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Interim Financial Report 31 December 2016

DRAIG
RESOURCES LIMITED

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DIRECTORS' REPORT

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 2016 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.

- Raymond Shorrocks (Non-Executive Chairman) appointed 31 December 2015
- Guy Robertson (Executive Director) appointed 31 December 2015
- Warren Staude (Non-Executive Director) appointed 28 July 2016
- 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

RESULTS AND REVIEW OF ACTIVITIES

Bellevue Gold Project

On 31 October 2016 shareholders approved the acquisition of the Bellevue Gold Project, located 157km north west of Laverton in Western Australia.

Bellevue 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 (see Figure 1).

The project, covering an area of 27km², is located in a world class mineral province with significant near mine infrastructure in place.

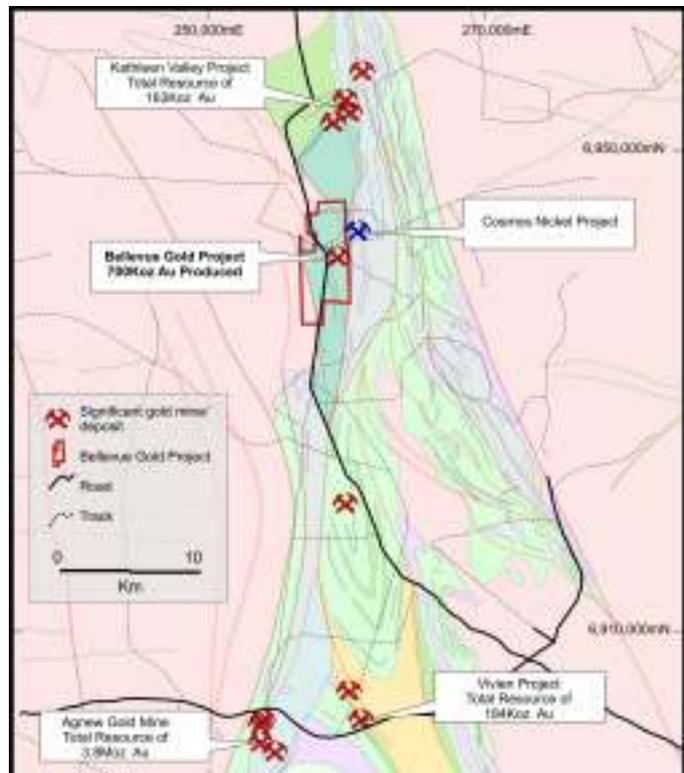


Figure 1: Location Map – Bellevue Gold Project

DIRECTORS' REPORT

In the period to 31 December 2016 the Company undertook a detailed review of the project with work undertaken including:

- Identification of historical workings and shear zones which have undergone limited historical testing to determine the potential tenor and extent of mineralisation beyond historical mining activities
- Determining down dip and along strike extensions to historical open pit and underground operations
- Investigation of historical tailings at both the historical roaster site and more recent tailings from the open pit and underground operations
- A review of an extensive array of drill core requiring cataloguing and determination whether further sampling of uncut drill core is required
- A program of prospect by prospect analysis to collate and digitise historical data.

The review has highlighted a number of priority exploration target areas as indicated in figure 2 below.

