

## Shareholder Update

- **Progress towards Maldon acquisition**
- **Drilling completed at Yandan**
- **Further drilling plan for Mt Coolon (Koala)**

The continuing directors of Drummond Gold Limited (Drummond or the Company) (ASX: DGO) wish to thank shareholders for their support at the Extraordinary General Meeting held on 4 September 2009, and assure all shareholders that the Company's strategy of exploration, development and acquisition is being pursued vigorously.

We are now well advanced with the due diligence being undertaken into the proposed acquisition of the Maldon Gold Project in Victoria from Alliance Resources Limited (ASX:AGS). Included in this process is an independent expert's report which we expect to receive shortly.

Maldon, 30km south-west of Bendigo, is a historically significant gold field having produced in excess of 1.75 million ounces of gold at an average grade of 28 g/t. The project includes major mine development work aimed at bringing the Alliance South gold lode into production. A fully maintained decline is positioned 220m below surface and extends 1772 metres alongside the Alliance South reef system.

It is now clear that if a decision is taken to acquire the project, then we will proceed immediately with the required 50m development of the decline and establish the short crosscut drives required to reach the orebody so that trial mining can commence.

Facilitating early production at Maldon is the fully operational CIL gold processing plant which is also included in the Project. The plant has been tolling gold bearing material supplied by third parties and like the mine is under full care and maintenance and ready for production.

Our timetable for acquiring the Maldon Project, including the approval of Drummond shareholders, and developing the Alliance South mine should enable us to commence gold production at Maldon during the first (June) half of next year, 2010.

Our strategy is to achieve early gold production and cash flow from Maldon, lifting Drummond to the ranks of Australian gold producers and strengthening the Company's capacity to develop projects in the Drummond Basin in Queensland.

Our immediate attention in the Drummond Basin is focussed on Yandan and Mt Coolon where we are aiming to increase Resources and get into production as soon as possible.

In December 2008, Drummond secured the right to earn a 51% interest in the Yandan Gold Project where more than 365,000 oz of gold was produced during the 1990's.

An intensive drilling program at Yandan's East Hill discovery has now been completed. The results of the first hole, recently reported were very encouraging. Final results from this programme will be available shortly and will be announced to the market. We are currently reviewing the recent infill drilling work which should determine the vein continuity and mineralisation at East Hill. This new knowledge will allow us to prepare the next stage of drilling which we anticipate will be underway in the next few months. It is expected that the new drilling plan will focus on testing for orebody extensions in an attempt to build on the known resources and hence the economics for mining.

Yandan is 45 km west of Mt Coolon, the historic gold producing region in which Drummond's existing, wholly owned gold Resources, mining leases and exploration tenements are located.

At the former Koala mine at Mt Coolon, where a total of 226,460 oz gold was produced historically from underground and open cut mining, new drill targets are being incorporated into a drilling plan following a specialist geological consultants' review. We will be looking for early production opportunities in and around the existing open cut and underground workings, and at the same time investigating the high potential for additional mineralisation immediately to the north of Koala and at the Golden Bar extension to the south.

We have almost completed a capital raising plan in connection with the proposed development at Maldon and exploration and development in the Drummond Basin, and intend making an announcement shortly.

With projects under consideration at Maldon and in the Drummond Basin, Drummond is well positioned to achieve early gold production and increase gold Resources, as it pursues its objective of becoming a significant Australian gold company.

For further information please contact:

Doug Grewar  
Managing Director



### **About Drummond Gold**

Drummond Gold Limited is a gold and base metals company focussed on growth through exploration success and acquisition with an early production strategy. The Company operates in the well-known Drummond Basin of Central Queensland around the former gold mining centre of Mt Coolon and at nearby Yandan where it is earning a majority interest. The Company is also pursuing the potential for early gold production by considering the acquisition of the Maldon gold project in Victoria.