

Half-Year Financial Report | 2018

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Directors' Report

The Directors' of Draig Resources Limited ("Draig" or "the Company") and its controlled entities ("the Group") are pleased to present their Directors' Report together with the consolidated financial statements of the Group for the half year ended 31 December 2017.

Directors

The Directors of the Company in office during the half year and until the date of this report are as follows:

- Raymond Shorrocks (Non-Executive Chairman) (appointed 31 December 2015)
- Guy Robertson (Non-Executive Director) (appointed 31 December 2015)
- Stephen Parsons (Executive Director) (appointed 31 March 2017)

Directors were in office for the entire period unless otherwise stated.

Results and Review of Activities

Bellevue Gold Project

The Bellevue Gold Project ("the Project") was acquired by Draig Resources due to the high potential 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 from the regional centre of Leinster and covers approximately 40 kilometres north from the regional centre of Leister.

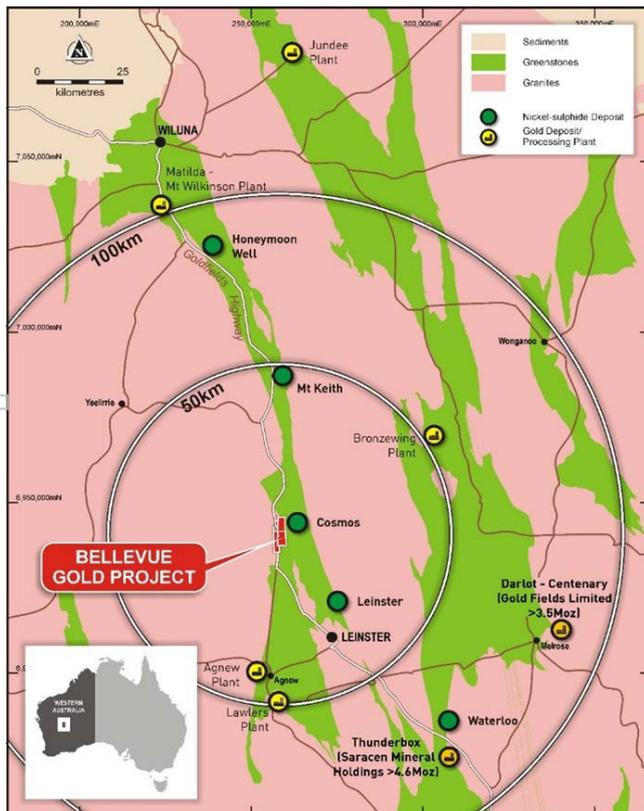


Figure 1: Bellevue Gold Project Location. A well-endowed mining district with several significant gold processing facilities in close proximity.

Directors' Report

High grade gold was mined 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 was completed at the Project and Draig is undertaking the first systematic exploration at the property in the last 20 years.

Tribune Gold Discovery

The Tribune Lode is a Bellevue parallel structure located immediately to the west of the Highway Fault and the historic Bellevue underground mine. This relatively untested area, under shallow transported sand cover is known as the 'Western Mineralised Corridor'.

A small area was drilled historically with shallow RC drilling over approximately 250 metres strike targeting outcropping geology completed by previous operators.

Two RC holes were completed in the first drill program (refer to ASX Announcement dated 16 November 2017)¹ to confirm previous historical intersections. These holes returned intersections of 2m @ 8.67 g/t gold from 30m and 2m @ 3.66g/t gold from 109m in DRRC0018 as well as 3m @ 2.17 g/t gold from 70m in DRRC0017.

Two further RC holes were subsequently completed by Draig to the south of the historic drilling.

Drill hole DRRC0023 was collared 60 metres south of the last historical RC fence to drill through the Tribune Lode and DRRC0024 was collared 40 metres further south again.

DRRC0023 intersected the Tribune lode between 66-72m with up to 5% sulphide percentages and quartz veining. The total intercept was 25m @ 1.2 g/t including 5m @ 2.5 g/t (Refer to ASX Announcement dated 11 December 2017)¹.

DRRC0024 which represents a step out of 100 metres to the south from the historic holes to drill through the Tribune Structure intersected a broad zone of 5-15% sulphide again associated with deformed vein quartz and strongly altered shear zone.

The result from drill hole DRRC0024 was 7m @ 27.4g/t gold from 92m including 5m @ 37.5 g/t gold from 92m. (Refer to ASX Announcement dated 20 November 2017)¹.

Further step out drilling 80 metres to the south of DRRC0024 with hole DRDD004 intersected a zone of 7 metres with quartz, strong sulphide content and visible gold from 18 metres down hole. This drill hole (DRDD0004) comprised 5m @ 16.5g/t gold (refer to ASX Announcement dated 11 December 2017)¹. This is interpreted to be either the continuation of the Tribune Lode or another parallel mineralised structure within the 'Western Mineralised Corridor'.

A total of 6 Diamond holes have now been completed at the Tribune Lode. The diamond drill core has been designed to allow the first detailed interpretation of the prospect geology and has enabled the initial stratigraphic and geological interpretation. Importantly, significant Bellevue Lode style quartz sulphide veins have been intercepted across the 500 metres strike length of the discovery including in the currently southern-most drill hole (DRDD0008 – results pending), indicating the continuation of the Tribune structure to the south.

