

Company Announcement Office
ASX Limited
20 Bridge Street
Sydney, NSW 2000

Wednesday 9 June 2010

Chairman's Letter to Shareholders – Notice of Meeting for the approval to place shares and use funds for gold exploration and working capital

Dear Shareholder,

Following the Company's announcement earlier this month, I am pleased to confirm that Drummond Gold Limited has successfully placed 12 million shares on 27 May 2010 as previously announced. Subject to shareholder approval, the Company will undertake further placements of 87 million fully paid ordinary shares to investors, directors of the Company and Mr Eduard Eshuys.

The above placements are capital raisings on a best endeavours basis and will raise approximately \$3.4 million. A meeting of shareholders has been called to consider and approve the above share placements to capitalise the Company for its future growth.

While the Notice of Meeting and accompanying explanatory memorandum provide further information, I am keen to explain the considerable significance of the proposed issue and the company-strengthening strategy that lies behind it.

The resources industry has gone through a very difficult time for capital raising, as shown by Drummond Gold's recent experience in having to reject as unacceptable the funding proposals we received for the Maldon acquisition, which was considered and rejected earlier this year.

Against that background, the directors have sought new investors who recognise the current and potential value in the Company's assets and support our strategy of increasing the mineral Resources in the Drummond Basin properties to the level of economic development.

The directors considered several competing funding proposals before taking the superior course that was announced on 14 May 2010.

Subject to your approval at the Extraordinary General Meeting of the further proposed placement, prominent mining industry identity, Mr Eshuys, and other investors, will be issued with Drummond Gold shares.

Mr Eshuys is a highly successful discoverer, developer and operator of mines, and we will be very pleased to welcome him to the Company. His reputation is based on a lifetime of concrete achievement.

A geologist, Mr Eshuys led the exploration teams that discovered the Plutonic, Bronzewing and Jundee gold deposits and the Cawse nickel deposit. He also contributed to the Maggie Hays and Mariners nickel discoveries.

Mr Eshuys is best known in recent years as Managing Director and CEO of St Barbara Limited from 2004 to 2009. His vision and drive transformed St Barbara, expanding the scale of its total operations and significantly increasing gold production.

We expect that Mr Eshuys, and others participating in the further proposed placement, will become new cornerstone investors who will take a long term view of Drummond Gold and provide the Company with the vital strength of continuity as it builds its mineral Resources.

As announced, the Drummond Gold Board will offer Mr Eshuys a directorship of the Company provided the further proposed placement is successfully completed. Our Managing Director Doug Grewar and I will retire from the Board following completion of the transaction. Doug has also decided to step down as MD, having provided the Company with good quality executive service for more than two years. He has offered, and the board has accepted for him to work through his notice period during this transition until he commences alternative employment.

The departure of Doug and I will, of course, reduce the Company's overheads as the Board contracts to three members. The continuing directors, Ross Hutton and Brice Mutton, remain strongly committed to the future of the Company. All of the current directors (including Doug and I) have indicated that they will be subscribing for shares under the further proposed placement in full support of the changes.

Mr Eshuys will be appointed Executive Chairman. This will be a most beneficial appointment for Drummond Gold at the current stage of the Company's development, since Mr Eshuys is extremely well equipped to lead the exploration program of the Company.

The proceeds from the further proposed placement will enable Drummond Gold to implement the drilling program that has been prepared for the East Hill gold discovery at Yandan where the Company has an opportunity to earn up to a 51% interest. The proceeds will also permit exploration at Mt Coolon where high potential drilling targets have been identified.

I have no doubt that Mr Eshuys's exploration skills will help in trying to maximise the potential of Drummond Gold's assets and increase the total gold Resources that the Company has under management.

The further proposed placement and the active involvement of Mr Eshuys in the ownership and management of Drummond Gold should instil renewed confidence in the Company. By taking this course, the directors wish to assist in achieving a significant increase in shareholder value through the discovery and acquisition of additional mineral Resources and real progress towards gold production.

The directors therefore recommend that you support all of the resolutions at the scheduled Extraordinary General Meeting. If you have any questions with the document please contact the Company Secretary, Mr Michael Ilett.

Yours faithfully
Drummond Gold Limited



John Dunlop
Chairman

Notice of general meeting

Drummond Gold Limited ACN 124 562 849

Notice is given that the general meeting of Drummond Gold Limited (**Company**) will be held at:

Location	Hopgood Ganim Lawyers Level 8, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000
Date	Friday 9 July 2010
Time	10.00am (AEST)

Special Business

Ratification of previous share issue on 28 February 2010

1 To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That for the purpose of Listing Rule 7.4, and for all other purposes, that shareholders ratify the previous issue of 2,480,904 Shares to Shaw Corporate Finance Pty Ltd on 28 February 2010 at issue price of \$0.048591 per Share on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Ratification of previous share issues

2 To consider, and if in favour, pass the following 2 resolutions as ordinary resolutions:

A) *'That for the purpose of Listing Rule 7.4, and for all other purposes, that shareholders ratify the previous issue of 6,000,000 Shares to Cairnglen Investments Pty Ltd on 27 May 2010 at issue price of \$0.038 per Share on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'*

B) *'That for the purpose of Listing Rule 7.4, and for all other purposes, that shareholders ratify the issue of 6,000,000 Shares to Resource Capital Fund V. L. P. on 27 May 2010 at issue price of \$0.038 per Share on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'*

Approval for share issue – Alliance Resources Limited

3 To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That for the purpose of Listing Rule 7.1, and for all other purposes, that shareholders approve the issue of 3,674,971 Shares to Alliance Resources Limited at issue price of \$0.049046 per Share on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Approval for share issue - placement

4 To consider, and if in favour, pass the following resolution as an ordinary resolution:

' That for the purpose of Listing Rule 7.1, and for all other purposes, that shareholders approve the issue of 76,000,000 Shares at an issue price of \$0.038 per Share on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Approval for share issue to Mr E. Eshuys

5 To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That for the purpose of the provisions of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, that shareholders authorise the issue of 2,500,000 Shares at an issue price of \$0.038 per Share to Mr Eshuys and/or his nominees on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Approval for issue of Shares and Options to Mr E. Eshuys

6 To consider, and if in favour, pass the following resolution as an ordinary resolution:

'Subject to Resolutions 4 and 5 being passed that, for the purpose of the provisions of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, that the shareholders authorise the issue of 4,000,000 Shares and 20,000,000 Options for nil consideration to Mr Eshuys and/or his nominees on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Approval for share issue to Mr R. Hutton

7 To consider, and if in favour, pass the following resolution as an ordinary resolution:

' That for the purpose of the provisions of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, that the shareholders authorise the issue of up to 2,500,000 Shares at an issue price of \$0.038 per Share to Mr Hutton and/or his nominees on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Approval for share issue to Mr B. Mutton

8 To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That for the purpose of the provisions of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, that the shareholders authorise the issue of up to 1,000,000 Shares at an issue price of \$0.038 per Share to Mr Mutton and/or his nominees on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Approval for share issue to Mr J. Dunlop

9 To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That for the purpose of the provisions of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, that the shareholders authorise the issue of up to 500,000 Shares at an issue price of \$0.038 per Share to Mr Dunlop and/or his nominees

on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Approval for share issue to Mr D. Grewar

10 To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That for the purpose of the provisions of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, that the shareholders authorise the issue of up to 250,000 Shares at an issue price of \$0.038 per Share to Mr Grewar and/or his nominees on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Approval for share issue to Mr M. Ilett

11 To consider, and if in favour, pass the following resolution as an ordinary resolution:

'That for the purpose of the provisions of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, that the shareholders authorise the issue of up to 250,000 Shares at an issue price of \$0.038 per Share to Mr Ilett and/or his nominees on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.'

