



19 April 2011

## Dampier Exceeds 500,000 Ounce Gold Resource Milestone

Dampier Gold is positioning itself to be among the next generation of Australian gold producers. The Company is evaluating and exploring ~700km<sup>2</sup> of the Plutonic-Marymia Greenstone Belt in central Western Australia with a view to near-term gold production. The project currently hosts defined Mineral Resources of 529,000 ounces of gold.

**ASX CODE:** DAU

**CURRENT SHARE PRICE:** \$0.55

**CURRENT UNDILUTED MARKET CAPITALISATION:** \$29.9M

**ISSUED CAPITAL:** 54.4M ordinary shares

### DIRECTORS

Dr Russell Skirrow  
*Chairman*

Mr Richard Burden  
*Non-Executive Director*

Mr Philip Retter  
*Non-Executive Director*

### MANAGEMENT

Dr Julian Stephens  
*Chief Executive Officer*

Mr Richard Hay  
*Chief Operations Officer*

Mr Brendan Cocks  
*Chief Financial Officer*

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## HIGHLIGHTS

- **Total Mineral Resource grows to 529,000 ounces of gold**
- **New estimate for K1 increases Mineral Resource by 100% to:**
  - Measured: 0.50Mt at 2.1g/t Au
  - Indicated: 0.10Mt at 2.0g/t Au
  - Inferred: 0.15Mt at 3.7g/t Au
  - Total: 0.75Mt at 2.4g/t Au for 58,000 oz<sup>1</sup>**
- **New estimate for K2-K3 increases Mineral Resource by 50% to:**
  - Measured: 0.02Mt at 3.2g/t Au
  - Indicated: 0.35Mt at 5.5g/t Au
  - Inferred: 0.36Mt at 2.8g/t Au
  - Total: 0.73Mt at 4.1g/t Au for 98,000 oz<sup>1</sup>**
- **Current drill program includes a significant number of holes targeting resource expansion at K1 and K2-K3**
- **RC drilling continues with 5 holes completed at Trident and 6 priority holes completed at Cinnamon**
- **Untested chargeability geophysical exploration targets adjacent to K1-K2-K3 area at Keillor East to be drilled shortly**
- **Open-pit Scoping Study underway and due for completion in June**

1. Resource estimate reported at 0.5g/t Au lower cut-off grade for open-pit and 3.0g/t Au for underground



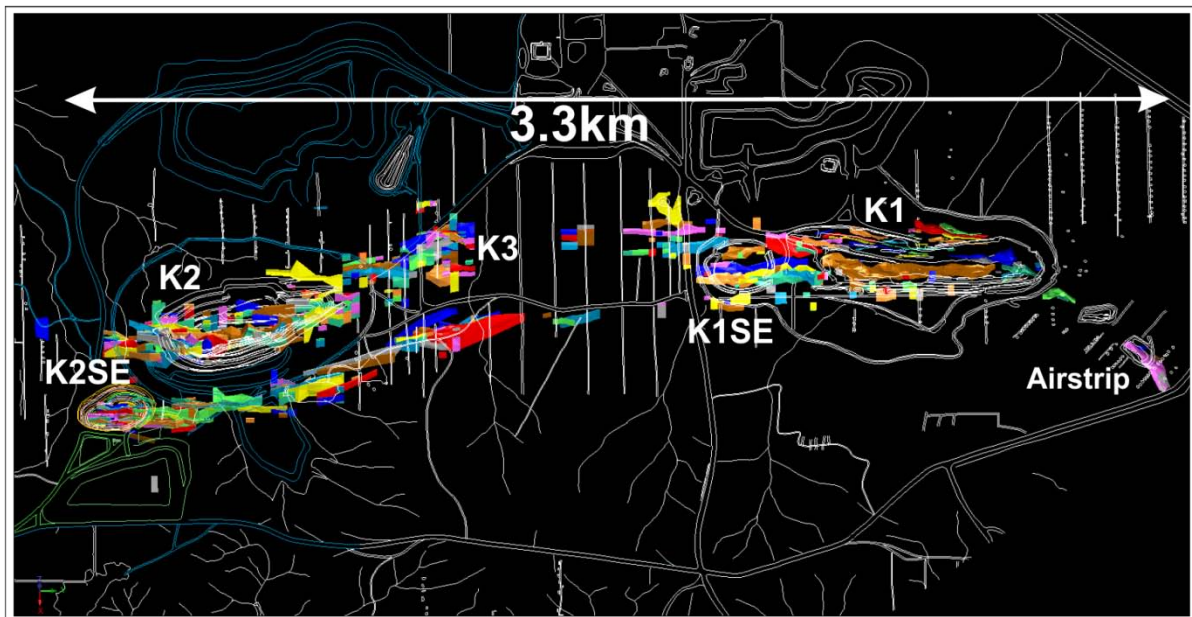
## Introduction

Dampier Gold Limited (“Dampier” or the “Company”, ASX:DAU) is pleased to announce the results of recently completed resource estimates for the K1 and K2-K3 deposits located within the Company’s 100%-owned Plutonic Dome project.

