



DRUMMOND
DRUMMOND GOLD LIMITED



Quarterly Activities Report

Drummond Gold Limited

ABN 98 124 562 849

ASX: DGO

Shares on issue 235,688,642

Chairman Eduard Eshuys

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For Quarter ended 30 June 2011

Mount Cannindah Joint Venture

- ✓ Diamond drilling at the Mount Cannindah porphyry copper gold prospect near Gladstone, Queensland, intersected up to 23m at 0.4% copper, 0.2g/t gold and 6.4g/t silver from a depth of 385m and has extended the porphyry copper-gold-silver mineralisation.

Bendigo Joint Venture, Victoria

- ✓ Four target areas have been identified to have potential for black shale sediment hosted gold mineralisation at Woodvale, Break O'Day, Apollo, and Black Rock. Drill testing of these target areas is to occur during the September Quarter.

Drummond Basin Queensland

- ✓ The company is to refocus its drilling activity on the 100% owned assets at Mt Coolon including the high grade Koala mine and at the Sullivans polymetallic gold, silver, zinc and lead prospect 4km to the south. Previous first pass drilling at Sullivans in 2007 by the Company intersected 68m at 0.3g/t gold, 1.4g/t silver and 0.25% zinc from 40m to the end of the hole and 4m at 0.3g/t gold, 17g/t silver and 3.4% zinc from a depth of 51m. Sullivans is an Intrusive Related Gold System (IRGS).
- ✓ Drilling at the Yandan Joint Venture was unsuccessful in substantially increasing the mineral resource and as a consequence the Company has withdrawn from this joint venture.

Corporate

- ✓ Total issued capital is 235,688,342 fully paid shares.
- ✓ Cash position at end of quarter is \$3,360,726

EXPLORATION ACTIVITIES

Mount Cannindah Joint Venture

The initial four diamond drill holes of a five hole programme have been completed at Mount Cannindah. The holes were designed to test for significant strike and depth extensions to previously defined porphyry copper-gold mineralisation (refer to Figures 1 and 2). The best intersection is 23m at 0.4% Cu, 0.2g/t Au and 6.4g/t Ag. Results as detailed in Table 2 attached show the copper-gold mineralisation persists at depth and has been defined a further 150m south from the current resource. The current Mount Cannindah Mineral Resource Estimate is 7.5 million tonnes at 1% copper, 0.4g/t gold and 15g/t silver (Mineral Resource Estimate at 0.5% Cu cut-off, Golder Associates Pty Ltd, 2008).

Mineralisation at Mount Cannindah is hosted at the contact between diorite and hornfelsed sediments. The host units have been variably brecciated, indicating intense hydrothermal activity. Previous explorers considered that the mineralisation was simply emplaced into a pre-existing brecciated body of sediments. However, recent interpretation of the deposit style indicates the brecciation to be caused by upwelling of pressurised mineralised fluids and dykes from depth. Re-logging of diamond core shows that copper mineralisation (largely chalcopyrite in the primary zone) was emplaced throughout the depositional history of the system, with at least four distinct episodes of chalcopyrite-bearing veins identified. This indicates that the host rocks were repeatedly being fractured by copper-bearing fluids. Rather than copper-gold mineralisation being of a late-stage breccia-infill style, it now appears likely that the known mineralisation is a part

of a larger mineralising porphyry copper-gold system.

The results show that the mineralisation continues south and at depth from the defined resource. Results have not been received for one recently completed hole to the north. The final hole, to test below all previous drilling, is currently being completed. Results are summarised in Table 2.

Mount Cannindah, held by Planet Metals Ltd, is located 120 kilometres south of Gladstone in central Queensland. Drummond is undertaking exploration to assess the potential of the Mount Cannindah copper-gold system and has met its minimum commitment of \$750,000. Drummond has the right to earn up to 75% interest in the project by spending an additional \$6.0 million within a further 4 years.

Bendigo Region Farm In

Four target areas, Woodvale, Break O'Day, Apollo and Black Rock, are recognised as having potential for hosting black shale sediment hosted gold, based on favourable stratigraphy associated with known gold mineralisation and interpretation from aeromagnetic and gravity data of trap sites (refer to Figure 3.) Results from initial work including analysis of samples by the Centre of Excellence in Ore Deposits (CODES), University of Tasmania, has shown the black shale units host early stage gold mineralisation and have potential to host significant mineralisation. The target areas will be tested by a drilling program planned to commence in the coming Quarter.