Dated 9 June 2010

By order of the Board



Michael Ilett
Company Secretary

Notes

- (a) A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a member of the Company. A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the attached proxy form.
- (d) A corporation may elect to appoint a representative in accordance with the *Corporations Act* in which case the Company will require written proof of the representative's

appointment which must be lodged with or presented to the Company before the Meeting.

- (e) If you have any questions on how to cast your votes please call the Company Secretary Michael Ilett on +61 7 3367 2144 during business hours.

Voting entitlements

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as shareholders on Wednesday 7 July 2010 at 7.00pm (Sydney time).

Explanatory Memorandum

Drummond Gold Limited ACN 124 562 849

Special Business

Resolutions 1, 2A and 2B: Ratification of previous share issues

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of the securities at the commencement of that 12 month period.

The allotment and issue of securities detailed in Resolution 1 did not exceed the 15% threshold for the purpose of Listing Rule 7.1. Listing Rule 7.4 provides that where a Company subsequently approves an issue of securities, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1, thereby replenishing the Company's 15% placement capacity and enabling it to issue further securities up to that limit. The purpose of Resolution 1 is for shareholders to ratify, pursuant to Listing Rule 7.4, the issue of 2,480,904 Shares to Shaw Corporate Finance Pty Ltd on 28 February 2010. The purpose of Resolution 2A is for shareholders to ratify, pursuant to Listing Rule 7.4, the issue of 6,000,000 Shares to Cairnglen Investments Pty Ltd. The purpose of Resolution 2B is for shareholders to ratify, pursuant to Listing Rule 7.4, the issue of 6,000,000 Shares to Resource Capital Fund V. L. P. The Company seeks approval of the issue to preserve its ability to issue shares under the 15% limit in Listing Rule 7.1 throughout the coming 12 months.

In accordance with Listing Rule 7.5, shareholders are advised of the following particulars in relation to the allotment and issue under Resolution 1:

Persons to whom securities were issued	Shaw Corporate Finance Pty Ltd
Number of securities issued	2,480,904 Shares
Date the Company issued the securities	28 February 2010
Issue price of the securities	\$0.048591 per Share
Terms of issue	Shares which rank equally with all existing Shares on issue and quoted on ASX
Use of funds	No funds were raised by the issue. The Shares were issued in full and final settlement under a mandate with Shaw for the provision of corporate advisory and transaction services

In accordance with Listing Rule 7.5, shareholders are advised of the following particulars in relation to the allotment and issue under Resolution 2A:

Persons to whom securities were issued	Cairnglen Investments Pty Ltd (6,000,000 Shares)
Number of securities issued	6,000,000 Shares
Date the Company issued the securities	27 May 2010
Issue price of the securities	\$0.038 per Share
Terms of issue	Shares which rank equally with all existing Shares on issue and quoted on ASX
Use of funds	The funds received have and will be used for gold exploration activities and for working capital purposes

In accordance with Listing Rule 7.5, shareholders are advised of the following particulars in relation to the allotment and issue under Resolution 2B:

Persons to whom securities are proposed to be issued	Resource Capital Fund V L. P.
Maximum number of securities to be issued	6,000,000 Shares
Date by which the Company will issue the securities	27 May 2010
Minimum issue price of the securities	\$0.038 per Share
Terms of issue	Shares which rank equally with all existing Shares on issue and are proposed to be quoted on ASX
Use of funds	The funds received will be used for gold exploration activities and for working capital purposes

Voting exclusion statement – Resolutions 1, 2A and 2B

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 1 by:

- (a) Shaw Corporate Finance Pty Ltd;
- (b) an associate (as defined by the Listing Rules) of Shaw Corporate Finance Pty Ltd.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 2A by:

- (a) Cairnglen Investments Pty Ltd;
- (b) any associate (as defined by the Listing Rules) of Cairnglen Investments Pty Ltd.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 2B by:

- (a) Resource Capital Fund V L. P.;
- (b) any associate (as defined by the Listing Rules) of Resource Capital Fund V. L. P..

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3: Approval of issue of Shares to Alliance Resources Limited

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of the securities at the commencement of that 12 month period.

The purpose of Resolution 3 is for shareholders to approve, pursuant to Listing Rule 7.1 and for all other purposes, the issue of 3,674,971 Shares to Alliances Resources Limited.

The issue of Shares to Alliance Resources Limited fulfils consideration payable under an agreement made between the Company and Alliance Resources Limited with respect to extensions of the conditions precedent cut off date in the Share Sale Agreement for the Maldon Project (See ASX announcements released on 22 October 2009, 18 January 2010 and 22 March 2010, Notice of General Meeting and Explanatory Memorandum released on 3 December 2009). During negotiations between the parties it was agreed that the Company would contribute to the ongoing operation of the Maldon Project during the extension period.

In accordance with Listing Rule 7.3, shareholders are advised of the following particulars in relation to the allotment and issue:

Persons to whom securities are proposed to be issued	Alliance Resources Limited
Maximum number of securities to be issued	3,674,971 Shares
Date by which the Company will issue the securities	The Shares are expected to be issued on or before 16 July 2010, however in any event will not be issued later than 3 months from the date of the Meeting.
Minimum issue price of the securities	\$0.049046 per Share
Terms of issue	Shares which rank equally with all existing Shares on issue and are proposed to be quoted on ASX

Use of funds	No funds will be raised by the issue of Shares. The Shares will be issued in full and final settlement of the amount owing (as described above) to Alliance Resources Limited in relation to the Maldon Gold Project.
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Mr Dunlop is a director of Alliance Resources Limited. However, Mr Dunlop does not control Alliance Resources Limited and as such, Alliance Resources Limited is not considered a related party of the Company.

Mr Dunlop has abstained at the Company's board meetings from voting on the issue of shares Alliance Resources Limited and in relation to putting this Resolution 3 to shareholders and the contents of this document in respect of Resolution 3. Further, Mr Dunlop has not been involved in voting at the Company's board meetings concerning Resolution 3.

Each of the Directors, other than Mr Dunlop, voted in favour of putting this Resolution 3 to shareholders for approval and has approved the contents of this document in respect of this Resolution 3.

The Directors, other than Mr Dunlop, recommend that shareholders vote in favour of this Resolution.

Voting exclusion statement

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 3 by:

- (a) Alliance Resources Limited; and
- (b) an associate of Alliance Resources Limited (as defined by the Listing Rules)

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4: Approval of issue of Shares

The purpose of Resolution 4 is for shareholders to approve, pursuant to Listing Rule 7.1 and all other purposes the issue of 76,000,000 Shares to investors in the category identified below.

In addition to the issue of 76,000,000 Shares to investors in the category identified below, the Company also proposed to issue Shares to Mr Eshuys, Mr Hutton, Mr Mutton, Mr Dunlop, Mr Grewar and Mr Ilett (or their respective nominees) under the Placement (that is on the same terms and for the same issue price of \$0.038 per Share). However, as all of them are related parties of the Company, the Company is seeking separate approvals to the issue of shares to Mr Eshuys, Mr Hutton, Mr Mutton, Mr Dunlop, Mr Grewar and Mr Ilett (or their respective nominees) in Resolutions 7 to 11.

Following the announcement to shareholders on 14 May 2010, the Company proposes to raise approximately \$3.4 million (before costs of the issue) by way of a private placement of Shares. The private placement of Shares will be managed with the assistance of Mr Eshuys, who, it is intended will join the Board of Directors of the Company on completion of the private placement of Shares.