These updated estimates continue Dampier’s methodical review of previous models generated for the significant gold deposits within the Plutonic Dome project area. The new resource estimates are based on drilling completed by the previous owners and by Dampier in 2010 and incorporates updated interpretations of the mineralisation.

Initial pit optimisation studies indicate that the K1 and K2-K3 resources reported here have strong potential for conversion to mineable reserves. These deposits are currently the subject of a Scoping Study to determine the viability of re-establishing a mining centre in this area. Dampier has framework terms of agreement with Barrick to treat any such ore through Barrick’s Plutonic processing facility.

**Figure 1. K1-K2-K3 area with resource wireframes.**





**New Mineral Resource Estimates**

**K1**

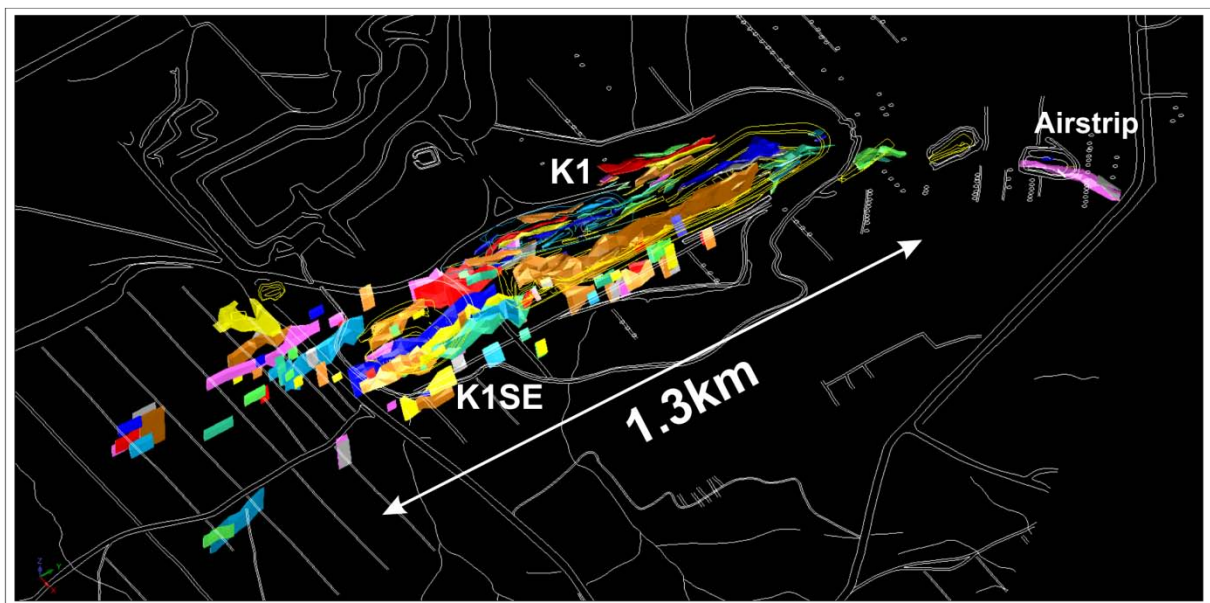
The new Mineral Resource estimate for K1 has been reported at a 0.5g/t Au lower cut-off grade and has also been constrained by A\$1,600 per ounce conceptual pit shell in anticipation of a favourable conversion rate to reserves. The resource estimate for K1 is summarised in the following table:

**Table 1. K1 open-pit Mineral Resource estimate as at April 2011 (0.5g/t Au cut-off)**

Measured		Indicated		Inferred		Total		Contained metal (oz)
Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	
504,000	2.1	103,000	2.0	145,000	3.7	<b>752,000</b>	<b>2.4</b>	<b>57,800</b>

The K1 resource includes the Airstrip deposit, a modest resource which occurs just to the north-east of the main deposit. A full breakdown of the resource estimates is available in the Appendix.

