



DRUMMOND
DRUMMOND GOLD LIMITED

ABN 96 124 562 849

**Corporate Governance Statement
and Communications Policy**

Corporate Governance Statement

The Board of Drummond Gold Limited (“the Company”) is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (“CGC”) published guidelines as well as its eight core corporate governance principles (the Principles) and the ASX Best Practice recommendations.

The following tables sets out the ASX Best Practice Recommendations and states whether the Company has complied with each recommendation. Where the Company considered it was not appropriate to comply with a particular recommendation the reasons are set out in the notes relating to the relevant Principle referred to in the table.

Recommendation	Comply Yes/No
Principle 1 – Lay solid foundations for management and oversight	
1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2: Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes
Principle 2 – Structure the board to add value	
2.1: A majority of the board should be independent directors.	No
2.2: The chair should be an independent director.	Yes
2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4: The board should establish a nomination committee.	Yes
2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Yes
2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
Principle 3 – Promote ethical and responsible decision-making	
3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company’s integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes Yes Yes
3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes
3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3	Yes
Principle 4 – Safeguard integrity in financial reporting	
4.1: The board should establish an audit committee.	Yes
4.2: The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members. 	Yes No No No
4.3: The audit committee should have a formal charter	Yes
4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5 – Make timely and balanced disclosure	
5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
Principle 6 – Respect the rights of shareholders	
6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes

Recommendation	Comply Yes/No
Principle 7 – Recognise and manage risk	
7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
Principle 8 – Remunerate fairly and responsibly	
8.1: The board should establish a remuneration committee.	Yes
8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

Corporate Governance Documents including the Corporate Governance Statement, Board Charter, Audit Committee Charter and Remuneration and Nomination Committee Charter, Risk Management Policy, Communications Policy, Code of Conduct Policy and Ethics Policy are publicly available and can be found in the Corporate Governance section of the Company's website at www.drummondgold.com.au

Principle 1 – Lay solid foundations for management and oversight

The Board Charter clearly defines the respective roles and responsibilities of the Board and establishes functions that are reserved to the Board and functions delegated to senior executives. The responsibilities for the operation and administration of the Company have been delegated by the Board to the Managing Director and the executive management team.

The Board has a number of responsibilities including input into the development of the Company's corporate strategy, understanding and monitoring the budget and identifying areas of material business risk and ensuring arrangements are in place to adequately manage those risks. The Company has established functions reserved to the Board and matters delegated to senior executives which are outlined in the Board Charter and other Corporate Governance Documents which are publicly available on the Company's website.

Even though the Board is responsible for guiding and monitoring the Group, the Audit Committee, and Remuneration and Nomination Committee provides focus on particular areas of responsibility and reports to the Board. Overall risk management roles and responsibilities have been identified in the Risk Management Policy which is publicly available on the Company's website.

The existing directors have been provided with a formal letter of appointment that sets out the terms and conditions of their appointment, any special duties attaching to their position, details of their duties, functions and responsibilities, company policies on dealing with conflicts of interest, trading securities, access to professional advice and relevant company records. The directors are required to adhere to the Code of Conduct Policy and Ethics Policy which has been made publicly available on the Company's web site. All existing directors have entered into a director's disclosure deed with the Company that requires directors to provide the Company with the information required to be disclosed in relation to the trading of securities.

There are procedures in place for directors to seek independent professional advice at the expense of the Company. Individual directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the company's operations or undertakings to fulfill their duties and responsibilities as directors. The engagement of an outside adviser by individual director is subject to the prior approval of the Board, which will not be unreasonably withheld.

The directors are subject to re-election by shareholders. All directors, apart from the Managing Director, are subject to re-election by rotation within every three years. The Company's Constitution provides that one-third of the directors retire by rotation each Annual General Meeting (AGM). Those Directors who are retiring may submit themselves for re-election by shareholders, including any director appointed to fill a casual vacancy or recruited since the date of the last AGM.

The Remuneration and Nomination Committee has been established to review the performance of senior management against a formalised set of qualitative performance criteria. Formal performance evaluations are completed annually after each senior manager has completed one year's service. The Remuneration and Nomination Committee reports its findings from the performance evaluation to the Board. The performance criteria for evaluating senior management are outlined in the remuneration report section of the Directors' Report. During July 2009 the Remuneration and Nomination Committee conducted performance evaluations of the Managing Director and Company Secretary against the formalised performance criteria. A formal performance evaluation was not undertaken for the Exploration Manager during the financial year as he has been with the Company for less than one year.

Principle 2 – Structure the Board to add value

The skills, expertise and experience relevant to each position of director in office at the date of the annual report are included in the Directors' Report.

Mr. J. S. Dunlop is an independent Chairman and does not exercise the role as Chief Executive Officer. The Board believes that Mr. J. S. Dunlop is the most appropriate person to lead the Board and recognises his current and past experience as a Chairman of other public listed exploration companies.