The Placement comprises the following components:

- (a) The issue of 76,000,000 Shares at \$0.038 each to participants in the Placement – See Resolution 4;
- (b) The issue of 2,500,000 Shares under the Placement at \$0.038 each to Mr Eshuys (or nominee) – See Resolution 5;
- (c) The issue of 4,000,000 Shares and 20,000,000 Options to subscribe for Shares to Mr Eshuys (or nominee) in connection with his management of the Placement and his proposed appointment as Executive Chairman– See Resolution 6;
- (d) The issue of up to 2,500,000 Shares under the Placement at \$0.038 each to Mr Hutton (or nominee) – See Resolution 7; and
- (e) The issue of up to 1,000,000 Shares under the Placement at \$0.038 each to Mr Mutton (or nominee) – See Resolution 8;
- (f) The issue of up to 500,000 Shares under the Placement at \$0.038 each to Mr Dunlop (or nominee) – See Resolution 9;
- (g) The issue of up to 250,000 Shares under the Placement at \$0.038 each to Mr Grewar (or nominee) – See Resolution 10; and
- (h) The issue of up to 250,000 Shares under the Placement at \$0.038 each to Mr Ilett (or nominee) – See Resolution 11.

This Resolution 4 seeks approval to the issue of Shares described in paragraph (a) above.

In accordance with Listing Rule 7.3, shareholders are advised of the following particulars in relation to the allotment and issue under Resolution 4:

Persons to whom securities are proposed to be issued	Investors and other persons to whom the Company is entitled to issue Shares, without a prospectus on the basis of Section 708 of the Corporations Act
Maximum number of securities to be issued	76,000,000 Shares
Date by which the Company will issue the securities	As soon as is practicable after the Meeting, but in any event by no later than 3 months from the date of the Meeting.
Minimum issue price of the securities	\$0.038 per Share
Terms of issue	Shares which rank equally with all existing Shares on issue and are proposed to be quoted on ASX
Use of funds	The funds received will be used to for gold exploration activities and for working capital purposes.

The Directors recommend that shareholders vote in favour of this Resolution.

Voting exclusion statement

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 4 by:

- (a) any of the proposed allottees of the Shares to be issued in accordance with Resolution 4 (**Resolution 4 Placee**); and
- (b) any associate (as defined by the Listing Rules) of any Resolution 4 Placee.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolutions 5, 7, 8, 9, 10 and 11: Approval of issue of Shares to related parties

The purpose of Resolutions 5, 7, 8, 9 and 10 is for shareholders to approve, pursuant to Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes the issue of 2,500,000 Shares each to Mr Eshuys, the issue of up to 2,500,000 Shares to Mr Hutton, the issue of up to 1,000,000 Shares to Mr Mutton, the issue of up to 500,000 Shares to Mr Dunlop, the issue of up to 250,000 Shares to Mr Grewar and the issue of up to 250,000 Shares to Mr Ilett (or their respective nominees) under the Placement.

Listing Rule 10.11 provides that ASX listed companies must not issue or agree to issue securities to a related party of the Company without the approval of the Company's shareholders. The Notice of Meeting to obtain shareholders' approval must comply with Listing Rule 10.13.

Chapter 2E of the Corporations Act requires that companies obtain shareholder approval prior to giving financial benefits to related parties (unless exceptions apply).

Although Mr Eshuys is not yet a director of the Company, it is anticipated that he will become a director on completion of the Placement. As a result he is likely to be considered a related party of the Company. Mr Hutton and Mr Mutton, Mr Dunlop and Mr Grewar are Directors of the Company. Mr Ilett is an alternate director of the Company.

The Directors recommend that the shareholders vote in favour of Resolution 5.

The Directors except for Mr Hutton (the subject of Resolution 7) recommend that the shareholders vote in favour of Resolution 7.

The Directors except for Mr Mutton (the subject of Resolution 8) recommend that the shareholders vote in favour of Resolution 8.

The Directors except for Mr Dunlop (the subject of Resolution 9) recommend that the shareholders vote in favour of Resolution 9.

The Directors except for Mr Grewar (the subject of Resolution 10) recommend that the shareholders vote in favour of Resolution 10.

The Directors recommend that the shareholders vote in favour of Resolution 11.

As Mr Ilett is an alternate director he does not make any recommendations regarding any Resolutions.

Regulatory Requirements

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition (including where shareholder approval is obtained).

Resolutions 5, 7, 8, 9, 10 and 11 if passed, will confer financial benefits on Mr Eshuys, Mr Hutton and Mr Mutton, Mr Dunlop, Mr Grewar and Mr Ilett (the **Director Recipients**) (being related parties of the Company) and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to shareholders.

(a) **The related parties to whom Resolutions 5, 7, 8, 9, 10 and 11 would permit the financial benefit to be given**

Each of Mr Eshuys, Mr Hutton, Mr Mutton, Mr Dunlop, Mr Grewar and Mr Ilett (or their respective nominees).

(b) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- (1) the issue of 2,500,000 Shares to Mr Eshuys (or nominee) under the Placement as referred to in Resolution 5;
- (2) the issue of up to 2,500,000 Shares to Mr Hutton (or nominee) under the Placement as referred to in Resolution 7;
- (3) the issue of up to 1,000,000 Shares to Mr Mutton (or nominee) under the Placement as referred to in Resolution 8.
- (4) the issue of up to 500,000 Shares to Mr Dunlop (or nominee) under the Placement as referred to in Resolution 9.
- (5) the issue of up to 250,000 Shares to Mr Grewar (or nominee) under the Placement as referred to in Resolution 10.
- (6) the issue of up to 250,000 Shares to Mr Ilett (or nominee) under the Placement as referred to in Resolution 11.

The Shares will be issued on the same terms as all other Shares under the Placement, namely at an issue price of \$0.038 per Share.

(c) **Directors' Recommendation**

With respect to Resolution 5, Mr Dunlop, Mr Grewar, Mr Hutton and Mr Mutton recommend that shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (1) The issue of Shares is on the same terms as all other participants in the Placement; and
- (2) The funds raised by the issue of the Shares will assist the Company in achieving its corporate objectives.

With respect to Resolution 7, Mr Dunlop, Mr Grewar and Mr Mutton recommend that shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (1) The issue of Shares is on the same terms as all other participants in the Placement; and
- (2) The funds raised by the issue of the Shares will assist the Company in achieving its corporate objectives.

As Mr Hutton is interested in the outcome of Resolution 7, he accordingly makes no recommendation to shareholders in respect of this Resolution.

With respect to Resolution 8, Mr Dunlop, Mr Grewar and Mr Hutton recommend that shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (1) The issue of Shares is on the same terms as all other participants in the Placement; and
- (2) The funds raised by the issue of the Shares will assist the Company in achieving its corporate objectives.

As Mr Mutton is interested in the outcome of Resolution 8, he accordingly makes no recommendation to shareholders in respect of this Resolution.

With respect to Resolution 9, Mr Mutton, Mr Grewar and Mr Hutton recommend that shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (1) The issue of Shares is on the same terms as all other participants in the Placement; and
- (2) The funds raised by the issue of the Shares will assist the Company in achieving its corporate objectives.

As Mr Dunlop is interested in the outcome of Resolution 9, he accordingly makes no recommendation to shareholders in respect of this Resolution.

With respect to Resolution 10, Mr Mutton, Mr Dunlop and Mr Hutton recommend that shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (1) The issue of Shares is on the same terms as all other participants in the Placement; and
- (2) The funds raised by the issue of the Shares will assist the Company in achieving its corporate objectives.