**Figure 2. K1 former open-pit with resource wireframes.**





## K2-K3

The new Mineral Resource estimate for K2-K3 is reported as an open-pit resource at a 0.5g/t Au lower cut-off grade within an A\$1,600 conceptual pit shell, and a 3.0g/t Au lower cut-off grade for the underground component. The resource estimate is summarised in the following tables:

**Table 2. K2-K3 open-pit Mineral Resource estimate as at April 2011 (0.5g/t Au cut-off)**

Measured		Indicated		Inferred		Total		Contained metal (oz)
Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	
19,000	3.2	197,000	4.7	272,000	2.1	489,000	3.2	50,200

**Table 3. K2 underground Mineral Resource estimate as at April 2011 (3.0g/t Au cut-off)**

Measured		Indicated		Inferred		Total		Contained metal (oz)
Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	
-	-	158,000	6.5	87,000	5.2	245,000	6.1	47,600

**Table 4. K2-K3 total Mineral Resource estimate as at April 2011**

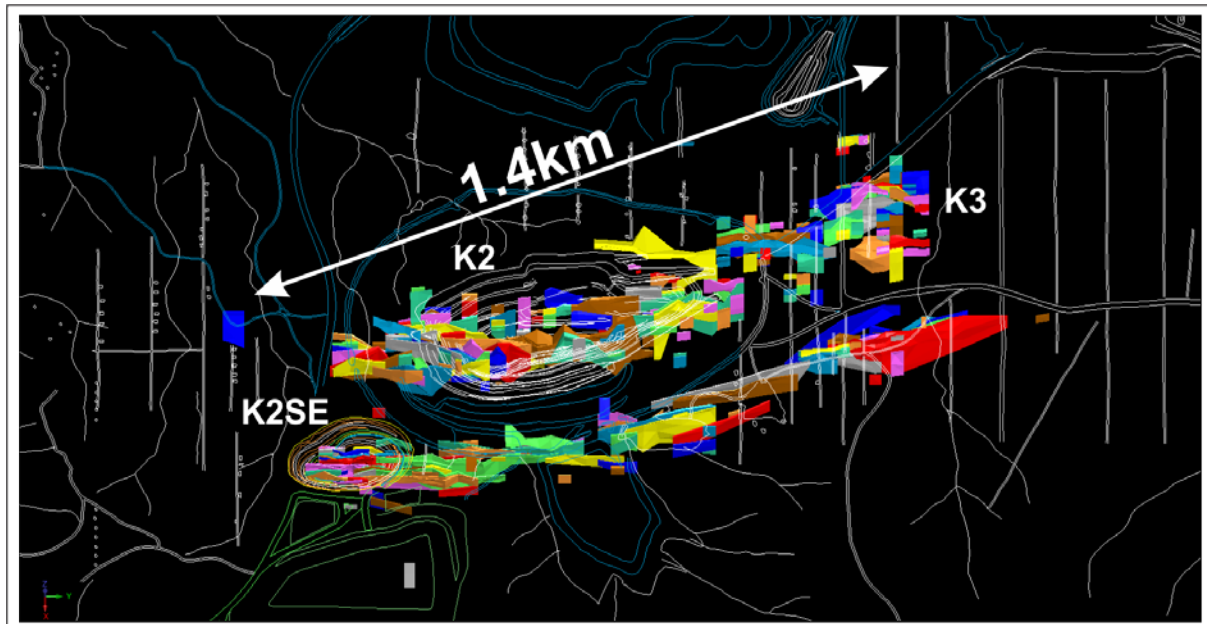
Measured		Indicated		Inferred		Total		Contained metal (oz)
Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	
19,000	3.2	355,000	5.5	359,000	2.8	734,000	4.1	97,800

The K1 and K2-K3 resource models extend over a strike length of 1,300 and 1,400 metres respectively (Figures 2 & 3). The Company is encouraged by the outcome of the resource estimates and views the K1-K2-K3 deposits collectively as having good potential to support an initial open-pit mining operation. Further, the K2 deposit has a significant underground resource of 47,600 ounces of gold that has the potential to be extracted via underground mining methods.

The previously reported underground reserve at K2 of some 35,000 ounces of gold has been incorporated into the April 2011 Mineral Resource due to the interaction of a potential deepening of the current pit that impacts the previous underground mine design. Further studies will be required to advance the underground potential below the K2 pit.



**Figure 3. K2 former open pit with resource wireframes.**



### **Current Drilling Program**

The Company's 2011 RC drilling program is now well underway, with the rig having completed five holes at Trident and six holes at Cinnamon.

A large number of holes in the current RC drilling program are designed to extend the resource in the K1 and K2-K3 area, both by testing for extensions to mineralisation at depth and along strike from the current resource.

The rig will shortly move on to test three strong and previously untested chargeability geophysical targets at Keillor East. If successful, these targets could also potentially add supplemental ounces to an open pit operation in the K1-K2-K3 area.

### **Scoping Studies**

The new mineral resource estimates for the K1 and K2-K3 deposits are being incorporated into the open pit Scoping Study currently in progress. The Scoping Study for these pits is expected to be completed in June 2011.



