

DRAIG

RESOURCES LIMITED



Annual Report 2017

For personal use only

Table of Contents

Review of Operations.....	ii
Corporate Directory	2
Directors' Report.....	3
Statement of Profit or Loss and Other Comprehensive Income.....	13
Statement of Financial Position	14
Statement of Changes in Equity.....	15
Statement of Cash Flows	16
Notes to the Financial Statements.....	17
Directors' Declaration	42
Independent Auditor's Report	43
Auditor's Independence Declaration	48
Corporate Governance Statement.....	49
Additional Information.....	56

For personal use only

REVIEW OF OPERATIONS

The Bellevue Gold Project was acquired by Draig Resources due to the high potential of the project to host narrow vein, high grade gold mineralisation. The project is located in the northern part of the Norseman-Wiluna belt in the Yilgarn Craton, Western Australia. The project is approximately 40 kilometres north-east from the regional centre of Leinster and consists of two granted mining leases.

High grade gold was mined continuously at the project for over 100 years through to 1997 when the operation shut down at around 430 metres below surface. Around 800,000 ounces of gold have been produced at a reported head grade of ~ 15 g/t from a narrow vein operation. After the mine closure in 1997 very little modern exploration has been completed at the project and Draig Resources is about to commence the first systematic exploration at the property in the last 20 years.

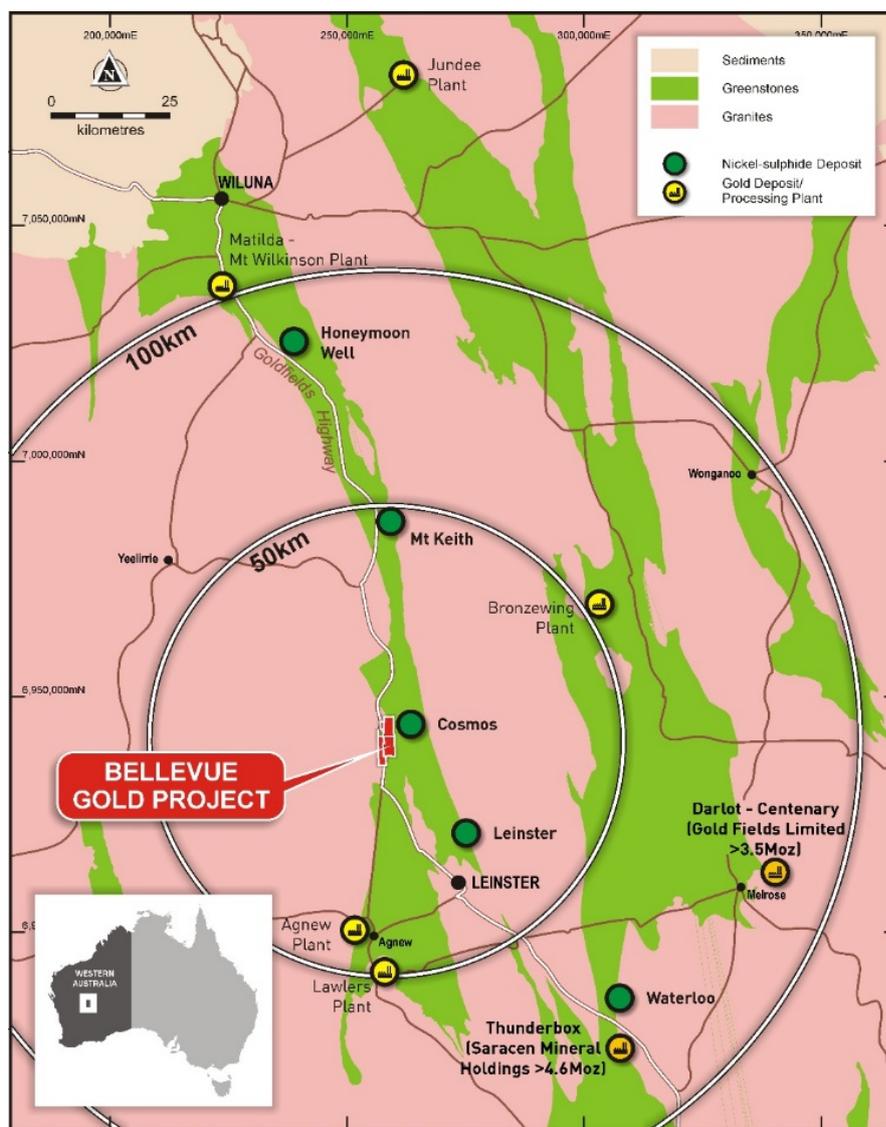


Figure 1: Bellevue Gold Project Location.

A well-endowed mining district with several significant gold processing facilities in close proximity.

Structural Framework Study Completed

A review of the geology and structural setting of the Bellevue deposit was undertaken by renowned structural consultant Dr Paul Stenhouse of Polyphase Consultants Ltd. Dr Stenhouse's work has included a review of the alteration and structural framework of the Bellevue gold deposit focussing on the historic drill core of the deposit and pit mapping.

The Bellevue deposit is hosted within the Mt Goode Basalt, a sequence of basaltic intrusives and flows that overlie the ultramafic host to the Cosmos nickel sulphide deposit to the east. Mineralisation is associated with a complex network of fault hosted veins and is characterised by a pyrrhotite, chalcopyrite and pyrite sulphide assemblage. The local alteration assemblage consists of amphibole with subordinate biotite and pyroxene.

The main ore shoot at Bellevue has been interpreted to be part of a coactive fault network, with the historically interpreted offsetting fault likely to be part of the same fault network.

Prospectivity of further high-grade gold mineralisation along strike and down plunge is high with the work highlighting the potential for blind mineralised gold shoots hosted on alternative faults in the fault network. High grade mineralisation at the deposit is highly segmented and refinement of the structural framework is an important aspect of ongoing exploration activities.

Further work has now commenced relogging the historic core and conducting pilot alteration studies to assist in the generation of the 3D geological model for the project which will be used to drive brownfields exploration and drill targeting at the Project.

Geophysical Data Review and New Surveying

High priority targets identified for drill testing from surface and down hole geophysical surveys

The Company has announced a complete review of all existing geophysical datasets over the Project area has been completed by Southern Geoscience Consultants Ltd. Work completed has included the reprocessing of all surface and down hole datasets from the historical operators. Additional datasets have included high resolution airborne magnetics and VTEM coverage for the project which have been reprocessed and reviewed.

Complementary petrophysical testwork has also been conducted over historical core from the Bellevue main lode to establish a framework for the results of the reprocessing and to evaluate the potential to apply further modern geophysics to the property.

Results from the testwork have confirmed the Bellevue style ore with associated high pyrrhotite content and quartz veining have high conductivity and high resistivity values relative to the host basalt and should be suitable for modern ground based and EM and IP techniques.

Reprocessing of the historic downhole EM data has confirmed a number of conductive plates in a location consistent with the untested possible extension of the main Bellevue lode. The plates may represent the extension or possible offset of the Bellevue deposit and are a high priority target for deeper exploration at the project. The Company is very encouraged by the location and tenor of these off-hole responses.

On ground Surface Transient Electro-Magnetic (TEM) and Dipole-Dipole Induced Polarisation (DDIP) surveys have been completed over a number of areas where historical surface and airborne surveys,

For personal use only

together with prospecting, mining and exploration results suggested potential for mineralisation to exist.

Both types of geophysical methods have performed very well, with Geophysicists at Southern Geoscience Consultants in consultation with Draig Geologists generating a number of robust drill targets by combining the new data with the historical surveys, drilling and geology.

The TEM & DDIP surveying are able to test down to approximately 200 metres below surface and are not able to detect mineralisation below this level. These recently generated targets are thus shallow and easily drilled to within close proximity to the surface.

Induced Polarisation DDIP trial orientation surveys were completed as a number of east – west oriented traverses in an area covering the historical Vanguard, Henderson and Westralia open pits. The surveys defined strong chargeability targets such as that in Figure 3 below, with corresponding resistivity anomalies as in Figure 4 below. Chargeability is often an indicator of sulphides, and resistivity can be an indicator of quartz veining. These will initially be targeted with Reverse Circulation drilling.

The TEM surveys completed over the Vanguard, Good Enough and Henderson North Prospects all returned strong anomalies that are ready to be drill tested.

The Good Enough Prospect TEM anomaly is shown below (Figure 5), the strong bullseye anomaly is very similar in size and tenor to the TEM anomaly below the at the historical Vanguard open pit. These three TEM targets are shallow and will be tested by Reverse Circulation drilling.

