Dampier Gold Limited

ABN 43 141 703 399

Annual Financial Report

for the year ended 30 June 2012

Corporate Information

ABN 43 141 703 399

Directors
Russell Skirrow (Non Executive Chairman)
Philip Retter (Non Executive Director)
Richard Burden (Non Executive Director)
Rodney Hanson (Non Executive Director)

Company Secretary
Susan Hunter

Executives
Richard Hay (Chief Executive Officer)
Brendan Cocks (Chief Financial Officer)

Registered Office
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WEST PERTH WA 6872

Solicitors
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Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Share Register
Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
PERTH WA 6000

Auditors
Stantons International
Level 2
1 Walker Ave
WEST PERTH WA 6005

Internet Address
www.dampiergold.com

Stock Exchange Listing
Dampier Gold Limited's ordinary shares are listed on the Australian Securities Exchange (ASX code: DAU).

Contents

Directors' Report

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Dampier Gold Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

The names and details of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Russell Skirrow, BSc (Hons), PhD, D.I.C., C. Eng., Fellow FINSIA (Non Executive Chairman)

Russell has a broad mix of technical, financial and management experience over a 32 year career in the global mining industry (working with both Gold Fields South Africa Ltd and Western Mining Corporation in Africa, Australia and North America) and subsequently in the investment banking/stockbroking industry, both in Australia and UK. Prior to joining Dampier Gold, Russell was the Global Chairman of Merrill Lynch Metals and Mining investment banking team based in London, before relocating back to Australia and pursuing a career as a professional company director.

Russell achieved an honours degree in geology from the University of Durham (1979) and a PhD in minerals geochemistry from Royal School of Mines, Imperial College, University of London (1983) with D.I.C. (Diploma of Imperial College). Russell is a Member of the Institute of Materials, Minerals & Mining (M.I.M.M.M.), Chartered Engineer (C.Eng.), Fellow of FINSIA (F.FIN.), and also a Non Executive Director of Russian precious metals miner, JSC Polymetal, listed in Moscow and London.

Russell is a Non Executive Director of Polymetal International PLC listed on the London Stock Exchange.

Philip Retter, BAppSc (Hons), MAIG (Non Executive Director)

Phil is a geologist and has accumulated over 25 years experience in the mining, consulting and financial industries. He has held senior positions in gold mining companies and in the late 1980s, led the exploration team at the Lawlers Gold Project that discovered the Genesis/New Holland deposits that is still being mined to the present day. During the 1990s, Phil was based in SE Asia where he was personally involved in numerous mineral property transactions for new and existing companies on the Australian and Canadian securities exchanges. In 1996 he was appointed to manage the Jakarta office of a large international mining consultancy. Phil relocated to Perth in 2000 to manage the Corporate Services division of that consultancy and was involved in listings and M&A transactions in the Australian, London and Canadian markets. In 2006 Phil was appointed as a Corporate Finance Director at a large Australian stockbroking firm. During his tenure he funded 3 new mining companies on the ASX and raised in excess of $100 million of new equity capital.

Phil is Chairman of ASX listed Bulletin Resources Limited.

Richard Burden, BComm, MBA (Non Executive Director)

Richard holds a Bachelor of Commerce Degree and an MBA from the University of Western Australia and has over 25 years experience in the mining sector, spanning bulk commodities and base and precious metals. He was Chief Financial Officer with LionOre Mining before setting up his own business development and analysis consultancy. During his career, he has also held senior positions with major companies including Rio Tinto, Alcoa Australia, Normandy Mining and Griffin Coal, and was a Director with Ampella Mining Ltd during the Company's formation and project acquisitions in West Africa. Richard brings his considerable experience in the acquisition, financing and development of mining assets both in Australia and overseas to the Board of Dampier.

Rodney Hanson, BE (Min) (Hons), MBA, FAusIMM, MAICD (Non Executive Director) - *Appointed 21 November 2011*

Rod is a mining engineer with 40 years experience in gold and base metals operations in Australia and overseas. Prior to joining Dampier Gold, Rod was Managing Director of Unity Mining Limited for five years. During his career, roles have included General Manager Operations with Plutonic Resources and General Manager with Sino Gold.

Rod is a former Managing Director of Unity Mining Limited and a former Director of GoldStone Resources Ltd (AIM) within the last 3 years.

COMPANY SECRETARY

Susan Hunter, BCom, ACA, F Fin, MAICD, ACIS

Susan has over 18 years experience in the corporate finance industry. Susan is founder and Managing Director of consulting firm Hunter Corporate Pty Ltd which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies. She holds a Bachelor of Commerce degree from the University of Western Australia majoring in accounting and finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia and is a Member of the Australian Institute of Company Directors. Susan is currently Company Secretary for five ASX listed companies and is a Non-Executive Director of ASX listed Quickflix Ltd.

Directors' Report continued

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of Dampier Gold Limited were:

	Ordinary Shares	Options over Ordinary Shares
Russell Skirrow	4,393,996	-
Philip Retter	3,504,061	-
Richard Burden	1,453,993	-
Rodney Hanson	-	-

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration and evaluation of mining tenements with the objective of identifying economic mineral deposits.

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

OPERATING AND FINANCIAL REVIEW

Review of Operations

The Group is evaluating and exploring its Plutonic Dome project which comprises a package of 80 prospective tenements covering nearly 700km^2 of a gold bearing Archaean greenstone belt in central Western Australia.

The operational focus of the business has been on evaluating a number of the mature prospects in the project to understand their potential for near term open pit gold production and explore opportunities in the under-explored areas of the project.

During the year a number of diamond core and RC drilling programs were performed on existing advanced projects to enhance confidence and understanding of their geology and prospects for production. Additionally, resource estimation updates were performed on a number of deposits. The project's total Mineral Resource inventory now stands at 5.5mt at 3.8g/t for 682,800 ounces of gold.

Furthermore, a number of soil sampling, RAB and Aircore drilling exploration programs were completed for the purposes of discovering new commercial deposits.

Competent Persons

The information in this report that relates to the Cinnamon, PPP, Trident, K1 and K2-K3 Mineral Resources is based on information compiled and reviewed by Mr Aaron Green who is a Member of the Australian Institute of Geoscientists and full-time employee of Runge Limited. Mr Green has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2004 JORC Code. Mr Green consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to Exploration Results is based on information compiled and reviewed by Mr Richard Hay, who is a Member of the Australian Institute of Geoscientists and the Chief Executive Officer of Dampier Gold. Mr Hay has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2004 JORC Code. Mr Hay consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Financial Review

Dampier Gold began the year with cash assets of $13,341,314.

During the year total exploration expenditure incurred by the Group amounted to $6,398,725 (2011: $4,841,779). In line with the Group's accounting policies, all exploration expenditure, other than acquisition costs, are written off as they are incurred. Net administration expenditure incurred amounted to $1,840,465 (2011: $1,819,908). Furthermore there was $94,276 recorded as an expense for share based payments to employees. This has resulted in an operating loss after income tax for the year ended 30 June 2012 of $7,882,657 (2011: $6,380,977).

At 30 June 2012 cash assets available totalled $2,726,377, with a further $3,285,971 in term deposits used to cash back environmental bonds.

Directors' Report continued

Operating Results for the Year

Summarised operating results are as follows:

	2012	
	Revenues	Results
	$	$
Revenues and loss from ordinary activities before income tax expense	450,809	(7,882,657)

Shareholder Returns

	2012	2011
Basic loss per share (cents)	**(14.4)**	(13.2)
Diluted loss per share (cents)	**(14.4)**	(13.2)

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stake holders needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.
- The Chief Executive Officer is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a Risk Register which is actively monitored and updated by management.
- Delegated authority limits exist in respect of financial expenditure and other business activities.
- A comprehensive insurance programme is undertaken.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 20, have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group intends to continue its current focus on the Plutonic Dome Project, however activity levels will be impacted by the state of the equity markets and the ability of the Group to raise money.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation with respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, as far as it is aware is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the year under review.

Directors' Report continued

REMUNERATION REPORT (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Dampier Gold Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The Board of Dampier Gold Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the Dampier Employee Incentive Option Scheme.

