



Drummond Gold Limited

ACN 124 562 849

Half-year financial report for the half-year ended 31 December 2010

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This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Drummond Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Corporate directory

Directors	Mr. E. Eshuys (Chairman) Mr. B. K. Mutton (Non-executive Director) Mr. R. C. Hutton (Non-executive Director) Mr. M. J. Ilett (Alternate Director for Mr. R. C. Hutton)
Company secretary	Mr. M. J. Ilett
Registered office and principal place of business	Suite 8, 60 Macgregor Terrace BARDON QLD 4065 P.O. Box 844 Paddington Qld 4064 Telephone: + 61 7 3367 2144 Facsimile: + 61 7 3367 2165
Share registry	Link Market Services Limited Level 15, ANZ Building 324 Queen Street BRISBANE QLD 4000 Postal Address: GPO Box 2537 BRISBANE QLD 4001 Telephone: 1300 554 474 Telephone: + 61 2 8280 7454 (overseas) Facsimile: + 61 2 8280 0303
Auditors	Deloitte Touche Tohmatsu Level 25, Riverside Centre 123 Eagle Street BRISBANE QLD 4000
Lawyers	McCullough Robertson Lawyers Level 11, Central Plaza Two 66 Eagle Street BRISBANE QLD 4000
Stock exchange listings	Drummond Gold Limited fully paid ordinary shares are quoted on the Australian Securities Exchange (ASX). ASX Code: DGO
Website address	www.drummondgold.com.au

Highlights for the half-year

The company was highly active during the half-year with drilling activity at Yandan and Mt Coolon and the signing of a farm in agreement on the Mount Cannindah porphyry copper-gold project in Queensland.

Exploration activity was focused on the Company's objective of increasing resources at Yandan and Mt Coolon. Diamond drilling was completed at Yandan East Hill based on a new geological interpretation, designed to test for extensions to the resource in areas that had not been previously drill tested. Further drilling is required to fully appraise the targets.

Reprocessing and interpretation of geophysical and geological data at Mt Coolon has defined several targets for follow up both in the immediate Koala Mine area and within the Mt Coolon exploration licence. Drilling also commenced to test depth extensions to previously intersected high grade mineralisation at Koala. Drilling activities at both Mt Coolon and Yandan were halted prematurely due to excessive rainfall in the area. Drilling will recommence in the next quarter.

Geological consultants Hellman & Schofield for the East Hill mineralisation completed an updated Inferred Mineral Resource Estimate. The updated Inferred Mineral Resource Estimate for East Hill, oxide and fresh, is 8.56Mt at 1.5/t gold for 401,000 ounces gold. This is an upgrade on the previous reported estimate of 4.1Mt at 2.4g/t Au for 308,000oz gold.

Drummond announced a farm in on the Mount Cannindah porphyry 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 (Golder Associates Pty Ltd, 2008).

During the half-year, the Company raised \$6,698,350 through the issue of 116,800,000 fully paid ordinary shares through private placements to fund gold and other mineral exploration activities and for working capital purposes. The Company also placed 3,674,971 fully paid ordinary shares to Alliance Resource Limited for nil cash consideration for an amount of \$180,242 owed in relation to the Maldon Gold Project.

Mr. J. Dunlop and Mr. D. Grewar resigned as Directors and Mr. E. Eshuys was appointed as Executive Chairman.

Directors' report

The Directors of Drummond Gold Limited (the Company) submit herewith the consolidated financial report of Drummond Gold Limited and its subsidiaries (the Group) for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and details of the directors of the Company in office during the half-year and until the date of this report are:

Mr. E. Eshuys (Executive Chairman)
Mr. B. K. Mutton (Non-executive Director)
Mr. R. C. Hutton (Non-executive Director)
Mr. M. J. Ilett (Alternate Director for Mr. R. C. Hutton)

The above named Directors held office during and since the end of the half-year except for:

Mr. E. Eshuys appointed on 15 July 2010

Mr. J. Dunlop (former Chairman) resigned on 15 July 2010

Mr. D. Grewar (former Managing Director) resigned as Managing Director on 11 June 2010 and resigned as a Non Executive Director on 15 July 2010.

Principal activities

The principal activity of the Company is exploration for gold and other minerals.

Operating results

The Company recorded a loss after tax of \$738,996 for the half-year ended 31 December 2010 (31 December 2009: \$1,453,245).

Review of operations

The objective of the Group is to significantly increase its resources and reserves through the discovery and acquisition of gold and base metal deposits.

