Annual Report 2013

DRAIG

RESOURCES LIMITED

CORPORATE DIRECTORY

DIRECTORS

Peter Doherty
Executive Chairman

Jarrod Smith
Executive Director and Company Secretary

David Meldrum
Non-Executive Director

COMPANY SECRETARY

Jarrod Smith

PRINCIPAL & REGISTERED OFFICE

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AUDITOR

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ASX LISTING

ASX Codes: DRG

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LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

As you are aware, Jarrod Smith, David Meldrum and I became Directors of the Company in late November 2012, and Mark Dougan was appointed the Country Manager, Mongolia in December 2012. We brought to the Company considerable coal mining and finance expertise. This expertise was used to make prudent decisions throughout the reporting period and has been used to make some difficult decisions recently.

McElroy Bryan Geological Services Pty Ltd ("MBGS"), which is well known in the coal industry and highly regarded, was appointed in early 2013 to undertake a review of the geological data and to provide ongoing geological advice.

Two exploration programmes were undertaken during the reporting period. MBGS was involved in the latter one. The results, while useful, were disappointing and confirmed that several of the exploration licences are unlikely to host commercially extractable coal deposits. As a consequence it was decided to relinquish three of the eight exploration licences.

MBGS recently undertook a detailed analysis of the geological data associated with exploration licence 13879X. In particular, the Inferred Resource was estimated at approximately 10 million tonnes in accordance with JORC 2012. This is significantly less than the previous estimate.

Significant reductions in expenses have occurred since the new management team became involved in the Company. These reductions are ongoing.

Unfortunately Mongolia's economy is deteriorating and the Board is now concerned with Mongolian country risk. It is therefore reluctant to consider any further significant investment in Mongolia until this situation changes.

Compounding this issue are depressed global equity and coal markets.

Your company is in the fortunate position of having a relatively significant amount of cash. The Board is focused on preserving this and is continuing to reduce expenditure.

The Board now believes that better resource investment opportunities lie outside Mongolia. The Company will now focus on evaluating these opportunities whilst conserving its cash. In the meantime, the remaining assets in Mongolia will continue to be evaluated and explored with the expectation that the optimum value will be realised in the future.

This has been a difficult period for the Company. The Board is optimistic about the future and looks forward to your continued support throughout the coming year.

Yours faithfully,

P. K. Doherty

Peter Doherty
Chairman

View West over the Bayanteeg Mine just to the north of Draig's 13879X lease

RAB drilling and Trenching on Teeg (13879X)

DIRECTORS' REPORT

The Board of Directors presents its report together with the consolidated financial report of Draig Resources Limited ("the Company") and its subsidiaries Draig Resources LLC, BDBL LLC and Draig Investments (Singapore) Pte. Ltd ("the Group"), for the financial year ended 30 June 2013 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during the financial year and until the date of this report were as follows:

- Peter Doherty (Executive Chairman) – appointed 26 November 2012
- Jarrod Smith (Executive Director and Company Secretary) – appointed 26 November 2012
- David Meldrum (Non-Executive Director) – appointed 26 November 2012
- Terence Mark Earley (Managing Director) – resigned 2 October 2012
- Andrew Harrison (Executive Director) – resigned 26 November 2012
- Colwin Lloyd (Non-Executive Director) – appointed 20 August 2012, resigned 26 November 2012
- Rajah Chaudhry (Non-Executive Director) – appointed 2 October 2012, resigned 26 November 2012
- Jade Styants (Non-Executive Director) – resigned 20 August 2012

BOARD OF DIRECTORS

Peter Doherty
Non-Independent Executive Chairman

Peter Doherty originally trained as a mining engineer and has over 30 years of coal industry and finance experience both in Australia and internationally. He is the principal of Republic Coal Pty Limited which, through related companies, has held interests in a number of coal projects including the Baralaba Mine in Queensland. He currently has a 14.20% indirect interest in the Company and a 20% indirect interest in a related party, Trinity Mongolia Pty Ltd. Peter has a Bachelor of Engineering (Mining)(Hons)(USyd), a Bachelor of Economics (Murdoch) and a Master of Business Administration (Wharton).

Jarrod Smith
Non-Independent Executive Director and Company Secretary

Jarrod Smith has over twenty five years' experience in banking and finance. He has held senior roles within Westpac Banking Corporation, including leading the capital markets and securitisation areas within the Institutional Bank. Between 2002 and 2008 Jarrod was the Finance Director at Homeloans Limited (which is listed on the ASX). He is currently the Managing Director of Republic Holdings Pty Limited. Jarrod has a Bachelor of Commerce (UNSW), a Master of Business Administration (AGSM) and is a graduate member of the Australian Institute of Company Directors.

David Meldrum
Independent Non-Executive Director

David Meldrum is a mining engineer with over thirty years' experience in the coal mining sector. Between July 2011 and August 2012 he served as the Managing Director of Runge Limited (which is listed on the ASX) which is a major international mining consulting firm. His role at Runge Limited included substantial experience in Mongolia. He was also the founding partner and Managing Director of Minarco Asia Pacific Pty Ltd, a leading provider of technical consulting services to the coal industry, which was acquired by Runge Limited. David has a Bachelor of Engineering (Mining)(Hons)(UNSW) and a Graduate Diploma in Applied Finance (FINSIA).

DIRECTORS' MEETINGS

The number of directors' meetings held during the financial year during the period of each director's tenure and the number of such meetings attended by each director is:

Director	Board Meetings	
	Held while Director	Attended
Terence Mark Earley (resigned 2 October 2012)	2	2
Jade Styants (resigned 20 August 2012)	2	2
Andrew Harrison (resigned 26 November 12)	4	4
Colwin Lloyd (appointed 20 Aug 2012, resigned 26 Nov 2012)	2	2
Rajah Chaudhry (appointed 2 Oct 2012, resigned 26 Nov 2012)	1	1
Peter Doherty (appointed 26 November 2012)	4	4
Jarrod Smith (appointed 26 November 2012)	4	4
David Meldrum (appointed 26 November 2012)	4	4

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Group. This statement outlines the main corporate governance practices. Unless otherwise stated, these practices were in place for the entire year.

Board of Directors

The Directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company.

The key responsibilities of the Board are to:

- establish and monitor the corporate strategies;
- ensure proper corporate governance;
- monitor the performance of management;
- ensure that appropriate risk management systems, internal controls, reporting systems, and compliance frameworks are in place and operating effectively;
- monitor financial results;
- approve decisions concerning investments and acquisitions; and
- comply with reporting and other requirements of the law.

The Board's role and responsibilities are documented in a written Board charter which is available in the information section of the Company's website. The Board charter details the functions reserved to the Board and those delegated to key management. The Directors are also subject to a Code of Conduct, a copy of which is also available in the information section of the Company's website.

Composition of The Board

The Board comprises three directors, one independent non-executive and two non-independent executive directors.

Profiles of the Directors including details of their qualifications and experience are found on page 5 and 6 of this report.

Directors are appointed for their industry-specific expertise and commercial acumen. The Board believes that all of the Directors can make, and do make, quality and independent judgements in the best interests of the Company. While the Chairman is non-independent, his contribution to the Company is considered important to direct the strategy of the Company as well as its management. He holds an indirect interest in the Company and it is considered that his interests are aligned with those of other shareholders.

The Directors are able to obtain independent advice at the expense of the Company.

The Board has not formally constituted an audit committee. The responsibilities normally performed by an audit committee, which includes the monitoring of the integrity of the financial statements of the Company and the review and monitoring of the Company's internal financial control system, is undertaken by the Board.

The Board has not formally constituted a nomination committee or remuneration committee. The responsibilities normally performed by these committees are undertaken by the Board.

The Board recognises the need for the size and composition of the Board to have a balance of skills and experience to allow it to make its decisions having regard to the interests of the various stakeholders in the Company. Directors must offer themselves for re-election by shareholders at least every 3 years.

The Board's performance is assessed on an informal basis given its size. It is noted that with such a small board, each director has, and is required, to actively participate in the business of the Board. On this basis, no formal evaluation process is undertaken.

Ethical and Responsible Decision Making

The Board has adopted a Code of Conduct that expects all directors and employees to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. It includes the disclosure of conflicts of interest and the use of information not otherwise publicly known or available.

The Code of Conduct is available in the information section of the Company's website. The Code addresses the practices necessary to maintain confidence in the Company's integrity, to take account of legal obligations and expectations of stakeholders and the responsibility for reporting and investigating unethical practices.

Remuneration

The Board reviews the remuneration of directors and employees. The remuneration of non-executive directors is based on an aggregate level which is not to exceed $200,000 per annum, as approved by shareholders at the 2006 Annual General Meeting.

Directors are remunerated based on a fixed monthly fee for their services.

Further details in relation to the remuneration of directors are set out in the Remuneration Report.

Trading in Company Securities

The Board has adopted a Securities Trading Policy which restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the prices of the Company's securities.

The Securities Trading Policy is available in the information section of the Company's website.

Continuous Disclosure and Shareholder Communication

The Company has established policies and procedures designed to ensure compliance with ASX listing rules continuous disclosure requirements to ensure shareholders have equal and timely access to all material information.

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. The policies promote effective communication with shareholders and encourage shareholder participation at general meetings.

The Continuous Disclosure and Shareholders communication policies are available in the information section of the Company's website.

Risk Assessment and Management

The Board is responsible for ensuring that there are adequate policies in relation to risk oversight, management, compliance and internal control systems, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Company's policies are designed to ensure that strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

The Company's senior management is delegated with the tasks of management of operational risk and implementation of risk management strategies. A copy of the Risk Management and Internal Compliance and Control Policy is available in the information section on the Company's website.

Management is required by the Board to report on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards. Management is required to report to the Board and confirm the effectiveness of the Company's management of its material business risks. This occurs formally during regular monthly management meetings, and directly to the Board on an ad hoc basis when required.