As Mr Grewar is interested in the outcome of Resolution 10, he accordingly makes no recommendation to shareholders in respect of this Resolution.

With respect to Resolution 11, Mr Mutton, Mr Dunlop, Mr Grewar and Mr Hutton recommend that shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (1) The issue of Shares is on the same terms as all other participants in the Placement; and
- (2) The funds raised by the issue of the Shares will assist the Company in achieving its corporate objectives.

As Mr Ilett is an alternate director he does not make any recommendations regarding the above Resolutions.

(d) **Directors' Interest and other remuneration**

Mr Eshuys

Mr Eshuys has a material personal interest in the outcome of Resolution 5, as it is proposed that 2,500,000 Shares be issued to him (or his nominee).

Excluding the Shares and Options to be issued under Resolutions 5 and 6, Mr Eshuys (and entities associated with him) hold nil Shares and nil Options in the Company.

Please refer to the table below which indicates the shareholdings of Mr Eshuys (and entities associated with him).

It is proposed that Mr Eshuys will be appointed as the Executive Chairman of the Company upon the successful completion of the Placement and will be provided with total remuneration in the amount of \$150,000 (excluding GST) per annum together with Chairman's Fees of \$50,000 per annum (excluding 9% Superannuation) (total cost to the Company) from the Company for his services to the Company as the Executive Chairman.

In addition to the Shares to be issued under Resolution 5, it is proposed that the Company issue an additional 4,000,000 Shares and 20,000,000 Options to Mr Eshuys as contemplated by Resolution 6.

Mr Hutton

Mr Hutton has a material personal interest in the outcome of Resolution 7, as it is proposed that 2,500,000 Shares be issued to him (or his nominee).

Excluding the Shares to be issued under Resolution 7, Mr Hutton (and entities associated with him) holds 14,992,420 Shares and 2,996,445 July Options in the Company.

Please refer to the table below which indicates the shareholdings of Mr Hutton (and entities associated with him).

In addition to the above Shares and July Options, Mr Hutton receives director's remuneration of \$25,000 (exclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive Director.

Mr Mutton

Mr Mutton has a material personal interest in the outcome of Resolution 8, as it is proposed that 1,000,000 Shares be issued to him (or his nominee).

Excluding the Shares to be issued under Resolution 8, Mr Mutton (and entities associated with him) holds 2,888,947 Shares and 470,236 July Options in the Company.

Please refer to the table below which indicates the shareholdings of Mr Mutton (and entities associated with him).

In addition to the above Shares and July Options, Mr Mutton receives director's remuneration of \$25,000 (exclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive Director.

Mr Dunlop

Mr Dunlop has a material personal interest in the outcome of Resolution 9, as it is proposed that 500,000 Shares be issued to him (or his nominee).

Excluding the Shares to be issued under Resolution 9, Mr Dunlop (and entities associated with him) holds 1,063,400 Shares and 562,500 July Options in the Company.

Please refer to the table below which indicates the shareholdings of Mr Dunlop (and entities associated with him).

In addition to the above Shares and July Options, Mr Dunlop receives director's remuneration of \$40,000 (exclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive Chairman. Mr Dunlop intends to resign from the

Board upon successful completion of the Placement and the appointment of Mr Eshuys as Director.

Mr Grewar

Mr Grewar has a material personal interest in the outcome of Resolution 10, as it is proposed that 250,000 Shares be issued to him (or his nominee).

Excluding the Shares to be issued under Resolution 10, Mr Grewar (and entities associated with him) holds 1,002,000 Shares and no Options in the Company.

Please refer to the table below which indicates the shareholdings of Mr Grewar (and entities associated with him).

In addition to the above Shares, Mr Grewar receives remuneration as a managing director details of which are contained in the Company's Annual Report. Mr Grewar intends to resign from the Board upon successful completion of the Placement and the appointment of Mr Eshuys as director. Mr Grewar's services will be retained by the Company during his notice period ending 31 October 2010 or until he commences alternative employment whichever event occurs first.

Mr Ilett

Mr Ilett has a material personal interest in the outcome of Resolution 11, as it is proposed that 250,000 Shares be issued to him (or his nominee).

Excluding the Shares to be issued under Resolution 11, Mr Ilett (and entities associated with him) holds 1,284,627 Shares and 208,157 July Options in the Company.

Please refer to the table below which indicates the shareholdings of Mr Ilett (and entities associated with him).

In addition to the above Shares and July Options, Mr Ilett receives remuneration at a rate of \$125 per hour (excluding GST) in his capacity as Chief Financial Officer and Company Secretary. He receives no remuneration in his role as alternate director for Mr Hutton.

Upon the issue of the Shares under Resolutions 5, 7, 8, 9, 10 and 11 are issued to Mr Eshuys, Mr Hutton, Mr Mutton, Mr Dunlop, Mr Grewar and Mr Ilett (or their nominees as the case may be), the following will be the effect on their holdings in the Company:

Related Party	Current Share Holding ¹	% of Total Share Capital	Share Holding Upon issue of Shares ²	% of Total Share Capital
Mr Eshuys (3)	0	0%	26,500,000	11.94%
Mr Hutton (4)	14,992,420	13.48%	17,492,420	7.88%
Mr Mutton (5)	2,888,947	2.6%	3,888,947	1.75%
Mr Dunlop	1,063,400	0.96%	1,563,400	0.70%
Mr Grewar	1,002,000	0.9%	1,252,000	0.56%
Mr Ilett (6)	1,284,627	1.16%	1,534,627	0.69%
Total	21,231,394	19.1%	52,231,394	23.54%

Notes:

1. This assumes that none of the July Options on issue in the Company are exercised and no further securities are issued. This total only includes the existing Shares on issue as at the date of the Notice of Meeting..
 2. This assumes that none of the July Options on issue in the Company are exercised and no further securities are issued. This total includes the existing Shares on issue and assumes that the Shares and Options under Resolutions 3, 4, 5, 6, 7, 8, 9, 10 and 11 are issued.
 3. Mr Eshuys is also to receive Shares and Options under Resolution 6, which have not been included for the purposes of his current shareholding, set out in this table.
 4. Includes the indirect interest that Mr Hutton holds in the 8,075,215 Shares held in Mt Coolon Holdings Pty Ltd as trustee for Mt Coolon Gold Mines Trust by virtue of holding of greater than 20% voting power in Mt Coolon Holdings Pty Ltd.
 5. Although Mr Mutton has a beneficial interest (of approximately 15% of 8,075,215 Shares) in the Shares held by Mt Coolon Holdings Pty Ltd as trustee for Mt Coolon Gold Mines Trust, he does not hold a relevant interest in those Shares and as such they have not been included for the purposes of the above table.
 6. Mr Ilett is an alternate director for Mr Hutton.
- (e) **Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its Directors save and except as follows:

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Shares to the Director Recipients is the diluted impact on the issued share capital of the Company. To the extent that the dilutionary impact caused by the issue of the Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company raising capital under the Share issues (which form part of the Placement).

Taxation Consequences

No stamp duty will be payable in respect of the issue of the Shares. No GST will be payable by the Company in respect of the issue of the Shares (or if it is then it will be recoverable as an input credit).

