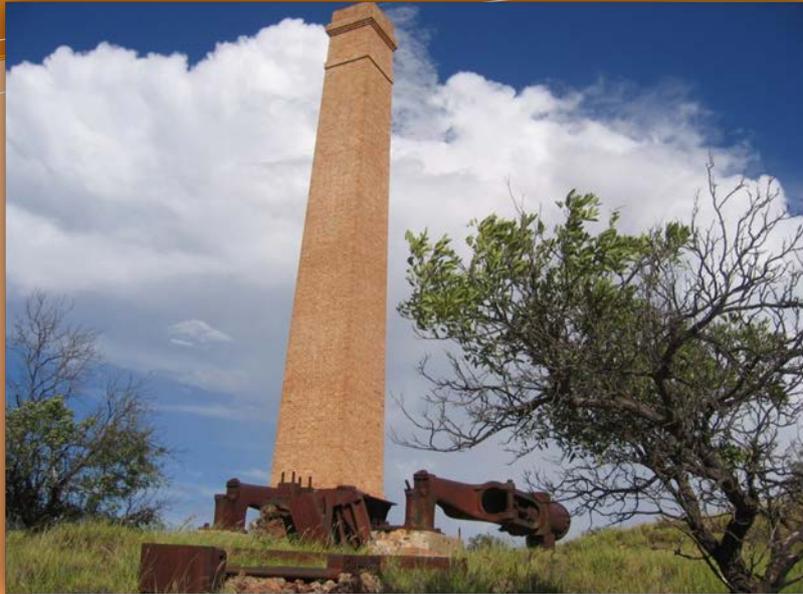




DRUMMOND
DRUMMOND GOLD LIMITED



Quarterly Activities Report

Drummond Gold Limited

ABN 98 124 562 849

ASX: DGO

Shares on issue 459,021,975

Directors:

Chairman Eduard Eshuys

Director Brice Mutton

Director Ross Hutton

Co Secretary Michael Ilett

Address:

Unit 3 636 Progress Road
Wacol Qld 4076

Contact:

Eduard Eshuys

Executive Chairman

Drummond Gold Limited

Telephone: + 61 7 3879 4390

www.drummondgold.com.au

For quarter ended 30 June 2014

Exploration Activities:

Mt Coolon – Drummond Basin (Central Queensland)

- ✓ Key tenure EPM 7259 covering two separate epithermal systems, “Conway” and “Bimurra”, was renewed for a further 5 year period.
- ✓ Renewal of key Mining Leases (ML’s 1029, 1085 & 1086) covering the Mt Coolon (Koala) Gold Mine were significantly progressed with the completion of Landowner and Queensland Government compensation agreements. Renewal granting of the ML’s for a further 10 year period is expected during the current Quarter.
- ✓ Evaluation continued on the Sullivans “Intrusion-related gold system” Prospect (EPM 15902) with a focus on mineralisation domaining and vectoring. Quantitative laboratory digital scanning and other testwork commenced on selected drill holes.
- ✓ Review work, data acquisition and further modelling continued on the epithermal Eugenia Gold Resource (EPM 15902) towards enabling a new up-graded gold resource to be undertaken.
- ✓ No fieldwork was undertaken during the Quarter due to the tight company and industry funding position.

Corporate Activities:

- ✓ The Company continues to review options to progress its advanced gold exploration resources and prospects, which includes possible Joint Venturing, partial or full divestment of assets.

Exploration Activities

Ongoing review continued on all of the Company's Gold Resources and selected Prospects on its core Mining Leases (ML's 1029, 1085, 1086 & 10227) and Exploration Permits (EPM's 7259 & 15902) located approximately 200km west of Mackay and centred on Mt Coolon.

Tenure management work during quarter significantly advanced the forward security of the company's gold resources and exploration assets. EPM 7259 was renewed for a further period of 5 years, which follows renewal of the main tenure EPM 15902 in July 2013, similarly for a period of 5 years and both under the Queensland Government's new tenure policy. Compensation agreements over the Mt Coolon (Koala) Gold Mine were completed during the quarter and renewal of the ML's 1029, 1085 & 1086 for a further 10 year period, is expected to be granted during the current quarter.

The Company continues to review all historical work and develop extensional targets on epithermal-style deposits which hold the Company's key Gold Resources at the former Mt Coolon (Koala) and Glen Eva Gold Mines, and, the Eugenia Prospect, which totals 283,000 ounces (Table 1). All three deposits lie within a 13km radius of Mt Coolon. As typical epithermal deposits, these deposits significantly lack testing of strike and depth extensions, and, on associated fault structures. Specific review work during the Quarter continued on the Eugenia Deposit which has a current Inferred Resource of 4,416,000t at 1.3g/t Au for 178,000oz of gold.