The Executive Directors undertake the roles of Chief Executive Officer and Chief Financial Officer and provide representation to the Board that the risk management system is operating effectively in all material aspects in relation to financial reporting risks.

Diversity

The Board is committed to having an appropriate blend of diversity in the workplace in which everyone has the opportunity to participate and is valued for their distinctive skills, experiences and perspectives. The Group is committed to ensuring all employees are treated fairly, equally and with respect. A copy of the Diversity Policy is available in the information section of the Company's website.

Through periodic reviews of the board composition, the Board seeks to ensure that the skills and diversity of the board are appropriate for the present and future requirements of the Group.

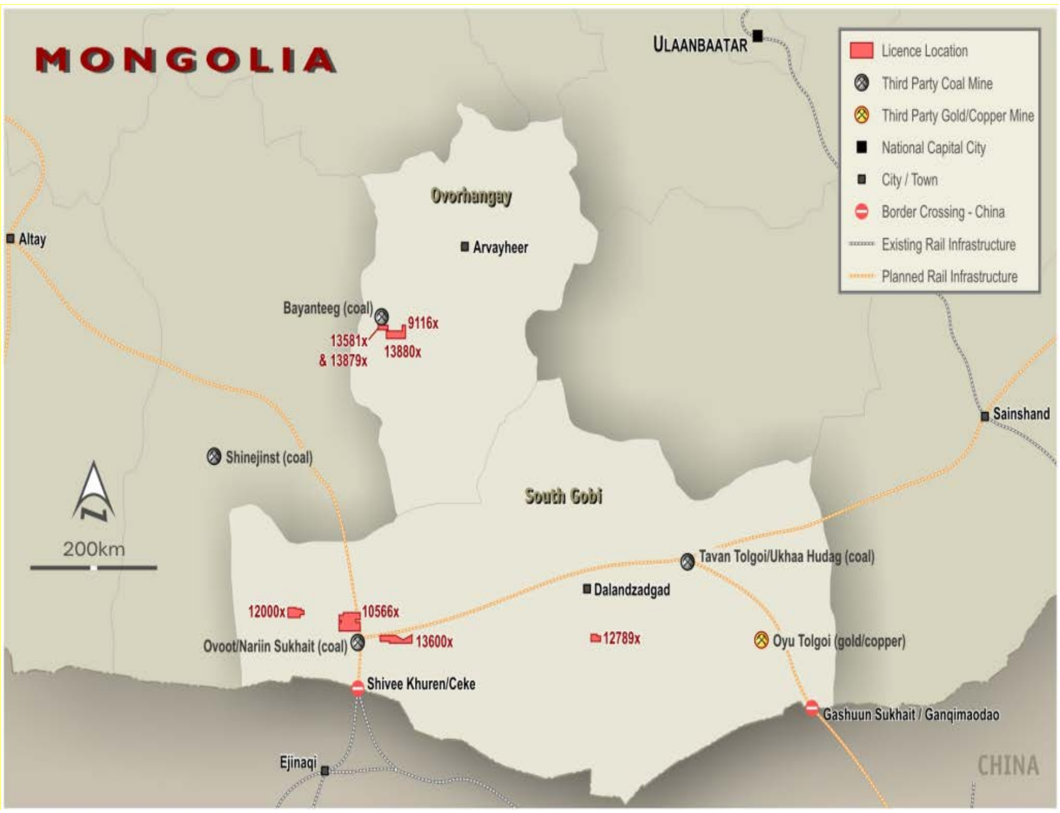
At present, 28% of employees are female. There is currently no female representation on the Board, however there is 66% female representation within the finance and administration functions of the Group.

OPERATING AND FINANCIAL REVIEW

Operating Review

Highlights

- Exploration of the licences advanced
- Trinity exercised its option to increase its interest in the Joint Venture
- Acquired a 16% interest in Trinity
- Amendments to Mongolian laws proposed
- Board and management changes
- Reduction in administration expenditure
- Certain exploration licences to be relinquished
- JORC Inferred Resource reassessed
- Outlook leads to change in future strategy



Location of Exploration Licences

Exploration Activity

Exploration of the eight exploration licences in Mongolia continued throughout the year. This comprised an extensive review of the Company's geological data by McElroy Bryan Geological Services Pty Ltd ("MBGS") and two field work programmes.

MBGS was appointed during the period between the two programmes. After reviewing the data it assisted in determining the work for the second programme and provided advice as it was undertaken.

The first field work programme was undertaken during November 2012 and December 2012 and was comprised of mapping and geophysical work.

The second programme was undertaken during May 2013 and June 2013 and consisted of mapping, trenching, drilling, and geophysical work.

Table 1 summarises the activities which were undertaken and results for each exploration licence for each programme.

Table 1 – Summary of Exploration Activities

Exploration Licence	Exploration Programme – November/December 2012	Exploration Programme – May/June 2013[1]
Teeg (13879X)	Ground penetrating radar ("GPR") survey lines were undertaken over areas where drilling had previously been undertaken and coal had been found. The GPR data did not correlate with the drill hole results and it was therefore concluded that GPR is not appropriate for coal exploration in this licence area.	Mapping, magnetic surveys, shallow Rotary Air Blast ("RAB") drilling, and trenching were undertaken. The results confirmed the existence of the Jurassic coal-bearing Bakhar formation sediments within the licence area.
Urtnii-Am (13581X)	GPR was undertaken on this licence with similar results to those at Teeg.	Mapping, magnetic surveys, and shallow RAB drilling were undertaken. The results confirmed the existence of the Jurassic coal-bearing Bakhar formation sediments within the licence northern area.

Exploration Licence	Exploration Programme – November/December 2012	Exploration Programme – May/June 2013[1]
Khongor (13880X)	GPR was undertaken on this licence too with, again, similar results to those at Teeg and Urtnii-Am. Mapping was also undertaken with some success; several coal 'blooms' were identified.	The aim was to test for the presence of coal in the western area and to improve the understanding of the surface geology and geological structure. Mapping and trenching (in the eastern area) did not identify (surface) coal-bearing Jurassic sediments. RAB drilling was challenging in the eastern area due to unconsolidated Quaternary aged sediments. Consequently, in this area it was not possible to determine the depth of this type of cover using this drilling method. The Polycrystalline Diamond Composite ("PCD") holes drilled in the western area did not intersect coal.
Ergen Usny Khudag-2 (9116X)	Detailed mapping and sampling was undertaken. Preliminary results indicated gold and background copper presence.	Exploration field work was not undertaken on this licence during this exploration programme.
Zamt Uul (13600X)	Two types of geophysical surveys were undertaken; IP/resistivity gradient and IP/resistivity dipole-dipole on the western portion of the licence. The gradient surveys were utilised to identify near surface coal. The dipole-dipole surveys were implemented to determine deeper coal bearing sedimentary rocks. These surveys were successful. The information gained was combined with the Company's previous geological data to identify potential coal bearing areas.	The objective was to determine the presence of coal bearing sediments. Exploration work undertaken included magnetic surveys and PCD drilling. The magnetic survey lines did not identify any potential drilling targets and the PCD hole did not intersect potential coal bearing sediments.

Exploration Licence	Exploration Programme – November/December 2012	Exploration Programme – May/June 2013[1]
Gurvantes (10566X)	A resistivity survey was conducted near the southern boundary of this licence. The results indicated a possible broad area of coal-bearing strata. Mapping and sampling were also undertaken throughout the licence area. Coal blooms were confirmed near the northern boundary. Samples were also taken from a strongly mineralized (i.e. metalliferous) zone in the west central part of the licence.	The intention of the exploration programme was to determine the presence of coal near the southern boundary of the licence. Upon examination of the surface geology it was decided not to undertake exploration field work on this licence.
Shavan (12000X)	A geological mapping survey was conducted in the southwest area of the licence. Some coal subcrops and blooms were identified.	Exploration field work was not undertaken on this licence during this exploration programme.
Olomgui (12789X)	A geological mapping survey was conducted. Some new subcrops of coal and upper Permian sediments were discovered.	Exploration field work was not undertaken on this licence during this exploration programme.

Note: 1 Exploration Results previously reported by Louis Wade Robinson in ASX Announcement by Draig Resources dated 29 July 2013. This information was prepared and first disclosed under the JORC Code 2004, it has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was reported.

RAB Drilling on Teeg (13879X)

JORC Resource

The geological data for 13879X has recently been reviewed and assessed by MBGS. It has estimated an Inferred Resource of approximately 10 million tonnes of coal in accordance to the 2012 JORC Code. The details are summarised in the following table:

NEW COAL RESOURCE ASSESSMENT September 2013							
Mining Metho	**Depth Interval**	**Measured**		**Indicated**		**Inferred**	
		Tonnes	Quality	Tonnes	Quality	Tonnes	Quality
OC	0 - 50					**2.4**	-
OC	50 - 100					**3.6**	-
OC	100 - 150					**3.0**	- -
Total Resources		0.0	CV: Ash: % -	0.0	CV: Ash: % -	**9.0**	CV: Ash: % -
Total Resources (Rounded)		0	CV: Ash: %	0	CV: Ash: %	**10**	CV: Ash: %
		0				0	

Resources and coal quality reported at in situ moisture basis

Further information and a full copy of the Competent Person report is included in the announcement which was made to the ASX on 23 September 2013.

Exploration Licence Relinquishments

The exploration activities undertaken during the reporting period have proven that some of the exploration licences are not as prospective for coal as was previously thought. As a consequence, the Board and the Joint Venture Management Committee decided to relinquish exploration licences 12000X, 10566X and 9116X. An announcement to this effect was made to the ASX on 19 September 2013.