Dilutionary Effect

If the Placement securities the subject of Resolutions 4, 5 and Resolutions 7 to 11 are issued and all other securities contemplated by this Notice of Meeting, the following will be the effect on the current issued capital of the Company:

Shareholder (related parties)	Current shareholding ¹	% of total Shares	Share Holding Upon issue of Shares ²	% of total Shares
Mr Eshuys (3)	0	0%	26,500,000	11.94%
Mr Hutton (4)	14,992,420	13.48%	17,492,420	7.88%
Mr Mutton (5)	2,888,947	2.6%	3,888,947	1.75%
Mr Dunlop	1,063,400	0.96%	1,563,400	0.70%
Mr Grewar	1,002,000	0.9%	1,252,000	0.56%
Mr Ilett (6)	1,284,627	1.16%	1,534,627	0.69%
Total	21,231,394	19.1%	52,231,394	23.54%
Top 6 Shareholders (excluding indirect holdings of related parties)				
Mt Coolon Holdings Pty Ltd.(7)	8,075,215	7.26%	8,075,215	3.64%
ANZ Nominees Limited	5,740,000	5.16%	5,740,000	2.59%
Mr Vigar (7)	5,570,187	5.00%	5,570,187	2.51%
Mr Hutton (7)	6,917,205	6.22%	9,417,205	4.24%
Cairnglen Investments Pty Ltd (8)	6,000,000	5.40%	6,000,000	2.70%
Resource Capital Fund V L. P. (8)	6,000,000	5.40%	6,000,000	2.70%
Other Shareholders	72,911,064	65.56%	181,086,035	81.62%
Total	111,213,671	100.00%	221,888,642	100.00%

Notes:

1. This assumes that none of the July Options on issue in the Company are exercised and no further securities are issued. This total only includes the existing Shares on issue as at the date of the Notice of Meeting.
2. This assumes that none of the July Options on issue in the Company are exercised and no further securities are issued. This total includes the existing Shares on issue and assumes that the Shares and Options under Resolutions 3, 4, 5, 6, 7, 8, 9, 10 and 11 are issued.
3. Mr Eshuys is also to receive Shares and Options under Resolution 6, which have been included for the purposes of his current shareholding, set out in this table.
4. Includes the indirect interest that Mr Hutton holds in the 8,075,215 Shares held in Mt Coolon Holdings Pty Ltd as trustee for Mt Coolon Gold Mines Trust by virtue of holding of greater than 20% voting power in Mt Coolon Holdings Pty Ltd.
5. Although Mr Mutton has a beneficial interest (of approximately 15% of 8,075,215 Shares) in the Shares held by Mt Coolon Holdings Pty Ltd as trustee for Mt Coolon Gold Mines Trust, he does not hold a relevant interest in those Shares and as such they have not been included for the purposes of the above table.
6. Mr Ilett is an alternate director for Mr Hutton.
7. Mr Hutton and (as the Company understands it), Mr Vigar (or entities associated with him) have a relevant interest in the Shares held by Mt Coolon Holdings Pty Ltd as trustee for Mt Coolon Gold Mines Trust. To avoid double counting, these Shares have not been added to the holding of Mr Vigar and Mr Hutton for the purposes of the showing the impact of the proposed Resolutions on the top 4 shareholders.
8. Any further placements that Cairnglen Investments Pty Ltd and Resource Capital Fund V L.P. may apply for under Resolution 4 have not been included in the table.

Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. As noted above, each of Mr Eshuys, Mr Hutton, Mr Mutton, Mr Dunlop, Mr Grewar and Mr Ilett are related parties of the Company. Accordingly, because the issue of the Shares under Resolutions 5, 7, 8, 9, 10 and 11 will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Shares to be issued are 2,500,000 Shares to Mr Eshuys, 2,500,000 Shares to Mr Hutton, 1,000,000 Shares to Mr Mutton, 500,000 to Mr Dunlop, 250,000 to Mr Grewar and 250,000 to Mr Ilett;
- The Shares are intended to be issued as soon as possible following the General Meeting, but in any event, within one (1) month of the date of the General Meeting;
- The issue price of the Shares is \$0.038 per Share; and
- The funds received will be used to for gold exploration activities and for working capital purposes.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this Explanatory Statement, the Directors are not aware of any other information that will be reasonably required by shareholders to make a decision in relation to benefits contemplated by Resolutions 5, 7, 8, 9, 10 and 11.

Voting exclusion statement

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 5 by:

- (a) Mr Eshuys; and
- (b) an associate (as defined by the Listing Rules) of Mr Eshuys.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 7 by:

- (a) Mr Hutton; and
- (b) an associate (as defined by the Listing Rules) of Mr Hutton.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 8 by:

- (a) Mr Mutton; and
- (b) an associate(as defined by the Listing Rules) of Mr Mutton.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 9 by:

- (a) Mr Dunlop; and
- (b) an associate (as defined by the Listing Rules) of Mr Dunlop.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 10 by:

- (a) Mr Grewar; and

(b) an associate (as defined by the Listing Rules) of Mr Grewar.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 11 by:

(a) Mr Ilett; and

(b) an associate (as defined by the Listing Rules) of Mr Ilett.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6: Approval of issue of Shares and Options to Mr E. Eshuys

The purpose of Resolution 6 is for shareholders to approve, pursuant to Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, the issue of 4,000,000 Shares and 20,000,000 Options for nil consideration to Mr Eshuys and/or his nominees (**Recipient**).

Mr Eshuys has been appointed by the Company to assist in procuring the completion of the Placement (and the issue of the Shares under Resolutions 2A) and 2B)). It is also proposed that Mr Eshuys will be appointed by the Company as the Executive Chairman following successful completion of the Placement.

In consideration for the above, the Recipient will be issued with 4,000,000 Shares and 20,000,000 Options, broken down as follows:

- (a) 2,500,000 Shares being issued in consideration for his services in procuring the completion of the Placement (**Consideration Shares**). The Consideration Shares are valued at \$125,000 based on a market price of \$0.05 per Share as of 21 May 2010.
- (b) 1,500,000 Shares in consideration for Mr Eshuys agreeing to be appointed by the Company as the Executive Chairman following the successful completion of the Placement. (**Sign-On Shares**). The Sign-On Shares are valued at \$75,000 based on a market price of \$0.05 per Share as at 21 May 2010.
- (c) A total of 20,000,000 Options (on the terms described below) (**Incentive Options**) will be granted to the Recipient as a reward and incentive for future services Mr Eshuys will provide to the Company to further the progress of the Company. The Incentive Options are valued at \$325,370.07 (see method below).

The Consideration Shares, Sign-On Shares and Incentive Options (**Consideration Securities**) will only be issued to the Recipient in the event that the Shares under Resolution 2B and the placements in Resolutions 4 and 5 have first been issued (that is, 6,000,000 Shares under Resolution 2B and the placements referred to in Resolutions 4 and 5 are fully subscribed and completed).

As noted above, as it is anticipated that Mr Eshuys will be appointed as a director of the Company on successful completion of the Placement, he is likely to be considered a related party of the Company.

Approval for the issue of the Consideration Securities is sought in accordance with the Listing Rule 10.11 and Chapter 2E of the Corporations Act. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

In order for the Consideration Securities to be granted to a related party, the requirements of Chapter 2E of the Corporations Act need to be observed.

