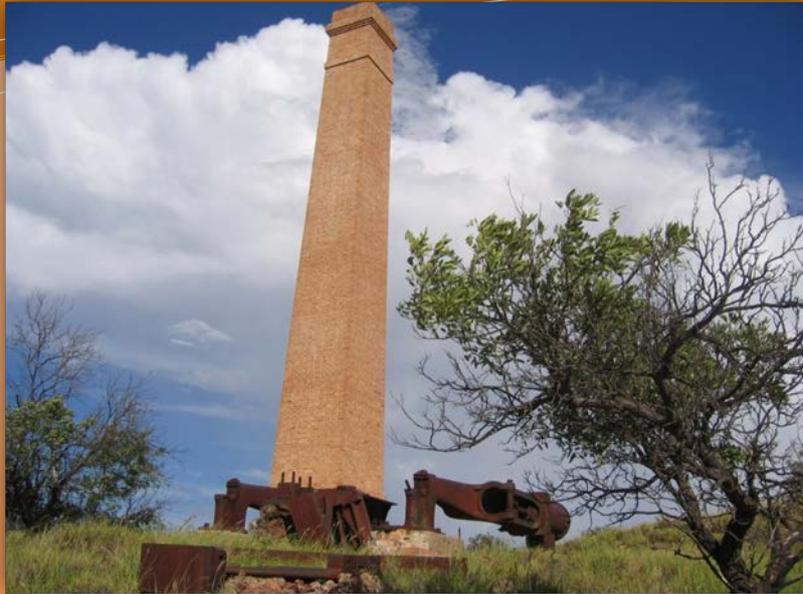




**DRUMMOND**  
DRUMMOND GOLD LIMITED



## 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

Company 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 31 December 2013

#### Exploration Activities:

##### Mt Coolon – Drummond Basin (Central Queensland)

- ✓ Review work continued on the Eugenia Gold Resource (EPM 15902), and, the extensive Sullivans (EPM 15902) and Bimurra Prospect (EPM 7259) areas.
- ✓ At Eugenia, new modelling and analysis progressed towards enabling a new up-graded gold resource to be undertaken.
- ✓ Evaluation continued on the Sullivans “Intrusion-related gold system” Prospect with a focus on the base metal anomalism which is now known to be more extensive. Ongoing work includes vectoring for gold, further sampling, analysis and testwork.
- ✓ Review continued on the Bimurra Prospects (EPM 7259) aimed at establishing a new and comprehensive drill database, where a historical (non-JORC) gold resource was reported by previous owners.
- ✓ Fieldwork was curtailed and will be for the foreseeable future, due to the tight company and industry funding position. The Company is considering its options, which includes possible Joint Venturing of its advanced gold exploration resources and prospects.

#### Corporate Activities:

- ✓ On 15 November 2013 the Company held its Annual General Meeting and all the resolutions put to shareholders were passed.
- ✓ On 21 November 2013 the Company completed a share placement of 155,000,000 fully paid ordinary shares to Resource Capital Fund V L.P. (“RCF”) at an issue price of \$0.002 (0.2 cents) per share raising a total of \$310,000.
- ✓ On 21 November 2013 the Company also completed a share placement of share placement of a total of 33,333,333 fully paid ordinary shares at an issue price of \$0.003 (0.3 cents) per share to the directors or their nominees as approved by shareholders at the Annual General Meeting held on 15 November 2013. The funds were issued in lieu of payment of \$58,333.30 in Directors’ Fees and the payment of \$41,666.70 for the Executive Chairman’s salary.
- ✓ On 19 December 2013 the Group lodged the income tax returns for Drummond Gold Limited and Mt Coolon Gold Mines Pty Ltd which are expected to result in the receipt of income tax refunds of approximately \$338,000 after costs in the March Quarter.

## **Exploration Activities**

Review continued during the Quarter of all the Company's Gold Resources and Prospects on its core EPM 15902 and EPM 7259 tenements, located approx. 200km west of Mackay and centred on Mt Coolon. Importantly, review work continued on epithermal style deposits which hold the Company's key Gold Resources at Mt Coolon (Koala) Mine, Eugenia Prospect and Glen Eva Mine, which totals 283,000 ounces (Table 1).

Specific review work, including new analyses, independent geophysical review and 3D modelling continued during the Quarter on the Eugenia Resource and the Sullivans Prospect (an Intrusion-related gold style mineralisation) both in EPM 15902, and, on the Bimurra System Prospects in EPM 7259.

Limited work also commenced on new information sourced for the nearby TPM Copper-Gold Skarn Prospect and associated anomalous zones around the regional Manaman Granodiorite complex in the western part of EPM 15902.

Fieldwork for the quarter was curtailed to limited sampling and field checks at the Sullivans and Bimurra Prospects.

### **Eugenia Prospect**

The current Inferred Resource calculated by Hellman & Schofield (now named H&SC Consultants) 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. Potential exists to expand this resource along strike and at depth with additional drilling. Eugenia Resource is located approx. 6km NE of Mt Coolon.