Trinity Mongolia Pty Ltd

The Company's interest in the eight exploration licences is held by a controlled entity, BDBL LLC ("BDBL"), which is in an unincorporated Joint Venture (Mongolian Coal Joint Venture (No.1)) with two other companies; Khan Mountain Pty Ltd ("KM") and Khan Mountain 2 Pty Ltd ("KM2"). KM and KM2 are wholly owned subsidiaries of Trinity Mongolia Pty Ltd ("Trinity"). At the commencement of the reporting period BDBL had a 90% interest in the Joint Venture, KM had a 10% interest (free carried) and KM2 had exercised an option to purchase a 15% interest from BDBL. In October 2012 the Company received payment of $1,249,646 (US$1,325,000) from Trinity, on behalf of KM2, which was the exercise price and calculated as 15% of the approved Joint Venture expenditure up to the date of the exercise of the option. Subsequently BDBL held a 75% interest in the Joint Venture and KM2 was then required to contribute 15% of all future expenditure related to the Joint Venture.

In July 2013 the Company acquired a 16% interest in Trinity Mongolia Pty Ltd ("Trinity"). This acquisition provided the Company with a direct interest in its minority joint venture partner and a seat on its board of directors.

The interest in Trinity was acquired in exchange for 852,587 shares in the Company, representing approximately 1.3% of the shares on issue on a fully diluted basis. The offer was made to non-associated shareholders on an arms length basis.

Strategic Entities Foreign Investment Law

The Strategic Entities Foreign Investment Law ("SEFIL") regulates investment by foreign State-owned entities and foreign investment in sectors of 'strategic importance'.

The Company's activities are considered to be within a sector of strategic importance (which includes all minerals). SEFIL requires different approvals for different levels of ownership. The restriction most relevant to the Company is that if a foreign investor intending to hold more than 49 per cent ownership in a strategic entity and the amount of the proposed investment exceeds 100 billion tugriks (approximately $70M) then the investor is required to obtain the approval of the Parliament.

The Government of Mongolia has proposed that SEFIL be amended to exempt non-State owned foreign companies. This has not yet occurred.

Minerals Law

The Government of Mongolia has proposed amendments to the Minerals Law. While some of these proposed changes are of concern, the Board is cautiously optimistic of a mutually beneficial ultimate outcome.

The timing of the possible introduction of these amendments continues to be uncertain.

View South Over Bayanteeg Mine

Board and Management Changes

Significant changes were made to the Company's Board and senior management during the year.

In August 2012, Jade Styants resigned as Director of the Company and Colwin Lloyd was appointed,

In October 2012, Mark Earley resigned as Managing Director of the Company and Rajah Chaudhry was appointed.

In November 2012, Peter Doherty, Jarrod Smith and David Meldrum were appointed Directors of the Company. Jarrod Smith was also appointed Company Secretary.

Preceding the appointment of the current Directors, and also in November 2012, the Board terminated the Consultancy Agreement between the Company and Andrew Harrison whose role was the Managing Director, and that of Jade Styants whose role was Company Secretary and Chief Financial Officer.

Subsequently Andrew Harrison resigned as a Director and Jade Styants resigned as Company Secretary.

Colwin Lloyd and Rajah Chaudhry, who were Directors, revoked their consents to stand for re-election at the Company's Annual General Meeting which was held in November 2012. Consequently they retired at the conclusion of that meeting.

Mark Dougan was appointed Country Manager, Mongolia in December 2012 and commenced full time employment in January 2013. He is based in Ulaanbaatar.

Finance Review

The loss after tax of the Group for the financial year was $8,995,775 (2012: $4,063,927).

The current year loss includes an impairment of exploration expenditure amounting to $5,622,460 and relates to the South Gobi tenements. Recent exploration activities indicate the accumulated costs and purchase price of these tenements are unlikely to be recovered in the future. The carrying value of capitalised exploration expenditure with respect to those tenements has been reduced to nil as at 30 June 2013.

Subsequent to the Board and senior management changes a number of decisions were made which have resulted in a significant reduction in administration expenses. These changes have included the closure of the Perth office, a reduction in personnel and the termination of some supplier contracts.

The Group's net assets decreased to $6,191,555 (2012:$15,092,924) mainly due to the impairment of exploration expenditure.

The view of the Directors is that the Company and the Group is operating as a going concern.

Significant Changes in the State of Affairs

Other than matters referred to in this report, there were no significant changes in the state of affairs of the Group during the year.

Significant Events After the Balance Date

On 24 July 2013 the Company acquired a 16% interest in Trinity Mongolia Pty Ltd (Trinity), which provides the Company with a direct interest in its minority joint venture partner and a seat on its board of directors. The 16% interest in Trinity was acquired in exchange for 852,587 shares in the Company, representing approximately 1.3% of the shares on issue on a fully diluted basis. The offer was made to non-associated shareholders on an arms length basis.

In September 2013 the Board and the Joint Venture Management Committee decided to relinquish exploration licences 12000X, 10566X and 9116X.

Likely Developments and Expected Results

The Company is currently facing a number of issues:

- Disappointing exploration results;
- Increased Mongolian country risk;
- Depressed coal markets; and
- Depressed equity markets.

The Board now believes that better resource investment opportunities lie outside Mongolia. The Company will now focus on evaluating these opportunities whilst conserving its cash. In the meantime, the remaining assets in Mongolia will continue to be evaluated and explored with the expectation that the optimum value will be realised in the future.

The material business risks faced by the Company that are likely to have an effect on the financial prospects of the Company, and how the Company manages these risks, are:

- Exploration Risk – The Company will be confining its exploration activities to the further delineation of known coal resources on the existing exploration licences – this will minimise the risk of any lack of exploration success.

- Mongolian Country Risk – The Company is reducing its exposure to Mongolia and will look to realise value for its remaining assets.

- Commodity Price and Exchange Rate Risk – The Company is exposed to movements in coal prices and foreign exchange.

DIVIDENDS

No dividends were declared or paid for the previous year and the Directors recommend that no dividends be paid for the current year.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and rights over shares issued by the Company, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report are:

Director	Ordinary Shares	Options over Ordinary Shares	Performance Rights
Peter Doherty	9,418,655	-	-
Jarrod Smith	100,000	-	-
David Meldrum	-	-	-

SHARE OPTIONS

Options and Performance Rights Granted to Directors and Executives of the Company

There were no options or performance rights granted during the financial year or since the end of the financial year.

Unissued Shares Under Options

At the date of this report unissued shares of the Group under option are:

Unlisted Options	Number
Exercisable $0.20, expires 15/09/2013	2,295,000
Exercisable $0.50, expires 12/12/2014	1,483,333
Exercisable $0.60, expires 12/12/2014	733,333
Exercisable $0.75, expires 12/12/2014	733,334
Exercisable $0.60, expires 25/01/2015	50,000
Exercisable $0.75, expires 25/01/2015	50,000
Exercisable $0.50, expires 01/02/2015	250,000
Total unlisted options	**5,595,000**
Performance rights	
Excercisable when share price exceeds $0.60, expires 12/12/2014	500,000
Total performance rights	**500,000**

All unissued shares are ordinary shares of the Company.

These options do not entitle the holder to participate in any share issue of the Company or other body corporate.

Shares Issued on Exercise of Options

There have been no ordinary shares of the Company issued as a result of the exercise of options during the year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into an agreement to indemnify all Directors and Officers against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums to insure each Director and Officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving wilful breach of duty in relation to the Company. The current premium, based on an insurance period of 18 months, is $26,116 (2012: $18,711 for an insurance period of 12 months) to insure the Directors and Officers of the Company.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of the Company.

Principles of Remuneration

Key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Group, and include directors of the Company.

The performance of the Group depends upon the quality of directors and executives. Remuneration levels for key management personnel are based upon the size and cash reserves of the Company. The role of the Remuneration Committee has been assumed by the Board, due to the size of the Company.

Remuneration packages include a fixed component with the opportunity, at the Board's discretion, to remunerate using long term incentives.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review that takes into account the Group's performance, individual performance, relevant comparative remuneration in the market, together with external advice where appropriate.

Performance Linked Compensation

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives.

The short-term incentive is an 'at risk' bonus generally provided in the form of cash. In accordance with the current strategy to conserve cash, there were no short-term incentives paid during the year.

The objective of the long-term Incentives plan is to reward and retain key management personnel in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, long-term Incentives are provided to key management personnel who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdles. The Draig Resources Limited Employee Share Option Plan is utilised to provide these incentives. There were no long-term incentives granted during the year.

Securities issued as part of remuneration to the Company's key management personnel however do take into account the future share price performance of the Company. This is evident in the way they are structured (for example the exercise price and vesting conditions that are set), as this is seen to be a more appropriate in aligning executives' long term incentives to the generation of shareholder wealth. No securities were issued as part of remuneration during the year ended 30 June 2013.

Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have some regard to the following indices in respect of the current financial year and the previous four financial years. It is noted during 2011 the Company changed the principal activity from the provision of optometry related products in Australia to coal exploration and development.

	2013	2012	2011	2010	2009
Loss after income tax	($8,995,775)	($4,063,927)	($1,802,334)	($506,601)	($1,176,963)
Share price	$0.036	$0.22	$2.00*	$0.16*	$0.16*

*Adjusted for consolidation on a 1:20 basis on 12 December 2011

Currently, the remuneration of the Group's key management personnel including any component of the remuneration that consists of securities in the Company is not formally linked to the prior performance of the Company. The rationale for this approach is that the Company is in the exploration phase, and it is currently not appropriate to link remuneration to factors such as profitability or share price.

Non-Executive Directors Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to the shareholders. Total remuneration for all non-executive directors is not to exceed $200,000 per annum, as approved by the shareholders at the 2006 Annual General Meeting. As at 30 June 2013, David Meldrum received a fixed monthly fee of $6,250 for his services. Non-executive directors are not provided with retirement benefits apart from statutory superannuation.

Executive Directors Service Contract

The Group has entered into a management services agreement for the services of Peter Doherty and Jarrod Smith. The contract is effective from 26 November 2012 until the resignation, as Director of the Company, by either Peter Doherty or Jarrod Smith. There is no notice period and there are no entitlements due on termination of the management services agreement. As at 30 June 2013, the management fee is a fixed monthly fee of $10,416 for Peter Doherty and $12,500 for Jarrod Smith.

