



DRUMMOND
DRUMMOND GOLD LIMITED

Drummond Gold Limited

ABN 98 124 562 849

ASX: DGO

Shares on issue 235,688,642

Directors:

Chairman Eduard Eshuys

Director Brice Mutton

Director Ross Hutton

Coy Secretary Michael Ilett

Exploration Manager Erik Norum

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Bardon

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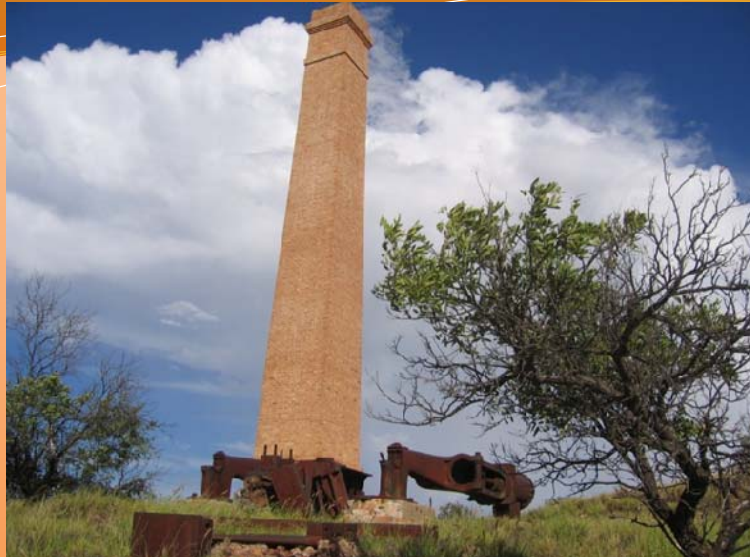
Eduard Eshuys

Executive Chairman

Drummond Gold Limited

Telephone: 07 3367 2144

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Quarterly Activities Report

For quarter ended 31 December 2010

Corporate Activities

- ✓ The General Meeting of Shareholders held on 30 December 2010 resulted in approval of placements of securities
- ✓ A total of \$3,375,250 was raised through the placement of shares to investors to fund exploration and working capital.
- ✓ Total issued capital is 235,688,342 fully paid shares.
- ✓ Cash position at end of quarter is \$5,259,472.

Exploration Activities

- ✓ Farm in to Mount Cannindah porphyry copper-gold project.
- ✓ Drilling that commenced at Yandan and Mt Coolon was postponed due to earlier than expected heavy rainfall that has restricted access to drill sites.
- ✓ Drilling planned for Yandan, Mt Coolon and Mount Cannindah to follow up high grade results including 283m at 2.8g/t Au from 88m depth at Yandan East Hill, 4m at 16.1g/t Au from 95.5m depth at Mt Coolon Koala and 72.5m at 1.43% Cu from 175.8m depth and 3m at 14.8g/t from 197m depth at Mount Cannindah.

Corporate Activities

On 30 December 2010 Drummond Gold Limited (the Company) held a General Meeting of Shareholders approving the placements of securities.

Details of the corporate activities are summarised as follows:-

Placements

During the quarter the Company made placements totaling 29.35 million fully paid shares at an issue price of \$0.115 per share to institutional investors raising \$3,375,250 before costs. The funds raised will be used to fund working capital and exploration activities.

Company Position at the date of this report

At the date of this report there are 235,688,642 fully paid ordinary shares and 20,000,000 unlisted options (at various exercise prices and exercise dates) on issue.

Cash at the end of the Quarter is \$5,259,472.

Farm In

Drummond announced a farm in on the Mount Cannindah copper-gold Project, located 100km south of Gladstone, Queensland. Mount Cannindah is a large gold bearing porphyry copper-gold system with a number of highly prospective exploration targets and has a Mineral Resource Estimate at 0.5% Cu cut-off of 7.47Mt at 0.97% Cu, 0.38g/t Au and 15g/t Ag, of which 5.57Mt at 0.95% Cu, 0.41g/t Au, and 16g/t Ag are in the Measured Resource category and 1.86Mt at 1.0% Cu, 0.30g/t Au, and 14g/t Ag are in the Inferred

Resource category (Golder Associates Pty Ltd, 2008).

Initially, Drummond is committed to spending \$750,000 on the joint venture by September 2011 to assess the potential of Mount Cannindah (at which time Drummond can elect to withdraw from the earn in). Drummond can then earn up to 75% in the project through expenditure of a further \$6,000,000 within four years and nine months of signing the earn in agreement.