At least two lodes have currently been identified although it is uncertain whether this represents later stage faulting of a single more continuous lode as is apparent at the Bellevue Lode. Mineralisation dips at approximately 75 degrees to the west.

Directors' Report

The Tribune lode is hosted in a basalt flow to shallow intrusive sequence with a feldspar-quartz porphyry unit locally important. The identified mineralisation and alteration assemblage is identical to the Bellevue lode mineralisation with pyrrhotite, chalcopyrite sulphide assemblage associated with deformed quartz veining and calc-silicate alteration and a strong shear fabric.

Visible gold has been logged in five drill holes (including DRDD004 and DRRC00024 previously released). The gold identified is in the quartz veining as fine-grained inclusions of up to 2-3mm grain length. Significant sulphide has also been logged locally associated with some of the veins which is an important association with gold at the Bellevue Lode.

Significance of the Tribune Lode Discovery

The technical team at Draig view the recent drill success at Bellevue to be of high significance to the company and a potentially transformative discovery. The following points are noted:

- The Tribune Structure is analogous in lithology, alteration and mineralization to the Bellevue Shear, however is located to the west of the Highway Fault; the interpreted truncating structure of mineralization at the Bellevue mine.
- Previously the Tribune Lode has only been subjected to minor shallow drill testing over a 250 metre strike extent. The Tribune structure has now been drilled for 500m of strike and appears open to the south (results pending for DRDD0006,0008,0009,0010 and 0011). This structure is of similar scale to the Bellevue Shear host to 800,000 ounces at ~15 g/t mined.
- Southern Belle Lode is located 1.1km to the south in the same 'Western Mineralised Corridor' with results including (Refer to ASX Announcement dated 20 November 2017)¹:
 - 4.45m @ 22.87 g/t gold from 389m in BEL0344
 - 1.85m @ 25.88 g/t gold from 408m in BEL0348
- The Tribune shear zone between this recent drill intercepts of 5m @ 37.5g/t gold and 5m @ 16.6 g/t gold and the Southern Belle Lode drill intercepts are potentially related and untested for over 1.1 kilometres.

The Company intends to focus attention at Tribune Lode and the exploration potential of the Western Mineralised Corridor. Two dedicated diamond rigs are currently operating at the discovery targeting mineralisation along strike and down dip. Drilling is being completed on an initial 80m x 40m exploration grid over the 500 m strike length of the Tribune Lode.

Directors' Report

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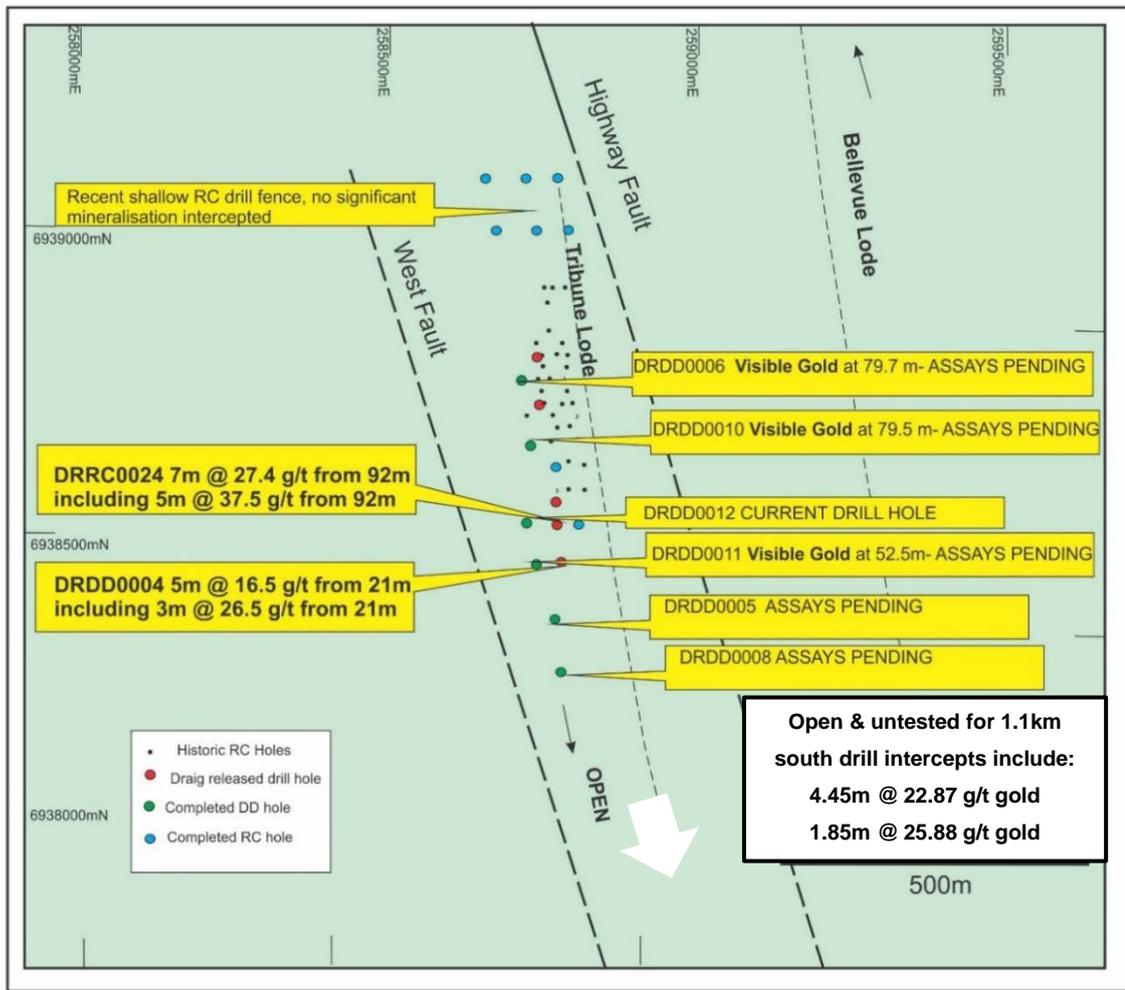