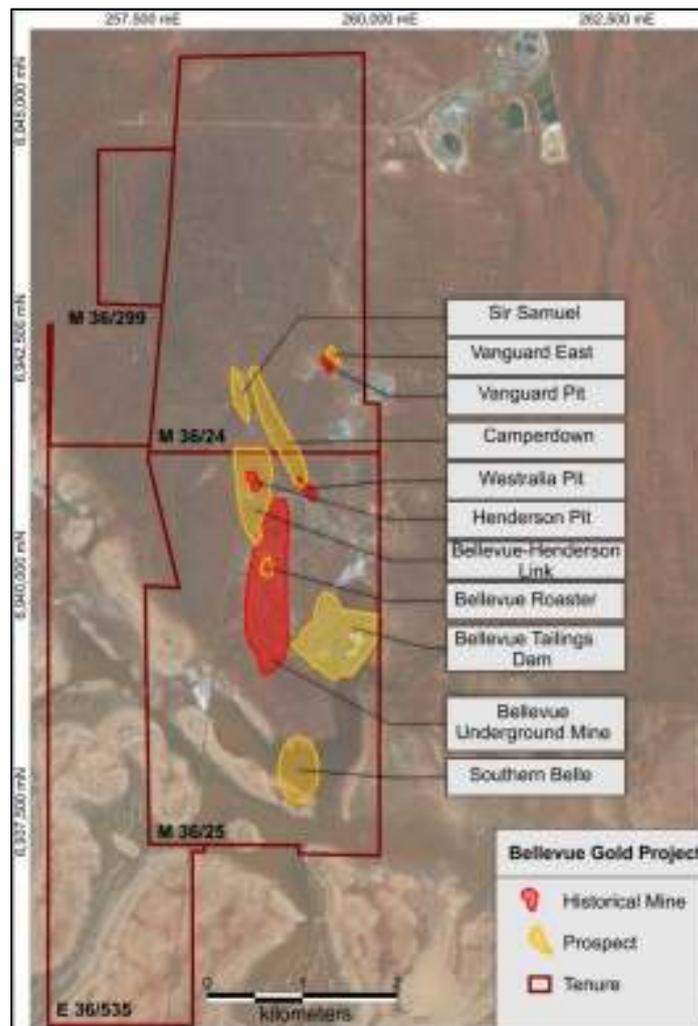


Figure 2: Bellevue Gold Project – Prospect Location Plan

DIRECTORS' REPORT

The Company completed a Mine Closure Plan (MCP) late in December 2016 and submitted this to the WA Department of Mines and Petroleum (DMP). The MCP is a triennial statutory licence requirement associated with the company's tenement package.

The company's tenements are granted Mining Leases however there are cultural and ethnographic sites in the region. As a precursor to further field exploration activities, the company is in negotiations with, and is running a consultation process in relation to, access with the Tjiwarl Native Title Claimants relevant to the company's tenure.

Mongolia

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.

Corporate

Mr Warren Staude was appointed as a Director of the Company on 28 July 2016.

Mr Staude is a qualified geologist and mineral economist and has over 45 years' professional experience in the mining industry, specialising in resource investment, evaluation and management. Mr Staude has held a number of positions as Director and Chairman of ASX listed resource companies.

Mr Peter Doherty and Mr Jarrod Smith resigned as Directors of the Company on 28 July 2016.

Total comprehensive loss for the period was \$790,162 (2015: \$362,307).

The Group was debt free and held cash and term deposit investments of \$1.87m at the end of the reporting period. During the period, the Company raised a total of \$1,200,000, before costs, through a placement of 60,000,000 shares at a price of \$0.02 per share.

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

DIRECTORS' REPORT

SUBSEQUENT EVENTS

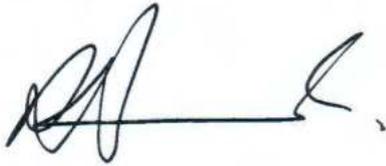
There are no matters or circumstances which have arisen since the end of the half year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods other than:

- On 18 January 2017, Mr Guy Robertson resigned as Company Secretary and Ms Oonagh Malone was appointed Company Secretary.
- On 31 January 2017, 15,000,000 ordinary shares were issued at \$0.001 per share to the facilitator of the acquisition of Golden Spur Pty Ltd in consideration for its services.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 7 for the half year ended 31 December 2016.

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



Raymond Shorrocks
Non-Executive Chairman

16th March 2017

Competent Persons Statement:

The information in this report that relates to Bellevue Project Exploration Results is based on information compiled and fairly represented by Mr Robert Jewson, Managing Director of Geonomics Australia Pty Ltd, who is a Member of the Australian Institute of Geoscientists. Mr Jewson has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Jewson consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.



