



dampiergold

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18 October 2012

Dear Shareholder

Invitation to Participate in Share Purchase Plan Dampier Gold Ltd (ASX code: DAU)

The Board of Directors of Dampier Gold Ltd (ACN 141 703 399) ("**Dampier**" or "**the Company**") are pleased to offer eligible shareholders of the Company ("**Shareholders**") the opportunity to participate in a Share Purchase Plan ("**Plan**") to acquire additional fully paid ordinary shares in the capital of the Company ("**Shares**") at an issue price of \$0.145 per Share on the terms and conditions ("**Terms and Conditions**") enclosed with this letter.

In an important step for the Company, Dampier recently secured Columbus Minerals Pty Ltd (ACN 143 893 467) ("**Columbus**") as a strategic investor by way of a \$1.06 million placement ("**Placement**") at \$0.145 per Share. Funds raised from the Plan and the Placement will ensure that Dampier is well placed to step up exploration efforts at its flagship Plutonic Dome Project and take advantage of the current strong gold market.

The Plan provides an opportunity for eligible Shareholders to subscribe for Shares at the same price as the Shares issued under the Placement with no brokerage or commissions incurred.

1. Shareholders Eligible to Participate in the Plan

The right to participate in the offer under the Plan is optional and is available exclusively to Shareholders who are registered as holders of Shares at 5pm (AEDT) on the Record Date of 15 October 2012 and whose registered address is in Australia or New Zealand ("**Eligible Shareholders**"). The Company has determined that it is not lawful or practicable for Shareholders in other jurisdictions to participate in the Plan.

2. Share Purchase Plan

The Plan is intended to raise a maximum of \$1,500,000 and entitles Eligible Shareholders, irrespective of the size of their shareholding, to purchase up to \$15,000 worth of Shares at a price of \$0.145 per Share, free of brokerage and commission ("**Offer**").

The issue price of \$0.145 represents an 8.8% discount to the average closing price of the Company's Shares on the Australian Securities Exchange ("**ASX**") during the 5 trading days immediately prior to the announcement date of the Offer (being 16 October 2012) ("**Announcement Date**") and a 4.6% discount to the average closing price of the Shares on the ASX during the 10 trading days immediately prior to the Announcement Date. The average closing price of the Shares traded on the ASX during the 5 trading days immediately prior to the Announcement Date was \$0.159 and the average closing price of the Shares during the 10 trading days immediately prior to the Announcement Date was \$0.152.

Eligible Shareholders should be aware that the market price of Dampier Shares may rise or fall between the Announcement Date and the date on which Shares are allotted under the Plan (“**Allotment Date**”). This means the price you pay for new Shares under the Plan may exceed the market price of Dampier Shares at the time the new Shares are issued.

An outline of the Plan is set out in this letter and the enclosed Terms and Conditions. An application form for the Plan (“**Application Form**”) and reply paid envelope are included in this package.

3. Current Projects

Details of the Company’s current activities are set out in the announcements released by Dampier to the ASX and are available from the ASX, or Dampier’s website at www.dampiergold.com.

The Plutonic Dome Project is located 180km NE of Meekatharra in Western Australia. The Plutonic Dome Project Mineral Resource Inventory is estimated to be 5.5Mt at 3.8g/t Au for 683,000oz.

The Company’s strategy is to discover additional ounces of gold that will facilitate the commercialisation of the Plutonic Dome Project, taking advantage of the infrastructure in place and the neighbouring Plutonic gold mine processing facility, for which the Company already has framework terms for an ore purchase agreement with Barrick Gold Corporation.

The funds raised under the Placement and the Plan will be used by the Company to advance exploration at the Company’s Plutonic Dome project, and for working capital.

More specifically the funds will enable the Company to continue its regional program of identifying geochemical anomalies in under-explored areas thereby enhancing the Company’s chances of discovering additional ounces of gold. Collection of regional Mobile Metal Ion (MMI) multi-element soil assays and ongoing reassessment of the large regional geochemistry data-set is key to unlocking a pipeline of drill targets in under-explored areas of the prolific Plutonic-Marymia greenstone belt.

Additionally, the funds will be used for several short RAB / Aircore drill programs to test new targets identified earlier in 2012 and to follow up recent drill intersections.

4. How much can you invest?

Eligible Shareholders may only acquire a maximum of \$15,000 worth of Shares under the Plan.