During the year the Board engaged Guerdon Associates as an independent Board remuneration advisor to consult on executive incentives and remuneration. As a consequence of Guerdon's advice, a performance rights scheme was developed as a long term incentive mechanism for key executives. The performance rights issued prior to signing of the report, vest over a period of 3 years, subject to the achievement of agreed performance hurdles.

The executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the Dampier Employee Incentive Option Scheme.

Performance based remuneration

The Group has short term incentives included in executive remuneration packages, upon the satisfaction of specific performance goals.

Group performance, shareholder wealth and directors' and executives' remuneration

No relationship exists between shareholder wealth, director and executive remuneration and Group performance.

Directors' Report continued

Details of remuneration

Details of the remuneration of the directors, the key management personnel (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Dampier Gold Limited and the Dampier Group are set out in the following table.

The key management personnel of Dampier Gold Limited and the Group include the directors and company secretary as per page 3 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the Group:

Richard Hay	Chief Executive Officer
Brendan Cocks	Chief Financial Officer
Dr Julian Stephens	Chief Executive Officer (Resigned 27 July 2011)

Given the size and nature of operations of Dampier Gold Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Director and key management personnel remuneration

	Short-Term			**Post Employment**		**Share-based Payments**	**Total**	***Proportion of remuneration performance related***	***Value of options as a proportion of remuneration***
	Salary & Fees	Bonus	Non Monetary Benefits	Super-annuation	Retirement benefits				
	$	**$**	**$**	**$**	**$**	**$**	**$**	*%*	*%*
Directors									
Russell Skirrow									
– 2012	**60,000**	-	-	**5,400**	-	-	**65,400**	-	-
– 2011	51,451	-	3,196	4,631	-	-	59,278	-	-
Philip Retter[(2)]									
– 2012	**40,000**	-	-	**3,600**	-	-	**43,600**	-	-
– 2011	34,301	-	3,196	3,087	-	-	40,584	-	-
Richard Burden									
– 2012	**40,000**	-	-	**3,600**	-	-	**43,600**	-	-
– 2011	34,301	-	3,196	3,087	-	-	40,584	-	-
Rodney Hanson[(5)] (appointed 21 November 2011)									
– 2012	**24,457**	-	-	**2,201**	-	-	**26,658**	-	-
– 2011	-	-	-	-	-	-	-	-	-
Other key management personnel									
Richard Hay[(4)] (appointed 19 August 2011)									
– 2012	**269,468**	-	-	**23,625**	-	-	**293,093**	***0%***	***0%***
– 2011	229,956	120,000	3,195	19,277	-	144,000	516,428	*23.2%*	*27.9%*
Brendan Cocks									
– 2012	**233,811**	**23,100**	-	**20,790**	-	**33,520**	**311,221**	***7.4%***	***10.8%***
– 2011	165,426	35,000	3,195	14,379	-	115,200	333,200	*10.5%*	*34.6%*
Susan Hunter[(1)]									
– 2012	**49,968**	-	-	-	-	-	**49,968**	-	-
– 2011	58,218	-	3,195	-	-	-	61,413	-	-
Dr Julian Stephens[(3)] (resigned 27 July 2011)									
– 2012	**99,117**	-	-	**9,218**	-	-	**108,335**	-	-
– 2011	226,268	125,000	3,195	20,081	-	144,000	518,544	*24.1%*	*27.8%*
Total Director and key management personnel									
– 2012	**816,821**	**23,100**	-	**68,434**	-	**33,520**	**941,875**		
– 2011	799,921	280,000	22,368	64,542	-	403,200	1,570,031		

Directors' Report continued

(1) Ms Hunter's short term benefits were paid to Hunter Corporate Pty Ltd of which Ms Hunter is the Managing Director and an employee.

(2) Mr Retter's benefits were paid to Sahara Minerals of which Mr Retter is a Director.

(3) Dr Stephens resigned as Chief Executive Officer of the company on 27 July 2011 and finished on 19 August 2011.

(4) Mr Hay was appointed to the position of Chief Executive Officer on 19 August 2011. He was previously the Chief Operating Officer.

(5) Mr Hanson was appointed to the Board of Directors on 21 November 2011.

Service agreements

The Company has an existing executive services agreement with Mr Richard Hay to act as its Chief Executive Officer. Mr Hay is entitled to a salary of $262,500 per year plus statutory superannuation (year ended June 2012). The salary is reviewed annually. The Company may terminate the agreement without cause with 6 months notice. Mr Hay may terminate the agreement without cause with 3 months notice.

The Company has an existing executive services agreement with Mr Brendan Cocks to act as its Chief Financial Officer. Mr Cocks is entitled to a salary of $231,000 per year plus statutory superannuation (year ended June 2012). The agreement can be terminated by either party without cause with 3 months notice. Mr Cocks is entitled to annual cash bonus of up to 25% of his base salary upon achievement of certain KPI's as set by the CEO and Board.

Ms Susan Hunter, Company Secretary, is employed under a service agreement with Hunter Corporate Pty Ltd. This agreement is able to be terminated by giving two months written notice.

Share-based compensation

In December 2011 the company issued 1,125,000 options exercisable at $0.36 on or before 14 December 2014 of which 400,000 were issued to key management personnel, and the balance issued to employees.

On the 19 September 2012 the company issued 1,000,000 performance rights and 1,000,000 options to Richard Hay as part of his long term incentive. The options vest immediately and are valid for 3 years from the date of issue with an exercise price of 15c. The performance rights are issued for nil value and vest over 3 years subject to achieving performance hurdles set by the Board.

Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

2012	Number of options granted during 2012	Grant Date	Fair value per option ($)	Exercise price per options ($)	Expiry Date	Number of options vested during 2012
Directors						
Russell Skirrow	-	-	-	-	-	-
Philip Retter	-	-	-	-	-	-
Richard Burden	-	-	-	-	-	-
Rodney Hanson	-	-	-	-	-	-
Other key management personnel						
Richard Hay	-	-	-	-	-	-
Brendan Cocks	**400,000**	**15 Dec 2011**	**0.084**	**0.36**	**14 Dec 2014**	**400,000**
Susan Hunter	-	-	-	-	-	-
Julian Stephens	-	-	-	-	-	-

Directors' Report continued

Analysis of options and rights over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each Director and key management personnel of the Group is as follows:

2011	Options Granted Number	Date	% Vested in year	% forfeited in year	Financial years in which grant vests
Directors					
Russell Skirrow	-	-	-	-	-
Philip Retter	-	-	-	-	-
Richard Burden	-	-	-	-	-
Other key management personnel					
Richard Hay	**500,000**	**14 Dec 2010**	-	-	**30 June 2011**
Brendan Cocks	**400,000**	**14 Dec 2010**	-	-	**30 June 2011**
	400,000	**15 Dec 2011**	**100%**	-	**30 June 2012**
Susan Hunter	-	-	-	-	-
Julian Stephens	**500,000**	**14 Dec 2010**	-	**100%**	**30 June 2011**

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the company held by each key management person and granted as part of remuneration is as follows:

2012	Granted in year $	Value of options exercised in year $	Lapsed in year $
Directors			
Russell Skirrow	-	-	-
Philip Retter	-	-	-
Richard Burden	-	-	-
Rodney Hanson	-	-	-
Other key management personnel			
Richard Hay	-	-	-
Brendan Cocks	**33,520**	-	-
Susan Hunter	-	-	-
Julian Stephens	-	-	-

Cost represents the fair value cost at the time the options were issued.

Directors' Report continued

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Russell Skirrow	10	10	2	2	3	3	2	2
Philip Retter	10	10	1	1	4	4	2	2
Richard Burden	10	10	2	2	4	4	2	2
Rodney Hanson (appointed November 21, 2011)	6	6	1	1	3	3	1	1

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

SHARES UNDER OPTION

At the date of this report there are 3,575,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	17,950,000
Movements of share options during the year	
Forfeited options due to resignation from company, exercisable at $1.12, on or before 14 December 2013	(500,000)
Issued, exercisable at $0.36, on or before 14 December 2014	1,125,000
Expired options, 31 October 2011, exercise price $0.50	(5,000,000)
Expired options, 31 December 2011, exercise price $0.50	(5,000,000)
Options converted to ordinary shares, exercise price $0.20 on 31 December 2011	(900,000)
Expired options, 31 December 2011, exercise price $0.20	(5,100,000)
Total number of options outstanding as at 30 June 2012	**2,575,000**
Movements of share options after the reporting date	**1,000,000**
Total number of options outstanding as at the date of this report	**3,575,000**

The balance is comprised of the following:

Expiry date	Exercise price ($)	Number of options
14 December 2013	$1.12	1,450,000
14 December 2014	$0.36	1,125,000
18 September 2015	$0.15	1,000,000
		3,575,000

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

SHARES SUBJECT TO PERFORMANCE RIGHTS

At the date of this report there are 1,000,000 unissued ordinary shares in respect of which performance rights are outstanding. The performance rights were issued to the CEO Richard Hay on 19 September 2012 and vest over 3 years subject to the achievement of certain performance hurdles.

