

Company Announcement Office
Australian Stock Exchange
20 Bridge Street
Sydney, NSW 2000

Thursday, 31 January 2008

DRUMMOND GOLD LIMITED

ACTIVITIES REPORT FOR QUARTER ENDED 31 DECEMBER 2007

HIGHLIGHTS

- **IPO completed and Company listed on the Australian Securities Exchange (ASX:DGO) 21 December 2007**
- **External audit confirms JORC-compliance. Resource of 272,000 oz gold in two former mines and one new deposit**
- **Mining Lease ML10227 Glen Eva renewed to December 2016**
- **2007 drilling program completed - results pending for TPM, Badlands, Koala and Mt Manaman. Drilling continuing at Mt Manaman**
- **Tenders called for Scoping Study to determine potential of Central Processing Facility to produce gold at Mt Coolon**
- **Acquisition from Newcrest of Conway epithermal gold project 50 km north of Mt Coolon with advanced, drill ready targets defined**
- **Strong cash position with A\$6.5M cash**

CORPORATE

IPO

Drummond Gold Limited (Drummond or the Company) lodged a prospectus to raise \$7M with the Australian Securities Exchange on 6 November 2007 and a Supplementary Prospectus on 19 November 2007 to clarify certain geological statements. The offer closed early and over-subscribed on the 6 December 2007. The Company was admitted to the ASX (ASX: DGO) and trading in Drummond securities commenced on 21 December 2007.

CASH HOLDINGS

At the end of the quarter, Drummond has cash holdings of \$6.5 million and no debt.

EXPENDITURE

Exploration cash-flow for the December quarter was \$1M as shown in the Company's Mining Exploration Entity Quarterly Report (Appendix 5B) issued in accordance with ASX Listing Rule 5.3 separately to this report.

OFFICES

The registered offices of the Company moved during the quarter to Bardon, an inner Brisbane suburb.

The operational base at Mt Coolon upgraded with drill core handling facilities.

ACQUISITIONS

The acquisition of EPM 7259 from Newcrest Operations Pty Ltd was completed during the quarter.

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EXPLORATION

TENURE

The application for the combined EPM15902 progressed with approval of the Jangga people being received during the December quarter with final grant now expected in the first quarter of 2008.

Transfer documents for EPM 7259 Conway were lodged with the Queensland Department of Mines and Energy on 2 January 2008. Granting is not expected for several months although an accelerated exploration program will commence in the first quarter of 2008.

Current granted tenements as at 31 December 2007 are shown in Table 1.

Table 1 Drummond Granted EPMs as at 31 December 2007					
Tenement No.	Area sub blocks	Area Sq km	Grant Date	Expiry Date	Comments
EPM 7259	23	73.5	18 May 1990	17 May 2008	From Newcrest
EPM 9080	42	134.3	26 Oct 1992	25 Oct 2008	Part of EPMA15902
EPM 9310	62	198.2	14 Apr 1993	13 Apr 2008	Part of EPMA15902
EPM 9981	14	44.8	08 Mar 1994	31 Dec 2008	Part of EPMA15902
EPM 11814	9	28.8	23 Aug 2001	22 Aug 2008	Part of EPMA15902
EPM 12112	5	16.0	06 Jul 2000	05 Jul 2009	Part of EPMA15902
EPM 12257	27	86.2	17 Aug 2000	16 Aug 2008	Part of EPMA15902
EPM 12526	35	111.8	17 Aug 2000	16 Aug 2008	Part of EPMA15902
EPM 13114	18	57.5	07 Sep 2004	06 Sep 2006	Part of EPMA15902
EPM 13155	9	28.7	07 Sep 2004	06 Sep 2009	Part of EPMA15902
EPM 13156	9	28.7	07 Sep 2004	06 Sep 2009	Part of EPMA15902
TOTAL AREA:	253	808.5			

DRILLING

Diamond drilling was undertaken on the Mt Manaman Project (at the Gravity Target near Three Mile Hill) and at TPM, Badlands and Mt Coolon (Koala) as detailed in Table 2. As a result of 150mm of rain the program was halted on 6 December and the rig parked at Drummond's yard in Mt Coolon. The 2007 program at all targets, with the exception of Mt Manaman, has been completed.

The Mt Manaman program was due to resume on 21 January 2008 however a further 225mm of rain has fallen since then. Drummond advised the contractor that the conditions are such that drilling is unlikely to recommence before March, assuming no further rain. Next drill sites are prepared and will be either the EM Target or the Magnetic Target.

