

Company Announcement Office
ASX Limited
20 Bridge Street
Sydney, NSW 2000

Friday 16 October 2009

Drummond Gold Completes Next Step to Acquire Maldon Gold Project

Drummond Gold Limited (Drummond or the Company) (ASX code: DGO) is pleased to announce that it has entered into an agreement with Alliance Resources Limited (Alliance) to acquire Maldon Resources Pty Ltd (Maldon), a wholly owned subsidiary of Alliance. Maldon is the owner of the Maldon Gold Project, 30km southwest of Bendigo in Victoria.

Maldon is a historically significant goldfield having produced more than 1.75 million ounces of gold at an average grade of 28 g/t. The Maldon Gold Project includes modern mine infrastructure and a fully operational CIL gold processing plant. A fully maintained decline reaches to within 50 metres of the Alliance South reef system which the Company plans to access immediately upon acquisition.

The Company's proposed timetable provides for gold production to commence at Maldon during the first (June) half of next year, 2010.

Announcing the agreement today, the Managing Director of Drummond, Mr Doug Grewar, said:

"The advanced Maldon project provides a rarely available pathway to early production and cash flow. The project has the potential to increase production from mine sources at Maldon and the region, utilising the treatment capacity of the existing treatment plant.

"Production at Maldon is expected to provide surplus cash to fund the Company's highly prospective exploration and potential development activities in the Drummond Basin in Queensland.

"The Maldon project substantially increases the Company's assets. Strategically, the Company aims to establish two gold mining hubs in eastern Australia, one in Victoria and one in central Queensland.

The Maldon acquisition introduces Alliance, a successful Australian resources company, as a substantial new shareholder to Drummond's register."

“The Company has previously foreshadowed a capital raising programme in announcements on the 14 August 2009 and 7 September 2009. The Company will undertake a 1:1 Non Renounceable Rights Issue at 5 cents per share with the funds raised intended to be used for the Maldon operations (subject to the transaction proceeding), continued activities at Mt Coolon and Yandan as well as for working capital. The final date and terms of the rights issue have yet to be determined. The Company will provide a further announcement when the date and terms have been finalised.”

The Company has previously announced details of the Maldon Gold Project and the proposed acquisition as follows:

6 May 2009	Heads of Agreement
23 June 2009	Heads of Agreement Update
21 July 2009	Quarterly Activities Report
31 July 2009	Notice of Extraordinary General Meeting
14 August 2009	Update on Maldon Gold Project
17 August 2009	Further Update on Maldon Gold Project
7 September 2009	Update on Maldon Gold Project
21 September 2009	Shareholder Update
30 September 2009	Annual Report to Shareholders

Under the agreement, the company will issue 88,400,000 ordinary shares to Alliance for the acquisition of Maldon. Consideration for the transaction was based on a share price of 6.1 cents. The agreement is subject to terms discussed below and further statutory approvals. Drummond Gold will seek shareholder approval for the transaction at its AGM to be held in November. A report of an independent expert, including the expert’s opinion on whether the transaction is fair and reasonable to Drummond shareholders, will be provided to Drummond shareholders in the Notice of Meeting for the AGM to be announced shortly.

Further terms of the agreement announced today include:

- (a) Completion is subject to obtaining confirmation from ASX that ASX will not require Drummond to comply with Chapters 1 and 2 of the ASX Listing Rules.

- (b) Completion is subject to, in addition to the required shareholder approval and ASX confirmation, Drummond Gold completing a capital raising of at least \$3 million on or before 30 November 2009. Further details of the intended capital raising will be announced to the market in due course.
- (c) Alliance must ensure that Maldon Resources refrains from incurring certain liabilities or expenditure or from terminating or altering the terms of certain existing contracts. Alliance must also inform Drummond Gold of any material change to the value of Maldon.
- (d) If there is a material adverse change to the value of Maldon or the shares to be issued to Alliance, the parties must meet to negotiate a revised purchase price and following failure of those negotiations, an independent accountant may be appointed to finally determine a revised purchase price. If there is a change in the number of shares to be issued, Drummond Gold will be required to seek further shareholder approval.
- (e) Alliance must ensure Maldon pays all trade debts due and payable at completion and must ensure Maldon is released from all intercompany loans.
- (f) Drummond is required to replace the existing environmental bonds which currently amount to approximately \$470,000. The relevant government department has informed Drummond Gold that the bond liability is likely to be increased to approximately \$714,000.
- (g) Drummond must ensure that, after completion, Maldon refrains from terminating existing employees and a number of contracts for a period of six months from completion.
- (h) The contract contains a number of standard warranties and an indemnity from Alliance to Drummond.
- (i) Completion is due on or about 3 December 2009, subject to the required shareholder approvals and the capital raising mentioned above.

For further information please contact:

Doug Grewar
Managing Director



About Drummond Gold

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 operates in the well-known Drummond Basin of Central Queensland around the former gold mining centre of Mt Coolon and at nearby Yandan where it is earning a majority interest. The Company is planning early gold production through the acquisition of the Maldon gold project in Victoria.