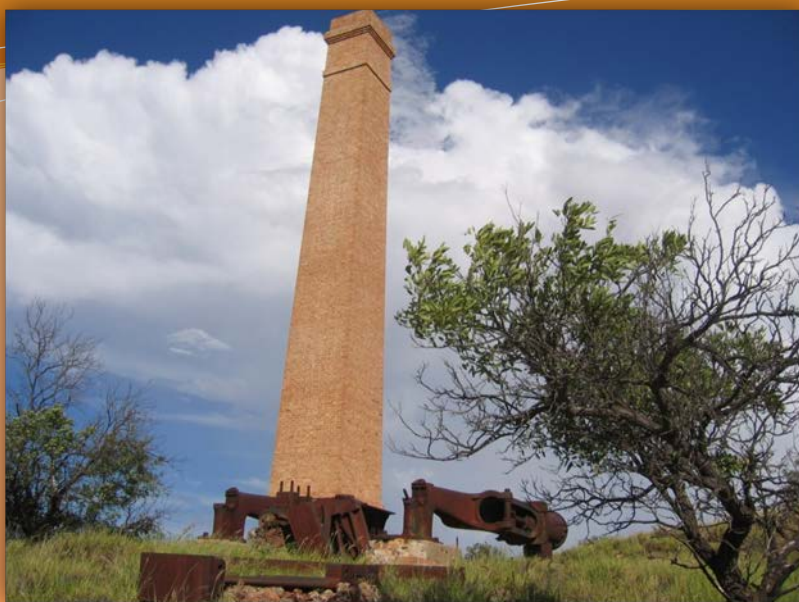




DRUMMOND
DRUMMOND GOLD LIMITED



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

Coy 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 September 2014

Exploration Activities:

Mt Coolon – Drummond Basin (Central Queensland)

- ✓ Sullivans Prospect (EPM 15902) – infrared spectral mineral /alteration analysis and interpretation completed on 6 key RC drill holes has quantified alteration and geochemical zonation, and, confirmed an Intrusion-related Gold System style deposit. Sodium-rich paragonitic illite is abundant. Preliminary gold mineralisation vectors have been determined.
- ✓ 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.
- ✓ Glen Eva Deposit - review work commenced during the quarter already highlighting that the depth and strike extent of the deeper high grade lode is poorly defined and open.

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.
- ✓ 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.
- ✓ A number of new gold exploration opportunities were investigated.

Exploration Activities

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.

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.

As typical epithermal deposits, these deposits significantly lack testing of strike and depth extensions, and, on associated fault structures. Accordingly, specific review work during the Quarter focused on the Glen Eva Mine and deposit which has a remaining resource of 154,000t at 7.5g/t Au for 37,200oz of gold. Work also 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.

Review work continued on the Sullivans Prospect, an Intrusion-related gold prospect, where quantitative mineral identification including laboratory digital reflectance scanning (PSM3500 Spectra) was completed, to assist deposit vectoring.

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 Pb, As, and Ag were also returned.

Work during the Quarter continued on updating the model of mineralisation style and metal zoning based on the re-logging of 6 of the Reverse Circulation (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).

Drummond Gold engaged Global Ore Discovery, Brisbane to undertake infrared spectral mineral/alteration analysis (PSM3500) and interpretation on the 6 drill holes. A total of 11128 RC samples (1m intervals) were analysed and spectra collected. The spectra were loaded and processed where a number of spectral parameters were calculated that indicate subtle mineralogical variations. The individual spectra were tied down to their downhole location, allowing zonal patterns to be established, and, together with other key data sets (i.e. assays) 3D modelling and interpretation.

A key feature of the PSM3500 analyser is that samples are attributed with spectral measures. These measures are useful for identifying and highlighting spectral variations within certain mineral groups that are not visible by the naked eye and may indicate subtle compositional or temperature changes in the molecular chemistry and formation of the key alteration minerals.