The drilling completed in the 2007 program, which commenced in August 2007, is shown in Table 2

Table 2 Drilling						
PROSPECT	Holes	RC m	NQ m	HQ m	Pre Collar m	Total (m)
Mt Coolon (Koala)	16	1096.9	940	190.7	36	2263.6
TPM	25	1180	315.8	68.7	66	1630.5
Badlands	11	1287	0	0	33	1320
Mt Manaman	6	450	732.5	0	18	1200.5
Total	58	4013.9	1988.3	259.4	153	6414.6

GEOPHYSICS AND REMOTE SENSING

The geophysical database has been fully sourced for Mt Coolon tenements (all past surveys, methods, coverage, grids and data) following several sessions on-site and in Brisbane and a summary report has been received from the consultants Planetary Geophysics.

Planetary Geophysics has:

- Carried out a gravity infill survey in August 2007 and a survey report is pending.
- Commenced work to source all previous Conway (EPM7259) geophysical data.

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PROSPECTS



Figure 1 Prospects and geology in the immediate Mt Coolon area

MT COOLON (KOALA) MINE

A total of sixteen diamond and RC drill holes (see Table 2) were completed at Mt Coolon (Koala) on the mine lease. Drilling was targeted at southern and northern extensions to the main vein system as well as two holes to confirm the vein system at depth north of the old main shaft.

All RC holes and pre collars have been sampled and diamond holes selectively assayed, except the last hole which is still to be processed (cut and assayed). Results are still being assessed and are expected to be released in the next quarter.

Seven holes were completed on drill line 9500N targeting southern extensions, 100m south of the last known veins, intersecting several small structures but no major veins.

Drilling under the main central section of the old underground workings intersected the main vein structure(s) with significant widths of epithermal veining present. Results are still being assessed and are expected to be released shortly.

Geophysics files have been sourced and magnetic images reprocessed and interpretation commenced. IP lines will be considered over the wider structural corridor from the Footwall vein to Golden Bar and off the mining lease targeting to the north and south extensions.

EUGENIA

Reconnaissance visits to assess extensions and geophysical methods were conducted during the quarter. Further drilling is not possible until the amended Environmental Authority attached to the new combined EPMA15902 is granted.

Geophysics files were sourced and magnetic images reprocessed and interpretation commenced. New IP lines are proposed.

Preliminary interpretation of magnetics and geochemistry suggest further soil sampling is required south of Eugenia to the Collinsville Road and wider Prospect mapping and sampling is required to ascertain size of the metasomatic cell. Normandy's regional holes around Eugenia need to be re-assessed. Work is required on major structures, location and proximity of basement and andesitic units.

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CONWAY (EPM7259)

All past data has been received from Newcrest and a consultant epithermal specialist has commenced a review and prioritisation of prospects, select targets areas and nominate drill sites.

At the Wobbegong Prospect, RC drill pads were prepared for seven holes but the program was postponed due to the onset of the wet season.

Planetary Geophysics commenced sourcing and review of all geophysics. The area is not well covered by modern IP or any detailed gravity. IP planned for late February on priority prospects.

TPM

The 2007 drilling program was designed as a wide spaced, first pass program to test the main outcrop of magnetite skarn identified by earlier explorers Thiess Peabody Mitsui (hence the TPM prospect name), CRA and CML. Copper mineralisation was noted to occur both within and the magnetite skarn and enclosing calc-silicate alteration but had not been sampled beyond the target magnetite.

The drill program consisted of 22 vertical RC holes and 3 diamond core holes for a total 1,630m (see Table 2) to examine the mineralisation in more detail and confirm earlier drill results. Holes were targeted on and beyond areas identified by previous drilling and/or areas of high ground magnetic response. Of the 25 holes drilled, 12 holes intersected mineralisation, results are being validated and assessed prior to release.

Mineralisation has now been identified over a strike length of 400m, a width of 40 to 100m and a thickness of 4 to 28m. The mineralisation occurs as a series of elongate, flat lying lenses towards the base of a wider zone of calc-silicate hornfels. The hornfels extends well beyond the area tested in the 2007 drilling program. Weathering is strong and extends to about 60m below surface.

Minerals identified in petrologic analysis of surface samples taken by Drummond include magnetite, martite (hematite), malachite, chrysocolla and native copper.