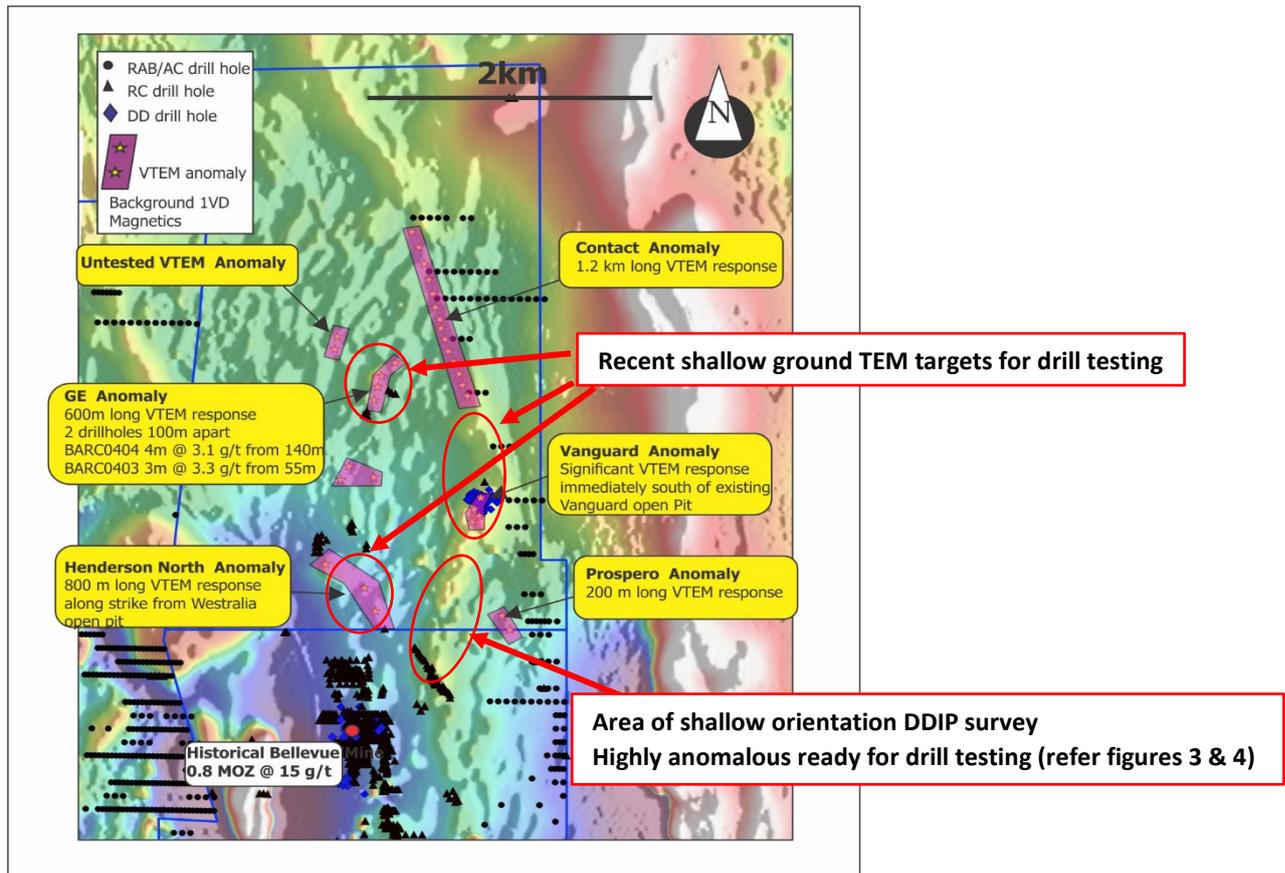


Figure 2: Bellevue Gold Project geophysical targeting. Showing current valid geophysical anomalies (VTEM, TEM & DDIP) on aeromagnetic background image. These rank as high priority areas to be drill tested.

For personal use only

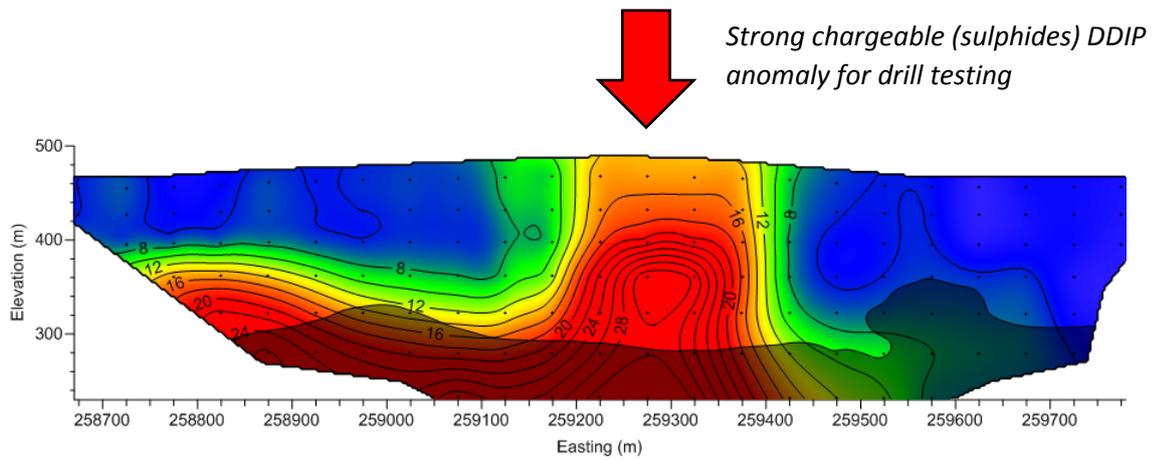


Figure 3: DDIP Chargeability Pseudo-section 6941350N

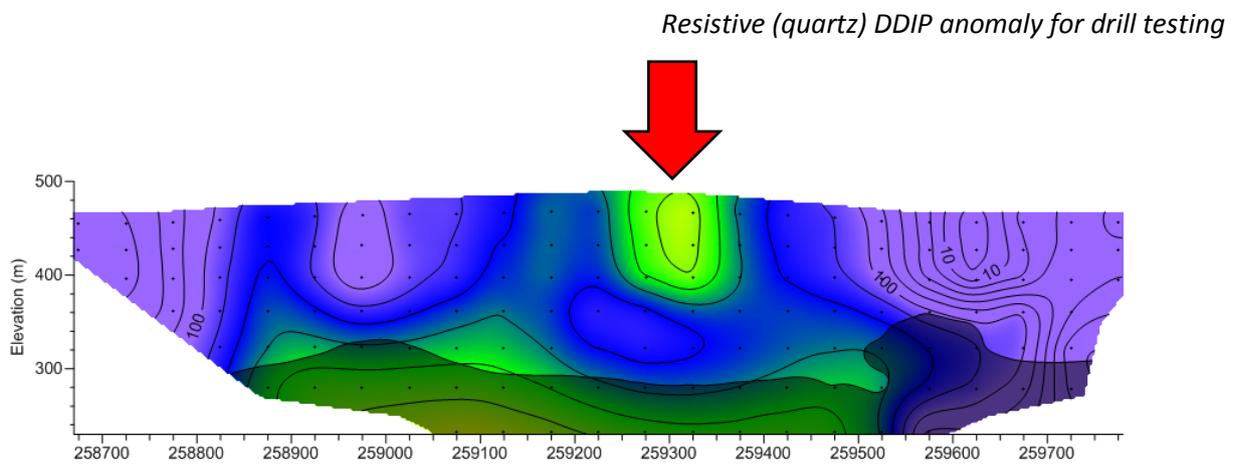
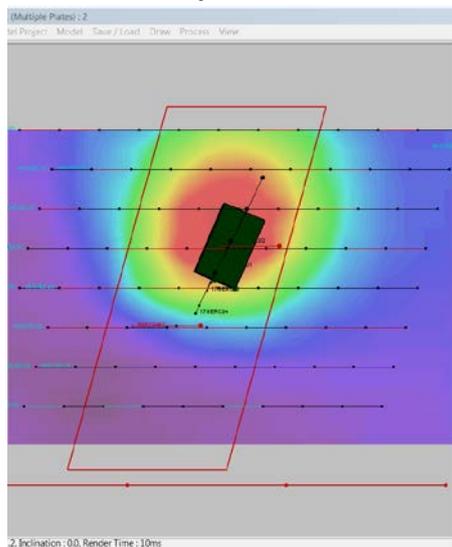


Figure 4: DDIP Resistivity Pseudo-section 6941350N



Strong shallow Electro-Magnetic (TEM) bullseye anomaly ready for drill testing

Figure 5: Plan view of the TEM anomaly at the Good Enough Prospect

Further ground geophysical surveying & 3D geological & mine extension targeting study

Geophysical surveying is potentially an inexpensive and accurate way for the Company to map and identify targets below surface within the top 200 metres for drill testing at the Bellevue Gold Project. With the known abundant level of sulphides (pyrrhotite) and quartz veining of historical mineralisation at Bellevue the Company anticipates following up the initial ground TEM & DDIP surveys that were undertaken with a broader step out programme to cover a larger portion of the Project. Step out TEM & DDIP surveying is anticipated to commence once the initial drilling is completed and confirming the correlation of anomalism to gold mineralisation.

The Company also anticipates commencing drill testing of historical shallow airborne VTEM targets identified and untested over twenty years ago by the previous holder of the project.

Draig is undertaking a preliminary review for a seismic survey at the project as part of the exercise to enhance and refine deeper targeting ready for the maiden deep drilling programme as well as identifying further significant structures with the potential to host gold mineralization. Seismic surveying has been revolutionary in helping identify and target deeper structures for mineralisation and has been instrumental in some major gold discoveries in Australia. Seismic surveying can be a relatively inexpensive way to define deeper drill targeting. The seismic survey has the potential to penetrate much deeper below surface than the TEM & DDIP geophysical surveys.

The Company expects to complete the important 3D geological framework model for the historic Bellevue mine area as part of the deep targeting exercise and for shallow near mine resource delineation in H2 2017. This will also help refine and target the deeper drilling below the Bellevue Mine lode.

A substantial re-logging project of the historic drill core is underway with historical drill core located off site being moved to Bellevue where a core farm and exploration camp has now been established at the project site which will enable the project to be efficiently be explored.

Drill Rigs Mobilised To Site

A Diamond Drill (DD) rig has commenced the maiden drill program targeting shallow near surface gold targets stepping out from the historic Bellevue gold mining centre.

A Reverse Circulation (RC) drill rig has now commenced the initial testing of the residual TSF with a short program. Draig is evaluating the TSF for the potential to host unextracted gold from the historical processing operation at the site.

A drill program is also currently being developed to define maiden gold resources in the immediate Bellevue mine area and Henderson North area as Draig advances to its goal of establishing of high quality underground resources at the project.

Waste Dump Grab sampling

A total of 20 grab samples have been collected by Draig geologists at the Westralia/Bellevue Waste Dump from visibly mineralised material. While little is currently known about the exact origins of this material, Draig is evaluating the economic potential for the Waste Dump to contain stockpiled material from the historical mining operation.

A number of significant assays were returned from the Waste Dump with results summarised in Table 1 below. It should be noted that the sampling targeted visibly mineralised material and is not considered representative of the average grade of the Waste Dump. A number of significant assays were returned including results of 76.31 g/t, 25.81 g/t and 20.26 g/t Au. The location of the sampled waste dump is shown on Figure 6.

Work will now continue to identify the potential for the Waste Dump to host sufficient mineralised material to be of economic interest. The Waste Dump has not been surveyed as of yet but is approximately 200 metres long and 200 metres wide and 7 metres high.