Directors' Report continued

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors and officers of Dampier Gold Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid during the reporting period was $22,368

NON-AUDIT SERVICES

There were no non-audit services provided by the Group’s auditors, Stantons International or associated entities during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

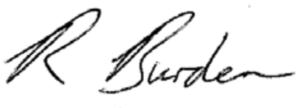
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR’S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the Directors.



Richard Burden
Non-Executive Director
24 September 2012

Stantons International Audit and Consulting Pty Ltd
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24 September 2012

The Directors

Dampier Gold Limited
Level 3
8 Colin Street
West Perth WA 6005

Dear Sirs

RE: DAMPIER GOLD LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Dampier Gold Limited.

As Audit Director for the audit of the financial statements of Dampier Gold Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

John Van Dieren
Director

Corporate Governance Statement

The Board of Directors of Dampier Gold Limited ("Dampier Gold" or "the Company") is responsible for its corporate governance and the Board has adopted a manual of corporate governance policies and procedures based on control systems and accountability. The Board of the Company review the Dampier Gold Ltd Corporate Governance Plan annually. The Corporate Governance plan is available in the corporate governance information section of the Company's website at www.dampiergold.com. A summary of the Group's corporate governance policies and procedures is included in this Statement.

The Group's corporate governance policies and procedures are in line with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("the Principles & Recommendations"). The Group has followed the Principles & Recommendations where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration by the Board, the Company's corporate governance practices depart from the Principles & Recommendations, the Board has fully disclosed the departure and the reason for the adoption of its own practice, in compliance with the "if not, why not" exception reporting regime.

Further information about the Group's corporate governance practices including the information on the Company's charters, code of conduct and other policies and procedures is set out on the Company's website at www.dampiergold.com.

Board of Directors

Role of the Board and Management

The Board is responsible for promoting the success of the Group in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Managing Director/CEO for the day-to-day management of the Group. Powers and functions not delegated remain with the Board. The key responsibilities and functions of the Board include the following:

- appointment of the Managing Director/CEO and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- meeting with the external auditor, at their request, without management being present.

The Board's role and the Group's corporate governance practices are periodically reviewed and improved as required.

The role of the senior management of the Company is to progress the strategic direction provided by the Board. The Group's senior management is responsible for supporting the Board in implementing the running of the general operations and financial business of the Group in accordance with the delegated authorities for expenditure levels and materiality thresholds in place.

The Company has a Performance Evaluation policy which outlines the performance evaluation of the Board, its Committees and its individual Directors. The Nomination Committee is responsible for evaluation of the Board its Committees and its individual Directors, if required, on an annual basis.

An annual review of the role of the Board will be conducted to assess the performance of the Board over the previous twelve (12) months and examine ways of assisting the Board in performing its duties more effectively. The review may include:

- comparing the performance of the Board with the requirements of its Charter;
- examination of the Board's interaction with management;
- the nature of information provided to the Board by management; and
- management's performance in assisting the Board to meet its objectives.

A similar review may be conducted for each Committee, if relevant, by the Board with the aim of assessing the performance of each Committee and identifying areas where improvements can be made.

Corporate Governance Statement

During the financial year, the Company conducted a formal performance evaluation of the Board and its Committees which involved completion of a questionnaire by each Board member and collation and review of the results by the Board. No formal reviews of individual Directors were undertaken during the financial year.

The Board with assistance from the Remuneration Committee oversee the performance evaluation of the executive team. This evaluation will be based on specific criteria, including the performance of the Company, whether strategic objectives are being achieved and the development of management and personnel. During the financial year, senior executives undertook formal annual performance and remuneration reviews conducted by the Board with assistance from the Remuneration Committee. Senior executives are reviewed against a number of qualitative and quantitative factors relevant to their role and position.

The Board Charter including matters reserved for the Board and senior management and the Performance Evaluation Policy is available on the Company's website at www.dampiergold.com

Composition of the Board

The Company has adopted a policy on assessing the independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations and detailed in the Board Charter and is attached as Annexure A to the Corporate Governance Plan. The materiality thresholds in this policy are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

The current Board includes a Non-Executive Chairman, Russell Skirrow and three Non-Executive Directors, Rodney Hanson, Philip Retter and Richard Burden. The Board considers Rodney Hanson and Richard Burden are independent based on the criteria for independence included in the Company's Policy on Assessing the Independence of Directors and the ASX Principles & Recommendations. Russell Skirrow and Philip Retter are not considered to be independent due to their shareholdings in the Company. As such, the Board does not have a majority of independent Directors.

The role of the Chairman, Russell Skirrow, and the Chief Executive Officer, Richard Hay are exercised by different people.

A minimum of three (3) Directors and a maximum of ten (10) Directors is stipulated under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board will seek to nominate persons for appointment to the Board with the appropriate mix of skills and experience to ensure an effective decision-making body and to ensure that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance. The Board should comprise Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

All Directors are required by the Constitution of Dampier Gold to retire from office at the Company's first annual general meeting and at the annual general meeting in every subsequent year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the whole number nearest one-third, shall retire from office. Prior to the Board proposing re-election of Non-Executive Directors, their performance will be evaluated to ensure that they continue to contribute effectively to the Board.

The Company's policy for re-election of Directors and selection and appointment of new Directors is available in the Board Charter and Nomination Committee Charter in the Corporate Governance Plan on the Company's website at www.dampiergold.com.

A profile of each Director containing their skills, experience and expertise is set out in the Directors' Report.

Statement concerning availability of Independent Professional Advice

The Board considers that to assist Directors with independent judgement a Director may consider it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director. Provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Committee

The Board has established a Nomination Committee which is comprised of Philip Retter (Chairman of the Committee and Non-Executive Director), Russell Skirrow (Non-Executive Chairman of the Board) and Richard Burden (Non-Executive Director). Prior to 3 May 2012, Rodney Hanson was also a member of the Committee. The responsibilities of the Committee include the periodic review and consideration of the structure and balance of the Board and the making of recommendations to the Board regarding appointments, retirements and terms of office of Directors. To assist the Committee to fulfil its function as the Nomination Committee, the Board has adopted a Nomination Committee Charter. The Nomination Committee Charter is available on the Company's website www.dampiergold.com.

Remuneration Committee

The Board has established a Remuneration Committee which is comprised of Philip Retter (Chairman of the Committee and Non-Executive Director), Rodney Hanson (independent Non-Executive Director) and Richard Burden (independent Non-Executive Director). Prior to 3 May 2012, Russell Skirrow was also a member of the Committee. The Committee has a majority of independent Directors however is not chaired by an independent Chair.

The primary purpose of the Committee is to fulfil the Board's responsibilities to shareholders by (i) reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders; (ii) ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration; (iii) recommending the remuneration of Directors; (iv) fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market; (v) reviewing the Company's recruitment, retention and termination policies and procedures for senior management; (vii) reviewing and approving the remuneration of director reports to the Managing Director/CEO, and as appropriate other senior executives; and (viii) reviewing and approving any equity based plans and other incentive schemes. To assist the Committee to fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. The Remuneration Committee Charter is available on the Company's website www.dampiergold.com.

The performance of the Managing Director/CEO and the executive team is reviewed annually by the Remuneration Committee. The performances of the other staff are reviewed on an annual basis by the Managing Director/CEO in consultation with the Remuneration Committee.

Remuneration of Directors and senior management is determined with regard to the performance of the Company, the performance and skills and experience of the particular person and prevailing remuneration expectations in the market. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report.

