



**Drummond Gold Limited**

**ACN 124 562 849**

**Financial Report for the half-year ended 31 December 2014**

<b>Contents</b>	<b>Page</b>
Corporate directory	3
Directors' report	4
Auditor's independence declaration	8
Independent auditor's review report	9
Directors' declaration	11
Condensed consolidated statement of profit or loss and other comprehensive income	12
Condensed consolidated statement of financial position	13
Condensed consolidated statement of changes in equity	14
Condensed consolidated statement of cash flows	15
Notes to the condensed consolidated financial statements	16
Resources	22

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Drummond Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## Corporate directory

Directors	Mr. E. Eshuys (Chairman) Mr. B. K. Mutton (Non-executive Director) Mr. R. C. Hutton (Non-executive Director) Mr. M. J. Ilett (Alternate Director for Mr. R. C. Hutton)
Company secretary	Mr. M. J. Ilett
Registered office and principal place of business	27 General Macarthur Place Redbank Qld 4301  P.O. Box 294 Carol Park Qld 4300 Telephone: + 61 7 3381 5368 Facsimile: + 61 7 3381 5365
Share registry	Link Market Services Limited Level 15, ANZ Building 324 Queen Street BRISBANE QLD 4000 Postal Address: GPO Box 2537 BRISBANE QLD 4001 Telephone: 1300 554 474 Telephone: + 61 2 8280 7454 (overseas) Facsimile: + 61 2 8280 0303
Auditors	Deloitte Touche Tohmatsu Level 25, Riverside Centre 123 Eagle Street BRISBANE QLD 4000
Lawyers	McCullough Robertson Lawyers Level 11, Central Plaza Two 66 Eagle Street BRISBANE QLD 4000
Stock exchange listings	Drummond Gold Limited fully paid ordinary shares are quoted on the Australian Securities Exchange (ASX). ASX Code: DGO
Website address	<a href="http://www.drummondgold.com.au">www.drummondgold.com.au</a>

## **Directors' report**

The Directors of Drummond Gold Limited (the Company) submit herewith the consolidated financial report of Drummond Gold Limited and its controlled entities (the Group) for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### **Directors**

The names and details of the directors of the Company in office during the half-year and until the date of this report are:

Mr. E. Eshuys (Executive Chairman)  
Mr. B. K. Mutton (Non-executive Director)  
Mr. R. C. Hutton (Non-executive Director)  
Mr. M. J. Ilett (Alternate Director for Mr. R. C. Hutton)

### **Principal activities**

The principal activity of the Group is exploration for gold and other minerals.

### **Operating results**

The Group recorded a net loss after income tax of \$746,080 for the half-year ended 31 December 2014 (31 December 2013: Net loss after income tax of \$351,151).

### **Review of operations**

The consolidated entity's continued strategy is to consider a number of opportunities to acquire or joint venture with particular emphasis on gold, copper and zinc exploration. The Company held preliminary discussions with others for the joint venturing or part sale of the Company's Drummond Basin assets.

During the half-year, the Group actively pursued exploration work directly. 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 (Refer Table 1 on page 22). 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 Half Year 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.

### **Eugenia Prospect & Gold Resource**

The Eugenia Prospect and Gold Resource is located approximately 6km NE of Mt Coolon within EPM 15902. 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 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.

Continuing review of the immediate Eugenia area has also 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 Gold Mine 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.

Detailed review was undertaken during the period to better understand the deposit but particularly to determine the near mine exploration potential and the wider region.

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. 25,000oz 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 (Refer Table 1 on page 22). It is clear from the review work undertaken that further exploration drilling is required to ascertain the depth and strike extent of the deeper high grade lode identified in the remaining resources.

Review work also 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 younger Mid-Tertiary cover units (Suttor Formation), 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 of deep RAB drilling and eventual discovery.

Regionally, 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 and all within EPM 15902. The trend of the corridor has only been tested by broad-spaced vertical shallow RAB drilling for a one kilometre strike extent immediately northwest and southeast of the Glen Eva pit. Review work 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 shallow 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.