Table 1 Waste Dump Grab Sample Results

<i>Sample ID</i>	<i>Easting MGA</i>	<i>Northing MGA</i>	<i>Gold g/t</i>	<i>Location</i>	<i>Description</i>
DRRK00009	259454	6940650	0.98	Waste Dump	Vn QV
DRRK00010	259476	6940643	10.28	Waste Dump	Vn QV and sulphides
DRRK00011	259500	6940656	4.55	Waste Dump	Fe rich rock + qtz
DRRK00012	259484	6940679	0.53	Waste Dump	Vn
DRRK00013	259495	6940695	0.10	Waste Dump	Vn
DRRK00014	259496	6940697	0.89	Waste Dump	Cu sx
DRRK00015	259474	6940712	6.10	Waste Dump	Fe rich Vq
DRRK00016	259467	6940734	4.92	Waste Dump	Vq + Fe
DRRK00017	259468	6940744	0.01	Waste Dump	Vq
DRRK00018	259447	6940727	1.07	Waste Dump	Vq + Fe
DRRK00019	259459	6940713	76.31	Waste Dump	Fe rich qtz breccia
DRRK00020	259435	6940720	0.01	Waste Dump	chl altered mb
DRRK00021	259469	6940685	25.80	Waste Dump	Fe rich Vq
DRRK00022	259456	6940693	3.65	Waste Dump	Fe + Cu rich Vq
DRRK00023	259445	6940701	0.36	Waste Dump	Vq
DRRK00024	259421	6940705	1.98	Waste Dump	fe rich MB + Vq
DRRK00025	259417	6940684	2.98	Waste Dump	qtz vn + sx
DRRK00026	259420	6940667	0.03	Waste Dump	qtz scatter
DRRK00027	259432	6940660	0.22	Waste Dump	fe rich qtz + breccia
DRRK00028	259448	6940661	20.26	Waste Dump	fe rich qtz

For personal use only



Figure 6: Location of the sampled Waste Dump location and proposed drilling of the Tailings Storage Facility

Competent Person's Statements

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Mr Shane Hibbird who is a member of the AusIMM, Australian Institute of Geoscientists (AIG) and the Society of Exploration Geologists (SEG). Mr Hibbird has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hibbird is a full-time employee of Draig Resources and has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears. The historical information was prepared and first disclosed under JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The current results have been reported under JORC Code 2012 and the Company confirms that they have not materially changed since release to the market on 7 August 2017, 18 September 2017 and 16 October 2017.

For personal use only

DIRECTORS

Raymond Shorrocks
Non-Executive Chairman

Stephen Parsons
Executive Director

Guy Robertson
Non-Executive Director

COMPANY SECRETARY

Oonagh Malone

PRINCIPAL & REGISTERED OFFICE

Suite 23, 513 Hay Street
Perth WA 6008

PO Box 1311
Subiaco WA 6904

Phone: (08) 6143 6740

www.draigresources.com

AUSTRALIAN BUSINESS NUMBER

99 110 439 686

AUDITOR

KPMG
International Towers Sydney 3
300 Barangaroo Avenue
Sydney NSW 2000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

PO Box 535
Applecross WA 6953

Phone: (08) 9315 2333
Fax: (08) 9315 2233

ASX LISTING

ASX Code: DRG

For personal use only

1 DIRECTORS' REPORT

The Board of Directors presents its report together with the consolidated financial report of Draig Resources Limited ("the Company") and its subsidiaries Golden Spur Resources Pty Ltd, BDBL LLC and Draig Investments (Singapore) Pte. Ltd ("the Group"), for the financial year ended 30 June 2017 and the auditor's report thereon.

1.1 Directors

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

- Raymond Shorrocks (Non-Executive Director) appointed 31 December 2015 and appointed Chairman on 28 July 2016.
- Guy Robertson (Non-Executive Director and Company Secretary) appointed 31 December 2015 and resigned as Company Secretary 18 January 2017.
- Stephen Parsons (Executive Director) appointed 31 March 2017.
- Warren Staude (Non-Executive Director) appointed 28 July 2016 and resigned 31 March 2017.
- Peter Doherty (Executive Chairman) appointed 26 November 2012 and resigned 28 July 2016.
- Jarrod Smith (Executive Director and Company Secretary) appointed 26 November 2012 and resigned 28 July 2016.
- Oonagh Malone (Company Secretary) – appointed 18 January 2017.

1.2 Board of Directors

Raymond Shorrocks
Non-Executive Chairman

Mr Shorrocks has over 20 years' experience in corporate finance and has advised a diverse range of mining companies during his career at Patersons, one of Australia's largest full service stockbroking and financial services firms. He has been instrumental in managing and structuring equity capital raisings as well as having advised extensively in the area of mergers and acquisitions. Mr Shorrocks is a Director of Estrella Resources Limited, Galilee Energy Limited and Indago Energy Limited.

Stephen Parsons
Executive Director

Mr Parsons was previously the Managing Director of Gryphon Minerals Ltd, which he founded and listed on the Australian stock exchange, growing the company to be included on the ASX200 group of companies. During that time, Mr Parsons oversaw the discovery and delineation of the 3.6 Million oz Banfora Gold Project in Burkina Faso in West Africa and the subsequent takeover of the company for \$100 Million by a significant North American gold company in late 2016. Mr Parsons has 20 years' experience in the mining industry with a proven track record of mineral discoveries, corporate growth, international investor relations and creating shareholder wealth. Mrs Parsons has an honours degree in Geology.

Guy Robertson
Non-Executive Director

Mr Robertson is a chartered accountant with extensive experience in all aspects of the operation and management of ASX listed companies. Mr Robertson has held senior positions in a number of companies in the Jardine Matheson Group in Australia and Hong Kong, in the areas of insurance, property and retail. Mr Robertson has over 10 years' experience as a director and company secretary of exploration companies. He is a director of Metal Bank Limited and Hastings Technology Metals Limited.

DIRECTORS' REPORT

Oonagh Malone
Company Secretary

Ms Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. She has almost 10 years' experience in administrative and company secretarial roles for listed companies and is a member of the Governance Institute of Australia. She currently acts as company secretary for ASX-listed companies New Century Mining Ltd, Boss Resources Ltd, Carbine Resources Ltd, Matador Mining Limited, and Primary Gold Limited, and is a non-executive director and company secretary of Hawkstone Mining Limited.

1.3 Directors' Meetings

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

Director	Board Meetings	
	Held While Director	Attended
Raymond Shorrocks	5	5
Stephen Parsons	1	1
Guy Robertson	5	5
Warren Staude	3	3
Peter Doherty	1	1
Jarrod Smith	1	1

1.4 Principal Activities

The principal activity of the Group during the year was exploration in relation to the Bellevue Gold Project.

1.5 Operating and Financial Review

During the year the Company acquired the Bellevue Gold Project. The Bellevue Gold Project is located 157km north west of Laverton in Western Australia and sits within a high-grade gold district that includes Ramelius' Kathleen Valley (KV) and Vivien projects, which are both 7km north, and 35km south of Bellevue respectively. The Company has commenced initial plans to explore the Bellevue Gold Project with the target of discovering sizable high-grade gold mineralisation utilizing modern exploration techniques.

Mr Stephen Parsons was appointed Executive Director on 31 March 2017 and has brought with him a proven technical team with in depth knowledge of gold and mineral deposits to focus on and advance the Bellevue Gold Project.

The coal mining licences in Mongolia have been relinquished and the process to wind up the Mongolian and Singaporean subsidiaries commenced during the year.

Financial Performance

The loss after tax of the Group for the financial year was \$1,791,733 (2016: \$659,083).

Other expenses and employee and related expenses have increased from the prior year. For the financial year these expenses totalled \$704,082 (2016: \$652,661).

The Group's net assets increased to \$5,090,374 (2016: \$1,971,987).

The Group's cash position as at 30 June 2017 was \$1,739,466, with \$734,526 cash at bank and \$1,004,940 cash on deposit. The view of the Directors is that the Company and the Group is operating as a going concern.

DIRECTORS' REPORT

(a) Political and Regulatory Risks

The Group's operations are subject to various levels of government controls and regulations in the countries where it operates, including Australia and Mongolia. Current legislation is generally a matter of public record and the Group cannot predict what additional legislation or amendments may be proposed that will affect the Group's operations or when any such proposals, if enacted, might become effective. Changes in government policy or laws and regulations could adversely affect the Group's results of operations and financial condition.

(b) Exchange Rate and Commodity Price Risks

The Group's main operations are located in Australia and transactions are denominated in Australian dollars. Residual activities in Singapore and Mongolia also result in small transactions in US Dollars and Mongolian Tögrög. Fluctuations in exchange rates may have a negative impact on the financial results, however, any adverse impact on the operations would be immaterial.

Commodity prices are unstable and subject to fluctuation. At this stage the projects do not generate any operating revenues, however coal prices may impact the feasibility and valuation of the projects.

1.6 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.

1.7 Events Subsequent to Reporting Date

On 22 August 2017, the Company announced that it had received legally binding commitments to raise \$3.3 million (before costs) via a significantly oversubscribed placement of 66,000,000 ordinary shares at an issue price of \$0.05 each.

During September 2017, the Company paid \$1,000,000 to Xstrata Nickel being the deferred consideration payable for the Bellevue Gold Project. This liability was assumed by Draig as part of the acquisition of Golden Spur Resources Pty Ltd.

Other than the above, there are currently no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the affairs of the consolidated entity in future financial years.

1.8 Likely Developments

The Board will continue to advance the exploration of the Bellevue Gold Project and wind up the subsidiary companies located in Singapore and Mongolia.

1.9 Dividends

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

1.10 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
Raymond Shorrocks	1,303,450	-	-
Stephen Parsons	7,016,666	30,000,000	-
Guy Robertson	-	-	-

DIRECTORS' REPORT

1.11 Share Options

(a) Options and Performance Rights Granted to Directors and Executives of the Company

During the current year, the following options were granted by the Company:

Unlisted Options	Number
Exercisable \$0.035, expires 31/3/2020	15,000,000
Exercisable \$0.040, expires 31/3/2020	15,000,000
Total unlisted options issued during the current year	30,000,000

No options were granted during the previous year by the Company.

(b) Unissued Shares Under Options

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

Unlisted Options	Number
Exercisable \$0.075, expires 26/11/2017	1,650,000
Exercisable \$0.050, expires 26/11/2017	1,650,000
Exercisable \$0.050, expires 31/08/2019	15,000,000
Exercisable \$0.035, expires 31/3/2020	15,000,000
Exercisable \$0.040, expires 31/3/2020	15,000,000
Total unlisted options	48,300,000

All unissued shares are ordinary shares in the Company.

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

(c) Shares Issued on Exercise of Options

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

1.12 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 is \$13,240 (2016: \$23,250) to insure the Directors and Officers of the Company.

1.13 Remuneration Report (Audited)

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

DIRECTORS' REPORT

(a) 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.

(b) 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.