In addition to the epithermal deposits above, review work continued on the Sullivans Prospect, and Intrusion-related gold prospect, where focus continued on further re-logging of key drill holes, mineral and metal domaining, vectoring and 3D modelling. To support this work, quantitative mineral identification including laboratory digital reflectance scanning (PSM3500 Spectra) and other testwork commenced.

No fieldwork was undertaken during the Quarter.

Sullivans Prospect

Work continued during the quarter on the Sullivans Prospect (previously named Badlands) located 6km south of Mt Coolon. The Sullivans Prospect and mineralisation is now regarded as an Intrusion Related Gold System (IRGS) style prospect.

The Sullivans Prospect was initially defined in 1989 as an exploration target by a high order >100ppb and often 1.0g/t gold in soil anomaly over an area of 650m by 250m. Elevated Pb, As, and Ag were also returned. An initial 15 hole RC program was completed in 1990 by a previous owner but only analysed for gold.

Drummond completed an 11 hole RC program in 2007 and 3 deeper RC holes in 2011 over the same general area, but importantly involving multielement (34) analyses. The multielement work along with sample logging provides a basis for the current evaluation work.

Work during the Quarter continued on updating the model of mineralisation style, metal zoning and ore potential based on the re-logging of 6 of the RC holes – the three deep holes (SURC001, 002 & 003) completed in 2011 and three adjacent holes on each of the three sections (BARC005, 008 & 010).

The overall element suite has been further confirmed during the quarter, and comprises of three groups:

- A core suite of metals typical of hydrothermal systems: Au, Ag, As, Bi, Cu, Fe, Mn, Mo, Pb, S, Sb, W, Zn,
- Other metals of interest: B, Ba, Be, Cd, Co, Cr, Hg, Ni, P, Sc, Te, Th, Tl, U, V, and,
- Silicate elements of interest for alteration: Al, Ca, Ga, K, La, Mg, Na, Sr, Ti.

There is consistent enrichment of the following hydrothermal system metals in the drilled area:

Mn, Zn, As, Ag, Au (Bi, Cu, Pb)

The presence of consistently anomalous Bi indicates a felsic magmatic system and the association of Au with Pb, Bi, Zn, Cu and As is consistent with a granodiorite composition of associated intrusion which is similar to Mt Leyshon for overall metallogenic character but not for the inferred level of emplacement.

To further assess the mineralisation, alteration and metallurgical characteristics, key drill holes (total of 1128m) have been submitted for third party laboratory analysis and identification utilising digital spectral scanning (PSM3500), spectral analyses and calculations, and, interpretation. This work and these results will be supported by selected petrological, mineralogical and scanning electron microscopy on key samples.

Further 3D modelling and evaluation will be conducted.

Eugenia Prospect & Gold Resource

The Eugenia Prospect and Gold Resource are located approximately 6km NE of Mt Coolon. The current Inferred Resource by H&S Consultants (H&S) for Eugenia stands at a total of 4,416,000t at 1.3g/t Au for 178,200oz gold at a 0.5g/t Au cut off.

Work for the quarter focused on further accessing and reassessing of drill data by previous companies extending back to 1990, to better define the geological model and conduct important and necessary comparative QA/QC work on all phases of drilling, to include but not limited to, surveys, assay methods and logging. There is confidence this work can be achieved to warrant undertaking an updated model and to progress to a new upgraded resource estimate on completion of the work.

The ongoing review has identified a number of data gaps on the near margins of the model (oxide and sulphide zones) where data spacing is poor. Also as previously reported, only the oxide zone has been explored intensively and potential exists to expand this resource along strike and at depth with additional drilling. The model further highlights a poorly

defined sub-vertical NNW trending sulphide zone towards the base of the current model, interpreted as a possible feeder zone. This trend aligns with the main linears clearly visible in the magnetics and extending to several of the area targets identified.

Further, review of the immediate Eugenia area, especially by aeromagnetics, has identified seven (7) targets, two (2) of which relate to possible near extensions of the current resource, the remainder up to 3km away and associated with structural trends.

In summary, continuing work indicates clear scope to potentially increase the extent of the currently known deposit limits, and, the wider area, with further exploration and drilling.

Tenure Renewal

A number of key tenure matters were finalised during quarter, and past 12 months, which have significantly advanced the forward security of the company's gold resources and exploration assets.

EPM 7259

The tenure was renewed during the quarter for a further 5 year period commencing 18th May 2014 under the Queensland Government new tenure policy. EPM 7259 comprises a total of 18 subblocks in two sub areas (northern and southern) located approximately 50km north of the township of Mt Coolon and the company's central tenure EPM 15902.

EPM 7259 tenure was further enhanced when the company received formal advice (reported last Quarter) that the former ML 22 "Bimurra" in the centre of the southern area, had lapsed into EPM 7259, allowing the full Bimurra system to come under one ownership, for the first time since its discovery in 1928.