Figure 2: Plan of the Tribune Lode drilling within the 'Western Mineralised Corridor', to the west of the Bellevue Mine Lode and the Highway Fault.

Directors' Report

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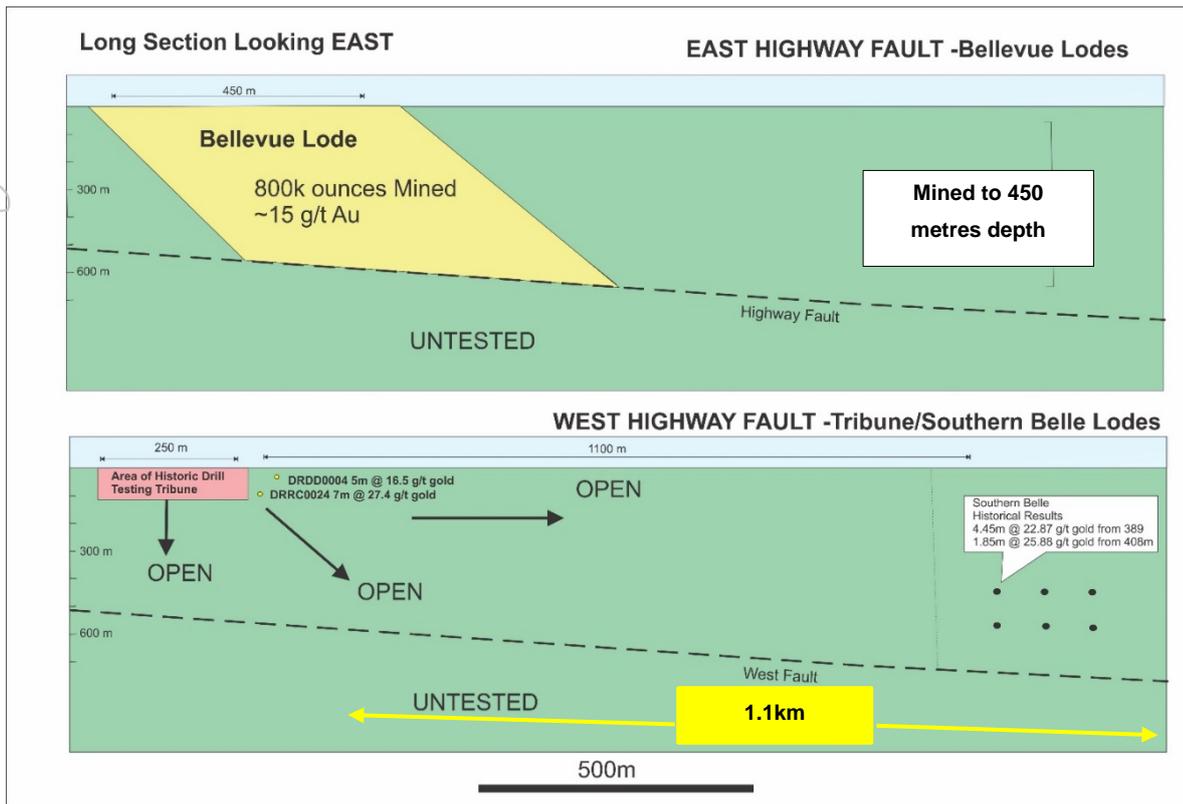


Figure 3: Schematic Long sections:

- a) through the Bellevue lode which hosts the 800,000oz @ 15g/t gold historically mined to 450 metres depth at the Bellevue Underground workings; and
- b) drilling within the 'Western Mineralised Corridor', to the west of the Bellevue Lode and the Highway Fault.