Drummond will be conducting preliminary metallurgical test-work to determine recovery options for copper, gold, as well as magnetite. If positive, these options will then be included in a future Scoping Study for the Mt Coolon Central Treatment Plant, which will have a primary gold focus.

BADLANDS

A total of 11 RC holes were completed for 1,320m (see Table 2) in a first-pass wide spaced drilling program. Holes were on lines over a grid strike length of 500m, to test a major gold soil anomaly of similar dimensions.

Preliminary evaluation of assay results and other observations suggest an intrusion related gold system. Further work is definitely warranted, prior to recommendations for further drilling.

Results are still to be fully evaluated and a full report completed shortly.

Recommended future work includes as a priority before further drilling, IP surveying for controlling structures, close-spaced line rock chip sampling and mapping.

MT MANAMAN

The Mt Manaman area includes a large area of intrusive complex to the south of Mt Coolon which is largely masked by thin surface cover.

The main activity in the quarter was drilling the Gravity Target at Three Mile Hill, with 2 holes of the planned program completed (see Table 2). The resultant core has revealed a variably developed pyrite – carbonate – sericite sheeted vein network over significant intervals. Processing and assaying of core are yet to be completed. A full report of all results, interpretation and recommendations for further drilling to be completed once results have been assessed.

Over 1000 soils were completed over the Mt Manaman Project area including the wider Badlands Prospect on a 200m X 100m grid, minus -80#.

A 1:10,000 scale mapping exercise covering the Mt Manaman Project (extended to include Badlands) was completed and requires a final report to include age dating results and extensive petrography. Database entries and mapping files need completion.

GOLDEN BAR

A number of traverses along and across the prospect were made. Characterisation rock chip sampling across the two main parallel veins was undertaken. Similarities were noted between Koala vein (argillic alteration and lack of vein quartz) in the south pit exposure and the Koala footwall lens. Assays have been received and a report is being prepared.

DEVELOPMENT
TENURE

The Glen Eva ML10227 has been extended by the Queensland Government for a period of 10 years to 31 December 2016. Glen Eva is an important part of Drummond's plan to develop a significant gold mining business in and around Mt Coolon and contains part of the company's existing gold resource of 272,000 oz (see Table 4 for details).

Table 3 Drummond Granted MLs as at 31 December 2007

Mining Lease No.	Area Sq km	Grant Date	Expiry Date	Comments
ML 1029	0.697	30 May 1974	31 Jan 2014	
ML 1085	0.053	27 Jan 1994	31 Jan 2014	
ML 1086	1.022	27 Jan 1994	31 Jan 2014	
ML 10227	1.271	05 Dec 1996	31 Dec 2016	Renewal just granted
TOTAL AREA:	3.043			

RESOURCE AUDIT

All the Company's resource estimates were reviewed for JORC compliance during the quarter as part of the Independent Geologist's Report for the IPO. The Company intends to continue this practice on an annual basis.

Total JORC compliant gold resources are stated below:

Measured Resource – 57,000 tonnes @ 3.5 g/t Au for a contained 6,000 ounces of gold

Indicated Resource – 1,548,000 tonnes @ 3.1 g/t Au for a contained 154,000 ounces of gold

Inferred Resource – 1,228,000 tonnes @ 2.8 g/t Au for a contained 112,000 ounces of gold

Total Resource – 2,833,000 tonnes @ 3.0 g/t Au for a contained 272,000 ounces of gold

Cut-off grade and resource estimation methods have been tailored for underground or open pit mining and to each deposit type as appropriate and are detailed in the table 4 below

Table 4 Details of Drummond Gold Gold Resources

Mine	Location	Resource Category									Total			cut-off	
		measured			indicated			inferred			t	Au g/t	Au oz	Au g/t	
		t	Au g/t	Au oz	t	Au g/t	Au oz	t	Au g/t	Au oz					
Koala	Ross Pit Deepening	27,000	3.69	3,203	60,300	3.55	6,878	41,025	3.90	5,143	128,325	3.69	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	13,265	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	52,631	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	in whittle pit - direct mill				384,736	3.49	43,120	152,466	3.22	15,779	537,202	3.41	58,899	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

METALLURGICAL TESTWORK

Sighter test work for gold and silver recovery has been carried out on composite samples from within the current Whittle pit shell at Eugenia. Preliminary results varied from 95% for oxide material to 91% for fresh material. A final report is pending.