In the context of director independence, "Materiality" is considered from both the consolidated entity and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 5% of the appropriate base amount.

Qualitative factors considered in determining "Materiality" include previous employment by the Company, shares held in the Company and any previous contractual and other relationships that the director has held with the Company.

In accordance with the concept of independence outlined above, the Board has considered the independence of directors as follows:

Name of Director	Position	Independent/Non Independent	Date of Appointment
Mr. J. S. Dunlop	Chairman (non-executive director)	Independent	1 August 2007
Mr. D. J. Grewar	Managing Director	Not independent as employed in executive capacity.	1 June 2008
Mr. B. K. Mutton	Non-executive director	Not Independent as previously employed in executive capacity by the Company.	5 April 2007
Mr. R. C. Hutton	Non-executive director	Not Independent as is a substantial shareholder of the Company.	5 April 2007
Mr. M. J. Ilett	Alternate director for Mr. R. C. Hutton	Not independent as contracted in an executive capacity.	22 April 2009

The majority of the directors are not independent directors. The Company has an independent Chairman and the Board consists of three non-executive directors (excluding the alternate director) and only one executive director. Mr. D. J. Grewar the Managing Director does not act in the capacity of the Chairman. The Board does not believe that it is warranted to have a majority of independent directors due to the Company's size and its current focus on its existing mining tenements, the Yandan joint venture and the consideration of potential acquisitions.

The Company has formed a Remuneration and Nomination Committee to assess the skills, performance and remuneration of existing directors, Board performance and set criteria for the appointment and removal of directors. The Remuneration and Nomination Committee does not consist of a majority of independent directors. Due to the size, nature and complexity of the current environment the Remuneration and Nomination Committee comprises of two members one being an independent director and the other being a non executive director. This Committee consists of Mr. R. C. Hutton as Chairman and Mr. J. S. Dunlop as a member.

The Company has developed a formal board evaluation, committee and director's performance evaluation process. The performance evaluation of the Board, its committees and directors took place in accordance with this process. During the financial year, the Board completed an extensive board evaluation questionnaire and provided feedback on individual director and Board performance. The results of the evaluations were considered by the Remuneration and Nomination Committee and the Board.

The Remuneration and Nomination Committee have also completed evaluations of their own performance during the reporting period in accordance with its Charter. The Charter provides details of the process for determining the composition of the Board, re-election of existing directors and the appointment of new candidates for directors.

The details of the skills, experience and expertise relevant to the position of director can be found in the Directors' Report. Information regarding the director's attendance at meetings of the Remuneration and Nomination Committee can also be found in the Directors' Report.

Principle 3 – Promote ethical and responsible decision-making

The Company endeavours to foster a culture requiring that the directors and officers act with the utmost integrity, objectivity and in compliance with the spirit of the law and Company policies.

The Code of Conduct Policy provides practices necessary to maintain confidence in the Company's integrity practices necessary to take into account legal obligations and reasonable expectations of stakeholders and outlines the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Company has established a policy concerning trading in its securities by directors, senior executives and employees. Details of the policy concerning the trading of securities, terms of code of conduct and ethics can be found in the Code of Conduct Policy and Ethics Policy which is publicly available in the Corporate Governance section of Company's website at www.drummondgold.com.au.

Principle 4 – Safeguard integrity in financial reporting

The Company has established an Audit Committee which operates under a Charter approved by the Board. The Audit Committee comprises of Mr. J. S. Dunlop and Mr. R. C. Hutton (Chairman of the Audit Committee). Mr. J. S. Dunlop is an independent director and the Chairman Mr. R. C. Hutton is a non-executive director who is not considered independent. Details of the qualifications of those appointed to the Audit Committee, their attendance at Audit Committee meetings and the number of meetings of the Audit Committee are contained in the Directors' Report found in the Annual Report.

The membership of the audit committee is a departure from Best Practice Recommendation 4.2 that requires that the Audit Committee consist of a majority of independent directors, chaired by an independent chairman, who is not the chair of the Board and has at least three members. Due to the size, nature and level of complexity of the Company, the Board does not believe that it is necessary to have a majority of independent directors on the Audit Committee, that the chairman is an independent director or that the Audit Committee should consist of at least three members.

The Audit Committee through its own investigations and in consultation with its external auditors ensures that the Company has met the ASX guidelines regarding the selection, appointment of the external auditor and the rotation of external audit engagement partners. Details of the procedures for the engagement of the external auditor can be found in the Code of Conduct Policy and Ethics Policy. The Audit Committee Charter is publicly available on the Company's website at www.drummondgold.com.au.

Principle 5 – Make timely and balanced disclosure

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities is undertaken in an efficient, competitive and informed market. There are written policies and procedures in place to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance. The directors and senior management are made aware of their disclosure requirements and obligations. Details of the continuous disclosure policy can be found in the Code of Conduct Policy and Ethics Policy which is publicly available on the Company's website at www.drummondgold.com.au.