Some of the key findings of the work were:

- 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 in the 6 drill holes 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.
- The Na-enrichment and temperature evident indicate that Sullivans is not a typical Drummond Basin epithermal style system (i.e. Yandan, Wirralie) and more indicative of an Intrusion-related Gold System.

Global Ore Discovery also provided a comparison of the Sullivans data with general Intrusion-related Gold System models. Flanagan et al 2000, demonstrate the Bi, Au, As are the most closely linked metals in Intrusion-related Gold Systems in the Tintara Gold Province (Alaska & Canada) and that the variations in their statistical correlations and ratios change systematically with respect to depth of emplacement and proximity to a causative pluton.

Correlations between Bi and Au vary from 0.89 in deep and proximal deposits to 0.12 for shallow and more distal. Conversely the correlation between As and Au increase from 0.23 in deep and proximal to 0.86 for shallow and distal deposits.

Analysis of the geochemical data for the mineralised zones in the 6 Sullivans RC drill holes show a strong positive correlation between Au and As of 0.57 which suggests a shallow and distal Intrusion related Gold System. The weak positive correlation between Bi and Au of 0.16 also supports this.

Following the successful outcome of this work, further analysis, testwork and modeling is planned.

Eugenia Prospect & Gold Resource

The Eugenia Prospect and Gold Resource is 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. 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.

Also, continuing review of the immediate Eugenia area has clearly identified seven (7) targets, two (2) of which relate to possible near extensions of the current resource, the remainder up to 3km away on associated structural trends.

Glen Eva Mine & Deposit

Background

Review of the Glen Eva Mine and deposit (originally known as Hill 273) commenced during the quarter. Glen Eva is located 12.5km southeast of Mount Coolon township and 9km by an all-weather haul road, east southeast of the Mount Coolon (Koala) Mine.

Glen Eva is a high-grade epithermal colloform banded 6m wide quartz vein that strikes 310° magnetic and dips to the north-east. The host lithology is a dacitic volcanic that is overlain by a major sinter horizon up to 30m thick. The high – grade vein flattens to a sub-horizontal dip just beneath the sinter. Post mineralisation ash-flow tuffs overly and disrupt the veins locally.

BHP first recognised sinter at Hill 273 in 1988 but shallow drilling (30m depths) immediately below the sinter returned insignificant results. Dominion Mining Ltd in 1992, by drilling around a 10ppb soil anomaly adjacent to a sinter outcrop, finally discovered and named the deposit Glen Eva after the local pastoral station. Drill intersections were up to 10m at 5.0 g/t Au at 60m depth. ML 10227 was granted in December 1996 and Ross Mining NL acquired the deposit and began open cut mining in January 1997 after a pre-strip of 40m. High-grade ore was trucked to the Yandan Mine, via Mount Coolon, for processing after mixing with low-grade ore from the Yandan open cut.

The Glen Eva pit was closed in 1998 due to the high waste-to-ore ratios, related poor mining practices and lack of grade control on this narrow, high-grade deposit. The Stage 2 cutback of the pit was never carried out due a partial high wall collapse. The Glen Eva pit covers a strike extent of 300m with ore grade zones returned to 140m vertical depth below surface in drilling. Pit depth was to approximately 90m depth. Production in 1996/97 was 9,368oz of gold bullion from 66,547 tonnes of ore. Production in 1997/98 was 14,824oz of fine gold and 22,322oz of silver.

Geology

Gold mineralisation is hosted by porphyritic fragmental rhyolites and lesser tuffaceous units and breccias which have undergone intense hydrothermal alteration and quartz veining. High grade gold intercepts are restricted to a narrow vein of pyrite banded, chalcedonic and brecciated quartz, varying in width from 4 to 9m. The main lode has a WNW strike, dips moderately (40-50°) NE and plunges 10° SE along a known strike length of 300m. Strong pervasive silica-pyrite-sericite (phyllic) alteration forms a subvertical envelope about the main lode up to 80m wide containing narrow weakly mineralised (>0.10g/t Au) quartz-pyrite stockwork veins. Well-developed boiling and infill textures (colloform, crustiform and bladed) are present in most quartz veinlets as well as the main lode.

