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**Interim Financial Report  
31 December 2015**

**DRAIG**  
RESOURCES LIMITED

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## DIRECTORS' REPORT

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The Directors of Draig Resources Limited ("the Company" or "Draig") are pleased to present their report together with the consolidated financial statements of the group comprising Draig Resources Limited and its controlled entities ("the Group") for the half year ended 31 December 2015 and the auditor's review report thereon.

### DIRECTORS

The names and details of the Directors of the Company in office during the half year and up to the date of this report are set out below. Directors have been in office for the entire period unless otherwise stated.

- Peter Doherty (Executive Chairman) appointed 26 November 2012
- Jarrod Smith (Executive Director and Company Secretary) appointed 26 November 2012
- David Meldrum (Non-Executive Director) appointed 26 November 2012, resigned 31 December 2015
- Raymond Shorrocks (Non-Executive Director) appointed 31 December 2015
- Guy Robertson (Non-Executive Director) appointed 31 December 2015

### RESULTS AND REVIEW OF ACTIVITIES

During the period the Company entered into a fund raising mandate with Patersons Securities Limited ("Patersons") to raise up to \$810,000, before costs. The fund raising comprised two stages:

- Placement – On 31 December 2015 the Company issued 9,953,451 fully paid ordinary shares at a price of \$0.02 per share, raising \$199,069, before costs.
- Rights Issue – On 9 February 2016 the Company issued 30,523,954 fully paid ordinary shares at a price of \$0.02 per share, raising \$610,479, before costs.

The Company undertook the capital raising to enable it to accelerate its review and analysis of other opportunities which may provide appropriate risk adjusted returns to shareholders.

Raymond Shorrocks and Guy Robertson were appointed Directors of the Company on 31 December 2015.

Raymond 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.

Guy 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.

## DIRECTORS' REPORT

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David Meldrum resigned as a director of the Company on 31 December 2015. The board extends its sincere thanks to David for his contribution to the Company.

The Company continued to maintain the two exploration licences that are located in Mongolia. The Company's interest is held by a controlled entity, BDBL LLC ("BDBL"). BDBL is a participant in the Mongolian Coal Joint Venture (No.1) ("MCJV") with two other companies; Khan Mountain Pty Ltd ("KM") and Khan Mountain 2 Pty Ltd ("KM2"). KM and KM2 are wholly owned subsidiaries of Trinity Mongolia Pty Ltd ("Trinity"). BDBL has a 75% interest in the MCJV. KM has a 10% interest, which is free carried, and KM2 has a 15% interest in the MCJV. The Company has a 28% interest in Trinity.

Total comprehensive loss for the period was \$0.3m (2014: \$0.2m).

The Group was debt free and held cash and term deposit investments of \$1.68m at the end of the reporting period.

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

### SUBSEQUENT EVENTS

On 9 February 2016 the Company issued 30,523,954 fully paid ordinary shares at a price of \$0.02 per share, raising \$610,479, before costs. The total number of issued shares at that date is 106,833,837.

On 24 February 2016 the Company received shareholder approval for the following:

- Ratification of Prior Issue of 9,953,451 shares to institutional and sophisticated investors;
- Issue 10,000,000 options to Consultants, exercisable at any time up to 31 December 2017 at an exercise price of \$0.035; and
- Issue up to 25,000,000 shares to institutional and professional investors.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 5 for the half year ended 31 December 2015.

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



Peter Doherty  
Executive Chairman

8 March 2016



**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 review for the half-year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Daniel Camilleri  
*Partner*

Sydney

8 March 2016

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Note	31 December 2015 \$	31 December 2014 \$
<b>Continuing Operations</b>			
Employee and related expenses		(162,560)	(184,834)
Employee share based payments	7	-	(21,313)
Depreciation and amortisation		-	(1,748)
Share of Associate loss		-	(4,855)
Exploration expenditure		(7,627)	(11,160)
Other expenses		(212,893)	(99,745)
<b>Results from operating activities</b>		<b>(383,080)</b>	<b>(323,655)</b>
Financing income		21,088	26,271
<b>Net financing income</b>		<b>21,088</b>	<b>26,271</b>
<b>Loss before income tax</b>		<b>(361,992)</b>	<b>(297,384)</b>
Income tax expense		-	-
<b>Loss from continuing operations</b>		<b>(361,992)</b>	<b>(297,384)</b>
<b>Other comprehensive expenses</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		(315)	63,982
<b>Other comprehensive (loss) / gain for the period, net of tax</b>		<b>(315)</b>	<b>63,982</b>
<b>Total comprehensive loss for the period</b>		<b>(362,307)</b>	<b>(233,402)</b>
Basic and diluted loss per share (cents per share)		(0.55)	(0.45)

