

16 May 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 executed a **Binding Terms Sheet (Terms Sheet)**, covering the farm-in to the K2 Mine Development. The Terms Sheet represents the first formal step arising from the non-binding heads of agreement executed on 17th January 2017. The Terms Sheet better defines the principals agreed between the parties and the parties further intend to establish a more detailed joint venture agreement.

Under the Terms Sheet, Dampier has agreed to contribute towards the development of the K2 Mine *up to the lesser of 50% of CAPEX or \$3,000,000 to the development, exploration and mining of gold ore and its processing for the extraction of gold and any other item as agreed by the Joint Venture Committee (the **Expenditure**)*.

Other key principals of the Terms Sheet are:

- Dampier will be deemed to have earned its Joint Venture Interest in the K2 Mining Project, once it satisfies the Expenditure during the two year Earn-in Period
- Dampier and Vango will form a Joint Venture Committee with the vote for each party being 1 vote each
- The Joint Venture Committee will determine and approve CAPEX and Expenditure tranches, preparation of exploration and mine plans, provide or recruit management and operating personnel and contractors, obtain government approvals, prepare budgets and project management
- Dampier will be the Exploration Manager
- Vango will be the Development Manager
- Dampier and Vango will conduct the Joint Venture Operations in accordance with programs, budgets and decisions made by the Joint Venture Committee for the development of the K2 Mine, the mining of gold ore and its processing for the extraction of gold
- Dampier and Vango will conduct the Joint Venture Operations in accordance with accepted mining and exploration methods and practices
- Dampier's contributions are to be made in tranches defined and pre-approved by the joint Vango/Dampier K2 mining committee

In consideration for the Expenditure, Dampier will earn up to a maximum of a 50% equity interest in the K2 tenements (**Joint Venture Interest**). Dampier's Joint Venture Interest is to be calculated on the basis of Dampier's contribution to Expenditure divided by total Joint Venture expenditure or 50% (whichever is the lesser). In the event Dampier should contribute less than 50% of the total Joint Venture expenditure, it shall be entitled to a pro rata Joint Venture Interest.

Current Status of K2 Project:

Vango announced on 29th March 2017 that de-watering of the underground decline was to commence after being delayed for several weeks due to unusually wet conditions.

Further Vango announced, from a desk top analysis of the historical drilling data, confirmation that there is potential for some viable gold near surface ore shoots above the water table along the decline which could be tested with a few drill holes (see long section the summary of the K2 Project appended below).

Your Directors are confident 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 Joint Venture 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 participating in the K2 Joint Venture Committee and working closely with Vango on the exploration and development of the K2 Mine.