During the half-year the Company actively pursued exploration work directly focused on the Company's objective of increasing the resource base at Mt Coolon and Yandan. Assessment of opportunities for joint venture that have significant exploration potential has led to the signing of a farm in agreement on the Mount Cannindah porphyry copper-gold project.

Modelling and interpretation of the Yandan East Hill mineralisation and geology was undertaken to aid in the planning of drilling and for an upgraded mineral resource estimate. Based on the new interpretation, diamond core drilling was completed at East Hill to test for extensions to mineralisation that appears to be spatially related to a southwest trending, northwest dipping listric fault contact. 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 holes were completed between East Hill and South Pit outside the East Hill mineral resource, testing conceptual targets and extensions where no previous drilling had been undertaken. Lithologies encountered within the holes was as anticipated, however the most southerly of the three holes intersected basement at 60m greater depth than expected, indicating movement on a cross cutting fault or a flexure in the listric fault which defines the lower contact. Structural interpretation indicates that, due to the greater depth to basement, this hole may have drilled above the target zone.

All three holes intersected the zone of East Hill-style sericite-silica-pyrite alteration. The most northerly hole returned intersections of 10m at 1.7g/t Au from 266m and 11m at 1.7g/t Au from 285m.

Interpretation of geology encountered in the drilling suggests the holes did not drill to a sufficient depth to intersect the high grade target zone due to downward movement along the southwest trend of the listric fault. Follow up drilling has been postponed due to excessive rainfall in the area and is planned to recommence next quarter.

An updated Inferred Mineral Resource Estimate has been completed by geological consultants Hellman & Schofield for the East Hill mineralisation. The estimate covers both oxide and fresh material and was undertaken using Multiple Indicator Kriging (MIK) methodology. The updated Inferred Mineral Resource Estimate for East Hill, oxide and fresh, is 8.56Mt at 1.5/t gold for 401,000 ounces gold. This is an upgrade on the previous reported estimate of 4.1Mt at 2.4g/t Au for 308,000oz gold.

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. Drilling of one target, to the north of the Koala Mine along the interpreted mineralised trend, intersected quartz veining within silica-pyrite alteration hosted by rhyolite. It is thought the alteration may represent the near surface expression of the Koala structure, with mineralisation more likely to be developed in underlying andesite as is the case at Koala.

Further diamond core drilling commenced to test the down plunge extent of the Koala Mine lode and 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) to the north of the open pit. This drilling was postponed due to excessive rainfall in the area and is planned to recommence in 2011.

RC drilling was also conducted at Glen Eva to test the down plunge extent of high grade mineralisation. Historic drilling immediately along strike from the down plunge target zone returned intersections such as 6m at 38.2g/t Au in 96GERC420 (from 138m), 9m at 7.2g/t Au in 96GERC415 (from 113m) and 7m at 8.0g/t Au in 94GERC073 (from 106m). Both holes intersected a zone of veining and brecciation that corresponds to the interpreted trend of the Glen Eva mineralisation. This is the deepest down plunge position at which the mineralised structure has been intersected in drilling, a further 60m down dip from previous drilling. The presence of anomalous gold and silver values within drill samples from the deeper mineralised zone shows potential for the lode to persist at depth.

Reprocessing of geophysical data including aeromagnetic and IP surveys for Yandan and Mt Coolon is being undertaken to define exploration targets in areas under cover. The data will be available for review next quarter.

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.

During the half-year, the Company raised \$6,698,350 through private placements to fund gold and other mineral exploration activities and for working capital purposes. The private placements consisted of \$3,323,100 raised through the issue of 87,450,000 fully paid ordinary shares at an issue price of \$0.038 (3.8 cents) per share and \$3,375,250 raised through the issue of 29,350,000 fully paid

Drummond Gold Limited and controlled entities

ordinary shares at an issue price of \$0.115 (11.5 cents) per share.

The Company issued 3,674,971 fully paid ordinary shares at an issue price of \$0.049046 per share for nil cash consideration to Alliance Resources Limited for the payment of \$180,242 owed in relation to the Maldon Gold Project.

The Company issued 2,500,000 fully paid ordinary shares at an issue price of \$0.05 per share for nil cash consideration to Resource Surveys Pty Ltd <Resource Surveys S/F Acc>, a company nominated by Mr. E. Eshuys, for services provided in procuring the completion of private placements. A further issue of 1,500,000 fully paid ordinary shares at an issue price of \$0.05 per share for nil cash consideration was made to Resource Surveys Pty Ltd <Resource Surveys S/F Acc> for Mr. E. Eshuys agreeing to be appointed as Executive Chairman. The Company also issued 20,000,000 options to Mr. E. Eshuys at various exercise prices and expiry dates as an incentive for future services provided as Executive Director of the Company.

