



dampiergold

13 May 2014

## LETTER TO SHAREHOLDERS

Dear Shareholder

It has been a challenging period for all shareholders who have had to endure the fall in the gold price and its material impact on share prices and value of small-cap resources companies like Dampier Gold Limited (ASX : DAU), various ongoing corporate issues and an opportunistic takeover bid from Ord River Resources Limited (**Ord**).

Shareholders have voted decisively for a change of directors at the Company's General Meeting held on 8 May 2014.

We wish to assure you that your new Board is now united, aligned and committed to one primary objective – *“the restoration of confidence and rebuilding of value in the Company for the benefit of all shareholders”*.

While the restoration of confidence is influenced by factors outside our control, such as commodity prices, prevailing equity capital sentiment and stock market volatility, we will on your behalf manage these risks and focus on factors within our control.

Key priorities are to:

- reduce operating costs to conserve cash;
- preserve the Company's strong balance sheet and capital structure;
- closely monitor the farm-in and joint venture agreement with Ord;
- implement a strategy and direction for future growth and sustainability, and immediately begin to identify and evaluate transactions and/or acquisitions that are appropriate for Dampier and have scope to add value for all shareholders;
- proactively engage with all of our stakeholders and keep them informed as to new developments; and
- respond to the opportunistic and under-valued<sup>1</sup> off market takeover bid by Ord which does not recognise the underlying strategic value or potential of your Company.

---

<sup>1</sup> When comparing the implied Bid value using last traded prices and Dampier's net cash per share.

PO Box 1981  
West Perth WA 6872

6 Outram Street  
West Perth WA 6005

P +61 8 6424 9700  
F +61 8 6424 9799

Email: [admin@dampiergold.com](mailto:admin@dampiergold.com)

For personal use only



## ORD RIVER RESOURCES' TAKE-OVER OFFER

On 29 April 2014 Ord announced an off market bid of 6 fully paid Ord ordinary shares and 1.5 cents cash for each Dampier ordinary share (**Bid**).

**Your Board are strongly opposed to the Bid as in our view it has no commercial logic and acceptance by Dampier shareholders will result in significant dilution, destruction of value and elimination of your ability to determine the management and direction of the Company.**

In summary our supporting reasons are as follows:

1. Ord has demonstrably **insufficient cash to meet its obligations**. Ord has approximately \$2.274m in cash, but commitments over the next 12 months of approximately \$6.3m<sup>2</sup>.
2. The Bid at current prices **is less than the cash backing of Dampier**. Dampier has approximately \$2.93m cash, or 4.4 cents per share. Based upon the last traded price of Ord's shares, the implied Bid price is 3.9 cents per Dampier share, or a **13% discount to Dampier's cash backing**.
3. **The Bid places no value in Dampier's residual 25% equity in the Plutonic Dome Gold Project**, with Ord's \$6m expenditure commitment likely to enhance the value of the Project at no cost to Dampier.
4. Ord may have up to ~1.6 billion shares on issue following the Bid, before raising any further cash. Raising \$6.3m<sup>3</sup> will result in **Ord having approximately 3.6 billion shares on issue**, with **Dampier's shareholders holding ~11% of Ord**.
5. With approximately 3.6 billion shares<sup>4</sup> on issue, **Ord will inevitably consolidate its share capital**, resulting in likely share price depreciation for all Ord shareholders.
6. **Further board instability** may follow if Ord acquires a substantial interest in Dampier.

Your Board is also keen to leave the legacy issues of the past and has a genuine willingness to move forward and to acquire new value creating opportunities.

In this regard we are currently evaluating various projects which could be suitable for Dampier. Uniquely, in this historically difficult capital market, Dampier has through its shareholders and their associates, capacity to secure funds to acquire suitable new projects.

Therefore, we are optimistic for the future of Dampier, given the ongoing support of shareholders and the prospects to secure viable projects in this weak market.

In the meantime we ask shareholders to consider carefully the opportunistic offer by Ord and to **TAKE NO ACTION** until they have read Dampier's target's statement (to be dispatched in late May 2014).

We thank shareholders for their strong vote of confidence and support, and look forward to keeping you regularly informed of our progress and to the opportunities ahead.

Yours sincerely

Malcolm Carson  
Chairman  
**DAMPIER GOLD LIMITED**

<sup>2</sup> Commitments under the Plutonic JV of \$3m, bid cash consideration and costs of \$1.2m, loan repayments of \$900k and administration costs of \$1.2m.

<sup>3</sup> Assuming equity raisings at an issue price of 0.32 cents, being a 20% discount to the current market price of Ord's shares, with no debt raisings.

<sup>4</sup> Assuming 1.97 billion shares are issued at 0.32 cents.

For personal use only