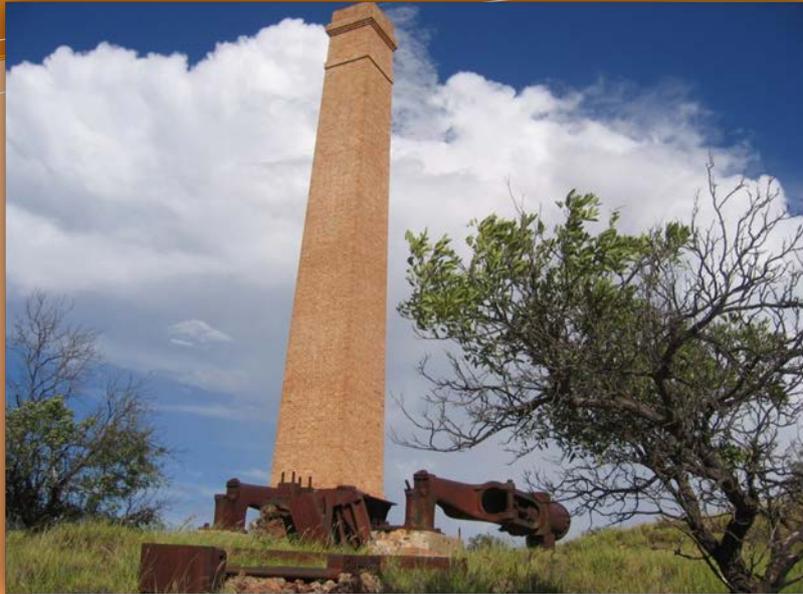




DRUMMOND
DRUMMOND GOLD LIMITED



Quarterly Activities Report

Drummond Gold Limited

ABN 98 124 562 849

ASX: DGO

Shares on issue 519,021,975

Directors:

Chairman Eduard Eshuys

Director Brice Mutton

Director Ross Hutton

Company Secretary Michael Ilett

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Executive Chairman

Drummond Gold Limited

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For quarter ended 31 December 2014

Exploration Activities:

Mt Coolon – Drummond Basin (Central Queensland)

- ✓ Glen Eva Gold Deposit - review work continued on the wider epithermal gold system potential centred on the former open pit mine. Focus continued on previous lag sampling coverage and arsenic/antimony anomalies which led to the Glen Eva discovery. Together with interpretation of more recently acquired detailed heli-magnetics, a number of key structural zones for further testing are being assessed and prioritised.
- ✓ Sullivans Prospect (EPM 15902) - an Intrusion-related gold system style deposit – following detailed infrared spectral mineral/alteration analysis and interpretation which has assisted quantifying alteration and determination of geochemical zonation patterns, further samples have been identified and forwarded for testing, including key samples for petrographic (thin section) and mineralogical (polished sample) examination.
- ✓ Data acquisition QC/QA work and reconstruction of the geological setting continued on the epithermal Eugenia Gold Resource (EPM 15902) towards enabling a new up-graded gold resource to be undertaken.
- ✓ The Company's tenure position was consolidated with the renewal of Mining Leases 1029, 1085 & 1086 over the Mt Coolon (Koala) Gold Mine, for a further period of 10 years.

Corporate Activities:

- ✓ On 28 October 2014 Mt Coolon Gold Mines Pty Ltd received an income tax refund of \$268,770 (before costs) for eligible research and development conducted in the previous financial year.
- ✓ On 20 November the Company held its Annual General Meeting and all resolutions were passed by a show of hands.
- ✓ On 19 December 2014 Drummond Gold Limited issued 60,000,000 fully paid ordinary shares at an issue price of \$0.003 (0.3 cents) per share to the directors or their nominees.

Exploration Activities

Ongoing review continued on 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 & 23635) located approximately 200km west of Mackay and centred on Mt Coolon.

The Company continued 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.

