



# DRUMMOND

## DRUMMOND GOLD LIMITED

ABN 98 124 562 849

### Quarterly Activities Report

For the three months ended 31 December 2009

#### Maldon Gold Project, Victoria

- Drummond Gold shareholders approved the acquisition of the Maldon Gold Project
- Trial mining and first production targeted for mid-2010
- JORC Resource announced

#### Drummond Basin, Queensland

- Exploration planning for high grade gold zones at Yandan (East Hill) and new targets at Mt Coolon (Koala)

During the quarter, Drummond Gold Limited (Drummond or the Company) progressed towards achieving gold producer status in 2010 through the development of mining at the Maldon Gold Project in Victoria.

Drummond reached agreement with Alliance Resources Limited to acquire the project, following which, in January 2010, Drummond shareholders approved the issue of shares to Alliance for the acquisition.

Drummond now plans to complete the acquisition, following a capital raising, which is a condition of the agreement, and proceed to trial mining and first gold production in 2010.

The Company aims to generate early cash flow from Maldon, and apply surplus cash to exploration and potential development at gold projects in the Drummond Basin of Central Queensland. During the quarter, exploration programs were prepared for 2010, to pursue high grade gold zones at Yandan (East Hill) and new targets at Mt Coolon (Koala).

#### MALDON GOLD PROJECT

Maldon is located 30km southwest of Bendigo in central Victoria. Historical gold production from the mine was 1.75 million ounces at an average grade of 28 g/t. The Maldon Gold Project includes modern mine infrastructure

and a fully operational CIL gold processing plant. A fully maintained decline reaches to within 50 metres of the Alliance South lode which Drummond plans to access as soon as the acquisition is completed, and proceed to trial mining and gold production. The Project also includes a mining licence and two exploration licences containing potential gold sources which, together with other potential sources in the region, could supply the existing treatment plant.

In October 2009, the Company announced that it had entered into an agreement with Alliance to acquire Maldon Resources Pty Ltd, a wholly owned subsidiary of Alliance and the owner of the Maldon Gold Project.

In November, 2009, the Company released an Inferred Resource at Alliance South of 473,000 tonnes at an average grade of 12 g/t gold for a total of 182,000 ounces gold.

At a General Meeting of the Company on 13 January, 2010, shareholders approved the issue of 88,400,000 ordinary shares to Alliance for the acquisition of the Maldon project. In a report to Drummond shareholders ahead of the meeting, an independent expert valued the project at substantially more than the implied purchase price of \$5.4 million.

Drummond and Alliance subsequently agreed to extend the conditions precedent cut-off date for the Share Sale Agreement from 15 January to 19 March 2010, to enable Drummond to meet a condition requiring the completion of a \$3 million capital raising which had been delayed due to the Christmas-New Year holiday period. Drummond intends finalising the capital raising as soon as possible to enable the Company to proceed with mine development and gold production

## **EXPLORATION ACTIVITIES**

Exploration activities for the December 2009 Quarter focused on interpretation of drilling results at East Hill and planning of further work at Yandan and Mt Coolon for the New Year. Drilling is planned to recommence at East Hill early in the coming year.

### **East Hill**

During the September 2009 Quarter Drummond Gold completed a programme of diamond drilling at East Hill designed to confirm continuity of high grade mineralisation within the broader east-west oriented mineralisation envelope by infilling the previous 40m-spaced drill sections.

The drilling intersected typical epithermal-style chalcedonic, crustiform, bladed and massive veinlet mineralisation hosted predominantly within andesite volcanic and reworked andesitic lithologies.

Assay results confirmed continuity of the east-west trend of lower grade mineralisation with intersections (as reported in the September Quarterly Activities Report) of 13m at 5.91g/t Au, 12.3m at 2.25g/t Au, 4m at 3.94g/t Au and 4m at 12.82g/t Au which correspond to mineralised zones in adjacent holes.

However, it was recognised that high grade intersections (2m at 15.54g/t Au, 0.9m at 99.4g/t Au, 3m at 20.92g/t Au, 1.3m at 10.6g/t Au and 1m at 13.65g/t Au) corresponded to quartz veins that were generally oblique to the core axis, indicating a more north-south structural control on the high grade veining. No drilling has been undertaken to adequately investigate the high grade trend.

Drilling has been designed to intersect the high grade zones at a more favourable orientation to determine three dimensional geometry of mineralisation, true width of the high grade zone and density of the high grade veining. There is potential to discover significant new resources if this drilling is successful, with the high grade target zone extending from East Hill to South Pit, a distance of over 400m. Drilling is planned to commence in February, 2010.