There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Health, Safety and Environment Committee

During the financial year, the Board resolved to establish a Heath, Safety and Environment (HSE) Committee. The role of the HSE Committee is to review and make recommendations to the Board of any HSE matters that may arise from the Company's activities which affect, or may affect, the Company's employees, contractors, visitors and the community. The Committee is comprised of Rodney Hanson (Chairman of the Committee and independent Non-Executive Director), Philip Retter (Non-Executive Director) and Richard Hay (CEO).

To assist the Committee to fulfil its function as the HSE Committee, the Board has adopted a HSE Committee Charter. The HSE Committee Charter is available on the Company's website www.dampiergold.com.

Code of Conduct

The Company has adopted a Code of Conduct that outlines how the Company expects its Directors and employees of the Group to behave and conduct business in the workplace on a range of issues. The Company is committed to the highest level of integrity and ethical standards in all business practices.

The purpose of the Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

It sets out the Company's expectations of its Directors and employees with respect to a range of issues including personal and professional behaviour, conflicts of interest, public and media comment, use of Company resources, security of information, intellectual property and copyright, discrimination and harassment, corrupt conduct, occupational health and safety, fair dealing and insider trading.

A breach of the Code is subject to disciplinary action which may include punishment under legislation and/or termination of employment. The Code of Conduct is available on the Company's website at www.dampiergold.com.

Ethical Standards

The Board considers that the success of the Company will be enhanced by a strong ethical culture within the Company. Accordingly, the Board is committed to the highest level of integrity and ethical standards in all business practices. Employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation.

Conflicts of Interest

In accordance with the Corporations Act 2001, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Guidelines for Buying and Selling Securities

The Guidelines for Buying and Selling Securities adopted by the Board prohibits trading in shares by a Director, officer or employee during certain blackout periods (in particular, prior to release of quarterly, half yearly or annual results) except in exceptional circumstances and subject to procedures set out in the Guidelines.

Outside of these blackout periods, a Director, officer or employee must first obtain clearance in accordance with the Guidelines before trading in shares. For example:

- A Director must receive clearance from the Chairman before he may buy or sell shares.
- If the Chairman wishes to buy or sell shares he must first obtain clearance from the Board.
- Other officers and employees must receive clearance from the Managing Director/CEO before they may buy or sell shares.

Directors, officers and employees must observe their obligations under the Corporations Act 2001 not to buy or sell shares if in possession of price sensitive non-public information and that they do not communicate price sensitive non-public information to any person who is likely to buy or sell shares or communicate such information to another party.

The Guidelines for Buying and Selling Securities is available on the Company's website at www.dampiergold.com.

Continuous Disclosure

The Company is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act 2001. As such, the Company has a Continuous Disclosure Policy. The purpose of this Continuous Disclosure Policy is to ensure the Company complies with continuous

Corporate Governance Statement

disclosure requirements arising from legislation and the Listing Rules of the Australian Securities Exchange ("ASX"). The Policy sets out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Group achieves best practice in complying with its continuous disclosure obligations under legislation and the Listing Rules; and
- ensuring the Group and individual officers do not contravene legislation or the Listing Rules.

The Group has obligations under the Corporations Act 2001 and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities and to correct any material mistake or misinformation in the market. Dampier Gold discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Group recognises that the maintenance of confidentiality is also of paramount importance to the Company both to protect its trade secrets and to prevent any false market for the Company's shares from developing.

All relevant information provided to ASX in compliance with the continuous disclosure requirements of legislation and the Listing Rules is promptly posted on the Company's web site www.dampiergold.com.

The Continuous Disclosure Policy is available on the Company's website at www.dampiergold.com.

Audit and Risk Committee

The Board has established an Audit and Risk Committee which is comprised of Richard Burden (Chairman of the Committee and independent Non-Executive Director), Russell Skirrow (Non-Executive Chairman of the Board) and Rodney Hanson (independent Non-Executive Director). Prior to 2 February 2012, Philip Retter (Non-Executive Director) was also a member of the Committee. The Committee consists only of non-executive Directors, consists of a majority of independent Directors, is chaired by an independent chair, who is not the chair of the Board and has three members.

The Audit and Risk Committee provides recommendations in relation to the initial appointment of the external auditor and the appointment of a new external auditor should a vacancy arise. Any appointment of a new external auditor made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Proposed external auditors must be able to demonstrate complete independence from the Group and an ability to maintain independence through the engagement period. In addition, the successful candidate for external auditor must have arrangements in place for the rotation of the lead audit engagement partner on a regular basis. Other than these mandatory criteria, the Board may select an external auditor based on other criteria relevant to the Company such as references, cost and any other matters deemed relevant by the Board.

A formal Audit and Risk Committee Charter has been adopted, a copy of which is available on the Company's website at www.dampiergold.com.

Communication to Shareholders

The Company has a Shareholder Communications Strategy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner. The Board aims to ensure that Shareholders are informed of all major developments affecting the Company's state of affairs. Information will be communicated to Shareholders through the annual report, half yearly report, quarterly reports, disclosures and announcements made to the ASX, the annual general meeting and general meetings and through the Company's website.

The Company considers general meetings to be an effective means to communicate with shareholders and encourages shareholders to attend the meeting. Information included in the notice of meeting sent to shareholders will be presented in a clear, concise and effective manner.

The Shareholder Communications Strategy is available on the Company's website at www.dampiergold.com.

Privacy Policy

The Group is committed to respecting the privacy of any personal information in its possession. The Group is bound by the Privacy Act.

Risk Management

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board has delegated to the Managing Director/CEO responsibility for implementing the risk management system. The Managing Director/CEO submits particular matters to the Board for its approval or review. The Managing Director/CEO is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a risk register which is monitored and updated by management periodically.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and regularly report back to the Board.

The Board will review assessments of the effectiveness of risk management and internal compliance and control on an annual basis.

The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received an assurance from management that the Company's management of its material business risks is effective.

The Company's Risk Management Policy is available on the Company's website at www.dampiergold.com.

Corporate Governance Statement

Integrity of Financial Reporting

Richard Burden, Non-Executive Director and Brendan Cocks, Chief Financial Officer, have provided a declaration in accordance with section 295A of the Corporations Act 2001 in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for the year ended 30 June 2012 present a true and fair view, in all material aspects, of the Company’s financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company’s risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Diversity Policy

The Board has adopted a Diversity Policy. The Company is committed to workplace diversity and recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Principles and Recommendations.

The Remuneration Committee is responsible for developing objectives and strategies to meet the objectives of the Diversity Policy (Objectives) and will report at least annually to the Board on the progress against and achievement of these Objectives. The Remuneration Committee may also set measurable objectives for achieving gender diversity. The Board is responsible for implementing, monitoring and reporting on the Objectives set by the Remuneration Committee.

Given the size of the Company, no measurable objectives or strategies have been set however the Company has disclosed in this Annual Report the proportion of women employees in the Company, in senior executive positions and on the Board.

The Company's Diversity Policy is available on the Company's website at www.dampiergold.com.

Corporate Governance Statement

ASX LISTING RULE DISCLOSURE – EXCEPTION REPORTING

As required by ASX Listing Rules, the following table discloses the extent to which Dampier Gold has not followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
2.1	A majority of the Board should be independent directors.	Currently, Dampier Gold has two independent and two non-independent Directors.	The Board considers that the current composition of the Board is appropriate in the context of the stage of development of the Company and the scope and scale of the Company's operations. Further the Company considers that each of the non-independent Directors possess skills and experience suitable for building the Company. The Board will consider the appointment of independent Directors if deemed appropriate depending on the scope and scale of its operations.
2.2	The Chair should be an independent Director	Currently, Dampier Gold has a non-independent Chair.	The Board considers that the non-independent Chair possesses skills and experience suitable for leading the Board and considers a non-independent Chair to be appropriate in the context of the stage of development of the Company and the scope and scale of the Company's operations. The Board will consider the appointment of an independent Director as the Chair if deemed appropriate depending on the scope and scale of the Company's operations.
3.3	Companies should disclose achievement of measurable objectives for gender diversity	Given the size of the Company, no measurable objectives for achieving gender diversity have been set.	Whilst no measurable objectives have been set for achieving gender diversity, the Company has disclosed in this Annual Report the proportion of women employees in the Company, in senior executive positions and on the Board. The Board will consider the setting of measurable objectives for achieving gender diversity depending on the future scope and scale of the Company's operations and workforce.
8.2	The Board should establish a Remuneration Committee. The Remuneration Committee should be chaired by an independent chair.	The Chair of the Remuneration Committee is non-independent Non-Executive Director.	The Board considers that the Remuneration Committee's structure has been, and continues to be, appropriate in the context of the Company's size. All matters of remuneration are determined by the Board in accordance with Corporations Act 2001 and ASX Listing Rule requirements, particularly in respect of related party transactions. No Director participates in any discussion or decision regarding his own remuneration or related issues. The Board has adopted a Remuneration Committee Charter.