Work by the Company in conjunction with CODES on drill core has confirmed the potential for the Break O'Day black shale

units to contain sediment hosted gold mineralisation. The initial field work has involved geochemistry to test prospective black shale stratigraphy along strike from areas of known mineralisation. Results are awaited.

Terms of the Farm In Agreement are for Drummond to meet a minimum expenditure of \$500,000 on the Bendigo Region by 30th September 2011. Drummond then has the right to earn 51% interest in the Bendigo Region by spending a further \$5 million within three years. Drummond can then earn a further 19% interest, taking its interest to 70%, by spending a further \$3 million in the following two years.

Drummond Basin

Koala Mine at Mt Coolon

The Koala Mine was worked by underground methods during the 1930's producing 180,000oz gold at an estimated grade of 18.4g/t Au over one kilometre extent to a depth of 120 metres. Open pit mining during the 1990's produced a further 45,000oz Au at 5.3g/t Au.

Epithermal systems such as Koala are renowned for hosting repeat zones of high grade mineralisation along strike and also associated with linking structures to the main zone. The Pajingo ore body, where mineralisation has been defined over a 4 kilometre strike extent at the northern end of the Drummond Basin, has repeat shoots of less than 500m length which host ore bodies of 550,000oz Au at 14.4g/t Au (Vera) and 734,000oz Au at 11.2g/t Au (Vera South) from a total production to May 2009 of 2.3Moz Au at 12.2g/t Au (from Conquest Mining website).

Four diamond holes are to be drilled at Koala during the coming Quarter to test for extensions and repetitions to known mineralisation (refer to Figure 4).

Sullivans 4km South of Mt Coolon (formerly Badlands)

Sullivans is a polymetallic gold-silver-lead-zinc prospect (Figure 5). A gold in soil anomaly of up to 2g/t gold over an area of 650 by 250 metres at the Sullivans Prospect was tested with first pass drilling by the Company in 2007. The holes intersected zones of gold and base metal mineralisation including 68m at 0.3g/t gold, 1.4g/t silver and 0.25% zinc from 40m to the end of the hole and 4m at 0.3g/t gold, 17g/t silver and 3.4% zinc from a depth of 51m (refer to Table 3). The drilling results were previously announced on 21 February 2008. Rock chip sampling in the Sullivans area has returned values to 76.2g/t Au, 83.2 g/t Ag, 3.3% Pb, and 0.8% Zn. Most of the higher results are located to the west of the soil anomaly and have not been tested by drilling.

These broad zones of near surface gold, silver and base metal mineralisation are associated with illite-sericite and silica-carbonate-pyrite alteration and the presence of pyrite-carbonate-silica fracture stockworks indicate that the Sullivans results are indicative of Intrusion Related Gold Systems (IRGS).

Other examples of gold bearing IRGS systems in north Queensland include Mt Wright (reserve of 6.2 million tonnes @ 2.7g/t Au for 535,000 oz Au), Mt Leyshon (2.7 million ounces gold produced) and Kidston (3.4 million ounces gold produced). These deposits are typically developed as breccia pipes and/or with sheeted veins

within a pre existing breccia pipe. These systems show a large diversity in style and mineralisation form and are characteristically zoned on a 100m to 500m basis on both vertical and lateral scales. All of these deposits have well defined surface geochemical expressions and are frequently polymetallic in nature with significant amounts of base metals in some cases.

The Sullivans Prospect is located within the Koala Structural Corridor, two kilometres from the Manaman Granodiorite Complex, a polyphase biotite-hornblende granodiorite to medium-grained granite that has been intruded by numerous porphyry and rhyolite dykes. The granitoid body has been emplaced along a 5 kilometre extent of the Anakie-Drummond Basin contact a major regional listric fault structure.

Additional drilling at Sullivans will occur during the next Quarter.

Yandan Joint Venture

Diamond core drilling was completed during the Quarter to test for significant extensions to mineralisation at Yandan East Hill based on a new interpretation of the geology. The three new holes failed to intersect significant mineralisation.

At Yandan the 29 holes consisting of 7,419 metres completed by the Company were unsuccessful in substantially increasing the mineral resource at East Hill or detecting new mineralisation within the surrounding exploration licence and as a consequence the Company has formally withdrawn from the Heads of Agreement for the Farm In and Joint Venture at Yandan with Straits Gold Pty Ltd a subsidiary of Straits Resources Limited for the Yandan Project.