SCOPING STUDY

Drummond has invited tenders for a Scoping Study to advance its Central Treatment Plant (CTP) concept to develop gold and base metal/magnetite deposits in the Drummond Basin and more specifically deposits within trucking distance of the proposed plant in the Mt Coolon region. The study will produce conceptual project layout and plant layout drawings, flowsheet, capital and operating cost estimates to an accuracy of +/-35 % and an indicative construction program for the CTP and Infrastructure. A number of options in regard to the CTP and tailings storage facilities (TSF) location, CTP process technology with add on heavy media and flotation for base metals and magnetite are to be studied. The accommodation options for the construction workforce and operating workforce are part of the scope.

Drummond expects to award the study in the first quarter of 2008 and receive the report in the second quarter.

OUTLOOK

CORPORATE

Projected expenditure is \$490,000 for the current March quarter of 2008, less than budgeted largely due to expected delay in the commencement of the 2008 drilling program caused by the extended wet season, the second heaviest on record.

The Company has a continuous watching brief on a number of opportunities that fit with the corporate growth profile and will actively pursue growth by strategic acquisition to facilitate early development or production. The Board are always mindful of the impact that acquisitions may have on the development of the Company and its value to shareholders.

EXPLORATION

The 2008 drill program will commence at the Conway prospects first, followed by Eugenia. Diamond drilling will resume on Mt Manaman targets (EM and Reverse Magnetic Targets), in March, again assuming no further significant rain interruption.

Field work will focus on Conway prospects and Badlands. IP surveying, rock chip grid sampling and mapping will be undertaken.

DEVELOPMENT

The Scoping Study of the Central Treatment Plant concept will be awarded and work in conjunction with this activity will be undertaken.

Yours Faithfully



Andrew Vigar – Managing Director
Drummond Gold Limited

COMPANY OVERVIEW

Drummond Gold Limited commenced exploration activity via current subsidiary Mt Coolon Gold Mines Pty Ltd (MCGM) in 2006, The Company was merged with MCGM in 2007 and listed on the Australian Securities Exchange (ASX: DGO) in December 2007.

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 4), four mining leases and exploration tenements extending over 808 km², and applications for a further 1892 km² of exploration tenements. In 2008/09, 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.

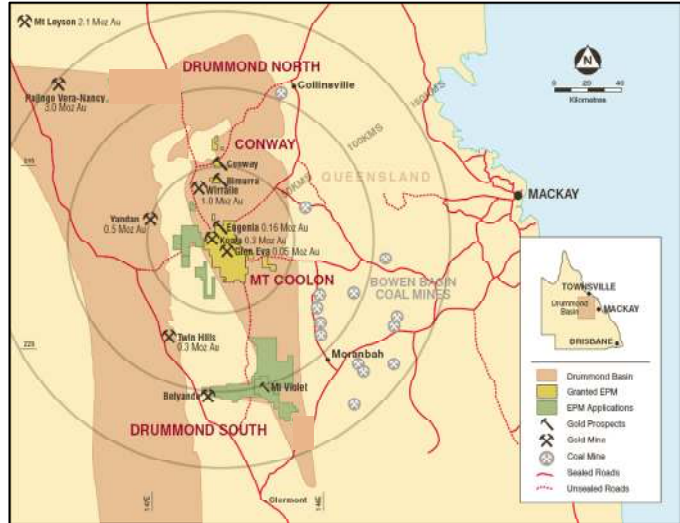


Figure 2 Location, projects and tenements.

The Company is well funded having completed an IPO in December 2007, and is led by experienced mining industry directors and executives – Chairman John Dunlop, MD Andrew Vigar, Executive Director Brice Mutton and non-executive director Ross Hutton.

CORPORATE DIRECTORY

DIRECTORS

John Dunlop	Chairman
Andrew Vigar	Managing Director
Brice Mutton	Executive Director
Ross Hutton	Non-executive Director
Michael Ilett	Company Secretary

REGISTERED OFFICE

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STOCK EXCHANGE

Australian Securities Exchange
Code: DGO

CAPITAL

Shares on issue – 63.3 million
December 2009 options (unlisted) – 9.325 million
July 2010 options (unlisted) – 9.325 million

CASH

\$6.5 million, no debt

QUALIFICATION STATEMENT

The information in this report that relates to 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 full-time employee 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.

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