Key Management Personnel Remuneration

The Group aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group and individual performance against targets set by reference to the appropriate benchmark;
- align the interest of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

In determining the level and makeup of key management personnel remuneration, the Board considers comparable executive roles. Remuneration may consist of fixed remuneration and long term incentives.

Share Based Remuneration

The Company operates an incentive plan known as the Draig Resources Limited Employee Option Plan ("Plan") approved at the general meeting on 30 November 2011. The maximum number of options that can be granted under the Plan is determined by the Board at its discretion and in accordance with the Plan and applicable law. There is no issue price for any options granted under the Plan.

Each option is convertible to one ordinary share. The exercise price of each option is determined by the Board in its absolute discretion, provided the exercise price shall not be less than the closing price of shares sold on the ASX on the last trading day before the offer is made to eligible participants made under the Plan. No voting or dividend rights are attached to the options. There are no voting rights attached to the unissued ordinary shares.

A total of 100,000 options have vested under the Plan as at the date of this report.

During the period no securities over equity instruments issued as remuneration to key management personnel have been exercised.

Options over Equity Instruments Granted as Compensation

Details of options over ordinary shares in the Company that vested during the year are as follows:

OPTIONS ISSUED	Number of options granted during 2012	Grant date	Fair value per option at grant date	Exercise price per option	Expiry Date	Number of options vested during 2013
Yin Wong	100,000	25/01/12	$0.290	$0.60	25/01/15	50,000
(Chief Operating Officer)	100,000	25/01/12	$0.272	$0.75	25/01/15	50,000
(resigned 1 March 2013)						

Of the 200,000 options granted during 2012, 100,000 have lapsed due to not meeting the vesting conditions of being continuously employed with the Company until 25 January 2015.

Performance Rights over Equity Instruments Granted as Compensation

There were no performance rights over ordinary shares in the Company that were granted to key management personnel during the year. There were no performance rights that vested during the year.

Details of performance rights over ordinary shares in the Company that were granted to each key management person during the reporting period and details on those that vested during the previous year are as follows:

PERFORMANCE RIGHTS	Number of performance rights granted during 2012	Grant date	Fair value per performance rights at grant date	Exercise price per performance rights	Expiry Date	Number of performance rights vested during 2012 and 2013
Andrew Harrison (Executive Director) (resigned 26 Nov 12)	250,000	12/12/11	$0.410	n/a	12/12/14	-
Jade Styants (Company Secretary) (resigned 26 Nov 12)	250,000	12/12/11	$0.410	n/a	12/12/14	-

On 30 November 2011 shareholders approved the allotment and issue of performance rights, shown above, as a retrospective bonus and were structured in nature to maintain incentive. The performance rights will vest at the time the Company's share price exceeds $0.60.

During the year, no shares were issued on the exercise of options previously granted as remuneration (2012: nil).

DRAIG
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Director and Key Management Personnel Remuneration

Details of the nature and amount of each major element of the remuneration of each Director and Key Management Personnel of the Company and the Group during the year are:

DIRECTORS AND EXECUTIVE OFFICERS		SHORT TERM Salary & Fees $	SHORT TERM STI Cash Bonus $	POST EMPLOYMENT Superannuation benefits $	SHARE-BASED PAYMENTS Options and Rights $	Termination Benefits $	Total $	Proportion of remuneration performance related %	Value of options and rights as proportion of remuneration %
Non-Executive Director									
David Meldrum (appointed 26/11/12)	2013	40,138	-	3,612	-	-	43,750	-	-
Non-Executive Director	2012	-	-	-	-	-	-	-	-
Executive Directors									
Peter Doherty (appointed 26/11/12)	2013	72,917	-	-	-	-	72,917	-	-
Executive Chairman	2012	-	-	-	-	-	-	-	-
Jarrod Smith (appointed 26/11/12)	2013	87,500	-	-	-	-	87,500	-	-
Executive Director and Company Secretary	2012	-	-	-	-	-	-	-	-
Total directors remuneration	**2013**	**200,555**	**-**	**3,612**	**-**	**-**	**204,167**	**-**	**-**
	2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Former directors and executive officers									
Rajah Chaudhry (appointed 2/10/12, resigned 23/11/12)	2013	14,675	-	-	-	-	14,675	-	-
Non-Executive Director	2012	-	-	-	-	-	-	-	-
Colwin Lloyd (appointed 20/08/12, resigned 23/11/12)	2013	18,700	-	-	-	-	18,700	-	-
Non-Executive Director	2012	-	-	-	-	-	-	-	-
Terence Mark Earley (resigned 2/10/12)	2013	176,818	-	30,668	-	225,000	432,486	-	-
Managing Director	2012	387,500	150,000	48,375	352,733	-	938,608	53.6%	37.6%
Andrew Harrison (resigned 23/11/12)	2013	158,792	-	-	-	-	158,792	-	-
Executive Director	2012	257,502	40,000	-	278,867	-	576,369	55.3%	48.4%
Jade Styants (resigned Non-Executive Director 20/08/12)(resigned Company Secretary 23/11/12)	2013	94,318	-	-	-	-	94,318	-	-
Company Secretary	2012	231,333	40,000	-	278,867	-	550,200	50.7%	50.7%
Yin Wong (appointed 23/01/12, resigned 1/3/2013)	2013	208,735	-	18,786	10,537	-	238,058	--	-
Chief Operating Officer	2012	133,077	-	11,977	17,563	-	162,617	-	10.8%
Total former directors and executive remuneration	**2013**	**672,038**	**-**	**49,454**	**10,537**	**225,000**	**957,029**	**-**	**-**
	2012	**1,009,412**	**230,000**	**60,352**	**928,030**	**-**	**2,227,794**	**51.2%**	**41.7%**
Total directors and executive officers remuneration	**2013**	**872,593**	**-**	**53,066**	**10,537**	**225,000**	**1,161,196**	**-**	**-**
	2012	**1,009,412**	**230,000**	**60,352**	**928,030**	**-**	**2,227,794**	**51.2%**	**41.7%**

Strike Comments Responses

At the 2012 AGM held on 26 November 2012, more than 25% of votes cast on the Remuneration Report resolution were 'against', which constitutes what is known as a 'strike' under the Corporations Act.

Prior to the 2012 AGM, the Board terminated the Consultancy Agreement between the Company and Andrew Harrison whose role was the Managing Director, and that of Jade Styants whose role was Company Secretary and Chief Financial Officer. Subsequently Andrew Harrison resigned as a Director and Jade Styants resigned as Company Secretary. Colwin Lloyd and Rajah Chaudhry, who were Directors, revoked their consents to stand for re-election at the Company's Annual General Meeting which was held in November 2012. Consequently they retired at the conclusion of that meeting.

The Board considers that remuneration of the Group's key management personnel is aligned with the current status of the Company. As a direct result of disappointing exploration results, effective from 1 August the Board has reduced non-executive and executive Director fees by 30%.

The audited remuneration report ends here.

NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has not performed any other services in addition to the audit and review of the financial statements.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration, which forms part of this report, is included on page 56 of the consolidated financial report.

Signed in accordance with a resolution of the Directors:

P. K. Doherty

Peter Doherty
Executive Chairman

Dated at Sydney, New South Wales, this 25 September 2013.

DRAIG RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Continuing Operations			
Sales revenue	5	-	1,321
Cost of sales		-	(876)
Gross profit		-	445
Other expenses	6	(7,024,897)	(1,865,981)
Personnel expenses	7	(2,141,810)	(2,391,262)
Results from operating activities		(9,166,707)	(4,256,798)
Finance income	8	170,932	192,871
Loss before income tax		(8,995,775)	(4,063,927)
Income tax expense	10	-	-
Loss for the year attributable to the owners of the Company		(8,995,775)	(4,063,927)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations	18	83,869	(192,361)
Tax effect on other comprehensive income		-	-
Total comprehensive loss for the year attributable to the owners of the Company		(8,911,906)	(4,256,288)
Basic loss per share (cents per share)	26	(13.73)	(9.05)
Diluted loss per share (cents per share)	26	(13.73)	(9.05)

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

DRAIG RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	11	1,347,463	6,019,303
Investments	12	2,063,471	-
Trade and other receivables	13	35,998	100,556
TOTAL CURRENT ASSETS		3,446,932	6,119,859
NON CURRENT ASSETS			
Trade and other receivables	13	56,000	56,000
Property, plant and equipment	14	23,980	51,223
Exploration and evaluation expenditure	16	2,868,208	9,062,310
TOTAL NON CURRENT ASSETS		2,948,188	9,169,533
TOTAL ASSETS		6,395,120	15,289,392
CURRENT LIABILITIES			
Trade and other payables	15	203,565	196,468
TOTAL CURRENT LIABILITIES		203,565	196,468
TOTAL LIABILITIES		203,565	196,468
NET ASSETS		6,191,555	15,092,924
EQUITY			
Issued capital	17	24,956,649	24,956,649
Reserves	18	1,474,731	1,380,325
Accumulated losses	19	(20,239,825)	(11,244,050)
TOTAL EQUITY		6,191,555	15,092,924

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		-	1,321
Cash paid to suppliers and employees		(3,510,159)	(2,898,303)
Interest received		213,149	129,129
Net cash used in operating activities	29	(3,297,010)	(2,767,853)
CASH FLOW FROM INVESTING ACTIVITIES			
Prepayment of funds for security deposit		-	(52,107)
Cash invested in term deposit		(2,063,471)	-
Proceeds from sale of property, plant and equipment		1,100	-
Payments for property, plant and equipment		(11,556)	(58,995)
Payments from Joint Venture partner		1,461,847	
Payment for exploration and evaluation		(762,750)	(9,478,394)
Net cash used in investing activities		(1,374,830)	(9,589,496)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and exercise of options		-	18,586,811
Cost of issue of shares		-	(1,335,468)
Net cash from financing activities		-	17,251,343
Net (decrease) / increase in cash and cash equivalents		(4,671,840)	4,893,994
Cash and cash equivalents at 1 July		6,019,303	1,125,309
Cash and cash equivalents at 30 June	11	1,347,463	6,019,303

