



**Drummond Gold Limited**  
ACN 124 562 849

**Half-year financial report for the six months ended 31 December 2008**

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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 2008 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. J. S. Dunlop (Chairman) Mr. D. J. Grewar (Managing Director) Mr. A. J. Vigar (Non-executive Director) Mr. B. K. Mutton (Non-executive Director) Mr. R. C. Hutton (Non-executive Director)
Company secretary	Mr. M. J. Ilett
Registered office	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 12, HSBC Building 300 Queen Street Brisbane Qld 4000 Telephone: + 61 2 8280 7454 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
Website address	<a href="http://www.drummondgold.com.au">www.drummondgold.com.au</a>

## Highlights for the half-year

The 2008 exploration drilling continued throughout the half year, focusing primarily on extensions of the Eugenia Project, and Koala Mine for epithermal gold and Mt Manaman Project for intrusion-related gold.

- At Eugenia, results above 1 g/tAu from assays include:
  - 30m @ 1.07g/t Au & 17.63g/t Ag from 40-70m, in EUDD038
  - 16m @ 1.17g/t Au & 12.5g/t Ag from 56-72m and,
  - 2m @ 13.9g/t Au & 26.3g/t Ag from 175-177m in EUDD041
  - 1m at 23.0 g/t gold and 34.6 g/t silver from 158m EUDD046
  - 2m at 22.5 g/t gold and 72 g/t silver from 150m EURC049
- The high grade result and other work identified a potential feeder zone to the Eugenia mineralisation beneath the known Resource;
- A major geophysical survey of the entire Conway Prospect epithermal system produced 19 follow-up targets;
- A major Geophysical IP survey was conducted deposit wide over the Koala Mine, Glen Eva Mine and Eugenia Project for a total of 22.6 line kilometres;
- Drilling at the Mt Manaman Project encountered extensive veining and several small rhyolitic dykes; and
- Drilling at the Koala Mine tested for IP targets over magnetic anomalies. Further drilling is required to test these targets.

### Tenure & Plan of Operations

- The Company secured additional exploration ground with the granting of EPM's 17254 & 17255 over favourable "Cycle 1" Drummond Basin rock units covering 393sq k; and
- EPA approved a three-year Plan of Operations for exploration on the Mining Leases at Mt Coolon and Glen Eva.

### Central Processing Plant study

- Ausenco completed the scoping study for the proposed central processing plant, providing guidance on the scale and location of gold Resources required by exploration and acquisition to feed a central treatment plant.

### Acquisitions

- Yandan earn-in: The Company agreed to earn in to a 51% Joint Venture with Straits Gold Pty Ltd with the Yandan Project, a former gold mine 45 km west of Mt Coolon, where there is a current estimated Inferred Resource of 308,000 oz gold (4.1Mt @ 2.4 g/t Au) and advanced exploration opportunities to increase the Resources considerably.

## Drummond Gold Resources 30 June 2008

Mine	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	
Koala	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	386	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	52,631	5.0
	Tailings from 1930's				218,400	1.61	11,305				218,400	1.61	11,305	0.0
	<b>Total</b>	<b>57,013</b>	<b>3.47</b>	<b>6,367</b>	<b>450,165</b>	<b>4.23</b>	<b>61,230</b>	<b>103,706</b>	<b>6.03</b>	<b>20,090</b>	<b>610,884</b>	<b>4.46</b>	<b>87,687</b>	
Eugenia	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
	<b>Total</b>				<b>1,025,491</b>	<b>2.20</b>	<b>72,519</b>	<b>1,106,007</b>	<b>2.46</b>	<b>87,629</b>	<b>2,131,498</b>	<b>2.34</b>	<b>160,148</b>	
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
<b>Total</b>		<b>57,013</b>	<b>3.47</b>	<b>6,367</b>	<b>1,547,679</b>	<b>3.10</b>	<b>154,311</b>	<b>1,227,803</b>	<b>2.83</b>	<b>111,867</b>	<b>2,832,495</b>	<b>2.99</b>	<b>272,545</b>	

## Drummond Gold Limited and controlled entity

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 director 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.