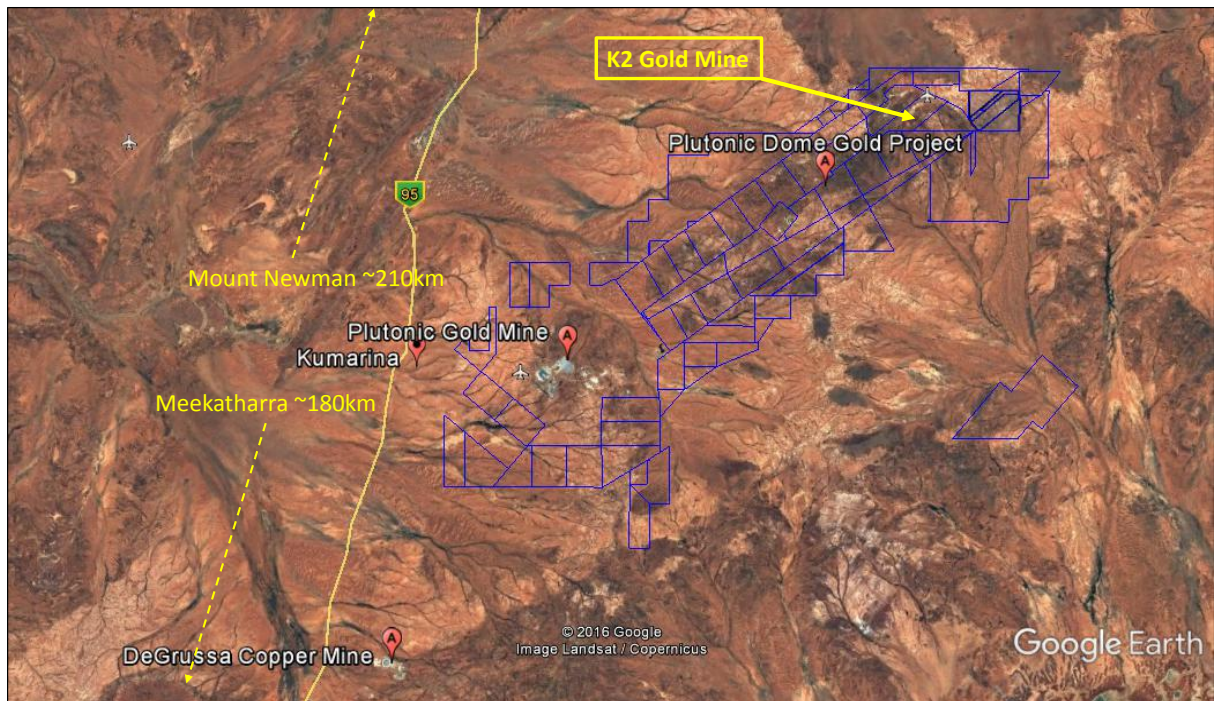
**Malcolm Carson
Chairman****Competent Persons Statement****Malcolm Carson**

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.

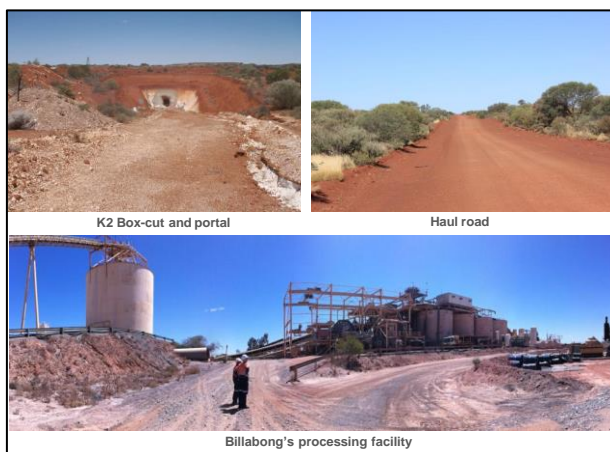
About the K2 Mine Development Project

The K2 Mine forms part of the Plutonic Dome Gold Project which is located in the north west of Western Australia, adjacent to the Great Northern Highway ~10km east of the Kumarina Road House which is ~210km south of Mt Newman, and ~180km north of Meekatharra. The Project is located ~30km north north east of Sandfire Resources Limited's (ASX:SFR) DeGrussa Copper Mine.

Location K2 Gold Mine and Plutonic Dome Gold Tenements



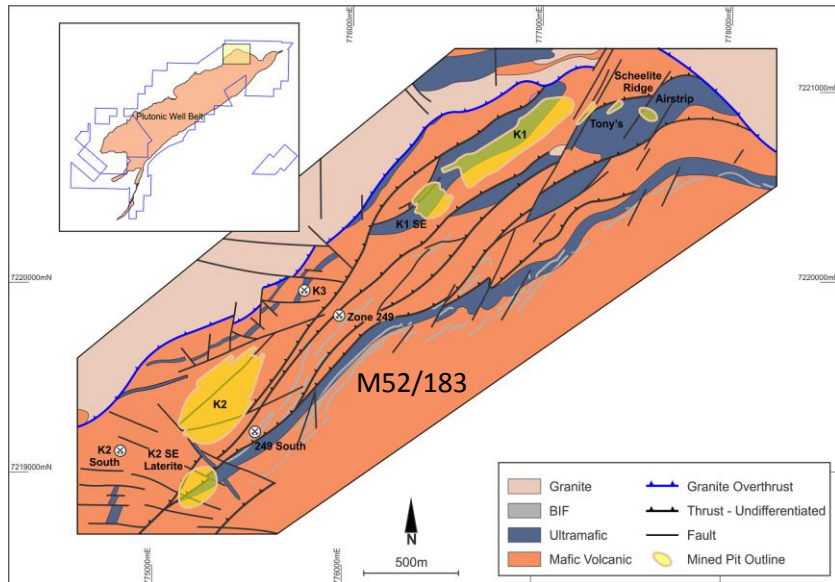
Stage 1 scoping and pre-feasibility studies were completed by West Australian based Entech Mining Engineering Consultants on behalf of Dampier/Vango in 2014.