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

DRAIG RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
BALANCE AS AT 1 JULY 2011		7,904,310	386,153	-	(7,180,123)	1,110,340
Total comprehensive loss for the Year						
Loss for the year	19	-	-	-	(4,063,927)	(4,063,927)
Total other comprehensive income		-	-	(192,361)	-	(192,361)
Total comprehensive loss for the Year		7,904,310	386,153	(192,361)	(11,244,050)	(3,145,948)
Contribution by and distribution to owners						
Issue of share capital	17	18,586,811	-	-	-	18,586,811
Cost of issued share capital	17	(1,588,968)	-	-	-	(1,588,968)
Share Based Payments Expense	18	-	1,241,029	-	-	1,241,029
Share Based Payments Excercised	18	54,496	(54,496)			-
BALANCE AS AT 30 JUNE 2012		24,956,649	1,572,686	(192,361)	(11,244,050)	15,092,924
Total comprehensive loss for the Year						
Loss for the year	19	-	-	-	(8,995,775)	(8,995,775)
Total other comprehensive income		-	-	83,869		83,869
Total comprehensive loss for the Year		24,956,649	1,572,686	(108,492)	(20,239,825)	6,181,018
Contribution by and distribution to owners						
Share Based Payments Expense	18	-	10,537	-	-	10,537
BALANCE AS AT 30 JUNE 2013		24,956,649	1,583,223	(108,492)	(20,239,825)	6,191,555

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Reporting Entity

Draig Resources Limited (the "Company") is a public company domiciled in Australia and listed on the Australian Securities Exchange (ticker: DRG). The address of the Company's registered office is Level 28, 25 Bligh Street, Sydney, NSW, 2000. The consolidated financial report of the Company for the financial year ended 30 June 2013 comprises the Company and its subsidiaries; Draig Investments (Singapore) Pte. Ltd, BDBL LLC and Draig Resources LLC (together referred to as the "Group"). The Group is a for-profit entity and is primarily involved in coal exploration.

2. Basis of Preparation

a) *Statement of compliance*

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 25 September 2013.

b) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except for share based payment transactions which are measured at fair value. The consolidated financial statements have been prepared on a going concern basis.

c) *Functional and presentation currency*

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

d) *Use of estimates and judgements*

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Annual Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are detailed below.

- Exploration and evaluation expenditure

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to the presence of mineral reserves, timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of a mineral reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the consolidated statement of comprehensive income. The carrying amounts of exploration and evaluation assets are set out in note 16.

- Share based transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer by using either a Black Scholes option pricing model or hybrid Monte-Carlo model, using the assumptions detailed in note 17.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date the control ceases. In the Company's financial statements, investments in subsidiaries are carried at cost.

ii)Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between subsidiaries are eliminated in full on consolidation.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

ii)Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the translation reserve in equity.

c) *Financial instruments*

i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

- Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

- Trade and other payables

The Group recognises a liability initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

ii)Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

d) *Property, plant and equipment*

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset.

ii) Subsequent costs

Subsequent expenditure is only capitalised when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expenses as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The expected useful lives in the current and comparative period are as follows:

Fixtures and fittings	5 years
Computer equipment	2 - 3 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

e) Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

ii) Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

iii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or which are not yet available for sale, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows which are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

f) *Employee benefits*

i) Wages and salaries

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and the benefit is capable of being measured reliably.

Provisions made in respect of wages and salaries and annual leave expected to be settled within 12 months are measured at nominal values based on expected rates of pay.

ii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. If benefits are payable more than 12 months after the reporting date then they are discounted to their present value.

iii) Share-based payments

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based remuneration benefits are provided to employees via the Company's incentive Plan, known as the Draig Resources Employee Option Plan ("Plan"). No options were issued during the year.

The cost of these share-based payment transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using either a Black-Scholes option pricing model or hybrid Monte-Carlo model.

In valuing share-based payment transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions').

The cost of share-based payment transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees are fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- the extent to which the vesting period has expired; and
- the number of awards that, in the opinion of the Directors, will ultimately vest.

This opinion is formed using the best available information at the date of the statement of financial position. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

g) Revenue

Revenues are recognised and measured at the fair value of the consideration received net of the amount of discounts and goods and services tax (GST) payable to the taxation authority.

h) Finance income

Finance income comprises interest income on funds invested and is recognised as it accrues.

Foreign currency gains and losses on financial assets are reported on a net basis as either financial income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

i) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is not recognised for the temporary differences in the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

k) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker (CODM), which has been identified by the Company as the Board of Directors.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components.

l) Exploration and evaluation expenditure

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either: the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or 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 area of interest are continuing.

Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the profit or loss.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

(i) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units (CGUs) to which the exploration activity relates. The CGU shall not be larger than the area of interest.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property assets within property, plant and equipment.

In the event that an area of interest is abandoned or the Board consider the exploration and evaluation assets attributable to the area of interest to be of reduced value, the exploration and evaluation assets are impaired in the period in which assessment is made. Each area of interest is reviewed at each reporting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

4. New Accounting Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are available for early adoption for annual periods beginning after 1 July 2012 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for the following standards which become mandatory for the Group from 1 July 2013. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

(a) AASB 10 *Consolidated Financial Statements* introduces a new approach to determining which investees should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(b) AASB 11 *Joint Arrangements* requires classification of joint arrangements depending on whether the parties to the joint arrangement have rights to and obligations for underlying assets and liabilities. If the parties have the rights and obligations for underlying assets and liabilities, the joint arrangement is considered a joint operation and partial consolidation is applied. Otherwise, the joint arrangement is considered a joint venture and the parties must use the equity method to account for their interests.

(c) AASB 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

(d) AASB 119 *Employee Benefits* changes the definition of short-term and other long-term employee benefits and some disclosure requirements.

DRAIG
RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
5. REVENUE			
Revenue from optical sales		-	1,321
		-	1,321
6. OTHER EXPENSES			
Depreciation and amortisation		19,764	10,403
Impairment of inventories		-	(876)
Consultancy fees		188,262	268,809
Property lease expense		178,135	117,326
Legal expenses		141,915	247,709
Exploration expenditure		-	416,084
Impairment of exploration expenditure	16	5,622,460	-
Travel expenses		280,222	276,589
Other expenses		594,139	529,937
		7,024,897	1,865,981
7. PERSONNEL EXPENSES			
Wages and salaries		1,769,217	1,399,520
Termination benefits		225,000	-
Statutory social security contributions		137,056	63,713
Share Based Payments		10,537	928,029
		2,141,810	2,391,262
8. FINANCE INCOME			
Interest income		148,060	192,871
Net foreign exchange gain		22,872	-
		170,932	192,871

	2013 $	2012 $
9. AUDITOR'S REMUNERATION		
Audit services		
Auditors of the company – KPMG		
Audit and review of financial statements	51,800	59,200
Other auditors		
Audit and review of financial statements	40,397	-
	90,197	59,200

10. INCOME TAX

A reconciliation between income tax expense and the loss before tax is as follows:

Loss before income tax benefit	(8,995,775)	(4,063,927)
Tax benefit at the Australian tax rate of 30% (2012:30%)	2,698,733	1,219,178
Non-assessable expense		
Impairment of exploration asset	(1,686,738)	-
Tax effect of amounts which are not deductible in calculating taxable income		
Share-based payment expense	(3,161)	(278,409)
Current year tax losses not recognised	(888,470)	(788,364)
Impact of overseas subsidiaries		
Tax losses not recognised	120,363	(50,802)
Impact of differing foreign jurisdiction tax rates	(240,727)	(101,603)
Income tax (benefit)/expense	-	-

b) Tax Losses

Unused tax losses for which no deferred tax asset has been recognised.	7,869,042	7,414,618

The benefit of these losses has not been brought to account as realisation is not probable. The availability of these losses is subject to satisfying Australian taxation legislation requirements and will only be available if:

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

ii) provisions relating to the deduction of losses from prior years imposed by tax legislation continues to be complied with; and

11. CASH AND CASH EQUIVALENTS

Cash at Bank	1,347,463	199,303
Short Term Deposits	-	5,820,000
	1,347,463	6,019,303

	2013 $	2012 $
12. INVESTMENTS		
Term deposits	2,063,471	-
	2,063,471	-
13. TRADE AND OTHER RECEIVABLES		
Current		
Receivables due from related parties	6,666	-
Other receivables	7,957	14,805
Accrued Interest	6,930	71,595
Security bonds	14,445	14,156
	35,998	100,556
Non Current		
Security bonds	56,000	56,000
	56,000	56,000

14. PROPERTY, PLANT AND EQUIPMENT

Balance 1 July	51,223	2,631
Additions	11,556	59,001
Disposals	(18,512)	-
Depreciation for the year	(19,764)	(10,403)
Foreign currency translation movements	(523)	(6)
Carrying value at 30 June	23,980	51,223
At 30 June		
Cost	43,663	64,572
Accumulated depreciation	(19,683)	(13,349)
Net carrying amount	23,980	51,223

15. TRADE AND OTHER PAYABLES

Trade payables due to related parties	5,954	-
Trade creditors	135,146	118,219
Accrued expenses and other payables	62,465	78,249
	203,565	196,468

	2013 $	2012 $
16. EXPLORATION AND EVALUATION EXPENDITURE		
Balance as at 1 July	9,062,310	-
Purchase of coal licences through subsidiary acquisition	-	7,689,024
Payment received from Trinity to acquire 15% interest	(1,249,646)	-
Expenditure incurred during the year	550,550	1,936,800
Expenditure expensed during the year	-	(416,084)
Impairment of exploration expenditure	(5,622,460)	-
Foreign currency translation movements	127,454	(147,430)
	2,868,208	9,062,310

During the year ended 30 June 2012, the Group acquired 100% of BDBL LLC (BDBL) for a total consideration of US$7,870,000 (AU$7,689,024). An unincorporated joint venture (Mongolian Coal Joint Venture (No.1)) was established with Trinity Mongolia Pty Ltd (Trinity), with the Company holding a 90% participating interest and a wholly owned subsidiary of Trinity, Khan Mountain 1 Pty Ltd (KM1) holding the remaining 10% interest.

