



28 January 2011

December 2010 Quarterly Activities Report

Dampier Gold is actively exploring 700km² of Archaean greenstone belt in central Western Australia. Dampier's tenements host Mineral Resources of 469,000 ounces of gold with an additional substantial inventory of shallow, drill defined gold mineralisation.

ASX CODE: DAU

CURRENT SHARE PRICE: \$0.70

CURRENT UNDILUTED MARKET CAPITALISATION: \$38.1M

ISSUED CAPITAL: 54.4M ordinary shares

DIRECTORS

Dr Russell Skirrow
Chairman

Mr Richard Burden
Non-Executive Director

Mr Phillip 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

- **Assay results received for 25 out of 39 RC drill holes completed at Budgie, Trident and K2-K3**
- **Significant down hole results from assay data received for Budgie (Cinnamon) include;**
 - DBDRC0001: 25m at 2.35g/t Au (from 112m)
incl. 11m at 3.59g/t Au (from 120m)
 - DBDRC0003: 19m at 6.85g/t Au (from 132m)
incl. 11m at 10.57g/t Au (from 139m)
- **Significant down hole results from Trident include;**
 - DTRRC0003: 22m at 8.69g/t Au (from 122m)
incl. 3m at 43.54g/t Au (from 136m)
- **Significant down hole results K2-K3 include;**
 - DK3RC0003: 9m at 2.28g/t Au (from 32m)
 - DK2RC0010: 7m at 3.90g/t Au (from 62m)
 - DK2RC0016: 3m at 21.05g/t Au (from 74m)
- **New estimate for Trident increases Mineral Resource by over 100% to;**
 - 1.9Mt at 5.5g/t Au for 326,000 oz
- **Total Indicated and Inferred Resource at Dampier's Plutonic Dome Project grows by 57% to;**
 - 3.2Mt at 4.5g/t Au for 469,000 oz
- **Cash position of \$16.7 million at 31st December 2010**



Drilling Programme

During the December 2010 quarter, Dampier Gold Limited (“Dampier” or the “Company”, ASX:DAU) drilled a total of 39 RC holes for 4,267m at the Budgie (Cinnamon), Trident and K2-K3 gold deposits. Results from 25 of the 39 holes completed were reported to the ASX on 25 January 2011 with the balance of the assay data expected shortly.

Budgie (Cinnamon)

A total of 11 drill holes for 1,454m were completed at Budgie (Cinnamon), which included both extensional and infill holes to enhance geological confidence in the bedrock mineralisation extending below the former shallow laterite pit. Significant intercepts above a 0.5 g/t Au cut-off from the 4 holes received to date are summarised in Table 1.

Table 1. Summary of down hole drill intersections above 0.5 g/t Au from Budgie (Cinnamon)

Hole ID	Local E	Local N	Dip	Local Azimuth	Total Depth	From (m)	To (m)	Width* (m)	Au (g/t)	
DBDRC0001	26240	8350	-90°	000°	150	112	137	25	2.35	
						incl.	120	131	11	3.59
							142	148	6	0.70
DBDRC0002	26280	8442	-60°	180°	114	62	65	3	1.41	
							69	70	1	1.51
							79	88	9	0.87
DBDRC0003	26280	8480	-60°	180°	156	83	86	3	1.78	
						incl.	132	151	19	6.85
						incl.	139	150	11	10.57
					incl.	147	150	3	24.70	
DBDRC0004	26300	8425	-60°	180°	90	59	63	4	1.13	

*True widths estimated at 80% to 100% of down hole intercept widths for holes DBDRC001, 002 & 004 and 60% for DBDRC003.

Trident

At Trident, the drilling programme was prematurely curtailed due to localised flooding from heavy rains in mid-December with only 3 holes completed for a total of 526m. Recommencement of this programme is scheduled for late in the first quarter, 2011 when the drill rig returns to site. The results from all 3 holes have been received and significant intercepts are summarised above a 0.5 g/t Au cut-off in Table 2.

Table 2. Summary of down hole intersections above 0.5 g/t Au from Trident

Hole ID	Local E	Local N	Dip	Local Azimuth	Total Depth	From (m)	To (m)	Width* (m)	Au (g/t)	
DTRRC0001	19420	12000	-90°	000°	168	93	99	6	1.87	
						incl.	95	98	3	3.07
							161	162	1	1.48
DTRRC0002	19460	12030	-60°	270°	162	72	78	6	2.74	
						incl.	74	76	2	4.23
DTRRC0003	19420	11990	-70°	090°	198	91	105	14	1.01	
						incl.	122	144	22	8.69
							136	139	3	43.54

*True widths are estimated at 75% to 85% of down hole intercept widths for holes DTRRC001 & 002 and 55% for hole DTRRC003.