The statement of comprehensive income is to be read in conjunction with the accompanying notes on pages 10 to 14.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Note	31 December 2015 \$	30 June 2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,678,100	1,877,831
Trade and other receivables		17,000	24,528
<b>TOTAL CURRENT ASSETS</b>		<b>1,695,100</b>	<b>1,902,359</b>
<b>NON CURRENT ASSETS</b>			
Investment in Associate	5	-	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>1,695,100</b>	<b>1,902,359</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		15,207	47,284
<b>TOTAL CURRENT LIABILITIES</b>		<b>15,207</b>	<b>47,284</b>
<b>TOTAL LIABILITIES</b>		<b>15,207</b>	<b>47,284</b>
<b>NET ASSETS</b>		<b>1,679,893</b>	<b>1,855,075</b>
<b>EQUITY</b>			
Issued capital	6	25,177,877	24,990,752
Reserves	7	3,292	3,607
Accumulated losses		(23,501,276)	(23,139,284)
<b>TOTAL EQUITY</b>		<b>1,679,893</b>	<b>1,855,075</b>

The statement of financial position is to be read in conjunction with the accompanying notes on pages 10 to 14.

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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Note	31 December 2015 \$	31 December 2014 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash paid to suppliers and employees		(416,540)	(261,585)
Interest received		25,367	29,206
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(391,173)</b>	<b>(232,379)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for shares in Trinity		-	(5,324)
Payments from Trinity for exploration and evaluation		-	17,367
Payments for exploration and evaluation		(7,627)	(11,160)
<b>NET CASH (USED IN) / FROM INVESTING ACTIVITIES</b>		<b>(7,627)</b>	<b>883</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of equity		199,069	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>199,069</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(199,731)</b>	<b>(231,496)</b>
Cash and cash equivalents at 1 July		<b>1,877,831</b>	<b>2,316,680</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	4	<b>1,678,100</b>	<b>2,085,184</b>

The statement of cash flows is to be read in conjunction with the accompanying notes on pages 10 to 14.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Issued Capital \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<b>BALANCE AT 1 JULY 2014</b>	<b>24,990,752</b>	<b>1,596,478</b>	<b>(113,653)</b>	<b>(24,106,433)</b>	<b>2,367,144</b>
<b>Comprehensive loss for the period</b>					
Loss for the period	-	-	-	(297,384)	(297,384)
Total other comprehensive loss	-	-	63,982	-	63,982
<b>Total comprehensive loss for the period</b>			<b>63,982</b>	<b>(297,384)</b>	<b>(233,402)</b>
<b>Contributions by owners</b>					
Share based payments expense	-	21,313	-	-	21,313
Lapsed options	-	(705,467)	-	705,467	-
<b>Total contributions by owners</b>	<b>-</b>	<b>(684,154)</b>	<b>-</b>	<b>705,467</b>	<b>21,313</b>
<b>BALANCE AT 31 DECEMBER 2014</b>	<b>24,990,752</b>	<b>912,324</b>	<b>(49,671)</b>	<b>(23,698,350)</b>	<b>2,155,055</b>
<b>BALANCE AT 1 JULY 2015</b>	<b>24,990,752</b>	<b>51,150</b>	<b>(47,543)</b>	<b>(23,139,284)</b>	<b>1,855,075</b>
<b>Comprehensive loss for the period</b>					
Loss for the period	-	-	-	(361,992)	(361,992)
Total other comprehensive loss	-	-	(315)	-	(315)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(315)</b>	<b>(361,992)</b>	<b>(362,307)</b>
<b>Contributions by owners</b>					
Issue of share capital	199,069	-	-	-	199,069
Cost of issue of share capital	(11,944)	-	-	-	(11,944)
<b>Total contributions by owners</b>	<b>187,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187,125</b>
<b>BALANCE AT 31 DECEMBER 2015</b>	<b>25,177,877</b>	<b>51,150</b>	<b>(47,858)</b>	<b>(23,501,276)</b>	<b>1,679,893</b>

The statement of changes in equity is to be read in conjunction with the accompanying notes on pages 10 to 14.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2015

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#### 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 2015 comprise the Company and its subsidiaries, Draig Investments (Singapore) Pte. Ltd and BDBL LLC (together referred to as the "Group"). The Group is primarily involved in the exploration and development of coal assets.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2015 are available upon request from the Company's registered office at Suite 22.01, 25 Blich Street, Sydney, NSW, 2000 or at [www.draigresources.com](http://www.draigresources.com)

#### 2. BASIS OF PREPARATION

##### Statement of Compliance

The consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2015. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2015.

These consolidated interim financial statements were approved by the Board of Directors on 8 March 2016.