(c) 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 incentive 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.

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.

Long-term incentives granted during the year consisted of 30,000,000 options issued to Mr Stephen Parsons (refer Section 1.13(i) of the Remuneration Report for details).

(d) Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the Board considers financial performance in the current financial year and prior years.

	2017	2016	2015
Loss after income tax for the year ended	(\$1,791,733)	(\$659,083)	(\$599,492)
Share price as at 30 June	\$0.046	\$0.021	\$0.021

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.

DIRECTORS' REPORT

(e) 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. Apart from statutory superannuation, non-executive directors are not provided with retirement benefits.

(f) Executive Directors Service Contract

The Group entered into an executive services agreement for the services of Stephen Parsons. The contract is effective from 30 March 2017 until termination. Remuneration under the contract is \$150,000 per annum plus statutory superannuation and the one-off issue of 30,000,000 options. The agreement can be terminated by either party giving three months' notice.

(g) 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.

(h) 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.

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

(i) Options over Equity Instruments Granted as Compensation

Details of options over ordinary shares in the Company that were granted to key management personnel in the current and previous years that are yet to expire or be exercised are as follows.

DIRECTORS' REPORT

OPTIONS ISSUED	Number of Options Granted	Grant Date	Fair Value Per Option at Grant Date	Exercise Price Per Option	Expiry Date	Number of Options Vested and Exercisable
Stephen Parsons	15,000,000	31/3/17	\$0.019	\$0.035	31/3/20	15,000,000
	15,000,000	31/3/17	\$0.017	\$0.040	31/3/20	15,000,000
Peter Doherty	550,000	26/11/13	\$0.016	\$0.050	26/11/17	-
(resigned 28 July 2017)	550,000	26/11/13	\$0.015	\$0.075	26/11/17	-
Jarrold Smith	550,000	26/11/13	\$0.016	\$0.050	26/11/17	-
(resigned 28 July 2017)	550,000	26/11/13	\$0.015	\$0.075	26/11/17	-
David Meldrum	550,000	26/11/13	\$0.016	\$0.050	26/11/17	-
(31 December 2015)	550,000	26/11/13	\$0.015	\$0.075	26/11/17	-

(j) 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.

(k) 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:

		SHORT TERM BENEFITS		POST EMPLOYMENT	SHARE-BASED PAYMENTS	Total \$
		Salary & Fees \$	Annual Leave \$	Superannuation Benefits \$	Options and Rights \$	
DIRECTORS AND EXECUTIVE OFFICERS						
Executive Directors						
Raymond Shorrocks (appointed 31/12/15)	2017	49,533	-	-	-	49,533
<i>Non-Executive Chairman</i>	2016	19,998	-	-	-	19,998
Stephen Parsons (appointed 31/03/17)	2017	38,654	5,141	3,672	540,000	587,467
<i>Executive Chairman</i>	2016	-	-	-	-	-
Guy Robertson (appointed 31/12/15)	2017	67,000	-	-	-	67,000
<i>Non-Executive Director</i>	2016	36,000	-	-	-	36,000
Former Directors						
Warren Staude (appointed 28/07/16, resigned 31/03/17)	2017	24,000	-	-	-	24,000
<i>Non-Executive Director</i>	2016	-	-	-	-	-
David Meldrum (resigned 31/12/15)	2017	-	-	-	-	-
<i>Non-Executive Director</i>	2016	24,027	-	2,283	-	26,310
Peter Doherty (resigned 28/7/16)	2017	3,000	-	-	-	3,000
<i>Executive Chairman</i>	2016	61,750	-	-	-	61,750
Jarrold Smith (resigned 28/7/16)	2017	6,000	-	-	-	6,000
<i>Executive Director and Company Secretary</i>	2016	88,500	-	-	-	88,500
Alex Passmore (appointed 19/12/16, resigned 31/03/17)	2017	40,000	-	-	-	40,000
<i>Chief Executive Officer</i>	2016	-	-	-	-	-
Total directors and executive officers remuneration	2017	228,187	5,141	3,672	540,000	777,000
	2016	230,275	-	2,283	-	232,558

DIRECTORS' REPORT

(I) Director and Key Management Personnel Remuneration 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 2016	Held at date of appointment	Disposals	Purchases	Held at 30 June 2017 or date of resignation
Directors					
R Shorrocks	1,303,450	-	-	-	1,303,450
S Parsons	-	6,666,666	-	350,000	7,016,666
G Robertson	-	-	-	-	-
Former Director					
W Staude (resigned 31 March 2017)	-	-	-	-	-
P Doherty (resigned 28 July 2016)	15,037,606	-	-	-	15,037,606
J Smith (resigned 28 July 2016)	140,000	-	-	-	140,000
A Passmore (appointed 19/12/16, resigned 31/03/17)	-	-	-	-	-
	Held at 1 July 2015	Held at date of appointment	Disposals	Purchases	Held at 30 June 2016 or date of resignation
Directors					
P Doherty	9,876,705	-	-	5,160,901	15,037,606
J Smith	100,000	-	-	40,000	140,000
R Shorrocks	-	1,303,450	-	-	1,303,450
G Robertson	-	-	-	-	-
Former Director					
D Meldrum	877,500	-	-	-	877,500

DIRECTORS' REPORT

(m) Director and Key Management Personnel Remuneration Movements in Options

The movement during the reporting period in the number of options 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 2016	Granted as compensation	Options exercised	Lapsed/ forfeited	Held at 30 June 2017 or date of resignation	Vested and exercisable at 30 June 2017
Directors						
R Shorrocks	-	-	-	-	-	-
S Parsons	-	30,000,000	-	-	30,000,000	30,000,000
G Robertson	-	-	-	-	-	-
Former Director						
W Staude (resigned 31 March 2017)	-	-	-	-	-	-
P Doherty (resigned 28 July 2016)	1,100,000	-	-	-	1,100,000	-
J Smith (resigned 28 July 2016)	1,100,000	-	-	-	1,100,000	-
A Passmore (appointed 19/12/16, resigned 31/03/17)	-	-	-	-	-	-
Total	2,200,000	30,000,000	-	-	32,200,000	30,000,000
	Held at 1 July 2015	Granted as compensation	Options exercised	Lapsed/ forfeited	Held at 30 June 2016 or date of resignation	Vested and exercisable at 30 June 2016
Directors						
P Doherty	1,100,000	-	-	-	1,100,000	-
J Smith	1,100,000	-	-	-	1,100,000	-
Former Director						
D Meldrum	1,100,000	-	-	-	1,100,000	-
Total	3,300,000	-	-	-	3,300,000	-

The audited remuneration report ends here.

1.14 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.

Details of the amounts paid to the auditor of the Group, KPMG and its network firms, for audit and non-audit services provided during the year are set out in Note 10.

DIRECTORS' REPORT

1.15 Auditor's Independence Declaration

The auditor's independence declaration, which forms part of this report, is included on page 45 of the consolidated financial report.

Signed in accordance with a resolution of the Directors:



Raymond Shorrocks
Non-Executive Chairman

28th September 2017

For personal use only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
Continuing Operations			
Other expenses	6	(478,731)	(350,106)
Employee and related expenses	7	(225,351)	(302,555)
Share based payments	31	(1,095,000)	-
Exploration Expenditure		(4,047)	(10,605)
Results from operating activities		(1,803,129)	(663,266)
<hr/>			
Finance income	8	23,542	47,374
Finance costs	9	(12,146)	(43,191)
Net finance income		11,396	4,183
<hr/>			
Loss before income tax		(1,791,733)	(659,083)
Income tax expense	11	-	-
Loss for the year attributable to the owners of the Company		(1,791,733)	(659,083)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences – foreign operations	18	(2,018)	45,198
Tax effect on other comprehensive income		-	-
Total comprehensive loss for the year attributable to the owners of the Company		(1,793,751)	(613,885)
<hr/>			
Basic and Diluted loss per share (cents per share)	24	(0.93)	(0.79)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	12	1,739,466	1,961,056
Trade and other receivables	13	103,295	55,069
TOTAL CURRENT ASSETS		1,842,761	2,016,125
NON CURRENT ASSETS			
Property, plant and equipment	14	6,301	-
Exploration and evaluation	30	4,756,456	-
TOTAL NON CURRENT ASSETS		4,762,757	-
TOTAL ASSETS		6,605,518	2,016,125
CURRENT LIABILITIES			
Trade and other payables	16	1,510,003	44,138
Provisions		5,141	-
TOTAL CURRENT LIABILITIES		1,515,144	44,138
TOTAL LIABILITIES		1,515,144	44,138
NET ASSETS		5,090,374	1,971,987
EQUITY			
Issued capital	17	29,538,687	25,721,549
Reserves	18	1,141,787	48,805
Accumulated losses	19	(25,590,100)	(23,798,367)
TOTAL EQUITY		5,090,374	1,971,987

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 2017**

	Note	2017 \$	2016 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash paid to suppliers and employees		(524,815)	(678,568)
Interest received		34,810	41,601
Net cash used in operating activities	27	(490,005)	(636,967)
CASH FLOW USED IN INVESTING ACTIVITIES			
Payment for acquisition of mining tenements		(95,650)	-
Payment for exploration and evaluation		(339,527)	(10,605)
Payments for property plant and equipment		(6,423)	-
Net cash used in investing activities		(441,600)	(10,605)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,700,000	809,548
Payments associated with issue of shares		(117,862)	(78,751)
Repayment of borrowings of acquired subsidiaries		(860,000)	-
Net cash from financing activities		722,138	730,797
Net increase / (decrease) in cash and cash equivalents		(209,467)	83,225
Effect of movements in exchange rates on cash held		(12,123)	-
Cash and cash equivalents at 1 July		1,961,056	1,877,831
Cash and cash equivalents at 30 June	12	1,739,466	1,961,056

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Issued Capital \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
BALANCE AS AT 1 JULY 2015		24,990,752	51,150	(47,543)	(23,139,284)	1,855,075
Comprehensive loss for the Year						
Loss for the year	19	-	-	-	(659,083)	(659,083)
Total other comprehensive income		-	-	45,198	-	45,198
Total comprehensive loss for the Year		-	-	45,198	(659,083)	(613,885)
Issue of shares	17	730,797	-	-	-	730,797
BALANCE AS AT 30 JUNE 2016		25,721,549	51,150	(2,345)	(23,798,367)	1,971,987
Comprehensive loss for the Year						
Loss for the year	19	-	-	-	(1,791,733)	(1,791,733)
Total other comprehensive income		-	-	(2,018)	-	(2,018)
Total comprehensive loss for the Year		-	-	(2,018)	(1,791,733)	(1,793,751)
Contributions by owners						
Issue of shares	17	3,935,000	-	-	-	3,935,000
Cost of issue of share capital	17	(117,862)	-	-	-	(117,862)
Share based payments expense	18	-	1,095,000	-	-	1,095,000
BALANCE AS AT 30 JUNE 2017		29,538,687	1,146,150	(4,363)	(25,590,100)	5,090,374

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 2017****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 Suite 23, 513 Hay Street, Subiaco, WA, 6008. The consolidated financial report of the Company for the financial year ended 30 June 2017 comprises the Company and its subsidiaries; Golden Spur Resources Pty Ltd, Draig Investments (Singapore) Pte. Ltd, and BDBL LLC (together referred to as the "Group"). The Group is a for-profit entity and is primarily involved in gold exploration.