### ***Yandan Gold Resources 30 June 2008***

Commodity	Measured	Indicated	Inferred	Total
Tonnes	-	-	4,100,000	<b>4,100,000</b>
Au (g/t)	-	-	2.4	<b>2.4</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.

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## Directors' report

The Directors of Drummond Gold Limited ("the Company") submit herewith the consolidated financial report of Drummond Gold Limited and its subsidiary Mt Coolon Gold Mines Pty Ltd (together referred to as the "Consolidated Entity") for the half-year ended 31 December 2008. 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. J. S. Dunlop (Chairman)  
Mr. D. J. Grewar (Managing Director)  
Mr. A. J. Vigar (Non-executive Director)  
Mr. B. K. Mutton (Non-executive Director)  
Mr. R. C. Hutton (Non-executive Director)

All the Directors were in office during the whole of the half-year.

### Principal activities

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

### Review of operations

The Company recorded a loss after tax of \$507,589 for the half-year ended 31 December 2008 (31 December 2007: \$442,663).

During the half-year the Company continued to pursue the following strategy and objectives:-

- Target epithermal bonanza vein and bulk low grade gold deposits.
- Test the known base metal potential on its tenements.
- Drill with a view to increasing its gold resources. Expenditure is focused on drilling, as this is a proven path to exploration success.
- If exploration is successful, study the feasibility of commencing mining operations at Mt Coolon and building the Central Treatment Plant.
- Actively pursue growth by investigating project acquisition opportunities.

On 8 December 2008 the Company entered into a Heads of Agreement with Straits Gold Pty Ltd 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.

The Heads of Agreement is subject to the necessary approvals under the Mineral Resources Act 1989 (Qld) within 60 days of the date of signing of the Heads of Agreement and the Company raising a minimum of \$1 million to fund the Yandan Project with the proceedings to raise capital commencing prior to 28 February 2009 with reasonable satisfaction to Straits that the capital will be raised on or before 31 March 2009.

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 requirements for each of the tenements, carrying out ongoing maintenance and monitoring and providing management reports and maintaining the tenements in good standing.

**Subsequent events**

There has not been any other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of the operations, or the state of the affairs of the consolidated entity in future financial years.

**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.



Mr. D. J. Grewar  
Managing Director  
Brisbane, 5 March 2009

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

5 March 2009

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 2008, 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



**Graham McHarrie**  
Partner  
Chartered Accountants

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## 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 balance sheet as at 31 December 2008, and the income statement, cash flow statement, 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 Drummond Gold Limited and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 11 to 20.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of Drummond Gold Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *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 an Interim 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 2008 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.

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### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### *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 2008 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*.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our conclusion, we draw attention to the financial report which indicates that the consolidated entity incurred a net loss of \$507,589 during the half-year ended 31 December 2008. This condition, along with other matters as set forth in Note 1 (e), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



DELOITTE TOUCHE TOHMATSU



Graham McHarrie  
Partner  
Chartered Accountants  
Brisbane, 5 March 2009

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## Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - a) complying with the Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - b) give a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity.
2. 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.

This declaration was made in accordance with a resolution of the board of Directors.

On behalf of the Directors.



Mr. D. J. Grewar  
Managing Director  
Brisbane, 5 March 2009

**Condensed consolidated income statement  
for the half-year ended 31 December 2008**

	Note	Consolidated	
		Half-year ended	
		31 Dec 2008	31 Dec 2007
		\$	\$
<b>Continuing operations</b>			
Revenue			
Interest income		118,220	61,943
Government subsidy income		-	1,600
Administration and general expenses		(91,994)	(90,129)
Consulting and contractor expenses		(120,796)	(133,350)
Depreciation and impairment of non-current assets		(31,644)	(23,240)
Directors' fees		(71,309)	(77,136)
Employee benefits expenses		(286,733)	(173,168)
Finance costs		-	(168)
Property rental and occupancy expenses		(23,333)	(8,985)
<b>Loss before income tax expense</b>		<b>(507,589)</b>	(442,633)
Income tax expense		-	-
<b>Loss for the half-year</b>		<b>(507,589)</b>	(442,633)
<b>Loss attributable to the members of the parent entity</b>		<b>(507,589)</b>	(442,633)
<b>Loss per share</b>			
Basic (cents per share)	8	(0.80)	(1.20)
Diluted (cents per share)	8	(0.80)	(1.20)

Notes to the condensed consolidated financial statements are included on pages 16 to 20.