Directors' Report

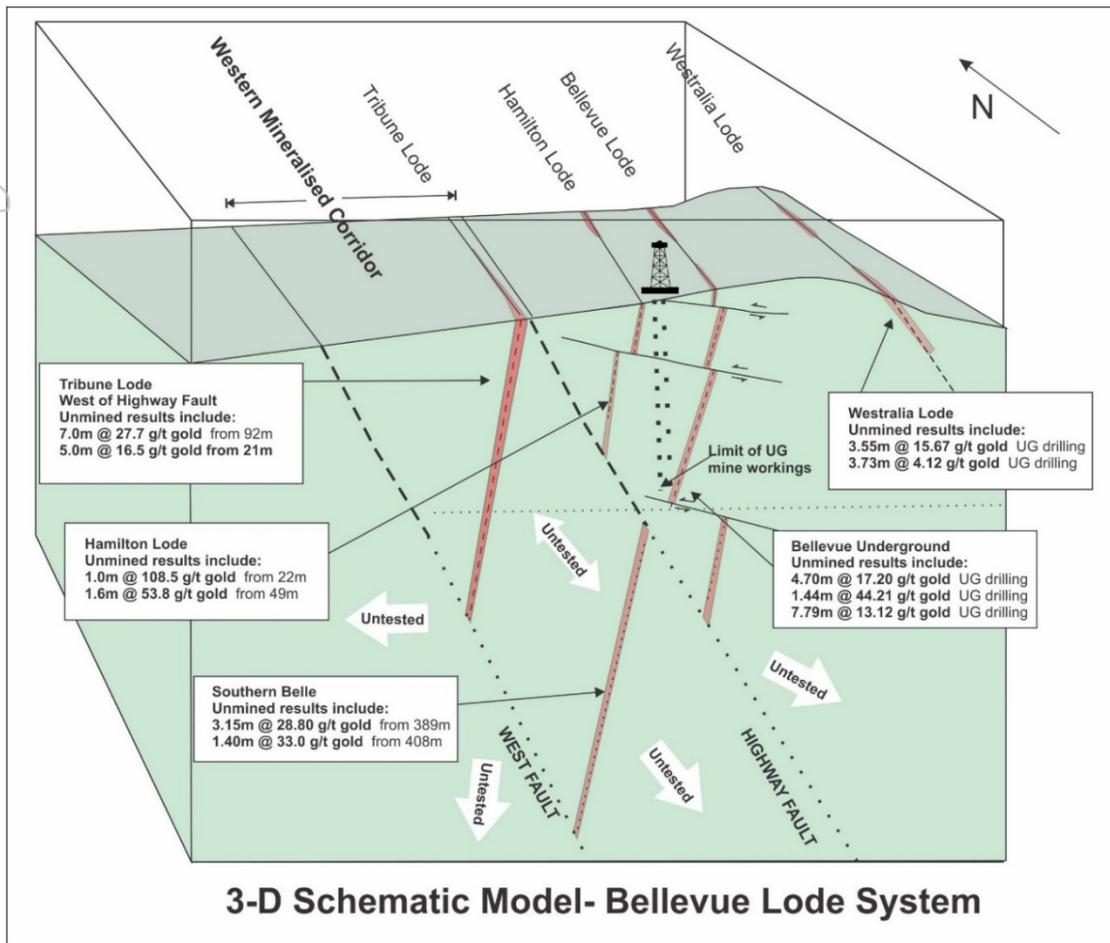


Figure 4: Schematic map of the multiple mineralised Lodes at the Bellevue project. Mineralisation to the west of the Highway Fault is within what is known as the 'Western Mineralised Corridor'.

Other Recently Completed Drilling

Other drilling completed this quarter was designed to test areas for gold mineralisation with the potential for inclusion into a resource estimate. The drilling also successfully confirmed areas of mapped and unmined mineralisation as well as gaining a detailed structural and geological understanding of the lodes to refine the 3D geological model ready for deeper drill targeting.

A total of 3 Diamond Drill (DD) holes for 568.9m and 8 Reverse Circulation (RC) holes for 1,246m have been completed in this first phase of drilling. Drilling was conducted at four target areas derived from a combination of the initial geological interpretation and the recently completed Induced Polarisation geophysical survey.

For these results listed below, refer to ASX Announcement dated 16 November 2017¹.

Bellevue Lode & Henderson Lode:

Holes DRDD001-003 were drilled at the Bellevue Lode and the Henderson Lode (Henderson Lode is a splay off the main Bellevue Lode) targeting the high-grade underground potential of the Henderson Lode south of the historical open pit and also targeting the potential northern strike extension of the main Bellevue Lode.

Directors' Report

Previously unmined results from the Henderson Lode directly below the open pit include:

- 7m @ 14.45 g/t gold from 108m in BARC0264
- 3m @ 21.36 g/t gold from 90m in BARC0095
- 6m @ 10.44 g/t gold from 74m in BARC0167

The Henderson Lode was intersected in all 3 recent holes drilled as modelled with results of:

- 0.3m @ 14.62 g/t gold from 100.65m in DRDD002
- 0.4m @ 4.69 g/t gold from 97.1m in DRDD001
- 0.4m @ 2.96 g/t gold from 130.2m in DRDD003

Drilling into the relatively untested northern extension of the Bellevue Lode successfully located the shear zone and intersected narrow veining and abundant sulphide mineralisation with results of:

- 0.2m @ 27.67 g/t gold from 181.25m in DRDD001
- 0.45m @ 2.29 g/t gold from 221m in DRDD003
- 4.0m @ 2.27 g/t gold from 88m in DRRC012

Hamilton Lode:

Previously unmined intersections from shallow drilling at the Hamilton Lode include:

- 1.6m @ 53.8 g/t gold from 48.9m in BEL0072
- 1.0m @ 108.5 g/t gold from 22m in HERC0026
- 3.0m @ 11.4 g/t gold from 39m in BVRC0099

A single RC hole was drilled at the Hamilton Lode. The Hamilton Lode is a subparallel lode to the west of the fault hosting the Bellevue Lode. The primary purpose of the hole was to confirm information from the historical stopping maps that mineralisation was still unmined in the Hamilton Lode, near surface.