Prior to acquiring BDBL, the Company undertook a due diligence exploration program and these costs, amounting to $416,084, were expensed during the year ended 30 June 2012. All exploration work carried out subsequent to the acquisition of BDBL has been capitalised.

During the year ended 30 June 2013, a wholly owned subsidiary of Trinity, Khan Mountain 2 Pty Ltd (KM2), paid BDBL US$1,325,000 (AU$1,249,646) for the exercise of an option to acquire a 15% interest in the joint venture. From the date of payment, KM2 is required to contribute 15% of all exploration expenditure related to the joint venture. Contributions of AU$212,200 were received during the year ended 30 June 2013 and were offset against expenditure incurred in the year.

The expenditure incurred during the year is net of Trinity contributions. The impairment relates to capitalised exploration expenditure for the South Gobi tenements. Recent exploration activities indicate the accumulated costs and purchase price are unlikely to be recovered in the future. The carrying value of capitalised exploration expenditure with respect to those tenements has been reduced to nil as at 30 June 2013. As discussed in Note 28 (Events subsequent to reporting date), two of the four exploration licences in the South Gobi area will be relinquished.

17. ISSUED CAPITAL

Ordinary Shares

65,503,845 (2012: 65,503,845) fully paid ordinary shares	24,956,649	24,956,649

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as may be declared from time to time, and are entitled to one vote per share at meetings of the Company.

The following movements in issued capital occurred during the year:

	Number Shares		Amount ($)	
	2013	2012	2013	2012
Balance at beginning of reporting period	65,503,845	471,392,945	24,956,649	7,904,310
Exercise of listed options (various)	-	41,545,233	-	1,586,811
Consolidation (1)	-	(481,434,333)	-	-
Placement (2)	-	34,000,000	-	17,000,000
Less: cost of issued shares (2)	-	-	-	(1,588,968)
Share based payments exercised (3)	-	-	-	54,496
Balance at end of reporting period	65,503,845	65,503,845	24,956,649	24,945,649

(1) On 9 December 2011 the Company's securities were consolidated on a one (1) for twenty (20) basis, as approved by shareholders at the Company's annual general meeting on 30 November 2011.

(2) On 12 December 2011 the Company issued 34,000,000 ordinary shares on a post-consolidation basis, raising $17,000,000 before expenses of $1,588,968.

(3) During the prior year options were exercised that had been issued and recorded as a share based payment on 15 September 2010. The options had been issued to brokers for their involvement in a rights issue at the time. The assumed value of the share based payment was $54,496 which was reversed from the Share Option Reserve at the time of the exercise and recorded against Issued Capital.

Performance Rights

There was no movement in performance rights during the year:

Grant Date	Balance 1 Jul 2012	Granted	Balance 30 June 2013	Vested 30 June 2013	Date of Expiry
12/12/2011	500,000	-	500,000	-	12/12/2014
TOTAL	**500,000**	**-**	**500,000**	**-**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The fair value of performance rights granted during the previous year has been determined using the hybrid Monte-Carlo model, utilising the following model assumptions:

Item	Performance Rights	Item	Performance Rights
Underlying security spot price	$0.50	Volatility	110.00%
Share price barrier	$0.60	Risk free rate	3.14%
Issue date	12 December 2011	Number of options	500,000
Expiration date	12 December 2014	Valuation per option	$0.410
Life of options	3.00	Valuation per tranche	$205,000

On 30 November 2011, shareholders approved the issue of 500,000 performance rights to Directors which had a fair value of $205,000 and was expensed to Employee Share Based Payments in the year ended 30 June 2012. These performance rights will vest at the time the Company's share price first exceeds $0.60. There are no other performance hurdles.

Share Options

The following movements in share options occurred during the year:

Grant Date	Date of Expiry	Exercise Price	Balance 1 Jul 12	Vested 1 Jul 12	Vested	Exercised	Lapsed	Balance 30 Jun 13	Vested 30 Jun 13	ASX Listed 30 June 13	Notes
15/09/2010	15/09/2013	$0.20	2,295,000	2,295,000	-	-	-	2,295,000	2,295,000	-	
12/12/2011	12/12/2014	$0.50	733,333	733,333	-	-	-	733,333	733,333	-	a
12/12/2011	12/12/2014	$0.50	750,000	750,000	-	-	-	750,000	750,000	-	b
12/12/2011	12/12/2014	$0.60	733,333	733,333	-	-	-	733,333	733,333	-	c
12/12/2011	12/12/2014	$0.75	733,334	733,334	-	-	-	733,334	733,334	-	d
25/01/2012	25/01/2015	$0.60	100,000	-	50,000	-	(50,000)	50,000	50,000	-	e
25/01/2012	25/01/2015	$0.75	100,000	-	50,000	-	(50,000)	50,000	50,000	-	f
01/02/2012	01/02/2015	$0.50	250,000	250,000	-	-	-	250,000	250,000	-	g
		TOTAL	**5,695,000**	**5,495,000**	**100,000**	**-**	**(100,000)**	**5,595,000**	**5,595,000**	-	

On 30 November 2011, shareholders approved the issue of 2,200,000 options (note reference a,c,d) to Directors which has an assumed value of $705,466 and was expensed to Employee Share Based Payments during the previous year. Shareholders also approved the issue of 750,000 options (note reference b) to advisors and lead managers to the capital raising undertaken on 12 December 2011, which has a fair value of $253,500 and was recorded in Issued Capital as part of the cost of the capital raising. Details of the assumptions used to value these options are provided below.

On 25 January 2012, the Company issued 200,000 options, subject to employment vesting conditions, to an employee (note reference e & f) under the Draig Resources Limited Employee Share Option Plan. During the year, 100,000 options vested and 100,000 options expired due to employment vesting conditions. The assumed value of the vested options was $28,100. For the year ended 30 June 2013 the Company had expensed a net amount of $10,537 to Employee Share Based Payments.

On 1 February 2012, the Company issued 250,000 options to Azure Capital Investments Pty Ltd pursuant to an ongoing consultancy agreement (note reference g), which had an assumed value of $59,500 and was expensed to Consultancy Fees in the previous year.

No person entitled to exercise the option had, or has, any right by virtue of the option to participate in any share issue of any other body corporate.

The fair value of options granted during the year ended 30 June 2012 was determined using a Black Scholes option pricing model, utilising the following model assumptions:

Item	Unlisted options issued during the year ended 30 June 2012						
Note cross reference	a	b	c	d	e	f	g
Underlying security spot price	$0.50	$0.50	$0.50	$0.50	$0.46	$0.46	$0.38
Exercise price	$0.50	$0.50	$0.60	$0.75	$0.60	$0.75	$0.50
Share price barrier	-	-	-	-	-	-	-
Issue date	12/12/2011	12/12/2011	12/12/2011	12/12/2011	25/01/2012	25/01/2012	01/02/2012
Expiration date	12/12/2014	12/12/2014	12/12/2014	12/12/2014	25/01/2015	25/01/2015	01/02/2015
Life of options (years)	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Volatility	110.00%	110.00%	110.00%	110.00%	110.00%	110.00%	110.00%
Risk free rate	3.14%	3.14%	3.14%	3.14%	3.41%	3.41%	2.82%
Number of options	733,333	750,000	733,333	733,334	100,000	100,000	250,000
Valuation per option	$0.338	$0.338	$0.322	$0.302	$0.290	$0.272	$0.238
Valuation per tranche	$247,867	$253,500	$236,133	$221,467	$29,000	$27,200	$59,500

	2013	2012
	$	$

18. RESERVES

a) Share Based Payments Reserve

	2013 $	2012 $
Balance at the beginning of the year	1,572,686	386,153
Options issued to directors and employees	16,392	723,029
Options issued to advisors and lead managers	-	313,000
Performance rights issued to directors	-	205,000
Share based payments exercised	-	(54,496)
Options lapsed	(5,855)	-
Balance at the end of the year	1,583,223	1,572,686

The Share Based Payments Reserve records items recognised as expenses based on the valuation of Director, employee, consultant and other third party share options and performance rights. Upon share options or performance rights being exercised, the cost of share based payments is reversed from the Share Based Payments Reserve and recorded against Issued Capital, or in the event the share options or performance rights expire, the share based payment is reversed from the Share Based Payments Reserve and recorded against Accumulated Losses.

b) Foreign Currency Translation Reserve

	2013 $	2012 $
Balance at the beginning of the year	(192,361)	-
Currency translation differences arising during the year	83,869	(192,361)
Balance at the end of the year	(108,492)	(192,361)

The Foreign Currency Translation Reserve is used to record exchange differences arising on translation of the Group companies that do not have a functional currency of Australian dollars and have been translated into Australian dollars for presentation purposes.

19. ACCUMULATED LOSSES

	2013 $	2012 $
Accumulated losses at the beginning of year	(11,244,050)	(7,180,123)
Loss for the year	(8,995,775)	(4,063,927)
Accumulated losses at the end of year	(20,239,825)	(11,244,050)

20. FINANCIAL INSTRUMENTS

Financial Risk Management

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's principal financial instruments comprise cash and short-term deposits. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and term deposits.

