



# DRUMMOND

## DRUMMOND GOLD LIMITED

ABN 98 124 562 849

### Quarterly Activities Report

For the three months ended 31 March 2010

#### Drummond Basin Exploration

- Drill program announced for Yandan and Mt Coolon (Koala), designed to increase the 600,000 oz gold Resources under management.
- Further targeting of drill holes at the East Hill discovery at Yandan to be included in the Phase One drill program. RC with diamond tail drill holes planned to test high grade vein orientation and extensions.
- Drill holes planned for Koala Tower anomaly and Koala South extensions to the historic Mt Coolon mine.
- New targets defined for step change extensions and resource increases at Eugenia deposit.
- Potential of Badlands gold-silver-lead-zinc prospect highlighted in review

#### Maldon Gold Project, Victoria

- Decision not to proceed with the Maldon Gold Project acquisition on the basis that the funding proposals received were not in the best interests of shareholders.

During the quarter, Drummond Gold Limited (Drummond or the Company) completed the development of Phase One of the 2010 exploration program for the Drummond Basin, while continuing to pursue the acquisition of the Maldon Gold Project in Victoria.

In line with the Company's acquisition strategy the Maldon Project was considered to be a suitable near production asset capable of generating early cash flow and providing surplus funds to conduct exploration activities in the Drummond Basin.

The Company worked with its corporate advisers to meet a condition precedent – a requirement to raise \$3.0M capital - in the Maldon Share Sale Agreement with Alliance Resources Limited. Whilst the several proposals received by the Company were considered to have met the condition, they were not considered to be in the best interests of the Company's shareholders.

Capital markets remained subdued for the period and funding proposals received were unable to satisfy the board that the Company and its shareholders would obtain appropriate benefit for funding cost and risk.

As a result, the Company decided not to proceed with the acquisition.

Drummond remains focused on its high quality gold assets, the 100% owned Mt Coolon tenements and the Yandan Project where the Company can earn 51%. The Company has more than 600,000 oz gold Resources under its management in the Drummond Basin.

During the quarter, a highly defined exploration drilling program for 2010 was announced, with Phase One including three deep diamond holes at Yandan's East Hill discovery and a series of holes at Mt Coolon to test the Tower and Koala South prospects. The program is scheduled to begin once funds are available from a capital raising currently being planned and site access can be achieved following recent wet weather.

The program is highly targeted and based on intense study completed over the last 12 months on new and validated revised database information, geophysical, geochemistry, structural interpretation and historical drilling results.

#### **DRUMMOND BASIN EXPLORATION**

Planned drilling programs for Mt Coolon and Yandan detailed in the December Quarterly report have been postponed due to excessive rainfall in the area that has restricted site access. Routine monitoring of the rainfall at the Koala and Glen Eva Mine sites has identified a 1 in 100 year rainfall event at the Glen Eva monitoring station. On January 30, 2010, 122mm of rain fell between 9.00pm and 3.00am. Due to rainfall associated with tropical cyclone Ului it is anticipated that access to drill sites will not be possible until May.

An ongoing review of the Company's tenements has delineated further targets for immediate drill testing.

#### **Badlands**

An appraisal of prospects within Drummond Gold's Mt Coolon tenements highlighted the potential of the Badlands polymetallic gold-silver-lead-zinc prospect. Based on geology and drilling results Drummond Gold considers the mineralisation to be of Intrusion Related Gold-style, with similarities to the Mt Wright and Mt Leyshon gold deposits. Badlands is located only 10 kilometres from Mt Coolon Township. The prospect is located within tenements held 100% by Drummond Gold.

Exploration in the Mt Coolon area and the Drummond Basin generally has predominantly been directed towards defining epithermal-style gold mineralisation. Exploration work on Badlands Prospect provides indications of a large polymetallic intrusive-style mineralisation system that has received little exploration attention. The Badlands prospect is still at the early stages of evaluation and there has been insufficient exploration to define a Mineral Resource. However, Drummond Gold remains highly encouraged by the exploration results.

The Badlands Prospect was defined as an exploration target by a high order >100ppb, and often >1.0ppm, gold soil anomaly over an area of 650 by 250 metres. The size and tenor of the anomaly is very significant. The coincidence and association of elevated base metals such as lead and zinc in conjunction with elevated arsenic is typical of the upper levels of rhyolite associated sheeted vein and breccia systems. An example of this is Mt Wright. The long direction in these systems is down.

Results from shallow RC drilling completed by Drummond in 2007 highlight broad intercepts of gold and zinc. All of the drill holes also contain anomalous silver, lead and arsenic values. Several discrete zones of gold mineralisation were encountered in the drilling including 5m at 1.74 g/t gold from 103m in BARC008 and 1m at 12.5 g/t gold from 107m in BARC011. However, most holes intersected more pervasive zones of gold and base metal mineralisation including 58m at 0.36 g/t gold from 52m in BARC008, 48m at 1.6 g/t silver from 9m in BARC006, 24m at 0.12% lead in BARC006 from 33m and 28m at 0.67% zinc from 49m in BARC005. Elevated cadmium is generally associated with higher gold, silver, zinc and arsenic grades. Ubiquitous manganese was intersected throughout the holes.