Hole DRRC009 successfully intercepted the Hamilton Lode at 32 metres with an intersection of 3m @ 13.97g/t gold. No stopping was intercepted confirming the historical data.

Westralia Lode

A total of 4 holes were completed at Westralia targeting IP resistivity/chargeability anomalies to the north of the existing open pit. Hole DRRC0013 intersected massive pyrrhotite, chalcopyrite and sphalerite from 123m consistent with the Westralia Lode mineralisation assemblage, however, gold tenor in the hole was low with a result of 1m @ 1.75 g/t gold. Further downhole EM work around the intersection in hole DRRC0013 will be conducted to determine the plunge of the mineralisation around the intersection of the massive sulphide.

Directors' Report

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.

Prospectively 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.

Geophysical Data Review and New Surveying

A review of all existing geophysical datasets over the project area was 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.

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.

Acquisition of South Yandal Gold Project

The Company signed binding term sheets with Croft Mining Pty Ltd and Weebo Exploration Pty Ltd whereby Draig has acquired six exploration licences and a further exploration licence that is currently an application upon successful grant of that application (Tenements).

The option fee was \$20,000 (which Draig exercised in January 2018) and on completion must pay:

- \$100,000; and
- 3,000,000 fully paid ordinary shares in Draig.

The transfer of most of the licences are subject to ministerial consent as they are within the first year of grant.

Acquisition of Liontown Mining Leases

Further mining tenements that were acquired from Liontown Resources Limited (ASX: LTR), the terms of the acquisition were \$25,000 and 1,000,000 Draig shares.

Corporate

Financial

As at 31 December 2017, Draig held \$6.7 million in cash.

Total comprehensive loss for the period was \$3,906,278 (2016: \$790,162).

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

Capital Raising

The Company completed two capital raisings during the half year:

- \$3.3 million (before costs) via a placement of 66,000,000 ordinary shares at an issue price of \$0.05 each; and
- \$5.0 million (before costs) via a placement of 25,000,000 ordinary shares at an issue price of \$0.20 per share.

Directors' Report

Section 18 consent

The Company is currently in the process of requesting ministerial approval through Section 18 consent to undertake exploration drilling within Lake Miranda as the current drilling is not on Lake Miranda.

Appointment of Company Secretary

Effective 1 December 2017, Mr Michael Naylor assumed the role of Company Secretary of Draig. Ms Oonagh Malone resigned as Company Secretary of Draig also effective 1 December 2017.

Change of Address

The Company also changed its registered address and principal place of business to Level 3, Suite 3 24 Outram Street West Perth WA 6005.

WA Government Grant

Draig reported that it was successful in its application for the round 15 co-funded drilling from the Western Australian Department of Mines. The funding that has been granted is \$200,000 for a hole testing the depth potential of the Bellevue Lode below the historic base of the underground mine.

The exploration incentive scheme is a WA state government initiative aiming to stimulate private sector mineral exploration. To be eligible for the funding the drilling will require completion before the 30th of June 2018 and the grant is for 50% of the costs up to \$200,000 of a single hole.

Subsequent events

There are no matters or circumstances which have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods, other than the change of Company auditor which will be ratified at the next Annual General Meeting. The Company would like to thank the previous auditors KPMG, and also welcome Grant Thornton Australia as the new Company auditor.

Auditor's independence declaration

The auditor's independence declaration is set out on page 26 for the half year ended 31 December 2017.

Signed in accordance with a resolution of the Board of Directors.



Stephen Parsons

Executive Director

Dated 14 March 2018

End Notes

¹ For full details of these Exploration results, refer to the said Announcement or Release on the said date. Draig Resources is not aware of any new information or data that materially affects the information included in the said announcement.

Directors' Report

Competent Persons' Statement

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.

Disclaimer

This presentation has been prepared by Draig Resources Limited (the Company) based on information from its own and third-party sources and is not a disclosure document. No party other than the Company has authorised or caused the issue, lodgement, submission, despatch or provision of this presentation, or takes any responsibility for, or makes or purports to make any statements, representations or undertakings in this presentation. Except for any liability that cannot be excluded by law, the Company and its related bodies corporate, directors, employees, servants, advisers and agents (Affiliates) disclaim and accept no responsibility or liability for any expenses, losses, damages or costs incurred by you relating in any way to this presentation including, without limitation, the information contained in or provided in connection with it, any errors or omissions from it however caused, lack of accuracy, completeness, currency or reliability or you or any other person placing any reliance on this presentation, its accuracy, completeness, currency or reliability. This presentation is not a prospectus, disclosure document or other offering document under Australian law or under any other law. It is provided for information purposes and is not an invitation nor offer of shares or recommendation for subscription, purchase or sale in any jurisdiction. This presentation does not purport to contain all the information that a prospective investor may require in connection with any potential investment in the Company. Each recipient must make its own independent assessment of the Company before acquiring any shares in the Company (Shares). The Company has made reference to historic drilling and exploration results from a variety of exploration companies over the past 30 years that had previously explored the Project.

