Drummond Gold Limited
ABN 96 124 562 849

Annual Report for the financial year ended 30 June 2014

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Corporate Governance Statement

The Board of directors of Drummond Gold Limited ("the Company") is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council ("CGC") Second Edition of Corporate Governance Principles and Recommendations and published guidelines relating to the eight core corporate governance principles (the Principles) and recommendations. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders.

The following table summarises the Company's compliance with the CGC recommendations and states whether the Company has complied with each recommendation. Where the Company considered it was not appropriate to comply with a particular recommendation the reasons are set out in the notes relating to the relevant Principle referred to in the table.

Recommendation	**Comply Yes/No**	**Refer Page No.**
Principle 1 – Lay solid foundations for management and oversight		
1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	4
1.2: Companies should disclose the process for evaluating the performance of senior executives.	Yes	4
1.3: Companies should provide the information including departure from recommendations and whether performance appraisals took place and in accordance with the process disclosed.	Yes	4
Principle 2 – Structure the board to add value		
2.1: A majority of the board should be independent directors.	No	5
2.2: The chair should be an independent director.	No	5
2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	No	5
2.4: The board should establish a nomination committee.	Yes	5
2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	Yes	5
2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	6
Principle 3 – Promote ethical and responsible decision-making		
3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes Yes Yes	6
3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to asses annually both the objectives and progress in achieving them.	Yes	6
3.3: Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	6
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	6
3.5 Companies should provide an explanation of any departures from Recommendations 3.1 to 3.5 in the corporate governance statement in the annual report.	Yes	6
Principle 4 – Safeguard integrity in financial reporting		
4.1: The board should establish an audit committee.	Yes	6
4.2: The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	 Yes No No No	6
4.3: The audit committee should have a formal charter	Yes	7
4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	7
Principle 5 – Make timely and balanced disclosure		
5.1: Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	7
5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	7
Principle 6 – Respect the rights of shareholders		
6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	7

Recommendation	**Comply Yes/No**	**Refer Page No.**
6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	7
Principle 7 – Recognise and manage risk		
7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	7
7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	7
7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	8
7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	8
Principle 8 – Remunerate fairly and responsibly		
8.1: The board should establish a remuneration committee.	Yes	8
8.2: The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair, and • have at least three members.	 No No Yes	 8 8 8
8.3: The Company should clearly distinguish the structure of Non-Executive directors' remuneration from that of executive directors and senior executives.	Yes	8
8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	8

Corporate Governance Documents including the Corporate Governance Statement, Board Charter, Audit Committee Charter, and Remuneration and Nomination Committee Charter, Risk Management Policy, Communications Policy, Code of Conduct Policy and Ethics Policy are publicly available and can be found in the Corporate Governance section of the Company's website at www.drummondgold.com.au

Principle 1 – Lay solid foundations for management and oversight

The Board Charter clearly defines the respective roles and responsibilities of the Board and establishes functions that are reserved to the Board and functions delegated to senior executives. The responsibilities for the operation and administration of the Company have been delegated by the Board to the Chairman and the executive management team.

The Board has a number of responsibilities including input into the development of the Company's corporate strategy, understanding and monitoring the budget and identifying areas of material business risk and ensuring arrangements are in place to adequately manage those risks. The Company has established functions reserved to the Board and matters delegated to senior executives which are outlined in the Board Charter and other corporate governance documents which are publicly available on the Company's website.

Even though the Board is responsible for guiding and monitoring the Group, the Audit Committee, and Remuneration and Nomination Committee provides focus on particular areas of responsibility and reports to the Board. Overall risk management roles and responsibilities have been identified in the Risk Management Policy which is publicly available on the Company's website.

The existing directors have been provided with a formal letter of appointment that sets out the terms and conditions of their appointment, any special duties attaching to their position, details of their duties, functions and responsibilities, company policies on dealing with conflicts of interest, trading securities, access to professional advice and relevant company records. The directors are required to adhere to the Code of Conduct Policy and Ethics Policy which has been made publicly available on the Company's web site. All existing directors have entered into a director's disclosure deed with the Company that requires directors to provide the Company with the information required to be disclosed in relation to the trading of securities.

There are procedures in place for directors to seek independent professional advice at the expense of the Company. Individual directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings to fulfill their duties and responsibilities as directors. The engagement of an outside adviser by individual director is subject to the prior approval of the Board, which will not be unreasonably withheld.

The directors are subject to re-election by shareholders. All directors, apart from the Executive Chairman, are subject to re-election by rotation within every two years. The Company's Constitution provides that one-third of the directors retire by rotation each Annual General Meeting (AGM). Those directors who are retiring may submit themselves for re-election by shareholders, including any director appointed to fill a casual vacancy or recruited since the date of the last AGM.

The Remuneration and Nomination Committee has been established to review the performance of senior management against a formalised set of qualitative performance criteria. Formal performance evaluations are completed from time to time with the next performance evaluation due on the December quarter.. The Remuneration and Nomination Committee reports its findings from the performance evaluation to the Board. The performance criteria for evaluating senior management are aligned with objectives of the Company. The Remuneration and Nomination Committee conducts performance evaluations of the Executive Chairman, Non Executive Directors and the Company Secretary against the formalised performance criteria.

Principle 2 – Structure the Board to add value

The skills, expertise and experience relevant to each position of director in office at the date of the Annual Report are included in the Directors' Report. The directors are considered to be independent when they are independent of management and free from any business or relationship that could interfere with or reasonably interfere with their independent judgement.

In the context of director independence, "Materiality" is considered from both the consolidated entity and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 5% of the appropriate base amount. Qualitative factors considered in determining "Materiality" include previous employment by the Company, shares held in the Company and any previous contractual and other relationships that the director has held with the Company.

In accordance with the concept of independence outlined above, the Board has considered the independence of directors as follows:

Name of Director	Position	Independent/Non Independent	Date of Appointment
Mr. E. Eshuys	Chairman	Not independent as employed in executive capacity by the Company.	15 July 2010
Mr. B. K. Mutton	Executive director	Not independent as previously employed in executive capacity by the Company.	5 April 2007
Mr. R. C. Hutton	Non-executive director	Not independent as is a substantial shareholder of the Company.	5 April 2007
Mr. M. J. Ilett	Alternate director for Mr. R. C. Hutton	Not independent as contracted in an executive capacity.	22 April 2009

The Company does not have any independent directors. The Board consists of two non-executive director (excluding the alternate director) and one executive director.. The Board does not believe that it is warranted to have a majority of independent directors due to the Company's size and its current focus on exploration and development of exploration tenements and acquisition of new tenements.

Mr. E. Eshuys, as the Executive Chairman, is not considered to be an independent director as he acts in the role as the Chief Executive Officer. The Board believes that Mr. E. Eshuys is the most appropriate person to lead the Board and recognises his current and past leadership and exploration experience. Due to the size of the Company, its operations and the focus on the development of its mining and exploration tenements, the Board does not believe that it is warranted for the Chairman to be an independent director and the roles of the Chairman and Chief Executive Officer to be exercised by two different individuals.

The Board must ensure that any candidate applying to be a Director has the appropriate range of skills, expertise and experience that will complement the Board. The Company recognises the importance of Non-Executive Directors to add value to the Board. Any director's appointment will require the Board to consider a mix of skills including diversity, leadership, technical expertise, corporate and governance experience, interpersonal communication, management skills, exploration and mining experience, reputation, qualifications, specific requirements of the Company at the time and the additional skills that can be added by the individual to the Board. The appointment procedures are outlined in the Diversity Policy and Remuneration and Nomination Committee Charter which are publicly available on the Company's website at www.drummondgold.com.au .

The Company has formed a Remuneration and Nomination Committee to assess the skills, performance and remuneration of existing directors, Board performance and set criteria for the appointment and removal of directors. The Remuneration and Nomination Committee does not consist of a majority of independent directors. Due to the current size, nature and complexity of the Company's operations, the Remuneration and Nomination Committee comprises of only three members being Mr. R. C. Hutton as Chairman and Mr. E Eshuys and Mr. B. Mutton as members.

The Company has developed a formal board evaluation, committee and director's performance evaluation process. The performance evaluation of the Board, its committees and directors takes place in accordance with this process. During the performance evaluation process the Board completes an extensive board evaluation questionnaire and provides feedback on individual director and Board performance. The results of the evaluations are provided to the Remuneration and Nomination Committee and the Board for consideration.

The Remuneration and Nomination Committee provides for the evaluation of its own performance from time to time. The Charter provides details of the process for determining the composition of the Board, re-election of existing directors and the appointment of new candidates for directors.

Any Director of the Company is entitled to access independent legal, financial or other advice as they consider necessary at the reasonable expense of the Company or any matter connected with the discharge of responsibilities. Where appropriate a copy of this advice is to be made available to all other members of the Board.

The details of the skills, experience and expertise relevant to the position of director can be found in the Directors' Report. Information regarding the director's attendance at meetings of the Remuneration and Nomination Committee can also be found in the Directors' Report. The term of office held by each Director at the date of this Annual Report is set out in the Directors' Report section of the Annual Report.

Principle 3 – Promote ethical and responsible decision-making

The Company endeavours to foster a culture requiring that the directors and officers act with the utmost integrity, objectivity and in compliance with the spirit of the law and Company policies.

The Code of Conduct Policy and Ethics Policy provides practices necessary to maintain confidence in the Company's integrity practices necessary to take into account legal obligations and reasonable expectations of stakeholders and outlines the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct and Ethics Policy also outlines the policy concerning trading in its securities by directors, senior executives and other employees. The Company has taken reasonable steps to ensure compliance with the share trading policy. Directors, officers, senior executives and certain employees are required to advise the Chairman of their intentions prior to undertaking any transaction in the Company's securities. If a Director, officer, senior executive and employee is considered to hold material non-public information, they will be precluded from making a security transaction until that information has become publicly available. The trading policy also precludes Directors and Senior Management from trading in the Company's securities during the period from when the books are closed until the next day after the release of the financial results.

Details of the policy concerning the trading of securities, terms of code of conduct and ethics can be found in the Code of Conduct Policy and Ethics Policy which is publicly available in the Corporate Governance section of Company's website at www.drummondgold.com.au .

The Company had adopted a Diversity Policy and is committed to developing diversity in its workplace to assist the Company to meet its goals and objectivities by providing an environment whereby appointments, advancement and opportunities are considered on a fair and equitable basis. The Company is committed to promoting a corporate culture which embraces diversity when determining the composition of the Board, senior management and employees and considered during its recruitment and selection process. Due to the current size and scale of operations, the Company is unable to comply with the recommendation to assess the measurable objectives for achieving gender diversity and for the board to asses annually both the objectives and progress in achieving them. Further due to the current scale and size of operations the Company is unable to comply with recommendation 3.3 that requires companies to disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the gender diversity and the progress towards achieving them.

The Company will ensure that recruitment and selection decisions are based on the principle of merit, skills and qualifications and regardless of age, gender, nationality, cultural background or any other factor not relevant to the position. Past skills and experience in the mining and exploration industries will be a key determinant in the selection process. The Diversity Policy is publicly available in the Corporate Governance section of Company's website at www.drummondgold.com.au .

The percentage of women in the whole organisation as a whole organisation, senior management, and the Board are as follows:-

Whole organisation 25%
Senior Management Nil
Board Nil

Principle 4 – Safeguard integrity in financial reporting

The Company has established an Audit Committee which operates under a Charter approved by the Board. The Audit Committee comprises of only two non-executive directors being Mr. R. C. Hutton (Chairman of the Audit Committee) and Mr. B. K. Mutton as a member. Mr. R. C. Hutton and Mr. B. K. Mutton are not considered to be independent. Details of the qualifications of those appointed to the Audit Committee, their attendance at Audit Committee meetings and the number of meetings of the Audit Committee are contained in the Directors' Report.