2 BASIS OF PREPARATION**2.1 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 28th September 2017.

2.2 Going Concern Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis. The going concern basis of preparation assumes that an entity will realise its assets and discharge its liabilities in the normal course of business.

The directors have approved cashflow forecasts to September 2018. The cashflow forecast supports the going concern basis of preparation and demonstrates that additional funding is not required to meet forecast expenditure.

2.3 Functional and Presentation Currency

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

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

(a) 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 profit or loss and other comprehensive income.

(b) 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 internally by using either a Black Scholes option pricing model, hybrid Monte-Carlo model or the binomial option pricing model, using the assumptions detailed in note 18.

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.

3.1 Basis of Consolidation

(a) 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.

(b) 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.

3.2 Foreign Currency

(a) 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.

(b) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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.

3.3 Financial Instruments

(a) Non-Derivative Financial Instruments

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any dividend income, are recognised in profit or loss.

Held to maturity assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(i) 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.

(ii) Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(iii) 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.

(b) 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.

3.4 Property, Plant and Equipment

(a) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

(b) 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 expensed as incurred.

(c) 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.

3.5 Impairment

(a) 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.

(b) 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.

(c) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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.

3.6 Employee Benefits

(a) 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.

(b) 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.

(c) 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"). Details of options issued during the year can be found in section 17.2.

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, a hybrid Monte-Carlo model or the binomial option pricing 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'), where applicable.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

- 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.

3.7 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.

3.8 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.

3.9 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.

(a) 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.

(b) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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.

3.10 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.

3.11 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.

3.12 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:

- 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;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- 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
- sufficient data exists 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.

3.13 Changes in Accounting Policies

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements. The Group has adopted relevant new standards and amendments to standards, including any consequential amendments to other standards. The nature and effect of the changes have had no significant impact on the assets, liabilities and comprehensive income of the Group.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the consolidated entity are set out below. The consolidated entity does not plan to adopt these standards early.

(a) AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The consolidated entity does not expect a material impact on its consolidated financial statements resulting from the application of AASB 9.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017****(b) AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The consolidated entity does not expect a material impact on its consolidated financial statements resulting from the application of AASB 15.

(c) AASB 16 Leases

AASB 16 Leases amends the accounting for leases. Lessees will be required to bring all leases on Balance Sheet as the distinction between operating and financing leases has been eliminated. Lessor accounting remains largely unchanged.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted if adopted in conjunction with AASB 15 for the same accounting period.

The consolidated entity does not expect a material impact on its consolidated financial statements resulting from the application of AASB 16.

5 OPERATING SEGMENTS

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.

At 30 June 2017 the Group operated in two segments being gold exploration and coal exploration.

5.1 Geographical Location

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

The geographical information below analyses the Group's assets and liabilities based on the geographical location of the assets and liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

5 OPERATING SEGMENTS (CONTINUED)

	Operating Loss		Total Assets		Total Liabilities	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Australia	1,734,352	617,928	6,592,261	1,991,539	(1,483,479)	(24,208)
Mongolia	30,141	12,582	1,322	7,480	(18,945)	-
Singapore	27,240	28,573	11,935	17,106	(12,720)	(19,930)
	<u>1,791,733</u>	<u>659,083</u>	<u>6,605,518</u>	<u>2,016,125</u>	<u>(1,515,144)</u>	<u>(44,138)</u>

	Operating Loss		Total Assets		Total Liabilities	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Gold	2,922	-	4,660,035	-	(1,095,773)	-
Coal	47,894	41,155	13,256	24,586	(31,665)	(19,930)
Corporate	1,740,917	617,928	1,932,227	1,991,539	(387,706)	(24,208)
	<u>1,791,733</u>	<u>659,083</u>	<u>6,605,518</u>	<u>2,016,125</u>	<u>(1,515,144)</u>	<u>(44,138)</u>

	2017	2016
	\$	\$
6 OTHER EXPENSES		
Depreciation and amortisation	122	-
Consultancy fees	81,790	63,000
Property lease expense	11,294	45,434
Legal expenses	53,738	861
Other expenses	331,787	240,811
	<u>478,731</u>	<u>350,106</u>

7 EMPLOYEE AND RELATED EXPENSES

Wages and salaries	215,797	300,272
Statutory superannuation contributions	4,413	2,283
Annual leave provision	5,141	-
	<u>225,351</u>	<u>302,555</u>

8 FINANCE INCOME

Interest income	23,542	47,374
-----------------	--------	--------

9 FINANCE COSTS

Net foreign exchange loss	12,146	43,191
---------------------------	--------	--------

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
10 AUDITOR'S REMUNERATION		
Audit services		
Auditors of the company – KPMG (Australia, Singapore and Mongolia)		
Audit and review of financial statements	71,552	58,351
Other services		
Auditors of the company – KPMG		
In relation to taxation and other assurance services	-	7,500

11 INCOME TAX

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

Loss before income tax benefit	(1,791,733)	(659,083)
Tax benefit at the Australian tax rate	537,520	197,725
Non-deductible expense		
Impairment of investment in associate	-	-
Tax effect of amounts which are not deductible in calculating taxable income		
Share-based payment expense	(328,500)	-
Current year tax losses not recognised	(220,496)	(195,240)
Impact of overseas subsidiaries		
Impact of differing foreign jurisdiction tax rates	11,476	(2,485)
Income tax (benefit)/expense	-	-
Unrecognised deferred tax assets:		
Tax losses	10,926,005	10,426,863

Deferred tax assets have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

12 CASH AND CASH EQUIVALENTS

Cash at Bank	734,526	235,809
Term Deposits (maturity less than 3 months from balance date)	1,004,940	1,725,247
	1,739,466	1,961,056

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
13 TRADE AND OTHER RECEIVABLES		
Current		
Other receivables	72,909	14,078
Accrued Interest	-	10,052
Security bonds	30,386	30,939
	103,295	55,069
14 PROPERTY, PLANT AND EQUIPMENT		
Balance 1 July	-	-
Additions	6,423	-
Depreciation for the year	(122)	-
Carrying value at 30 June	6,301	-
At 30 June		
Cost	6,423	9,178
Accumulated depreciation	(122)	(9,178)
Net carrying amount	6,301	-
15 INVESTMENT IN ASSOCIATE		
35% interest in Trinity Mongolia Pty Ltd which has been fully impaired.		
Balance as at 1 July	-	-
Additional investment	-	-
Share of loss	-	-
	-	-
Impairment of investment in associate	-	-
Balance at 30 June	-	-
16 TRADE AND OTHER PAYABLES		
Trade payables	375,514	24,208
Other payables	13,884	19,930
Assumed liability to Xstrata Nickel	1,000,000	-
Accrued estimated stamp duty on acquisition of Golden Spur Resources Pty Ltd	120,605	-
	1,510,003	44,138

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

17 ISSUED CAPITAL

17.1 Ordinary Shares

	2017	2016
	\$	\$
258,500,503 (2016: 106,833,837) fully paid ordinary shares	29,538,687	25,721,549

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 (\$)	
	2017	2016	2017	2016
Balance at beginning of reporting period	106,833,837	66,356,432	25,721,549	24,990,752
Shares issued 31 December 2015 ¹		9,953,451		199,069
Less: cost of shares issued		-		(11,144)
Shares issued 9 February 2016 ²		30,523,954		610,479
Less: cost of shares issued		-		(67,607)
Shares issued 7 November 2016 ³	60,000,000		1,200,000	
Shares issued 18 November 2016 ⁴	60,000,000		2,220,000	
Shares issued 31 January 2017 ⁵	15,000,000		15,000	
Shares issued 5 April 2017 ⁶	16,666,666		500,000	
Less: cost of shares issued			(117,862)	
Balance at end of reporting period	258,500,503	106,833,837	29,538,687	25,721,549

¹ On 31 December 2015 the Company issued 9,953,451 fully paid ordinary shares at a price of \$0.02 per share.

² On 9 February 2016 the Company issued 30,523,954 fully paid ordinary shares at a price of \$0.02 per share.

³ On 7 November 2016 the Company issued 60,000,000 fully paid ordinary shares at a price of \$0.02 per share.

⁴ On 18 November 2016 the Company issued 60,000,000 fully paid ordinary shares at a price of \$0.037 per share being the market value of shares on date of issue. This share issue related to a non-cash transaction regarding the acquisition of Golden Spur Resources Pty Ltd.

⁵ On 31 January 2017 the Company issued 15,000,000 fully paid ordinary shares at a price of \$0.001 per share being consideration for services provided by an advisor in relation to the acquisition of Golden Spur Resources Pty Ltd.

⁶ On 5 April 2017 the Company issued 16,666,666 fully paid ordinary shares at a price of \$0.03 per share.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

17.2 Share Options

The movements in share options during the year are shown below:

Grant Date	Date of Expiry	Exercise Price	Balance 1 Jul 16	Granted	Lapsed	Balance 30 Jun 17	Vested 30 Jun 17
25/11/2013	26/11/2017	\$0.050	1,650,000	-	-	1,650,000	-
25/11/2013	26/11/2017	\$0.075	1,650,000	-	-	1,650,000	-
22/8/2016	31/8/2019	\$0.050	-	15,000,000	-	15,000,000	15,000,000
31/3/2017	31/3/2020	\$0.035	-	15,000,000	-	15,000,000	15,000,000
31/3/2017	31/3/2020	\$0.040	-	15,000,000	-	15,000,000	15,000,000
		TOTAL	3,300,000	45,000,000	-	48,300,000	45,000,000

These options are not listed on the ASX.