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**Condensed consolidated balance sheet  
as at 31 December 2008**

	Note	Consolidated	
		31 Dec 2008 \$	30 June 2008 \$
<b>Current assets</b>			
Cash and cash equivalents		2,232,119	5,086,067
Trade and other receivables		227,319	134,925
<b>Total current assets</b>		<b>2,459,438</b>	<b>5,220,992</b>
<b>Non-current assets</b>			
Trade and other receivables		377,691	287,665
Property, plant and equipment		463,617	403,254
Exploration and evaluation assets	4	6,520,260	4,991,796
Other		827	953
<b>Total non-current assets</b>		<b>7,362,395</b>	<b>5,683,668</b>
<b>Total assets</b>		<b>9,821,833</b>	<b>10,904,660</b>
<b>Current liabilities</b>			
Trade and other payables		127,837	830,903
Provisions		24,110	32,670
<b>Total current liabilities</b>		<b>151,947</b>	<b>863,573</b>
<b>Non-current liabilities</b>			
Provisions		383,863	263,449
<b>Total non-current liabilities</b>		<b>383,863</b>	<b>263,449</b>
<b>Total liabilities</b>		<b>535,810</b>	<b>1,127,022</b>
<b>Net assets</b>		<b>9,286,023</b>	<b>9,777,638</b>
<b>Equity</b>			
Issued capital	5	11,059,742	11,059,742
Reserves	6	133,674	117,700
Accumulated losses	7	(1,907,393)	(1,399,804)
<b>Total equity</b>		<b>9,286,023</b>	<b>9,777,638</b>

Notes to the condensed consolidated financial statements are included on pages 16 to 20.

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**Condensed consolidated Statement of Changes in Equity  
for the year ended 31 December 2008**

<b>Consolidated</b>	<b>Fully paid ordinary shares \$</b>	<b>Accumulated losses \$</b>	<b>Share option reserve \$</b>	<b>Total \$</b>
Balance at 1 July 2007	3,822,886	(523,800)	-	3,299,086
Loss for the half-year		(442,633)	-	(442,633)
<b>Total recognised income and expense</b>		(442,633)	-	(442,633)
Issue of shares	8,066,550	-	-	8,066,550
Share issue costs	(821,676)	-	-	(821,676)
Option reserve	-	-	61,000	61,000
<b>Balance at 31 December 2007</b>	<b>11,067,760</b>	<b>(966,433)</b>	<b>61,000</b>	<b>10,162,327</b>
Balance at 1 July 2008	11,059,742	(1,399,804)	117,700	9,777,638
Loss for the half-year	-	(507,589)	-	(507,589)
<b>Total recognised income and expense</b>	<b>-</b>	<b>(507,589)</b>	<b>-</b>	<b>(507,589)</b>
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
Option Reserve	-	-	15,974	15,974
<b>Balance at 31 December 2008</b>	<b>11,059,742</b>	<b>(1,907,393)</b>	<b>133,674</b>	<b>9,286,023</b>

Notes to the condensed consolidated financial statements are included on pages 16 to 20.

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**Condensed consolidated cash flow statement  
for the half-year ended 31 December 2008**

	Consolidated	
	Half-year ended	
	31 Dec 2008	31 Dec 2007
Note	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from government	-	1,600
Payments to suppliers and employees	(648,243)	(425,002)
Interest and other costs of finance paid	-	(168)
Income tax paid	-	-
Net cash provided by (used in) operating activities	(648,243)	(423,570)
<b>Cash flows from investing activities</b>		
Interest received from investing activities	123,417	45,908
Proceeds from repayment of related party loans	-	1,315
Payments for property, plant and equipment	(91,494)	(103,828)
Payments for exploration and evaluation costs	(2,140,279)	(1,367,920)
Payments for security deposits	(97,349)	(6,000)
Net cash provided by (used in) investing activities	(2,205,705)	(1,430,525)
<b>Cash flows from financing activities</b>		
Proceeds from issues of equity securities	-	8,066,550
Payment for share issue costs	-	(821,676)
Net cash provided by (used) in financing activities	-	7,244,874
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,853,848)</b>	<b>5,390,779</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,086,067</b>	<b>1,107,969</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,232,119</b>	<b>6,498,748</b>

Notes to the condensed consolidated financial statements are included on pages 16 to 20.