## Contacts

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## About Dampier Gold

*Dampier Gold has acquired 100% of the ~700km<sup>2</sup> Plutonic Dome Project from Barrick Gold, covering the majority of the Plutonic Greenstone Belt, excluding Barrick's underground mining and processing operation. Dampier's project area produced some 580,000oz Au from 40 open pits in a generally low gold price environment between 1990 and 2005. The project currently contains a Mineral Resource of approximately 530,000oz Au (comprising a Measured Resource of some 0.5 Mt at 2.1g/t Au, an Indicated Resource of some 1.7 Mt at 4.7 g/t Au and an Inferred Resource of some 1.7Mt at 4.2g/t Au) with an additional substantial inventory of drill defined gold mineralisation. The Company is targeting a decision to mine within 18 months of listing. Framework terms are in place for a proposed ore purchase agreement to access Barrick's Plutonic processing facility. If agreed, this will help fast-track Dampier to producer status with modest capital outlay.*



### Plutonic Dome Project Mineral Resource – April 2011

Deposit	OP/ UG	Measured		Indicated		Inferred		Total		
		Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Contained metal (oz)
***K2, K3	OP	19,000	3.2	197,000	4.7	272,000	2.1	489,000	3.2	50,200
	UG	-	-	158,000	6.5	87,000	5.2	245,000	6.1	47,600
<b>Sub-total</b>		<b>19,000</b>	<b>3.2</b>	<b>355,000</b>	<b>5.5</b>	<b>359,000</b>	<b>2.8</b>	<b>734,000</b>	<b>4.1</b>	<b>97,800</b>
*Trident	OP	-	-	-	-	-	-	-	-	-
	UG	-	-	787,000	6.2	1,072,000	4.9	1,859,000	5.5	326,100
<b>Sub-total</b>		<b>-</b>	<b>-</b>	<b>787,000</b>	<b>6.2</b>	<b>1,072,000</b>	<b>4.9</b>	<b>1,859,000</b>	<b>5.5</b>	<b>326,100</b>
**Albatross - Flamingo	OP	-	-	194,000	1.8	103,000	2.8	297,000	2.2	20,800
	UG	-	-	-	-	-	-	-	-	-
<b>Sub-total</b>		<b>-</b>	<b>-</b>	<b>194,000</b>	<b>1.8</b>	<b>103,000</b>	<b>2.8</b>	<b>297,000</b>	<b>2.2</b>	<b>20,800</b>
***K1	OP	504,000	2.1	103,000	2.0	145,000	3.7	752,000	2.4	57,800
	UG	-	-	-	-	-	-	-	-	-
<b>Sub-total</b>		<b>504,000</b>	<b>2.1</b>	<b>103,000</b>	<b>2.0</b>	<b>145,000</b>	<b>3.7</b>	<b>752,000</b>	<b>2.4</b>	<b>57,800</b>
**Triple P	OP	-	-	283,000	2.8	11,000	3.6	294,000	2.8	26,700
	UG	-	-	-	-	-	-	-	-	-
<b>Sub-total</b>		<b>-</b>	<b>-</b>	<b>283,000</b>	<b>2.8</b>	<b>11,000</b>	<b>3.6</b>	<b>294,000</b>	<b>2.8</b>	<b>26,700</b>
<b>Total</b>		<b>523,000</b>	<b>2.1</b>	<b>1,722,000</b>	<b>4.7</b>	<b>1,690,000</b>	<b>4.2</b>	<b>3,936,000</b>	<b>4.2</b>	<b>529,200</b>

OP = open pit, UG = underground

\*Trident resource based on parameters detailed in an ASX announcement on 29<sup>th</sup> November 2010

\*\*Open pit resources are reported within an optimized pit shell at A\$845/oz Au

\*\*\* Open pit resources are reported within an optimized pit shell at A\$1,600/oz Au

Due to rounding, tonnages and grades may not equate to exact contained ounces  
100% equity basis

## Competent Persons

The information in this report that relates to the Trident, K1 and K2-K3 Mineral Resources is based on information compiled and reviewed by Mr Graham de la Mare, who is a Member of the Australian Institute of Geoscientists and full-time employee of Runge Limited. Mr de la Mare 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 de la Mare 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 all other Exploration Results, Mineral Resources and Ore Reserves is based on information compiled and reviewed by Mr Richard Hay, who is a Member of the Australian Institute of Geoscientists and the Chief Operating 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.



## **APPENDIX**

### **K1 - RUNGE RESOURCE STATEMENT AND PARAMETERS**

#### **Executive Summary**

A Mineral Resource estimate for the K1 Gold Deposit was completed during April 2011 by Runge Limited (Runge) for Dampier Gold Limited (DAU). The estimate is a result of re-interpretation and re-modelling of historical data collected between 1996 and 2007. The deposit occurs within DAU's Plutonic Dome Gold Project located approximately 200km north northeast of Meekatharra in the North Eastern Goldfields region of Western Australia.