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 2016 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

Daniel Camilleri
Partner

Sydney
16 March 2017

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Note	31 December 2016 \$	31 December 2015 \$
Continuing Operations			
Employee and related expenses		(114,570)	(162,560)
Share based payments expense	9(c)	(555,000)	-
Share of Associate loss			
Exploration expenditure		(1,760)	(7,627)
Other expenses		(127,939)	(212,893)
Results from operating activities		(799,269)	(383,080)
Interest income		15,496	21,088
Net financing income		15,496	21,088
Loss before income tax		(783,773)	(361,992)
Income tax expense		-	-
Loss from continuing operations		(783,773)	(361,992)
Other comprehensive expenses			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		(6,389)	(315)
Other comprehensive loss for the period, net of tax		(6,389)	(315)
Total comprehensive loss for the period		(790,162)	(362,307)
Basic and diluted loss per share (cents per share)		(0.56)	(0.55)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents	4	1,873,105	1,961,056
Trade and other receivables		48,722	55,069
TOTAL CURRENT ASSETS		1,921,827	2,016,125
NON CURRENT ASSETS			
Exploration and evaluation	6	4,448,078	-
Investment in Associate			
TOTAL NON CURRENT ASSETS		4,448,078	-
TOTAL ASSETS		6,369,905	2,016,125
CURRENT LIABILITIES			
Trade and other payables	7	1,299,267	44,138
TOTAL CURRENT LIABILITIES		1,299,267	44,138
TOTAL LIABILITIES		1,299,267	44,138
NET ASSETS		5,070,638	1,971,987
EQUITY			
Issued capital	8	29,055,362	25,721,549
Reserves	9	597,416	48,805
Accumulated losses		(24,582,140)	(23,798,367)
TOTAL EQUITY		5,070,638	1,971,987

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash paid to suppliers and employees		(252,640)	(416,540)
Interest received		21,118	25,367
NET CASH USED IN OPERATING ACTIVITIES		(231,522)	(391,173)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(15,279)	(7,627)
Net payments for acquisition of mining tenements	13	(95,650)	-
NET CASH USED IN INVESTING ACTIVITIES		(110,929)	(7,627)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of equity		1,200,000	199,069
Share issue transaction costs		(86,187)	-
Repayment of borrowings of acquired subsidiary	13	(860,000)	-
NET CASH FROM FINANCING ACTIVITIES		253,813	199,069
NET DECREASE IN CASH AND CASH EQUIVALENTS		(88,638)	(199,731)
Effect of movements in exchange rates on cash held		687	-
Cash and cash equivalents at 1 July		1,961,056	1,877,831
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	1,873,105	1,678,100

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2015	24,990,752	51,150	(47,543)	(23,139,284)	1,855,075
Comprehensive loss for the period					
Loss for the period	-	-	-	(361,992)	(361,992)
Total other comprehensive loss	-	-	(315)	-	(315)
Total comprehensive loss for the period	-	-	(315)	(361,992)	(362,307)
Contributions by owners					
Issue of share capital	199,069	-	-	-	199,069
Cost of issue of share capital	(11,944)	-	-	-	(11,944)
Total contributions by owners	187,125	-	-	-	187,125
BALANCE AT 31 DECEMBER 2015	25,177,877	51,150	(47,858)	(23,501,276)	1,679,893
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)
Contributions by 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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 2016 comprise the Company and its subsidiaries, Draig Investments (Singapore) Pte. Ltd, BDBL LLC and Golden Spur Resources Pty Ltd (together referred to as the "Group"). The Group is primarily involved in the exploration and development of coal and gold assets.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2016 are available at 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 2016. 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 2016.

These consolidated interim financial statements were approved by the Board of Directors on 16th March 2017.