At the date of this report the Company has 235,688,642 fully paid ordinary shares and 20 million options on issue.

On 21 December 2010 the Company released an updated code of conduct to reflect the changes in the ASX listing rules in relation to share trading by the management of the Company.

Further developments

On 23 December 2010 the Company entered into a Farm In Agreement for exploration of the Mt Cannindah Project with Planet Metals Limited and Mt Cannindah Mining Pty Ltd which is detailed further in note 12 of the Half-Year Financial Report.

Subsequent events

On 1 February 2011 the Company entered into a farm in agreement with Unity Mining Limited formerly Bendigo Mining Limited to explore for sediment hosted gold mineralisation under shallow cover in the Bendigo Region of Victoria, Australia which is detailed further in note 13 of the Half-Year Financial Report.

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of the Half-Year Financial Report.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors.



Eduard Eshuys
Executive Chairman

Brisbane, 10 March 2011

The Board of Directors
Drummond Gold Limited
Suite 8
60 Macgregor Terrace
BARDON QLD 4065

10 March 2011

Dear Board Members

Drummond Gold Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Drummond Gold Limited.

As lead audit partner for the review of the financial statements of Drummond Gold Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



M. G. Sheerin
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of Drummond Gold Limited

We have reviewed the accompanying half-year financial report of Drummond Gold Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Drummond Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Drummond Gold Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Drummond Gold Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



M. G. Sheerin
Partner
Chartered Accountants
Brisbane, 10 March 2011

Directors' declaration

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 305(5) of the Corporations Act 2001.

On behalf of the Directors.

A handwritten signature in black ink, appearing to read 'E. Eshuys', written in a cursive style.

Eduard Eshuys
Executive Chairman

Brisbane, 10 March 2011

Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2010

	Notes	Consolidated	
		Half-year ended	
		31 Dec 2010	31 Dec 2009
		\$	\$
Continuing operations			
Interest income		80,727	19,263
Other income		-	682
Administration and other expenses		(101,124)	(162,216)
Consulting and contractor expenses		(174,015)	(109,226)
Depreciation of non-current assets		(38,207)	(34,045)
Directors' fees		(70,141)	(49,441)
Employee benefits expenses		(370,293)	(233,949)
Exploration and evaluation expenditure written off	4	(42,425)	(860,262)
Property rental and occupancy expenses		(23,518)	(24,051)
Loss before income tax expense		(738,996)	(1,453,245)
Income tax expense		-	-
Loss attributable to the members of the parent entity		(738,996)	(1,453,245)
Other comprehensive income			
Items of other comprehensive income		-	-
Income tax on other items of other comprehensive income		-	-
Total comprehensive loss for the period		(738,996)	(1,453,245)
Total comprehensive loss attributable to the members of the parent entity		(738,996)	(1,453,245)
Loss per share			
Basic (cents per share)	8	(0.36)	(1.83)
Diluted (cents per share)	8	(0.36)	(1.83)

Notes to the condensed consolidated financial statements are included on pages 16 to 21.

Condensed consolidated statement of financial position as at 31 December 2010

	Note	Consolidated	
		31 Dec 2010 \$	30 June 2010 \$
Current assets			
Cash and cash equivalents		5,259,623	1,296,277
Trade and other receivables		85,687	35,759
Total current assets		5,345,310	1,332,036
Non-current assets			
Trade and other receivables		379,915	384,914
Property, plant and equipment		412,582	371,184
Exploration and evaluation assets	4	7,031,278	5,586,418
Other		321	448
Total non-current assets		7,824,096	6,342,964
Total assets		13,169,406	7,675,000
Current liabilities			
Trade and other payables		218,272	317,250
Provisions		29,495	11,404
Total current liabilities		247,767	328,654
Non-current liabilities			
Provisions		485,288	493,286
Total non-current liabilities		485,288	493,286
Total liabilities		733,055	821,940
Net assets		12,436,351	6,853,060
Equity			
Issued capital	5	19,569,500	12,784,251
Reserves	6	282,738	745,700
Accumulated losses	7	(7,415,887)	(6,676,891)
Total equity		12,436,351	6,853,060

Notes to the condensed consolidated financial statements are included on pages 16 to 21.