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2012	Notes	Consolidated 2012 $	2011 $
REVENUE	4	**450,809**	842,401
EXPENDITURE	4		
Administration expenses		**(1,840,465)**	(1,819,908)
Exploration expenses		**(6,398,725)**	(4,841,779)
Share based payments		**(94,276)**	(561,691)
LOSS BEFORE INCOME TAX		**(7,882,657)**	(6,380,977)
INCOME TAX BENEFIT / (EXPENSE)	5	**-**	-
NET LOSS FOR THE YEAR		**(7,882,657)**	(6,380,977)
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF DAMPIER GOLD LIMITED		**(7,882,657)**	(6,380,977)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	22	**(14.4)**	(13.2)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2012

	Notes	Consolidated	
		2012	2011
		$	$
CURRENT ASSETS			
Cash and cash equivalents	6	**2,726,377**	13,341,314
Trade and other receivables	7	**16,493**	180,672
TOTAL CURRENT ASSETS		**2,742,870**	13,521,986
NON-CURRENT ASSETS			
Plant and equipment	9	**278,033**	342,587
Term deposits	8	**3,285,971**	-
Capitalised acquisition costs	10	**5,473,000**	5,473,000
TOTAL NON-CURRENT ASSETS		**9,037,004**	5,815,587
TOTAL ASSETS		**11,779,874**	19,337,573
CURRENT LIABILITIES			
Trade and other payables	11	**747,339**	1,121,647
Provisions	12	**69,074**	44,083
TOTAL CURRENT LIABILITIES		**816,413**	1,165,730
NON CURRENT LIABILITIES			
Provisions	12	**2,400,000**	2,000,000
TOTAL NON CURRENT LIABILITIES		**2,400,000**	2,000,000
TOTAL LIABILITIES		**3,216,413**	3,165,730
NET ASSETS		**8,563,461**	16,171,843
EQUITY			
Issued capital	13	**21,591,179**	21,411,179
Reserves	13(f)	**1,628,967**	1,534,691
Accumulated losses		**(14,656,685)**	(6,774,027)
TOTAL EQUITY		**8,563,461**	16,171,843

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2012 Consolidated	Notes	Contributed Equity $	Option Reserve $	Accumulated Losses $	Total $
BALANCE AT 30 JUNE 2010		652,150	-	(393,050)	259,100
Loss for the year ended 30 June 2011		-	-	(6,380,977)	(6,380,977)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE LOSS		-	-	(6,380,977)	(6,380,977)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period		21,750,000	-	-	21,750,000
Capital raising costs		(990,971)	-	-	(990,971)
Share based payments to employees		-	561,691	-	561,691
Options granted for tenement acquisition		-	973,000	-	973,000
Total transactions with owners		20,759,029	1,534,691	-	22,293,720
BALANCE AT 30 JUNE 2011		21,411,179	1,534,691	(6,774,027)	16,171,843
Loss for the year ended 30 June 2012		**-**	**-**	**(7,882,657)**	**(7,882,657)**
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE LOSS		-	-	**(7,882,657)**	**(7,882,657)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year		**180,000**	**-**	**-**	**180,000**
Share based payments to employees		**-**	**94,276**	**-**	**94,276**
Total transactions with owners		**180,000**	**94,276**	**-**	**274,276**
BALANCE AT 30 JUNE 2012		**21,591,179**	**1,628,967**	**(14,656,684)**	**8,563,462**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2012

	Notes	Consolidated 2012 $	Consolidated 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(1,971,008)**	(1,521,248)
Payments of exploration expenditure		**(6,078,154)**	(4,150,282)
Interest received		**592,585**	640,892
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	21(a)	**(7,456,577)**	(5,030,638)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		**(93,389)**	(361,873)
Purchase of tenements		**-**	(550,000)
Term deposits to secure bank guarantees		**(3,244,971)**	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(3,338,360)**	(911,873)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**180,000**	20,050,000
Payments of share issue costs		**-**	(856,209)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**180,000**	19,193,791
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(10,614,937)**	13,251,280
Cash and cash equivalents at the beginning of the financial year		**13,341,314**	90,034
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	**2,726,377**	13,341,314

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These financial statements are for Dampier Gold Limited and its controlled entities ("Group"). The financial statements are presented in the Australian currency. Dampier Gold Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the Directors on 24 September 2012.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial statements of Dampier Gold Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified where applicable by the revaluation of available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss.

(b) Going Concern

The financial report has been prepared on the going concern basis.

The Directors believe there is sufficient grounds to believe that the business will be able to continue to pay its debts as and when they fall due. This is based on future cash forecasts, existing cash reserves and the ability to significantly reduce activity to preserve cash if necessary. The Directors are confident a capital raising could be achieved to raise the additional funds required and various alternative means of sourcing capital have been identified including an offer from Macquarie Bank to take up a non-cash backed bond facility to free up $2.5m. At the time of signing this report the offer from Macquarie had been accepted by Dampier and the facility was in the process of being established.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dampier Gold Limited ("Company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Dampier Gold Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer note 1(f)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Dampier Gold Limited.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Principles of consolidation

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Dampier Gold Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(e) Income tax

The income tax expense or revenue for the year is the tax payable on the current year’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company’s subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group’s share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Investments and other financial assets (cont'd)

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2(d).

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(k) Tenement acquisition, exploration and evaluation costs

Exploration and evaluation expenditure on areas of interest are expensed as incurred. Costs of tenement acquisition will normally be expensed but will be assessed on a case by case basis and may be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(m) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group.

At the date of the authorization of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) New Accounting Standards for Application in Future Periods (cont'd)

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

– simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

– simplifying the requirements for embedded derivatives;

– removing the tainting rules associated with held-to-maturity assets;

– removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

– allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument

– requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

– requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or 'joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the 'special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Group.

AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is not expected to significantly impact the Group.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

i. for an offer that may be withdrawn – when the employee accepts;

ii. for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

iii. where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

(q) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Capitalised tenement acquisition costs

The Group has capitalised significant tenement acquisition expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

The future recoverability of capitalised tenement acquisition expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related tenement acquisition costs through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Managing Director (or equivalent), with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia the Group is not exposed to foreign exchange risk.

(ii) Price risk

The company is exposed to gold commodity price risk. The gold price can be volatile and influenced by factors beyond the company's control. As the company is engaged in exploration and development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents and non current term deposits for the Group of $6,012,348 is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was approximately 4.7%.

Sensitivity analysis

At 30 June 2012, if interest rates had changed by -/+ 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been approximately $97,000 lower/higher (2011: $140,000) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's main exposure to credit risk is through the investment of our surplus funds. To minimise this risk the company only invests with counterparties that have an acceptable credit rating.