Forward Looking Information

This presentation contains forward-looking statements. Wherever possible, words such as "intends", "expects", "scheduled", "estimates", "anticipates", "believes", and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify these forward-looking statements. Although the forward-looking statements contained in this release reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, The Company cannot be certain that actual results will be consistent with these forward-looking statements. A number of factors could cause events and achievements to differ materially from the results expressed or implied in the forward-looking statements. These factors should be carefully considered and prospective investors should not place undue reliance on the forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause the Company's actual results, events, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended, including those risk factors discussed in the Company's public filings. There can be no assurance that the forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. Any forward-looking statements are made as of the date of this presentation, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, unless otherwise required by law. This presentation may contain certain forward looking statements and projections regarding:

- estimated, resources and reserves;
- planned production and operating costs profiles;
- planned capital requirements; and
- planned strategies and corporate objectives.

Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of the Company. The forward looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved. The Company does not make any representations and provides no warranties concerning the accuracy of the projections and disclaims any obligation to update or revise any forward looking statements/projects based on new information, future events or otherwise except to the extent required by applicable laws.

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Financial Statements
For the half year ended
31 December 2017

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2017

	Notes	31 December 2017 \$	31 December 2016 \$
Continuing operations			
Depreciation		(8,594)	-
Employee and related expenses		(148,884)	(114,570)
Exploration expenditure		(201,802)	(1,760)
Other expenses		(499,456)	(121,287)
Share based payments expense		(3,051,197)	(555,000)
Results from operating activities		(3,909,933)	(790,617)
Finance income		7,712	15,496
Finance expenses		(11,782)	-
Net financing income		(4,070)	15,496
Loss before income tax		(3,914,003)	(775,121)
Income tax expense		-	-
Loss from continuing operations		(3,914,003)	(775,121)
Loss from discontinued operations	11	(813)	(8,652)
Loss for the year		(3,914,816)	(783,773)
Other comprehensive expenses			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		8,538	(6,389)
Other comprehensive loss for the period, net of tax		8,538	(6,389)
Total comprehensive loss for the period		(3,906,278)	(790,162)
Basic and diluted loss per share (cents per share)	6c	(1.26)	(0.56)

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

At 31 December 2017

	Notes	31 December 2017 \$	30 June 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	3	6,683,480	1,739,466
Trade and other receivables		246,162	103,295
Total current assets		6,929,642	1,842,761
Non-current assets			
Property, plant & equipment	7	69,856	6,301
Exploration and evaluation	4	6,401,177	4,756,456
Investment		20,000	-
Total non-current assets		6,491,033	4,762,757
Total assets		13,420,675	6,605,518
LIABILITIES			
Current liabilities			
Trade and other payables	5	986,248	1,510,003
Employee benefits		5,841	5,141
Total current liabilities		992,089	1,515,144
Non-current liabilities			
Employee benefits		3,105	-
Total non-current liabilities		3,105	-
Total liabilities		995,194	1,515,144
Net assets		12,405,481	5,090,374
EQUITY			
Issued capital	6	37,728,875	29,538,687
Reserves	8	4,201,522	1,141,787
Accumulated losses		(29,504,916)	(25,590,100)
Total equity		12,425,481	5,090,374

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half year ended 31 December 2017

	Notes	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities			
Cash paid to suppliers and employees		(601,396)	(265,456)
Interest received		7,712	21,118
Net cash used in operating activities		(593,684)	(244,338)
Cash flows from investing activities			
Payments for property, plant and equipment		(47,126)	-
Payments for exploration and evaluation		(1,383,065)	(15,279)
Net payments for acquisition of mining tenements		(1,045,000)	(82,834)
Other (investing)		(50,000)	-
Net cash used in investing activities		(2,525,191)	(98,113)
Cash flows from financing activities			
Issue of equity		8,455,250	1,200,000
Share issue transaction costs		(387,001)	(86,187)
Repayment of borrowings of acquired subsidiary		-	(860,000)
Net cash from financing activities		8,068,249	253,813
Cash and cash equivalents at 1 July		1,739,466	1,961,056
Net change in in cash and cash equivalents		4,949,374	(88,638)
Exchange differences on cash and cash equivalents		(5,360)	687
Cash and cash equivalents at the end of the period	3	6,683,480	1,873,105