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2010**

Consolidated	Fully paid ordinary shares \$	Contributions from shareholders \$	Accumulated losses \$	Option premium reserve \$	Total \$
Balance at 1 July 2009	11,514,021	-	(2,381,242)	61,000	9,193,779
Loss for the half-year	-	-	(1,453,245)	-	(1,453,245)
Total comprehensive income	-	-	(1,453,245)	-	(1,453,245)
Issue of shares	969,853	-	-	-	969,853
Share issue costs	(241,619)	-	-	-	(241,619)
Option reserve	-	-	-	-	-
Balance at 31 December 2009	12,242,255	-	(3,834,487)	61,000	8,468,768
Balance at 1 July 2010	12,784,251	684,700	(6,676,891)	61,000	6,853,060
Loss for the half-year	-	-	(738,996)	-	(738,996)
Total comprehensive income	-	-	(738,996)	-	(738,996)
Issue of shares	7,078,592	(684,700)	-	-	6,393,892
Share issue costs	(293,343)	-	-	-	(293,343)
Option reserve	-	-	-	221,738	221,738
Balance at 31 December 2010	19,569,500	-	(7,415,887)	282,738	12,436,351

Notes to the condensed consolidated financial statements are included on pages 16 to 21.

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2010**

	Consolidated	
	Half-year ended	
	31 Dec 2010	31 Dec 2009
	\$	\$
Cash flows from operating activities		
Receipts from government	-	682
Payments to suppliers and employees	(437,722)	(576,879)
Net cash used in operating activities	(437,722)	(576,197)
Cash flows from investing activities		
Interest received	73,525	18,759
Payments for property, plant and equipment	(79,605)	-
Payments for exploration and evaluation costs	(1,464,324)	(1,285,342)
Proceeds from security deposits	4,999	-
Net cash used in investing activities	(1,465,405)	(1,266,583)
Cash flows from financing activities		
Proceeds from issues of equity securities	6,013,650	969,853
Payment for share issue costs	(147,177)	(98,416)
Net cash provided by financing activities	5,866,473	871,437
Net increase/(decrease) in cash and cash equivalents	3,963,346	(971,343)
Cash and cash equivalents at the beginning of the period	1,296,277	2,004,437
Cash and cash equivalents at the end of the period	5,259,623	1,033,094

Notes to the condensed consolidated financial statements are included on pages 16 to 21.

**Notes to the financial statements
for the half-year ended 31 December 2010**

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Notes to the condensed consolidated financial statements

1. Significant accounting policies

(a) Statement of compliance

The half-year financial report is a general purposes financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent financial report.

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of adoption in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) New or revised Standards and Interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the operations and effective for the current reporting period.

New and revised Standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:-

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards* arising from the Annual Improvements Project.

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of amendments are largely technical, clarifying particular circumstances, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments have not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for the current or prior periods.

(d) Going concern

The financial statements have been prepared on the basis that the Consolidated Entity is a going concern, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances as the Directors believe that the Consolidated Entity has sufficient funds to meet its liabilities as they fall due and continue planned operations over the next 12 months.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Consolidated Entity be unable to continue as going concern.

2. Segment information

During the half-year, the Group operated predominately in one business segment being the evaluation and exploration of mineral deposits in the Drummond Basin, Queensland, Australia. As a result of the Farm In Agreements outlined in notes 12 and 13 the Group will also operate at Mt Cannindah in Queensland and in the Bendigo Region in Victoria.

3. Results for the period

The Group recorded a loss after tax of \$738,996 for the half-year ended 31 December 2010 (31 December 2009: \$1,453,245). Included in the loss for the half-year is an employee benefits expense of \$296,768 relating to share based payments and share options issued to Mr. E. Eshuys. Further details of these share based payments and options issued are outlined in note 10. The Group also completed a write-off amounting to \$42,425 against the carrying value of the capitalised exploration and evaluation assets.

4. Exploration and evaluation assets

	31 Dec 2010 \$	30 June 2010 \$
Balance at the beginning of the period	5,586,418	7,086,483
Exploration expenditure incurred during the financial period	1,487,285	1,763,835
Unsuccessful exploration expenditure written off (i)	(42,425)	(3,263,900)
Net book value at end of period	7,031,278	5,586,418

(i) A write off totalling \$42,425 was made against the carrying value of some of the tenements because these tenements are not economically recoverable. The above amounts represent capitalised costs of exploration areas of interest carried forward as an asset. The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect to each relevant area of interest is not charged to the statement of comprehensive income until a mining operation is commenced.

