

Friday 2 May 2008

Dear Shareholder,

A Report on Drummond Gold Activities and Plans

I am writing to you to bring you up to date on your Company's recent activities and to tell you about our plans for the immediate future, including intensive exploration work, our aim to get into early gold production and the strengthening of our management team.

While the share market has been in turmoil since the floating of Drummond Gold just prior to last Christmas, the news at Drummond is all positive.

Recent advances: There has been a strong focus on increasing the Company's 272,000 oz gold Resource through exploration in and around Mt Coolon. Some encouraging drilling results were reported in recent weeks, including wide drill intercepts of gold mineralisation plus silver-lead-zinc at Badlands, and copper-gold mineralisation confirmed at TPM.

At the same time, metallurgical test results have revealed the very high levels of gold that can be recovered at Eugenia, where our largest currently known gold Resource is located.

In pursuit of our strategy of constructing a viable central processing mill to take ore from surrounding mines around Mt Coolon, we have engaged Ausenco to produce a scoping study which is due in September.

The 2008 exploration program: Spearheading the 2008 exploration program, drill rigs will be commencing work shortly at Conway, Eugenia and Mt Manaman. Broadly speaking, the original exploration budgets will be adhered to, with our spending reflecting the timing effects of delays caused early this year by one of the wettest wet seasons experienced in the last 50 years.

Significant developments of the 2008 exploration program include the following:

- **Mt Coolon Base** – The exploration base in Mt Coolon town has been expanded to support the major exploration program planned for 2008. Mr Farmer is being based in Mt Coolon from where he will lead the Company's exploration team.
- **Townsville Office** – Drummond is establishing a new office in Townsville to support exploration in the Drummond Basin, as well as future developments.
- **Drilling Contracts Secured** – Drilling contracts have been secured on diamond and RC rigs to commence work at Conway and Eugenia next month.
- **Geophysical Contacts Secured** – A highly experienced geophysical IP contractor has been retained to undertake surveys of several of the Company's mines and advanced projects, including Mt Coolon (Koala) mine, Glen Eva mine, Eugenia prospect, Badlands prospect and Conway prospect.
- **Grant of EPM 15902 Mt Coolon** – The Company has been offered grant of the consolidated Mt Coolon group of tenements for a further five years. This includes an amended Environmental Management Plan allowing access for drilling at Eugenia.
- **Queensland Government Support** – Drilling will continue, funded by a Smart Mining Collaborative Drilling Initiative (CDI) grant, on the major Mt Manaman IR Gold exploration targets at Mt Coolon.

Exploration Manager Matthew Farmer has joined us and is responsible for driving the exploration program, initially under the overall direction of Brice Mutton, who will step back from his executive role to become a non-executive director from 1 June 2008.

Matthew has a proven track record of achievement with both junior and major global mining companies including Newmont, BP Minerals, Tiberon Minerals and T.V.I. Pacific. He has extensive multi-country managerial and technical experience focused on precious and base metals. He has effectively managed multi-million dollar budgets, large exploration teams (up to 200 employees) and multi-disciplinary consultants and has been involved in the exploration and development of major gold and gold-copper deposits in similar settings to the Drummond Basin such as Batu Hijau (+15Moz gold, + 2.77Mt copper), Mesel (+2Moz gold) and Mt Muro (+1 Moz gold).

Early production plan: Your directors have decided that the Company should achieve gold production as soon as possible. This will give us early cash flow for exploration and development, bolstering on a continuing basis our currently strong cash position. At the same time, recent events in the share market have suggested that we will be better supported if we advance our gold production. Consequently, we have brought forward our acquisition planning and hope to be able to announce updated plans in due course.

New Managing Director: The decision to become a producer sooner than previously anticipated also required us to strengthen our management team in the area production/construction. We were, therefore, very pleased to announce the appointment of Doug Grewar to the position of Managing Director, commencing on 26 May 2008.

Mr Grewar has held senior positions with Downer EDI, Macmahon Holdings and CSR Readymix. He has Bachelor of Business and Master of Science (Mineral Economics) degrees and Advanced Management (Monash Mt Eliza) and Company Directors (AICD) qualifications. In his current role with Downer, Doug is Executive General Manager Mining – Eastern Region, a position which involves overseeing a turnover of +\$700M with 2600 employees spread over underground mining, diamond drilling surface mining, technical services, asset management and plant hire. We have no doubt he will complement our existing mining engineering expertise and enable us to deliver the production objectives in the nearer term.