##### Judgements and Estimates

In preparing these interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2015.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	31 December 2015 \$	30 June 2015 \$
<b>4. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	396,056	195,444
Term Deposits	1,282,044	1,682,387
	<b>1,678,100</b>	<b>1,877,831</b>
<b>5. INVESTMENT IN ASSOCIATE</b>		
Opening balance	-	-
Additional investment	-	5,324
Share of loss for the period	-	(4,855)
	-	469
Impairment of investment in associate	-	(469)
	-	-
<b>6. ISSUED CAPITAL</b>		
	<b>Number of shares</b>	<b>Amount \$</b>
<b>a) Issued shares:</b>		
<b>Balance at 1 July 2014 and 31 December 2014</b>	<b>66,356,432</b>	<b>24,990,752</b>
<b>Balance at 1 July 2015</b>	<b>66,356,432</b>	<b>24,990,752</b>
Shares issued	9,953,451	199,069
Less: cost of shares issued	-	(11,144)
<b>Balance at 31 December 2015</b>	<b>76,309,883</b>	<b>25,177,877</b>
	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Weighted average number of shares:</b>		
Weighted average number of ordinary shares used in calculating basic earnings per share	66,410,527	66,356,432
Diluted loss per share is same as basic loss per share as the Company does not have any potential dilutive securities on issue.		

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**b) Issued Share Options:**

	<b>Number of options</b>
<b>Balance at 31 December 2013 and 1 July 2014</b>	<b>6,600,000</b>
Lapsed during the period	(2,950,000)
<b>Balance at 31 December 2014</b>	<b>3,650,000</b>
<b>Balance at 1 July 2015</b>	<b>3,650,000</b>
Lapsed during the period	(350,000)
<b>Balance at 31 December 2015</b>	<b>3,300,000</b>

Details of options outstanding as at 31 December 2015

Grant Date	Date of Expiry	Exercise Price	Balance	Vested
25/11/2013	26/11/2017	\$0.050	1,650,000	-
25/11/2013	26/11/2017	\$0.075	1,650,000	-
		<b>TOTAL</b>	<b>3,300,000</b>	<b>-</b>

These options are not listed on the ASX.

	<b>31 December 2015 \$</b>	<b>30 June 2015 \$</b>
<b>7. RESERVES</b>		
<b>a) Share Based Payments Reserve</b>		
Balance at the beginning of the reporting period	51,150	1,596,478
Options issued to directors and employees	-	21,313
Options lapsed	-	(1,566,641)
<b>Balance at the end of the period</b>	<b>51,150</b>	<b>51,150</b>

The Share Based Payments Reserve records items recognised as expenses on 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. In the event the share

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

options or performance rights expire, the share based payment is reversed from the Share Based Payments Reserve and recorded against Accumulated Losses.

	<b>31 December 2015 \$</b>	<b>30 June 2015 \$</b>
<b>b) Foreign Currency Translation Reserve</b>		
Balance at the beginning of the reporting period	(47,543)	(113,653)
Currency translation differences arising during the period	(315)	66,110
	<b>(47,858)</b>	<b>(47,543)</b>

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.

**8. COMMITMENTS**

The Group is committed to meeting its share of the minimum annual exploration expenditure each calendar year to maintain its Mongolian licences. The annual licence fees, for the two exploration licences held at 31 December 2015, for 2016 calendar year amount to US\$4,141 and the minimum annual exploration expenditure for the 2016 calendar year is US\$4,141.

**9. RELATED PARTIES**

During the period ended 31 December 2015, 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 period, which were in the ordinary course of business, amounted to \$105,875 (2014 - \$105,875). There were no amounts outstanding as at 31 December 2015.

During the period ended 31 December 2015, a related party of Three Cheeky Monkeys Holdings Pty Ltd, Republic Corporate Services Pty Ltd provided administrative services, including the services of a Financial Controller to the Group and licence to occupy office space. Fees during the period for the services of a Financial Controller, which were in the ordinary course of business, amounted to \$44,000 (2014 - \$67,374). The licence to occupy office space, which were in the ordinary course of business, amounted to \$24,988 (2014 - \$Nil). There were no amounts outstanding as at 31 December 2015.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2015

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#### 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 Group 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 31 December 2015 the Group operated in one segment being coal exploration, which is consistent with 30 June 2015.

#### 12. SUBSEQUENT EVENTS

On 9 February 2016 the Company issued 30,523,954 fully paid ordinary shares at a price of \$0.02 per share, raising \$610,479, before costs. The total number of issued shares at that date is 106,833,837.

On 24 February 2016 the Company received shareholder approval for the following:

- Ratification of Prior Issue of 9,953,451 shares to institutional and sophisticated investors;
- Issue 10,000,000 options to Consultants, exercisable at any time up to 31 December 2017 at an exercise price of \$0.035; and
- Issue up to 25,000,000 shares to institutional and professional investors.

## DIRECTORS DECLARATION

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In the opinion of the Directors of Draig Resources Limited ("the Company"):

1. the consolidated financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001, including:
  - a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
  - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*; and
2. 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:



Peter Doherty  
*Executive Chairman*

8 March 2016

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

We have reviewed the accompanying interim financial report of Draig Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 6 months period ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the 6 months ended 31 December 2015.

### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As auditor of Draig Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Draig Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the 6 months period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Daniel Camilleri  
*Partner*  
Sydney

8 March 2016

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