K2-K3

A total of 25 holes for 2,287m were completed in the K2-K3 area which encompasses the immediate northeastern strike extensions of the former K2 open pit operation. The main aim of the programme was to infill and extend the known areas of shallow gold mineralisation in advance of a new resource estimate. Numerous near surface oxide intersections were returned from assay data received for 18 of these holes. Significant intercepts above a 0.5 g/t Au cut-off are summarised in Table 3.

Table 3. Summary of down hole drill intersections above 0.5 g/t Au from K2-K3

Hole ID	Local E	Local N	Dip	Local Azimuth	Total Depth	From (m)	To (m)	Width* (m)	Au (g/t)	
DK3RC0001	8832	17075	-60°	270°	60	45	46	1	1.59	
DK3RC0002	8870	17075	-60°	270°	100	6	8	2	0.84	
						13	17	4	0.71	
						22	23	1	1.50	
						80	81	1	1.60	
DK3RC0003	8890	17075	-60°	270°	110	25	27	2	3.73	
						32	41	9	2.28	
						incl.	37	38	1	13.53
						44	46	2	0.68	
DK3RC0004	8933	17075	-60°	270°	112	70	73	3	0.54	
						84	93	9	1.87	
						incl.	85	89	4	3.21
						103	112	9	0.76	
DK3RC0005	8973	17075	-60°	270°	55	22	30	8	1.91	
						incl.	27	28	1	8.03
DK3RC0006	8955	17100	-60°	270°	170	19	20	1	2.13	
						117	129	12	1.46	
						133	135	2	2.51	
						139	141	2	1.36	
						154	156	2	0.81	
DK2RC0002	9060	16775	-60°	090°	70	41	43	2	0.52	
DK2RC0003	9045	16775	-60°	090°	90	52	54	2	1.03	
						86	88	2	0.50	
DK2RC0004	8971	16775	-60°	270°	50	22	25	3	4.50	
						incl.	23	25	2	5.90
						27	29	2	0.88	
DK2RC0005	8992	16775	-60°	270°	65	40	42	2	0.74	
						53	55	2	0.56	
DK2RC0006	9003	16800	-60°	270°	90	85	87	2	0.91	
DK2RC0007	8951	16850	-60°	270°	45	21	24	3	0.97	
						27	29	2	1.62	
DK2RC0008	8940	16875	-60°	270°	40	NSR				
DK2RC0009	8960	16875	-60°	270°	90	33	36	3	0.94	
						38	48	10	0.98	
						incl.	40	42	2	2.92
						83	85	2	0.89	
DK2RC0010	8980	16875	-60°	270°	95	53	57	4	0.68	
						incl.	62	69	7	3.90
DK2RC0011	9000	16875	-60°	270°	120	62	67	5	5.10	
						85	89	4	0.98	
						95	97	2	1.04	
						111	113	2	0.92	



Hole ID	Local E	Local N	Dip	Local Azimuth	Total Depth	From (m)	To (m)	Width* (m)	Au (g/t)
DK2RC0015	8975	16925	-60°	270°	144	82	84	2	0.92
						89	91	2	2.00
						96	97	1	1.41
						112	115	3	1.83
						133	135	2	0.63
DK2RC0016	8943	16950	-60°	270°	102	43	53	10	1.42
						74	77	3	21.05
						82	88	6	0.94

*True widths are estimated at 45% to 55% of down hole intercept widths for holes DK3RC0001 & 0004 and DK2RC0006 & 0009, 55% to 75% for holes DK3RC0002, 0003 & 0006 and DK2RC0003, 0004, 0007, 0010, 0015 & 0016 and 75% to 100% for holes DK3RC0005 and DK2RC0002, 0005 & 0011.

The Company will provide a more detailed commentary on the significance of the Budgie (Cinnamon), Trident and K2-K3 drill results once the remaining assay data is to hand.

Resource Estimation

Trident Resource Estimate

During the Quarter, Dampier staff, in conjunction with global consulting firm Runge Limited, completed a new Mineral Resource estimate for the Trident deposit. The estimate was based entirely on drilling completed by the previous owners of the project and incorporates a revised interpretation of the mineralisation.

By way of background, the undeveloped Trident deposit was previously assessed as an underground development opportunity, with the majority of drilling targeting high grade lodes at depth within the more competent primary zone. As detailed in Dampier's ASX release of 29 November 2010, a review of the Trident diamond drill core and grade distribution within the adjoining Marwest gold deposit revealed a plunging control to the mineralisation.

The new Mineral Resource estimate for Trident reported at a 3.0g/t Au lower cut-off grade is summarised in the following table:

Table 4. Trident November 2010 Mineral Resource Estimate (3.0g/t Au cut-off)

Indicated		Inferred		Total		
Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Contained metal (oz)
787,000	6.2	1,072,000	4.9	1,859,000	5.5	326,100

The Trident resource model currently extends over a strike length of approximately 1 kilometre and remains open along strike and at depth, below 300 metres.