This appointment will enable Andrew Vigar to move to a non-executive role, which will be advantageous as he will be able to concentrate on exploration strategy and new opportunities, where he has a proven track record. Andrew is not only the current Managing Director but also a major founding shareholder of the Company and in both capacities he fully supports Doug's appointment.

In summary, Drummond has excellent projects and tenements and sound exploration and development strategies which we now plan to complement with early gold production. Most small cap resource stocks, including Drummond, have suffered in the market since the New Year. Drummond has fundamentally strong resources, strategies and people, and when a market turnaround comes, we will be well positioned to capitalise.

I will write to you again as soon as we have put in place our plans for early gold production while we complete the company's flagship resource at Eugenia. The medium term plan will thus be to transition from one project to the other, and hence establish your Company as a consistent gold producer. Further organisational enhancements may follow at that time, with the addition of a metallurgical capability into the team.

Rest assured that we are pressing ahead with our programme and are committed to delivering the promised results.

Yours faithfully,



John Dunlop - Chairman

Drummond Gold Limited

OVERVIEW OF THE COMPANY

Drummond Gold Limited is a gold and base metals company focussed on growth through exploration success and acquisition with an early production strategy. The Company currently operates in the well-known Drummond Basin of Central Queensland around the former gold mining centre of Mt Coolon.

Drummond already has a gold Resource that was increased through successful exploration in 2006/07 by 33% to 272,000 oz (see Table below), four mining leases and exploration tenements extending over 808 km² and applications for a further 1892 km² of exploration tenements. In 2008/09, the Company plans to further increase the gold Resource through intensive exploration and, if successful, instigate a feasibility study into mining at Mt Coolon and the building of a central treatment plant to process ore from proposed mines in the immediate region.

Drummond Gold Resources 31 December 2007															
Mine or Deposit	Location	Resource Category									Total			cut-off	
		measured			indicated			inferred			t	Au g/t	Au oz		
		t	Au g/t	Au oz	t	Au g/t	Au oz	t	Au g/t	Au oz					
Mt Coolon (Koala) Mine	Ross Pit Deepening	27,000	3.69	3,203	60,300	3.55	6,878	41,025	3.90	5,143	128,325	3.69	15,224	1.0	
	Ross Pit Extension	16,748	3.55	1,911	13,750	2.88	1,275	1,815	2.14	125	32,313	3.19	3,311	1.0	
	Hectorina Pit	13,265	2.94	1,253	17,551	6.98	3,936	396	2.22	28	31,202	5.20	5,216	1.0	
	Underground Extension				140,164	8.40	37,836	60,480	7.61	14,796	200,644	8.16	52,831	5.0	
	Tailings from 1930's				218,400	1.61	11,305				218,400	1.61	11,305	0.0	
Total	57,013	3.47	6,367	450,165	4.23	61,230	103,706	6.03	20,090	610,884	4.46	87,687			
Eugenia Prospect	in whittle pit - direct mill				384,736	3.49	43,120	152,466	3.22	15,779	537,202	3.41	58,899	1.3	
	in whittle pit - heap leach				138,494	0.97	4,306	32,520	1.05	1,102	171,014	0.98	5,408	0.7	
	outside pit				502,261	1.55	25,093	921,021	2.39	70,748	1,423,282	2.09	95,841	0.7	
	Total				1,025,491	2.20	72,519	1,106,007	2.46	87,629	2,131,498	2.34	160,148		
Glen Eva	Underground below pit				72,023	8.88	20,562	18,090	7.13	4,147	90,113	8.53	24,709	5.0	
Total				57,013	3.47	6,367	1,547,679	3.10	154,311	1,227,803	2.83	111,867	2,832,495	2.99	272,545

The Company is well funded having completed an oversubscribed IPO in December 2007, and is led by experienced mining industry directors and executives – Chairman John Dunlop, current MD Andrew Vigar, incoming MD Doug Grewar, Directors Brice Mutton and Ross Hutton and Exploration Manager Matthew Farmer.

The information in this report that relates to Mineral Resources is based on information compiled by Mr Andrew Vigar, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Vigar is a full-time employee of the Company and has sufficient experience which is 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'. Mr Vigar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

