

31 July 2008

DRUMMOND GOLD LIMITED

ACTIVITIES REPORT FOR QUARTER ENDED 30 JUNE 2008

HIGHLIGHTS

Exploration progress:-

- 2008 Exploration drilling programme currently in progress with two drill rigs operating following delays caused by one of the biggest wet seasons in Central Queensland.
- At Eugenia, a programme of 1500m of diamond drilling and 5000m of Reverse Circulation percussion drilling commenced in June to confirm and extend the open pit resource and to test for deep bonanza gold feeder systems.
- Granted EPM 15902 for a further five year extension around the company's Mt Coolon deposits and Mining Leases.
- Geophysical IP surveying (19.9km) over the Conway epithermal system neared completion. Eugenia, Mt Coolon and Glen Eva deposits to follow.
- At Badlands, the Company was successful with a further Qld Govt grant to assist drill testing for an intrusion related gold system.
- EPM 16476, Mt Violet West, 76 sub blocks was granted over favourable "Cycle 1" Drummond Basin rock units covering 252sq km, immediately west of Mt Violet in the south eastern Drummond Basin.

Central Processing Plant

- Site visits were carried out by Ausenco in preparation for the Scoping Study for the proposed Central Treatment Plant concept.

Corporate Activities

- Continued review and assessment of potential acquisition targets and add on Resources.
- New Managing Director Mr Doug Grewar commenced providing new executive leadership.
- Strong cash position of \$5M. No debt.

EXPLORATION

2008 Drilling Programme

Drummond Gold Limited (Drummond or the Company) commenced the major 2008 exploration drilling programme during the quarter. The 15,000-metre programme is designed to lead to a substantial increase in the current gold Resource of 272,000 oz that the Company has established in the Drummond Basin gold province.

The programme is targeting epithermal bonanza vein and bulk deposits at five former mines and prospects in and around Mt Coolon – Koala, Eugenia, Glen Eva, Conway and Mt Manaman.

The commencement of the 2008 drilling programme was delayed until May due to access restrictions to drilling sites caused by the unusually heavy summer wet season, the heaviest since 1974. The programme was well advanced by the end of the quarter. A progressive total of 1600 metres of diamond drilling was completed at Conway and Eugenia.

The Conway EPM 7259 was assigned to Mt Coolon Gold Mines Pty Ltd (a wholly owned subsidiary of the company) following the acquisition from Newcrest Operation Limited late in 2007. Two holes were drilled to meet statutory expenditure commitments as part of the tenure renewal, which is pending. The holes, each 300m, were drilled throughout May and June at the Wobegong Prospect, with final logging and assays currently in progress. The Wobegong Prospect is represented by a series of discontinuous epithermal veins, where previous drilling has been predominantly shallow.

At Eugenia, the location of the Company's largest gold Resource, an initial programme of 1,500m diamond drilling and 5,000m RC percussion drilling has commenced. Initial diamond holes during the quarter targeted known mineralisation to better understand the mineralised geological veins and structures and to explore for potential deeper gold bearing feeder zones. The RC component, to commence in August, will target extensions to the resource along strike and at depth. A focus to finding potential feeder structures similar to those recently discovered at Yandan (Straits Resources) will continue. Results of drilling will be reported as information from analyses becomes available.

Drilling at the Manaman Project re-commenced at end of the quarter. Drilling

was originally suspended on 6 December 2007 due to heavy rainfall which restricted access. The Queensland Government is providing financial support for the drilling at Mt Manaman with two grants from the Smart Mining Collaborative Drilling Initiative. Three (3) conceptual intrusion related targets based on strong geophysical responses are being tested around the perimeter of the Manaman Granodiorite, (1) a 5mg gravity target, (2) a reversely magnetised target, and (3) an electromagnetic (EM) target. The EM target is a result of Normandy's Hoistem system flow in the early 2000's and has yet to be tested. Drilling commenced on the reversely magnetised target, with the EM target to follow.