The membership of the audit committee is a departure from Best Practice Recommendation 4.2 that requires that the Audit Committee consist of a majority of independent directors, chaired by an independent director and has at least three members. Due to the size, nature and level of complexity of the Company, the Board does not believe that it is necessary to have a majority of independent directors on the Audit Committee, that the chairman is an independent director and that the Audit Committee should consist of at least three members.

The Audit Committee through its own investigations and in consultation with its external auditors ensures that the Company has met the ASX guidelines regarding the selection, appointment of the external auditor and the rotation of external audit engagement partners. Details of the procedures for the engagement of the external auditor can be found in the Code of Conduct Policy and Ethics Policy. The Audit Committee Charter is publicly available on the Company's website at www.drummondgold.com.au .

Principle 5 – Make timely and balanced disclosure

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities is undertaken in an efficient, competitive and informed market. There are written policies and procedures in place to ensure compliance with ASX listing rule disclosure requirements and accountability at a senior executive level for that compliance. The directors and senior management are made aware of their disclosure requirements and obligations. Details of the continuous disclosure policy can be found in the Code of Conduct Policy and Ethics Policy which is publicly available on the Company's website at www.drummondgold.com.au .

The Directors' Report of this Annual Report contains a review of operations of the Company.

Principle 6 – Respect the rights of shareholders

The Company has designed a Communications Policy for promoting effective communication with shareholders and encouraging shareholder participation at Annual General Meetings of members.

Shareholder Communications Policy
The Company believes that the promotion of effective communication with its shareholders at all times is integral to ensuring the Company respects the rights of its shareholders.

Drummond Gold Limited is committed to:-

- Communicating effectively with its shareholders and ensuring that it is easy for shareholders to communicate with the Company;
- Complying with its continuous disclosure obligations applicable to the ASX listing rules and other regulators;
- Ensuring that the shareholders and other stakeholders are provided with timely and full information about the Company's activities.

To promote effective communications with shareholders and to encourage participation by shareholders the Company ensures that information is communicated to its shareholders through:-

- An email based communications system;
- Posting information on the Company's web site at www.drummondgold.com.au
- The distribution of Notice of Meetings and other information directly to shareholders through letters and other forms of communications;
- Ensuring that auditors are invited to the Annual General Meeting to consider questions regarding the conduct of the audit and the preparation and content of the auditor report;
- Allowing shareholders the opportunity at meetings to discuss resolutions; and
- Ensuring timely release of information to the market through the ASX.

The shareholder communication policy is designed to ensure equal and timely access to information for shareholders.

Principle 7 – Recognise and manage risk

The Company has established policies for the oversight of material business risks and believes that risk management and recognition is integral to the Company meeting its objectives. The Board is responsible for reviewing the Company's policy on risk management and risk oversight. The Audit Committee also separately assesses management of the Company's risks and makes recommendations to the Board.

The Company has designed and implemented a risk management and internal control system to manage the Company's material business risks and report to it on whether the risks are being effectively managed. The Company has reviewed its risk management procedures and considered the "Guide for small-mid market capitalised companies on Principle 7: Recognise and Manage Risk" released under the ASX Markets Supervision Education and Research Program. The Company continues to review its existing risk management procedures, the material business risks affecting the Company and where necessary delegated further responsibilities for those material business risks to senior staff members. The updated risk management system has been designed to effectively manage and report on the consolidated entity's material business risks.

The Company has developed risk management procedures including revised Risk Management Policy, Risk Register, Risk Tolerance Review and a Risk Management Framework which forms the basis of the Company's risk management and internal control system.

The Risk Register has identified risk in the broad categories of operations management, asset management, environment, compliance/financial reporting, strategic management, ethical conduct, reputation, occupational health and safety/human resources, IT/technology, finance/business continuity, tenements/resource statements and stakeholder communications. The Company's material business risks have been identified. A copy of the Risk Management Policy is publicly available on the Company's web site at www.drummondgold.com.au .

The Company has a number of mechanisms in place to ensure that management regularly report on matters relating to risks. During the year, the Board has received reports from management as to the effectiveness of the Company's management of its material business risks. The reports by management to the Board have been provided under the former system of risk management and internal control. The Company has updated its risk management procedures and the Board has recently received reports from management as to the effectiveness of the company's updated system for managing its material business risks.

In accordance with section 259A of the Corporations Act 2001, the Chief Executive Officer and Chief Financial Officer have provided a declaration to the Board that:

- their view provided in the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

It is noted that the assurance from the Executive Chairman and Chief Financial Officer can only be reasonable and not absolute due to the level of judgement required, the limitations of sampling and the difficulty in designing systems to detect all weaknesses in internal control procedures.

Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration and Nomination Committee. The remuneration policies are included in the Remuneration and Nomination Charter which is posted on the Company's website. The Remuneration and Nomination Committee considers the procedures, policies and key performance indicators used to measure the performance of key executives and directors. Any equity based executive remuneration may be made in accordance with thresholds approved by shareholders and be developed over time. The Remuneration and Nomination Committee makes recommendations to the Board on performance and remuneration who is ultimately responsible for reviewing compensation agreements for the directors and the executive management.

Full discussion of the Company's remunerations philosophy and framework and remuneration received by directors and executives and structure in the current financial year is contained in the Remuneration Report section of the Directors' Report. The Directors' Fees reflect the demands that are made on and the responsibilities of the Non-Executive Directors and are reviewed annually. There is no scheme to provide retirement benefits to non-executive directors, except for their entitlement to the nine (9) percent Superannuation Guarantee. Each member of the executive team has signed a formal employment contract at the time of their appointment covering matters including the rights, responsibilities and entitlements on termination. Further details of the structure of the remuneration procedures can be found in the Remuneration and Nomination Committee Charter.

Due to size, nature and complexity of the Company the Remuneration and Nomination Committee does not consist of a majority of independent directors, only has three members including the Chairman of the Company and is chaired by a non executive director who is not an independent director. The Chairman of the Board is not the chairman of the Remuneration and Nomination Committee.

No employee or director of the Company is permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded any equity-based remuneration scheme, or otherwise awarded, or which will be offered by the Company in the future.

The members of the Remuneration and Nomination Committee are Mr. R. C. Hutton, Mr. B. Mutton and Mr. E. Eshuys. Details of the qualifications of the members of the Remuneration and Nomination Committee, number of meetings held during the year and the attendees at those meetings are found in the Directors' Report. A copy of the Remuneration and Nomination Committee Charter can be found at the Company's website at www.drummondgold.com.au .

Directors' report

The Directors of Drummond Gold Limited ("the Company", "Drummond") submit herewith the annual report of Drummond Gold Limited and its' subsidiaries Mt Coolon Gold Mines Pty Ltd and Yandan Gold Mines Pty Ltd ("Consolidated Entity" or "Group") for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about Directors and the Company Secretary

The names and particulars of the Directors and the Company Secretary of the Company during or since the end of the financial year are:

Mr. Eduard Eshuys BSc, FAusIMM, FAICD *(Executive Chairman)*

Eduard, aged 69 is a geologist with several decades of exploration experience in Australia. His successes as Joseph Gutnick's exploration director are well known. In the late 1980s and early 1990s he led the teams that discovered the Plutonic, Bronzewing and Jundee gold deposits, and the Cawse Nickel Deposit. He has also had involvement in the Maggie Hays and Mariners nickel discoveries in the 1970's. More recently he was the Managing Director and CEO of St Barbara Limited from July 2004 to March 2009. During this time St Barbara Limited grew substantially as a gold producer.
During the past three years Mr. Eduard Eshuys has also serviced as director of Apex Minerals NL(Receivers and Managers Appointed)(In Liquidation) from 19 April 2012 to date.

Mr. Eduard Eshuys joined the Company on 15 July 2010 as Executive Chairman with responsibility for the corporate governance, exploration activities, administration, board conduct and leadership. As Chairman he will ensure that the Company maintains a well-balanced, suitably qualified, focused and motivated management team working for the benefit of all shareholders. Mr. Eduard Eshuys is a member of the Remuneration and Nomination Committee.

Mr. Brice K. Mutton BSc (Appl Geology) UNSW, FAusIMM, FAIG, MSEG *(Non-Executive Director)*

Brice, aged 63, is a geologist with over 30 years' experience in the resources industry, from exploration to mining and corporate management. Brice gained 20 years experience in a range of positions with MIM Group Holdings. He was Chief Geologist at Hilton and Mount Isa Mines from 1988 to 1992. He was Executive Assistant to the CEO, MIM Holdings from 1992 to 1994, Deputy General Manager, MIM Petroleum Exploration 1995 to 1996 and General Manager Exploration Support MIM Exploration from 1996 to 1998. During this time he represented MIM and industry associations nationally and internationally. In between periods with MIM from 1979 to 1983 he worked on major mining and civil engineering projects in Australasia with Snowy Mountains Engineering Corporation and Golder Associates. He was Managing Director of Giants Reef Mining from 1998 to 2000. More recently he has consulted to the resources industry through Brice Mutton & Associates. During the past three years Mr. Brice Mutton has also serviced as Non-Executive Director Cusesta Coal Limited (27 September 2003 to date) and Non-Executive Director Apex Minerals Limited (Receivers and Managers Appointed)(In Liquidation) from 19 April 2012 to 30 April 2013.

Mr. Brice K. Mutton was appointed as Executive Director Exploration from 5 April 2007 until 31 May 2008. He provided consulting services as Exploration Manager from 1 June 2008 to 12 September 2008, becoming a Non-Executive Director on the 13 September 2008. Mr. B. K. Mutton from 1 August 2013 is the registered Senior Site Executive (SSE) for the company's Mining Leases and exploration tenements, and responsible for the management of the field operations at its Mt Coolon base. Brice is a member of the Remuneration and Nomination Committee and Audit Committees.

Mr. Ross C. Hutton B. Eng (Min), MAusIMM *(Non-Executive Director)*

Ross, aged 66, is a Mining Engineer with over 45 years' experience in the minerals industry ranging from mining to project management in technical and executive management roles. He has worked in corporate and consultative roles managing activities from feasibility studies to operations both in Australia and internationally. He was appointed Non-Executive Director on 5 April 2007. Hutton is the Chairman of the Audit Committee and Remuneration and Nomination Committee.

During the past three years Mr. Ross C. Hutton has also serviced as Non-Executive Director Kagara Limited (in Liquidation) from 2003 to date, Non-Executive Director Apex Minerals Limited (Receivers and Managers Appointed)(In Liquidation) (in Liquidation) from 19 April 2012 to 3 December 2012 and Non-Executive Director Mungana Goldmines Limited from 17 July 2009 to 24 October 2013.

Mr. Michael J. Ilett BBus(Accy), GradDipAdvAcctg, GradDipCorpGov, MBA, ACIS, CPA, CA *(Company Secretary Chief Financial Officer and Alternate Director for Mr. Ross. C. Hutton)*

Michael, aged 48, is a Chartered Accountant and a member of Chartered Institute of Company Secretaries in Australia. In 2003, Mr. Michael J. Ilett was awarded the MBA Medallion from the Queensland University of Technology and in 2004 was awarded the J. S. Goffage Prize from Chartered Secretaries Australia Limited. Michael has over 20 years' commercial experience and was the former Company Secretary and Chief Financial Officer for Gold Aura Limited and Union Resources Limited. He has provided a key role in the listing of exploration companies on the ASX, capital raisings, corporate governance, administration and the duel listing of an Australian public company on the Alternative Investment Market (AIM).

Principal activities

The principal activity of the Group is exploration for gold and other minerals through the Company and its wholly owned subsidiaries Mt Coolon Gold Mines Pty Ltd and Yandan Gold Mines Pty Ltd.