**Notes to the financial statements  
for the half-year ended 31 December 2008**

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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 purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial 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 annual 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.

#### (c) Summary of significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

#### (d) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Drummond Gold Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity and uses consistent accounting policies. All inter-company balances and transactions, including any unrealised profits and losses have been eliminated on consolidation.

#### (e) 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. If the consolidated entity chooses to maintain its current level of expenditure on specific projects, which is in excess of its required commitment, it will have to raise additional capital or liquidate assets. If the consolidated entity does not raise additional funds in the short term it can continue as a going concern by substantially reducing exploration expenditure until funding is available, without jeopardising its commitment base on those specific projects. The consolidated entity has the opportunity to enter into joint venture arrangements to fulfil ongoing exploration expenditure or apply for expenditure exemptions.

In addition to the above and as detailed in note 10, the company has entered into an agreement to earn a 51% interest in the Yandan Project the terms of which require investment of \$3 million within a three year period largely through exploration expenditure and the assumption of its share of the environmental bond and associated liability. The agreement is initially dependant on the raising of \$1 million by 31 March 2009.

The Directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances. However, if an event were to arise where the consolidated entity could raise additional equity capital, realise funds through the sale of assets or reduce its current rate of exploration expenditure by entering into joint ventures, there is no significant uncertainty as to whether the consolidated entity could continue as a going concern and therefore whether it will realise its assets at the amounts as shown in the financial statements and extinguish liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability and classification of the recorded assets amounts or the amounts and classifications of liabilities that might be necessary should the consolidated entity not continue as a going concern.

### 2. Segment information

The consolidated entity operates predominately in one business segment being the evaluation and exploration of mineral deposits in the Drummond Basin, Queensland Australia.

### 3. Dividends

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

**Drummond Gold Limited and controlled entity**

Notes to the financial statements

**4. Exploration and evaluation assets**

	31 Dec 2008 \$	30 June 2008 \$
Balance at the beginning of the period	4,991,796	2,133,896
Exploration expenditure incurred during the financial period	1,678,464	2,861,484
Government grant (1)	(150,000)	
Unsuccessful exploration expenditure derecognised (2)	-	(3,584)
<b>Net book value at end of period (3)</b>	<b>6,520,260</b>	<b>4,991,796</b>

- (1) The company is entitled to a government grant of \$150,000 as it has fulfilled the conditions the Queensland Government's Collaborative Drilling Initiative of the Smart Mining Future Prosperity Program. The government grant has been deducted against the carrying value of the exploration and evaluation expenditure as costs incurred in fulfilling the grant had been previously been included in the carrying value of this asset.
- (2) Total exploration expenditure of \$3,584 was written off due to relinquishment of exploration tenements.
- (3) 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 income statement until a mining operation is commenced.

**5. Issued capital**

	31 Dec 2008 \$	30 June 2008 \$
Balance at the beginning of the financial period	11,059,742	3,822,886
Issue of shares to seed investors	-	3,150
Issue of shares to other investors	-	1,063,400
Issue of shares in initial public offering	-	7,000,000
Share issue costs	-	(829,694)
<b>Balance at the end of the financial period</b>	<b>11,059,742</b>	<b>11,059,742</b>

**Fully paid ordinary shares**

	Company 31 Dec 2008 \$	Company 30 June 2008 \$
Balance at beginning of financial period	63,300,000	29,961,999
Issue of shares to seed investors	-	21,000
Issue of shares to other investors	-	5,317,001
Issue of shares in initial public offering	-	28,000,000
<b>Balance at the end of the financial period</b>	<b>63,300,000</b>	<b>63,300,000</b>

At the date of this report a total of 19,755,055 fully paid ordinary shares were escrowed for two years from the date of quotation. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

As of 31 December 2008 the Company had on issue 9,325,000 options each exercisable at 30 cents for one ordinary fully paid share on or before 31 December 2009 and 9,325,000 options each exercisable at 40 cents for one ordinary fully paid share on or before 31 July 2010. Each option entitles the holder to purchase one share. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the Company or any other body corporate. A total of 5,504,764 options exercisable at 30 cents on or before 31 December 2009 and a total of 5,504,764 options exercisable at 40 cents on or before 31 July 2010 are escrowed for two years from the date of quotation.