Mineralisation at the K1 deposit was discovered by Resolute-Titan in 1988 through stream sediment and rock chip sampling, followed by successive phases of drill testing along the Keillor Shear in the Marymia area, 40km northeast of the Plutonic Gold deposit. Other companies to have held the tenements include Homestake Gold of Australia Limited (HGAL) and Barrick Gold Limited (Barrick). The project was acquired by DAU from Barrick in 2010.

The Plutonic Dome Project lies within the Plutonic Well gneiss-granite greenstone belt located along the northern margin of the Yilgarn Craton. The K1 mineralisation is contained within tight to isoclinally folded mafics, ultramafics, and BIF's. Zones of high grade gold mineralisation occur along contacts between mafic and ultramafic units. The sequence is north striking and dips steeply to both the east and west.

Drilling in the resource extends to a vertical depth of approximately 365m and the mineralisation was modelled from surface to a depth of approximately 210m below surface. The estimate is based on good quality, surface RC and diamond core drilling data. Drill hole spacing varies from approximately 20m by 20m in the upper part of the deposit to 100m by 100m in the deeper parts.

The Mineral Resource estimate complies with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting. The Runge Mineral Resource estimate within the DAU supplied AUD\$1,600 design pit shell is summarised in Table A.





**Table A: K1 April 2011 Mineral Resource Estimate (0.5g/t Cut-off Inside AUD\$1,600 Pit Shell)**

<b>Classification</b>	<b>Tonnes t</b>	<b>Au g/t</b>	<b>Au Ounces</b>
Measured	507,000	2.1	34,300
Indicated	103,000	2.0	6,600
Inferred	159,000	3.7	19,100
<b>*Total</b>	<b>769,000</b>	<b>2.4</b>	<b>59,900</b>

\*Dampier Gold has reported a slightly lower figure due to the exclusion of small outliers based on the internal conceptual pit optimisation

The deposit was estimated by Runge using Ordinary Kriging (OK) grade interpolation for the 47 larger lodes, constrained by resource outlines based on mineralisation envelopes prepared using a nominal 0.35g/t Au cut-off grade and a minimum down hole length of 2m. The 158 smaller lodes were estimated using Inverse Distance Squared (ID<sup>2</sup>) interpolation.

The block dimensions used in the model were 10m NS by 5m EW by 5m vertical with sub-cells of 2.5m by 1.25m by 1.25m. The 205 interpreted lodes were grouped into seven domains based on their location within the K1 deposit area. Statistical analysis of the resource composites within these domains determined that high grade cuts of between 10g/t and 60g/t were appropriate.

The resource was classified as Measured, Indicated and Inferred Mineral Resource. The Measured portion of the resource was defined where the drill spacing was predominantly at 20m by 20m, continuity of mineralisation was robust and supported by kriging efficiencies of greater than 60%. The Indicated portion of the resource was defined where the drill spacing was less than 40m by 40m and continuity of mineralisation was good. The Inferred Resource included those areas of the resource where sampling was greater than 40m by 40m or mineralisation was defined by limited drilling.

The K1 deposit has been mined extensively but appears to have good potential for further profitable exploitation by medium scale open pit mining and for extension of the defined resource with further exploration drilling.

The resource model is undiluted, so appropriate dilution needs to be incorporated in any evaluation of the deposit.

Graham de la Mare  
Senior Consultant Geologist



## Resource Statement and Parameters

Classification	Tonnes t	Au g/t	Au Ounces
Measured	507,000	2.1	34,300
Indicated	103,000	2.0	6,600
Inferred	159,000	3.7	19,100
<b>*Total</b>	<b>769,000</b>	<b>2.4</b>	<b>59,900</b>

\*Dampier Gold has reported a slightly lower figure due to the exclusion of small outliers based on the internal conceptual pit optimisation

The resource estimate was completed using the following parameters:

- The K1 resource area extends over a strike length of 1,920m (from 17,380mN – 19,300mN) and includes the 210m vertical interval from 575mRL to 365mRL.
- A site visit was conducted in November 2010 by Graham de la Mare (Runge) to review the project and deposit geology, drilling and site procedures.
- Drill holes used in the resource estimate included 667 RC holes and 25 diamond holes for a total of 6,559m within the resource wireframes. The full database contained records for 1,059 RC holes and 32 diamond holes for 69,654m of drilling. Drilling in 1996 and 1997 was completed by Resolute, in 1999 and 2000 by HGAL and 2001 to 2006 by Barrick.
- Holes were drilled at 20 to 40m spacings on 20 to 40m spaced north south orientated drill sections.
- RC drilling by HGAL between 2002 and 2006 used 5<sup>1/2</sup> inch drill bits with samples collected at 1m intervals at the rig using a riffle splitter. Approximate 3kg samples were collected in calico bags, with the remaining sample dropped into a catchment sump. Drilling and sampling methods from programs prior to 2002 are not known.
- Diamond drilling by HGAL between 2002 and 2006 used NQ2 rods and HQ3 triple tubes. The core was halved using a diamond saw and sampled at 1m intervals, or to geological contacts.
- RC holes were surveyed at the collar and the end-of-hole with an Eastman single-shot camera. A number of the deeper RC holes were surveyed down hole by Surtron on completion of the drilling using a gyroscopic tool.
- Holes were accurately surveyed by mine surveyors using DGPS equipment.
- Logging and sampling methods for the HGAL drilling have been reviewed by Runge and are considered to be of an acceptable standard.