Further, since the discovery and mining of Glen Eva, detailed helimagnetics was acquired (1998) which clearly shows the strong NW structural linears, cross faulting and in places strong zones of dilation and associated magnetic depletion. This importantly opens up the scope for better defining areas for focused rather than blanket sampling and broad drilling.

Work is progressing to synthesize all previous exploration coverage/results with the helimagnetics 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 IRGS Prospect**

The Sullivans Prospect is located 6km south of Mt Coolon. Three subsequent drill campaigns totaling 31 holes confirm the surface geochemistry and define the mineralisation to date. The style of mineralisation is confirmed to be Intrusion-related gold and not epithermal style gold which is typical of the area and region.

Infrared spectral mineral/alteration analysis (PSM3500) and interpretation on 6 key drill holes was completed during the period. 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.

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 for petrographic (thin section) and mineragraphic (polished sample) description and identification. Work also continued on updating the wider 3D mineralisation envelope and metal zoning models based on the outcomes of the spectral analyses. Further analysis, testwork and modeling is planned.

### **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 Natural Resources and Mines 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.

### **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 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 raising \$180,000 from its directors or their nominees.

On 9 February 2015 the Company announced the signing of a binding Share Sale Agreement (Share Sale Agreement) with GBM Resources Limited whereby GBM Resources Limited is to acquire a 100% interest in all of the issued capital of Mt Coolon Gold Mines Pty Ltd for the consideration of \$850,000 and the issue and allotment of 50 million fully paid ordinary shares in the capital of GBM.

On 23 February 2015 the Company announced a Notice of General Meeting to be held on 26 March 2015 for the shareholder to consider the sale by the Company of all its shares in Mt Coolon Gold Mines Pty Ltd to GBM Resources Limited.

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

### **Auditor's independence declaration**

The auditor's independence declaration is included on page 8 of the Half-Year Financial Report.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors.

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

Eduard Eshuys  
Executive Chairman

Brisbane, 16 March 2015

The Board of Directors  
Drummond Gold Limited  
27 General Macarthur Road  
REDBANK QLD 4301

16 March 2015

Dear Board Members

**Drummond Gold Limited**

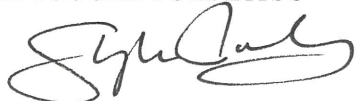
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Drummond Gold Limited.

As lead audit partner for the review of the financial statements of Drummond Gold Limited for the financial half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU



Stephen Tarling  
Partner  
Chartered Accountants



## **Independent Auditor's Review Report to the Members of Drummond Gold Limited**

We have reviewed the accompanying half-year financial report of Drummond Gold Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 21.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Drummond Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Drummond Gold Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Drummond Gold Limited is not in accordance with the *Corporations Act 2001*, including:

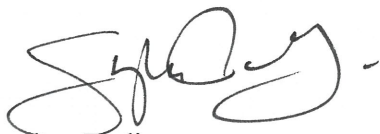
- (a) giving a true and fair view of consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## *Material Uncertainty Regarding Continuation as a Going Concern*

Without modifying our conclusion, we draw attention to Note 1(c) in the half-year financial report which indicates that the consolidated entity incurred net cash outflows of \$94,512 and a net loss of \$746,080 during the half-year ended 31 December 2014. These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Stephen Tarling

Partner

Chartered Accountants

Brisbane, 16 March 2015

## **Directors' declaration**

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 305(5) of the Corporations Act 2001.

On behalf of the Directors.

A handwritten signature in black ink, appearing to read 'E. Eshuys', with a long horizontal stroke extending to the right.

Eduard Eshuys  
Executive Chairman

Brisbane, 16 March 2015

**Drummond Gold Limited and controlled entities**

Condensed consolidated statement of profit or loss and other comprehensive income

**Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2014**

	Note	Consolidated	
		Half-year ended	
		31 Dec 2014	31 Dec 2013
		\$	\$
<b>Continuing operations</b>			
Revenue			
Interest income		1,339	750
Administration and other expenses		(84,175)	(120,114)
Consulting and contractor expenses		(85,620)	(114,399)
Depreciation of non-current assets		(27,909)	(35,815)
Directors' fees		(28,333)	(35,000)
Employee benefits expenses		-	(18,582)
Exploration and evaluation expenditure written off		(508,273)	(1,147)
Finance costs		(200)	(502)
Property rental and occupancy expenses		(9,895)	(28,057)
<b>Loss before income tax benefit</b>		<b>(743,066)</b>	<b>(352,866)</b>
Income tax (expense)/benefit		(3,014)	1,715
<b>Loss for the period</b>		<b>(746,080)</b>	<b>(351,151)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit and loss</i>		-	-
<b>Total comprehensive loss for the period</b>		<b>(746,080)</b>	<b>(351,151)</b>
<b>Total loss for the period</b>		<b>(746,080)</b>	<b>(351,151)</b>
<b>Loss per share</b>			
Basic (cents per share)	10	(0.16)	(0.12)
Diluted (cents per share)	10	(0.16)	(0.12)

Notes to the condensed consolidated financial statements are included on pages 16 to 21.

## Condensed consolidated statement of financial position as at 31 December 2014

	Note	Consolidated	
		Half-year ended	
		31 Dec 2014	30 June 2014
		\$	\$
<b>Current assets</b>			
Cash and cash balances		147,188	241,700
Current tax assets		-	271,784
Trade and other receivables		42,639	12,948
		189,827	526,432
Assets classified as held for sale	5	2,271,270	-
<b>Total current assets</b>		<b>2,461,097</b>	<b>526,432</b>
<b>Non-current assets</b>			
Trade and other receivables		-	371,183
Property, plant and equipment		68,868	245,907
Exploration and evaluation assets	6	-	2,000,000
<b>Total non-current assets</b>		<b>68,868</b>	<b>2,617,080</b>
<b>Total assets</b>		<b>2,529,965</b>	<b>3,143,522</b>
<b>Current liabilities</b>			
Trade and other payables		298,159	343,656
Provisions		7,877	7,877
		306,036	351,533
Liabilities directly associated with assets classified as held for sale	5	471,054	-
<b>Total current liabilities</b>		<b>777,090</b>	<b>351,553</b>
<b>Non-current liabilities</b>			
Provisions		-	471,054
<b>Total non-current liabilities</b>		<b>-</b>	<b>471,054</b>
<b>Total liabilities</b>		<b>777,090</b>	<b>822,587</b>
<b>Net assets</b>		<b>1,752,875</b>	<b>2,320,935</b>
<b>Equity</b>			
Issued capital	7	20,204,243	20,026,223
Reserves	8	300,652	300,652
Accumulated losses	9	(18,752,020)	(18,005,940)
<b>Total equity</b>		<b>1,752,875</b>	<b>2,320,935</b>

Notes to the condensed consolidated financial statements are included on pages 16 to 21.

**Condensed consolidated statement of changes in equity  
for the half-year ended 31 December 2014**

	Fully paid ordinary shares	Accumulated losses	Option premium reserve	Total
	\$	\$	\$	\$
<b>Consolidated</b>				
Balance at 1 July 2013	19,581,001	(13,373,430)	300,652	6,508,223
Loss for the half-year	-	(351,151)	-	(351,151)
<b>Total comprehensive income</b>	-	(351,151)	-	(351,151)
Issue of shares	480,000	-	-	480,000
Share issue costs	(34,778)	-	-	(34,778)
<b>Balance at 31 December 2013</b>	<b>20,026,223</b>	<b>(13,724,581)</b>	<b>300,652</b>	<b>6,602,294</b>
Balance at 1 July 2014	<b>20,026,223</b>	<b>(18,005,940)</b>	<b>300,652</b>	<b>2,320,935</b>
Loss for the half-year	-	<b>(746,080)</b>	-	<b>(746,080)</b>
<b>Total comprehensive income</b>	-	<b>(746,080)</b>	-	<b>(746,080)</b>
Issue of shares	<b>180,000</b>	-	-	<b>180,000</b>
Share issue costs	<b>(1,980)</b>	-	-	<b>(1,980)</b>
<b>Balance at 31 December 2014</b>	<b>20,204,243</b>	<b>(18,752,020)</b>	<b>300,652</b>	<b>1,752,875</b>

Notes to the condensed consolidated financial statements are included on pages 16 to 21.