Operating Results

The net loss from operations of the Consolidated Entity for the year ended 30 June 2014 was $4,632,510 (2013: net loss $5,103,895).

Review of Operations

Introduction

The objective of the Group is to significantly increase its resources and reserves through the discovery and acquisition of gold and base metal deposits. The Company considered various options in relation to its Mt Coolon-Drummond Basin tenements including the potential for a joint venture or the sale of part or the entire package.

Review and value-adding work continued on the core EPM 15902 and EPM 7259 exploration tenements and Mining Leases 1029, 1085, 1086 and 10227 located approximately 200 km west of Mackay and centered on Mt Coolon in the Drummond Basin. Importantly the effort focused on the intrusion-related style gold at the Sullivans Prospect, the epithermal gold prospects at Bimurra and Eugenia and the related TPM (Copper-Gold Skarn) Prospect.

Specific work was carried out including new analyses, independent geophysical review and 3D modeling of the Eugenia Resource and the Sullivan's Prospect 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 year was curtailed to field checks and sampling at the Sullivans and Bimurra Prospects.

Sullivans Prospect

The Sullivans Prospect 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 approximately 1OOkm 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.

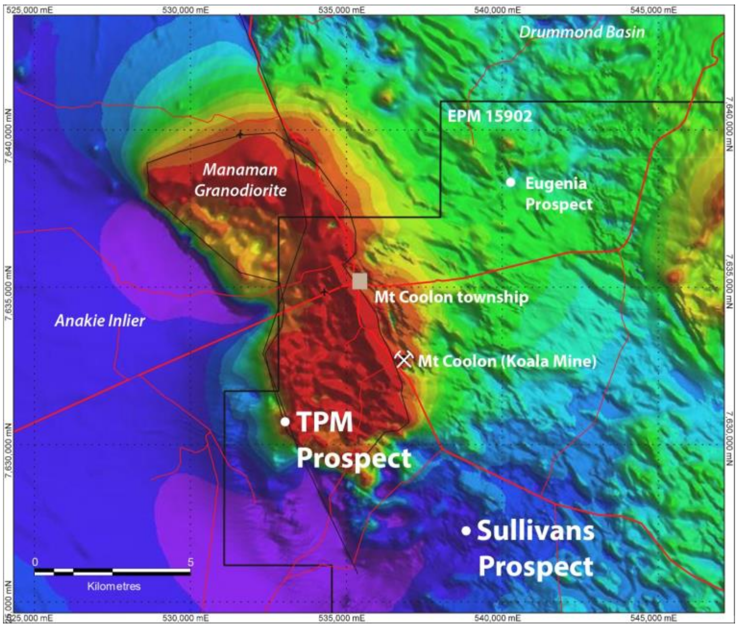

Figure 1. Location Plan of Sullivans and TPM Prospects

Work during the year focused on several fronts, further modelling of drill results, selection and preparation of samples for mineralogical quantification and geometallurgical test work 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 key outcome of the study were the holes intersected a feldspar > quartz (biotite) crystal lithic tuff. The alteration can be divided into three mappable facies being propylitic, sericitic and phyllic.

The mineralisation also has three facies being:-

- discrete crystalline quartz veins with pyrite and arsenopyrite +/- chalcopyrite
- sphalerite, discrete carbonate veins with dispersed sulphides (sphalerite, galena chalcopyrite); and
- disseminated pink-buff carbonate locally with fine sulphides (sphalerite, galena +- chalcopyrite.

Multi-element geochemical data was compiled for the past RC holes drilling. The element suite can be divided into the following three groups:-

- A core suite of metals typical of hydrothermal systems
- Other metals of interest; and
- Silicate elements of interest for alteration.

There was consistent enrichment of the following hydrothermal system metals in the drill chips of the area drilled including Mn, Zn, As, Ag, Au (Bi, Cu, Pb).

This metal association is suggestive of a polymetallic pluton-level partly evolved magmatic hydrothermal system (Morrison & Blevin 1997, AMIRA project P425).

The presence of consistently anomalous Bi indicates a felsic magmatic system and the association of Au with Pb, Bi, Zn, Cu and As is consistent with a granodiorite composition of associated intrusion which is similar to Mt Leyshon for overall metallogenic character but not for the inferred level of emplacement.

To further assess the wider extent of the mineralisation alteration and metallurgical characteristics, key drill holes have been submitted for third party laboratory analysis and identification utilising digital spectral scanning (PSM3500), spectral analyses and calculations, and, interpretation. This work and these results will be supported by selected petrological, mineragraphic and scanning electron microscopy on key samples.

The review of the wider Sullivans Prospect identified a gold anomaly far wider than previously considered including:

a) Localised, narrow quartz-pyrite veining scattered outcrops of rhyolitic ignimbrite located 1300m North of the Sullivans Prospect.
b) Linear gossanous vein material has occurs as subcrop within red lateritic soil and extends for some 100m on a north-south trend located 1,200 m Southwest.
c) A “bleached” zone associated with a distinct circular feature in the magnetics. Some narrow, highly ferruginous and arsenic stained quartz veining was also found 2-3kms to the South.

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

Eugenia Prospect and Gold Resource

The Eugenia Prospect and Gold Resource are located approximately 6km NE of Mt Coolon. The current Inferred Resource by H&S Consultants (H&S) for Eugenia stands at a total of 4,416,000t at 1.3g/t Au for 178,200oz gold at a 0.5g/t Au cut off.

Work focused on further accessing and reassessing of drill data by previous companies extending back to 1990, to better define the geological model and conduct important and necessary comparative QA/QC work on all phases of drilling, to include but not limited to, surveys, assay methods and logging. There is confidence this work can be achieved to warrant undertaking an updated model and to progress to a new upgraded resource estimate on completion of the work.

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. Also 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.

Accordingly , work primarily focused on the Surpac 3D Eugenia resource model by H&S. Review commenced and continued on all data and other inputs to the model such as assays (multi-element), oxidation depth, rock densities, geological interpretation of lithology and structures.

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, which 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.

Bimurra Prospect(s)

Review work continued and limited field work was undertaken on the Bimurra epithermal gold system propsects which is located within the southern sub-block portion of EPM 7259.The centre of the system was formerly held by another company as Mineral Development Lease (MDL22), which has now lapsed into EPM7259. It allows exploration by one owner, Drummond Gold Limited, for the first time since 1980.

Bimurra Deposit itself was discovered in 1928. The former Bimurra MDL area has been explored however, much of this work has been 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 former MDL and into EPM7259 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.. The alteration system covers an area greater than 10 square km.

Drummond Gold Limited is continuing to re-assess the entire mineralised system which has included a geophysical review and will now focus on all new data received.

TPM Copper-Gold Skarn Prospect

The TPM Prospect lies approximately 5km south-southwest of the small township of Mt Coolon, central Queensland (Figure 1). Mineralisation is associated with a weathered magnetite skarn tentatively interpreted as a near surface roof pendant perched on the western flank of the Carboniferous Manaman Granodiorite (Figure 1). Work during the year focused on reviewing historical work and Drummonds 2007 drilling program.

The Prospect coincides with the Manaman Granodiorite and Anakie Inlier- Drummond Basin contact, a major regional north northwest striking linear interpreted from magnetic surveys. Mineralisation can be traced north-northwest discontinuously for 3.5km along the Manaman Granite/Drummond Basin/Anakie Basin contact. Mineralising fluids have preferentially altered calcareous units of the basal “Cycle 1” package of the Drummond Basin (Ukalunda Beds).

Drummond Gold completed a preliminary drilling program over the TPM Prospect in 2007. Of the 25 holes drilled by Drummond, 12 holes intersected copper mineralisation over a strike length of 400m and a width of 40m -1OOm and a true thickness varying from 4m to 28m. The best intersections (previously reported form -60 degree declined RC holes) were:

- 33m @ 1.0% Cu from 16m downhole below surface,
- 25m @ 0.9% Cu from 3m downhole below surface , and
- 16m @ 1.0% Cu From 6m downhole below surface.

TPM skarn exploration has only tested Lode 3 (of 4 known lodes) by drilling over an 800m strike extent. Review and investigation indicates that Lode 3 has not been fully explored with further work required to determine the local extent of mineralisation and relationship with structure and host unit orientation. The prospect is interpreted to be open north, south, east and west in the immediate vicinity.

Further, investigation at the TPM Prospect needs to be expanded to include outcropping iron stone Lodes 1, 2 and 4 as well as the regional western Manaman Granodiorite strike extent together with the Drummond Basin/Anakie Inlier contact.

Outlook

Only limited field work was conducted during the year to 30 June 2014 to keep expenditure at a minimum but at the same time meet regulatory requirements and tenement management related matters. 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. The Queensland Government holding costs for the tenements are up to date.

The Company has initiated preliminary discussions with others for the joint venturing or possible sale 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 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 led to new major 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.

Changes in state of affairs

On 10 September 2013, the Company completed a share placement of 35,000,000 fully paid ordinary shares at an issue price of $0.002 (0.2 cents) per share raising a total of $70,000.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 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 shares 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.

Other than above there was no significant change in the state of the affairs of the consolidated entity during the financial year.

Future developments

The current strategy is to undertake exploration necessary to discover new zones of mineralisation through further investigation of existing and new prospects, and testing of previously unexplored areas. The Company has defined a number of prospects at Mt Coolon and also pursuing the discovery and acquisition of gold and base metal deposits.

Health and Safety Policy

The Company is committed to developing a culture which supports the health and safety of all employees, contractors, customers and communities associated with its business and operations.

Environmental regulations

The Company is subject to environmental regulation in respect of its exploration activities in Australia and is committed to undertaking all its operations in an environmentally responsible manner. The Company is also subject to environmental regulation in relation to its former mining activities in Queensland by the Environmental Protection Agency of Queensland. The Company complies with the Mineral Resources Act (1989), Metalliferous Mining & Quarrying Safety and Health Care Act (1999) and Environmental Protection Act (1994) and legislations.

So far as the Directors are aware, there have been no material breaches of the Group's licenses and all exploration activities have been undertaken in compliance with the relevant environmental regulations.

Tenement obligations

The Company has met its obligations on all its exploration and mining tenements with the Queensland Government authorities and local government.

Cultural and community performance obligations

The Company has held discussions with the Bulganunna People who are the traditional landowners in the Mt Coolon region. The Company has a Cultural Heritage Management Agreement with respect to the Bulganunna People. The Company has liaised with the landholders in this region and held discussions in relation to the use of infrastructure and exploration on their land.

It is the Company's policy that the activities will not cause disturbance or encroachment or offence to any cultural site or belief or member of traditional landowner groups or to any landholder or business enterprise falling within the exploration tenements of the Company.

Dividends

No dividends have been paid or proposed since the start of the financial year, and the Directors do not recommend the payment of a dividend in respect of the financial year.

Shares under option or issued on exercise of options

There were no options on issue at the date of this report.

Indemnification of Directors and Officers

During the financial year, the Company paid a premium in respect of Directors' and Officers' Insurance insuring the Directors and Officers of the Company against a liability incurred as a Director and Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an Officer or auditor of the Company or of any related body corporate against a liability incurred by such an Officer or auditor.

Directors' meetings

The following table sets out the number of Board of Directors' Meetings (excluding four Directors' Meetings requiring circulating resolutions), Remuneration & Nomination Committee Meetings and Audit Committee Meetings held during the financial year and attendance at such meeting by each Director and member of the committee.

Directors	Board of Directors		Remuneration & Nomination Committee		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr. E. Eshuys (i)	23	23	1	1	N/A	N/A
Mr. B. K. Mutton	23	22	1	1	2	2
Mr. R. C. Hutton	23	23	1	1	2	2

(i) Mr. E. Eshuys is not a member of the Audit Committee.