CORPORATE ACTIVITIES

Company Position

At the date of this report there are 235,688,642 fully paid ordinary shares on issue and the cash at bank at the end of the quarter was \$3,360,726.



Eduard Eshuys
Executive Chairman

27 July 2011

Table 1. Mount Cannindah Drilling Programme

Hole Id	Planned Hole	MGA East	MGA North	RL MGA	Depth	East Local	North Local	Azi Grid	Azi Mag	Dip
CARCD0001	MTCplan0007	324985	7270349	398	399.6	2950	2775	098	088	-55
CARCD0002	MTCplan0001	324915	7270638	410	600.3	2839	3051	098	088	-65
CARCD0003	MTCplan0005	324940	7270734	410	654	2850	3150	098	088	-55
CARCD0004	MTCplan0004	325001	7270250	420	501.7	2980	2680	098	088	-55
CADD0005	MTCplan0006	324605	7270586	425	121.9	2540	2955	094	084	-55
CADD0006*	MTCplan0006	324605	7270586	425		2540	2955	094	084	-55

* Currently being drilled.

Table 2. Mount Cannindah Drilling results.

HOLE_ID		FROM	TO	WIDTH (m)	GRADE (Cu %)	GRADE (Au g/t)	GRADE (Ag g/t)
CARCD0001		298	302	4	1.4	0.3	20.1
CARCD0002		385	408	23	0.4	0.2	6.4
		443	460	17	0.4	0.2	9.9
CARCD0004		284.35	308	23.65	0.4	0.1	7.5
	Includes	284.35	293	8.65	0.8	0.2	12.1
		314	319	5	--	1.3	5.0

Table 3. Sullivans 2007 Assay Results

Hole Id	MGA East	MGA North	Depth	Azi MGA	Dip	FROM	WIDTH (m)	Au g/t	Ag g/t	Zn %
BARC004	538862	7627303	120	090	-60	5	17	0.9	5.5	0.04
BARC005	538814	7627302	120	090	-60	51	4	0.3	17	3.4
BARC008	538913	7627403	120	090	-60	40	68	0.3	1.4	0.3
		includes				103	5	1.7	3.9	0.2

