

ASX Announcement
24 October 2018

VANGO MINING RESPONSE TO THE TARGET'S STATEMENT OF DAMPIER GOLD

Highlights

- Vango Mining considers that the Dampier Gold Supplementary Target's Statement makes numerous misleading and unsubstantiated statements in relation to the Offer.
- In particular, Dampier Gold provides no reasonable basis for claims that the Offer by Vango Mining in the takeover bid is "inadequate". Dampier Gold does not provide a valuation, an independent expert's report or any substantive financial information to allow Dampier Gold Shareholders to assess the claim that the Offer is "inadequate".
- Dampier Gold's recent Private Placement, at a price of \$0.025 and conducted during the Offer period, represented a discount of approximately 124% to the implied value of Vango Mining's Offer of \$0.056 at the Announcement Date.

Dampier Gold releases Target's Statement and Supplementary Target's Statement

Vango Mining Limited (ASX:VAN) (**Vango Mining**) provides this update on its **Offer** to acquire shares in Dampier Gold Limited (ASX:DAU) (**Dampier Gold**) on the terms set out in the Replacement Bidder's Statement dated 15 October 2018 (supplemented by the Second Supplementary Bidder's Statement dated 15 October 2018 and varied by the Notice of Extension of Offer Period dated 17 October 2018). The **Offer Price**, under the terms of the Offer, is two Vango Mining shares for every seven Dampier Gold shares.

On 18 October 2018, Dampier Gold lodged a Target's Statement with the Australian Securities and Investments Commission (**ASIC**) and sought to release the Target's Statement to the ASX. The ASX required that Dampier Gold make corrective disclosure to the Target's Statement before releasing the Target's Statement to the market. On 19 October 2018, Dampier Gold released a **Supplementary Target's Statement** to the ASX.

The Board of Vango Mining has reviewed the Supplementary Target's Statement and makes the following comments:

1. Dampier Gold's claim that the Offer is "inadequate" has not been substantiated

- Despite the claim that the Offer is "inadequate", Dampier Gold has not provided a directors' valuation of its shares nor has it obtained an independent expert's report valuing its shares. Dampier Gold has also provided no indication that it expects to deliver a share price higher than the implied value of the Offer Price.
- Dampier Gold has also not included sufficient financial information (or any substantive financial information at all) in the Supplementary Target's Statement to enable a Dampier Gold shareholder and their professional advisers to make any assessment of the merits of claims that the Offer is "inadequate".
- In contrast to the unsubstantiated claims that the Offer is "inadequate", Vango Mining believes the Offer Price represents excellent value for Dampier Gold Shareholders particularly given that the implied value of the Offer represents very attractive premiums to the recent traded prices for Dampier Gold shares:

ABN: 68 108 737 711

SUITE 3, LEVEL 39, 259 GEORGE STREET, SYDNEY NSW 2000 AUSTRALIA

<http://www.vangomining.com>

- 86.7% to Dampier Gold's closing share price of \$0.030 per share on 14 September 2018, the day prior to the announcement of the Offer;
- 98.3% to Dampier Gold's one month VWAP of \$0.02824 per share, up to and including 14 September 2018; and
- 98.7% of Dampier Gold's three month VWAP of \$0.02818, up to and including 14 September 2018.

Note, all these premia were before the dilutive share issuances, conducted during the Offer period, described below.

- Dampier Gold shares have not traded at or above the implied value of the Offer Price over the last year.
- Dampier Gold also makes a number of statements about the low liquidity of Vango Mining shares without any comparison to the liquidity of Dampier Gold shares, which is significantly lower. Vango Mining shares offer significantly more liquidity than Dampier Gold shares, with Vango Mining having had 11 zero trade days between 1 January and 17 September 2018 (**Announcement Date**) while Dampier Gold had 100 zero trade days in that time. In the three months prior to the announcement of the Offer, 12.4% of the total Vango Mining shares on issue were traded whilst only 1.5% of total Dampier Gold shares on issue were traded. Further, Vango Mining has a demonstrated track record of growth with a share price appreciation of 255% over the course of 2018 to 14 September 2018.

2. Dampier Gold has not appointed an independent expert and has terminated the appointment of its financial adviser RFC Ambrian for undisclosed reasons

- Dampier Gold announced to the market that RFC Ambrian had been engaged to advise Dampier Gold on the Offer.
- As first disclosed in the Supplementary Target's Statement, Dampier Gold has since terminated this engagement and it is now in dispute with RFC Ambrian regarding fees owed by Dampier Gold.
- Dampier Gold's unsupported claims that the Offer is "inadequate" are particularly concerning in circumstances where, in addition to having provided no valuation information substantiating that claim, Dampier Gold is in dispute with the financial adviser engaged for the Offer and has not commissioned an independent expert.

3. Dampier Gold has conducted dilutive share issues during the Offer period

- Dampier Gold claims in the Supplementary Target's Statement that "Vango has a history of uncommercial funding arrangements and shareholders are exposed to significant ongoing dilution risk". Vango Mining considers that this statement ignores the very significant dilution risks faced by Dampier Gold shareholders should the Offer not succeed. This claim is also made in circumstances where Dampier Gold has undertaken significantly dilutive share issues since the Offer was made.
- On 16 October 2018, Dampier Gold announced that it had issued:
 - 3,000,000 Dampier Gold shares to Malcolm Carson, a Director of Dampier Gold, for no cash consideration;
 - 3,000,000 Dampier Gold shares to Hui Guo, a Director of Dampier Gold, for no cash consideration; and
 - 40,000,000 Dampier Gold shares in a private placement (**Private Placement**) at a price of \$0.025 per Dampier Gold share.