Excluded from the total of options is the entitlement to Mr. D. J. Grewar for 1,000,000 options exercisable at 30 cents on or before 31 December 2009 and 1,000,000 options exercisable at 40 cents on or before 31 July 2010 under the terms and conditions of his employment agreement. If Mr. D. J. Grewar is still employed on 18 March 2009, he is also entitled to a further 500,000 options exercisable at 30 cents on or before 31 December 2009 and 500,000 options exercisable at 40 cents on or before 31 July 2010. The granting of these options is subject to shareholders' approval and approval has not been provided at the date of this report.

**Drummond Gold Limited and controlled entity**

Notes to the financial statements

**6. Reserves****Share based payment – option reserve**

Balance at the beginning of financial period

Issue of options to Mr. J. S. Dunlop

Issue of options to Mr. D. J. Grewar

Balance at the end of the financial period

31 Dec 2008 \$	30 June 2008 \$
117,700	-
-	61,000
15,974	56,700
133,674	117,700

**7. Accumulated losses**

Balance at the beginning of financial period

Net loss for the period

Balance at the end of the financial period

31 Dec 2008 \$	30 June 2008 \$
(1,399,804)	(523,800)
(507,589)	(876,004)
(1,907,393)	(1,399,804)

**8. Loss per share**

Basic loss cents per share

From continuing operations

Total basic loss per share

Half-year 31 Dec 2008 cents per share	Half-year 31 Dec 2007 cents per share
(0.80)	(1.20)
(0.80)	(1.20)

Diluted loss cents per share

From continuing operations

Total diluted loss per share

Half-year 31 Dec 2008 cents per share	Half-year 31 Dec 2007 cents per share
(0.80)	(1.20)
(0.80)	(1.20)

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

Net loss

Loss used in the calculation of the basic loss per share and diluted loss per share from operations

Half-year 31 Dec 2008 \$	Half-year 31 Dec 2007 \$
(507,589)	(442,633)
(507,589)	(442,663)

Weighted average number of fully paid ordinary shares used for the purposes of calculating the loss per share and diluted loss per share

Half-year 31 Dec 2008 Number	Half-year 30 June 2008 Number
63,300,000	36,110,886

**9. Commitments for expenditure****(i) Exploration commitments**

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 commitments. 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.

## Drummond Gold Limited and controlled entity

Notes to the financial statements

### 9. Commitments for expenditure (cont'd)

These outlays (exploration expenditure and rent) arise in relation to granted tenements. The exploration commitments for payments under exploration permits and mineral leases in existence at the reporting date but not recognised as liabilities payable are as follows:

	31 Dec 2008 \$	30 June 2008 \$
Not longer than 1 year	695,000	695,000
Longer than 1 year and not longer than 5 years	4,679,000	3,589,000
Longer than 5 years	-	-
Total (1)	5,374,000	4,284,000

(1) The above expenditure commitments exclude the payments under exploration permits and mining leases under the Heads of Agreement with Straits Gold Pty Ltd outlined in note 10.

### (ii) Remuneration commitments

Commitments for payment of salaries under long term employment contracts in existence at reporting date but not recognised as a liability payable:

	31 Dec 2008 \$	30 June 2008 \$
Not longer than 1 year	407,400	407,400
Longer than 1 year and not longer than 5 years	164,274	367,974
Longer than 5 years	-	-
	571,674	775,374

### 10. Joint Venture

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.

The Heads of Agreement is subject to the necessary approvals under the Mineral Resources Act 1989 (Qld) within 60 days of the date of signing of the Heads of Agreement and subject to the Company raising a minimum of \$1 million for the funding of the Yandan Project with the proceedings to raise capital commencing prior to 28 February 2009 with reasonable satisfaction to Straits that the capital will be raised on or before 31 March 2009.

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. The expenditure commitment for the tenements is expected to be approximately \$480,000 in the first year.