Directors' shareholdings

The following table sets out each Director's direct and indirect interest and relevant interest in fully paid ordinary shares in the Company as at the date of this report:

Directors	Fully paid ordinary shares Number	Mt Coolon Mines Trust holding (i)	Total shares held (beneficial interest)	Relevant Interest
Mr. E. Eshuys	31,327,322	-	31,327,322	31,327,322
Mr. B. K. Mutton (ii)	10,138,947	1,046,270	11,185,217	10,138,947
Mr. R. C. Hutton (iii)	16,467,205	2,098,134	18,565,339	23,442,420
Mr. M. J. Ilett (iv)	1,284,627	-	1,284,627	1,284,627

(i) The Mt Coolon Gold Mines Trust (MCGMT) holds 6,975,215 fully paid ordinary shares in the Company. This indirect holding represent the beneficial interest of approximately 15% and 30% respectively that Mr. B. K. Mutton and Mr. R. C. Hutton hold in the MCGMT.
(ii) Mr. B. K. Mutton has approximately a 15% beneficial interest (but not a relevant) interest in the MCGMT.
(iii) Mr. R. C. Hutton has a relevant interest in all the fully paid ordinary shares held by the MCGMT as he holds approximately a 30% beneficial interest in the MCGMT.
(iv) Mr. M. J. Ilett is an alternate director for Mr. R. C. Hutton.

Remuneration report

The remuneration report, which forms part of the Directors' Report, sets out the information about the remuneration of the Group's key management personnel and relevant Group executives for the financial year ended 30 June 2014. The prescribed details for each person covered by this remuneration report are detailed below under the following headings:-

A. Key management personnel and relevant group executives' details
B. Remuneration policy for key management personnel
C. Relationship between remuneration policy and company performance
D. Remuneration of the key management personnel and relevant group executives
E. Key terms of employment contracts

A. Key management and relevant group executives' details

The following persons acted as directors of the Company during or since the end of the financial year:

- Mr. E. Eshuys (Executive Chairman) appointed on15 July 2010;
- Mr. R. C. Hutton (Non-Executive Director) appointed on 5 April 2007;
- Mr. B. K. Mutton (Non-Executive Director) appointed on 5 April 2007 and was Exploration Manager until 12 September 2008 and became a Non-Executive Director on 13 September 2008; and
- Mr. M. J. Ilett (Alternate Director for Mr. R. C. Hutton).

The term "senior management" is used in this remuneration consists of Mr. M. J. Ilett (Company Secretary and Chief Financial Officer) who was appointed on 5 April 2007.

Mr. B. K. Mutton was re-elected as a Director at the Annual General Meeting held on 15 November 2013.. Mr. R. C. Hutton who retires by rotation will be eligible to be re-elected as a Director at the next Annual General Meeting.

B. Remuneration policy for key management personnel

The Board of Directors is responsible for determining and reviewing compensation arrangements for key management personnel. The Remuneration and Nomination Committee makes recommendations to the Board on performance and remuneration of the key management personnel.

Executive Remuneration

Contracts for services for the executive members of the key management personnel are reviewed on a regular basis to ensure that they properly reflect the duties and responsibilities of the individuals concerned. The executive remuneration is based on a number of factors including length of service, relevant market conditions, knowledge and industry experience, organisational experience, performance of the Company and competitive factors within the industry. There is no guaranteed pay increases included in senior executives' contracts. The executives are not entitled to any retirement benefits other than those provided for under the key terms of the employment contracts as outlined below.

The Company has formulated a set of criteria for the performance review of the key executives. During the financial year, the Remuneration and Nomination Committee held a performance review for the Chairman, Non-Executive Directors and key executives and recommendations were made to and adopted by the Board. The senior executive consisting of Mr. E. Eshuys, and Mr. M. J. Ilett have the opportunity to participate in executive decision making and make regular reports to the Board. The senior executives have an understanding of the Company's financial position, strategies, operations and risk management policies and an undertaking of their respective rights, duties, responsibilities, and the roles of board and senior executives.

Directors

The Directors' Fees are reviewed on a regular basis against industry benchmarks. The Directors received no equity-based payments during the year. Other than compulsory payments made under the superannuation guarantee legislation there have been no retirement benefits provided to the Directors.

C. Relationship between remuneration policy and company performance

The performance of the Company is considered in setting remuneration policy. Drummond Gold Limited's performance in the exploration industry will be dependent upon the Company meeting the following corporate objectives:-

- conducting exploration that discovers major gold and base metal deposits;
- seeking long term cash flow and profitability through the development of its tenements; and
- actively pursuing acquisition opportunities in the Drummond Basin and elsewhere.

The table below sets out summary information about the Consolidated Entity's earning and movements in shareholders wealth for the five years to 30 June 2014:

Description	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Interest revenue and other income	$4,346	$358,973	$1,061,452	$202,731	$33,921
Net loss before tax	(4,906,009)	($5,581,860)	($261,783)	($3,470,981)	($4,295,649)
Net (loss)/profit after tax	($4,632,510)	($5,103,895)	$1,454,859	($3,047,503)	($4,295,649)
Share price at start of year	0.3 cents	0.8 cents	5.5 cents	4.8 cents	6 cents
Share price at end of year	0.2 cents	0.3 cents	0.8 cents	5.5 cents	4.8 cents
Share-based payments	$100,000	-	$34,070	$405,582	-
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Return of capital	-	-	-	-	-
Basic profit/(loss) per share	(1.22 cents)	(2.17 cents)	0.62 cents	(1.39 cents)	(4.77 cents)
Diluted profit/(loss) per share	(1.22 cents)	(2.17 cents)	0.62 cents	(1.39 cents)	(4.77 cents)

(i) Drummond Gold Limited was admitted to the official list of the ASX on 21 December 2007 and this share price reflects price on quotation.

D. Remuneration of directors and senior management

The following table provides information about the remuneration of the Consolidated Entity's directors and senior management during the 30 June 2014 year:

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation			
2014	$	$	$	$	$	$	$	$
Executive chairman								
Mr. E. Eshuys (i), (ii)	92,500	-	-	20,000	-	-	37,500	150,000
Non-executive directors								
Mr. R. C. Hutton (i), (ii)	33,750	-	-	-	-	-	11,250	45,000
Mr. B. K. Mutton (i), (ii), (iii)	33,750	-	-	126,350	-	-	11,250	171,350
Company secretary								
Mr. M. J. Ilett (iv)	-	-	-	110,862	-	-	-	110,862

(i) The amount described in "Share-based payment" represents part payment of the Chairman's salary and Director's fees for the 2014 financial year in the form of Drummond Gold Limited shares in lieu of cash consideration.

(ii) The amount described in " Salary and fees" includes Directors' Fees and Salary totalling $160,000 owing to Mr. E. Eshuys, Mr. B. K. Mutton and Mr. R. C. Hutton which has been accrued and not paid as at 30 June 2014.

(iii) The amount disclosed in "Short term employee benefits – other" for Mr. B. K. Mutton of $126,350 Mr B. K. Mutton's consulting fees were paid to his company Brice Mutton & Associates Pty Ltd.

(iv) The amount disclosed in "Short term employee benefits – other" column represents consulting fees of $110,862 (net of Goods and Services Tax). Mr. M. J. Ilett's consulting fees were paid to his company Kaus Australis Pty Ltd.

The following table provide information about the remuneration of the Consolidated Entity's directors and senior management during the 30 June 2013 year:

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation		Options	
2013	$	$	$	$	$	$	$	$
Executive chairman								
Mr. E. Eshuys (i)	150,000	-	-	-	13,500	-	-	163,500
Non-executive directors								
Mr. R. C. Hutton (i)	45,000	-	-	-	4,050	-	-	49,050
Mr. B. K. Mutton (i), (ii)	45,000	-	-	120,102	4,050	-	-	169,152
Company secretary								
Mr. M. J. Ilett (iii)	-	-	-	151,287	-	-	-	151,287

(i) The salary and fees includes Directors' Fees and Salary totalling $40,000 for Mr. E. Eshuys, Mr. B. K. Mutton and Mr. R. C. Hutton which has been accrued and not paid as at 30 June 2013.
(ii) The amount disclosed in "Short term employee benefits – other" for Mr. B. K. Mutton of $120,102 Mr B. K. Mutton's consulting fees were paid to his company Brice Mutton & Associates Pty Ltd.
(iii) The amount disclosed in "Short term employee benefits – other" column represents consulting fees of $151,287 (net of Goods and Services Tax). Mr. M. J. Ilett's consulting fees were paid to his company Kaus Australis Pty Ltd.

Bonus and share-based payments granted as compensation for the current financial year

No bonuses were granted during the financial year.

Share-based payments granted as compensation during the financial year
On 21 November 2013, the Company issued 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 outstanding Directors fees of $58,333 including $23,333 outstanding at 30 June 2013 and outstanding Chairman's Salary of $41,667 including $16,667 outstanding as at 30 June 2013.

Key management personnel equity holdings
<u>Fully paid ordinary shares of Drummond Gold Limited held directly or indirectly at end of financial year:</u>

	Balance at beginning of year	Granted as compensation (iii)	Received on exercise of options	Net other change	Balance at the end of the year	Relevant interest	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.
2014							
Mr. E. Eshuys	10,493,989	20,833,333	-	-	31,327,322	31,327,322	-
Mr. B. K. Mutton (i)	4,935,217	6,250,000	-	-	11,185,217	10,138,947	-
Mr. R. C. Hutton (i),(ii)	12,315,339	6,250,000	-	-	18,565,339	23,442,420	-
Mr. M. J. Ilett	1,284,627	-	-	-	1,284,627	1,284,627	-
2013							
Mr. E. Eshuys	10,493,989	-	-	-	10,493,989	10,493,989	-
Mr. B. K. Mutton (i)	4,935,217	-	-	-	4,935,217	3,888,947	-
Mr. R. C. Hutton (i)	12,315,339	-	-	-	12,315,339	17,192,420	-
Mr. M. J. Ilett	1,284,627	-	-	-	1,284,627	1,284,627	-

(i) Mt Coolon Holdings Pty Ltd (MCGMT) holds 6,975,215 shares in the Company. Included in the balance of the share holdings at the end of the year for Mr. B. K. Mutton, Mr. R. C. Hutton are their relevant interests in 6,975,215 shares held indirectly through the MCGMT.
(ii) Mr. R. Hutton holds a 30 per cent beneficial interest in MCGMT. The relevant interest for Mr. R. C. Hutton includes the total of 6,975,215 shares (2013: 6,975,215) held indirectly through the MCGMT.
(iii) On 21 November 2013 the Company issued 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.

E. Key terms of employment contracts

Contracts for services of key management personnel and relevant executives

Remuneration and other terms of employment for the Directors and other key management personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature.

Mr. E. Eshuys

The Company has entered into an agreement with Mr. E. Eshuys pursuant to which Mr. E. Eshuys has agreed to act in the capacity as an Executive Chairman and provided geological services to the Company. The key terms of the agreement are as follows:-

- Annual Executive Chairman's Fees of $50,000 per annum plus 9% superannuation payable on a monthly basis for the provision of services as Executive Chairman;
- Annual Fee of $100,000 per annum plus 9% superannuation to be paid monthly effective from 1 May 2014.
- Term of the Agreement: One (1) year renewed on an annual basis by mutual consent.
- Annual leave accrued on equivalent of being employed one week per month and long service leave entitlement provided in accordance with the National Employment Standards;
- Termination due to resignation: Mr. E. Eshuys is required to provide one (1) month's notice and be paid the equivalent of one (1) month's fees for the provision of geological services together with accrued leave;
- Termination due to company notice: The Company is required to provide three (3) month's notice and make a payment equivalent of three (3) month's fee for the provision of geological services in lieu of notice together with accrued leave; and
- Termination due to change in control: In the event that a party acquires more than 50% of the Company and Mr. E. Eshuys is terminated, he shall be entitled total remuneration payable in respect of the equivalent of one (1) month's fees for the provision of geological services together with accrued leave.