The full tenure is significant in that it covers two separate areas, each area having multiple prospects over a recognised epithermal deposit system, namely "Conway Epithermal System" and "Bimurra Epithermal System".

Both epithermal systems are hosted in felsic volcanics and porphyritic andesites. Epithermal quartz veining is prominent on surface, as is large square kilometre areas of exposed silica alteration, including sinters. Mineralisation is associated with narrow crustiform to colloform, lattice bladed, comb and massive textured quartz veins. The veining and alteration trends (structure) are east-north to north east.

The areas have been extensively explored in the past, but only to a shallow depth.

EPM 15902

EPM 15902 tenure was renewed a further 5 year period commencing 13th June 2013 under the Queensland Government new tenure policy. EPM 15902 is the Company's main exploration tenure and is significant in that it entirely envelopes the mining leases of the Mt Coolon (Koala) Gold Mine and the Glen Eva Gold Mine, and as well, includes the Eugenia Gold Resource.

Mount Coolon township lies in the top left of the tenure which comprises 100 sub blocks covering approximately 280 square kilometres of prospective Drummond Basin 'Cycle 1" rock units. Some 20 or more anomalous gold prospects have previously been identified. The entire tenure remains underexplored, especially as Mid-Tertiary and Quaternary cover masks much of the area.

ML 10227 which covers the Glen Eva Gold Mine, located 9km by internal haul road east-southeast of Mt Coolon (Koala) Mine, is not due for renewal until 31st December 2016.

ML's 1029, 1085 & 1086 – Mt Coolon (Koala) Gold Mine

Commencement for the application of renewal for ML's 1029, 1085 & 1086, which expired on 31st January 2014, was advised in the 30 September 2013 Quarterly Report.

During the last quarter important Compensation Agreements covering the ML's were finalised with the Landowner, and, also the Queensland Government Department of Main Roads, where small part of one the leases encroaches the Suttor Development Road.

The finalisation of these agreements is the last company stage requiring completion, before final processing by the Department of Mines and Energy and Ministerial approval. This approval is expected to be received during the current quarter.

Outlook

Only limited field work will be conducted again during the Quarter to keep expenditure at a minimum but at the same time meet regulatory requirements and tenement management related matters. It is not intended to conduct any significant field work prior to 30th September 2014.

The Company continues preliminary discussions with others for the sale or joint venturing of the Company's Drummond Basin assets. No binding agreements have been entered into but parties are continuing with their due diligence of the Company and its assets. The Directors see this process as an important step to refresh the Company's assets.

A number of opportunities to acquire or joint venture continue to be evaluated with particular emphasis on gold, copper and zinc exploration opportunities being sought.

Corporate Update

At the date of this report there are. 459,021,975 fully paid ordinary shares on issue.



Eduard Eshuys
EXECUTIVE CHAIRMAN

Table 1. Mt Coolon Gold 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	

Notes:

Mt Coolon Gold Resources - 30 June 2010.

The data in this resource report that relates to Mineral Resources for the Eugenia, Glen Eva and Koala Deposits 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 H & S Consultants Pty Ltd, Brisbane and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear. This information was prepared and first disclosed under the JORC Code 2004.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed.

Exploration Results

The data in this report that relates to Exploration Results, the accuracy and quality of data and the interpretation of mineralisation in the Drummond Basin at Mt Coolon, Central Queensland, are based on information compiled by Mr Brice Mutton who is a Fellow of The Australasian Institute of Mining & Metallurgy 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 Mutton is a Non-executive Director of Drummond Gold Ltd and an industry consultant via Brice Mutton & Associates Pty Ltd, and he consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters in the original announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original announcements.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Drummond Gold Limited

ABN

96 124 562 849

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(35)	(396)
(b) development	-	-
(c) production	-	-
(d) administration	(65)	(335)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	2	4
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes refunded	-	-
1.7 Other (research and development tax offset)	-	399
Net Operating Cash Flows	(98)	(329)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	44
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (refund from deposits)	-	11
Net investing cash flows	-	55
1.13 Total operating and investing cash flows (carried forward)	(98)	(274)

+ See chapter 19 for defined terms.

For personal use only

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(98)	(274)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	380
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	(35)
	Net financing cash flows	-	345
	Net increase (decrease) in cash held	(98)	71
1.20	Cash at beginning of quarter/year to date	339	170
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	241	241

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	60
4.2 Development	-
4.3 Production	-
4.4 Administration	45
Total (item(i) below)	105

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	241	339
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	241	339

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ See chapter 19 for defined terms.

For personal use only

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	459,021,975	459,021,975	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	-	-	<i>Exercise Price</i>	<i>Expiry date</i>
			-	-
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	-	-	-	-

+ See chapter 19 for defined terms.

For personal use only

7.12	Unsecured notes (totals only)	-	-	-	-
------	-------------------------------	---	---	---	---

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 28/ 07 /2014

Print name: Michael J Ilett

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.

For personal use only