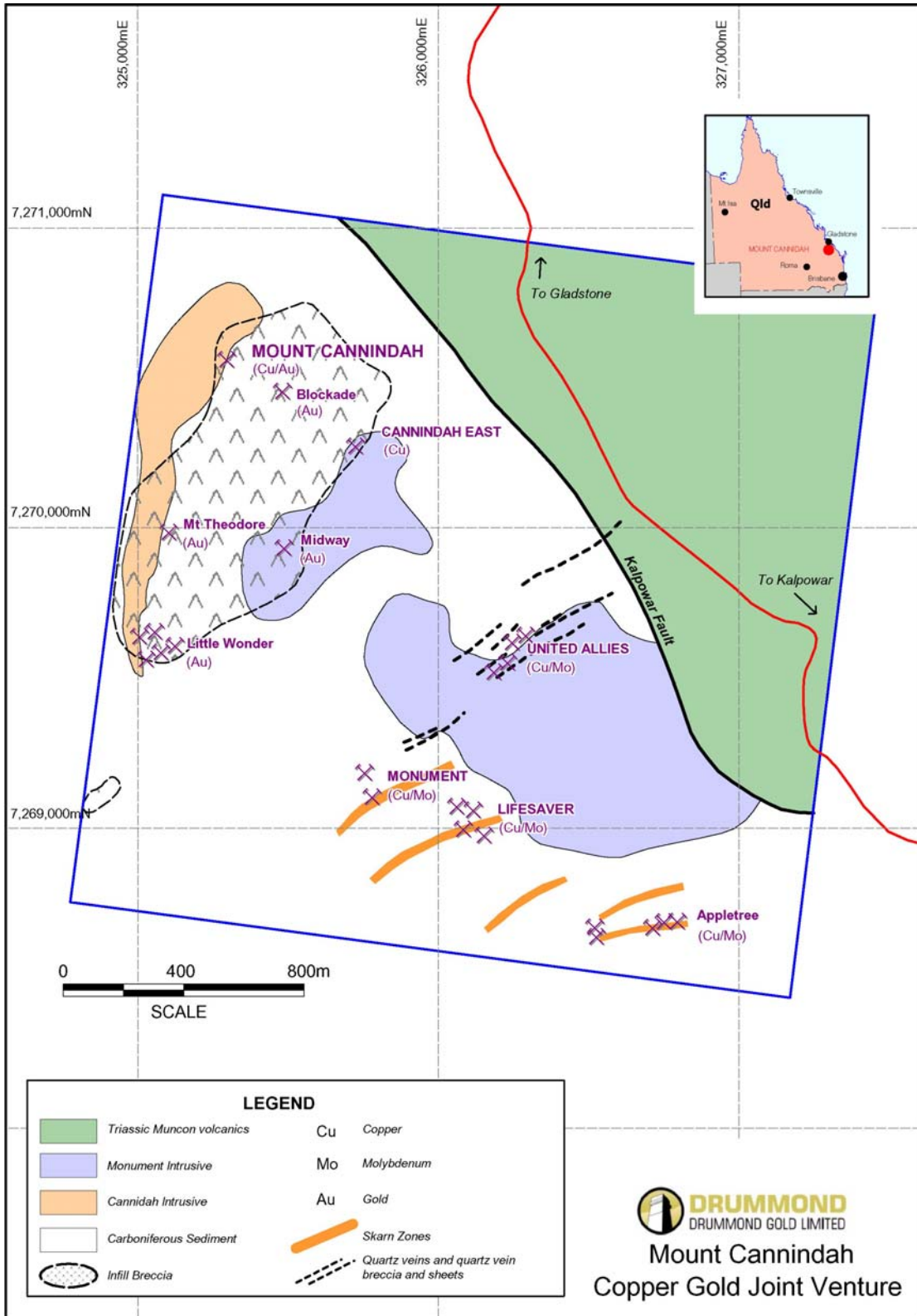


Figure 1. Mount Cannindah Geology and Prospects

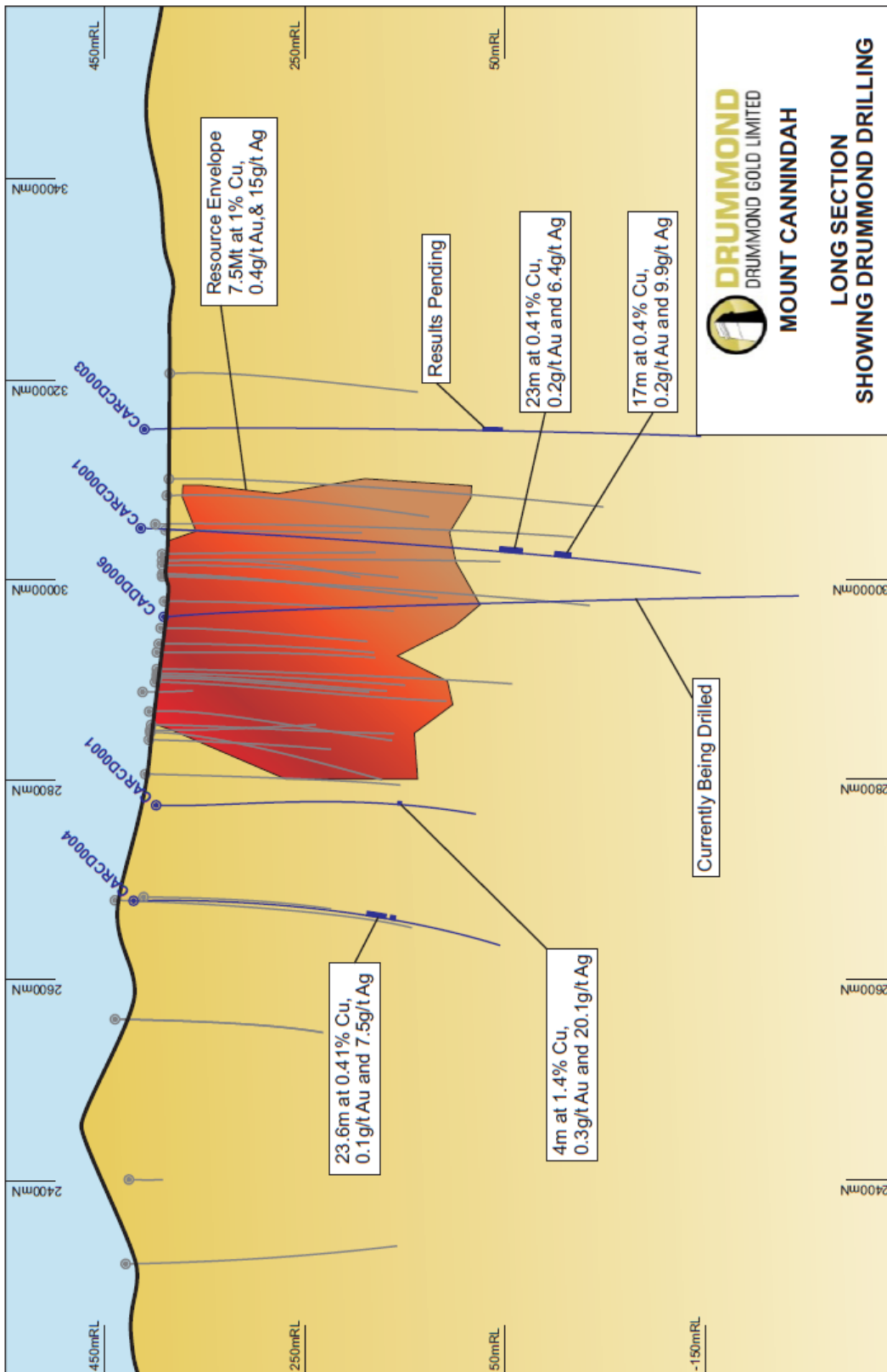


Figure 2. Mount Cannindah long section showing Drummond drilling.