The Group holds its cash and cash equivalents with banks and financial institution counterparties with acceptable credit ratings. As part of managing its credit risk on cash and cash equivalents, the majority of funds are held in Australian banks, which have the higher credit rating amongst the banks and financial institution counterparties used, and is transferred as needed to the Mongolian banks to meet operational costs of the following month.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the end of the reporting period was as follows:

	Note	Carrying Amount 2013 $	2012 $
Financial Assets			
Cash and cash equivalents	11	1,347,462	6,019,303
Investment	12	2,063,471	-
Receivables	13	91,998	156,556
		3,502,931	6,175,859

None of the Group's trade and other receivables are past due as at 30 June 2013 (2012: nil)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are contractual maturities of the Group financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Note	Carrying Amount $	Contractual Cash Flows $	6 Months or less $
2013				
Trade and other payables	15	203,565	(203,565)	(203,565)
2012				
Trade and other payables	15	196,468	(196,468)	(196,468)

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is not exposed to significant foreign currency risk on transactions that are denominated in a currency other than the respective functional currencies of the group entities; the Australian Dollar (AUD), United States Dollar (USD) and Mongolian Tögrög (MNT)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash. Cash includes funds held in term deposits and cheque accounts during the year, which earned variable interest at rates ranging between 3.75 % to 4.9% (2012: 0% to 5.9%), depending on the bank account type and account balances.

The Group has no loans or borrowings.

At the reporting date the interest rate profile for the Group interest-bearing financial instrument was:

	Carrying Amount 2013 $	Carrying Amount 2012 $
Variable rate financial assets	2,624,166	6,019,303

A change of 100 basis points in the interest rates at the end of the reporting period would have increased (decreased) profit and loss by the amounts shown below. The analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2012.

	2013 $	2012 $
100bp increase	26,242	60,193
100bp decrease	(26,242)	(60,193)

Capital Management

The Board policy is to maintain a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares and retained earnings (or accumulated losses). The Board of Directors manages the capital of the Group to ensure that the Group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

21. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

Less than one year	144,027	121,582
Between one and five years	64,463	154,781
More than five years	-	-
	208,490	276,363

The Group offices in Sydney, Australia and Ulaanbaatar, Mongolia are under operating leases.

The Sydney office lease commenced on 2 February 2012 for a period of 36 months, with no option to renew the lease after that date. Lease payments are increased every year by the greater of consumer price index or 4%.

The Ulaanbaatar office lease commenced on 16 March 2012 for a period of 24 months.

During the year an amount of $178,135 was recognised as an expense in the profit and loss in respect of operating leases (2012: $45,922).

22. COMMITMENTS

The Group is committed to meeting the minimum annual licence expenditure each calendar year to maintain its Mongolian licences. As at 30 June 2013, the Group is committed to spend US$79,513 to maintain the licences for the calendar year ending 31 December 2013, the majority of which has been spent as at 30 June 2013.

The annual licence fees for 2014 amount to US$79,513 and the minimum annual licence expenditure for the 2014 calendar year is US$79,513.

As a result of the subsequent to balance date relinquishment of licences, the minimum annual licence expenditure for the 2014 calendar year is US$28,466.

23. CONTINGENT LIABILITIES

The Board is not aware of any circumstances or information which leads them to believe that there are any material contingent liabilities outstanding at 30 June 2013.

24. SUBSIDIARIES

Name of Entity	Country of Incorporation	Date of Incorporation	Ownership Interest % 2013	Ownership Interest % 2012
PARENT ENTITY				
Draig Resources Ltd	Australia	11 October 2004	na	na
SUBSIDIARY				
C@ Logistics Pty Ltd	Australia	11 October 2004 **	-	100
Draig Investments (Singapore) Pte. Ltd	Singapore	19 May 2011 *	100	100
Draig Resources LLC	Mongolia	2 February 2012	100	100
BDBL LLC	Mongolia	4 October 2011	100	100

*These entities were incorporated as subsidiaries of Draig Resources Limited.
** This entity was deregistered on 2 January 2013

25. SEGMENT INFORMATION

At 30 June 2013 the Group operated in one segment being coal exploration.

The internal report to the Chief Operating Decision Maker (Board of Directors) is prepared on the same basis as the consolidated financial report.

Geographical Location

The exploration assets of the Group are located in Mongolia, where the exploration office is also located. The Company's principal and registered office is located in Australia.

In presenting information on the basis of geographical segments, segment assets are based on the geographical location of the assets.

	Operating loss		Total Assets		Total Liabilities	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Australia	2,142,057	3,552,376	3,491,060	6,047,379	(46,292)	(179,161)
Mongolia	6,826,091	508,017	2,893,491	9,222,780	(142,467)	(16,570)
Singapore	27,627	3,534	10,569	19,233	(14,806)	(737)
	8,995,775	4,063,927	6,395,120	15,289,392	(203,565)	(196,468)

The impairment recognised in the current year was in relation to exploration and evaluation assets located in in Mongolia.

26. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share at 30 June 2013 was based on the loss attributable to ordinary shareholders of $8,995,775 (2012: $4,063,927) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 65,503,845 (2012: 44,887,501 post consolidation) calculated as follows:

Weighted average number of ordinary shares

Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	**Number 2013**	**Number 2012 (post consolidation*)**
Issued ordinary shares at 1 July	65,503,845	23,569,647
Effect of shares issued on 12 December 2011	-	18,672,131
Effect of exercise of options (various)	-	2,645,723
	65,503,845	44,887,501

* Number of shares has been adjusted for the consolidation on a one (1) for twenty (20) basis on 12 December 2011. Refer to note 17 for details.

Diluted loss per share

Diluted loss per share is considered to be the same as the basic loss per share, as the potential ordinary shares on issue are anti-dilutive and have not been applied in calculating dilutive loss per share. The Group does not have any potentially dilutive ordinary securities.

27. RELATED PARTIES

Details of Key Management Personnel

The following were key management personnel of the Group at any time during the reporting period:

Current Directors

- Peter Doherty – appointed 26 Nov 2012
- Jarrod Smith - appointed 26 Nov 2012
- David Meldrum – appointed 26 Nov 2012

Former Directors and Executives

- Terence Mark Earley– resigned 2 Oct 2012
- Andrew Harrison – resigned 26 Nov 2012
- Colwin Lloyd – appointed 20 Aug 2012, resigned 26 Nov 2012
- Rajah Chaudhry– appointed 2 Oct 2012, resigned 26 Nov 2012
- Jade Styants - resigned Non-Executive Director 20 Aug12, resigned Company Secretary 26 Nov12
- Yin Wong – resigned 1 Mar 2013

The following table provides the details of all key management personnel and the nature and amount of the elements of their remuneration for the year.

	2013 $	2012 $
Short term employee benefits	872,593	1,239,412
Termination benefits	225,000	-
Post-employment benefits	53,066	60,352
Equity remuneration benefits	10,537	928,030
	1,161,196	2,227,794

As a result of the termination of employment of the Managing Director, the executive received a termination benefit equal to six month's annual salary in accordance with the terms of his contract.

Individual Director's Disclosures

Information regarding individual Director's remuneration and disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report on pages 15 to19.

Peter Doherty has an interest in the Company as a beneficiary of a trust which holds a 14.38% interest in the Company. This trust also holds a 20% interest in Trinity Mongolia Pty Ltd (Trinity). Through its subsidiaries, Trinity holds a 10% and 15% interest in the joint venture which is the beneficial owner of the eight exploration licences in Mongolia. No payments were made to Trinity during the year. Contributions to exploration and evaluation expenditure made by Trinity during the year are disclosed in Note 16.

Terrence Mark Earley, resigned 2 October 2012, held an indirect interest through a shareholding in Trinity.

Peter Doherty and Jarrod Smith are Directors of Three Cheeky Monkeys Holdings Pty Ltd which is trustee for the Doherty Addinall Family Trust which holds shares in the Company and Trinity.

During the year ended 30 June 2013, Three Cheeky Monkeys Holdings Pty Ltd, as trustee of the Doherty Addinall Family Trust, rendered fees for the management services of Peter Doherty and Jarrod Smith. Fees during the year, which were in the ordinary course of business, amounted to $160,417 (2012 - $nil), as included in the Directors' Remuneration. There were no amounts outstanding at 30 June 2013.

During the year ended 30 June 2013, Three Cheeky Monkeys Holdings Pty Ltd was granted a licence to occupy office space within the Company's Sydney office. Licence fees receivable by the Company during the year, which were in the ordinary course of business, amounted to $6,666. The balance outstanding at 30 June 2013 was $6,666.

During the year ended 30 June 2013, a related party of Three Cheeky Monkeys Holdings Pty Ltd, Republic Corporate Services Pty Limited, provided administrative services, including the services of a Financial Controller to the Group. Fees during the year, which were in the ordinary course of business, amounted to $40,833 (2012 - $nil). The balance outstanding at 30 June 2013 was $5,954.

