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Friday 14 August 2009

## **BASIS AGREED FOR DRUMMOND GOLD TO ACQUIRE THE MALDON GOLD PROJECT**

- **Landmark expansion for Drummond**
- **Early gold production proposed at Maldon**
- **A new major shareholder for Drummond**
- **Basis of transaction agreed between the parties**

Drummond Gold Limited (Drummond or the Company – ASX code: DGO) is pleased to announce that agreement has been reached with Alliance Resources Limited (Alliance – ASX code: AGS) on a basis for Drummond to acquire the Maldon Gold Project in Victoria.

Announcing the agreement today, Drummond Managing Director Mr Doug Grewar said that the transaction aimed to:

- achieve early gold production and cash flow for Drummond;
- lift the Company to the ranks of an Australian gold producer;
- strengthen the capacity to develop the Company's projects in the Drummond Basin in Queensland; and
- provide the expanded Company with a major shareholder in Alliance Resources Limited.

Under the agreement, Drummond proposes to issue Alliance with fully paid ordinary shares in Drummond to acquire Maldon Resources Pty Ltd, a wholly owned subsidiary of Alliance and owner of the Maldon Gold Project.

The transaction will be subject to consideration of an independent expert's valuation report about to be prepared, further due diligence currently being undertaken by Drummond, finalisation of documentation including conditions precedent, statutory approvals and the approval of shareholders of Drummond.

The Maldon Gold Project is 30 km southwest of Bendigo and has produced historically a total of 1.75 million ounces of gold at an average grade of 28 g/t.

Alliance has undertaken major development work at Maldon aimed at bringing the Alliance South gold lode into production. However, development was suspended late last year to conserve cash to meet Alliance's commitments to the Four Mile uranium project.

A 1,772m decline has been developed from a portal in the former Union Hill open pit to the roof of the Alliance South lode 228m below the surface. Approximately 50m of cross cut development is now required to access the northern part of the Alliance South lode

structure to enable mine development to commence. Approximately 50 holes have been drilled into the lode which is located immediately to the south of the old Alliance mine. In addition to the Alliance South lode, a new high grade lode was discovered in 2007 in Ladies Reef, only 140m west of the decline.

The decline and other mine infrastructure are fully maintained. The Project also includes an operational CIL gold treatment plant which has recently produced gold from third party tolling. The processing plant's mill has the capacity to process 150,000 to 250,000 tonnes a year depending on ore hardness.

Mr Grewar said that Maldon provided Drummond with an excellent opportunity for growth and early cash flow.

"Maldon is pivotal to the strategy being pursued by Drummond -

- First gold is expected to be produced at Maldon during the June 2010 half, subject to acquisition and development timetables being achieved.
- Surplus cash flow from operations at Maldon can be applied to further exploration and development of the mine and in the Drummond Basin
- Establishment of two 100% owned gold "production hubs" – the originally planned centralised production facility to process ore from mines that the Company proposes to develop in the Mt Coolon region of the Drummond Basin, and the Maldon plant processing ore from the Maldon region.

"Having Mr John Dunlop as Chairman of both Drummond and Alliance has been of great value in introducing Maldon to Drummond. I am confident that the independent expert's valuation will confirm that the scrip only acquisition of Maldon represents value for Drummond, particularly considering that most of the mine access and infrastructure are already in place," Mr Grewar said.

In commenting on the recent setbacks in the Victorian Goldfields, Mr Grewar sees only opportunity. "There are examples of companies doing very well in Victoria and this is largely because they are mining with an appropriate mining strategy and achieving production levels based on the geology and mineral endowment. This is strategically a good time to acquire projects in the historically rich Victorian goldfields as a number of projects now offer value and the potential for significant upside. The Maldon Project for example has all infrastructure and access to the orebody in place. Historic mineralisation and exploration results give us considerable confidence for the generation of cashflows from this mine," Mr Grewar said.

Mr Grewar foreshadowed a capital raising by Drummond to support the operations at Maldon as well as for the continued exploration activities in central Queensland. Shareholders would be given the opportunity to participate in the capital raising.



## **About Drummond Gold**

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