Progress on Other Resource Estimates

Runge Limited has been retained to complete new resource estimates for the K1 and K2-K3 deposits. Dampier expects these estimates to be completed late in the March 2011 quarter.



Corporate

The Company had a cash balance of \$16.7 million at 31st December 2010.

During the Quarter, Dampier Gold established its new office premises in West Perth and changed its registered address to;

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AUSTRALIA

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About Dampier Gold

Dampier Gold has acquired 100% of the ~700km² 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 Probable Ore Reserve of 35,000oz (0.2 Mt at 4.9g/t Au) and Mineral Resource of approximately 434,000oz (comprising an Indicated Resource of some 1.8 Mt at 4.3g/t Au and an Inferred Resource of some 1.3 Mt at 4.6g/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 Resources - November 2010

Deposit	OP/UG	Indicated		Inferred		Total		
		Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Tonnes	Grade (g/t Au)	Contained metal (oz)
K2	OP	88,000	2.8	9,000	2.1	97,000	2.8	8,600
	UG	104,000	5.1	32,000	4.9	136,000	5.1	22,300
Sub-total		192,000	4.1	41,000	4.3	233,000	4.1	30,900
*Trident	OP	-	-	-	-	-	-	-
	UG	787,000	6.2	1,072,000	4.9	1,859,000	5.5	326,100
Sub-total		787,000	6.2	1,072,000	4.9	1,859,000	5.5	326,100
Albatross - Flamingo	OP	194,000	1.8	103,000	2.8	297,000	2.2	20,800
	UG	-	-	-	-	-	-	-
Sub-total		194,000	1.8	103,000	2.8	297,000	2.2	20,800
K1 SE	OP	311,000	2.7	27,000	2.3	338,000	2.7	29,000
	UG	-	-	-	-	-	-	-
Sub-total		311,000	2.7	27,000	2.3	338,000	2.7	29,000
Triple P	OP	283,000	2.8	11,000	3.6	294,000	2.8	26,700
	UG	-	-	-	-	-	-	-
Sub-total		283,000	2.8	11,000	3.6	294,000	2.8	26,700
Total		1,767,000	4.3	1,254,000	4.6	3,021,000	4.5	433,500

Mineral Resources are exclusive of Ore Reserves

OP = open pit, UG = underground

*Trident resource based on parameters detailed in this announcement

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

Due to rounding, tonnages and grades may not equate to exact contained ounces

100% equity basis

Plutonic Dome Project Ore Reserves - November 2010

Deposit	Classification	Tonnes	Grade (g/t Au)	Contained metal (oz)
K2	Proved	-	-	-
	Probable	222,000	4.9	35,200
Total		222,000	4.9	35,200

Due to rounding, tonnages and grades may not equate to exact contained ounces

100% equity basis

Reserve is additional to above Resources



Competent Persons

The information in this report that relates to Exploration Results is based on information compiled and reviewed by Mr Greg Rawlinson, who is a Member of the Australian Institute of Mining and Metallurgy and General Manager Geology of Dampier Gold. Mr Rawlinson 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 Rawlinson 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 the Trident Mineral Resource 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 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 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Dampier Gold Limited

ABN

43 141 703 399

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (...6... months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(485)	(1,209)
(b) development	-	-
(c) production	-	-
(d) administration	(300)	(711)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	160	185
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(625)	(1,735)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	(621)
(b) equity investments	-	-
(c) other fixed assets	(172)	(189)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(172)	(810)
1.13 Total operating and investing cash flows (carried forward)	(797)	(2,545)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(797)	(2,545)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	20,050
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (IPO Costs)	-	(871)
	Net financing cash flows	-	19,179
	Net increase (decrease) in cash held	(797)	16,634
1.20	Cash at beginning of quarter/year to date	17,521	90
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	16,724	16,724

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	36
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fees and out of pocket expense reimbursements

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,600
4.2 Development	-
4.3 Production	-
4.4 Administration	500
Total	2,100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,504	2,301
5.2 Deposits at call	15,220	15,220
5.3 Bank overdraft	-	
5.4 Other (provide details)	-	
Total: cash at end of quarter (item 1.22)	16,724	17,521

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	54,350,004	41,390,002		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	6,000,000 5,000,000 5,000,000 1,950,000	- - - -	<i>Exercise price</i> \$0.20 \$0.50 \$0.50 \$1.12	<i>Expiry date</i> 31 December 2011 31 October 2011 31 December 2011 14 December 2013
7.8 Issued during quarter	1,950,000	-	\$1.12	14 December 2013
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)	-	-
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does give a true and fair view of the matters disclosed.

Sign here:  Date: 28 January 2011
(Director/Company secretary)

Print name: Susan Hunter

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.