Work completed during the September 2013 Quarter highlighted and outlined the strong scope to extend the resource. Six targets areas in all have been identified in the Eugenia area, with two targets identified as possible near or step-out extensions to the current resource.

Accordingly, work for this Quarter primarily focused on the Surpac 3D Eugenia resource model by H&SC. Review commenced and continued on all data and other inputs to the model such as assays (multielement), oxidation depth, rock densities, geological interpretation of lithology and structures. Sufficient previous and new work has been located/generated to warrant undertaking an updated model and to progress to a new upgraded resource estimate on completion of the work.

Further and importantly, the review has identified a number of data gaps on the near margins of the model (oxide and sulphide zones) where data spacing is poor. Significantly, the model highlights a poorly defined sub-vertical NNW trending sulphide zone towards the base of the current model, interpreted as a possible feeder zone, but is characterised by a lack of drilling. This trend aligns with the main linears clearly visible in the magnetics and extending to several of the area targets identified.

In summary, the areas indicate clear scope to potentially increase the extent of the currently known deposit limits with further drilling. Review and refinement of a new model will continue in the March Quarter towards undertaking a new resource estimation.

### Sullivans Prospect

The Sullivans Propsect (previously named Badlands) located 6km south of Mt Coolon, has strong indications of Intrusion Related Gold System (IRGS) style mineralisation including strong geochemical and geophysical features akin to the multi-million ounce Mt Wright - Mt Leyshon style gold bearing deposit systems, both located approx. 100km to the north.

Importantly, the Sullivans Prospect is located within 2km of the Manaman Granodiorite Complex, a polyphase biotite-hornblende granodiorite to medium grained granite and diorite that has been intruded by numerous porphyry and rhyolite dykes. The granitoid body has been emplaced along a 5 kilometre extent of the Anakie-Drummond Basin contact, a major regional district fault.

The Sullivans Prospect was initially defined 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. The coincidence of elevated base metal values such as lead and zinc in conjunction with elevated arsenic is typical of upper levels of rhyolite associated sheeted-vein and breccia systems.

Work during the quarter focused on several fronts, further modelling of drill results, selection and preparation of samples for mineralogical quantification and geometallurgical testwork, and, review of the extended Sullivans area. Some limited field work was conducted and rock chip sampling completed on some narrow highly ferruginous and arsenic stained quartz veining.

The review of the wider Sullivans Prospect area highlighted gold anomalism far wider than previously considered, although large areas are blinded by younger Mid-Tertiary and Quaternary cover units. Anomalous areas identified include:

- a) *Sullivans North*, located 1300m north of the Sullivans Prospect proper in the headwaters of the main drainage system in the area. Localised, narrow quartz-pyrite veining has been recorded in the limited, scattered outcrops of rhyolitic ignimbrite.
- b) *Sullivans West*, located 1200m south west of the Sullivans Prospect. A linear gossanous vein material has been recorded and occurs as subcrop within red lateritic soil and extends for some 100m on a north-south trend.
- c) *Sullivans South*, where two areas 2km & 3km have recorded a “bleached” zone associated with a distinct circular feature in the magnetics. Some narrow, highly ferruginous and arsenic stained quartz veining has been noted.

The widespread anomalism highlights the wider potential of the Sullivans and Manaman Granodiorite area for a large intrusion-related gold system.

## Bimurra Prospects

Review work continued and limited field work was undertaken on the Bimurra epithermal system which is located within the southern subblock portion of EPM 7259. The centre of the system was formerly covered by Mineral Development Lease (MDL22) which has now lapsed. Bimurra Deposit itself was discovered in 1928. The former Bimurra MDL area has been intensely explored since 1980 until 2003, however, much of this work has been mainly near surface and at shallow depths. A small gold resource (non-JORC) has been variously reported.

It is recognised that the Bimurra System is part of a large epithermal mineralised cell that extends well outside the MDL as strong structurally defined strike linears extending to the north east, referred to as Bimurra East Prospect and the southwest, referred to as Ramillies West Prospect, all within EPM 7259. The alteration system covers an area of +10km<sup>2</sup>.

As the tenure has been tightly and long held by several previous explorers, efforts for the quarter were successful in locating and sourcing much past data. Drummond Gold is continuing to re-assess the entire mineralised system which has included a geophysical review and will now focus on all new data received.

Next steps are to complete a validated electronic database of all historical surface geochemical and drill hole data towards developing a 3D model for target generation and further exploration, including a possible resource estimation.

### Outlook

Only limited field work will be conducted 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 June 30 2014.

However, substantial past expenditure on the company's Drummond Basin Prospects is a safeguard to minimising current expenditure while maintaining the tenements in good standing for future activity. A large proportion of the Queensland Government rents and rates have been paid and are current through to September 2014

The company has initiated preliminary discussions with others for the sale or joint venturing of the company's Drummond Basin assets. No 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 into have also been evaluated. Of those evaluated only one remains under consideration although no agreement has been entered into. Other opportunities with particular emphasis on gold, copper and zinc exploration opportunities in Australia are being sought.

