

7 March 2012

## DRUMMOND TO PARTICIPATE IN THE APEX MINERALS NL TURNAROUND

Drummond Gold Limited (**Drummond or the Company**) is pleased to announce that Apex Minerals NL (**Apex**) is undertaking a conditionally underwritten renounceable rights issue to raise up to \$22.2 million (**Apex Rights Issue**) as part of a turnaround strategy which proposes the appointment of Drummond's Directors on the Apex Board to help re-establish Apex as a sustainable Australian gold producer.

The key asset of Apex is the Wiluna Mine, Western Australia, which has past total production of approximately 4 million ounces gold. Apex produced 9,726 ounces at a cash cost of \$1,696 per ounce during the December 2011 quarter and for the past twelve months produced 52,089 ounces at a cash cost of \$1,509 per ounce.

The new Apex Board will consist of Mr. Eduard Eshuys as Executive Chairman and Mr. Ross Hutton and Mr. Brice Mutton as Non-Executive Directors (**Proposed Directors**) out of a total of five directors. The Proposed Directors have substantial experience across a wide range of mining and particularly underground operations. The new Apex Board will be supported by the appointment of Mr. Michael Ilett as Company Secretary and the provision of exploration services on a consultancy basis by Drummond. These appointments are subject to the passing of certain resolutions at the Apex General Meeting of Shareholders, Apex closing the Apex Rights Issue and a minimum rising of \$20 million.

Apex will pay Drummond an arrangement fee of \$350,000 within seven days following the raising of the funds received under the Apex Rights Issue. This amount will be refundable in the event that the conditions for the appointment of the Proposed Directors to Apex's Board are not satisfied. Drummond has agreed to sub-underwrite \$250,000 in the Apex Rights Issue representing 125 million shares at an issue price of \$0.002 per share from the proceeds of the arrangement fee.

In return for Drummond's role in facilitating the Board and management changes, Drummond will also receive 1,000,000,000 Options from Apex. The issue of the Options is conditional upon certain resolutions being passed at the Apex General Meeting of Shareholders, Apex closing the Apex Rights Issue and raising a minimum of \$20 million.

The expiry dates, exercise prices, and vesting conditions of the 1,000,000,000 Options to be issued to Drummond by Apex are set out in the table below:-

Number of options	Expiry Date	Exercise Price	Vesting Conditions
225,000,000	5.00pm (WST) on the date that is 3 years from the date of issue	0.3 cents	None
200,000,000	5.00pm (WST) on the date that is 3 years from the date of issue	0.45 cents	None
200,000,000	5.00pm (WST) on the date that is 3 years from the date of issue	0.6 cents	None
375,000,000	5.00pm (WST) on the date that is 5 years from the date of issue	0.8 cents	These options will vest if and only if Apex produces at least 100,000 ounces of gold at a cash cost (as reported in the Apex 2014 Annual Financial Report) of less than A\$1,100 per ounce in the financial year 2013-2014.

Mr. Eduard Eshuys, upon his appointment to the Board, will be issued with 600,000,000 Options in Apex as part of his executive services contract which is conditional on certain resolutions being passed at the Apex General Meeting of Shareholders, Apex closing the Apex Rights Issue and Apex raising a minimum of \$20 million.

The expiry dates, exercise prices, and vesting conditions of the 600,000,000 Options to be issued by Apex to Mr. Eduard Eshuys are set out in the table below:-

Number of options	Expiry Date	Exercise Price	Vesting Conditions
150,000,000	5.00pm (WST) on the date that is 3 years from the date of issue	0.3 cents	None
150,000,000	5.00pm (WST) on the date that is 3 years from the date of issue	0.45 cents	None
75,000,000	5.00pm (WST) on the date that is 3 years from the date of issue	0.6 cents	None
225,000,000	5.00pm (WST) on the date that is 5 years from the date of issue	0.8 cents	These options will vest if and only if Apex produces at least 100,000 ounces of gold at a cash cost (as reported in the Apex 2014 Annual Financial Report) of less than A\$1,100 per ounce in the financial year 2013-2014.

The Apex shareholders will also be asked to consider a resolution that the issued capital of Apex be consolidated on the basis that every one hundred (100) shares be consolidated into one (1) share. If the resolution is passed the Options will be reduced by a multiple of 100 and the exercise prices of Options will be increased by a multiple of 100.

Additional industry experienced managers have been identified by the Proposed Directors to strengthen the current management team and support the Apex Board. The management appointments are expected to include a general manager of operations, a resident manager, commercial manager and metallurgical consultants.

It is proposed that the use of the funds raised by Apex will be as follows:-

	\$
Underground development	5,000,000
Development drilling	3,000,000
Exploration drilling	2,000,000
Corporate and operations	2,000,000
Reduction of Creditors	4,800,000
Director's termination payments	720,000
Payment to Drummond	350,000
Working Capital	2,801,033
Expenses of the Offer	1,528,967
Total (net of capital raising fees)	<u>22,200,000</u>

The Apex turnaround will allow Drummond to reduce its overall operating costs through the receipt of the arrangement fee and consultancy fees. The proposed receipt of Apex Options will allow Drummond to participate in the future of Apex Minerals NL in the event that the turnaround strategy is successful.

Yours faithfully



**EDUARD ESHUYS**  
**EXECUTIVE CHAIRMAN**