- For the pre-2006 drilling programs, the assay method used was a 40g or 50g charge fire assay with AAS finish for Au. Assaying was undertaken at both Amdel Laboratory and MinLabs Laboratory in Perth, Western Australia.
- For the 2006 drilling programs, first pass screening was conducted by Plutonic Mine Laboratory using a 30g charge which was aqua-regia digested for analysis by AAS. Samples grading greater than 0.3g/t were forwarded to Amdel Laboratory in Perth where a 40g charge was fire assayed with analysis by AAS.
- QAQC programs have been documented and reviewed by Runge.
- Samples within the wireframes were composited to even 1m intervals based on analysis of the sample lengths in the database. Statistical analysis of the resource composites within the seven domains (total of 205 objects) determined that high grade cuts of between 10g/t and 60g/t were appropriate. These values resulted in a total of 43 samples being cut for all objects.
- A Surpac block model was used for the estimate with a block size of 10m NS by 5m EW by 5m vertical with sub-cells of 2.5m by 1.25m by 1.25m.
- Ordinary Kriging (OK) interpolation with an oriented 'ellipsoid' search neighbourhood adjusted to reflect the dip at various locations through the deposit was used to estimate Au in 47 lodes. Inverse Distance Squared ( $ID^2$ ) grade interpolation with an oriented 'ellipsoid' search neighbourhood was used to estimate Au in the 158 smaller lodes. A first pass search radius set to 30m (40m for  $ID^2$ ) was used for all wireframe objects with a minimum sample number of between 6 and 10 and a maximum sample number of 40, based on variography and drill hole spacing. The search radius was doubled for the second pass (60m for  $ID^2$ ) and minimum sample number reduced to between 4 and 6. Greater than 99% of the blocks were filled in the first two passes. A third pass radius of 100m was used to fill any un-estimated blocks with a minimum sample number of between 2 and 4.
- Weathering surfaces were supplied by DAU for base of laterite (LAT), base of complete oxidation (BOCO) and top of fresh rock (TOFR). These were compiled by Plutonic geologists using logged geology codes. The surfaces were snapped to most drill holes and minimal changes were made by Runge.
- Bulk density values were supplied by DAU and were based on measurements taken from HQ triple tube core and apparent relative density testing on NQ2 core by HGAL in 2006. Measured densities are consistent with those used at the nearby Plutonic Gold Mine. The following bulk density values were assigned;  $2.10t/m^3$  for laterite,  $1.98t/m^3$  for oxide material,  $2.54t/m^3$  for transitional material, and  $2.82t/m^3$  for fresh material.
- The resource was classified as Measured, Indicated and Inferred Mineral Resource. The Measured portion of the resource was defined where the drill spacing was predominantly at 20m by 20m, continuity of mineralisation was robust and supported by kriging efficiencies of greater than 60%. The Indicated portion of the resource was defined where the drill spacing was less than 40m by 40m and continuity of mineralisation was good. The Inferred Resource included those areas of the resource where sampling was greater than 40m by 40m or mineralisation was defined by one drill hole.



## **K2 (including K3) - RUNGE RESOURCE STATEMENT AND PARAMETERS**

### **Executive Summary**

A Mineral Resource estimate for the Keillor 2 (K2) Gold Deposit was completed during March 2011 by Runge Limited (Runge) for Dampier Gold Limited (DAU). The estimate is a result of re-interpretation and re-modelling of historical data collected between 1996 and 2007. The deposit occurs within DAU's Plutonic Dome Gold Project located approximately 200km north northeast of Meekatharra in the North Eastern Goldfields region of Western Australia.

Mineralisation at the K2 deposit was discovered by Resolute Mining Ltd in 1990 through stream sediment and rock chip sampling, followed by successive phases of drill testing along the Keillor Shear in the Marymia area, 40km northeast of the Plutonic Gold deposit. Other companies to have held the tenements include Homestake Gold of Australia Limited (HGAL) and Barrick Gold of Australia Limited (Barrick). The project was acquired by DAU from Barrick in 2010.