Mr. B. K. Mutton

The Company has entered into an agreement with Mr. B. K. Mutton pursuant to which Mr. B. K. Mutton has agreed to act in the capacity as a Non-Executive Director of the Company. The key terms of the agreement are as follows:-

- Annual Director's Fees: $45,000 per annum plus 9% superannuation payable on a monthly basis for the provision of services as a Non Executive Director;
- Term of the Agreement: One (1) year renewed on an annual basis by mutual consent.
- Consulting Fees: $175 per hour (exclusive of GST) for each hour worked and invoiced on projects approved by the Board, other than for work that forms part of his Director's duty, to a maximum amount of $5,000 per month (excluding GST) unless otherwise agreed by the Company;
- Termination due to resignation: Mr. B. K. Mutton is required to provide one (1) month's notice and be paid one (1) month's Director's Fees during this notice period;
- Termination due to company notice: The Company is required to provide three (3) month's notice and make a payment of four (4) month's Director's Fees in lieu of notice; and
- Termination due to change in control: In the event that a party acquires more than 50% of the Company and Mr. B. K. Mutton is terminated, he shall be entitled total remuneration payable in respect of four (4) months' Directors' fees.

Mr. R. C. Hutton

The Company has entered into an agreement with Mr. R. C. Hutton pursuant to which Mr. R. C. Hutton has agreed to act in the capacity as a Non-Executive Director of the Company. The key terms of the agreement are as follows:-

- Annual Director's Fees: $45,000 per annum plus 9% superannuation payable on a monthly basis for the provision of services as a Non Executive Director;
- Term of the Agreement: One (1) year renewed on an annual basis by mutual consent;
- Consulting Fees: $175 per hour (exclusive of GST) for each hour worked and invoiced on projects approved by the Board, other than for work that forms part of his Director's duty, to a maximum amount of $5,000 per month (excluding GST) unless otherwise agreed by the Company;
- Termination due to resignation: Mr. R. C. Hutton is required to provide one (1) month's notice and be paid one (1) month's Director's Fees during this notice period;
- Termination due to company notice: The Company is required to provide three (3) month's notice and make a payment of four (4) month's Director's Fees in lieu of notice; and
- Termination due to change in control: In the event that a party acquires more than 50% of the Company and Mr. R. C. Hutton is terminated, he shall be entitled total remuneration payable in respect of four (4) months' Directors' fees.

Mr. M. J. Ilett

The Company has entered into an agreement with Kaus Australis Pty Ltd dated 1 July 2010 pursuant to which Mr. M. J. Ilett has agreed to provide certain consultancy services to the Company and be appointed as the Company Secretary. The key terms of the agreement are as follows:-

- Consulting fee: Hourly rate of $175 per hour (exclusive of GST);
- Outgoings: Provision to reimburse Kaus Australis Pty Ltd for all reasonable and necessary expenses incurred by it or Mr. M. J. Ilett in the performance of the services under the agreement;
- Term of the Agreement: One (1) year renewed on an annual basis by mutual consent;
- No annual leave or long service leave accrued;

- Termination due to Company notice: The Company is required to provide three (3) month's notice and make a payment equal to the invoices for services provided in the preceding three (3) months prior to the date of the company notice event; and
- Termination due to change in control: In the event that a party acquires more than 50% of the Company and the services of Kaus Australis Pty Ltd is terminated, Kaus Australis Pty Ltd shall be entitled total remuneration payable in respect of three (3) months' invoice equal to the invoices for services provided in the preceding three (3) months prior to the date of the change in control event.

End of audited remuneration report

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 28 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 21 of the Annual Report.

The directors' report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

Eduard Eshuys
Executive Chairman
Brisbane, 30 September 2014

Deloitte.

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The Board of Directors
Drummond Gold Limited
Unit 3, 636 Progress Road
Wacol QLD 4076

30 September 2014

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 audit of the financial statements of Drummond Gold Limited for the financial year ended 30 June 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report

We have audited the accompanying financial report of Drummond Gold Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 49.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report Drummond Gold Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 3(b) in the financial report which indicates that the consolidated entity experienced net cash outflows from operations of $338,294 (excluding the research and development tax refund of $398,780) and generated a net loss of $4,632,510 during the year ended 30 June 2014. These conditions, along with other matters as set forth in Note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Drummond Gold Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants
Brisbane, 30 September 2014

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;

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;

c) In the director's opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 3 in the financial statements; and

d) the Directors have been given declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Eduard Eshuys
Executive Chairman
Brisbane, 30 September 2014

Consolidated statement of profit and loss and other comprehensive income

for the financial year ended 30 June 2014

	Note	Year ended 30/06/14 $	Year ended 30/06/13 $
Interest income		3,901	11,742
Other income		455	-
Other income –options		-	347,231
Marketing expenses		-	(12,933)
Operating lease rental expenses:			
Minimum lease payments		(37,594)	(53,519)
Depreciation expenses	9	(67,744)	(75,175)
Employee benefit expenses		(75,614)	(22,438)
Directors' fees		(98,611)	(71,250)
Consultants and contractor expenses		(177,444)	(162,377)
Administration expenses		(159,780)	(120,558)
Finance costs		(590)	(567)
Loss on sale of fixed asset		(7,561)	-
Bad debts written off		-	(60,716)
Impairment- share options		-	(986,206)
Impairment - shares		-	(320,000)
Impairment - exploration and evaluation expenditure	10	(4,285,427)	(4,055,094)
Loss before tax		(4,906,009)	(5,581,860)
Income tax benefit	6	273,499	477,965
Loss attributable to members of the parent entity		(4,632,510)	(5,103,895)
Other comprehensive income			
Items that may be reclassified subsequent to profit and loss			
Reclassification adjustment relating to available for sale financial assets that were written off during the financial year		-	112,500
		-	112,500
Income tax on other items of other comprehensive income		-	-
Total comprehensive loss for the year		(4,632,510)	(4,991,395)
Earnings per share			
Basic loss per share (cents per share)	16	(1.22)	(2.17)
Diluted loss per share (cents per share)	16	(1.22)	(2.17)

Notes to the financial statements are included on pages 27 to 49.

Consolidated statement of financial position
as at 30 June 2014

	Note	Year ended 30/06/14 $	Year ended 30/06/13 $
Current assets			
Cash and cash balances	7	241,700	169,612
Current tax assets	6	271,784	397,065
Trade and other receivables	8	12,948	43,914
Total current assets		526,432	610,591
Non-current assets			
Trade and other receivables	8	371,183	378,408
Property, plant and equipment	9	245,907	360,305
Exploration and evaluation expenditure	10	2,000,000	5,879,972
Total non-current assets		2,617,080	6,618,685
Total assets		3,143,522	7,229,276
Current liabilities			
Trade and other payables	11	343,656	238,389
Provisions	12	7,877	11,610
Total current liabilities		351,533	249,999
Non-current liabilities			
Provisions	12	471,054	471,054
Total non-current liabilities		471,054	471,054
Total liabilities		822,587	721,053
Net assets		2,320,935	6,508,223
Equity			
Issued capital	13	20,026,223	19,581,001
Reserves	14	300,652	300,652
Accumulated losses	15	(18,005,940)	(13,373,430)
Total equity		2,320,935	6,508,223

Notes to the financial statements are included on pages 27 to 49.

Consolidated statement of changes in equity

for the financial year ended 30 June 2014

Consolidated	Fully paid ordinary shares $	Option premium reserve $	Share revaluation reserve $	Accumulated Losses $	Total $
Balance at 1 July 2012	19,581,001	300,652	(112,500)	(8,269,535)	11,499,618
Loss for the year	-	-	112,500	(5,103,895)	(4,991,395)
Other comprehensive income for the year, net of income tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	112,500	(5,103,595)	(4,991,395)
Balance at 30 June 2013	19,581,001	300,652		(13,373,430)	6,508,223
Balance at 1 July 2013	19,581,001	300,652	-	(13,373,430)	6,508,223
Issue of shares	445,222	-	-	-	445,222
Loss for the year				(4,632,510)	(4,632,510)
Total comprehensive loss for the year	-	-	-	(4,632,510)	(4,632,510)
Balance at 30 June 2014	20,026,223	300,652	-	(18,005,940)	2,320,935

Notes to the financial statements are included on pages 27 to 49.

Consolidated statement of cash flows
for the financial year ended 30 June 2014

	Note	Year ended 30/06/14 $	Year ended 30/06/13 $
Cash flows from operating activities			
Payments to suppliers and employees		(337,704)	(644,221)
Interest and other costs of finance paid		(590)	(567)
Income tax refund relating to eligible research and development activities		398,780	1,172,894
Net cash generated/(used) by operating activities	21	60,486	528,106
Cash flows from investing activities			
Interest received		3,663	12,422
Proceeds from security deposits		-	600
Proceeds from property, plant and equipment		43,501	-
Refunds of deposits		10,911	-
Payments for exploration and evaluation activities		(391,695)	(949,831)
Net cash used by investing activities		(333,620)	(936,809)
Cash flows from financing activities			
Proceeds from issues of equity securities		380,000	-
Payment for share issue costs		(34,778)	-
Net cash generated by financing activities		345,222	-
Net increase/(decrease) in cash and cash equivalents		72,088	(408,703)
Cash and cash equivalents at the beginning of the financial year	7, 21	169,612	578,315
Cash and cash equivalents at the end of the financial year	7, 21	241,700	169,612

Notes to the financial statements are included on pages 27 to 49.

Notes to the financial statements

for the year ended 30 June 2014

1. General information

Drummond Gold Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the code DGO), incorporated in Australia and operating in Queensland. Drummond Gold Limited's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
Unit 3 636 Progress Road Wacol Qld 4076	Lot 1 Mill Street Mt Coolon Qld 4804

The Group's principal activity is exploration for gold and other minerals through the Company and its wholly owned subsidiaries Mt Coolon Gold Mines Pty Ltd and Yandan Gold Mines Pty Ltd.

2. Application of new and revised Accounting Standards

2.1 New and revised ASSBs affecting amount reported and/or disclosures in the financial statements.

In the current year, the Group has applied a number of new and revised AASB's issued by the Australian Accounting Standards Board (AASB) that are mandatory effective for an accounting period that begins on or after 1 January 2013.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures.' As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009- 2011 Cycle'	The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Group are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'	This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

2.1 New and revised ASSBs affecting amount reported and/or disclosures in the financial statements (cont'd)

AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors.

As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

New and revised Standards on consolidation, associates and disclosures

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 (as revised in 2011) 'Separate Financial Statements' and AASB 128 (as revised in 2011) 'Investments in Associates and Joint Ventures'. Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12 and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the transitional guidance. AASB 127 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

AASB 10 'Consolidated Financial Statements'

ASB 10 amends the definition of 'control' in AASB 127. As the subsidiaries are wholly-owned, there is no change in the assessment of control over the subsidiaries. The application of AASB 10 does not have any material impact on the financial statements.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	2013 comparative period. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards . This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards1	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non- Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
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'	1 July 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
AASB 14 'Regulatory Deferral Accounts'	1 January 2016	30 June 2017
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 June 2017

AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017

2.2 Standards and Interpretations in issue not yet adopted (cont'd)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016	30 June 2017
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017
Narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2016	30 June 2017

3. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 30 September 2014.