Apart from the details disclosed above or in the Remuneration Report, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Draig Resources Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2012	Held at date of appointment	Purchases	Received on exercise of options	Consolidation	Sales	Held at 30 June 2013
Directors							
Mr P Doherty		8,473,134	945,521	na	na	na	9,418,655
Mr J Smith		100,000	na	na	na	na	100,000
Former Directors and Executive Management							
Mr TM Earley	307,875	na	na	na	na	na	na *
Mr A Harrison	451,486	na	na	na	na	na	na *
Ms J Styants	54,563	na	na	na	na	na	na *

	Held at 1 July 2011	Purchases	Received on exercise of options	Consolidation	Sales	Held at 30 June 2012
Directors						
Mr TM Earley	6,157,500	-		(5,849,625)	-	307,875
Mr A Harrison	4,482,098	25,000	4,047,605	(8,103,217)	-	451,486
Management						
Ms J Styants	131,782	25,000	459,450		-	54,563

*Not a member of key management personnel as at 30 June 2013

Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Draig Resources Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Options	Held at 1 July 12	Granted as remuneration	Lapsed	Exercised	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 Jun 13
Former Directors and Executive Management							
Mr TM Earley	3,395,000	na	na	na	na	na	na *
Mr A Harrison	550,000	na	na	na	na	na	na *
Ms J Styants	550,000	na	na	na	na	na	na *
Mr Y Wong	200,000	na	na	na	na	na	na *

Options	Held at 1 July 11	Granted as remuneration	Consolidation	Exercised	Held at 30 June 12	Vested during the year	Vested and exercisable at 30 Jun 12
Directors							
Mr TM Earley	45,900,000	1,100,000	(43,605,000)	-	3,395,000	3,395,000	3,395,000
Mr A Harrison	4,047,605	550,000	-	(4,047,605)	550,000	550,000	550,000
Management							
Ms J Styants	459,450	550,000	-	(459,450)	550,000	550,000	550,000
Mr Y Wong	n/a	200,000	-	-	200,000	-	-

*Not a member of key management personnel as at 30 June 2013

Performance rights over equity instruments

The movement during the reporting period in the number of performance rights over ordinary shares in Draig Resources Ltd held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Performance Rights	Held at 1 July 12	Granted as remuneration	Consoli-dation	Exercised	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 Jun 13
Former Directors and Executive Management							
Mr A Harrison	250,000	na	na	na	na	na	na *
Ms J Styants	250,000	na	na	na	na	na	na *
Performance Rights	**Held at 1 July 11**	**Granted as remuneration**	**Consoli-dation**	**Exercised**	**Held at 30 June 2012**	**Vested during the year**	**Vested and exercisable at 30 Jun 12**
Directors							
Mr A Harrison	-	250,000	-	-	250,000	-	-
Management							
Ms J Styants	-	250,000	-	-	250,000	-	-

*Not a member of key management personnel as at 30 June 2013

28. EVENTS SUBSEQUENT TO REPORTING DATE

On 24 July 2013 the Company acquired a 16% interest in Trinity Mongolia Pty Ltd (Trinity), which provided the Company with a direct interest in its minority joint venture partner and a seat on its board of directors. The 16% interest in Trinity was acquired in exchange for 852,587 shares in the Company, representing approximately 1.3% of the shares on issue on a fully diluted basis. The offer was made to non-associated shareholders on an arms length basis.

In September 2013 the Board and Joint Venture Management Committee decided to relinquish exploration licences 12000x, 10566x and 9116x.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 $	2012 $
29. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES		
Cash flows from operating activities		
Loss for the year	(8,995,775)	(4,063,927)
Depreciation of assets	19,764	10,403
Loss on asset disposal	17,412	-
Employee benefits - share based payments	10,537	928,029
Consultancy costs – share based payments	-	59,500
Exploration expenditure expensed	-	416,084
Impairment of exploration expenditure	5,622,640	-
Net foreign currency gains	(43,243)	(192,361)
Operating loss before changes in working capital and provisions	(3,368,665)	(2,842,272)
Change in trade and other receivables	64,558	(73,403)
Change in trade and other payables	7,097	147,822
Net cash used in operating activities	(3,297,010)	(2,767,853)

30. PARENT ENTITY DISCLOSURE

As at, and throughout, the financial year ended 30 June 2013 the parent entity of the Group was Draig Resources Limited.

Results of the parent entity		
Loss for the year	(7,059,482)	(3,317,355)
Other comprehensive expenses	-	-
Total Comprehensive loss for the year	(7,059,482)	(3,317,355)
Financial Position of parent entity at year end		
Current assets	3,460,957	6,004,167
Total assets	9,022,642	16,243,094
Current liabilities	46,291	179,161
Total liabilities	46,291	179,161
Total equity of the parent entity comprising of:		
Issued capital	24,956,649	24,956,649
Share option reserve	1,583,223	1,611,323
Retained earnings	(17,563,521)	(10,504,039)
Total equity	8,976,351	16,063,933

DRAIG
RESOURCES LIMITED

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2013

1. In the opinion of the Directors of Draig Resources Ltd (Company):

(a) the consolidated financial statements and notes that are set out on pages 23 to 52, and the Remuneration Report in the Directors' Report set out on pages 18 to 22, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Executive Directors in performing the role of Chief Executive Officer and Chief Financial Officer hold the declarations required by Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2013.

3. The Directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Peter Doherty
Executive Chairman

25 September 2013

KPMG

Independent auditor's report to the members of Draig Resources Limited

Report on the financial report

We have audited the accompanying financial report of Draig Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing 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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 18 to 22 of the directors' report for the year ended 30 June 2013. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Draig Resources Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Denise McComish

Partner

Perth

25 September 2013

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Draig Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

DMcComish

Denise McComish
Partner

Perth

25 September 2013

ASX ADDITIONAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2013

a) Distribution of Shareholders (as at 12 September 2013)

	Number of Ordinary Shareholders	Number of Shares
1 - 1,000	433	203,352
1,001 - 5,000	424	1,222,155
5,001 - 10,000	167	1,349,314
10,001 - 100,000	370	13,836,051
100,001 - and over	109	49,745,560
TOTAL	1,503	66,356,432

b) Top Twenty Shareholders (as at 12 September 2013)

Name	Number of Ordinary Shares held	%
THREE CHEEKY MONKEYS HOLDINGS PTY LTD	9,418,655	14.20
CAPRICORN MINING PTY LTD	3,651,125	5.50
CAMPBELL KITCHENER HUME	2,042,950	3.08
HSBC CUSTODY NOM AUST LTD	1,525,993	2.30
ZERO NOM PL	1,500,000	2.26
SPRING STREET HOLDINGS PL	1,470,000	2.22
HILTON H & BRISCOE K A	1,148,400	1.73
KARLA BELL & ASSOCIATES PTY	1,117,000	1.68
LI SHIZHEN	1,022,327	1.54
VERDOUW ROBERT	1,002,600	1.51
LUMANI ARTON	956,545	1.44
MANFORD MICHAEL FRANK	870,000	1.31
BARLOW JEREMY WARDE	775,079	1.17
T T NICHOLLS PTY LTD	745,000	1.12
MERRIWEE PTY LTD	695,000	1.05
GREGORACH PTY LTD	675,000	1.02
SHEPPARD KEITH EWILLIAM	600,000	0.90
ZEBON TWO PL	534,696	0.81
VERDOUW ROBERT <SUPERFUND>	530,000	0.80
EKSTEIN &EKSTEIN INVESTMENTS PTY LTD	501,500	0.76
Total Top 20 Shareholders	**30,781,870**	**46.39**
Other Shareholders	**35,574,562**	**53.61**
Total ordinary shares on issue	**66,356,432**	**100.00**

c) Non marketable parcels (as at 12 September 2013)

The number of shareholders holding less than a marketable parcel of shares is 1,131, totalling 4,284,133 ordinary shares.

d) Voting rights

All ordinary shares carry one vote per share without restriction.

e) Franking Credits

The Company has nil franking credits.

f) Restricted Securities

The Company has the following restricted securities at 12 September 2013:

Escrow Securities	Number Restricted Securities	Date Restricted Period Ends
Jeremy Warde Barlow	387,540	24/07/14
Jeremy Warde Barlow	387,539	24/07/15

g) Substantial Shareholders (as notified at 12 September 2013)

Name	Number of Ordinary Shares held	%
THREE CHEEKY MONKEYS HOLDINGS PTY LTD	9,418,655	14.20
CAPRICORN MINING PTY LTD	3,651,125	5.50
Total	**13,069,780**	**19.69**

h) On-Market Buy Back

There is no current on market buy back.

i) ASX Admission Statement

During the year, the Company has applied its cash in a way consistent with its business objectives.

j) Options on issue (as at 12 September 2013)

Options	Unlisted	Listed	Total	No Holder
Exercisable $0.20, expires 15/09/2013	2,295,000	-	2,295,000	1
Exercisable $0.50, expires 12/12/2014	1,483,333	-	1,483,333	6
Exercisable $0.60, expires 12/12/2014	733,333	-	733,333	3
Exercisable $0.75, expires 12/12/2014	733,334	-	733,334	3
Exercisable $0.60, expires 25/01/2015	50,000	-	50,000	1
Exercisable $0.75, expires 25/01/2015	50,000	-	50,000	1
Exercisable $0.50, expires 01/02/2015	250,000	-	250,000	1

k) Performance rights on issue (as at 12 September 2013)

Performance Rights	Unlisted	Listed	Total	No Holder
Expires 15/09/2013, vests upon the Company share price exceeding $0.60.	500,000	-	500,000	2

l) Schedule of Mining Licences (as at 12 September 2013)

MONGOLIA:

Licence Name	Licence Number	Type *	Equity	Status
Ovorhangay Province, Mongolia:				
Teeg	13879X	EL	75%	Current
Nariin Teeg	13581X	EL	75%	Current
Khongor	13880X	EL	75%	Current
Ergen Usny Khudag-2	9116X	EL	75%	Current
South Gobi Province, Mongolia:				
Gurvantes	10566X	EL	75%	Relinquishment in progress
Shavan	12000X	EL	75%	Relinquishment in progress
Olomgui	12789X	EL	75%	Current
Zamt Uul	13600X	EL	75%	Current

*EL = Exploration Licence

COMPETENT PERSONS STATEMENT

The information in this Annual Report that relates to Coal Resources, is based on information compiled under the supervision of, and reviewed by, the Competent Person, Charles Parbury, who is a full time employee of McElroy Bryan Geological Services Pty Ltd, is a Member of the Australasian Institute of Mining and Metallurgy and who has no conflict of interest with Draig Resources.

The Coal Resource estimate for 13879X presented in this report has been carried out in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition" prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

Charles Parbury has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Charles Parbury consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this Annual Report that relates to the Exploration Results (Table 1, page 9 of this report) is based on information evaluated by Louis Wade Robinson who is a member of a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by ASX from time to time. Louis Wade Robinson is a fulltime employee of SRK Mongolia LLC. He is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and 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' (JORC Code). Louis Wade Robinson consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.