The potential for higher grade gold mineralisation is indicated by the gold intersections of 3m at 14.8g/t (from 197m in QMCMDD021) and 5m at 8.1g/t (from 155m in QMCMRC003) that appear to overprint the broader copper-gold mineralisation. Several other copper-gold and copper-molybdenum targets have been recognised in the immediate area and require drilling to determine their potential.

Planet Metals Limited, the vendor, has compiled a comprehensive database of historic drilling, geophysical and geochemical data which will allow Drummond to quickly define drilling targets.

Exploration Activities

Exploration work for the December Quarter involved RC drilling at Yandan-East Hill and at Mt Coolon. The early onset of the wet season has deferred the completion of the planned drilling to the 2011 field season.

Yandan

Based on a new interpretation of the geology of East Hill, diamond core drilling has been planned to test for extensions to mineralisation that is spatially related to a

southwest trending listric fault contact. The holes are outside the East Hill mineral resource and are testing conceptual targets and extensions where no previous drilling has been undertaken.

The drilling is designed to test for extensions that may significantly increase the potential of the East Hill area.

The target is broad zones of mineralisation that host higher grade gold such as that intersected in earlier drilling, for example, 283m at 2.8g/t Au from 88m, including 18.28m at 7.5g/t Au, and 5.9g/t Au (YAN022) and 164m at 1.9g/t Au from 181m including 0.9m at 99.4g/t Au and 3m at 20.9g/t Au (EHRCD003).

Three RC precollars were completed for a total of 746m before early wet season rainfall caused the flooding of creeks, cutting off access to Yandan site. The drilling has been postponed until after wet season.

Drummond Gold are earning an interest in the Yandan Project through exploration expenditure in a joint venture with Straits Resources.

Mt Coolon

In the Mt Coolon (Koala) Mine Area, reprocessing of aeromagnetic and IP/resistivity data highlighted geophysical anomalies that had not previously been tested by drilling. A discrete resistivity/chargeability anomaly coincident with the interpreted northern trend of the Koala mineralisation was tested with a RC hole to 256m depth. The target is 500m north of the Koala open pit mine. Quartz veining and pyrite-silica alteration was intersected within rhyolitic host rocks. It is thought that the alteration may represent the near-surface

expression of the Koala lode, with potential mineralisation at depth hosted by the Koala Mine host andesite unit.

Diamond core drilling has also been planned to test the down plunge extent of the Koala Mine lode to the north of the currently defined resource.

The drilling is designed to follow up previous intersections such as 3m at 18.9g/t Au from 158.4m (MCDH006), 2m at 18.2g/t Au from 178.6m (MDDH023), and 4m at 16.1g/t Au from 95.5m (MCDH005).