Terms and Conditions of the Incentive Options

- The Incentive Options shall be issued for no consideration;
- The exercise price of each Incentive Option (**Exercise Price**) is as follows:
 - in respect of 5,000,000 Options, \$0.06 each (**Tranche 1**);
 - in respect of 5,000,000 Options, \$0.09 each (**Tranche 2**);
 - in respect of 5,000,000 Options, \$0.12 each (**Tranche 3**);
 - in respect of 5,000,000 Options, \$0.15 each (**Tranche 4**);
- The Tranche 1 and Tranche 2 Incentive Options will expire on the earlier of:
 - 31 December 2011; or
 - the expiration of three (3) months, or any longer period as may be determined by the Directors, after Mr Eshuys ceases (as applicable) to be a Director of the Company;**(Expiry Date)** unless earlier exercised;
- The Tranche 3 and Tranche 4 Incentive Options will expire on the earlier of:
 - 30 June 2012; or
 - the expiration of three (3) months, or any longer period as may be determined by the Directors, after Mr Eshuys ceases (as applicable) to be a Director of the Company;**(Expiry Date)** unless earlier exercised;
- The Incentive Options may only be exercised :
 - In respect of Tranche 1 and 2 – immediately on issue;
 - In respect of Tranche 3 and 4 – after 31 December 2011;**(Vesting Date)**.
- In the event that a Change in Control occurs prior to the applicable Expiry Date, all Incentive Options will be deemed to have immediately vested and be immediately exercisable (despite the Vesting Date not having passed in respect of any tranche of Incentive Options) and shall be immediately exercisable by the Recipient, until the Expiry Date (as applicable). For the purposes of these Terms, the following words have the following meanings:

Associate has the meaning ascribed to that term in Division 2 of Part 1.2 of the *Corporations Act* and **“Associated”** has a corresponding meaning.

Change in Control means:

- (i) The Company entering into a scheme of arrangement with its creditors or members or any class thereof pursuant to section 411 of the *Corporations Act*;
- (ii) a Takeover Event happening; or
- (iii) where a person or group of Associated persons acquires a relevant interest in sufficient Shares to give it or them the ability (**Relevant Ability**), at a general

meeting, to replace all or a majority of the Board of the Company in circumstances where the Relevant Ability was not held by that person or group of Associated persons as at the date of these terms;

Takeover Event happens when any person acquires more than fifty percent (50%) of the Shares in the Company pursuant to a takeover bid conducted in accordance with Chapter 6 of the Corporations Act.

- The Incentive Options will not be transferable in whole or in part and may not be exercised by any other person (except, in the case of the Option holder's death, by his or her legal personal representative);
- The Incentive Options may be exercised at any time after the relevant Vesting Date has occurred in respect of the relevant tranche of Incentive Options, wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Incentive Option to the Company at any time on or after the date of issue of the Incentive Options and on or before the Expiry Date (as applicable);
- The number of Incentive Options that may be exercised at one time must be not less than 2,000;
- Upon the valid exercise of the Incentive Options and payment of the Exercise Price, the Company will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares;
- The Incentive Option holder does not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the Listing Rules, provide the Incentive Option holder with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Incentive Options, in accordance with the requirements of the Listing Rules;
- The Incentive Option holder does not participate in any dividends unless the Incentive Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend;
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - the number of Incentive Options, the Exercise Price of the Incentive Options, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holder of the Incentive Options which are not conferred on shareholders; and
 - subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Incentive Options will remain unchanged;
- If there is a pro rata issue (except a bonus issue), the Exercise Price of an Incentive Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

O^n = the new exercise price of the Incentive Option;

O = the old exercise price of the Incentive Option;

- E = the number of underlying securities into which one Incentive Option is exercisable;
- P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;
- S = the subscription price for a security under the pro rata issue;
- D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Incentive Option is exercisable may be increased by the number of Shares which the Incentive Option holder would have received if the Incentive Option had been exercised before the record date for the bonus issue;
- The terms of the Incentive Options shall only be changed if the holder (whose votes are not to be disregarded) of ordinary shares in the Company approve of such a change. However, the terms of the Incentive Options shall not be changed to reduce the Exercise Price, increase the number of Incentive Options or change any period for exercise of the Options;
- The Company does not intend to apply for listing of the Incentive Options on the ASX; and
- The Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Incentive Option.

Regulatory Requirements

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition (including where shareholder approval is obtained).

Resolution 6 if passed, will confer financial benefits on the Recipient (being a related party of the Company) and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to shareholders.

(a) **The related party to whom Resolution 6 would permit the financial benefit to be given**

Mr Eshuys (or his nominee), being a proposed director of the Company.

(b) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- (1) the issue of 4,000,000 Shares to the Recipient;
- (2) the grant of 20,000,000 Options to the Recipient;
- (3) the Consideration Securities shall be granted for nil consideration;
- (4) the Options shall vest and be capable of exercise provided that Mr Eshuys has not ceased to be a Director on the relevant Vesting Date;
- (5) the Exercise Price for the Options shall be between \$0.06 and \$0.15 for the various tranches of Option, as set out above.

(c) **Directors' Recommendation**

Mr Dunlop, Mr Grewar, Mr Hutton and Mr Mutton recommend that shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (1) the Consideration Securities are only to be issued to the Recipient in the event that the Placement is successfully completed and in consideration for Mr Eshuys' role in securing the Placement. The Placement will provide the Company with significant capital and enhance the ability for the Company to achieve its corporate objectives;
- (2) the grant of the Options as proposed to the Recipient will provide him with reward and incentive for future services he will provide to the Company as the Executive Chairman to further the progress of the Company;
- (3) the Sign On Securities represent a reasonable fee and incentive for Mr Eshuys to join the Company as an Executive Director; and
- (4) in the Company's circumstances as they existed as at the date of this Explanatory Statement, Mr Dunlop, Mr Grewar, Mr Hutton and Mr Mutton considered that the provision of the Consideration Securities provided a cost-effective and efficient fee for capital raising services as opposed to cash. However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Consideration Securities to a third party.

(d) **Directors' Interest and other remuneration**

Mr Eshuys has a material personal interest in the outcome of Resolution 6, as it is proposed that the Consideration Securities be granted to him (or his nominee).

Excluding the Consideration Securities, Mr Eshuys (and entities associated with him) hold no Shares and no Options in the Company at the date of this Notice of Meeting.

Other than the Consideration Securities to be issued to the Recipient pursuant to Resolution 6, it is proposed that Mr Eshuys participate in the Placement by subscribing for 2,500,000 Shares (the subject of Resolution 5).

Please refer to the table below which indicates the holdings of Mr Eshuys (and entities associated with him).

In addition to the above Shares and Options, it is also proposed that Mr Eshuys will be provided with total remuneration and fees in the amount of \$150,000 (plus GST) per annum and Chairman's Fees of \$50,000 (excluding superannuation) (total cost to the Company) from the Company for his services to the Company as the Executive Chairman.

If all of the Options granted are exercised by the Mr Eshuys (or his nominees as the case may be), the following will be the effect on his holdings in the Company:

Related Party	Current Share Holding ¹	% of Total Share Capital	Share Capital Upon issue of Consideration Securities and Exercise of Options ²	% of Total Share Capital
Mr Eshuys (3)	0	0%	26,500,000	11.94%
Mr Hutton (4)	14,992,420	13.48%	17,492,420	7.88%
Mr Mutton (5)	2,888,947	2.6%	3,888,947	1.75%
Mr Dunlop	1,063,400	0.96%	1,563,400	0.70%
Mr Grewar	1,002,000	0.9%	1,252,000	0.56%
Mr Ilett (6)	1,284,627	1.16%	1,534,627	0.69%
Total	21,231,394	19.1%	52,231,394	23.54%

Notes:

1. This assumes that none of the July Options on issue in the Company are exercised and no further securities are issued. This total only includes the existing Shares on issue as at the date of the Notice of Meeting.
2. This assumes that none of the July Options on issue in the Company are exercised and no further securities are issued. This total includes the existing Shares on issue and assumes that the Shares and Options under Resolutions 3, 4, 5, 6, 7, 8, 9, 10 and 11 are issued.
3. Mr Eshuys is also to receive Shares and Options under Resolution 5, which have not been included for the purposes of his current shareholding, set out in this table.
4. Includes the indirect interest that Mr Hutton holds in the 8,075,215 Shares held in Mt Coolon Holdings Pty Ltd as trustee for Mt Coolon Gold Mines Trust by virtue of holding of greater than 20% voting power in Mt Coolon Holdings Pty Ltd.
5. Although Mr Mutton has a beneficial interest (of approximately 15% of 8,075,215 Shares) in the Shares held by Mt Coolon Holdings Pty Ltd as trustee for Mt Coolon Gold Mines Trust, he does not hold a relevant interest in those Shares and as such they have not been included for the purposes of the above table.
6. Mr Ilett is an alternate director for Mr Hutton.

