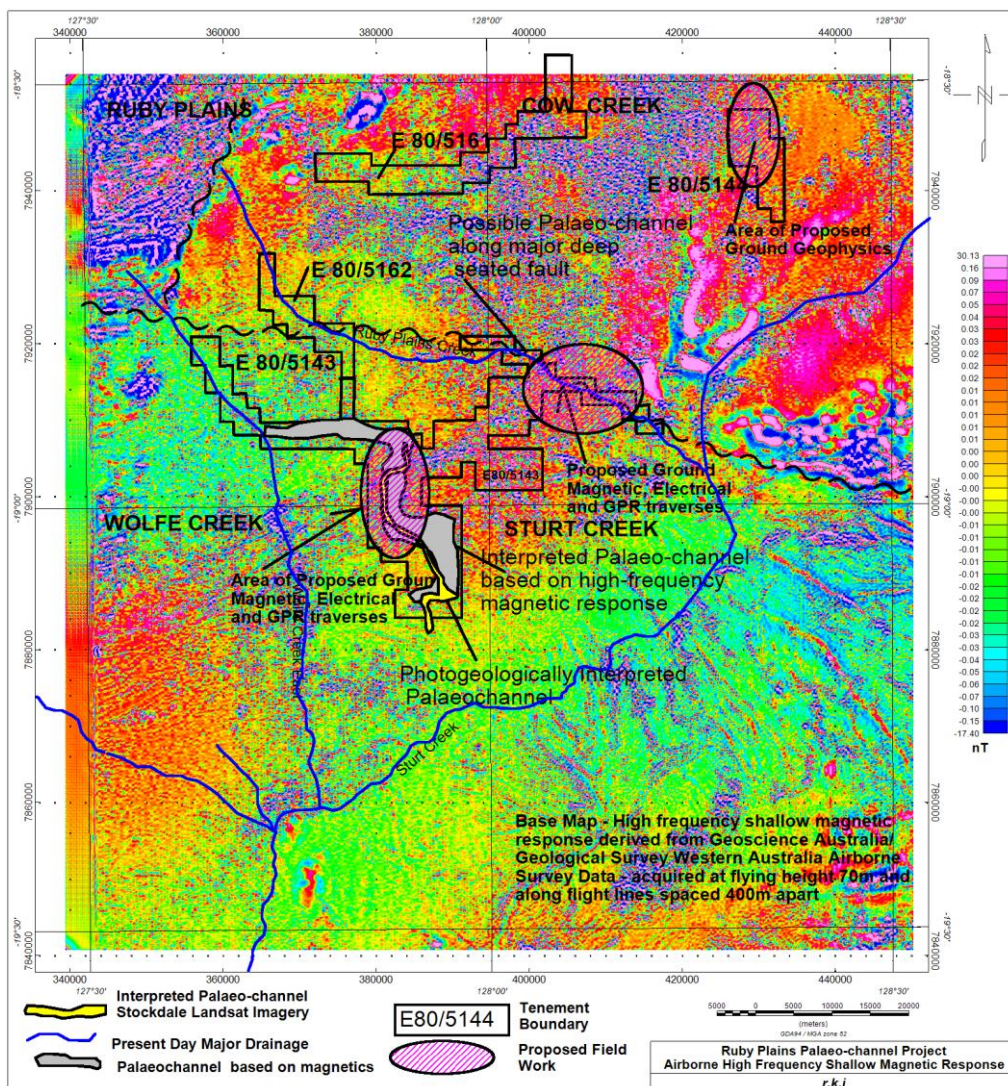
The size of the palaeo-channel means that the most cost-effective exploration method is to deploy “state-of-the-art” geophysical techniques.

After careful analysis of the various geophysical techniques and discussions with geophysical consultants, Dampier has determined that the most workable low-impact method is to carry out the following geophysical surveys simultaneously:-

- ground magnetics,
- ground conductivity (EM) and
- ground penetrating radar (GPR) .