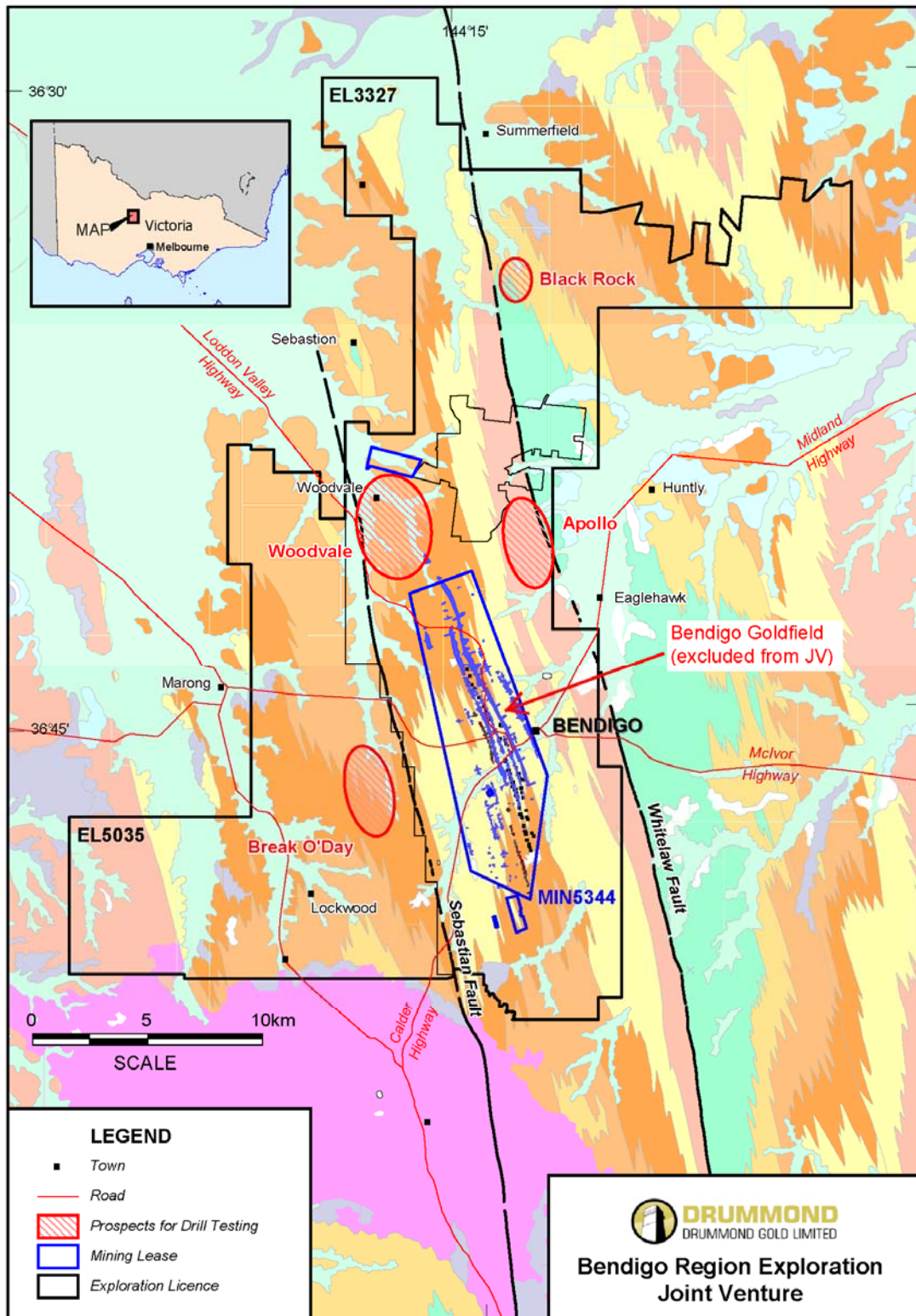


Figure 3. Bendigo Region project area and drill targets.