5. Subscription and Application Procedure

If you would like to participate in the Offer, you can either:

- a) complete the enclosed Application Form and send it together with your payment by cheque made payable to “Dampier Gold Ltd” and drawn in Australian currency for the correct amount, to Dampier’s share registry, Computershare Investor Services Pty Ltd (“**Computershare**”), at Computershare Investor Services Pty Limited, GPO Box 505 Melbourne, VIC 3001, to be received by Computershare no later than **5pm (AEDT) on the Closing Date of 8 November 2012**. No late applications will be accepted; or
- b) make a BPAY® payment from your cheque or savings account by using the Biller Code and Reference Number shown on your Application Form which is required to identify your holding. If you have multiple holdings you will have multiple BPAY Reference Numbers. To ensure you receive your Shares under the Offer in respect of that holding you must use the specific Biller Code and Reference Number shown on each personalised Application Form when paying for any Shares that you may wish to apply for in respect of that holding. If you inadvertently use the same Reference Number for more than one of your applications, you will be deemed to have applied only for that application to which that Reference Number applies and any excess amount will be refunded. If you make your payment using BPAY® you do not need to return your Application Form. New Zealand holders will not be able to make a payment using BPAY®. Payments made by BPAY® received after 5pm (AEDT) on 8 November 2012 will not be accepted. Applicants

should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

Applicants should not forward cash and direct bank transfers are not permitted.

Eligible Shareholders may participate by selecting only one of the following offers to purchase Shares under the Plan:

	Total amount payable at \$0.145 per Share	Number of Shares which may be purchased *
Offer A	\$15,000	103,448
Offer B	\$10,000	68,965
Offer C	\$5,000	34,482
Offer D	\$2,000	13,793

* Any fractional entitlements will be rounded down to the nearest whole Share.

Once an application for Shares under the Offer has been made it cannot be revoked. All valid applications shall be deemed accepted if received before the **Closing Date of 5pm (AEDT) on 8 November 2012**. If the exact amount of money is not tendered with your application, Dampier reserves the right to either:

- a) return your Application Form and/or payment and not allot any Shares to you; or
- b) allot to you the number of Shares that would have been allotted had you applied for the highest designated amount that is less than the amount of your payment and refund the excess application money to you by cheque as soon as possible, without interest.

The maximum investment any Shareholder may apply for will remain \$15,000 even if a Shareholder receives more than one Offer (whether in respect of a joint holding or because the Shareholder has more than one holding under a separate account). If two or more persons are recorded in the register as jointly holding Shares to which the Offer under the Plan relates, they are taken to be a single registered holder.

6. Custodians and Nominees

Eligible Shareholders who hold Shares as a custodian or a nominee ("**Custodian**") for one or more persons on the Record Date ("**Beneficiary**") may apply for up to a maximum amount of \$15,000 worth of Shares in respect of each Beneficiary who is resident in Australia or New Zealand, subject to providing a Custodian Certificate to the Company, as described in the Terms and Conditions enclosed with this letter. Please refer to the Terms and Conditions for more details.

7. Acceptance of Risk Factors

On the last trading day immediately prior to the Announcement Date, the closing price of the Shares traded on ASX was \$0.15.

By making an application under this Offer for Shares under the Plan, each Eligible Shareholder will be acknowledging that although the purchase price under the Plan is at a discount to the average closing price of the Shares, Shares are a speculative investment and the price of Shares on ASX may change between the Announcement Date and the Allotment Date.

The Board recommends that you obtain your own financial advice in relation to the Offer and consider price movements of Shares in the Company prior to making an application under this Offer.

8. Additional Information and Important Dates

The Offer cannot be transferred and the directors of the Company (“**Directors**”) reserve the right to reject, or scale back, on an equitable basis, any application for Shares under the Offer. Shares allotted under the Plan will be issued no later than 10 business days after the Closing Date of the Offer. Application for quotation on ASX of the new Shares will be made by the Company immediately following the issue of those Shares.

The maximum amount proposed to be raised under the Offer is \$1,500,000. The Company, however, reserves absolute discretion regarding the final amount raised under the Plan.

In the event of oversubscription by the Closing Date the Directors may, in their absolute discretion, scale-back applications on an equitable basis. Scale-back for Shares held by Custodians will be applied at the level of the underlying Beneficiary. Directors may in their absolute discretion decide to increase acceptances in the event of oversubscriptions.

If the Company rejects or scales-back an application or purported application for Shares under the Offer, the Company will promptly return to the Shareholder the relevant application monies, without interest.

9. Foreign offer restrictions

This letter may not be released or distributed in any country other than Australia and New Zealand. This letter does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any country other than Australia and New Zealand. In particular, any securities described in this letter have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

10. New Zealand Shareholders

The Shares offered under the Plan are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand and to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

11. Shortfall Placement

In the event that less than 10,344,827 Shares are applied for, the shortfall may be placed at the discretion of the Directors.