On 25 November 2013, shareholders approved the issue of 3,300,000 options to Directors which had an assumed value of \$51,150 and were expensed to the Share Based Payments Reserve during the previous years. 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.

On 22 August 2016, the Company issued 15,000,000 options to advisors with an exercise price of 5 cents and an expiry date of 31 August 2019.

On 31 March 2017, the Company issued the following options to Mr Stephen Parsons, Executive Director:

- 15,000,000 options with an exercise price of 3.5 cents and an expiry date of 31 March 2020; and
- 15,000,000 options with an exercise price of 4.0 cents and an expiry date of 31 March 2020.

2017 **2016**
\$ \$

18 RESERVES

18.1 Share Based Payments Reserve

Balance at the beginning of the year	51,150	51,150
Options issued to advisors	555,000	-
Options issued to directors and employees	540,000	-
Options lapsed	-	-
Balance at the end of the year	1,146,150	51,150

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

18 RESERVES (CONTINUED)

15,000,000 unlisted options were issued to advisors on 22 August 2016. The options are exercisable at \$0.05 and expiring on 31 August 2019. The estimate of the fair value of the options is measured based on a Black-Scholes option valuation methodology by applying the following inputs: (1)

15,000,000 unlisted options were issued to Mr Stephen Parsons on 31 March 2017 as part of his remuneration package. The options are exercisable at \$0.035 and expiring on 31 March 2020. The estimate of the fair value of the options is measured based on a Black-Scholes option valuation methodology by applying the following inputs: (2)

15,000,000 unlisted options were issued to Mr Stephen Parsons on 31 March 2017 as part of his remuneration package. The options are exercisable at \$0.04 and expiring on 31 March 2020. The estimate of the fair value of the options is measured based on a Black-Scholes option valuation methodology by applying the following inputs: (3)

	(1)	(2)	(3)
Exercise price	\$0.05	\$0.035	\$0.04
Life of the options	3 years	3 years	3 years
Underlying share price	\$0.045	\$0.038	\$0.038
Expected volatility ¹	157%	69.6%	69.6%
Risk free interest rate	1.42%	1.84%	1.84%
Fair value per option	\$0.037	\$0.0187	\$0.0173

¹ Expected volatility has been based on an evaluation of the historical volatility of the shares price.

18.2 Foreign Currency Translation Reserve

Balance at the beginning of the year	(2,345)	(47,543)
Currency translation differences arising during the year	(2,018)	45,198
Balance at the end of the year	(4,363)	(2,345)

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

Accumulated losses at the beginning of year	(23,798,367)	(23,139,284)
Loss for the year	(1,791,733)	(659,083)
Accumulated losses at the end of year	(25,590,100)	(23,798,367)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

20 FINANCIAL INSTRUMENTS

20.1 Financial Risk Management

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

- credit risk;
- liquidity risk; and
- 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.

20.2 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.

20.3 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 the majority of 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	
		2017	2016
		\$	\$
Financial Assets:			
Cash and cash equivalents	12	1,739,466	1,961,056
Receivables	13	103,295	55,069
		<hr/>	<hr/>
		1,842,761	2,016,125

None of the Group's trade and other receivables are past due as at 30 June 2017 (2016: nil)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

20 FINANCIAL INSTRUMENTS (CONTINUED)

20.4 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
		\$	\$	\$
2017				
Trade and other payables	16	1,510,003	(1,510,003)	(1,510,003)
2016				
Trade and other payables	16	44,138	(44,138)	(44,138)

20.5 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.

(a) 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)

(b) 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 1.05% and 2.65% (2016: 1.05 % and 3.10%), 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 2017	Carrying Amount 2016
	\$	\$
Variable rate financial assets	1,004,940	1,802,869

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

20 FINANCIAL INSTRUMENTS (CONTINUED)

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 2016.

	2017	2016
	\$	\$
100bp increase	10,049	18,029
100bp decrease	(10,049)	(18,029)

20.6 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 COMMITMENTS

The Group must meet the following tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished, exemptions from expenditure are applied or are otherwise disposed of. These commitments are not provided for in the financial statements and are:

	2017	2016
	\$	\$
Not later than one year	250,600	5,500
After one year but less than five years	1,002,400	22,000
	<u>1,253,000</u>	<u>27,500</u>

The Directors are not aware of any other commitments that have not been recognised as liabilities in the accounts as of 30 June 2017 (2016: Nil).

22 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 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

23 SUBSIDIARIES

Name of Entity	Country of Incorporation	Date of Incorporation	Ownership Interest % 30 June 2017	Ownership Interest % 30 June 2016
PARENT ENTITY				
Draig Resources Ltd	Australia	11 Oct 2004	na	na
SUBSIDIARY				
Draig Investments (Singapore) Pte. Ltd	Singapore	19 May 2011	100	100
BDBL LLC	Mongolia	4 Oct 2011	100	100
Golden Spur Resources Ltd	Australia	21 November 2012	100	-

24 LOSS PER SHARE

24.1 Basic Loss Per Share

The calculation of basic loss per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of \$1,791,733 (2016: \$659,083) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2017 of 192,792,741 (2016: 83,148,589) 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 2017	Number 2016
Issued ordinary shares at 1 July	106,833,837	66,356,432
Effect of shares issued on 31 Dec 2015	-	4,949,530
Effect of shares issued on 9 Feb 2016	-	11,842,627
Effect of shares issued on 7 Nov 2016	38,794,521	-
Effect of shares issued on 18 Nov 2016	36,986,301	-
Effect of shares issued on 31 Jan 2017	6,205,479	-
Effect of shares issued on 5 April 2017	3,972,603	-
	192,792,741	83,148,589

24.2 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

25 RELATED PARTIES

25.1 Details of Key Management Personnel

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

Directors

- Raymond Shorrocks
- Stephen Parsons
- Guy Robertson
- Alex Passmore
- Peter Doherty
- Jarrod Smith
- David Meldrum

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.

	2017	2016
	\$	\$
Short term employee benefits	233,328	230,272
Post-employment benefits	3,672	2,283
Equity remuneration benefits	540,000	-
	<u>777,000</u>	<u>232,555</u>

25.2 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 6 to 10.

For the year ended 30 June 2017, Stephen Parsons received a salary under an executive services agreement with the Company of \$38,654 (2016: nil), accrued annual leave of \$5,141 (2016: nil) and superannuation contributions of \$3,672 (2016: nil). There were no amounts outstanding at 30 June 2017.

Raymond Shorrocks is a Director and shareholder of Spring Street Holdings Pty Ltd. During the year ended 30 June 2017, Spring Street Holdings Pty Ltd, rendered fees for the management services of Raymond Shorrocks. Fees during the year, which were in the ordinary course of business, amounted to \$49,533 (2016: \$19,998), as included in the Directors' Remuneration. There were no amounts outstanding at 30 June 2017.

Raymond Shorrocks is Director – Head of Corporate Finance Sydney of Patersons Securities Ltd. During the year ended 30 June 2017, Patersons Securities Ltd received fees, which were in the ordinary course of business, totalling \$112,000 (2016: \$46,259) from the Company in relation to share placements during the year which raised a total of \$1,700,000 before costs.

Guy Robertson is a Director and shareholder of Integrated CFO Solutions Pty Ltd. During the year ended 30 June 2017, Integrated CFO Solutions Pty Ltd, rendered fees for the following:

1. Director fees for Guy Robertson of \$45,000;
2. Company secretarial fees for Guy Robertson of \$15,000; and
3. Accounting support services of \$7,000.

All fees were in the ordinary course of business. The amount outstanding as at 30 June 2017 was \$4,400.

Warren Staude is a Director and shareholder of Serrasalmin Investments Pty Ltd. During the year ended 30 June 2017, Serrasalmin Investments Pty Ltd, rendered fees for the management services of Warren Staude. Fees during the year, which were in the ordinary course of business, amounted to \$24,000 (2016: \$Nil). There were no amounts outstanding at 30 June 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

25 RELATED PARTIES (CONTINUED)

Peter Doherty has an interest in the Company as a beneficiary of a trust which holds a 14.08% interest in the Company. This trust also holds a 35% interest in Trinity Mongolia Pty Ltd ("Trinity"). Through its subsidiaries, Trinity holds a 10% and a 15% interest in the MCJV which is the beneficial owner of the two exploration licences in Mongolia. No payments were made to Trinity during the year. No contributions were received from Trinity during the year.

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

During the year ended 30 June 2017, 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 \$9,000 (2016: \$150,250), as included in the Directors' Remuneration. There were no amounts outstanding at 30 June 2017.

During the year ended 30 June 2017, 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 and licence to occupy office space. Fees during the year for the services of a Financial Controller, which were in the ordinary course of business, amounted to \$20,000 (2016: \$70,000). The licence to occupy office space, which were in the ordinary course of business, amounted to \$7,709 (2016: \$45,432). There were no amounts outstanding at 30 June 2017.

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.

25.3 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 2016	Held at date of appointment	Disposals	Purchases	Held at 30 June 2017 or date of resignation
Directors					
R Shorrocks	1,303,450	-	-	-	1,303,450
S Parsons	-	6,666,666	-	350,000	7,016,666
G Robertson	-	-	-	-	-
Former Director					
W Staude (resigned 31 March 2017)	-	-	-	-	-
P Doherty (resigned 28 July 2016)	15,037,606	-	-	-	15,037,606
J Smith (resigned 28 July 2016)	140,000	-	-	-	140,000
	Held at 1 July 2015	Held at date of appointment	Disposals	Purchases	Held at 30 June 2016 or date of resignation
Directors					
P Doherty	9,876,705	-	-	5,160,901	15,037,606
J Smith	100,000	-	-	40,000	140,000
R Shorrocks	-	1,303,450	-	-	1,303,450
G Robertson	-	-	-	-	-
Former Director					
D Meldrum (resigned 31 Dec 2015)	877,500	-	-	-	877,500

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

25 RELATED PARTIES (CONTINUED)

25.4 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 16	Granted as remuneration	Held at 30 June 2017 or date of resignation	Vested during the year	Vested and exercisable at 30 Jun 17
Directors					
Stephen Parsons	-	30,000,000	30,000,000	30,000,000	30,000,000
Peter Doherty (resigned)	1,100,000	-	1,100,000	-	-
Jarrod Smith (resigned)	1,100,000	-	1,100,000	-	-

26 EVENTS SUBSEQUENT TO REPORTING DATE

On 22 August 2017, the Company announced that it had received legally binding commitments to raise \$3.3 million (before costs) via a significantly oversubscribed placement of 66,000,000 ordinary shares at an issue price of \$0.05 each.