These studies and the related financial analysis confirmed that the development of the K2 Mine commercially viable at the then spot gold price of A\$1,400. The gold price is currently A\$1,650 and has in recent months been as high at A\$1,800. We expect the gold price to range between \$1,600 to \$1,800 during the development and mining of K2.

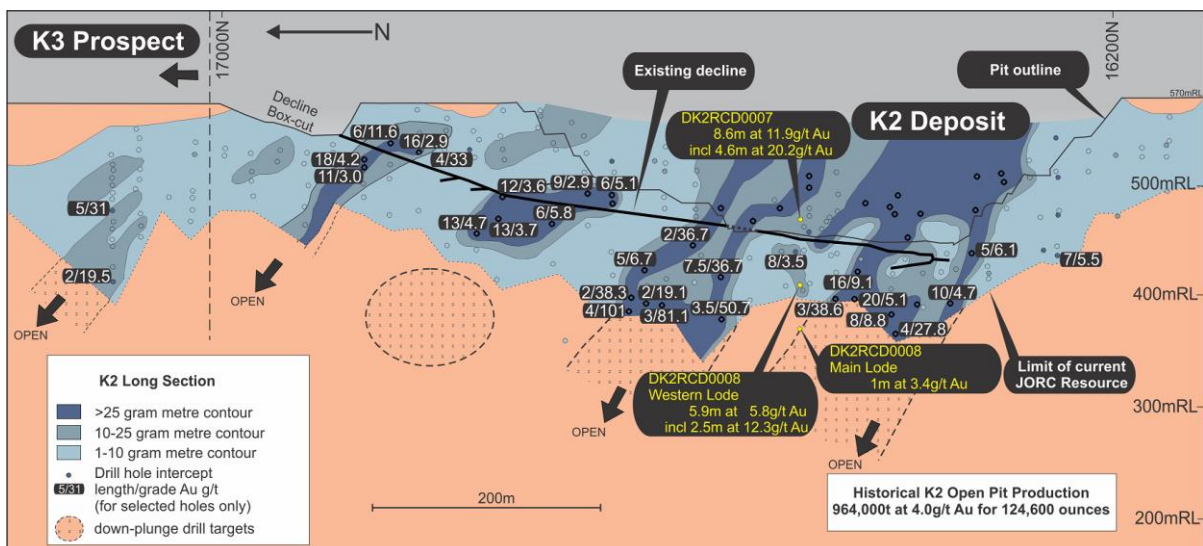
The K2 Gold Mine is in the northwest portion of the tenement block ~35km by existing haul road from the Plutonic

Gold Mine Treatment Plant, and in the south west portion M52/183, as shown in the following image.