## Condensed consolidated statement of cash flows for the half-year ended 31 December 2014

	<b>Consolidated</b>	
	<b>Half-year ended</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Research and development tax refunds	268,770	-
Payments to suppliers and employees	(232,016)	(208,974)
Interest and other costs of finance paid	(200)	(502)
<b>Net cash generated/(used) in operating activities</b>	<b>36,554</b>	<b>(209,476)</b>
<b>Cash flows from investing activities</b>		
Interest received	1,224	628
Proceeds from security deposits	-	10,911
Proceeds from contract deposit	50,000	-
Payments for exploration and evaluation costs	(360,310)	(238,682)
<b>Net cash used in investing activities</b>	<b>(309,086)</b>	<b>(227,143)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity securities	180,000	380,000
Payments for share issue costs	(1,980)	(29,745)
<b>Net cash generated from financing activities</b>	<b>178,020</b>	<b>350,255</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(94,512)</b>	<b>(86,364)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>241,700</b>	<b>169,612</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>147,188</b>	<b>83,248</b>

Notes to the condensed consolidated financial statements are included on pages 16 to 21.

**Notes to the condensed consolidated financial statements  
for the half-year ended 31 December 2014**

<b>Note</b>	<b>Contents</b>	<b>Page No.</b>
1	Significant accounting policies	17
2	Segment information	19
3	Critical accounting judgement	19
4	Results for the period	19
5	Assets and liabilities classified as held for sale	19
6	Exploration and evaluation assets	20
7	Issued capital	20
8	Reserves	20
9	Accumulated losses	20
10	Loss per share	20
11	Information in relation to mining tenements	21
12	Dividends	21
13	Subsequent events	21



## 1. Significant accounting policies

### (a) Statement of compliance

The Half-Year Financial Report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 "Interim Financial Reporting". The Half-Year Financial Report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent financial report.

### (b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of adoption in the preparation of the Half-Year Financial Report are consistent with those adopted and disclosed in the Company's 2014 Annual Financial Report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 'Materiality' (2013)
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
  - Part C: 'Materiality'

#### **Impact of the application of AASB 1031 'Materiality' (2013)**

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

#### **Impact of the application of AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'**

The Group has applied the amendments to AASB 136 for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.

The application of these amendments does not have any material impact on the disclosures in the Group's condensed consolidated financial statements.

#### **Impact of the application of AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'**

This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

#### **Impact of the application of AASB 2014-1 'Amendments to Australian Accounting Standards' Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycle'**

The Annual Improvements 2010-2012 Cycle include a number of amendments to various AASBs, which are summarised below.

The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the

scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The 'Annual Improvements 2011-2013 Cycle' include a number of amendments to various AASBs, which are summarised below. The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.

The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of AASB 140; and
- (b) the transaction meets the definition of a business combination under AASB 3.

### **Part C – 'Materiality'**

This amending standard makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031, which historically have been referenced in each Australian Accounting Standard. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

### **(c) Going concern**

The Half Year Financial Report has been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The consolidated entity had net cash outflows of \$94,512 during the half year ended 31 December 2014 and held a cash balance of \$147,188 as at that date. The consolidated entity generated a net loss of \$746,080 during the half year ended 31 December 2014.

During the half year ended 31 December 2014 and the period to the date of this report the directors have taken steps to ensure the consolidated entity continues as a going concern including the following:

- Completion of a share placement of 60,000,000 fully paid ordinary shares at an issue price of \$0.003 (0.3 cents) per share raising a total of \$180,000 from parties related to the Directors;
- Negotiated the potential sale of Mt Coolon Gold Mines Pty Ltd to GBM Resources Limited for cash consideration of \$850,000 and 50 million shares in GBM Resources Limited; and
- Prepared cash flow forecasts and budgets used to tightly control expenditure and cash outgoings of the consolidated entity enabling a reduction of administration costs.

Notwithstanding the above initiatives, the ability of the consolidated entity to continue as a going concern is dependent upon the successful completion of the sale of Mt Coolon Gold Mines Pty Ltd to GBM Resources Limited which is subject to shareholder approval, regulatory approval and satisfactory completion of financial due diligence by GBM Resources Limited.

The directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances as they believe that the sale of Mt Coolon Gold Mines Pty Ltd to GBM Resources Limited is likely to complete successfully in the short term. However, if the consolidated entity is unable to successfully complete the sale of Mt Coolon

Gold Mines, then there is significant uncertainty as to whether the consolidated entity can continue as a going concern. Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The Half Year Financial Report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern.

## **2. Segment information**

The Group operates predominately in one business segment being the evaluation and exploration of mineral deposits in the Drummond Basin Queensland.

## **3. Critical accounting judgments**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

### **Fair value measurement for assets and liabilities held for sale**

The management has determined that the assets and liabilities of Mt Coolon Gold Mines Pty Ltd (MCGM) falls under the definition of a Disposal Group being defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

The Directors have determined that the carrying value of the assets and liabilities held sale to be \$1,800,216 has been measured at fair value less cost to sell. It has determined that the fair value received under the share sale agreement is \$1,850,000 made up of \$850,000 cash consideration and 50,000,000 shares in the capital of GBM Resources Limited at a market price of 2 cents per share and the transaction cost to be \$49,784.

## **4. Results for the period**

The Group recorded a net loss after tax of \$746,080 for the half-year ended 31 December 2014 (31 December 2013: net loss of \$351,151).

## **5. Assets classified as held for sale**

	<b>31 Dec 2014</b>	<b>30 June 2014</b>
	<b>\$</b>	<b>\$</b>
Assets related to the sale of Mt Coolon Gold Mines Pty Ltd (i)	<b>2,271,270</b>	-
Liabilities related to the sale of Mt Coolon Gold Mines Pty Ltd (i)	<b>471,054</b>	-
Amounts recognised directly in equity associated with assets held for sale	-	-

(i) During the Half Year, the Company had entered into a non-binding memorandum of understanding for the sale its wholly owned subsidiary Mt Coolon Gold Mines Pty Ltd to GBM Resources Limited. This decision to consider the sale of Mt Coolon Gold Mines Pty Ltd as an asset classified as held for sale is in line with the Company's strategy to joint venture or sell its Mount Coolon Tenements. Consequently the assets and liabilities of Mount Coolon Gold Mines Pty Ltd that were subject to the proposed sale have been classified a part of a disposal group with the assets classified as assets held for sale and the liabilities classified as liabilities directly associated with assets classified as held for sale.

The carrying value of the disposal group of \$1,800,216 has been measured at fair value less cost to sell. The fair value of the disposal group has been assessed to be \$1,850,000 made up of a total sale consideration of \$850,000 and 50 million shares in GBM Resources Limited. The cost to sell has been estimated to be \$49,784. During the Half Year the consolidated entity made a write down of \$556,306 of its exploration assets that form part of the assets held for sale. The carrying amounts of assets and liabilities in the disposal group may be analysed as follows:

	<b>31 Dec 2014</b>	<b>30 June 2014</b>
	<b>\$</b>	<b>\$</b>
Assets classified as held for sale		-
Security deposits	<b>371,183</b>	-
Interest receivable	<b>957</b>	-
Property Plant and Equipment	<b>149,130</b>	-
Exploration and Evaluation Assets	<b>1,750,000</b>	-
Total assets classified as held for sale	<b>2,271,270</b>	-

**5. Assets classified as held for sale (cont'd)**

	31 Dec 2014 \$	30 June 2014 \$
Liabilities directly associated with assets classified as held for sale		-
Provision for rehabilitation	396,054	-
Provision for landowner work	75,000	-
Total liabilities directly associated with assets classified as held for sale	471,054	-
Net assets of Mt Coolon Gold Mines Pty Ltd subsidiary as held for sale	1,800,216	-

**6. Exploration and evaluation assets**

	31 Dec 2014 \$	30 June 2014 \$
Balance at the beginning of the period (i)	2,000,000	5,879,972
Exploration expenditure incurred during the financial period (i)	258,273	405,455
Accumulated write off/ impairment (ii)	(508,273)	(4,285,427)
	1,750,000	2,000,000
Less transfer to assets classified as held for sale	(1,750,000)	-
Net book value at end of period (i)	-	2,000,000

(i) The above amounts represent capitalised costs of exploration areas of interest carried forward as an asset. The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value.