During September 2017, the Company paid \$1,000,000 to Xstrata Nickel being the deferred consideration payable for the Bellevue Gold Project. This liability was assumed by Draig as part of the acquisition of Golden Spur Resources Pty Ltd.

Other than the above, there are currently no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the affairs of the consolidated entity in future financial years.

27 RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2017 \$	2016 \$
(a) Cash flows from operating activities		
Loss for the year	(1,791,733)	(659,083)
Depreciation of assets	122	-
Share based payments	1,095,000	-
Net foreign currency (gains) / losses	12,291	39,426
Formation costs written off	2,350	-
Operating loss before changes in working capital and provisions	(681,970)	(619,657)
Change in trade and other receivables	(57,980)	(24,768)
Change in other assets	12,816	-
Movement in provisions	5,141	-
Change in trade and other payables	231,988	(3,147)
Net cash used in operating activities	(490,005)	(647,572)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

27 RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES (CONTINUED)

	2017	2016
	\$	\$
(b) Non-cash financing and investing activities		
Acquisition of Golden Spur Resources Pty Ltd (Note 29)	2,220,000	-
Shares issued to advisor in relation to acquisition of Golden Spur Pty Ltd (the funds payable by the advisor were outstanding as at the end of the financial year but have since been received by the Company)	15,000	-
	2,235,000	-

28 PARENT ENTITY DISCLOSURE

As at, and throughout, the financial year ended 30 June 2017 the parent entity of the Group was Draig Resources Limited.

Results of the parent entity:

Loss for the year	(1,786,912)	(615,746)
Other comprehensive expenses	-	-
Total Comprehensive loss for the year	(1,786,912)	(615,746)

Financial Position of parent entity at year end:

Current assets	3,065,321	1,991,539
Non-current assets	2,412,759	-
Total assets	5,478,080	1,991,539
Current liabilities	387,706	24,208
Non-current liabilities	-	-
Total liabilities	387,706	24,208

Total equity of the parent entity comprising of:

Issued capital	29,538,687	25,721,549
Share option reserve	1,146,150	51,150
Retained earnings	(25,594,463)	(23,805,368)
Total equity	5,090,374	1,967,331

For personal use only

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

29 ACQUISITION OF SUBSIDIARY

During November 2016, the Company completed the acquisition of 100% of the issued share capital of Golden Spur Resources Pty Ltd which holds the tenements for the Bellevue Gold Project.

The consideration for the acquisition is as follows:

- 60,000,000 shares in Draig have been issued to the shareholders of Golden Spur Resources Pty Ltd or their nominees;
- Draig has reimbursed the shareholders of Golden Spur Resources Pty Ltd for expenditure of \$100,000 paid between 22 August 2016 (being the date the Heads of Agreement was executed) and completion date of the acquisition. Of this reimbursement, approximately \$13,000 was expensed to the consolidated profit or loss and approximately \$87,000 was capitalised as consideration paid for the acquisition of Golden Spur Resources Pty Ltd;
- Estimated stamp duty on the transaction of \$120,605.

The assets and liabilities recognised as a result of the acquisition are as follows:

	\$
Cash	4,350
Other receivables	4,023
Trade and other payables	(1,040,168)
Loans – Draig Resources Ltd	(860,000)

Net identifiable assets acquired	(1,891,795)

Add: Exploration asset	4,319,400

Net assets acquired	2,427,605

Total consideration paid	2,427,605

Other items in relation to the acquisition are as follows:

- Draig has assumed a liability to Xstrata Nickel for \$1,000,000 in relation to the deferred consideration for the Bellevue Gold Project payable by Golden Spur Resources Pty Ltd;
- Draig has agreed to pay a A\$25 per ounce royalty capped at 100,000oz of production payable to the shareholders of Golden Spur Resources Pty Ltd;
- Draig has repaid loans owing by Golden Spur Resources Pty Ltd to its shareholders of \$860,000.

The acquisition of Golden Spur Resources Pty Ltd has been accounted for as an acquisition of an asset on the basis that it does not constitute a business as defined by AASB 3 *Business Combinations*.

30 EXPLORATION AND EVALUATION

	30 June 2017	30 June 2016
	\$	\$
<u>Acquisition costs – Bellevue Gold Project</u>		
Balance at beginning of year	-	-
Add - Acquisition of Golden Spur Resources Pty Ltd	4,319,400	
Add - Exploration and evaluation costs capitalised	437,056	-
	-----	-----
Closing balance	4,756,456	-
	-----	-----

For personal use only

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

31 SHARE BASED PAYMENT EXPENSE

The following options, which vested immediately, were issued during the year:

<u>OPTIONS ISSUED</u>	Number of Options Granted	Grant Date	Fair Value Per Option at Grant Date	Exercise Price Per Option	Expiry Date	Total Fair Value of Options Issued
Advisor options (Note 18.1)	15,000,000	22/8/16	\$0.037	\$0.050	31/8/19	\$555,000
Stephen Parsons (Note 18.1)	15,000,000	31/3/17	\$0.019	\$0.035	31/3/20	\$280,500
	15,000,000	31/3/17	\$0.017	\$0.040	31/3/20	\$259,500
Total	45,000,000					\$1,095,000

There was no share based payment expense for the year ended 30 June 2016.

For personal use only

**DIRECTORS DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017**

1. In the opinion of the Directors of Draig Resources Limited (Company):
 - (a) the consolidated financial statements and notes that are set out on pages 13 to 41 and the Remuneration Report in the Directors' Report set out in section 1.4 on pages 6 to 10 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 2017 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 roles 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 2017.
3. The Directors draw attention to note 2.1 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:



Raymond Shorrocks
Non-Executive Chairman

28th September 2017



Independent Auditor's Report

To the shareholders of Draig Resources Ltd

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Draig Resources Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Exploration and Evaluation expenditure
- Going concern basis of accounting

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For personal use only

For personal use only

Exploration and evaluation expenditure (\$4.8 million)	
Refer to Note 30 'Exploration and Evaluation expenditure'	
The key audit matter	How the matter was addressed in our audit
<p>Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> the significance of the activity to the Group's business and the balance (being 72% of total assets); and the greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> the determination of the areas of interest (areas); documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&E activities; the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. <p>In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for areas of interest where significant capitalised E&E exists. In addition to the assessments above, and given the financial position of the Group we paid particular attention to:</p> <ul style="list-style-type: none"> documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard; We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as license related technical conditions and planned work programmes. For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses; We tested the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard; We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel. We analysed the Group's determination of recoupment through successful development and exploitation of the area or by its sale by evaluating the Group's documentation of planned future activities including work programmes and corporate budgets for each area. We obtained project and corporate budgets

<p>relevant E&E activities</p> <ul style="list-style-type: none"> • The ability of the Group to fund the continuation of activities • Results from latest activities regarding the existence or otherwise of economically recoverable reserves. The Group engage an external expert to assist with these assessments. <p>These assessments can be inherently difficult, particularly in uncertain or depressed market conditions such as those currently being experienced in Australian exploration.</p>	<p>identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding.</p>
---	--

Going concern basis of accounting

Refer to Note 2.2 to the Financial Report

The key audit matter

The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in Note 2.2.

The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements[, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following:

- the Group's planned levels of operational and capital expenditures, and the ability of the Group to manage cash outflows within available funding, in light of loss making

How the matter was addressed in our audit

Our procedures included:

- We analysed the cash flow projections by:
 - Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with the Group's intentions, as outlined in Directors minutes and strategy documents, and their comparability to past practices;
 - Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact to the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific areas we focused on were informed from our test results of the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow projection assumptions.
- We read Directors minutes and relevant correspondence with the Group's advisors to understand and assess the Group's ability to raise additional shareholder funds.
- We evaluated the Group's going concern disclosures in the financial report by

operations.

- the Group's ability to raise additional funds from shareholders or other parties and the projected timing thereof. This included source of funds, availability of fund type, feasibility and status of securing those funds.

In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.

comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.

Other Information

Other Information is financial and non-financial information in Draig Resources Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report. The Chairman's Report, Corporate Governance Statement and Review of Operations are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Draig Resources Ltd for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 6 to 11 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG

Daniel Camilleri
Partner
Sydney
28 September 2017



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 of Draig Resources Limited for the financial year ended 30 June 2017 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

Daniel Camilleri
Partner

Sydney
28 September 2017

For personal use only

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition). The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines.

Unless disclosed below, all the principles and recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2017.

Board Composition

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term of office are detailed in the Director's Report.

The independent Directors of the Company are Mr Ray Shorrocks and Mr Guy Robertson.

When determining the independent status of a Director the Board used the Guidelines detailed in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

Diversity Policy

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people.

Our policy is to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

The Company's strategies are to:

1. recruit and manage on the basis of an individual's competence, qualification and performance;
2. create a culture that embraces diversity and that rewards people to act in accordance with this policy;
3. appreciate and respect the unique aspects that individual brings to the workplace;
4. foster an inclusive and supportive culture to enable people to develop to their full potential;
5. identify factors to be taken into account in the employee selection process to ensure we have the right person for the right job;
6. take action to prevent and stop discrimination, bullying and harassment; and
7. recognise that employees at all levels of the Company may have domestic responsibilities.

The Board is accountable for ensuring this policy is effectively implemented. Each employee has a responsibility to ensure that these objectives are achieved.

Compliance with ASX Recommendations

Recommendation	Draig Resources Limited Current Practice
<p>1.1 A listed entity should disclose:</p> <p>(a) The respective roles and responsibilities of its board and management; and</p> <p>(b) Those matters expressly reserved to the board and those delegated to management.</p>	<p>The Company's Board Charter sets out the roles and responsibilities of the Board and Management. It is available for review at www.draigresources.com</p>
<p>1.2 A listed entity should:</p> <p>(a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>The Company has implemented a policy of undertaking police and bankruptcy checks on all senior employees and directors before appointment or putting to shareholders for election.</p> <p>The Company provides all relevant information on all directors in its annual report and on its website.</p>
<p>1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their employment.</p>	<p>The Company requires that a detailed letter of appointment or employment contract is agreed with each director and employee prior to the commencement of duties.</p>
<p>1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company's organisation chart reflects the position of the Company Secretary within the Company structure.</p>
<p>1.5 A listed entity should:</p> <p>(a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) Disclose that policy or a summary of it; and</p> <p>(c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>i. The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>The Company has adopted a formal Diversity Policy, a summary of which is provided above.</p> <p>As at 30 June 2017:</p> <ul style="list-style-type: none"> • The Board comprised three members, all of whom were male. • The senior executives comprised five people (defined by the Board as the directors and key management personnel), four of whom were male and one female. • The whole organisation comprises six people, five of whom are male and one female.