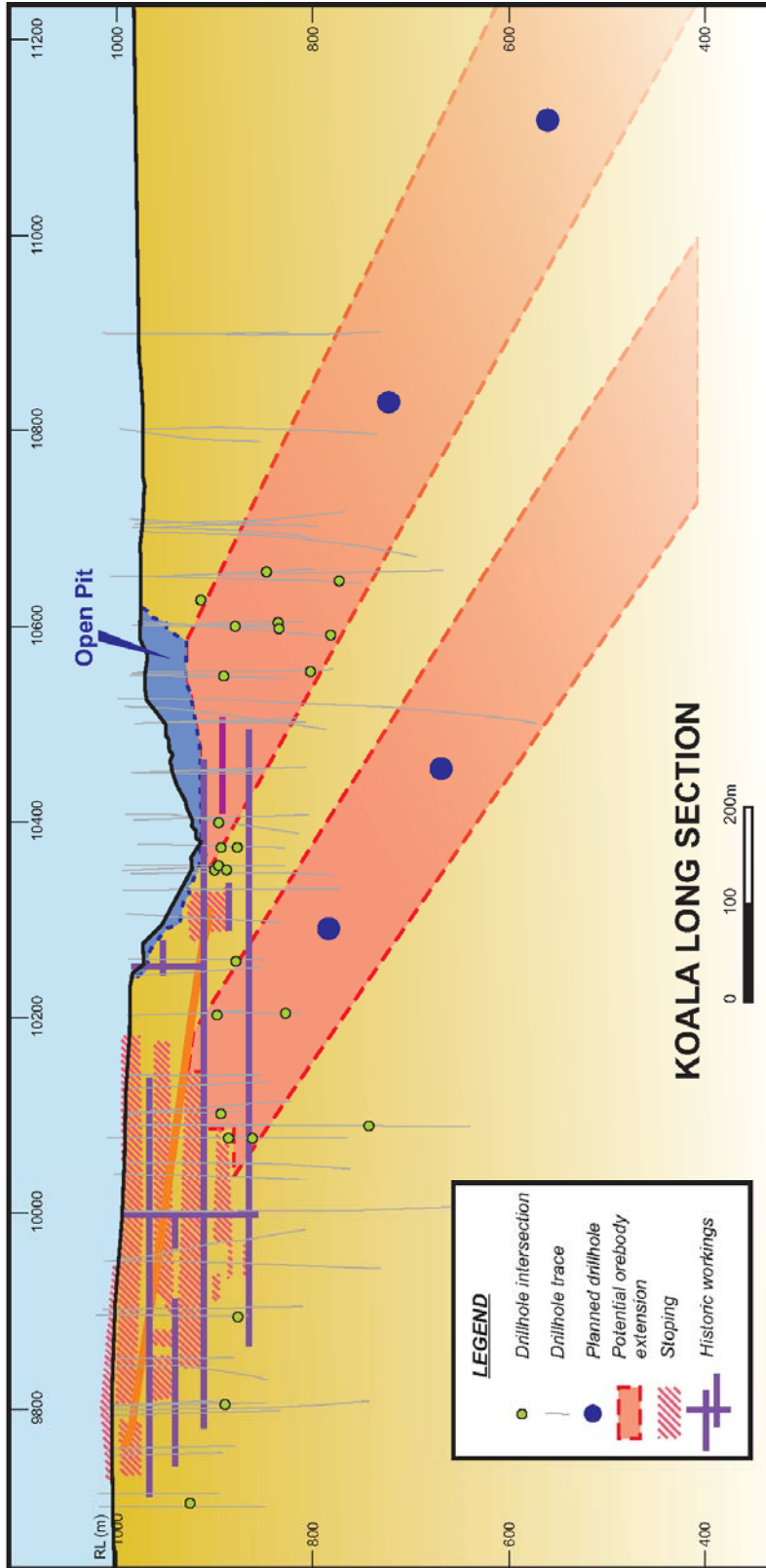


Figure 4. Mt Coolon - Koala long section and planned drill holes.