(ii) A net write off totalling \$508,273 (June 2014: \$4,285,427) was made against the carrying value of some of the tenements.

**7. Issued capital**

	31 Dec 2014 \$	30 June 2014 \$
Balance at the beginning of the financial year	20,026,223	19,581,001
Issue of shares under private placements	-	380,000
Issue of shares to directors and chairman in lieu of payment	-	100,000
Issue of shares to directors under private placements	180,000	-
Share issue costs	(1,980)	(34,778)
Balance at the end of the financial period	20,204,243	20,026,223

**8. Reserves**

	31 Dec 2014 \$	30 June 2014 \$
Option premium reserve	300,652	300,652

**9. Accumulated losses**

	31 Dec 2014 \$	30 June 2014 \$
Balance at the beginning of financial period	18,005,940	13,373,430
Net loss for the period	746,080	4,632,510
Balance at the end of the financial period	18,752,020	18,005,940

**10. Loss per share**

	Half-year 31 Dec 2014 cents per Share	Half-year 31 Dec 2013 cents per share
<b>Basic loss cents per share</b>		
From continuing operations	0.16	0.12
Total basic loss per share	0.16	0.12

# 10. Loss per share (cont'd)

	Half-year 31 Dec 2014 cents per Share	Half-year 31 Dec 2013 cents per share
<b>Diluted loss cents per share</b>		
From continuing operations	0.16	0.12
Total diluted loss per share	0.16	0.12

The net loss and weighted average number of ordinary shares used in the calculation of the basic loss per share and diluted loss per share are as follows:-

	Half-year 31 Dec 2014 \$	Half-year 31 Dec 2013 \$
Net Loss	746,080	351,151
Net Loss used in the calculation of the basic loss per share and diluted loss per share from operations	746,080	351,151

Weighted average number of fully paid ordinary shares used for the purposes of calculating the loss per share and diluted loss per share.

	Half-year 31 Dec 2014 Number	Half-year 31 Dec 2013 Number
	462,956,401	299,021,975

# 11. Information in relation to mining tenements

## Exploration outlays

The possibility of Native Title claim applications at some future time, under the provisions of the Native Title Act (1993) and negotiations with land owners, may affect access to and tenure of exploration tenements. Any substantial claim may have an effect on the value of the tenement affected by the claim or negotiations. No provision has been made in the accounts for the possibility of a Native Title claim application.

In order to maintain current rights to tenure of exploration tenements, the Group will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure requirements. It is likely that variations to the terms of the current and future tenement holdings, the granting of new tenements and changes at renewal or expiry, will change the expenditure commitments for the Group from time to time.

The expected outlays which can be extinguished at any time which arise in relation to tenements inclusive are as follows:-

	31 Dec 2014 \$	30 June 2014 \$
Not longer than 1 year	512,463	660,000
Longer than 1 year and not longer than 5 years	2,635,000	1,248,635
Total	3,147,463	1,908,635

# 12. Dividends

There were no dividends paid or proposed during the current or previous financial period.

# 13. Subsequent Event

On 9 February 2015 the Company announced the signing of a binding Share Sale Agreement (Share Sale Agreement) with GBM Resources Limited whereby GBM Resources Limited is to acquire a 100% interest in all of the issued capital of Mt Coolon Gold Mines Pty Ltd for the consideration of \$850,000 and the issue and allotment of 50 million fully paid ordinary shares in the capital of GBM.

On 23 February 2015 the Company announced a Notice of General Meeting to be held on 26 March 2015 for the shareholder to consider the sale by the Company of all its shares in Mt Coolon Gold Mines Pty Ltd to GBM Resources Limited.

## Unaudited additional information

### Resources

**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	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 29<sup>th</sup> July 2009, and, Amendments to June Quarterly Activities Report 2009, also dated 29<sup>th</sup> 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 30<sup>th</sup> 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.