The company has been successful with a 2008 grant for the Badlands Prospect which is based on a 500m X 200m area of >100ppb gold in soils. The Badlands Prospect lies 2.5km SE and away from the Manaman Granodiorite. In addition to anomalous gold and silver, the Prospect has anomalous lead and arsenic suggesting it maybe of a higher temperature intrusion related system, similar to Mt Wright or Mt Leyshon style.

At Mt Coolon (Koala) Mine and Glen Eva Mine data evaluations and drillhole planning continued with drilling scheduled for the December quarter.

Field Work

Field work during the quarter was limited due to the inaccessibility caused by the heavy wet season. Activities were confined to reconnaissance work and the commencement of a major geophysical IP survey over the newly acquired Conway Prospects (EPM 7259).

The Conway EPM covers three separate hydrothermal systems, the Conway, North Conway and Bimurra epithermal systems. These systems are interpreted to be exposed shallow level epithermal systems. Some 15 separate prospects have been defined over this long standing tenure. Five (5) prospects were visited and reviewed during the quarter.

The company believes that the presence of sinters, low temperature quartz textures and multielement geochemistry (ie As-Hg) indicates that the current level of erosion is close to the level of the paleo surface that existed at the time of hydrothermal activity. In a classic epithermal model, boiling (mixing zones) occur several hundred metres below the paleo surface level, indicating that most of these epithermal systems are preserved and that the economic potential is at depth.

Drummond Gold's exploration objective has been to focus on testing for deeper economic mineralisation under areas of known near surface mineralisation as well as bulk low grade targets under shallow cover and sinter deposits.

A major IP geophysical acquisition programme commenced during the quarter scheduled to cover the entire Conway epithermal system. The survey takes in a number of separate prospects in the system covering several large quartz

vein structures. A total of 5 lines covering 19.9 km of pole – dipole IP were completed. The survey neared completion at the end of the quarter with final processing and interpretation yet to follow.

TENURE

Central to Drummond's strategy is its tenure covering key prospects around Mt Coolon. During the quarter, the Company accepted an offer from the Department of Mines and Energy for the consolidation of ten (10) Mt Coolon tenements, (EPM 15902), with amended tenure for a further five years. This includes approval of an amended Environmental Management Plan allowing access for drilling at Eugenia where the Company's largest current gold Resource is located.

The company was also granted on 15 May 2008, EPM 16476 comprising 76 sub blocks (252 sq km). The tenure covers favourable Cycle 1 Drummond Basin rocks in an area west of Moranbah.

Drummond Gold now holds in addition to four (4) Mining Leases,(Table 1), three highly prospective granted (3) EPM's, (Table 2), with a further five (5) under application.

Table 1 Drummond Gold Limited - Granted ML's as at 30 June 2008				
Mining Lease No.	Area Sq km	Grant Date	Expiry Date	Comments
ML 1029	0.697	30 May 1974	31 Jan 2014	Koala Mine
ML 1085	0.053	27 Jan 1994	31 Jan 2014	Infrastructure
ML 1086	1.022	27 Jan 1994	31 Jan 2014	Infrastructure
ML 10227	1.271	05 Dec 1996	31 Dec 2016	Glen Eva Mine
TOTAL AREA:	3.043			

Table 2. Drummond Gold Limited - Granted EPM's as at 30 June 2008					
Tenement No.	Area sub blocks	Area Sq km	Grant Date	Expiry Date	Comments
EPM 16476	76	252	15 May 2008	14 May 20013	Mt Violet North
EPM 7259	23	73.5	18 May 1990	17 May 2008	Renewal lodged
EPM 15902	230	735	13 June 2008	12 June 2103	Consolidates 10 EPM's
TOTAL AREA:	329	1060.5			

CENTRAL PROCESSING PLANT

The scoping study by Ausenco Services Pty Ltd based on the Central Processing Plant concept and associated infrastructure approached completion during the quarter. The study is assessing Drummond's strategy of building a processing plant at or near Mt Coolon to process ore from nearby mines as they are developed.

Options under study are for a processing facility to produce 30,000 and 50,000 oz's gold per annum. In an encouraging development relating to processing, metallurgical tests announced earlier this year revealed high levels of gold extraction (plus 90%) may be obtained at Eugenia where the Company's largest currently known gold Resource is located.