- The Private Placement was made at a discount of approximately 124% to the implied value of Vango Mining's Offer Price of \$0.056 per Dampier Gold share at the Announcement Date. Given that, as noted in the Supplementary Target's Statement, Dampier Gold had a cash balance of \$1.95 million as at 30 June 2018, which is sufficient to support its operating activities for the medium term, Vango Mining believes that the Private Placement was carried out at this time with the intention of frustrating the Offer.

4. **Dampier Gold has a history of related party transactions with Directors**

- In the Supplementary Target's Statement, Dampier Gold claims that "Vango's recent capital raisings have involved substantial related party transactions and debt conversion arrangements with the largest shareholders of the company, with related parties and large shareholders benefitting from the best capital raising terms." However, Dampier Gold has a history of related party transactions.
- In March 2018, Dampier Gold sold Aurigin Foods Pty Ltd (**Aurigin Foods**) to Aurigin Australia Limited (**Aurigin Australia**), a company associated with Malcolm Carson and Hui Guo. At the time of sale, Aurigin Foods was seeking to establish a chain of restaurants and retail stores promoting and selling Australian food to Chinese consumers. Dampier Gold received 33% of Aurigin Australia Limited (**Aurigin Australia**) as consideration for the sale.
- Notwithstanding that Dampier Gold divested Aurigin Foods on the basis that it was a non-core business that was too conceptual and risky for Dampier Gold, on completion of the sale, Dampier Gold provided Aurigin Foods with an unsecured and interest free loan of \$500,000 which remains outstanding. This loan is only repayable by Aurigin Foods on a liquidity event or a date that Aurigin Australia is financially able to repay the loan.
- At the balance date for Dampier Gold's Annual Report 2018, the value of the loan has been fully provided for as a doubtful debt.
- In addition to the issue of Dampier Gold shares for no cash consideration to Malcolm Carson and Hui Guo on 16 October 2018 and the transactions with Aurigin, other recent related party transactions undertaken by Dampier Gold include:
 - Dampier Gold advancing an interest free loan of \$105,404 to Hui Guo during the financial year ended 30 June 2018.
 - Dampier Gold paying rent of \$52,000 to Hui Guo during the financial year ended 30 June 2018 for office space in Sydney.

These amounts were all in addition to Malcolm Carson and Hui Guo's 2018 director's fees, superannuation and other consulting fees with a combined total value of approximately \$380,000.

- Significantly, these Dampier Gold related party transactions relate to the expenditure of moneys or the divestment of assets, rather than the capital raising transactions described in relation to Vango Mining.
- In December 2016, Dampier Gold also granted 6 million options each to Malcolm Carson and Hui Guo. These options were issued for no consideration and had a fair value of \$118,100. The options vested immediately and are exercisable in two tranches at \$0.05 and \$0.10 respectively.

5. The Supplementary Target's Statement includes various other inflammatory, inaccurate and unsubstantiated claims

- Dampier Gold makes claims in Supplementary Target's Statement which include that "Vango has a contingent liability of \$1.1 million in relation to a dispute with its joint venture partner in SARCO, a failed project in Laos."
- SARCO is a 226mt bauxite resource comprised of two tenements on the Bolaven Plateau, located in southern Laos. The project is subject to a joint venture between Vango Mining (49%) and NFC-China (51%).
- As noted in the Replacement Bidder's Statement, Vango Mining terminated discussions in relation to a potential sale in March 2016. The claim that this as a "failed project" is inaccurate and misleading.
- Dampier Gold also makes numerous speculative comments regarding potential future litigation affecting Vango Mining without substantiation.
- Dampier Gold also makes claims in the Supplementary Target's Statement that Vango Mining's funding arrangements suggest that "Vango has a track record of living "from hand to mouth." This is an inflammatory and inaccurate characterisation of funding arrangements that are not unusual given Vango Mining is an ASX-listed junior mineral resources company. Vango Mining has also recently successfully undergone a balance sheet restructuring with a significant debt to equity conversion.
- The Supplementary Target's Statement claims that Vango Mining shares carry significantly increased project risk. As noted in the Replacement Bidder's Statement, Vango Mining has commissioned a scoping study to assess the potential for a standalone processing plant at the Plutonic Dome Gold Project, which the Directors believe has the potential to deliver very significant financial returns for Vango Mining and its shareholders.

6. No superior offer has been received

- Dampier Gold also states that "Accepting Vango's Offer may deprive you of the ability to consider an alternative proposal, should one emerge."
- At this stage, no alternative offers, superior or otherwise, have been presented to Dampier Gold shareholders. No statements of intention to release an alternative offer, superior or otherwise, have been made.

7. Dampier Gold's share price may fall materially if the Offer is not successful

- If the Offer does not proceed or is otherwise unsuccessful and there are no competing proposals for Dampier Gold shares, it is possible that the trading price of Dampier Gold shares will fall. Vango Mining notes that the Dampier Gold closing share price on 14 September 2018, the last trading day prior to the Announcement Date, was \$0.030 and since then Dampier Gold has conducted the significantly dilutive share issuances described above at considerably lower issue prices.

Key dates for the Offer are set out below.

Key dates	
Date of the original Bidder's Statement	17 September 2018
Date of the Replacement Bidder's Statement	15 October 2018
Date of Offer	15 October 2018

Key dates	
Date of the Second Supplementary Bidder's Statement	15 October 2018
Offer closes (unless further extended)	7.00pm (Sydney time) on 16 November 2018

If you have any questions, including in relation to how to accept the Offer, please call the Vango Mining Offer Information Line on 1300 737 760 (toll free for callers within Australia) or on +61 2 9290 9600 (for callers outside Australia).

For more information in relation to this announcement, please contact:

Vango Mining Limited
Mr Bruce McInnes
+61 (0) 2 8278 9941

DJ Carmichael
Oliver Morse / Matthew Hall
+61 (0) 8 9263 5200