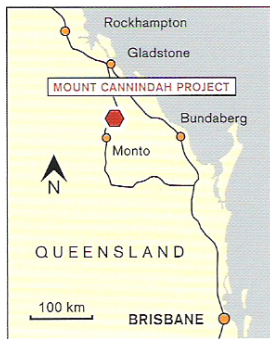
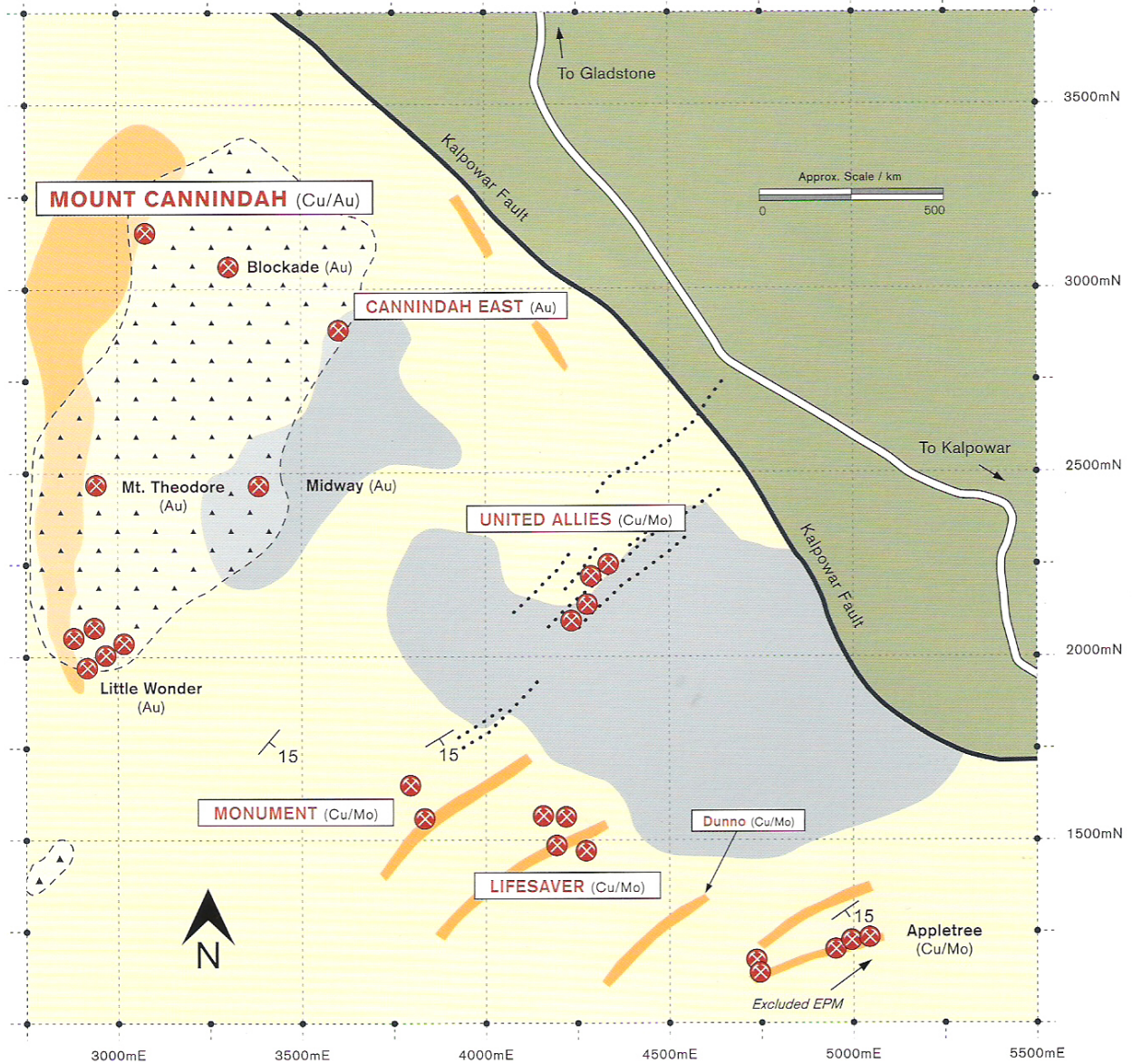
RC precollar drilling was abandoned in November due to the same rainfall event that affected work at Yandan also impeding drill rig access at Mt Coolon. This work will continue when possible, after the wet season.



Eduard Eshuys
Executive Chairman

28 January 2011

Mount Cannindah Project - Geology



LEGEND

- | | | | |
|--|---------------------------|-----------|--|
| | Triassic Muncon volcanics | <u>Cu</u> | Copper |
| | Monument Intrusive | <u>Mo</u> | Molybdenum |
| | Cannindah Intrusive | <u>Au</u> | Gold |
| | Carboniferous Sediments | | Skarn zones |
| | Infill breccia | | Quartz veins and quartz vein breccias and sheets |

Mt Coolon Resources 30 June 2010

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	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 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 June 2010

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	East Hill - Open Pit							5,041	0.9	145	5,041	0.9	145	0.5
	East Hill - Underground							3,518	2.3	256	3,518	2.3	256	1.0
	Total							8,559	1.5	401	8,559	1.5	401	

(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 estimate, and the interpretation of mineralisation at East Hill, is 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 East Hill 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.

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")

31/12/2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'ooo	Year to date (6 months) \$A'ooo
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(729)	(1,488)
(b) development	-	-
(c) production	-	-
(d) administration	(128)	(432)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	35	73
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	10	(34)
1.7 Other (provide details if material)	5	5
Net Operating Cash Flows	(807)	(1,876)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(29)	(29)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(29)	(29)
1.13 Total operating and investing cash flows (carried forward)	(836)	(1,905)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(836)	(1,905)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,375	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)	(126)	(145)
	Net financing cash flows	3,249	6,553
	Net increase (decrease) in cash held	2,413	4,648
1.20	Cash at beginning of quarter/year to date	2,846	611
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,259	5,259

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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	47
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, Salaries and Reimbursement of Expenses

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.

	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	302
4.2 Development	-
4.3 Production	-
4.4 Administration	188
Total	490

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	5,259	2,846
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	5,259	2,846

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	25,000,000 4,350,000	25,000,000 4,350,000	\$0.115 \$0.115	\$0.115 \$0.115
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 / 01 / 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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