5. Issued capital

	31 Dec 2010 \$	30 June 2010 \$
Balance at the beginning of the financial period	12,784,251	11,514,021
Issue of shares for payment of fees for Maldon Project	180,242	-
Issue of shares to key management personnel in accordance with employment contract	75,000	-
Issue of shares to key management personnel for corporate and advisory services provided	125,000	-
Issue of shares for corporate and advisory services	-	120,500
Issue of shares under share placements	6,698,350	456,000
Issue of shares under rights issue	-	969,853
Share issue costs	(293,343)	(276,123)
Balance at the end of the financial period	19,569,500	12,784,251

Other share options

It is noted that 9,325,000 unlisted options exercisable at \$0.3912 on or before 31 July 2010 lapsed on 31 July 2010. During the half-year the Company issued 20 million options at various exercise prices and expiry dates to Mr. E. Eshuys in consideration of his appointment as Executive Director of the Company (refer note 10).

6. Reserves

	31 Dec 2010 \$	30 June 2010 \$
Option premium reserve	282,738	61,000
Share application reserve	-	684,700
	282,738	745,700

7. Accumulated losses

	31 Dec 2010 \$	30 June 2010 \$
Balance at the beginning of financial period	(6,676,891)	(2,381,242)
Net loss for the period	(738,996)	(4,295,649)
Balance at the end of the financial period	(7,415,887)	(6,676,891)

8. Loss per share

	Half-year 31 Dec 2010 cents per Share	Half-year 31 Dec 2009 cents per share
Basic loss cents per share		
From continuing operations	(0.36)	(1.83)
Total basic loss per share	(0.36)	(1.83)
	Half-year 31 Dec 2010 cents per share	Half-year 31 Dec 2009 cents per share
Diluted loss cents per share		
From continuing operations	(0.36)	(1.83)
Total diluted loss per share	(0.36)	(1.83)

The net loss and weighted average number of ordinary shares used in the calculated of the basic loss per share and diluted loss per share are as follows:-

	Half-year 31 Dec 2010 \$	Half-year 31 Dec 2009 \$
Net loss	(738,996)	(1,453,245)
Loss used in the calculation of the basic loss per share and diluted loss per share from operations	(738,996)	(1,453,245)
	Half-year 31 Dec 2010 Number	Half-year 31 Dec 2009 Number
Weighted average number of fully paid ordinary shares used for the purposes of calculating the loss per share and diluted loss per share.	203,139,486	79,455,611

9. Information in relation to mining tenements

Exploration outlays

The possibility of Native Title claim applications at some future time, under the provisions of the Native Title Act (1993), may affect access to and tenure of exploration tenements. Any substantial claim may have an effect on the value of the tenement affected by the claim. No provision has been made in the accounts for the possibility of a Native Title claim application.

In order to maintain current rights to tenure of exploration tenements, the Company will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure requirements. It is likely that variations to the terms of the current and future tenement holdings, the granting of new tenements and changes at renewal or expiry, will change the expenditure commitments for the Company from time to time.

The expected outlays which can be extinguished at any time which arise in relation to granted tenements inclusive are as follows:-

	31 Dec 2010 \$	30 June 2010 \$
Not longer than 1 year	2,141,170	1,018,504
Longer than 1 year and not longer than 5 years	2,631,235	3,376,323
Longer than 5 years	936,158	936,158
Total (i)	5,708,563	5,330,985

(i) The above expenditure commitments include the payments under exploration permits and mining leases under the Heads of Agreement with Straits Gold Pty Ltd and the initial minimum expenditure required by September 2011 under the farm in agreements with Planet Metals Limited and Unity Mining Limited.

10. Share-based payments

Further to approval at the Shareholders' Meeting on 9 July 2010, Mr. E. Eshuys received through his nominee Resource Surveys Pty Ltd <Resource Surveys S/F Acc> 2,500,000 fully paid ordinary shares issued in consideration for the services provided in relation to the share placement and 1,500,000 fully paid ordinary shares in consideration for agreeing to his appointment as Executive Chairman. A total of 20,000,000 options were issued to Mr. E. Eshuys through Resource Surveys Pty Ltd in consideration of his appointment as Executive Chairman.

The fair value of the shares has been deemed to be \$0.05 (5 cents) per share being the market price of the shares on 9 July 2010. The Group has recorded in the statement of comprehensive income as an employment benefit expense of \$75,000 for the 1,500,000 shares in relation to the appointment as Executive Chairman and has recorded in the statement of financial position, under equity, share issue costs of \$125,000 for the 2,500,000 shares issued in relation to the share placement.