GPR has proven to be very successful in defining palaeo-channel profiles, as illustrated in announcements by POZ Minerals Limited (ASX:POZ) in its diamond exploration programs at Blina in the West Kimberley. GPR also has the scope to fast track exploration and defining palaeo-channels and drill targets in a cost-effective way, as demonstrated by the POZ results.

The low-impact, ground geophysical survey planned at the end of this month for the Ruby Plains Gold Project, will combine magnetics, conductivity (EM) and ground GPR over the tenements, as shown in the following image:-



Dampier is excited about the potential of these “untested” palaeo-channels and the anticipated discovery of well-defined palaeo-channel profiles and trap sites using the above geophysical techniques. Following completion of the upcoming ground survey, Dampier plans to define drill targets for a programme early in the new year, following the Wet Season.

Aurigin Foods Pty Ltd

Your Directors consider that there is some misunderstanding in the market concerning Aurigin Foods Pty Ltd, which was established by Dampier to explore the commercial viability of an Australian agriculture and related food export business. Those investigations revealed that the establishment of such a distribution network in China is a very risky undertaking that requires investment well beyond Dampier’s financial resources.

The board obtained expert independent legal, commercial and regulatory advice. The consensus view was that the best way forward for Dampier and in the best interests of shareholders, was to sell Aurigin Foods Pty Ltd to an unlisted public company so that it could be funded independently and independently develop the business.

Based on this collective advice, Aurigin Australia Limited (AAL) was formed for the sole purpose of acquiring Aurigin Foods Pty Ltd and assuming 100% of the financial, development and operational risks associated with the proposed business.

To facilitate the sale, both ASIC and ASX approvals were obtained and shareholders approved the sale at a General Meeting held on 13 February 2018. As a consequence of the sale, Dampier received 10,000,000 AAL shares and executed a \$500,000 unsecured loan agreement with AAL.

Since completing the sale in February 2018, AAL’s team have been working hard to establish a foundation on which to grow the business.

Shareholder Value

As a result of the efforts of your Board, the Company has negotiated an excellent binding contractual position (as evidenced by the K2 Joint Venture), whereby through the contribution of a maximum of \$3 million to the exploration and development of the K2 Mine, Dampier will earn a 50% interest in the K2 tenement.

As previously mentioned, Dampier’s return on investment in the K2 Mine is leveraged and includes its share of gold production revenue, plus up to \$6.2m in milestone payments and royalties associated with the sale of PDGP. Understanding and recognising Dampier’s full rights and interests in the K2 Mine is likely to result in a re-rating of the Company.

Your Directors further consider that the Ruby Plains Gold Project has the potential to be a company maker. The project fits the Company’s investment criteria, in that it was acquired at a relatively low-cost exploration stage project with significant upside potential from the

discovery of gold and/or other minerals. This potential, whilst heavily hypothesised and documented over the years, has never been drill-tested.

Furthermore, with the passage of time, the Directors anticipate that AAL will repay the Dampier loan and that the Company's free carried equity interest will increase in value.

In view of the above, with a stable Company and the market fully appreciating the value of the Company's mining and exploration assets/potential, Dampier has the potential to deliver increased shareholder value and market capitalisation.

In closing, I wish to emphasise that certain misinformation exists in the market place which has the potential to undermine the value of your Company. Whilst it is difficult to comprehend the purpose of this misinformation, I genuinely recommend that shareholders focus on the quality of the Company's assets and their potential.

As Directors, we are and will continue to utilise our skills and our network to add value to the Company's existing assets and to secure and identify new projects for the Company which fit our stated investment criteria.

We certainly look forward to delivering growth and value for all shareholders.

Malcolm Carson

EXECUTIVE CHAIRMAN

Email: malcolm.carson@dampiergold.com Website: www.dampiergold.com

Competent Persons Statement

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 and Allegiance Coal Limited. Mr Carson consents to the inclusion in the report the matters based on the information in which it appears.