Principle 6 – Respect the rights of shareholders

The Company has designed a Communications Policy for promoting effective communication with shareholders and encouraging shareholder participation at Annual General Meetings of members. The following is the Company's Shareholder Communication policy:

Shareholder Communications Policy

The Company believes that the promotion of effective communication with its shareholders at all times is integral to ensuring the Company respects the rights of its shareholders.

Drummond Gold Limited is committed to:-

- Communicating effectively with its shareholders and ensuring that it is easy for shareholders to communicate with the Company;
- Complying with its continuous disclosure obligations applicable to the ASX listing rules and other regulators;
- Ensuring that the shareholders and other stakeholders are provided with timely and full information about the Company's activities.

To promote effective communications with shareholders and to encourage participation by shareholders the Company ensures that information is communicated to its shareholders through:-

- An email based communications system;
- Posting information on the Company's web site at www.drummondgold.com.au
- The distribution of Notice of Meetings and other information directly to shareholders through letters and other forms of communications;

- Ensuring that auditors are invited to the Annual General Meeting to consider questions regarding the conduct of the audit and the preparation and content of the auditor report;
- Allowing shareholders the opportunity at meetings to discuss resolutions; and
- Ensuring timely release of information to the market through the ASX.

The shareholder communication policy is designed to ensure equal and timely access to information for shareholders.

Principle 7 – Recognise and manage risk

The Company has established policies for the oversight of material business risks and believes that risk management and recognition is integral to the Company meeting its objectives. The Board is responsible for reviewing the Company's policy on risk management and risk oversight. The Audit Committee also separately assesses management of the Company's risks and makes recommendations to the Board.

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and report to it on whether the risks are being effectively managed. During the financial year, the Company has reviewed its risk management procedures and considered the "Guide for small-mid market capitalised companies on Principle 7: Recognise and Manage Risk" released under the ASX Markets Supervision Education and Research Program. The Company has updated its existing risk management procedures, reviewed the material business risks affecting the Company and where necessary delegated further responsibilities for those material business risks to senior staff members. The updated risk management system has been designed to effectively manage and report on the consolidated entity's material business risks.

The review process resulted in the update of risk management procedures including revised Risk Management Policy, Risk Register, Risk Tolerance Review and a Risk Management Framework which forms the basis of the Company's risk management and internal control system.

The Risk Register has identified risk in the broad categories of operations management, asset management, environment, compliance/financial reporting, strategic management, ethical conduct, reputation, occupational health and safety/human resources, IT/technology, finance/business continuity, tenements/resource statements and stakeholder communications. A copy of the Risk Management Policy is publicly available on the Company's web site at www.drummondgold.com.au.

The Company has a number of mechanisms in place to ensure that the management regularly reports on matters relating to risks. During the year, the Board has received reports from management as to the effectiveness of the company's management of its material business risks. The reports by management to the Board have been provided under the former system of risk management and internal control. The Company has recently updated its risk management procedures and the Board has recently received reports from management as to the effectiveness of the company's updated system for managing its material business risks.

In accordance with section 259A of the Corporations Act 2001, the Managing Director and Chief Financial Officer have provided a declaration to the Board that:

- their view provided in the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

It is noted that the assurance from the Managing Director and Chief Financial Officer can only be reasonable and not absolute due to the level of judgement required, the limitations of sampling and the difficulty in designing systems to detect all weaknesses in internal control procedures.

Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration and Nomination Committee. The remuneration policies are included in the Remuneration and Nomination Charter which is posted on the Company's website. The Remuneration and Nomination Committee considers the procedures, policies and key performance indicators used to measure the performance of key executives and directors. Any equity based executive remuneration may be made in accordance with thresholds approved by shareholders and be developed over time. The Remuneration and Nomination Committee makes recommendations to the Board on performance and remuneration who is ultimately responsible for reviewing compensation agreements for the directors and the executive management.

Full discussion of the Company's remunerations philosophy and framework and remuneration received by directors and executives in the current financial year is contained in the Remuneration Report section of the Directors' Report. There is no scheme to provide retirement benefits to non-executive directors, except for their entitlement to the nine (9) percent Superannuation Guarantee. Further details of the structure of the remuneration procedures can be found in the Remuneration and Nomination Committee Charter.

Due to size, nature and complexity of the Company the Remuneration and Nomination Committee does not consist of a majority of independent directors, only has two members and is chaired by a non executive director who is not an independent director. The Chairman of the Board is not the chairman of the Remuneration and Nomination Committee. The Company does not allow its directors or senior management to enter in transactions in associated products which limits the risk of participating in unvested entitlements under any equity based remuneration schemes.

The members of the Remuneration and Nomination Committee during the year were Mr. J. S. Dunlop and Mr. R. C. Hutton. Details of the qualifications of the members of the Remuneration and Nomination Committee, number of meetings held during the year and the attendees at those meetings are found in the Directors' Report.

A copy of the Remuneration and Nomination's Committee Charter can be found at the Company's website at www.drummondgold.com.au .