12. Indicative Timetable

Record Date (5.00pm AEDT)	15 October 2012
Announcement Date of Plan	16 October 2012
Opening Date of Offer	18 October 2012
Closing Date of Offer	5pm AEDT on 8 November 2012
Issue of Shares under the Plan	14 November 2012
Dispatch date for holding statements	15 November 2012
Quotation of Shares on ASX	15 November 2012

These dates are indicative only. The Company may vary the dates and times of the Offer without notice. Accordingly, Shareholders are encouraged to submit their Application Forms as early as possible.

Should you wish to discuss any information contained in this letter, do not hesitate to contact Dampier's Company Secretary, Ms Susan Hunter, or CEO, Mr Richard Hay on +61 8 6424 9700 or email admin@dampiergold.com.

Yours faithfully



Russell Skirrow
Chairman

Competent Persons Statement

The information in this letter that relates to Mineral Resources is based on information compiled 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 which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Green consents to the inclusion in this letter of the matters based on his information in the form and context in which it appears.

The information in this letter that relates to Exploration Results is based on information compiled by Mr Richard Hay, who is a Member of the Australian Institute of Geoscientists and the Chief Executive Officer of Dampier. Mr Hay has sufficient experience which is 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 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hay consents to the inclusion in this letter of the matters based on his information in the form and context in which it appears.

SHARE PURCHASE PLAN TERMS AND CONDITIONS

1. Purpose

The purpose of the Share Purchase Plan (**the Plan**) is to offer shareholders (**Shareholders**) of Dampier Gold Ltd (**Dampier** or **Company**) the opportunity to acquire additional fully paid ordinary shares in the capital of the Company (**Dampier Shares**) up to a maximum of \$15,000 (when combined with any Dampier Shares issued under any share purchase plan in the 12 months preceding the date of the Plan) at an issue price of \$0.145 without the need for Dampier to issue a prospectus and upon such terms and conditions as the directors of Dampier (**Directors**), in their absolute discretion, see fit. (**Offer**).

2. Shareholders Eligible to Participate

Holders of Dampier Shares that are registered with an Australian or New Zealand address as at 5.00pm AEDT on the Record Date, 15 October 2012, are eligible Shareholders (**Eligible Shareholders**) and may participate in the Plan, unless such registered Shareholder holds Dampier Shares on behalf of another person who resides outside Australia or New Zealand.

Due to foreign securities laws, it is not practical for Shareholders resident in other countries to be offered the opportunity to participate in the Plan.

Participation in the Plan is optional and is subject to these terms and conditions (**Terms and Conditions**).

Offers made under the Plan are non-renounceable (i.e. Eligible Shareholders may not transfer their rights to apply for additional Dampier Shares under the Plan to another person).

An offer may, at the discretion of the Directors, be made under the Plan once a year. The maximum amount which any Shareholder may subscribe for in any consecutive 12 month period is \$15,000. The Directors may also determine in their discretion the minimum amount for participation, the multiple of Dampier Shares to be offered under the Plan and the period the Offer is available to Eligible Shareholders.

3. Custodians, trustees and nominees

If you are an Eligible Shareholder and hold Dampier Shares as a custodian (as defined in ASIC Class Order CO 09/425 (refer below) (**Custodian**) or in any more specific ASIC relief granted to Dampier in relation to the Plan), you may apply for up to the maximum amount of \$15,000 worth of new Dampier Shares for each beneficiary for whom you act as Custodian provided you annex to your application form for the Plan (Application Form) a certificate to Dampier (**Custodian Certificate**) with the following information:

- that you held Dampier Shares on behalf of one or more other persons who are resident in Australia or New Zealand (each a **Participating Beneficiary**) at 5:00pm (AEDT) on 15 October 2012 who have subsequently instructed you to apply for Dampier Shares under the Plan on their behalf;

- the number of Participating Beneficiaries and their names and addresses;
- the number of Dampier Shares that you hold on behalf of each Participating Beneficiary;
- the dollar amount of Dampier Shares that each Participating Beneficiary has instructed you, either directly or indirectly through another Custodian, to apply for on their behalf;
- that the application price for Dampier Shares applied under the Offer for each Participating Beneficiary for whom you act plus the application price for any other Dampier Shares issued to you as Custodian for that Participating Beneficiary under any arrangement similar to the Plan in the prior 12 months does not exceed \$15,000;
- that a copy of the written offer document was given to each Participating Beneficiary; and
- where you hold Dampier Shares on behalf of a Participating Beneficiary indirectly, through one or more interposed Custodians, the name and address of each interposed Custodian.