### **Koala**

Recent geological studies of the Koala area have highlighted structures associated with magnetic depletion that indicate potential for mineralisation similar in character to the Koala deposit. The structural setting of the Golden Bar workings, located to the southwest of Koala, and interpretation of geophysical data indicates that the Koala mineralisation may be part of a far larger system that has not been tested to date. The highest priority target is the Tower Anomaly, located immediately to the northeast of the Koala Resource and is considered to be a likely extension of the same mineralisation system. Further work has been undertaken to plan a drilling programme to test the potential of the Tower Prospect.

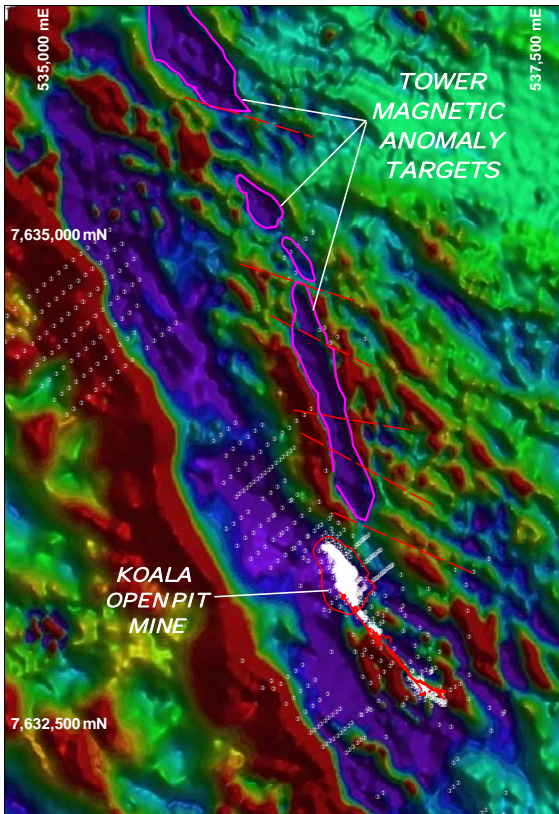
The Tower Anomaly is defined by an aeromagnetic low of approximately 1,000m extent that is located immediately northeast of the Koala open pit and is subparallel to the Koala mineralisation. Outcrop geology comprises rhyolitic crystal-lithic rich ignimbrite, pyrite and silica altered in places, which is interpreted to overlie Mt Coolon Volcanics andesite, the favourable host unit for high grade epithermal mineralisation in the Koala area. Drummond Gold undertook a IP/resistivity survey covering the Golden Bar-Koala-Tower areas during 2008. The Tower Anomaly magnetic low is coincident with a broad IP resistive anomaly, probably reflecting the rhyolite unit. A weaker chargeable response is also present that may relate to disseminated pyrite recognised in outcrop in the rhyolite and which may be indicative of alteration associated with underlying mineralisation. The upper contact to the underlying andesite host target, by

extrapolation of lithological contacts defined by drilling in the Koala area, may be up to 300m deep.

Old prospecting pits have been located at surface coincident with the larger of the two chargeable areas of silica pyrite alteration in the rhyolite. Sampling of the pits returned a maximum value of 0.97ppm Au from minor quartz veining. The disseminated pyrite and silicification may be an indication of underlying epithermal mineralisation.

To date there has been no drilling undertaken to test the potential of this target. Drilling at the Tower Prospect is planned to commence early in the new year.

Further work is also being undertaken to define drilling programmes to investigate further targets in the Koala region.



**Magnetic depletion targets outlined in purple.**

## CAPITAL RAISING

During the quarter, the Company raised approximately \$970,000 from a rights issue for which shareholders were issued 19,397,053 shares. The funds were raised to fund ongoing exploration activities, the Maldon acquisition, and provide working capital.

## OUTLOOK

During the current March quarter, the Company plans to complete the acquisition of the Maldon Gold Project, including the completion of the required raising of \$3 million minimum capital. This will facilitate the planning for the Alliance South lode to be accessed and trial mining and gold production to be commenced as soon as possible.

The 2010 exploration programmes, outlined earlier in this report, for Yandan (East Hill) and Mt Coolon (Koala) are expected to commence as soon as possible, subject to the weather as the wet season comes to an end.