A detailed ground-magnetics program was conducted by Drummond in 2007. Examination of the data highlights a large NW trending structure with a large magnetically suppressed region immediately to the west of the soil gold anomalies. The soil anomalies appear to be controlled by this and other second order features. Only the central portion of the structure and coincident soil anomalism has been tested by drilling; the magnetic low is yet to be drilled.

The interpreted exposed level of Badlands is considered to be relatively high in the spectrum of an Intrusion Related Gold system with only weak brecciation observed along some rhyolite bearing structures. In prospects such as Mt Wright and Pretoria Hill, well developed base metal rich veining frequently develops as semi-sheeted vein sets enveloping the mineralised body in the upper levels. Knowledge of these systems indicates that the next phase of exploration requires deep diamond drilling to properly assess the potential of the Badlands

mineralisation. Drummond Gold is currently considering options to further explore the Badlands Prospect to determine the full potential of the mineralisation outlined to date.

### **Eugenia**

The current Inferred Resource for Eugenia stands at a total of 4,416,000t at 1.3g/t Au for 178,200oz gold at a 0.5g/t Au cut off. Additional tonnage or enhanced grade is required for the deposit to be considered economic. Previous work has shown that mineralisation encountered at Eugenia represents the upper portions of a low sulphidation epithermal style system. Indications are that the deposit is of limited extent. However, minimal drilling has been conducted outside the main resource area and scope exists to expand the resource. The geological controls on mineralisation at Eugenia have proved enigmatic in determination which has hampered the planning of drill programs to define additional mineralisation along strike and at depth.

Gold mineralisation within the oxide portion of the resource appears erratic, hosted by thin quartz and quartz-carbonate stringers and narrow sulphidic breccias, with a possible lithological control indicated by a southwest dip to some mineralised zones. Only a few holes have been drilled greater than 100m vertical depth, intersecting a deeper central mineralised zone returning narrow, high grade results. Geological logging of this zone indicates typical epithermal-style colloform and bladed quartz vein textures and the presence of sericite/illite-chlorite-pyrite-silica-adularia alteration. This deeper mineralisation is interpreted as potentially the feeder or "bonanza zone" for the deposit.

Studies of grade distribution show the higher grade gold mineralisation is associated within quartz veining, as opposed to only moderate grade in breccias. Structural logging of diamond core has determined that the main orientation of veining, and hence the primary search directions for additional mineralisation, are between NNW to NNE. The NNW direction has been partially covered by drilling at Cicada Ridge. However, only a few holes have been completed to test a northeast trend.

Interpretation of aeromagnetics indicates two main structural trends at Eugenia; a NW-SE regional lineament with a flexure coincident with the Eugenia mineralisation, and a NE-SW structure highlighted by a magnetic low. It appears that north-south dextral movement has acted upon the area producing a zone of dilation in the NE-SW orientation. This target has not been adequately tested by drilling. A similar structural setting is located 1100m to the north under surficial alluvial cover that has not been drill tested.

Further RC drilling has been planned to test this new structural interpretation at Eugenia and to test for as yet unidentified mineralisation in interpreted similar structural settings to the north of the Eugenia Resource. If drilling is successful there is potential to define significant additional near surface mineralisation at Eugenia.

#### **East Hill, Yandan**

As reported previously, Drummond has planned diamond drilling to test for deep, high grade mineralisation at East Hill.

Assay results from recent drilling confirmed continuity of the east-west trend of lower grade mineralisation at East Hill with intersections 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. Due to heavy rainfall inhibiting access for drilling, this work has now been postponed until June.

#### **Koala**

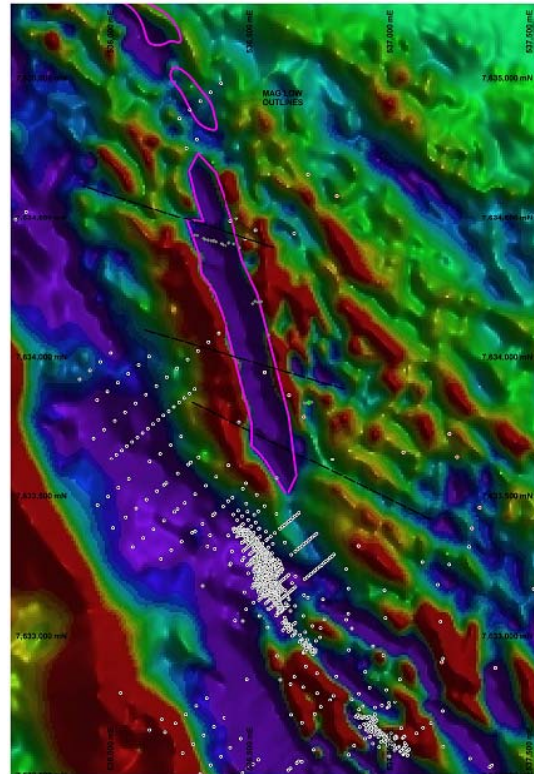
Recent geological studies of the Koala area have highlighted structures associated with magnetic depletion that indicate potential for mineralisation similar in character to the Koala deposit. The structural setting of the Golden Bar workings, located to the southwest of Koala, and interpretation of geophysical data indicate 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 program 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 sub parallel to the Koala mineralisation. Outcrop geology comprises rhyolitic crystal-lithic rich ignimbrite; pyrite and silica altered in places, which are interpreted to overlie Mt Coolon Volcanics andesite, the favourable host unit for high grade epithermal mineralisation in the Koala area. The 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 Anomaly is planned to commence once access is possible.