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 31 December 2017

	Share capital \$	Share option reserve \$	Foreign currency translation Reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016	25,721,549	51,150	(2,345)	(23,798,367)	1,971,987
Comprehensive loss for the period					
Loss for the period	-	-	-	(783,773)	(783,773)
Total other comprehensive loss	-	-	(6,389)	-	(6,389)
Total comprehensive loss for the period	-	-	(6,389)	(783,773)	(790,162)
Transactions with owners					
Issue of share capital	3,420,000	-	-	-	3,420,000
Cost of issue of share capital	(86,187)	-	-	-	(86,187)
Share based payments expense	-	555,000	-	-	555,000
Total contributions by owners	3,333,813	555,000	-	-	3,888,813
Balance at 31 December 2016	29,055,362	606,150	(8,734)	(24,582,140)	5,070,638
Balance at 1 July 2017	29,538,687	1,146,150	(4,363)	(25,590,100)	5,090,374
Comprehensive loss for the period					
Loss for the period	-	-	-	(3,914,816)	(3,914,816)
Total other comprehensive gain	-	-	8,538	-	8,538
Total comprehensive loss for the period	-	-	8,538	(3,914,816)	(3,906,278)
Transactions with owners					
Issue of share capital	8,786,250	-	-	-	8,786,250
Cost of issue of share capital	(596,062)	-	-	-	(596,062)
Share based payments expense	-	3,051,197	-	-	3,051,197
Total contributions by owners	8,190,188	3,051,197	-	-	11,241,385
Balance at 31 December 2017	37,728,875	4,197,347	4,175	(29,504,916)	12,425,481

The above statement should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the half year ended 31 December 2017

1. Reporting entity

Draig Resources Limited (“the Company”) is a for-profit company domiciled in Australia. These consolidated interim financial statements as at and for the six months ended 31 December 2017 comprise the Company and its subsidiaries (“the Group”). The Group is primarily involved in the exploration and development of gold assets.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2017 are available at www.draigresources.com.

2. Basis of preparation

Statement of compliance

These general purpose consolidated interim financial statements have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial report for the year ended 30 June 2017, and any public announcements made by the Company during the half year ended 31 December 2017 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The financial statements were approved by the Board of Directors on 14 March 2018.

Significant accounting policies

The accounting policies applied by the Group in the financial statements are consistent with those applied by the Group in its 30 June 2017 consolidated financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 interim reporting period and have not been applied in these financial statements. New, amended and revised standards that are mandatory for the interim period ended 31 December 2017 have been applied in these financial statements and did not have a significant impact on the reported results.

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

3. Cash and cash equivalents

	31 December 2017 \$	30 June 2017 \$
Cash at bank	6,683,480	734,526
Term deposits	-	1,004,940
	6,683,480	1,739,466

Notes to the consolidated financial statements

For the half year ended 31 December 2017

4. Exploration and evaluation	31 December 2017 \$	30 June 2017 \$
Bellevue Gold Project		
Balance at beginning of period	4,756,456	-
Acquisition of Golden Spur Resources Pty Ltd	-	4,319,400
Reclassification of acquisition costs to profit and loss	(120,605)	-
Exploration and evaluation costs capitalised	1,510,326	437,056
Kathleen Valley project		
Acquisition of tenements Green Empire Pty Ltd	255,000	-
	6,401,177	4,756,456
<hr/>		
5. Trade and other payables		
	31 December 2017 \$	30 June 2017 \$
Trade payables	476,816	375,514
Other payables	299,217	13,884
Assumed liability to Xstrata Nickel	-	1,000,000
Accrued estimated stamp duty on acquisition of Golden Spur Resources Pty Ltd	210,215	120,605
	986,248	1,510,003

Notes to the consolidated financial statements

For the half year ended 31 December 2017

6. Issued capital

a) Ordinary shares	Issued shares Number	Issued shares \$
At 1 July 2016	106,833,837	25,721,549
Share placement	91,666,666	1,715,000
Issue of shares for the purchase of Bellevue Gold Project	60,000,000	2,220,000
Transaction costs	-	(117,862)
At 30 June 2017	258,500,503	29,538,687
Share placement	91,250,000	8,350,000
Options exercised	3,300,000	206,250
Issue of shares for the purchase of Kathleen Valley project tenements	1,000,000	230,000
Transaction costs	-	(596,062)
At 31 December 2017	354,050,503	37,728,875

b) Issued share options

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

Grant Date	Date of Expiry	Exercise Price (cents)	Balance 1 July 2017	Granted	Exercised	Lapsed	Balance	Vested
							31 December 2017	31 December 2017
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)	-	-	
22/08/2016	31/08/2019	0.050	15,000,000	-	-	-	15,000,000	
31/03/2017	31/03/2020	0.035	15,000,000	-	-	-	15,000,000	
31/03/2017	31/03/2020	0.040	15,000,000	-	-	-	15,000,000	
20/10/2017	27/10/2017	0.1365	-	7,500,000	-	-	7,500,000	
20/10/2017	27/10/2017	0.10	-	40,000,000	-	-	40,000,000	
		Total	48,300,000	47,500,000	(3,300,000)	-	92,500,000	92,500,000

*Options are not listed on the ASX.

c) Loss per share

	31 December 2017	31 December 2016
Loss for the period	(3,914,816)	(790,162)
Weighted average number of ordinary shares	310,006,165	139,116,446
Basic and diluted loss per share (cents)	(1.26)	(0.56)

The weighted average number of shares for the purposes of the calculation of diluted loss per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic loss per share.