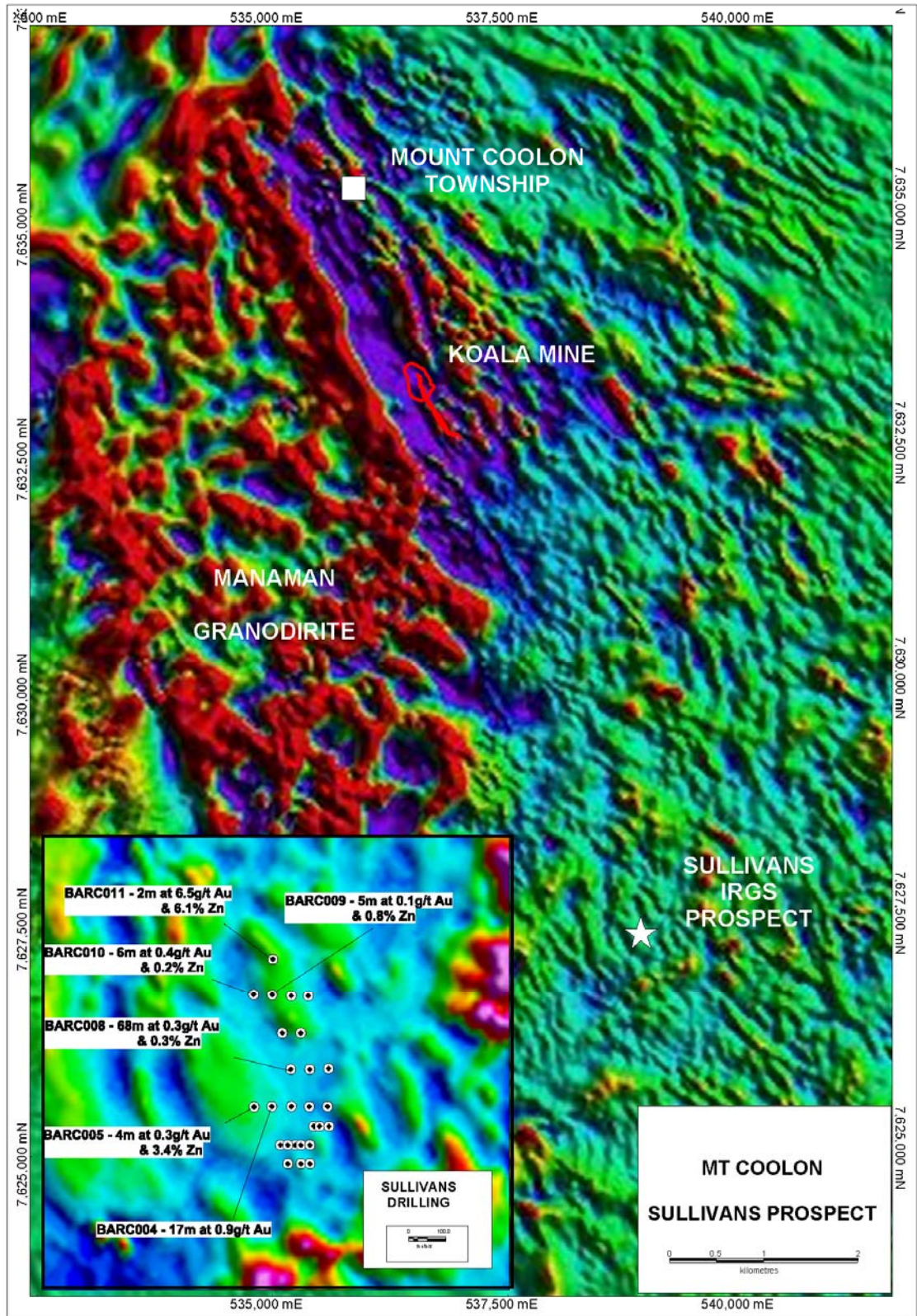


Figure 5. Sullivan's location and previous drilling.