<p>1.6 A listed entity should:</p> <p>(a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board Performance Evaluation Policy is available at www.draigresources.com</p> <p>During the reporting period, the Board collectively assessed their respective roles and contributions to the Company and determined they were appropriate.</p>
<p>1.7 A listed entity should:</p> <p>(a) Have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board constantly assesses the performance of the Executive Director, the Company Secretary and other key management personnel during the course of the year.</p>
<p>2.1 The board of a listed entity should:</p> <p>(a) Have a nomination committee which:</p> <ul style="list-style-type: none"> i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director; <p>and disclose:</p> <ul style="list-style-type: none"> iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period, and the individual attendances of the members at those meetings; or <p>(b) If it does not have a nomination committee, disclose the fact and the processes it employs to address board succession issues and to ensure the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Board consider that given the current size of the Board and the Company, this function is efficiently achieved with full Board participation. Accordingly, the Board has not established a separate nomination committee. The Board has adopted a Nomination Committee Charter by which it abides. The charter is available at the Company's website www.draigresources.com</p>
<p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Board Charter which is available at www.draigresources.com incorporates a set of skills and abilities that are desirable for the composition of the Board. The Board is satisfied that it currently possesses an appropriate mix of desired skills in the areas of geology, exploration, commerce and finance to act effectively.</p>
<p>2.3 A listed entity should disclose:</p>	<p>The Company considers that Mr Shorrocks and Mr Robertson are independent directors.</p>

<p>(a) The names of the directors considered by the board to be independent directors;</p> <p>(b) If a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) The length of service of each director.</p>	<p>The Company discloses the length of service for each director in the Director’s Report of its annual report.</p>
<p>2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>The Company complies with this recommendation.</p>
<p>2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The Company complies with this recommendation.</p>
<p>2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their roles as directors effectively.</p>	<p>The Company has a formal induction program for all new directors to appropriately familiarise them with the policies and procedures of the Company.</p> <p>The Company encourages and facilitates all Directors to develop their skills, including with the provision of in-house seminars to maintain compliance in areas such as risk and disclosure.</p>
<p>3.1 A listed entity should:</p> <p>(a) Have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) Disclose that code or a summary of it.</p>	<p>The Company’s Code of Conduct is available at www.draigresources.com</p>
<p>4.1 The board of a listed entity should:</p> <p>(a) Have an audit committee which:</p> <ul style="list-style-type: none"> i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and ii. is chaired by an independent director, who is not the chair of the board; <p>and disclose:</p> <ul style="list-style-type: none"> iii. the charter of the committee; iv. the relevant qualifications and experience of the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period, and the individual attendances of the members at those meetings; or <p>(b) If it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of</p>	<p>The Company does not have an audit committee period due to the current size of the Board and Company. The full Board fulfils the duties of the audit committee and abides by the adopted Audit Committee Charter (available at www.draigresources.com).</p> <p>The Directors require that management report regularly on all financial and commercial aspects of the Company to ensure that they are familiar with all aspects of corporate reporting and believe this to mitigate the risk of not having an independent committee.</p> <p>The Board has adopted a formal policy regarding the appointment, removal and rotation of the Company’s external auditor and audit partner.</p>

	its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal controls which is operating effectively.	The Board receives a section 295A declaration from the equivalent of the CEO and CFO for each quarterly, half yearly and full year report in advance of approval of these reports.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company's auditor is required to attend the Company's AGM and is available to answer questions relevant to the audit.
5.1	A listed entity should: <ul style="list-style-type: none"> (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. 	The Board has adopted a formal Continuous Disclosure Policy to ensure compliance with the ASX Listing Rules. The Policy is available at www.draigresources.com
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company complies with this recommendation and all relevant information can be found at www.draigresources.com
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has developed a Shareholder Communications Strategy to ensure all relevant information is identified and reported accordingly.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company encourages all shareholders to attend General Meetings of the Company via its notices of meeting, and in the event they cannot attend, to participate by recording their votes. The Company has implemented an online voting system to further encourage participation by shareholders.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company and its share registry actively encourage electronic communication. All new shareholders are issued with a letter encouraging the registration of electronic contact methods.
7.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: 	The Company does not have a risk committee due the current size of the Board and Company. The Company works on the policy whereby the full Board fulfils the duties of the

<ul style="list-style-type: none"> i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director; <p>and disclose:</p> <ul style="list-style-type: none"> iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings: or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>risk committee and abides by the adopted Risk Management Policy (available at www.draigresources.com).</p> <p>The Directors require that management report regularly on all financial and commercial aspects of the Company to ensure that they are familiar with all aspects of corporate reporting and believe this to mitigate the risk of not having an independent committee.</p>
<p>7.2 The board or a committee of the board should:</p> <ul style="list-style-type: none"> (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place. 	<p>The Board reviews its risk management strategy annually.</p>
<p>7.3 A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<p>The Company is not of the size or scale to warrant the cost of an internal audit function. This function is undertaken by the Board as a whole via the regular and consistent reporting in all risk areas.</p>
<p>7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Company does not currently have any material exposure to any economic, environmental and social sustainability risks.</p>
<p>8.1 The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a remuneration committee which: <ul style="list-style-type: none"> i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director; <p>and disclose:</p> <ul style="list-style-type: none"> iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or 	<p>The Company does not have a remuneration committee and the Board as a whole undertakes this role due to the current size of the Board and Company.</p> <p>The Board considers industry peers when evaluating the remuneration for all directors and executives. The Board is cognisant of the fact that it wishes to attract and retain the best people, and considers strategies other than monetary to balance the need for the best people and the financial position of the Company.</p>

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

8.2 A listed entity should separately disclose its policies and practises regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company discloses its policies on remuneration in the Remuneration Report set out in its annual report.

8.3 A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

The Company recognises that Directors, executives and employees may hold securities in the Company and that most investors are encouraged by these holdings. The Company's Securities Trading Policy (available at www.draigresources.com.au) explains and reinforces the Corporations Act 2001 requirements relating to insider trading. The Policy applies to all Directors, executives, employees and consultants and their associates and closely related parties.

Additional Information

CLASS OF SHARES AND VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary Shares of the Company are:

- a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

Options do not carry any voting rights.

DISTRIBUTION OF SHAREHOLDERS (as at 27 October 2017)

Spread of Holdings	Number of Holders – Fully Paid Ordinary Shares
1-1,000	430
1,001-5,000	312
5,001 - 10,000	138
10,001 -100,000	414
Over 100,001	296
TOTAL	1,590

There are 682 holders of unmarketable parcels of fully paid ordinary shares comprising a total of 781,245.

There are no shares subject to escrow. There is no current on-market buy back taking place.

Company Secretary

Oonagh Malone

Registered Office

Suite 23, 513 Hay Street

Subiaco WA 6008

Telephone: 08 6143 6710

Share Registry

Security Transfer Australia

770 Canning Highway

Applecross WA 6153

Telephone: 1300 992 916

TWENTY LARGEST SHAREHOLDERS (as at 27 October 2017)

Name	Number of Shares	%
1 Kitara Investments Pty Ltd	20,000,000	6.10
2 Sunset Capital Management Pty Ltd	17,400,000	5.31
3 Three Cheeky Monkeys Holdings	13,522,080	4.13
4 Zolzaya Byambaa	13,103,793	4.00
5 Lantech Developments Pty Ltd	12,635,000	3.85
6 Sisu International Pty Ltd	10,126,601	3.09
7 Konkera Pty Ltd	10,000,000	3.05
8 Stevsand Investments Pty Ltd	9,400,000	2.87
9 Briant Nominees Pty Ltd	8,500,000	2.59
10 Kobia Holdings Pty Ltd	6,400,000	1.95
11 Beez & Honey Pty Ltd	6,000,000	1.83
12 Mark John and Margaret Patricia Bahen	5,595,735	1.71
13 Kingslane Pty Ltd	5,500,000	1.68
14 Campbell Kitchener Hume	5,003,284	1.53
15 Stevsand Holdings Pty Ltd	5,000,000	1.53
16 Annlew Investments Pty Ltd	5,000,000	1.53
17 Seamist Enterprises Pty Ltd	4,000,000	1.22
18 Blu Bone Pty Ltd	3,821,342	1.17
19 J P Morgan Nominees Australia Limited	3,715,876	1.13
20 Symorgh Investments Pty Ltd	3,683,333	1.12
TOTAL	168,407,044	51.39

UNQUOTED SECURITIES (as at 27 October 2017)

Class	Number
Options exercisable at \$0.05 on or before 31 August 2019	15,000,000
Options exercisable at \$0.035 on or before 31 March 2020	15,000,000
Options exercisable at \$0.04 on or before 31 March 2020	15,000,000
Options exercisable at \$0.1365 on or before 27 October 2020	7,500,000

UNQUOTED SECURITIES >20% HOLDERS (as at 27 October 2017)

Class	Holder	Number
Options exercisable at \$0.05 on or before 31 August 2019	Seamist Enterprises Pty Ltd	11,250,000
	Konkera Pty Ltd	3,750,000
Options exercisable at \$0.035 on or before 31 March 2020	Symorgh Investments Pty Ltd	15,000,000
Options exercisable at \$0.04 on or before 31 March 2020	Symorgh Investments Pty Ltd	15,000,000
Options exercisable at \$0.1365 on or before 27 October 2020	Spring Street Holdings Pty Ltd	7,500,000

SCHEDULE OF MINING TENEMENTS

Project and Location	Licence Number	Type	Equity
Bellevue Gold Project, Western Australia	M36/299	Mining Licence	100%
	M36/24	Mining Licence	100%
	M36/25	Exploration Licence	100%
	E36/535	Exploration Licence	100%
Ovorhangay Province, Mongolia			
	Teeg	Exploration Licence	75%
	Nariin Teeg	Exploration Licence	75%