A site visit was conducted by Ausenco this quarter to review locations, topography and infrastructure layouts for a future processing facility. Electricity, water, camp, roadways and tailings dam locations were considered. The final report is expected to be completed in the September quarter.

NEW MANAGING DIRECTOR

Mr Doug Grewar joined Drummond as Managing Director during the quarter, succeeding foundation Managing Director, Mr Andrew Vigar, who continues as a Non-Executive Director. Mr Grewar is an experienced senior executive in the resources industry, having most recently been with Downer EDI where he was Executive General Manager Mining – Eastern Region. He has brought valuable production and project construction expertise to Drummond at a time of development planning.

Mr Grewar has focussed on exploration and acquisition, initiating a review of the drill targets to maximise their prospectively and value, as well as evaluating potential assets available for purchase and acquisition to add to Drummond's gold Resource.

OUTLOOK

The 2008 drill programme is scheduled to continue during the September quarter. Drilling will continue at Eugenia throughout August and September. An RC percussion drilling programme with a focus of extending the resource and to test anticipated deep feeder veins and structures is about to commence.

Drilling is also scheduled to commence at Koala where the Company has already established gold Resources. Koala is the central deposit at Mt Coolon where mining by open cut and underground methods has occurred over many years. The focus of this drilling programme is towards locating new lodes of bonanza grade veins along strike with the existing workings. Drill targeting is being assisted by new geophysical IP data in association with new interpretation of the lode controls.

Drilling at Mt Manaman will continue during August with a programme which will test an electromagnetic (EM) target generated from an earlier Normandy Hiostem survey. This drilling programme is testing a conceptual intrusion related style deposit around the Manaman Granodiorite. Results from all three targets, (1) gravity, (2) reversely magnetised and the (3) EM target will be fully assessed.

Field work will focus on completing the Koala and Glen Eva geophysical IP

surveying.

The scoping study of the Central Treatment Plant concept is expected to be completed during the September quarter.

The Company is continuing to seek additional mineral Resources by way of acquisition, to increase the total gold Resource and to enhance the opportunity to commence production as early as possible.

Doug Grewar
Managing Director
Drummond Gold Limited

About Drummond Gold Limited

Drummond Gold Limited is a gold and base metals company focussed on growth through exploration success and acquisition with an early production strategy.

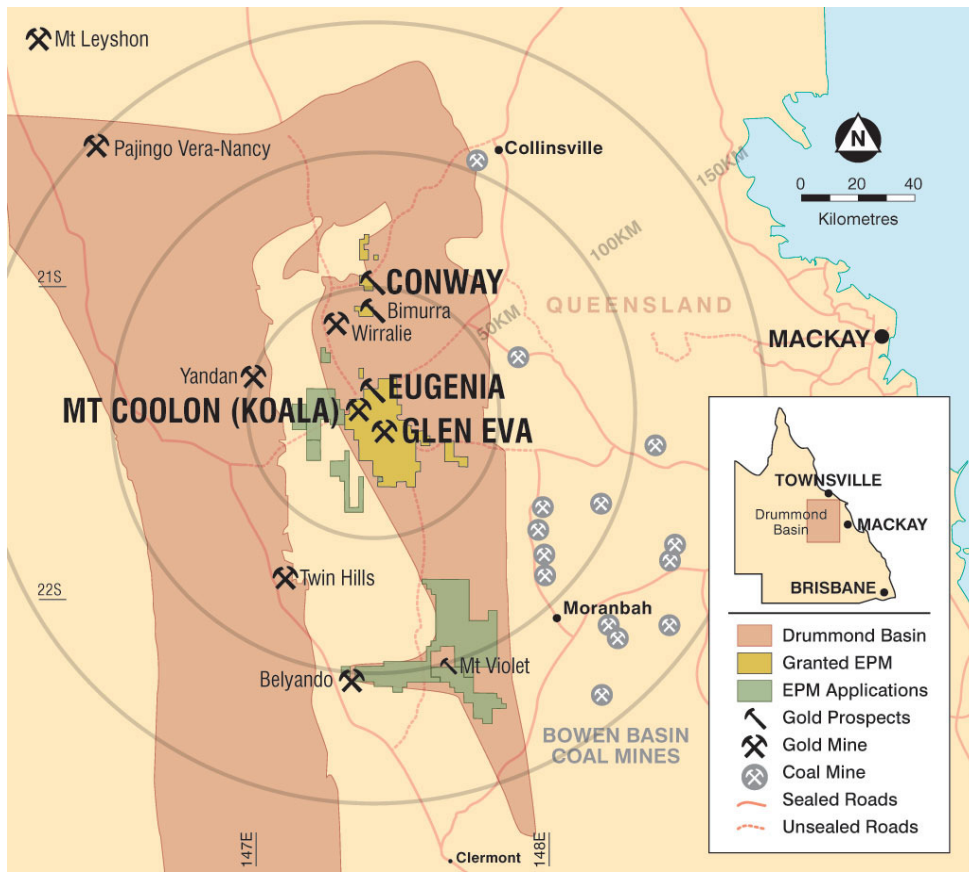
The Company operates in the well-known Drummond Basin of Central Queensland around the former gold mining centre of Mt Coolon.