(e) **Valuation**

The Incentive Options are not currently quoted on the ASX and as such have no market value. The Incentive Options each grant the holder a right of grant of one Share in the Company upon exercise of the Incentive Options and payment of the Exercise Price of the Incentive Options described above. Accordingly, the Incentive Options may have a present value at the date of their grant.

The Incentive Options may acquire future value dependent upon the extent to which the Shares exceed the Exercise Price of the Incentive Options during the term of the Incentive Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have a value. Various factors impact upon the value of options including:

- (1) the period outstanding before the expiry date of the options;
- (2) the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- (3) the proportion of the issued capital as expanded consequent upon exercise represented by the Shares issued upon exercise (ie whether or not the Shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- (4) the value of the shares into which the options may be converted; and
- (5) whether the options are listed (ie readily capable of being liquidated).

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Company has commissioned an independent valuation of the options, for the purposes of disclosing to shareholders such information required to decide whether or not it is in the Company's interest to pass Resolution 6 and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 "Share Based Payments", using the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the price of the underlying share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company's underlying share price and expected dividends.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model was:

- (1) the Exercise Price of the Incentive Options being:
 - i. in respect of 5,000,000 Options, \$0.06 each (**Tranche 1**);
 - ii. in respect of 5,000,000 Options, \$0.09 each (**Tranche 2**);
 - iii. in respect of 5,000,000 Options, \$0.12 each (**Tranche 3**);
 - iv. in respect of 5,000,000 Options, \$0.15 each (**Tranche 4**);
- (2) a market price of \$0.05 per Share;
- (3) expiry date of 31 December 2011 for Tranche 1 and Tranche 2 Options;
- (4) expiry date of 30 June 2012 for Tranche 3 and Tranche 4 Options;
- (5) a volatility measure of 91.41%;
- (6) a risk-free interest rate of 4.40% for Tranche 1 and Tranche 2 Options;
- (7) a risk-free interest rate of 4.51% for Tranche 3 and Tranche 4 Options; and
- (8) a dividend yield of nil.

Some relatively minor variables were included in the calculation to estimate the value of Incentive Options as "American style" options (being exercisable at any time prior to the stated expiry date). Theoretically, the Black-Scholes Model prices "European style" options (being exercisable only on this exercise date).

Based on the independent valuation of the Incentive Options, the Company agrees that the respective value of the Incentive Options to be issued pursuant to Resolution 6 are as follows:

- Tranche 1 – \$103,147.43;
- Tranche 2 – \$77,053.86;

- Tranche 3 – \$78,590.65; and
- Tranche 4 – \$66,578.13.

In addition to the Incentive Options, the 4,000,000 Shares issued can be valued by reference to the market price of the Shares at the time of valuation. Based on the closing price of the Company's Shares on 21 May 2010 of \$0.05, the Shares to be issued to the Recipient under Resolution 6 have a value of \$200,000.

Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors

There is no other information known to the Company or any of its Directors save and except as follows:

Market Price movements:

The Incentive Option and Share valuation noted above is based on a market price per Share of \$0.05 as at 21 May 2010.

There is a possibility that the market price of the Shares will change up to the date of the Meeting.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Consideration Securities is the potentially diluted impact on the issued share capital of the Company (in the case of the Incentive Options, in the event that the Incentive Options are exercised). Until exercised, the issue of the Incentive Options will not impact upon the number of Shares on issue in the Company. To the extent that the dilutionary impact caused by the issue of the Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company raising capital under the Placement (the completion of which is a pre-condition to the issue of the Consideration Securities) and the assistance provided by Mr Eshuys in respect of the Placement and the benefits of Mr Eshuys becoming the Executive Chairman of the Company.

It is also considered that the potential increase of value in the Incentive Options is dependent upon a concomitant increase in the value of the Company generally.

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Incentive Options. No GST will be payable by the Company in respect of the grant of the Incentive Options (or if it is then it will be recoverable as an input credit).

AASB 2 "Share Based Payments" requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the statement of financial performance. Where the grant date and the vesting date are different, the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

Dilutionary Effect

If all of the Incentive Options granted are exercised and all other share issues contemplated by the Notice of Meeting are completed, the following will be the effect on the current issued capital of the Company:

Shareholder (related parties)	Current shareholding ¹	% of total Shares	No. of Shares held after issue of the Consideration Shares (and exercise of the Options) ²	% of total Shares
Mr Eshuys (3)	0	0%	26,500,000	11.94%
Mr Hutton (4)	14,992,420	13.48%	17,492,420	7.88%
Mr Mutton (5)	2,888,947	2.6%	3,888,947	1.75%
Mr Dunlop	1,063,400	0.96%	1,563,400	0.70%
Mr Grewar	1,002,000	0.9%	1,252,000	0.56%
Mr Ilett (6)	1,284,627	1.16%	1,534,627	0.69%
Total	21,231,394	19.1%	52,231,394	23.54%
Top 6 Shareholders (excluding indirect holdings of related parties)				
Mt Coolon Holdings Pty Ltd.(7)	8,075,215	7.26%	8,075,215	3.64%
ANZ Nominees Limited	5,740,000	5.16%	5,740,000	2.59%
Mr Vigar (7)	5,570,187	5.00%	5,570,187	2.51%
Mr Hutton (7)	6,917,205	6.22%	9,417,205	4.24%
Cairnglen Investments Pty Ltd (8)	6,000,000	5.40%	6,000,000	2.70%
Resource Capital Fund V L. P. (8)	6,000,000	5.40%	6,000,000	2.70%
Other Shareholders	72,911,064	65.56%	181,086,035	81.62%
Total	111,213,671	100.00%	221,888,642	100.00%

Notes:

1. This assumes that none of the July Options on issue in the Company are exercised and no further securities are issued. This total only includes the existing Shares on issue as at the date of the Notice of Meeting.

2. This assumes that none of the July Options on issue in the Company are exercised and no further securities are issued. This total includes the existing Shares on issue and assumes that the Shares and Options under Resolutions 3, 4, 5, 6, 7, 8, 9, 10 and 11 are issued.
3. Mr Eshuys is also to receive Shares and Options under Resolution 5, which have not been included for the purposes of his current shareholding, set out in this table.
4. Includes the indirect interest that Mr Hutton holds in the 8,075,215 Shares held in Mt Coolon Holdings Pty Ltd as trustee for Mt Coolon Gold Mines Trust by virtue of holding of greater than 20% voting power in Mt Coolon Holdings Pty Ltd.
5. Although Mr Mutton has a beneficial interest (of approximately 5% of 8,075,215 Shares) in the Shares held by Mt Coolon Holdings Pty Ltd as trustee for Mt Coolon Gold Mines, he does not hold a relevant interest in those Shares and as such they have not been included for the purposes of the above table.
6. Mr Ilett is an alternate director for Mr Hutton.
7. Mr Hutton and (as the Company understands it), Mr Vigar (or entities associated with him) have a relevant interest in the Shares held by Mt Coolon Holdings Pty Ltd. To avoid double counting, these Shares have not been added to the holding of Mr Vigar and Mr Hutton for the purposes of the showing the impact of the proposed Resolutions on the top 4 shareholders.
8. Any further placements that Cairnglen Investments Pty Ltd and Resource Capital Fund V L.P. may apply for under Resolution 4 have not been included in the table.

Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. As noted above, Mr Eshuys is likely to be considered a related party of the Company. Accordingly, because the issue of the Consideration Securities will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of securities to be issued is 4,000,000 Shares and 20,000,000 Options;
- The Consideration Securities are intended to be granted as soon as possible following the Meeting (but subject to the completion of the Placement), but in any event, within one (1) month of the date of the Meeting;
- The Consideration Securities are being issued for nil consideration; and
- No funds are being raised by the grant of the Consideration Securities.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this Explanatory Statement, the Directors are not aware of any other information that will be reasonably required by shareholders to make a decision in relation to benefits contemplated by this Resolution.

Voting exclusion statement

As required by the Listing Rules, the Company will disregard any votes cast on Resolution 6 by:

- (a) The Recipient; and
- (b) an associate (as defined by the Listing Rules) of the Recipient.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for the person who is entitled to vote, in accordance with the direction of the proxy form; or
- if it cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Definitions

A number of capitalised terms are used throughout this Notice of Meeting and Explanatory Memorandum. Except to the extent the context otherwise requires:

Term	Definition
ASX	ASX Limited
Company or Drummond Gold	Drummond Gold Limited ACN 124 459 396
Corporations Act	means the <i>Corporations Act 2001 (Cth)</i>
Directors	the directors of the Company
Issue Date	means the date the Options are issued in accordance with Resolution 6
July Options	means options exercisable at \$0.3912 and expiring on 31 July 2010
Meeting	Means the general meeting of shareholders to be held on 9 July 2010
Listing Rules	the Listing Rules of ASX
Options	means options to subscribe for Shares in the Company
Placement	means the proposed issue of Shares pursuant to Resolutions 4, 5, 7, 8, 9, 10 and 11
Shares	means ordinary fully paid shares in the capital of the Company
Vesting Date	means the vesting date for the respective Tranches of Options the subject of Resolution 6

Section 1: Name and address of member

All correspondence to:
 Drummond Gold Limited
 PO Box 844, Paddington, Qld 4065 Australia
 Telephone 07 3367 2144
 Facsimile 07 3367 2165

Mark this box with 'X' if you have made any changes to your address details (see overleaf).

PROXY FORM

Section 2: Appointment of proxy

I, being a member of the Company and entitled to attend and vote appoint

the Chairman of the meeting
 (mark with an 'X')

OR

Write here the full name of the person or body corporate you are appointing if this person is **someone other than** the Chairman of the meeting.

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the meeting, as my proxy to attend, to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit), and to act generally on my behalf, at the extraordinary general meeting of the Company to be held at:

Location	Hopgood Gamin Lawyers Level 8, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000
Time and Date	At 10.00 am (Sydney Time) on 9 July 2010

and at any adjournment of that meeting.

Section 3: Voting instructions

Voting directions to proxy – please mark to indicate your directions.

Resolution 1 – Ratification of previous share issue on 28 February 2010

Resolution 2A – Ratification of previous share issue on 27 May 2010

Resolution 2B – Ratification of previous share issue on 27 May 2010

Resolution 3 – Approve the issue of shares to Alliance Resources Limited

Resolution 4 – Approve the issue of shares - Placement

Resolution 5 – Approval the issue of shares to Mr E. Eshuys

Resolution 6 – Approval the issue of shares and options to Mr E. Eshuys

Resolution 7 – Approval the issue of shares to Mr R. Hutton

Resolution 8 – Approval the issue of shares to Mr B. Mutton

Resolution 9 – Approval the issue of shares to Mr J. Dunlop

Resolution 10 – Approval the issue of shares to Mr D. Grewar

Resolution 11 – Approval the issue of shares to Mr M. Ilett

For	Against	Abstain*	Discretion
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular item, you are directing your proxy **not** to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If the Chairman of the meeting is appointed as your proxy, or may be appointed by default, and you do not wish to direct your proxy how to vote as your proxy, please place a mark in this box.

By marking this box you acknowledge that the Chairman may exercise your proxy even if he or she has an interest in the outcome of the resolution, and that votes cast by him or her, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on any resolutions in which he has an interest in the outcome and your votes will not be counted in calculating the required majority if a poll is called on the resolution. The Chairman intends to vote all undirected proxies in favour of the resolutions.

Section 4: Signing by member

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Member 1

Sole Director and Sole Secretary

Member 2 (if joint holding)

Director/Company Secretary (delete one)

Member 3 (if joint holding)

Director

Please provide the information below in case we need to contact you.

Contact name

Contact day time telephone

Date / /

Instructions for completion of proxy form

Section 1: Name and address of member

- 1 This is your address as it appears in the register of members of the Company. If this information is incorrect, please mark the box and make the correction on the form. Members sponsored by a broker (in which case your reference number will commence with an 'x') should advise their broker of any changes. **Please note you cannot change the ownership of your shares using this form.**

Section 2: Appointment of proxy

- 2 If you wish to appoint the Chairman of the meeting as your proxy, mark the box. If the person or body corporate you wish to appoint as your proxy is someone other than the Chairman of the meeting, write the full name of that person or body corporate in the space provided. A proxy may be an individual or a body corporate. If you leave this section blank or your named proxy does not attend the Meeting, the Chairman of the meeting will be your proxy. A proxy need not be a member of the Company.
- 3 If you are entitled to cast two or more votes at the general meeting, you are entitled to appoint two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company. Alternatively you may copy this form.
- 4 To appoint a second proxy:
- (a) on each of the first proxy form and second proxy form state the percentage of your voting rights or number of shares applicable to that form (if the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise one half of your votes, and fractions of votes will be disregarded); and
 - (b) return both forms in the same envelope.

Section 3: Voting instructions

- 5 You may direct your proxy how to vote on an item of business by placing a mark in one of the three boxes opposite that item of business. All of your shares will be voted in accordance with your direction unless you indicate a proportion of voting rights on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may decide whether or how to vote on that item. If you mark more than one box on an item, your vote on that item will be invalid.

Section 4: Signing by member

- 6 You must sign this form as follows in the spaces provided:

Individual	Where the holding is in one name, the member must sign.
Joint holding	Where the holding is in more than one name, all of the members must sign.
Power of Attorney	To sign under power of attorney, either the power of attorney must have already been lodged with the Company's share registry for notation or the original (or a certified copy) of the power of attorney must accompany this document.

Companies	<p>In the following cases, subject to the Company's constitution, the following person must sign:</p> <p>(a) Australian proprietary company with a sole director who is also the sole company secretary - that person must sign;</p> <p>(b) Australian proprietary company with a sole director and no company secretary - that person must sign;</p> <p>(c) other Australian companies - two directors, or one director and one company secretary must sign; and</p> <p>(d) foreign company - in accordance with the laws of the jurisdiction of incorporation and constituent documents.</p>
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Section 5: Lodging of proxy

- 7 This proxy form (and the original or a certified copy of any power of attorney under which it is signed) must be received by the Company not later than **10.00 am on 7 July 2010***, by mail**, hand delivery, or facsimile.

Postal Address:
Company Secretary
Drummond Gold Limited
P.O. Box 844
Paddington Qld 4064
Australia

Hand delivery:
Suite 8, 60 Macgregor Terrace
Bardon Qld 4065

Telephone: + 61 7 3367 2144
Facsimile: + 61 7 3367 2165

* Any proxy form received after that time will not be valid.

** Using the enclosed reply paid envelope.