Glen Eva Gold Deposit and Region

The Glen Eva Mine (ML 10227) and deposit is located 12.5km southeast of Mount Coolon Township and 9km by an all-weather internal haul road, east southeast of the Mount Coolon (Koala) Gold Mine. Both mines are encompassed by the company's key exploration tenure EPM 15902. Review work which commenced and was reported last quarter, continued.

Glen Eva was a blind gold discovery in 1992, based on anomalous indicator surface geochemistry. The deposit is of a high-grade epithermal colloform banded style. The deposit was mined by open pit methods from 1997 to 1998, averaging 6.2g/t gold (Au) for approx. 25,000 oz of gold and 22,000oz of silver, before operations ceased due a partial high wall collapse, in a rapidly declining world gold price market. The Glen Eva pit covers a strike extent of 300m to a depth of 90m and is open at depth and along strike, especially to the south. It has a current total remaining resource of 154,000t at 7.5g/t gold (Table 1).

Review work during the quarter focussed on the nature and tenor of the previous exploration coverage and especially the surface geochemistry work over the deposit, the immediate deposit area and the wider region. Suffice, as most of the area is covered by benign Mid-Tertiary cover units, it was lag sampling on a 400m x 400m grid where 200ppb arsenic and lower level largely coincident antimony anomalies were defined, which led to close spaced 200m x 50m grid RAB drilling and eventual discovery.

The Glen Eva deposit is centred within a structural corridor that extends from Eastern Siliceous Zone Prospect to the east, to Blackbutt/Canadian Prospects to the north east, a distance of over 13km. The trend of the corridor has only been tested by broad-spaced vertical RAB drilling for a one kilometre strike extent immediately northwest and southeast of the Glen Eva pit. Further, this review has concluded that much of this drilling is too shallow and, considering the main Glen Eva mineralisation is below 30m to 40m of cover and gold depletion, the RAB drilling cannot be considered to have been an effective test to bedrock over the wider area and region. Accordingly large areas remain ineffectively surface sampled and/or drilled.

Since the discovery and mining of Glen Eva, detailed heli-magnetics has been undertaken (1998) which clearly shows the strong NW structure and in places strong zones of dilation, cross faulting and associated magnetic depletion. This importantly

opens up the scope for better defining areas for focused rather than blanket sampling and broad drilling. Significant progress has also been made in evaluating the effect and extent of cover units (Suttor Formation) that mask the prospective host rocks. Work is progressing to synthesize all previous exploration coverage/results with the helimagnetic targets to identify and prioritise future exploration.

Considerable scope exists for further blind but shallow oxide gold resources, in addition to, high grade deeper vertical vein-gold deposits.

Sullivans Prospect

The Sullivans Prospect located 6km south of Mt Coolon, 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 lead (Pb), arsenic (As) and silver (Ag) values were also returned. Three subsequent drill campaigns totaling 31 holes confirm the surface geochemistry and define the mineralisation to date. However, the bulk of drilling has been to shallow depths of 100m below surface, with three holes extending from 100m to 250m vertically below surface. The style of mineralisation is confirmed to be Intrusion-related gold and not epithermal style gold which is typical of the area and region.

Work during the Quarter continued on updating the wider mineralisation envelope and metal zoning models, utilizing the results of infrared spectral mineral/alteration analysis (PSM3500) and interpretation on 6 key drill holes reported last quarter.

This work concluded:

- The dominant alteration minerals are paragonitic illite (Na), muscovite (K), phengitic illite, phengitic (Mg) and chlorite.
- Most mineralisation is associated with higher temperature paragonitic illite (Na rich) and/or muscovite.
- Phyllic-intermediate argillic-propylitic alteration facies show a typical temperature range of ~230-270°C and pH of 4.8-5.5.
- The integrated interpretation of the alteration with the geochemical data has demonstrated several overprinting phases of mineralisation.
- A strong positive Au:As ratio of 0.57 and a Bi (Bismuth):Au ratio of 0.16 – indicative of a shallow and distal intrusion-related gold system.
- The Na-enrichment and temperature range determined is indicative that Sullivans Prospect is an Intrusion-related Gold System.