Drummond already has a gold Resource that was increased through successful exploration in 2006/07 by 33% to 272,000 oz (see Table below), four mining leases and exploration tenements extending over 808 km² and applications for a further 1892 km² of exploration tenements. The Company plans to further increase the gold Resource through intensive exploration and, if successful, instigate a feasibility study into mining at Mt Coolon and the building of a Central Treatment Plant to process ore from proposed mines in the immediate region.

The Company is well funded having completed an oversubscribed IPO in December 2007, and is led by experienced mining industry directors and executives – Chairman John Dunlop, Managing Director Doug Grewar and Directors Ross Hutton, Brice Mutton and Andrew Vigar.

Drummond Gold Resources 31 December 2007														
Mine or Deposit	Location	Resource Category									Total			out-off
		measured			indicated			inferred			t	Au g/t	Au oz	
		t	Au g/t	Au oz	t	Au g/t	Au oz	t	Au g/t	Au oz				
Mt Coolon (Koala) Mine	Ross Pit Deepening	27,000	3.89	3,203	60,300	3.55	6,878	41,025	3.90	5,143	128,325	3.89	15,224	1.0
	Ross Pit Extension	16,748	3.55	1,911	13,750	2.88	1,275	1,815	2.14	125	32,313	3.19	3,311	1.0
	Hectorina Pit	13,285	2.94	1,253	17,551	6.98	3,936	386	2.22	28	31,202	5.20	5,216	1.0
	Underground Extension				140,164	8.40	37,836	60,480	7.61	14,796	200,644	8.16	62,631	5.0
	Tailings from 1930's				218,400	1.61	11,305				218,400	1.61	11,305	0.0
Total		57,013	3.47	6,367	450,165	4.23	61,230	103,706	6.03	20,090	610,884	4.46	87,687	
Eugenia Prospect	in whittle pit - direct mill				384,736	3.49	43,120	152,466	3.22	15,779	537,202	3.41	68,899	1.3
	in whittle pit - heap leach				138,494	0.97	4,306	32,520	1.05	1,102	171,014	0.98	5,408	0.7
	outside pit				502,261	1.55	25,093	921,021	2.39	70,748	1,423,282	2.09	95,841	0.7
	Total				1,025,491	2.20	72,519	1,106,007	2.46	87,629	2,131,498	2.34	160,148	
Glen Eva	Underground below pit				72,023	8.88	20,562	18,090	7.13	4,147	90,113	8.53	24,709	5.0
Total		57,013	3.47	6,367	1,547,679	3.10	154,311	1,227,803	2.83	111,867	2,832,495	2.99	272,545	

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Andrew Vigar, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Vigar is a Non Executive Director of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Vigar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.





Drummond Gold Limited

ABN 98 124 562 849

ASX : DGO

Shares on issue – 63.3 million

December 2009 options (unlisted) – 9.325 million

July 2010 options (unlisted) – 9.325 million

CASH

As at 30 June 2008

\$5.1 million, no debt

For further information Contact:

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