Basis of preparation

The financial report has 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 following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is based on whether the investor has power over the investee, exposure, or rights, to variable returns from its involvement in the investee, and the ability to use its power over the investee to affect the amount of the returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Going concern

The financial report has been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of planned business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The consolidated entity experienced net cash outflows from operations of $338,294 (excluding the research and development tax refund of $398,780) during the financial year ended 30 June 2014 and held a cash balance of $241,700 as at that date. The consolidated entity generated a net loss of $4,632,510 during the financial year (after impairment losses recorded of $4,285,427).

During the financial year ended 30 June 2014 and the period to the date of this report the directors have taken steps to ensure the company and the consolidated entity continue as going concerns. These steps include the following:

- On 10 September 2013 the Company announced the successful share placement of 35,000,000 fully paid ordinary shares at an issue price of $0.002 (0.2 cents) per share raising a total of $70,000 which includes the placement of 20,000,000 shares at an issue price of $0.002 (0.2 cents) per share to Resource Capital Fund V L.P. ("RCF");
- On 21 November 2013 the Company completed a share placement of 155,000,000 fully paid ordinary shares at an issue price of $0.002 (0.2 cents) per share raising a total of $310,000 to RCF;
- On 21 November 2013 the Company issued 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 in lieu of payment of $58,333.30 in Directors' Fees and in lieu of payment of $41,666.70 in Chairman's Salary. Non-cash consideration will be considered by the Directors in relation to the settlement of Directors' fees and Chairman's Salary in lieu of cash payments in current and future periods depending on corporate outcomes and circumstances;
- Throughout the year, the Company has prepared and continues to review a series of scenario budgets and cash flow forecasts, including the current hibernation scenario, prepared and updated by management for board review and approval. These tools have been used by management in tightly controlling expenditure and cash outgoings of the Company and the consolidated entity which has resulted in a reduction of administration costs;
- The Company has negotiated arrangements with specific creditors and related parties to manage short term cash requirements; and
- The Board of Directors is considering various options in relation to negotiating farm in or joint venture arrangements for the Mt Coolon tenements that would result in the reduction of tenement holding costs by approximately $147,000 per annum.

Notwithstanding the above initiatives, the ability of the Company and the consolidated entity to continue as going concerns is dependent upon:

- receipt of approximately $244,000 (net of expenses) in November 2014 for a research and development tax refund relating to eligible research and development activities for the 2014 year;
- completion of a an intended capital raising of $250,000 by March 2015; and
- receipt of approximately $247,000 (net of expenses) in September 2015 for a research and development tax refund for the 2015 year.

If additional funds are raised the Company and the consolidated entity would have funds available for further exploration activities and ongoing corporate expenditure.

The Directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances as the Directors believe that they can raise sufficient capital to meet their budgeted activities and continue planned operations. However, if the Company and consolidated entity are unable to complete the intended capital raising and do not receive the research and development tax refunds on a timely basis or is unable to joint venture its Mt Coolon Exploration Tenements there is significant uncertainty as to whether the Company and the consolidated entity can continue as going concerns. Should the Company and consolidated entity be unable to continue as going concerns they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company and consolidated entity be unable to continue as going concerns.

(c) Business combinations

Under AASB3 Business Combinations, acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

(d) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

<u>Defined contribution plans</u>
Contributions to defined contribution superannuation plans are expensed when incurred.

(f) Financial assets

<u>AFS financial assets</u>
Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. Investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (when the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss
Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale- equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flow from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises a retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(g) Exploration and evaluation assets

An exploration and evaluation asset shall only be recognised in relation to an area of interest if the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Capitalised exploration and evaluation expenditure is also written off in circumstances where the Board has made a determination in consideration of external indicators of impairment.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(h) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Exploration and evaluation are assessed for impairment when facts and circumstances suggest that the carrying value of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in the previous years.

(i) Income tax

<u>Current tax</u>

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

The current tax asset is calculated by reference to the estimated Research and Development tax refunds relating to eligible research and development activities (R&D tax refunds) during the financial year. The Company and the consolidated entity are expecting to receive research and development tax offset with respect to its research and development activities.

Deferred tax
Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

(j) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as lessee
Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(k) Property, plant and equipment

Land and buildings are measured at an historical cost basis. Depreciation on buildings is charged to profit or loss. Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

<u>Onerous contracts</u>
Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(m) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

<u>Dividend and interest revenue</u>
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(n) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black Scholes method. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:
- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(p) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration and development activities undertaken, it is probable that an outflow of benefits will be required to settle the obligation and the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected exploration and evaluation areas contained in the Group's tenements.

The provision for future restoration is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of restoration and rehabilitation relating to exploration and evaluation assets is capitalised into the cost of the related asset and is amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same way, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(q) Government Grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

<u>Impairment of assets and exploration and evaluation expenditure</u>
The Company determines whether non-current assets should be assessed for impairment based on identified impairment triggers. At each reporting date management assesses the impairment triggers based on their knowledge and judgement.

<u>Recoverability of Deferred Tax Assets</u>
Deferred tax assets are not recognised for deductible temporary differences or carried forward tax losses if Directors consider that it is not probable that the Consolidated Group will able be to utilise those temporary differences until the Consolidated Entity becomes profitable.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Exploration, evaluation and development expenditure</u>
The exploration, evaluation and development expenditure is reviewed regularly to ensure that the capitalised expenditure is only carried forward to the extent that it is expected to be recouped through the successful development of the areas of interest or when activities in the areas of interest have not yet reached a stage which permit reasonable assessment of the existence of economically recoverable reserves.

The Board has reviewed the recoverable amount of the consolidated entity's exploration and evaluation assets which consist of the Mt Coolon Gold Mines Pty Ltd exploration tenements representing one complete segment. The considered the various triggers for impairment including the level of short to medium term planned budget expenditure on the Mt Coolon Tenements and that the fact that the carrying value of the consolidated entity's net assets exceeds Drummond Gold Limited's market capitalisation.

The Board has determined that the recoverable amount of the consolidated entity's exploration and evaluation assets to be $2 million (2013: $5,879,972) after an impairment loss of $4,285,427 was recognised (2013: $4,055,094) as shown in note 10. The recoverable amount have been calculated on an estimate of fair value less cost of disposal been based on an Indicative Valuation Report prepared by an InterFinancial Corporate Finance Limited dated November 2013. The Indicative Valuation Report makes reference to the enterprise value of ASX traded gold companies and the value of proven gold resources.

Share-based payment transactions
The Company valued the 33,333,333 fully paid ordinary shares issued to Directors and the Chairman in lieu of Directors' Fees and Chairman's Salary totalling $100,000 at $0.003 (0.3 cents) per share based. Further details pertaining to the share-based be found in the Company's Notice of Annual General Meeting dated 9 October 2013.

Provision for Rehabilitation
The provision for rehabilitation is based on the present obligations of the estimates of the future sacrifice of economic benefits required to meet environmental liabilities on the Group's tenements based on an assessment by the Queensland Government's Environmental Protection Agency. The Group has considered the provision for rehabilitation for its exploration tenements based on report conducted by independent consultant. The Group estimates the escalation in costs over time for rehabilitation would equate to the discount value in determining the present value of the provision for rehabilitation.

Provision for Landowner Works
The provision of rehabilitation is based on the present obligations of the estimates of the future sacrifice of economic benefits required to meet landowner obligations.

Research and Development

The current tax assets has been calculated on the information contained in the 2014 Application for Registration of R&D Activities lodged with AusIndustry. AusIndustry has approved the registration of Mt Coolon Gold Mines Pty Ltd's research and developed activities for the 2014 financial year pursuant to section 27A of the Industry Research and Development Act 1986. This registration allows the Mt Coolon Gold Mines Pty Ltd to complete the R&D Tax Incentive Schedule which forms part of its 2014 income tax return. The current tax estimate represents the anticipated refund that Mt Coolon Gold Mines Pty Ltd is expected to receive after lodgement of its 2014 Income Tax Return with the Australian Taxation Office.

The eligibility of the activities under the R&D Tax Incentive is the responsibility of the registered entity under self-assessment. It is noted AusIndustry may in the future examine the Mt Coolon Gold Mines Pty Ltd registration in detail and this may lead to a formal finding about the eligibility of all or some of the registered activities.

During the 2014 financial year AusIndustry undertook a review of the Mt Coolon Gold Mines Pty Ltd R&D Tax Incentive Registration for the 2012 financial year. On 22 July 2014 AusIndustry advised that they had completed their review and no further compliance is proposed at this time in relation to the 2012 R&D Tax Incentive Registration.

Estimate of Useful lives of assets
The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Details of the useful lives of property, plant and equipment are set out in note 9.

5. Business and geographical segments

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

6. Income taxes

	Year ended 30/06/14 $	Year ended 30/06/13 $
Tax (expense)/benefit comprises:		
Current tax benefit (i)	271,784	397,065
Difference between the estimated and actual refund for the financial year (i)	1,715	80,900
Total income tax benefit (i)	273,499	477,965

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Year ended 30/06/14 $	Year ended 30/06/13 $
Loss from continuing operations	(4,906,009)	(5,581,860)
Income tax benefit calculated at 30%	1,471,803	1,674,558
Tax effects of amounts which are not assessable/ (deductible) in calculating taxable income	(482,371)	(455,556)
Deferred tax assets not brought to account	(989,432)	(1,219,002)
Difference between the estimated and actual refund for the financial year (i)	1,715	80,900
Effect of concessions (research and development) (i)	271,784	397,065
Total tax (expense)/benefit (i)	273,499	477,965

(i) The current tax asset of $271,784 for the 30 June 2014 financial year represents the expected receivable from the Australian Taxation Office for the 2014 financial year. It is noted that the income tax benefit of $273,499 detained in the Consolidated Statement of Profit and Loss for 30 June 2014 financial year is represented by the estimated 2014 financial year income tax benefit of $271,784 and $1,715 income tax benefit from the 2013 financial year being the difference between the estimated income tax benefit of $397,065 and the actual income tax benefit received of $398,780.

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised deferred tax balances

	Year ended 30/06/14 $	Year ended 30/06/13 $
The following deferred tax assets have not been brought to account:		
-Share issue costs	24,995	50,732
-Tax losses revenue	5,589,651	4,574,483
	5,614,646	4,625,215

Recognised deferred tax assets and liabilities

	Year ended 30/06/14 $	Year ended 30/06/13 $
Tax losses revenue	405,539	1,592,847
Accruals	77,033	56,690
Employee entitlements	2,363	3,483
Provision for rehabilitation	118,816	118,816
<u>Deferred tax liabilities</u>:		
Interest receivable	(252)	(181)
Prepayments	(3,499)	(7,664)
Exploration and evaluation expenditure	(600,000)	(1,763,991)
	-	-

No deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax losses can be utilised in the foreseeable future. The Company and consolidated group are not in a tax consolidated group.

7. Cash and cash balances

	Year ended 30/06/14 $	Year ended 30/06/13 $
Cash at Bank	241,700	169,612

8. Trade and other receivables

	Year ended 30/06/14 $	Year ended 30/06/13 $
Current		
Interest receivable	842	604
Prepayments	11,663	25,545
Other- deposits	-	3,687
Goods and services tax receivable	443	14,078
	12,948	43,914
Non Current		
Other – deposits	-	7,224
Environmental bonds – mining tenements (i)	371,183	371,184
	371,183	378,408
	384,131	422,322

(i) The Environmental Bonds are lodged with the Department of Employment, Economic Development and Innovation and will not be refundable until the Group has received clearance advice from the Environmental Protection Authority at a time when the Group relinquishes its exploration permits or mining leases.