Drummond Gold has recently completed updated geological models and resource estimates for the company's Mt Coolon deposits in conjunction with undertaking an assessment of the geological potential of the company's landholding. This work has defined numerous targets for future investigation including extensions to known deposits; follow up of anomalous results from previous exploration on regional prospects, and the recognition of new structural targets favourable for hosting significant mineralisation through the interpretation of geophysical data. Drummond plans to drill test the targets to potentially add ounces to the current resource base and bring the company closer to production in the Mt Coolon region.

## Drummond Gold Resources 30 September 2009

Mine	Location	Resource Category									Total			cut-off
		Measured			Indicated			Inferred						
		000' t	Au g/t	Au oz	000' t	Au g/t	Au oz	000' t	Au g/t	Au oz	000' t	Au g/t	Au oz	Au g/t
Koala	Hectorina Pit				15	2.6	1,300				15	2.6	1,300	None
	Underground Extension				205	5.9	38,600	62	5.3	10,600	267	5.7	49,300	3.0
	Tailings	305	1.6	15,800	11	1.6	500	6	1.5	300	322	1.6	16,700	None
	<b>Total</b>	<b>305</b>	<b>1.6</b>	<b>15,800</b>	<b>231</b>	<b>5.5</b>	<b>40,400</b>				<b>604</b>	<b>3.5</b>	<b>67,200</b>	
Eugenia	in Whittle pit - direct mill							428	1.5	20,800	428	1.5	20,800	0.5
	outside pit							3,988	1.2	157,500	3,988	1.2	157,500	0.5
	<b>Total</b>							<b>4,416</b>	<b>1.3</b>	<b>178,200</b>	<b>4,416</b>	<b>1.3</b>	<b>178,200</b>	<b>0.5</b>
Glen Eva	Underground below pit				132	7.8	33,200	21,000	5.9	4,000	154	7.5	37,200	3.0
	<b>Total</b>	<b>305</b>	<b>1.6</b>	<b>15,800</b>	<b>363</b>	<b>6.3</b>	<b>73,600</b>	<b>4,506</b>	<b>1.3</b>	<b>193,100</b>	<b>5,174</b>	<b>1.7</b>	<b>283,000</b>	

The data in this report that relates to Exploration Results, the accuracy and quality of data forming the basis of all resource estimates, and the interpretation of mineralisation at Eugenia, Koala and Glen Eva, are based on information compiled by Mr Erik Norum who is a Member of The Australasian Institute of Geoscientists and who has sufficient experience 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 (the "JORC Code"). Mr Norum is a full-time employee of Drummond Gold Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

The data in this report that relates to Mineral Resources for the Eugenia, Glen Eva and Koala Deposit is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience 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 (the "JORC Code"). Mr Tear is a full-time employee of Hellman & Schofield Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

## Yandan Gold Resources 30 September 2009

Mine	Location	Estimated Gold Resource and Category									Total			cut-off			
		measured			indicated			inferred									
		'000t	Au g/t	'000oz	'000t	Au g/t	'000oz	'000t	Au g/t	'000oz	'000t	Au g/t	'000oz	Au g/t			
Yandan	Yandan										4,100	2.4	308	4,100	2.4	308	
	<b>Total</b>										<b>4,100</b>	<b>2.4</b>	<b>308</b>	<b>4,100</b>	<b>2.4</b>	<b>308</b>	

The information in this report that relates to Mineral Resources is based on information supplied by Peter Storey, who is a member of the Australian Institute of Mining and Metallurgy. Mr Storey is a full time employee of Straits Resources Limited and has sufficient experience relevant to the style of mineralisation, 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 Mineral Resources and Ore Reserves". Mr Storey consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

## Maldon Gold Resources 31 October 2009

Mine	Location	Estimated Gold Resource and Category									Total			cut-off
		Measured			Indicated			Inferred						
		'000t	Au g/t	'000oz	'000t	Au g/t	'000oz	'000t	Au g/t	'000oz	'000t	Au g/t	'000oz	Au g/t
Alliance South	West Zone							287	12.0	110	287	12.0	110	na
Alliance South	East Zone							186	12.0	72	186	12.0	72	na
Total								473	12.0	182	473	12.0	182	na

The data in this report that relates to Mineral Resources for the Alliance South Deposit is based on information evaluated by Mr TG Summons who is a Member of The Australian Institute of Geoscientists (MAIG) and Mr MV McKeown who is a Fellow the Australasian Institute of Mining and Metallurgy (FAusIMM). These people have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and are each qualified to act as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Summons is an associate of Mining One Pty Ltd, and Mr Mc Keown is an employee of Mining One Pty Ltd and they consent to the inclusion in the report of the Mineral Resource in the form and context in which it appears.

### Maldon CIL Plant