The high grade gold zones at Glen Eva are tightly restricted to a colloform banded quartz-pyrite vein, and intimately associated with Ag and As. Maximum silver values of 144ppm,

with an average Ag/Au ratio of 3: 1 occur in high grade zones (+5.0g/t Au) with silver values rapidly falling with decreasing gold. Mineralised lodes tend to increase in grade and thickness towards the hanging wall fault, implying it played an important role in their development.

Holes drilled south and west of the main lode intersected a zone of tuffaceous sediments and volcanoclastics which are strongly clay-pyrite altered and gold-arsenic-molybdenum anomalous with sporadic fluorite occurrences. This NW trending corridor may be reflecting alteration along a deep seated structure controlling the position of the main lode.

Review work has clearly determined that further exploration and drilling is required to ascertain the depth and strike extent of the deeper, high grade lode.

Further, 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, much of this drilling is shallow and, considering the main Glen Eva mineralisation is below 30m to 40m of cover and depletion, the RAB drilling cannot be considered to have been an effective test of the area. Considerable scope exists for further blind but shallow oxide resources, in addition to, high grade vertical vein deposits.

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 17 October 2014 the Company announced its Annual General Meeting on Thursday 20 November 2014 at 11 am (Brisbane Time) at Auditoriums, McCullough Robertson Lawyers, Level 11, 66 Eagle Street, Brisbane.

The Notice of Annual General Meeting provides for ordinary business being the consideration of the Financial reports and Remuneration report, and re-election of Mr. Brice Mutton as a Director. It also details special business being an approval of a placement of shares to certain directors. These directors have agreed to subscribe for shares at 0.3 cents per share as outlined in the Notice of Annual General Meeting.

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.

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

A handwritten signature in black ink, appearing to read 'E. Eshuys', with a stylized flourish at the end.

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 | |

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")

30 September 2014

Consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter \$A'ooo | Year to date (3 months) \$A'ooo |
|---|--|----------------------------|---------------------------------------|
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a) exploration & evaluation | (73) | (73) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (86) | (86) |
| 1.3 | Dividends received | | |
| 1.4 | Interest and other items of a similar nature received | 1 | 1 |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes refunded | - | - |
| 1.7 | Other (research and development tax offset) | - | - |
| Net Operating Cash Flows | | (158) | (158) |
| 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 (refund from deposits) | - | - |
| Net investing cash flows | | - | - |
| 1.13 | Total operating and investing cash flows (carried forward) | (158) | (154) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|-------|-------|
| 1.13 | Total operating and investing cash flows (brought forward) | (158) | (158) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 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 | - | - |
| | Net increase (decrease) in cash held | (158) | (158) |
| 1.20 | Cash at beginning of quarter/year to date | 241 | 241 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 83 | 83 |

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 | 130 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration (including (i) below) | (208) |
| Total | (78) |

(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 | 83 | 241 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 83 | 241 |

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 | EPM 25365 | Mt Coolon North 45 sub-blocks, 14,400 Hectares) | Nil | 100% Owned |

+ See chapter 19 for defined terms.

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.

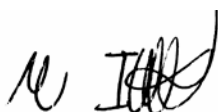
| | | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|------|--|--------------|---------------|---|--|
| 7.1 | Preference securities <i>(description)</i> | - | - | - | - |
| 7.2 | Changes during quarter | - | - | - | - |
| | (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.

| | | | | | |
|------|---|---|---|---|---|
| 7.12 | Unsecured notes (<i>totals only</i>) | - | - | - | - |
|------|---|---|---|---|---|

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: 31/ 10 /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.

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+ See chapter 19 for defined terms.