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

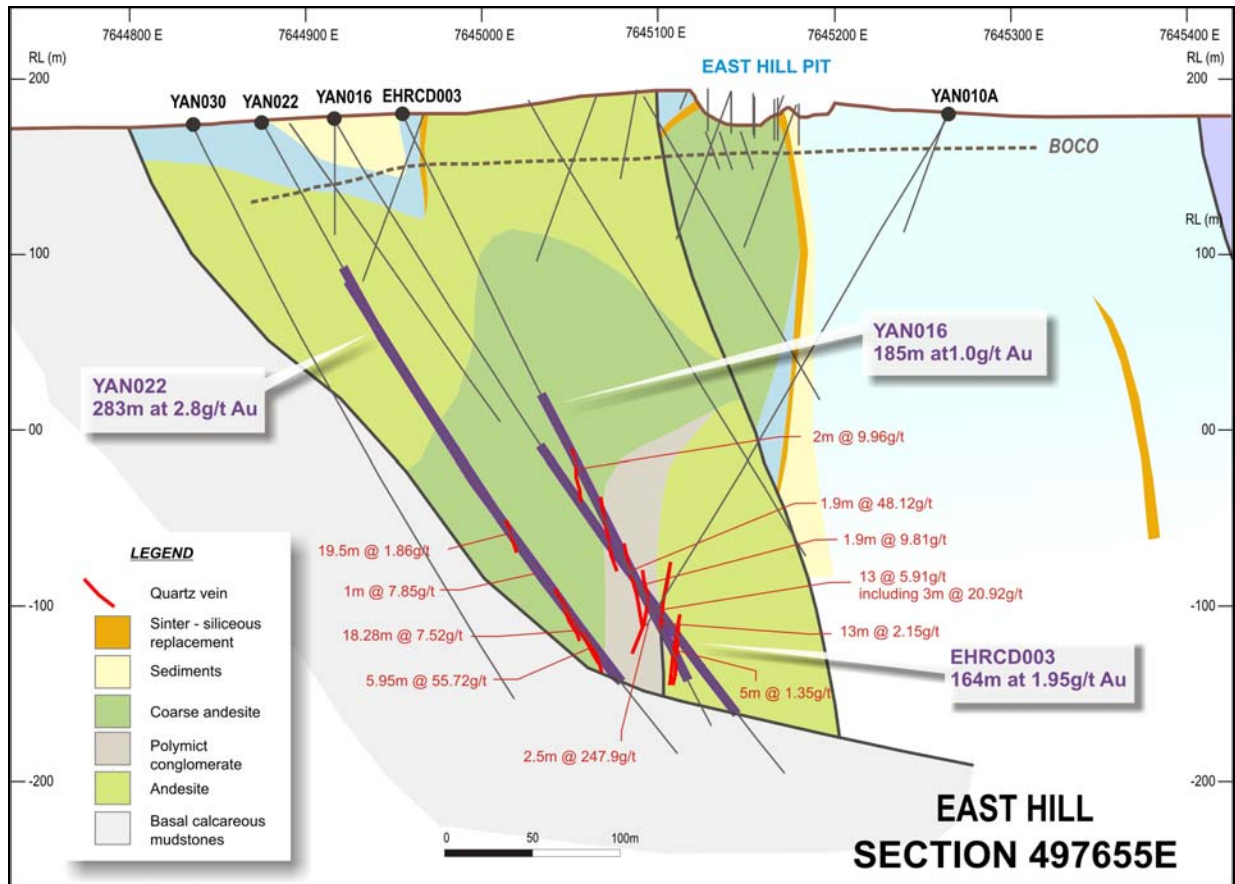


**Tower Anomaly - magnetic depletion targets outlined in purple.**

### Outlook

The 2010 drill program at Yandan and the Mt Coolon region will proceed once funds are available from capital raising currently being planned and the sites can be accessed following the wet weather. Drilling programs will be developed during the current quarter to investigate depth and strike extensions to known mineralisation at Glen Eva, Koala and Eugenia to increase Drummond's current resource position.

Resource estimation and optimisation studies will be undertaken for Glen Eva and Koala deposits.



East Hill section (Yandan) showing north oriented drill holes intersecting broad east – west mineralisation and high grade veining. It has been interpreted that the high grade veining is sub parallel to drill orientation.

## 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.

**Drummond Gold Limited**

**ABN 98 124 562 849**

**ASX: DGO**

**Shares issued – 99.2 million**

July 2010 options

(unlisted) – 9.325 million

**CASH**

As at 31 March 2010

**\$545,000 no debt**

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**MD** Doug Grewar

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