Between 1992 and 1995, the K2 area produced 964,000t of ore grading 4g/t Au for approximately 124,600oz of contained gold. In late 1996, development of the K2 Deeps underground mine commenced from the base of the K2 open pit. The decline produced 3,700t of ore grading 1.9g/t Au for approximately 226oz of contained gold when the operation was closed in 1998. In the latter half of 2004, Barrick extracted 101,820t of ore grading 2.85g/t Au for approximately 9,330oz of contained gold from the adjacent, 73m deep K2 SE Laterite pit.

The Plutonic Dome Project lies within the Plutonic Well gneiss-granite greenstone belt located along the northern margin of the Yilgarn Craton. The K2 mineralisation is contained within tight to isoclinally folded mafics, ultramafics, and BIF's. Zones of high grade gold mineralisation occur along contacts between mafic and ultramafic units. The sequence is north striking and dips steeply to both the east and west.

Drilling in the resource extends to a vertical depth of approximately 520m and the mineralisation was modelled from surface to a depth of approximately 330m below surface. The estimate is based on good quality, surface RC and diamond core drilling data. Drill hole spacing varies from approximately 20m by 30m in the upper part of the deposit to 100m by 100m in the deeper parts.

The Mineral Resource estimate complies with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting. The Runge Mineral Resource estimate (reported in relation to the DAU supplied AUD\$1,600 design pit shell) is summarised in Table A.



**Table A: K2 March 2011 Mineral Resource Estimate**

Deposit	OP/ UG	Measured		Indicated		Inferred		Total		
		Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Tonnes t	Au g/t	Au oz
K2	UG <sup>1</sup>			157,800	6.5	86,800	5.2	244,600	6.1	47,600
K2	OP <sup>2</sup>			158,800	5.3	266,800	2.1	425,700	3.3	45,200
*K2SE	OP <sup>2</sup>	5,700	3.0	100	1.2	1,000	1.6	6,800	2.8	600
*Zone 249S	OP <sup>2</sup>			5,400	2.7	1,400	3.0	6,800	2.8	600
K3	OP <sup>2</sup>	19,400	3.2	38,300	2.2	5,500	1.9	63,200	2.5	5,000
<b>Total</b>		<b>25,100</b>	<b>3.2</b>	<b>360,400</b>	<b>5.4</b>	<b>361,500</b>	<b>2.9</b>	<b>747,100</b>	<b>4.1</b>	<b>99,000</b>

<sup>1</sup> Beneath AUD\$1,600 Pit Shell at 3g/t Au Cut-off, Fresh only

<sup>2</sup> Inside AUD\$1,600 Pit Shell at 0.5g/t Au Cut-off

\*Dampier Gold has reported a slightly lower figure due to the exclusion of small outliers based on the internal conceptual pit optimisation

The deposit was estimated by Runge using Ordinary Kriging (OK) grade interpolation for the 41 larger lodes, constrained by resource outlines based on mineralisation envelopes prepared using a nominal 0.30g/t Au cut-off grade for mineralisation above the AUD\$1,600 design pit shell and mineralisation with open pit potential. A nominal 1.0g/t Au cut-off was used for mineralisation below the AUD\$1,600 design pit shell. A minimum down hole length of 2m was utilised. The 272 smaller lodes were estimated using Inverse Distance Squared (ID<sup>2</sup>) interpolation.

The block dimensions used in the model were 10m NS by 2.5m EW by 5m vertical with sub-cells of 2.5m by 0.625m by 1.25m. The 313 interpreted lodes were grouped into four domains based on their location within the K2 deposit area. Statistical analysis of the resource composites within these domains determined that high grade cuts of between 10g/t and 40g/t Au were appropriate.

The resource was classified as Measured, Indicated and Inferred Mineral Resource. The Measured portion of the resource was defined where the drill spacing was predominantly at 20m by 20m, continuity of mineralisation was robust and supported by kriging efficiencies of greater than 60%. The Indicated portion of the resource was defined where the drill spacing was less than 40m by 40m and continuity of mineralisation was good. The Inferred Resource included those areas of the resource where sampling was greater than 40m by 40m or mineralisation was defined by limited drilling.

The K2 deposit has been mined extensively but appears to have good potential for further profitable exploitation by medium scale open pit mining adjacent to historically mined areas



as well as underground potential beneath the main K2 pit. The deposit also has the potential for extension of the defined resource with further exploration drilling.

The resource model is undiluted, so appropriate dilution needs to be incorporated in any evaluation of the deposit.