Following the successful outcome of this work and to build upon it, samples have been specifically selected from these holes and forwarded to a specialist for petrographic (thin section) and mineragraphic (polished sample) description and identification.

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 continued during the Quarter to better define and update the geological model in order to progress to a new upgraded resource estimate on completion of the work. Acquisition and QC/QA work from all past drilling programs, methods, assays, geological and geotechnical logs, drill core and RC chips, plus other data and information have been sourced.

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. New models will provide the basis for future drilling and exploration.

Mining Leases Renewed over Mt Coolon (Koala) Gold Mine

The Company's tenure position in the Drummond Basin centred on Mt Coolon was consolidated with the formal renewal by the Queensland Department of Mines & Energy during the Quarter of Mining Leases 1029, 1085 and 1086 over the Mt Coolon (Koala) Gold Mine, for a further 10 years.

This tenure position, which includes key exploration tenure EPM 15902, was also further consolidated by the recent granting of EPM 23635 to the north of Mt Coolon, and, new application EPMA 25850 to the east and south of Glen Eva Mine. Together, they provide an important contiguous tenure position for the Company along this prospective and gold producing part of the Drummond Basin corridor.

Outlook

The Company continues preliminary discussions with others for the joint venturing or part sale 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

On 28 October 2014 Mt Coolon Gold Mines Pty Ltd received an income tax refund of \$268,770 (before costs) for eligible research and development expenditure conducted in the previous financial year.

On 20 November 2014 Drummond Gold Limited held its Annual General Meeting and each of the resolutions contained in the Notice of Annual General Meeting were passed on a show of hands.

On 19 December 2014 Drummond Gold Limited issued 60,000,000 fully paid ordinary shares at an issue price of \$0.003 (0.3 cents) per share to the directors or their nominees. The share placement was approved by shareholders at the Annual General Meeting held on 20 November 2014. The funds raised under the Directors' Placement will be used for working capital purposes and to identify and evaluate opportunities with potential for copper and gold

At the date of this report there are 519,021,975 fully paid ordinary shares on issue.



Eduard Eshuys
EXECUTIVE CHAIRMAN

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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	

Competent Persons Compliance Statements

Mineral Resources

The data in this report that relates to Mineral Resources for the Eugenia, Glen Eva and Koala Deposit 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 2012 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 and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

The Eugenia Gold Resource was updated and announced in the Company's June 2009 Quarterly Report to the Australian Securities Exchange (ASX) dated 29th July 2009, and, Amendments to June Quarterly Activities Report 2009, also dated 29th July 2009. The Mt Coolon (Koala) and Glen Eva Gold Resources were updated and announced in the Company's September 2009 Quarterly Report to the Australian Securities Exchange (ASX), dated 30th October 2009. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcements referred to above 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 (FAusIMM) 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 2012 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")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'ooo	Year to date (6 months) \$A'ooo
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(227)	(300)
(b) development	-	-
(c) production	-	-
(d) administration	(209)	(295)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refunded	269	269
1.7 Other (research and development tax offset)	-	-
Net Operating Cash Flows	(167)	(325)
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	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (deposits received)	50	50
Net investing cash flows	50	50
1.13 Total operating and investing cash flows (carried forward)	(117)	(275)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(117)	(275)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	180	180
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)	-	-
	Net financing cash flows	180	180
	Net increase (decrease) in cash held	63	(95)
1.20	Cash at beginning of quarter/year to date	83	241
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	146	146

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	294
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	31
4.2 Development	-
4.3 Production	-
4.4 Administration (including (i) below)	31
Total	62

(i) Includes income tax refund of \$268,770 received in October 2014.

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	146	83
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	146	83

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		

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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	519,021,975	519,021,975	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	60,000,000	60,000,000	0.3 cents	0.3 cents
(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>	-	-	-	-

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7.12	Unsecured notes (totals only)	-	-	-	-
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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: Date: 28/ 01 /2015
(Company Secretary)

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.

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