9. Property, plant and equipment

	2014 Consolidated					
	Freehold land at cost $	Motor vehicles at cost $	Leasehold and freehold improvements at cost $	Furniture at cost $	Other plant and equipment at cost $	Total $
Balance at 1 July 2013	51,668	189,314	144,954	31,525	343,298	760,759
Additions	-	-	-	-	-	-
Disposals	-	(61,364)	-	-	(1,761)	(63,125)
Balance at 30 June 2014	51,668	127,950	144,954	31,525	341,537	697,634
Accumulated depreciation						
Balance at 1 July 2013	-	(63,077)	(82,598)	(14,278)	(240,501)	(400,454)
Depreciation expense	-	(14,777)	(12,189)	(2,439)	(38,339)	(67,744)
Disposals	-	14,710	-	-	1,761	16,471
Balance at 30 June 2014	-	(63,144)	(94,787)	(16,717)	(277,079)	(451,727)
Net book value						
As at 30 June 2014	51,668	64,806	50,167	14,808	64,458	245,907

	2013 Consolidated					
	Freehold land at cost $	Motor vehicles at cost $	Leasehold and freehold improvements at cost $	Furniture at cost $	Other plant and equipment at cost $	Total $
Balance at 1 July 2012	51,668	189,314	144,954	31,525	343,298	760,759
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 30 June 2013	51,668	189,314	144,954	31,525	343,298	760,759
Accumulated depreciation						
Balance at 1 July 2012	-	(45,870)	(70,390)	(11,836)	(197,183)	(325,279)
Depreciation expense	-	(17,207)	(12,208)	(2,442)	(43,318)	(75,175)
Disposals	-	-	-	-	-	-
Balance at 30 June 2013	-	(63,077)	(82,598)	(14,278)	(240,501)	(400,454)
Net book value						
As at 30 June 2013	51,668	126,237	62,356	17,247	102,797	360,305

The following useful lives are used in the calculation of depreciation:

Leasehold and freehold improvements	10 – 40 years
Motor vehicles	5 –12 years
Furniture	10 – 20 years
Other plant and equipment	3 – 25 years

10. Exploration and evaluation expenditure

	Year ended 30/06/14 $	Year ended 30/06/13 $
Gross carrying amount balance:		
Balance at beginning of financial year	15,793,986	14,827,263
Additions	405,455	966,723
Balance at end of the financial year	16,199,441	15,793,986
Accumulated write off/impairment:		
Balance at beginning of financial year	(9,914,014)	(5,858,920)
Amounts written off/impaired	(4,285,427)	(4,055,094)
Balance at end of financial year	(14,199,441)	(9,914,014)
Net book value at end of financial year	2,000,000	5,879,972

(i) The exploration and evaluation expenditure for the Group represents capitalised costs of exploration areas of interest carried forward as an asset in accordance with the accounting policy set out in note 3 (g). The ultimate recoupment of the exploration and evaluation expenditure in respect of 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. Amortisation, in respect to each relevant area of interest is not charged to the income statement until a mining operation is commenced or when tenements are relinquished.

11. Trade and other payables

	Year ended 30/06/14 $	Year ended 30/06/13 $
Trade payables (i)	86,661	44,699
Other – accrued expenses	256,777	188,967
Other – superannuation payable	-	2,166
Other – PAYG payable	218	2,557
	343,656	238,389

(i) The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables.

12. Provisions

	Year ended 30/06/14 $	Year ended 30/06/13 $
Current		
Employee benefits (i)	7,877	11,610
	7,877	11,610
Non-current		
Provision for rehabilitation expenditure (ii)	396,054	396,054
Provision for landowner works (iii)	75,000	75,000
	471,054	471,054
	478,931	482,664

Provision for rehabilitation expenditure (ii)

	Year ended 30/06/14 $	Year ended 30/06/13 $
Balance at beginning of financial year	396,054	396,054
Disposals of tenements during the year	-	-
Balance at end of financial year	396,054	396,054
Provision for landowner works (iii)		
Balance at beginning of financial year	75,000	75,000
Addition for the period	-	-
Balance at end of financial year	75,000	75,000

(ii) The Group's current employee benefits are represented by provisions for annual leave totalling $7,877. The average number of employees during the current financial year was 1 employee.

(iii) The non current provision for rehabilitation expenditure represents the current value of the Directors' best estimates of the future sacrifice of economic benefits required to meet environmental liabilities on the Group's tenements based on work conducted by the Queensland Environmental Protection Agency and the Company's environmental consultants.

(iv) The non current provision for landowner works represents the present value of the Directors' best estimates of the future sacrifice of economic benefits required to meet landowner works relating to the Group's tenements.

13. Issued capital

	Year ended 30/06/14 $	Year ended 30/06/13 $
459,021,975 fully paid ordinary shares (2013: 235,688,642)	20,026,223	19,581,001
Fully paid ordinary shares		
Balance at beginning of financial year	19,581,001	19,581,001
Issue of shares under private placements	380,000	-
Issue of shares to directors and chairman in lieu of payment	100,000	-
Share issue costs	(34,778)	-
Balance at end of financial year	20,026,223	19,581,001

	Number of shares	Share capital $
Balance as at 1 July 2012	235,688,642	19,581,001
Movements	-	-
Balance as at 30 June 2013	235,688,642	19,581,001
Issue shares under private placements	190,000,000	380,000
Issue of shares to directors and chairman in lieu of payment	33,333,333	100,000
Share issue costs	-	(34,778)
Balance as at 30 June 2014	459,021,975	20,026,223

Other share options on issue as at 30 June 2014

There were no options on issue as at 30 June 2014.

Capital Management

Management controls the capital of the group in order to fund its operations and continue as a going concern. The consolidated entity does not have any externally imposed capital requirements.

14. Reserves

	Year ended 30/06/14 $	Year ended 30/06/13 $
Option premium reserve (i)	300,652	300,652

(i) The option premium reserve is a result of options being provided to directors.

15. Accumulated losses

	Year ended 30/06/14 $	Year ended 30/06/13 $
Balance at beginning of financial year	13,373,430	8,269,535
Net loss attributable to members of the parent entity	4,632,510	5,103,895
Balance at end of financial year	18,005,940	13,373,430

16. Loss per share

	Year ended 30/06/14 Cents per share	Year ended 30/06/13 Cents per share
Basic (loss) per share		
From continuing operations	(1.22)	(2.17)
Total basic (loss) per share	(1.22)	(2.17)

Diluted (loss) per share

From continuing operations	(1.22)	(2.17)
Total diluted (loss)per share	(1.22)	(2.17)

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

	Year ended 30/06/14 $	Year ended 30/06/13 $
Net (loss)	(4,632,510)	(5,103,895)
(Loss) used in the calculation of basis (loss) per share from continuing operations	(4,632,510)	(5,103,895)

	Year Ended 30/06/14 No.	Year Ended 30/06/13 No.
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	378,364,441	235,668,642

Diluted (loss) per share
The net (loss) and weighted average number of ordinary shares used in the calculation of diluted (loss) per share is as follows:

	Year Ended 30/06/14 No.	Year Ended 30/06/13 No.
Weighted average number of ordinary shares used in the calculation of diluted (loss) per share	378,364,441	235,668,642

	Year ended 30/06/14 $	Year ended 30/06/13 $
Net (loss)	(4,632,510)	(5,103,895)
(Loss) used in the calculation of diluted (loss) per share from continuing operations	(4,632,510)	(5,103,895)

17. Dividends

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

18. Information relating to mining tenements

The Department of Natural Resources and Mines (DME) and other government authorities require holders of mining tenements to pay rent, rates and to meet minimum exploration expenditures. It is noted that the Consolidated Entity can apply to relinquish its mining tenements at any time thereby extinguishing its obligations to meet its rental obligations and minimum exploration expenditure on the mining tenements. Moreover, 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 minimum exploration expenditures relating to the tenements.

DME has released Policy No 5/2012 dated October 2012 outlining expectations in relation to exploration permit work programs pursuant to the Mineral Resources Act 1989 (MRA) which provides the tenement holder with greater flexibility and time to complete the yearly expenditure commitments over a longer period. This Policy allows the consolidated entity is able to meet its yearly expenditure in total over three years rather than annually.

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

	Year ended 30/06/14 $	Year ended 30/06/13 $
<u>Exploration and evaluation expenditure</u>		
Not longer than 1 year	660,000	650,000
Longer than 1 year and not longer than 5 years	1,248,635	1,000,000
Longer than 5 years	-	-
	1,908,635	1,650,000

19. Leases

Operating leases

Leasing arrangements

Operating leases relate to the office lease that had a term of four years. In the 2013 financial year, the landlord granted the Company a one year extension to the office lease. The office lease contract contains market review clauses in the event that the Company exercises its option to renew.

Non-cancellable operating lease commitments

	Year ended 30/06/14 $	Year ended 30/06/13 $
Not longer than 1 year	-	14,485
Longer than 1 year and not longer than 5 years	-	-
	-	14.485

20. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Parent entity			
Drummond Gold Limited (i)	Australia		
Subsidiaries			
Mt Coolon Gold Mines Pty Ltd (i)	Australia	100	100
Yandan Gold Mines Pty Ltd (i)	Australia	100	100

(i) The parent and the subsidiaries are not within a tax consolidated group.
(ii) There are no significant restrictions of the ability of the consolidated entity to use any of the consolidated entity's assets to settle the liabilities of the consolidated entity.

21. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	Year ended 30/06/14 $	Year ended 30/06/13 $
Cash and cash equivalents	241,700	169,612

Reconciliation of (loss)/profit for the period to net cash flows from operating activities

	Year ended 30/06/14 $	Year ended 30/06/13 $
Net (loss) for the year	(4,632,510)	(5,103,895)
Interest income	(3,901)	(11,742)
Receipt of shares and options recognised in profit or loss	-	(347,231)
Depreciation	67,744	75,175
Loss on sale of asset	7,106	
Bad debts written off	-	60,716
Impairment and write off of options in Apex Minerals NL	-	986,206
Impairment and write off of shares in Apex Minerals NL	-	320,000
Impairment and write off of non-current-assets	4,285,427	4,055,094
Share based payment expense	100,000	-
Decrease/(increase) in assets:		
Trade and other receivables	4,483	11,267
Prepayments	13,882	26,934
Income tax benefit receivable	125,281	694,929
(Decrease)/increase in liabilities:		

Trade and other payables	96,707	(233,761)
Provisions – employee benefits	(3,733)	(5,586)
Net cash from operating activities	60,486	528,106

(b) Non cash transactions
During the financial year, the Company issued shares to the value of $100,000 in lieu of payment of outstanding Director's Fees and Chairman's Salary.

22. Contingent liabilities and contingent assets

The Directors are not aware of any contingent liabilities or contingent assets that are likely to have a material effect on the results of the Group as disclosed in these financial statements.

23. Financial instruments

(a) Financial risk management objectives
The Board monitors and manages the financial risk relating to the operations of the Group. The Group's activities include exposure to market risk, fair value interest rate risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management program focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on the financial performance. Risk management is carried out under the direction of the Board of Directors.

(b) Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

(c) Market price risk
The Group is involved in the exploration and development of mining tenements for base metals including gold and copper. Revenue associated with metal sales, and the ability to raise funds through equity and debt are dependent upon the commodity price for resources.

(d) Interest rate risk
There is a limited amount of interest rate risk relating to the cash and cash equivalents that the company holds in deposits. The Group will be exposed to further interest rate risk if it intends to borrow funds in the future for acquisition and development.

(e) Credit risk management
The maximum credit risk equals the carrying amount of the financial assets as recognised in the Statement of Financial Position.

(f) Fair value of financial instruments
The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The carrying amounts of financial assets and financial liabilities approximate the fair values.

(g) Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

(h) Cash flow and interest rate risk
The Group's income and operating cash flows are not materially exposed to changes in market interest rates.