For the purposes of ASIC Class Order CO 09/425 you are a 'custodian' if you are a registered holder that:

- holds an Australian financial services licence that allows you to perform custodian or depositary services or operate IDPS accounts;
- is exempt from holding an Australian financial services licence by virtue of Class Order CO 03/184 or by relying on the Australian financial services licence of your master custodian under regulation 7.1.06(k) of the Corporations Regulations 2001;
- is a trustee of a self managed superannuation fund;
- is a trustee of superannuation master trusts;
- is a responsible entity of IDPS like schemes;
- is noted on the Company's register of members as holding the Dampier Shares on account of another person.

If you hold Dampier Shares as a trustee or nominee for another person or persons but are not a Custodian as defined above, you cannot participate in the Plan on behalf of Beneficiaries in the manner described above. In this case, the rules for multiple single holdings (above) apply.

Custodians should request a Custodian Certificate when making an application on behalf of Beneficiaries. To request a Custodian Certificate and for further information on how to apply, you should contact Computershare Investor Services Pty Ltd between 8.30am and 5.00pm (AEDT), Monday to Friday on 1300 850 505 during the Offer period.

Dampier reserves the right to reject any application for Dampier Shares to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these Terms and Conditions. Dampier reserves the right to reject applications in accordance with these Terms and Conditions.

4. Price of Dampier Shares

The price of Dampier Shares to be issued under the Plan will be determined by calculating a discount to the average market price of Dampier Shares quoted on the financial market operated by ASX Limited (**ASX**) during the 5 trading days immediately prior to the date on which the Offer is announced.

5. Applications and Notices

At the discretion of the Directors, Dampier will send Eligible Shareholders a letter containing offer and acceptance procedures, inviting them to subscribe for Dampier Shares under the Plan, and accompanied by these Terms and Conditions and an Application Form. Applications will not be accepted after the closing date of the Offer (**Closing Date**). Over subscriptions to the Offer may be refunded without interest.

Notices and statements made by Dampier to Shareholders may be given in any manner prescribed by its Dampier's constitution.

6. Placement of Shortfall

Any shortfall from the Offer may be placed at the discretion of the Directors.

7. Issue of Dampier Shares

Dampier Shares to be issued under the Plan will be issued no later than 10 business days after the Closing Date.

Dampier Shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in Dampier from the date of issue. Shareholding statements or CHESS notification will be issued in respect of all Dampier Shares issued under the Plan. The Company will, promptly after the issue of Dampier Shares under the Plan, make application for those Dampier Shares to be listed for quotation on the official list of ASX.

8. Modification and Termination of the Plan

Dampier may modify or terminate the Plan at any time. Dampier will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, Dampier may issue to any person fewer Dampier Shares than the person applied for under the Plan if the issue of the Dampier Shares applied for would contravene any applicable law or the Listing Rules of ASX.

9. Raising Amount and Scale-back

The number of Dampier Shares that may be issued pursuant to this Offer is approximately 10,344,827 Dampier Shares and the amount to be raised is approximately \$1,500,000. The Company, however, reserves absolute discretion regarding the final amount raised under the Plan. In the event of an oversubscription by the Closing Date the Directors may, in their absolute discretion, scale-back all applications on a pro-rata basis. If the Company rejects or scales-back an application or purported application, the Company will promptly return to the Shareholder the relevant application monies, without interest.

10. Costs of Participation

No brokerage, commission, stamp duty or other transaction costs will be payable by an Eligible Shareholder in respect of an issue of Dampier Shares under the Plan.

11. Taxation and Financial Implications

Eligible Shareholders may be subject to taxation upon the sale of the new Dampier Shares purchased under the Plan.

Eligible Shareholders should consult with their taxation or investment advisers to clarify the financial and taxation implications for them of applying for Dampier Shares under the Plan.

12. Dispute Resolution

Dampier may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant, application or Dampier Shares. The decision of Dampier in this respect will be conclusive and binding on all Shareholders and other persons to whom that determination relates.

Dampier reserves the right to waive strict compliance with any provision of these Terms and Conditions. The powers of Dampier under these Terms and Conditions may be exercised by the Directors or any delegate of the Directors.

13. Questions and Contact Details

If you have any questions please contact Dampier's Company Secretary, Ms Susan Hunter, or CEO, Mr Richard Hay on +61 8 6424 9700 or email admin@dampiergold.com.

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