As the Group does not presently have any debtors, lending or significant stock levels, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration and development, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

For management purposes, the Group has identified only one reportable segment being exploration and evaluation activities undertaken in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

	Consolidated	
	2012	2011
	$	$

4. OPERATING LOSS

Operating loss before income has been determined after:

(a) Revenue:		
Interest revenue	**450,809**	787,844
Other	**-**	54,557
(b) Expense:		
Depreciation	**126,050**	51,179
Share based payments	**94,276**	561,691
Employment and recruitment expenses	**1,681,710**	1,794,153

5. INCOME TAX

(a) Income tax expense

Current tax	-	-
Deferred tax	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense	**(7,882,657)**	(6,380,977)
Prima facie tax benefit at the Australian tax rate of 30%	**(2,364,797)**	(1,914,293)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	**28,283**	168,507
Entertainment	**287**	726
	(2,336,227)	(1,745,060)
Movements in unrecognised temporary differences	**113,725**	(1,062,627)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**2,222,502**	2,807,687
Income tax expense	**-**	-

(c) Unrecognised temporary differences

Deferred Tax Assets (at 30%)

On Income Tax Account		
Property, Plant and Equipment	**16,992**	5,057
Provision for expenses	**754,397**	629,651
Capital raising costs	**172,689**	233,348
Carry forward revenue tax losses	**5,223,743**	3,001,239
	6,167,821	3,869,295

Deferred Tax Liabilities (at 30%)

Tenement acquisition costs	**1,641,900**	1,641,900

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

	Consolidated 2012 $	Consolidated 2011 $
6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and on hand (1)	**1,082,348**	1,111,314
Bank short term deposits	**1,644,029**	7,030,000
Bank short term deposits – Bank guarantee facility	**-**	5,200,000
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**2,726,377**	13,341,314

(1) Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

7. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Interest receivable	**5,176**	146,952
Sundry receivables	**11,317**	33,720
	16,493	180,672

8. NON-CURRENT ASSETS – TERM DEPOSITS

	2012 $	2011 $
Bank and short term deposits	**3,285,971**	-
	3,285,971	-

Non-Current term deposits are used for cash backing bank guarantees provided for the purpose of environmental bonds lodged with the Department of Mines and Petroleum, and for securing our office lease.

9. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT

	2012 $	2011 $
Plant & Equipment		
At cost	**455,262**	393,766
Less: accumulated depreciation	**(177,229)**	(51,179)
	278,033	342,587
Reconciliation / movement for the year		
Carrying amount at beginning of year	**342,587**	-
Additions	**61,496**	393,766
Depreciation charge	**(126,050)**	(51,179)
Carrying amount at end of year	**278,033**	342,587

10. NON-CURRENT ASSETS – MINING PROPERTIES

	2012 $	2011 $
Tenement acquisition costs carried forward in respect of mining areas of interest		
Opening net book amount	**5,473,000**	250,000
Capitalised tenement acquisition costs	**-**	5,223,000
Closing net book amount	**5,473,000**	5,473,000

The ultimate recoupment of costs carried forward for tenement acquisition is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

	Consolidated 2012 $	Consolidated 2011 $
11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	**497,609**	879,650
Other payables and accruals	**249,730**	241,997
	747,339	1,121,647
12. PROVISIONS		
(a) Current Provisions		
Annual leave provision	**69,074**	44,083
	69,074	44,083
(b) Non Current Provisions		
Rehabilitation provision (1)	**2,400,000**	2,000,000
	2,400,000	2,000,000

(1) Relates to independently estimated rehabilitation costs on Plutonic Dome tenements.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

13. ISSUED CAPITAL

(a) Share capital

	Notes	2012 Number of shares	2012 $	2011 Number of shares	2011 $
Ordinary shares fully paid	13(b), 13(d)	**55,250,004**	**21,591,179**	54,350,004	21,411,179
Total issued capital		**55,250,004**	**21,591,179**	54,350,004	21,411,179

	2012 Number of shares	2012 $	2011 Number of shares	2011 $
(b) Movements in ordinary share capital				
Beginning of the financial year	**54,350,004**	**21,411,179**	9,950,004	652,150
Issued during the year:				
– Issued at IPO	-	-	40,000,000	20,000,000
– Issued as consideration for acquisition of tenements	-	-	3,400,000	1,700,000
– Issued to seed investors[(1)] - funds received in advance	-	-	500,000	-
– Issued to seed investors	-	-	500,000	50,000
– Conversion of options	**900,000**	**180,000**	-	-
Less: Transaction costs	-	-	-	(990,971)
End of the financial year	**55,250,004**	**21,591,179**	54,350,004	21,411,179

(c) Movements in options on issue	2012 Number of options	2011 Number of options
Beginning of the financial year	**17,950,000**	6,000,000
Issued, exercisable at 50 cents, on or before 31 October 2011		5,000,000
Issued, exercisable at 50 cents, on or before 31 December 2011		5,000,000
Issued, exercisable at $1.12, on or before 14 December 2013		1,950,000
Forfeited, exercisable at $1.12, on or before 14 December 2013	**(500,000)**	
Issued, exercisable at $0.36, on or before 14 December 2014	**1,125,000**	
Expired, exercisable at 50 cents, on or before 31 October 2011	**(5,000,000)**	
Expired, exercisable at 50 cents, on or before 31 December 2011	**(5,000,000)**	
Converted to ordinary shares, exercise price $0.20 on 31 December 2011	**(900,000)**	
Expired, exercisable at 20 cents, on or before 31 December 2011	**(5,100,000)**	
End of the financial year	**2,575,000**	17,950,000

Subsequent to year end the Board resolved to issue the following options:

(i) In July 2012 the company entered into a mandate with Azure Capital to provide corporate advisory services. As part of the fee for this service Dampier has committed to issue 1.5 million options with a 3 year life and an exercise price of the lower of 15c or a 20% premium to the price of any capital raised during the engagement. These options have not been issued at the time of signing these accounts.

(ii) On the 14 September 2012 the Company made Richard Hay an offer for a Long Term Incentive Package in his role as CEO. The package includes the issue of 1,000,000 options pursuant to the company's Employee Share Option Plan and the issue of 1,000,000 performance rights. The options have an exercise price of 15c, a term of 3 years and vest immediately. The performance rights are issued for nil value vesting over the next 3 years subject to achieving performance hurdles set by the Board. The options and performance rights were issued on 19 September 2012.

13. ISSUED CAPITAL (cont'd)

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(e) Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at reporting date is as follows:

	Consolidated	
	2012	2011
	$	$
Cash and cash equivalents (1)	**2,726,377**	8,141,314
Trade and other receivables	**16,493**	180,670
Trade and other payables	**(747,340)**	(1,121,647)
Current provisions (Annual leave provision)	**(69,074)**	(44,083)
Working capital position	**1,926,456**	7,156,254

(f) Reserves - Options		
Balance at beginning of year	**1,534,691**	-
Issue of options for tenement acquisition	**-**	973,000
Issue of employee options	**94,276**	561,691
Reserves	**1,628,967**	1,534,691

The reserve is to account for the fair value of share options issued by the Company on acquisition of assets and settlement of employment obligations.

14. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation		
Short-term benefits	**839,921**	1,102,289
Post employment benefits	**68,434**	64,542
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**33,520**	403,200
	941,875	1,570,031

Detailed remuneration disclosures are provided in the remuneration report on pages 6 to 9.

15. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

In December 2011, the Board resolved to issue options to employees as a form of long term incentive. 1,125,000 options were issued to staff exercisable at $0.36 on or before 14 December 2014. Of this issue 400,000 went to key management personnel with a determined value of $94,276 based on a Black Scholes calculation.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Dampier Gold Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2012	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Dampier Gold Limited							
Russell Skirrow	**2,000,000**	-	-	**(2,000,000)**	-	-	-
Philip Retter	**2,000,000**	-	**(900,000)**	**(1,100,000)**	-	-	-
Richard Burden	**2,000,000**	-	-	**(2,000,000)**	-	-	-
Rodney Hanson	-	-	-	-	-	-	-
Total	**6,000,000**	-	**(900,000)**	**(5,100,000)**	-	-	-
Other key management personnel of the Group							
Dr Julian Stephens	**500,000**	-	-	**(500,000)**	-	-	-
Richard Hay	**500,000**	-	-	-	**500,000**	**500,000**	-
Brendan Cocks	**400,000**	**400,000**	-	-	**800,000**	**800,000**	-
Susan Hunter	-	-	-	-	-	-	-
Total	**1,400,000**	**400,000**	-	**(500,000)**	**1,300,000**	**1,300,000**	-

2011	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Dampier Gold Limited							
Russell Skirrow	2,000,000	-	-	-	2,000,000	2,000,000	-
Philip Retter	2,000,000	-	-	-	2,000,000	2,000,000	-
Richard Burden	2,000,000	-	-	-	2,000,000	2,000,000	-
Total	**6,000,000**	**-**	**-**	**-**	**6,000,000**	**6,000,000**	**-**
Other key management personnel of the Group							
Dr Julian Stephens	-	500,000	-	-	500,000	500,000	-
Richard Hay	-	500,000	-	-	500,000	500,000	-
Brendan Cocks	-	400,000	-	-	400,000	400,000	-
Susan Hunter	-	-	-	-	-	-	-
Total	-	**1,400,000**	-	-	**1,400,000**	**1,400,000**	-

All vested options are exercisable at the end of the year.

15. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Dampier Gold Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting year as compensation.

2012	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year**
Directors of Dampier Gold Limited				
Ordinary shares				
Russell Skirrow	**4,393,996**	**-**	**-**	**4,393,996**
Philip Retter	**2,604,061**	**900,000**	**-**	**3,504,061**
Richard Burden	**1,453,993**	**-**	**-**	**1,453,993**
Rodney Hanson	**-**	**-**	**-**	**-**
Total	**8,452,050**	**900,000**	**-**	**9,352,050**
Other key management personnel of the Group				
Ordinary shares				
Dr Julian Stephens(1)	**500,000**	**-**	**(500,000)**	**N/A**
Richard Hay	**520,000**	**-**	**-**	**520,000**
Brendan Cocks	**35,000**	**-**	**-**	**35,000**
Susan Hunter	**-**	**-**	**-**	**-**
Total	**1,055,000**	**-**	**(500,000)**	**555,000**

(1) Dr Stephens ceased to be a KMP during the year due to his resignation. No end of year balance has therefore been recorded.

2011	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year**
Directors of Dampier Gold Limited				
Ordinary shares				
Russell Skirrow	4,393,996	-	-	4,393,996
Philip Retter	2,604,061	-	-	2,604,061
Richard Burden	1,323,993	-	130,000	1,453,993
Total	**8,452,050**	**-**	**130,000**	**8,452,050**
Other key management personnel of the Group				
Ordinary shares				
Dr Julian Stephens(1)	-	-	500,000	500,000
Richard Hay	-	-	520,000	520,000
Brendan Cocks	-	-	35,000	35,000
Susan Hunter	-	-	-	-
Total	**-**	**-**	**1,055,000**	**1,055,000**

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

(d) Other transactions with key management personnel

Services

Hunter Corporate Pty Ltd, of which Ms Hunter is the Managing Director and an employee, provided company secretarial and other corporate services to Dampier Gold Limited during the year. The amounts paid totalling $50,426 (2011: $58,218) were on arms length commercial terms and are included as part of Ms Hunter's compensation. At 30 June 2012 there was no outstanding amount owed to Hunter Corporate Pty Ltd.

	Consolidated	
	2012	2011
	$	$

16. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	2012 $	2011 $
(a) Audit services		
Stantons International – audit and review of financial reports	**28,500**	28,500
Total remuneration for audit services	**28,500**	28,500
(b) Non-audit services		
Stantons International – independent accountants report	**-**	7,700
Total remuneration for other services	**-**	7,700

17. COMMITMENTS AND CONTINGENCIES

(a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	2012 $	2011 $
within one year (1)	**1,920,200**	5,030,000
later than one year but not later than five years	**20,288,000**	20,120,000
	22,208,200	25,150,000

(1) The Company has minimum expenditure commitments of $5,072,860. As at 30 June 2012 the Group had exceeded its annual minimum group expenditure by $3,153,000. Therefore the 12 month minimum for the 2013 financial year has been reduced by this amount.

(b) Lease commitments: Company as lessee

	2012 $	2011 $
Minimum rental lease payments:		
within one year	**152,526**	148,878
later than one year but not later than five years	**38,502**	190,911
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**191,028**	339,789

(c) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report that are not recognised as liabilities and are not included in the key management personnel compensation. The amounts are calculated using the minimum notice period.

	2012 $	2011 $
within one year	**322,922**	300,000
later than one year but not later than five years	**-**	-
	322,922	300,000

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

(d) Contingencies

At balance date there are no contingent assets or liabilities noted by the Group.

18. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Dampier Gold Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 19.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 15.

(d) Loans to related parties

At the reporting date the Company had advanced $17,868,873 (2011: $7,849,946) to its wholly owned subsidiary to fund the on-going exploration and evaluation of the Group's projects. The loan is non-interest bearing and has no specific repayment date nor is it subject to any contracts. The balance is eliminated on Group consolidation, and was fully provided for in the parent entity's records.

The Group had no outstanding receivables from its Directors or related parties as at 30 June 2012.

19. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c)(i):

Name	Country of Incorporation	Class of Shares	Equity Holding(1) 2012 and 2011 %
Dampier (Plutonic) Pty Ltd	Australia	Ordinary	**100**

(1) The proportion of ownership interest is equal to the proportion of voting power held.

20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 13 September 2012 the Board signed an offer from Macquarie Bank to establish a non cash backed bond facility. At the date of signing the Financial Report the documents were with Macquarie Bank for execution and the facility was in the process of being established. Once established the facility will give the Group the capacity to draw down up to $2.5m of cash currently held in term deposits providing cash backed security for environmental bonds issued in favour of the DMP. As security for the facility the business has committed to provide a charge over the assets of Dampier (Plutonic) Pty Ltd with a parent company guarantee provided by Dampier Gold Limited.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Notes to the Consolidated Financial Statements continued

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	Consolidated 2012 $	Consolidated 2011 $

21. STATEMENT OF CASH FLOWS

(a)		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(7,882,657)**	(6,380,977)
Adjusted for:		
Depreciation	**126,050**	51,179
Issue of Employee Options	**94,276**	561,691
Change in operating assets and liabilities		
(Increase) in trade and other receivables	**164,178**	(161,723)
Increase in trade and other payables	**(383,415)**	855,109
Increase in provisions	**424,991**	44,083
Net cash outflow from operating activities	**(7,456,577)**	(5,030,638)

(b)		
Non Cash financing and investing activities		
Settlement of tenement acquisition with shares	-	1,700,000
Settlement of tenement acquisition with options	-	973,000
Settlement of tenement acquisition with adoption of rehabilitation liability	-	2,000,000
Net non cash outflow from financing and investing activities	-	4,673,000

22. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(7,882,657)**	(6,380,977)

	Number of shares 2012	Number of shares 2011
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**54,797,545**	48,270,552

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2012, all options on issue are considered non-dilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

23. SHARE-BASED PAYMENTS

(a) Employees and contractors options

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. The exercise price of the options granted is $0.36 with an expiry date of 14 December 2014.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

	Consolidated			
	2012		2011	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**1,950,000**	**112.0**	-	-
Granted	**1,125,000**	**36.0**	1,950,000	112.0
Forfeited/cancelled	**(500,000)**	**112.0**	-	-
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding at year-end	**2,575,000**	**78.8**	1,950,000	112.0
Exercisable at year-end	**2,575,000**	**78.8**	1,950,000	112.0

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.9 years (2011: 2.5 years), and the weighted average exercise price is 78.8 cents.

The weighted average fair value of options granted during the year was 8.4 cents (2011: 28.8 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2012	2011
Weighted average exercise price (cents)	**36.0**	112.0
Weighted average life of the option (years)	**3.0**	3.0
Weighted average underlying share price (cents)	**25.0**	74.6
Expected share price volatility	**63%**	70%
Weighted average risk free interest rate	**3.0%**	5.0%

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Notes to the Consolidated Financial Statements continued

30 JUNE 2012

23. SHARE-BASED PAYMENTS (CONT.)

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	
	2012	2011
	$	$
Options issued to employees	**94,276**	561,691
Options issued for tenement acquisition	-	973,000
	94,276	1,534,691

24. PARENT ENTITY INFORMATION

	Consolidated	
	2012	2011
	$	$

The following information relates to the parent entity, Dampier Gold Limited, at 30 June 2012. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2012 $	2011 $
Current assets	**2,078,549**	13,509,995
Non-current assets	**111,252**	160,042
Total assets	**2,189,801**	13,670,037
Current Liabilities	**343,425**	519,076
Non-Current liabilities	-	-
Total liabilities	**343,425**	519,076
Net Assets	**1,846,376**	13,150,961
Issued capital	**23,220,146**	22,945,870
Accumulated losses	**(21,373,770)**	(9,794,909)
Total equity	**1,846,376**	13,150,961
Loss for the year	**(11,578,861)**	(9,435,427)
Total comprehensive loss for the year	**(11,578,861)**	(9,435,427)

Parent entity figures for 2012 includes a provision of $17,868,873 (2011: $7,849,946) to fully provide for the loan provided to Dampier (Plutonic) Pty Ltd, a wholly owned subsidiary.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 19 to 44 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (ii) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Richard Burden
Non-Executive Director
Perth 24 September 2012

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAMPIER GOLD LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Dampier Gold Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion
In our opinion:

(a) the financial report of Dampier Gold Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Inherent Uncertainty Regarding Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

As described in Note 1(b) the directors believe it is appropriate to prepare the financial report on a going concern basis. The consolidated entity comprising the Company and its subsidiaries has incurred a loss of $7,882,657 for the year ended 30 June 2012 and had working capital of $1,926,456. The ability of the consolidated entity to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the entity raising further working capital and/or successfully exploring its mineral assets. In the event that the entity is not successful in raising further equity or successfully exploiting its mineral assets, the consolidated entity may not be able to meet its liabilities as and when they fall due and the realisable value of the consolidated entity's current and non-current assets may be significantly less than book values.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 9 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion
In our opinion the remuneration report of Dampier Gold Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

John P Van Dieren
Director

West Perth, Western Australia
24 September 2012

ASX Additional Information

The following additional information is required by the Australian Securities Exchange. The information is current as at 11 September 2012.