**Yandan East Hill Section 497655E
Mt Coolon Resources 30 June 2010**

Mine	Location	Resource Category									Total			cut-off
		Measured			Indicated			Inferred			000' t	Au g/t	Au oz	Au g/t
		000' t	Au g/t	Au oz	000' t	Au g/t	Au oz	000' t	Au g/t	Au oz				
Koala	Hectorina Pit				15	2.6	1,300				15	2.6	1,300	None
	Underground Extension				205	5.9	39,600	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
	Total	305	1.6	15,800	231	5.5	40,400				604	3.5	67,200	
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
	Total							4,416	1.3	178,200	4,416	1.3	178,200	0.5
Glen Eva	Underground below pit				132	7.8	33,200	21,000	5.9	4,000	154	7.5	37,200	3.0
	Total	305	1.6	15,800	363	6.3	73,600	4,506	1.3	193,100	5,174	1.7	283,000	

(minor rounding errors)

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, Glen Eva, Yandan, Mt Cannindah, Sullivans (formerly Badlands) and Bendigo 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.

Mount Cannindah Resources March 2008

Category	Million Tonnes	Cu %	Au g/t	Ag g/t
Measured	5.57	0.95	0.41	16
Inferred	1.9	1.0	0.3	14
Total	7.47	0.97	0.38	15

At 0.5% copper cut off. (minor rounding errors)

Technical information relating directly to the Mount Cannindah resource estimate was compiled and/or supervised by Mr Andrew Border and Dr Andrew Richmond, both of whom are members of the Australian Institute of Mining and Metallurgy (AusIMM). Dr Richmond, a full time employee of Golder Associates Pty Ltd was responsible for the resource block model and estimation. Mr Border was a full time employee of Planet Metals Limited and was responsible for all other aspects of the mineral resource estimate. Both Mr Border and Dr Richmond have sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they have undertaken to qualify as Competent Persons as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Border and Dr Richmond consent to the inclusion of this information in the form and context in which it appears in this report.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Drummond Gold Limited

ABN

96 124 562 849

Quarter ended ("current quarter")

30/06/2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'ooo	Year to date (12 months) \$A'ooo
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,171)	(3,144)
(b) development	-	-
(c) production	-	-
(d) administration	(187)	(737)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	51	184
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(35)	(57)
1.7 Other (provide details if material)	-	5
Net Operating Cash Flows	(1,342)	(3,749)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(47)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	14	14
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	13	(33)
1.13 Total operating and investing cash flows (carried forward)	(1,329)	(3,782)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,329)	(3,782)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	6,698
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	(167)
	Net financing cash flows	-	6,531
	Net increase (decrease) in cash held	(1,329)	2,749
1.20	Cash at beginning of quarter/year to date	4,689	611
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,360	3,360

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	81
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Consultancy Fees, Directors Fees and Salaries

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,428
4.2 Development	-
4.3 Production	-
4.4 Administration	290
Total	1,718

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,360	4,689
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,360	4,689

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	235,688,642	235,688,642		
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	5,000,000	-	<i>Exercise Price</i> Note 6	<i>Expiry date</i> Note 6
	5,000,000	-	Note 7	Note 7
	5,000,000	-	Note 8	Note 8
	5,000,000	-	Note 9	Note 9
7.8 Issued during quarter				
7.9 Exercised during quarter				

+ See chapter 19 for defined terms.

7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>	-	-	-	-
7.12	Unsecured notes <i>(totals only)</i>	-	-	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 27 / 07 / 2011

Print name: Michael J Ilett

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

+ See chapter 19 for defined terms.

Appendix 5B Mining exploration entity quarterly report

- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6 A total of 5,000,000 options are exercisable at \$0.06 per share on or before on or before 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. E. Eshuys ceases (as applicable) to be a Director of the Company.
- 7 A total of 5,000,000 options are exercisable at \$0.09 per share on or before on or before 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. E. Eshuys ceases (as applicable) to be a Director of the Company.
- 8 A total of 5,000,000 options are exercisable at \$0.12 per share on or before on or before 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. E. Eshuys ceases (as applicable) to be a Director of the Company.
- 9 A total of 5,000,000 options are exercisable at \$0.15 per share on or before on or before 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. E. Eshuys ceases (as applicable) to be a Director of the Company

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