Notes to the consolidated financial statements

For the half year ended 31 December 2017

7. Property, plant and equipment	31 December 2017 \$	30 June 2017 \$
Opening balance	6,301	-
Additions	72,149	6,423
Depreciation for the year	(8,594)	(122)
	69,856	6,301

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current period, is as follows:

	Plant & equipment office \$	Furniture & equipment \$	Plant & equipment - Field \$	Buildings - Field \$	Total \$
Balance at 1 July 2017	2,830	3,471	-	-	6,301
Additions	29,688	25,400	7,061	10,000	72,149
Depreciation expense	(4,622)	(2,717)	(943)	(312)	(8,594)
Balance at 31 December 2017	27,896	26,154	6,118	9,688	69,856

8. Reserves	31 December 2017 \$	30 June 2017 \$
Share based payments	4,197,347	1,146,150
Foreign currency translation	4,175	(4,363)
Balance at the end of the period	4,201,522	1,141,787
a) Movement in share based payments		
Balance at the beginning of the period	1,146,150	51,150
Options issued to advisors	2,617,845	555,000
Options issued to directors and employees	433,352	540,000
Balance at the end of the period	4,197,347	1,146,150

The Share Based Payments Reserve records items recognised as expenses on valuation of director, employee, consultant and other third party share options. Upon share options being exercised, the cost of share based payments is reversed from the Share Based Payments Reserve and recorded against Issued Capital. In the event the share options 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 half year ended 31 December 2017

a) Movement in share based payments (continued)

The estimate of the fair value of the options is measured based on a Black-Scholes option valuation methodology by applying the following inputs below:

	[1]	[2]
Quantity	7,500,000	40,000,000
Exercise price (cents)	13.65	10.00
Underlying share price at grant date (cents)	10.00	10.00
Grant date	20/10/2017	20/10/2017
Expiry date	27/10/2020	16/01/2021
Life of the options	3 years	3 years
Expected volatility	102.45%	102.15%
Risk free interest rate	2.10%	2.10%
Fair value of options (cents)	0.05778	0.06545

[1] 7,500,000 unlisted options granted to Chairman Mr Ray Shorrocks as approved at the general meeting held on 20 October 2017.

[2] 40,000,000 unlisted options granted to advisors as approved at the general meeting held on 20 October 2017.

	31 December 2017 \$	30 June 2017 \$
b) Movement in foreign currency translation		
Balance at the beginning of the reporting period	(4,363)	(2,345)
Currency translation differences arising during the period	8,538	(2,018)
Balance at the end of the period	4,175	(4,363)

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

Notes to the consolidated financial statements

For the half year ended 31 December 2017

9. Commitments

The Group must meet the following tenement expenditure commitments in order to maintain 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:

	31 December 2017 \$	30 June 2017 \$
Bellevue Gold Project		
Not later than one year	250,600	250,600
After one year but less than five years	1,002,400	1,002,400
	1,253,000	1,253,000
Kathleen Valley Project		
Not later than one year	221,600	-
After one year but less than five years	1,108,000	-
	1,329,600	-
South Yandal Project		
Not later than one year	230,000	-
After one year but less than five years	1,150,000	-
	1,380,000	-

10. Dividends

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

11. Discontinued operations

The amounts presented in the Statement of Profit or Loss and Other Comprehensive Income under discontinued operations relate to the coal mining licences in Mongolia which have been relinquished and are in the process of being wound up.

Notes to the consolidated financial statements

For the half year ended 31 December 2017

12. 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 Board of directors for the Group.

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 31 December 2017 the Group had the following segments:

	Operating Profit/(Loss)		Total Assets		Total Liabilities	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	\$	\$	\$	\$	\$	\$
Coal ¹	(813)	(8,652)	9,305	13,307	-	(1)
Gold	(224,564)	(2,250)	6,520,825	4,340,058	(405,264)	(1,127,238)
Corporate	(3,689,440)	(772,871)	6,890,545	2,016,540	(589,930)	(172,028)
	(3,914,816)	(783,773)	13,420,675	6,369,905	(995,194)	(1,299,267)

¹Coal mining licences in Mongolia have been relinquished and are in the process of being wound up.

13. Events after the reporting date

There are no matters or circumstances which have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods, other than the change of Company auditor which will be ratified at the next Annual General Meeting. The Company would like to thank the previous auditors KPMG, and also welcome Grant Thornton Australia as the new company auditor.

Directors' Declaration

In the opinion of the Directors of Draig Resources Limited:

- a) The consolidated financial statements and notes of Draig Resources Limited are in accordance with the Corporations Act 2001, including:
 - i) Giving a true and fair view of its financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting; 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.

Signed in accordance with a resolution of the Directors.



Stephen Parsons

Executive Director

Dated the 14 March 2018

Auditors' Independence Declaration



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Auditor's Independence Declaration to the Directors of Draig Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Draig Resources Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M P Hingeley
Partner - Audit & Assurance

Perth, 14 March 2018

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Independent Auditor's Review Report



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Independent Auditor's Review Report to the Members of Draig Resources Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Draig Resources Limited and its subsidiaries, which comprises the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Draig Resources Limited does not give a true and fair view of the financial position of Draig Resources Limited as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Draig Resources Limited's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Draig Resources Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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Independent Auditor's Review Report



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

Independence

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

A handwritten signature in purple ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in purple ink, appearing to be "M P Hingeley".

M P Hingeley
Partner - Audit & Assurance

Perth, 14 March 2018

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