(a) Distribution schedule and number of holders of equity securities as at 11 September 2012

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares (DAU)	13	93	112	348	76	639
Unlisted Options – $1.12 14/12/13	-	-	-	-	4	3
Unlisted Options – $0.36 14/12/14	-	-	-	1	4	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 11 September 2012 is 61.

(b) 20 largest holders of quoted equity securities as at 11 September 2012

The names of the twenty largest holders of fully paid ordinary shares (ASX code: DAU) as at 11 September 2012 are:

Rank	Name	Units	% of Units
1	BARRICK (PLUTONIC) LIMITED	3,400,000	6.15
2	PENDLEROW PTY LTD >PENDLEROW INVESTMENT A/C>	3,193,996	5.78
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,068,897	5.55
4	SAHARA MINERALS PTY LTD	2,754,061	4.98
5	WILMINGTON HOLDINGS PTY LTD <FITZGERALD FAMILY A/C>	2,000,000	3.62
6	PELHAM INVESTMENT CORPORATION	1,400,000	2.53
7	INVESTEC BANK (AUSTRALIA) LIMITED <CAPITAL MARKETS A/C>	1,325,000	2.40
8	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,223,331	2.21
9	MR LAURENCE CHARLES KIRK	1,118,268	2.02
10	PENDLEROW PTY LTD	1,000,000	1.81
11	AU MINING LIMITED	884,525	1.60
12	MS JOANNE BURDEN + MR RICHARD JOHN BURDEN <BURDEN SUPERANNUATION FUND A/C>	700,001	1.27
13	ALLIED STRATEGIC RESOURCES LIMITED	600,000	1.09
14	KIMBRIKI NOMINEES PTY LTD <KIMBRIKI HAMILTON SF A/C>	600,000	1.09
15	RENEAGLE PTY LTD <SHARNEM INVESTMENT A/C>	600,000	1.09
16	MR ROBERT MACFADYEN PTY LTD <MACFADYEN S/F A/C>	550,000	1.00
17	WINCONLON PTY LTD <THE WELLS SUPER FUND A/C>	550,000	1.00
18	MR RICHARD JOHN BURDEN + MS JOANNE LEE BURDEN <FAMILY A/C>	523,992	0.95
19	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	514,000	0.93
20	LEVCON CONSTRUCTIONS PTY LTD <THE GEORGAKIS FAMILY A/C>	505,000	0.91
	TOTAL	**26,511,071**	**47.98**

Stock Exchange Listing – Listing has been granted for 55,250,004 ordinary fully paid shares of the Company on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 11 September 2012 are detailed below in part (d).

ASX Additional Information continued

(c) Substantial shareholders

Substantial shareholders in Dampier Gold Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

	No. Shares Held	% of Issued Capital
DR RUSSELL SKIRROW & RELATED ENTITIES	4,393,996	7.95
BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED AND ASSOCIATED ENTITIES	3,800,000	6.88
MR PHILIP RETTER & RELATED ENTITIES	3,504,061	6.34
BARRICK (PLUTONIC) LIMITED	3,400,000	6.15

(d) Unquoted Securities

The number of unquoted securities on issue as at 11 September 2012:

	Number on issue
Unlisted options exercisable at $1.12, on or before 14 December 2013.	1,450,000
Unlisted options exercisable at $0.36, on or before 14 December 2014.	1,125,000

(e) Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 11 September 2012

There are no unquoted securities on issue as at 11 September 2012 other than employee options.

(f) Restricted Securities as at 11 September 2012

There are no restricted securities on issue as at 11 September 2012.

(g) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

(h) Company Secretary

The Company Secretary is Ms Susan Hunter.

(i) Registered Office

The Company's Registered Office is Level 3, 8 Colin Street West Perth 6872.

(j) Share Registry

The Company's Share Registry is Computershare Investor Services Pty Ltd of Level 2, 45 St Georges Terrace, Perth WA 6000. Telephone 1300 557 010.

(k) On-Market Buy-back

The Company is not currently performing an on-market buy-back.

(l) Application of Funds

During the financial year, the Company has used its cash and assets (in a form readily convertible to cash) in a manner which is consistent with its business objectives.

ASX Additional Information continued

(m) Schedule of interests in mining tenements

Granted Leases

Project Area	Tenement	Interest*
Marymia	E52/2071	100%
Marymia	E52/2072	100%
Marymia	E52/527	100%
Marymia	P52/1220	100%
Marymia	P52/1221	100%
Marymia	P52/1222	100%
Marymia	P52/1223	100%
Marymia	P52/1224	100%
Marymia Hill	M52/183	100%
Marymia	M52/185	100%
Plutonic Bore	M52/217	100%
Plutonic Bore	M52/218	100%
Plutonic Bore	M52/219	100%
Plutonic Bore	M52/220	100%
Marymia	M52/226	100%
Marymia	M52/227	100%
Plutonic Bore	M52/228	100%
Plutonic Bore	M52/229	100%
Marymia	M52/230	100%
Plutonic Bore	M52/231	100%
Marymia	M52/232	100%
Marymia Hill	M52/233	100%
Marymia Hill	M52/234	100%
Marymia Hill	M52/235	100%
Plutonic Bore	M52/246	100%
Plutonic Bore	M52/247	100%
Marymia	M52/253	100%
Marymia	M52/257	100%
Marymia	M52/258	100%
Marymia	M52/259	100%
Marymia Hill	M52/269	100%
Marymia	M52/270	100%
Marymia	M52/271	100%

ASX Additional Information continued

Marymia	M52/275	100%
Marymia	M52/276	100%
Marymia	M52/277	100%
Marymia	M52/278	100%
Marymia	M52/279	100%
Marymia	M52/280	100%
Marymia	M52/281	100%
Marymia	M52/285	100%
Marymia	M52/291	100%
Marymia	M52/292	100%
Marymia	M52/293	100%
Marymia	M52/299	100%
Plutonic Bore	M52/303	100%
Plutonic Bore	M52/304	100%
Marymia	M52/305	100%
Marymia	M52/306	100%
Marymia	M52/320	100%
Marymia	M52/321	100%
Marymia	M52/322	100%
Marymia	M52/323	100%
Marymia	M52/351	100%
Marymia	M52/352	100%
Marymia	M52/353	100%
Marymia	M52/356	100%
Marymia	M52/365	100%
Marymia	M52/366	100%
Marymia	M52/367	100%
Marymia	M52/368	100%
Marymia	M52/369	100%
Marymia	M52/370	100%
Marymia	M52/395	100%
Marymia Hill	M52/396	100%
Marymia	M52/478	100%
Marymia	M52/546	100%
Marymia	M52/547	100%
Marymia	M52/555	100%
Marymia	M52/571	100%

ASX Additional Information continued

Marymia	M52/572	100%
Jiminya	M52/590	100%
Marymia	M52/593	100%
Marymia	M52/654	100%
Marymia	M52/657	100%
Marymia	M52/658	100%
Marymia	M52/670	100%
Marymia	M52/671	100%
Marymia	M52/672	100%

Mining Lease Applications

Project Area	Tenement	Interest*
Plutonic	P52/1393	100%
Marymia	M52/748	100%
Marymia	M52/779	100%
Marymia	M52/780	100%
Marymia	M52/781	100%
Marymia	M52/782	100%