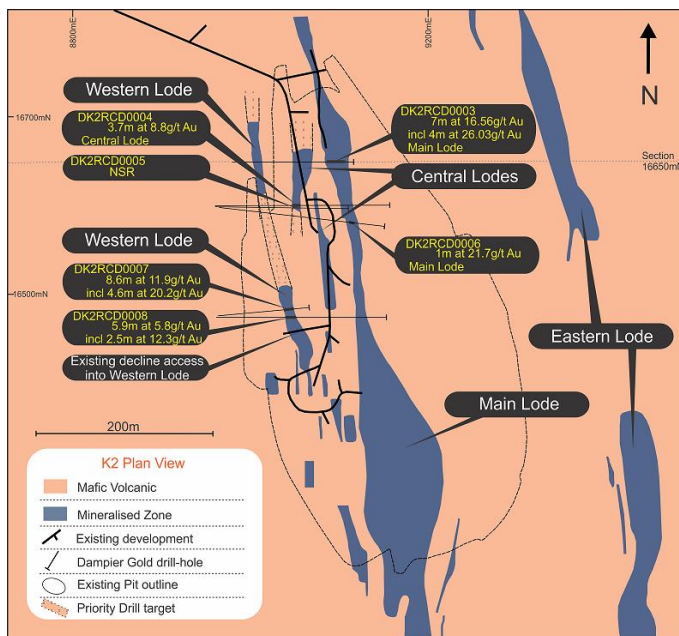
Location of the K2 Mining Project in M52/183 and the inset, the mining lease's position in the Plutonic Dome Gold Project tenement block

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.



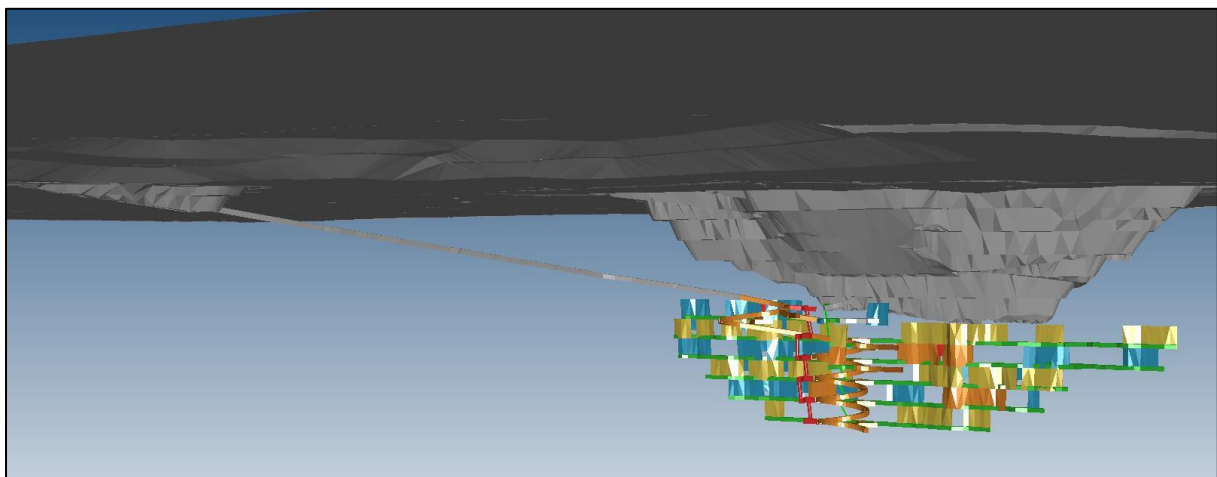
Longitudinal section K2 Deposit showing K2 open pit and existing K2 decline

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.

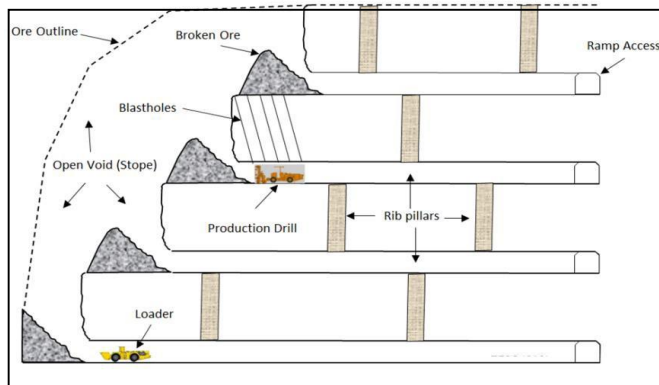


The adjacent figure shows the K2 Deposit in plan view and the location of the Western and Eastern Lodes in proximity to the K2 Main Lodes.

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



Longitudinal Longhole Stopping Schematic

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.