Jessica Binoir

Consultant Geologist



## Resource Statement and Parameters

K2 Deposit March 2011 Resource Estimate			
Class	Tonnes (t)	Au (g/t)	Au (oz)
Measured	25,100	3.2	2,500
Indicated	360,400	5.4	63,000
Inferred	361,500	2.9	33,400
<b>*Total</b>	<b>747,100</b>	<b>4.1</b>	<b>99,000</b>

\*Dampier Gold has reported a slightly lower figure due to the exclusion of small outliers based on the internal conceptual pit optimisation

The resource estimate was completed using the following parameters:

- The K2 resource area extends over a strike length of 1,410m (from 15,980mN – 17,390mN) and includes the 340m vertical interval from 580mRL to 240mRL.
- A site visit was conducted in November 2010 by Graham de la Mare (Runge) to review the project and deposit geology, drilling and site procedures.
- Drill holes used in the resource estimate included 543 RC holes, 52 diamond holes and 16 RCD (RC with diamond tail) holes for a total of 6,374m within the resource wireframes. The full database contained records for 1,164 RC holes, 68 diamond holes and 19 RCD holes for 119,447m of drilling.
- Holes were drilled at 20m to 40m spacings on 20m to 30m spaced north south orientated drill sections.
- RC drilling by HGAL between 2002 and 2006 used 5<sup>1/2</sup> inch drill bits with samples collected at 1m intervals at the rig using a riffle splitter. Approximate 3kg samples were collected in calico bags, with the remaining sample dropped into a catchment sump. Drilling and sampling methods from programs prior to 2002 are not known.
- Diamond drilling by HGAL between 2002 and 2006 used NQ2 rods, PQ3 rods and HQ3 triple tubes. The core was halved using a diamond saw and sampled at 1m intervals, or to geological contacts.
- Drill holes were surveyed with either a gyroscope or DEMS probe. The majority of holes (69%) were surveyed with a single shot survey at the end of hole. The remainder of holes (31%) were generally surveyed at 30m intervals.
- Holes were accurately surveyed by mine surveyors using DGPS equipment.
- Logging and sampling methods for the HGAL drilling have been reviewed by Runge and are considered to be of an acceptable standard.
- For the pre-2003 drilling programs, the assay method used was a 50g charge fire assay with AAS finish for Au. Assaying was undertaken at MinLabs Laboratory in Perth, Western Australia.
- For the 2003 drilling programs, first pass screening was conducted by Plutonic Mine Laboratory using a 30g charge which was aqua-regia digested for analysis by AAS.



Samples grading greater than 0.3g/t were forwarded to Amdel Laboratory in Perth where a 50g charge was fire assayed with analysis by AAS.

- QAQC programs have been documented and reviewed by Runge.
- Samples within the wireframes were composited to 1m intervals based on analysis of the sample lengths in the database. Statistical analysis of the resource composites within the four domains (total of 313 objects) determined that high grade cuts of between 10g/t and 40g/t were appropriate. These values resulted in a total of 58 samples being cut for all objects.
- A Surpac block model was used for the estimate with a block size of 10m NS by 2.5m EW by 5m vertical with sub-cells of 2.5m by 0.625m by 1.25m.
- Ordinary Kriging (OK) interpolation with an oriented 'ellipsoid' search neighbourhood adjusted to reflect the dip at various locations through the deposit was used to estimate Au in 41 lodes. Inverse Distance Squared ( $ID^2$ ) grade interpolation with an oriented 'ellipsoid' search neighbourhood was used to estimate Au in the 272 smaller lodes. For OK, a first pass search radius of between 20m and 60m was used, a second pass radius of between 50m and 80m and a third pass radius of 80m to 130m. The minimum number of samples was between 6 and 10 for the first two passes and between 2 and 6 for the third pass. Greater than 92% of the blocks were filled in the first two passes. For  $ID^2$ , a first pass search radius of 40m was used and this was increased to 60m for the second pass. The minimum number of samples was 4. All blocks were filled in the first two passes.
- Weathering surfaces were supplied by DAU for base of laterite (LAT), base of complete oxidation (BOCO) and top of fresh rock (TOFR). These were compiled by Plutonic geologists using logged geology codes. The surfaces were snapped to most drill holes and changes were made by Runge.
- Bulk density values were supplied by DAU and were based on measurements taken from HQ triple tube core and apparent relative density testing on NQ2 core by HGAL in 2006. Measured densities are consistent with those used at the nearby Plutonic Gold Mine. The following bulk density values were assigned;  $2.10t/m^3$  for laterite,  $1.98t/m^3$  for oxide material,  $2.54t/m^3$  for transitional material, and  $2.82t/m^3$  for fresh material.
- The Mineral Resource was classified as Measured, Indicated and Inferred Mineral Resource. The Measured portion of the Resource was defined where the drill spacing was predominantly at 20m by 20m, continuity of mineralisation was robust and supported by kriging efficiencies of greater than 60%. The Indicated portion of the Resource was defined where the drill spacing was less than 40m by 40m and continuity of mineralisation was good. The Inferred Resource included those areas of the resource where sampling was greater than 40m by 40m or mineralisation was defined by one drill hole.