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6 May 2009

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

**RE: Heads of Agreement between Drummond Gold Limited,
Alliance Resources Limited and A1 Consolidated Pty Limited**

DETAILS OF ANNOUNCEMENT

The Directors of Drummond Gold Ltd ("Drummond" or the "Company" – ASX Code: DGO), Alliance Resources Limited ("Alliance"- ASX Code: AGS) and privately-owned A1 Consolidated Pty Ltd ("A1") are pleased to announce they have today signed a Non Binding Heads of Agreement ("Agreement") in which the parties will consider an acquisition by Drummond, of Maldon Resources Pty Ltd (Maldon), a wholly owned subsidiary of Alliance and Gaffney Creek Gold Mine (GCGM), a wholly owned subsidiary of A1.

Under the terms on the Agreement the parties will conduct valuation and due diligence on the assets of the respective companies and subject to shareholder, ASX and statutory approval Drummond will issue ordinary shares to A1 and Alliance in relative proportions established by the agreed valuations as well as undertake an equity raising for development, exploration and working capital. The terms and conditions of any transaction are subject to final agreement.

If the transaction contemplated by the Agreement proceeds, the merged entity will comprise a gold company with the following assets:

- The Maldon gold project in Victoria (historic primary production 1.75 million ounces, average grade 28 g/t), including a recently refurbished, operating CIL gold treatment plant and an advanced underground development project;
- At Mt Coolon in the Drummond Basin of Central Queensland, a current total inferred and indicated Resource of 272,000 oz gold, and earn in JV with Straits Resources Limited on the nearby Yandan Project, and
- The A1 gold mine near Gaffney's Creek in Victoria (historic primary production of >385,000 ounces, average grade >26g/t) and operated almost continuously from 1861 until 1992.

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The merging of these companies will create a larger gold company focused on:

- 100% owned production hub in central Victoria with potential for high-grade underground production from Maldon and A1 in the short to medium term respectively with potential to establish significant mineral resources, and
- The progression of a future production hub in the Mt Coolon district of the highly prospective Drummond Basin in Queensland with significant potential to increase the current mineral resource inventory.

Drummond advises that further to its announcement on 1st April 2009, further information concerning the Yandan Project will be announced by 7th May 2009.

For further information regarding this announcement, contact:

Doug Grewar
Managing Director
DRUMMOND GOLD LIMITED

OTHER ACTIVITIES

Drummond has recently completed and announced capital raising activities comprising a Share Purchase Plan and a placement to sophisticated investors. The Company continues to evaluate a number of potential opportunities which may have the ability to grow the company and increase shareholder value.

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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 | | Au g/t |
| Koala | Ross Pit Deepening | 37,500 | 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 | 16,746 | 3.55 | 1,911 | 13,750 | 2.86 | 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 | 26 | 31,202 | 5.20 | 5,216 | 1.0 | |
| | Underground Extension | | | | 140,184 | 8.40 | 37,536 | 80,480 | 7.81 | 14,796 | 200,644 | 8.16 | 52,531 | 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 | in whittle pit - direct mill | | | | 384,736 | 3.49 | 43,120 | 152,468 | 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 | 5,405 | 0.7 | |
| | outside pit | | | | 502,261 | 1.55 | 25,093 | 821,021 | 2.39 | 70,748 | 1,423,282 | 2.09 | 95,541 | 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 | 20,582 | 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 | 164,311 | 1,227,803 | 2.83 | 111,857 | 2,832,485 | 2.99 | 272,645 |

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 | 4,100,000 |
| Au (g/t) | | | 2.4 | 2.4 |

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.