Improved geological understanding of the formation of large gold and mineralisation systems in Australia are likely to lead to new frontiers in exploration for those commodities

similar to the new geological sciences which lead to new discoveries in the 1980-1990s some 25-30 years ago.

It could be expected that existing gold and base metal prospects could represent the window into these large mineral systems once the geological history and structures of these prospects are placed in the context of the better understanding.

This exploration strategy is low cost but with high leverage and will require a disciplined approach of the application of the exciting geological research results which have been coming to the fore in recent times. Australia by any standards has low sovereign risk.

### **Corporate Update**

On 15 November 2013 the Company held its Annual General Meeting and all the resolutions put to shareholders were passed.

On 21 November 2013 the Company completed a share placement of 155,000,000 fully paid ordinary shares to RCF at an issue price of \$0.002 (0.2 cents) per share raising a total of \$310,000.

On 21 November 2013 the Company also completed a share placement of share placement of a total of 33,333,333 fully paid ordinary shares at an issue price of \$0.003 (0.3 cents) per share to the directors or their nominees as approved by shareholders at the Annual General Meeting held on 15 November 2013. The funds were issued in lieu of payment of \$58,333.30 in Directors' Fees and the payment of \$41,666.70 for the Executive Chairman's salary.

On 19 December 2013 the Group lodged the income tax returns for Drummond Gold Limited and Mt Coolon Gold Mines Pty Ltd which are expected to result in the receipt of income tax refunds of approximately \$338,000 after costs in the March quarter.

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 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	
<b>Koala</b>	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
	<b>Total</b>	<b>305</b>	<b>1.6</b>	<b>15,800</b>	<b>231</b>	<b>5.5</b>	<b>40,400</b>				<b>604</b>	<b>3.5</b>	<b>67,200</b>	
<b>Eugenia</b>	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
	<b>Total</b>							<b>4,416</b>	<b>1.3</b>	<b>178,200</b>	<b>4,416</b>	<b>1.3</b>	<b>178,200</b>	<b>0.5</b>
<b>Glen Eva</b>	Underground below pit				132	7.8	33,200	21,000	5.9	4,000	154	7.5	37,200	3.0
	<b>TOTAL</b>	<b>305</b>	<b>1.6</b>	<b>15,800</b>	<b>363</b>	<b>6.3</b>	<b>73,600</b>	<b>4,506</b>	<b>1.3</b>	<b>193,100</b>	<b>5,174</b>	<b>1.7</b>	<b>283,000</b>	

Notes: Mt Coolon 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.

#### 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.

## 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 2013

#### 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	(92)	(239)
(b) development	-	-
(c) production	-	-
(d) administration	(177)	(209)
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)	(1)
1.6 Income taxes refunded	-	-
1.7 Other (research and development tax offset)	-	-
<b>Net Operating Cash Flows</b>	<b>(270)</b>	<b>(448)</b>
<b>Cash flows related to investing activities</b>		
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 (refund from deposits)	11	11
<b>Net investing cash flows</b>	<b>11</b>	<b>11</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(259)</b>	<b>(437)</b>

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(259)	(437)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	310	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)	(30)	(30)
	<b>Net financing cash flows</b>	<b>280</b>	<b>350</b>
	<b>Net increase (decrease) in cash held</b>	<b>21</b>	<b>(87)</b>
1.20	Cash at beginning of quarter/year to date	62	170
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>83</b>	<b>83</b>

**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	50
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Consultancy Fees.

**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

A total of 33,333,333 fully paid ordinary shares were issued for nil cash consideration. These fully paid ordinary shares were issued in lieu of payment of Directors' Fees of \$58,333.30 and Executive Chairman's salary of \$41,666.70. The issue price of the shares was \$0.003 (0.3 cent) per share. This share issue was approved by shareholders at the Annual General Meeting held on 15 November 2013.

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	74
4.2 Development	-
4.3 Production	-
4.4 Administration	84
<b>Total (item(i) below)</b>	<b>158</b>

(i) The Group has lodged income tax returns for Mt Coolon Gold Mines Pty Ltd and Drummond Gold Limited which are expected to result in the receipt of income tax refunds of \$338,000 after costs during the March 2014 quarter

### 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	83	62
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>83</b>	<b>62</b>

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**Appendix 5B**  
**Mining exploration entity quarterly report**

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**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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### 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 <b>Preference +securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	459,021,975	459,021,975	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	188,333,333	188,333,333	N/A	N/A
(b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <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 <b>Debentures</b> <i>(totals only)</i>	-	-	-	-

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**Appendix 5B**  
**Mining exploration entity quarterly report**

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: 30 / 01 / 2014  
 (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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