(i) Capital risk management
The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group includes equity attributable to equity holders of the parent, comprising of issued capital, reserves and accumulated losses as disclosed in notes 13, 14 and 15 respectively. The Group operates its exploration and

evaluation activities through its wholly owned subsidiary. None of the Group's entities are subject to externally imposed capital requirements. The Group intends to use a variety of capital market issues to meet anticipated funding requirements. The Group currently has no short-term or long-term borrowings. The Group does not have any unused credit facilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on undiscounted cash flows and detail the Group's exposure to liquidity and interest rate risk as at 30 June 2014 and 30 June 2013:

2014	Weighted average effective interest rate %	Less than 1 month $	1-3 months $	3 months to 1 year $	1-5 years $	5 + years $	Total
Financial assets							
Non-interest bearing	-	-	1,285	271,784	371,184	-	644,253
Variable interest rate instrument	1.69	241,700				-	241,700
		241,700	1,285	271,784	371,184	-	885,953
Financial liabilities							
Non-interest bearing	-	183,657	-	160,000	-	-	343,657
		183,657	-	160,000	-	-	343,657

2013	Weighted average effective interest rate	Maturity					
	%	Less than 1 month $	1-3 months $	3 months to 1 year $	1-5 years $	5 + years $	Total
Financial assets							
Non-interest bearing	-	-	14,683	400,932	378,408	-	794,023
Variable interest rate instrument	2.59	169,612	-	-	-	-	169,612
		169,612	14,683	400,932	378,408	-	963,635
Financial liabilities							
Non-interest bearing	-	238,389	-	-	-	-	238,389
		238,389	-	-	-	-	238,389

24. Key management personnel compensation

	Year ended 30/06/14 $	Year ended 30/06/13 $
Short-term employee benefits (i)	417,212	511,389
Post-employment benefits	-	21,600
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	60,000	-
	477,212	532,989

(i) The short term employee benefits include Directors' Fees and Salary totalling $160,000 owing to Mr. E. Eshuys, Mr. B. K. Mutton and Mr. R. C. Hutton which has been accrued and not paid as at 30 June 2014. Further details of the key management personnel compensation can be found in the Remuneration Report section of the Directors' Report.

25. Share-based payments

On 21 November 2013 the Company issued 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 outstanding Directors fees of $58,333 and outstanding Chairman's Salary of $41,667.

26. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in the subsidiary are disclosed in note 20 to the financial statements.

(b) Transactions with key management personnel

Key management personnel compensation

The aggregate compensation made to key management personnel are disclosed in note 24 of the financial statements and details of the compensation made to key management personal has been provided in the Remuneration Report which forms part of the Directors' Report. Included in the Remuneration Report indentifies is a payment of $126,350 (net of GST) for consulting fees to Brice Mutton & Associates Pty Ltd a related party of Mr. Brice Mutton and payment of $110,862 (net of GST) to Kaus Australis Pty Ltd a related party of Mr. Michael Ilett.

Other related party transactions

From September 2013 Exploration Drill Rigs Pty Ltd, a company related to Mr. Michael Ilett and Mr. Ross Hutton, provided the Company with a registered office, utilities and receptionist services for a rental and management fee of $14,400 (levied at a rate of $1,600 per month excluding GST).

27. Parent entity disclosures

The parent entity in the Group is Drummond Gold Limited which was incorporated in Brisbane, Australia on 5 April 2007.

Financial position

	Year ended 30/06/14 $	Year ended 30/06/13 $
Current assets	250,944	470,267
Non-current assets	1,727,601	5,655,182
Total assets	1,978,545	6,125,449
Current liabilities	262,975	224,509
Non-Current Liabilities	-	-
Total Liabilities	262,975	224,509
Issued capital	22,177,937	21,732,715
Accumulated losses	(20,763,019)	(16,132,427)
Option Premium Reserve	300,652	300,652
Share Valuation Reserve	-	-
	300,652	300,652
Total equity	1,715,570	5,900,940
Total equity and liabilities	1,978,545	6,125,449

Financial performance

	Year ended 30/06/14 $	Year ended 30/06/13 $
(Loss) for the year	(4,630,592)	(5,165,087)
Other comprehensive income	-	112,500
Total comprehensive (loss)	(4,630,592)	(5,052,587)

28. Remuneration of auditors

	Year ended 30/06/14 $	Year ended 30/06/13 $
Auditor of the parent entity		
Audit or review of the financial statements	82,500	88,500
	82,500	88,500
Related practice of the parent entity auditor		
Other non-audit services – tax advice	-	-
Other non-audit services – research and development tax related services	13,636	59,560
	13,636	59,560

The auditor of Drummond Gold Limited is Deloitte Touche Tohmatsu.

29. Farm-In agreements

On 25 July 2013, the Company had formally withdrawn from the Farm In Agreement with Mt Cannindah Mining Pty Ltd and Planet Metals Limited dated 23 December 2010 (“Agreement”). Under the terms of the Agreement, the Company had the right to earn a 51 per cent interest in the Mt Cannindah Project by spending $3.25 million. As a result of withdrawing from the Agreement, Drummond will have no residual interest in the Mt Cannindah Project. The carrying value of Exploration and Evaluation Assets of approximately $2,264,168 relating to the Mt Cannindah Project was written off in the Group’s financial statements in the 30 June 2013 financial year.

At the date of this report the Company has no farm in agreements.

Unaudited additional ASX and other information as at 12 September 2014

Number of holders of equity securities

Ordinary share capital

459,021,975 fully paid ordinary shares are held by 608 individual shareholders.

All issued ordinary shares carry one vote per share. There is not a market buyback occurring.

Distribution of holders of equity securities

	Fully paid Ordinary Shares	%
1 – 1,000	**19**	**0.00**
1,001 – 5,000	**16**	**0.01**
5,001 – 10,000	**128**	**0.24**
10,000 – 50,000	**203**	**1.23**
50,001 – 100,000	**62**	**1.08**
100,001 and over	**180**	**97.44**
	608	**100.00**
Holding less than a marketable parcel	**495**	

Twenty largest shareholders of quoted equity securities

Line item	Ordinary shareholders	A/C Designation	Fully paid ordinary shares	
			Number	Percentage
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED		205,660,000	44.80%
2	CAIRNGLEN INVESTMENTS PTY LTD		32,172,464	7.01%
3	SCINTILLA STRATEGIC INVESTMENTS LIMITED		25,000,000	5.45%
4	RESOURCE SURVEYS PTY LTD	<SUPERANNUATION FUND A/C>	23,078,698	5.03%
5	MR BRICE KENNETH MUTTON & MRS GAI MUTTON	<BRICE MUTTON SUPER FUND A/C>	10,120,946	2.20%
6	ROSS CLIVE HUTTON & MARIE JEAN HUTTON	R & M SUPERANNUATION	8,801,204	1.92%
7	RESOURCE SURVEYS PTY LTD	RESOURCE SURVEYS S/F	7,746,624	1.69%
8	MR ROSS CLIVE HUTTON & MRS MARIE JEAN HUTTON	<R&M SUPERANNUATION FUND A/C>	7,630,000	1.66%
9	MT COOLON HOLDINGS PTY LTD	MT COOLON GOLD MINES	6,975,215	1.52%
10	DOUBLE JAY GROUP HOLDINGS PTY LTD	<KIMBERLEY S/F OPP A/C>	6,000,000	1.31%
11	GEE NOMINEES PTY LTD	<G & A ESHUYS SUPER FUND A/C>	5,572,936	1.21%
12	NATIONAL NOMINEES LIMITED	<DB A/C>	5,000,000	1.09%
13	MR TREVOR NEIL HAY		4,464,427	0.97%
14	MR DAVID COURTNEY ROBINS		4,445,600	0.97%
15	MR ALAN BRIEN & MRS MELINDA BRIEN	<A & M BRIEN SUPER FUND A/C>	4,306,173	0.94%
16	DR PETER KENCH		3,000,000	0.65%
16	MRS CHLOE PODGORNIK		3,000,000	0.65%
16	TESORO M B PTY LTD	THE G & T TRUST	3,000,000	0.65%
17	BACTALL PTY LIMITED	<SUPERANNUATION FUND A/C>	2,200,000	0.48%
18	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	<CUSTODIAN A/C>	2,153,104	0.47%
19	MR ANDREW JAMES MOSSMAN & MRS MARGOT PATRICIA MOSSMAN	<A & M MOSSMAN S/F A/C>	2,000,000	0.44%
19	COMMERCIAL TRADE AUSTRALIA PTY LTD	<THE J C A/C>	2,000,000	0.44%
20	MR IAN CHARLES PITCHER & MRS LINDAL KAY PITCHER	<LIANBRAY SUPER FUND A/C>	1,860,000	0.41%
	TOTAL FOR TOP 20:		**376,187,391**	**81.95%**
	Balance of Register		82,834,584	18.05%
	Grand TOTAL		459,021,975	100.00%

Substantial shareholders

Ordinary shareholders	Fully Paid Shares Number
RESOURCE CAPITAL FUND V L. P.	205,660,000
CAIRNGLEN INVESTMENTS PTY LTD	32,172,464
EDUARD ESHUYS	31,327,322
SCINTILLA STRATEGIC INVESTMENTS LIMITED	25,000,000
TOTAL	**294,159,786**

Tenements held

Mt Coolon Gold Mines Pty Ltd holds a 100% interest in 4 Mining Leases (MLs) comprising 300.052 hectares. Mt Coolon Gold Mines Pty Ltd holds a 100% interest in 2 Exploration Permit Minerals ("EPM") covering hectares, plus an application covering an additional 14,400 hectares adjoining EPM 15902 at Mt Coolon. All the mining tenements are held in Queensland, Australia.

Mt Coolon Gold Mines Pty Ltd

Tenement No.	Name	Area (Sub Blocks)	Area (Hectares)	Grant (Renewal) Date	Expiry Date
EPM 7259	Conway	12	4,480	18/5/2014	17/5/2019
EPM 15902	Mt Coolon	100	32,000	13/06/2014	12/06/2018
Total Area		112	36,480		

Mining Lease No.	Name	Area (Hectares)	Grant Date	Expiry Date
ML 1029	Koala 1	70.82	30/05/1974	31/01/2014 (i)
ML 1085	Koala Camp	4.902	27/01/1994	31/01/2014 (i)
ML 1086	Koala Plant	97.55	27/01/1994	31/01/2014 (i)
ML 10227	Glen Eva	126.78	05/12/1996	31/12/2016
Total Area		300.052		

Tenement Application No.	Name	Area (Sub Blocks)	Area (Hectares)	Application Date	Comments
EPMA 25365					
	Mt Coolon North	45	14,400	06/08/2014	Grant pending
Total Area		45	14,400		

(i) Renewal Submitted

Resources Tables

Drummond Consolidated Group Resources

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**	

(minor rounding errors)

Resources Statements

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 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 Hellman & Schofield 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.

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 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.

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.

Corporate Directory

Directors:	Mr. E. Eshuys (Executive Chairman) Mr. B. K. Mutton (Non-Executive Director) Mr. R. C. Hutton (Non-Executive Director)
Alternate director:	Mr. M. J. Ilett (Alternate director for Mr. R. C. Hutton)
Company secretary and chief financial officer	Mr. M. J. Ilett
Registered office and principal administrative office:	Unit 3 636 Progress Road Wacol Qld 4076 P.O. Box 294 Carole Park Qld 4300 Telephone: + 61 7 3879 4390 Facsimile: + 61 7 3271 6221
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 Telephone: + 61 7 3308 7000 Facsimile: + 61 7 3308 7001
Lawyers:	McCullough Robertson Lawyers Level 11, Central Plaza Two 66 Eagle Street BRISBANE QLD 4000 Telephone: + 61 7 3233 8888 Facsimile: + 61 7 3229 9949
Stock exchange listings:	Drummond Gold Limited shares are quoted on ASX Limited (ASX Code: DGO).
Website:	www.drummondgold.com.au
ABN:	96 124 562 849