Details of the 20,000,000 options granted to Mr. E. Eshuys on 9 July 2010 are as follows:-

Options series	Number of share options	Exercisable	Expiration date	Exercise price \$	Fair value at grant date \$	Employee benefit expense
Series 1	5,000,000	From 9/7/2010	31/12/2011 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.	6 cents	\$101,707	\$101,707
Series 2	5,000,000	From 9/7/2010	31/12/2011 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.	9 cents	\$74,460	\$74,460
Series 3	5,000,000	31/12/2011	30/06/2012 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	12 cents	\$76,475	\$24,784
Series 4	5,000,000	30/12/2011	30/06/2012 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	15 cents	\$64,144	\$20,787

A total of \$221,738 has been recorded as an employee benefit expense in the Statement of Comprehensive Income for the half-year ended 31 December 2010 for the 20,000,000 options issued to Mr. E. Eshuys. The employee benefit expense of \$221,738 comprises of the fair value of Option Series 1 and 2 of \$176,167 and an amount of \$45,571 for Option Series 3 and 4 calculated on a pro-rata basis for the total number of days from the grant date of 9 July 2010 until 31 December 2010 as a proportion of the total number of days from 9 July 2010 until the entitlement date of 31 December 2011.

The options have been priced using the Black Scholes option pricing model based on the following inputs to the model:

Inputs into the model	Series 1	Series 2	Series 3	Series 4
Share price at grant date	5 cents	5 cents	5 cents	5 cents
Exercise price	6 cents	12 cents	9 cents	15 cents
Expected volatility	91.41%	91.41%	91.41%	91.41%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	4.53%	4.53%	4.53%	4.53%

On 21 July 2010 the Company issued 3,674,971 fully paid ordinary shares at an issue price of \$0.049046 per share for nil cash consideration to Alliance Resources Limited in full and final settlement of the amount owing in relation to the Maldon Gold Project.

11. Dividends

There were no dividends paid or proposed during the current or previous financial year.

12. Farm in agreements

On 8 December 2008 the Company entered into a Heads of Agreement with Straits Gold Pty Ltd (Straits), a wholly owned subsidiary of Straits Resources Limited, whereby the Company has a right to earn a 51% interest in the Yandan Project by spending \$3 million within a period of 3 years and by assuming 51% of the cost of the Environmental Bond and associated liability in respect to the Yandan Project at the time the earn-in interest is transferred to the Company.

After spending \$1 million on the Yandan Project, the Company may give written notice to Straits Gold Pty Ltd to withdraw from the Heads of Agreement. During the earn-in period, the Company will be responsible for a number of matters including managing the exploration projects and budgets, statutory reporting requirements, meeting the annual expenditure commitments for each of the tenements, carrying out ongoing maintenance and monitoring and providing management reports and maintaining the tenements in good standing.

On 23 December 2010 the Company entered into a Farm In Agreement for exploration of the Mt Cannindah Project with Planet Metals Limited and Mt Cannindah Mining Pty Ltd. The Farm In Agreement provides that the Company is required to meet a minimum threshold expenditure of \$750,000 by September 2011. Once the minimum threshold expenditure is fulfilled, the Company can elect to withdraw from the agreement or earn a 51% interest in the Mt Cannindah Project by incurring further tenement expenditure of \$2.5 million within a period of two years. The Company has the right to earn a further 24% interest in the tenements (bringing the interest to 75%) by incurring additional tenement expenditure of \$3.5 million within two years after earning the 51% interest in the Mt Cannindah Project.

13. Subsequent events

On 1 February 2011 the Company entered into a Farm In Agreement with Unity Mining Limited (Unity) formerly Bendigo Mining Limited to explore for sediment hosted gold mineralisation under shallow cover in the Bendigo Region of Victoria, Australia. Under the terms of the farm in agreement the Company is required to meet a minimum expenditure of \$500,000 on the Bendigo Regional tenements by September 2011.

Once the minimum expenditure is met the Company can provide notice to withdraw from the agreement or earn a 51% interest in the tenements by incurring further tenement expenditure of \$5 million within a period of three years. After earning a 51% interest the Company has the right to earn a further 19% interest in the tenements (bringing the interest to 70%) by incurring additional tenement expenditure of \$3 million (total earn in expenditure of \$8 million) before the expiration of the fifth year.

Resources

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.

Drummond Gold Limited and controlled entities

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.