Going Concern Basis

The Interim consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half year ended 31 December 2016 the Group incurred a total comprehensive loss of \$790,162 and operating and investing cash outflows of \$342,451.

The Group has prepared a cash flow forecast for period to March 2018. The cash flow forecast demonstrates the need to raise additional funding to meet forecast expenditures.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

2. BASIS OF PREPARATION (continued)

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The company has been successful in raising capital whenever it has approached the markets in the past and the directors are confident in the ability to continue to raise additional funds on a timely basis, as and when required;
- The consolidated entity has cash at bank at balance date of \$1,873,105 and net assets of \$5,070,638;
- The ability of the consolidated entity to further scale back certain parts of their activities that are non-essential so as to conserve cash should capital raising be delayed or not occur; and
- The consolidated entity retains the ability, if required, to wholly or in part dispose of interests in mineral exploration and development assets.

The requirement to obtain funding by raising capital represents a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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 2016.

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 2016.

4. CASH AND CASH EQUIVALENTS

	31 December 2016 \$	30 June 2016 \$
Cash at bank	873,105	235,809
Term Deposits	1,000,000	1,725,247
	1,873,105	1,961,056

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

5. INVESTMENT IN ASSOCIATE

As at 31 December 2016, the investment in associate had been fully impaired and had a carrying value of \$Nil (30 June 2016: \$Nil).

6. EXPLORATION AND EVALUATION

	31 December 2016 \$	30 June 2016 \$
<u>Acquisition costs – Bellevue Gold Project</u>		
Acquisition of Golden Spur Resources Pty Ltd	2,976,748	-
Capitalised expenditure on acquisition	1,342,652	-
Total Acquisition costs	<u>4,319,400</u>	<u>-</u>
<u>Exploration and evaluation costs</u>		
Balance at beginning of year	-	-
Add - Exploration and evaluation costs capitalised	128,678	-
Total Exploration and evaluation costs at end of year	<u>128,678</u>	<u>-</u>
	<u>4,448,078</u>	<u>-</u>

7. TRADE AND OTHER PAYABLES

	31 December 2016 \$	30 June 2016 \$
Trade payables	141,446	24,208
Other payables	37,216	19,930
Assumed liability to Xstrata Nickel	1,000,000	-
Accrued estimated stamp duty on acquisition of Golden Spur Resources Pty Ltd	120,605	-
	<u>1,299,267</u>	<u>44,138</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

8. ISSUED CAPITAL

	Number of shares	Amount \$
a) Issued shares:		
Balance at 1 July 2015	66,356,432	24,990,752
Shares issued 31 December 2015 at \$0.02 per share	9,953,451	199,069
Shares issued 9 February 2016 at \$0.02 per share	30,523,954	610,479
Less: cost of shares issued	-	(78,751)
Balance at 30 June 2016	106,833,837	25,721,549
Shares issued 7 November 2016 at \$0.02 per share	60,000,000	1,200,000
Shares issued 18 November 2016 at \$0.037 ¹ per share	60,000,000	2,220,000
Less: cost of shares issued	-	(86,187)
Balance at 31 December 2016	226,833,837	29,055,362

¹ Market value of shares on date of issue 18 November 2016.

	31 December 2016	31 December 2015
Weighted average number of shares:		
Weighted average number of ordinary shares used in calculating basic earnings per share	139,116,446	66,410,527

Diluted loss per share is same as basic loss per share as the Company does not have any potential dilutive securities on issue.

b) Issued Share Options:

	Number of options
Balance at 1 July 2015	3,300,000
Movement during the period	-
Balance at 30 June 2016	3,300,000
Unlisted options issued 22 August 2016	15,000,000
Balance at 31 December 2016	18,300,000

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

8. ISSUED CAPITAL (continued)

Details of options outstanding as at 31 December 2016

Grant/Issue 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	-
22/8/2016	31/8/2019	\$0.050	15,000,000	15,000,000
		TOTAL	18,300,000	15,000,000

These options are not listed on the ASX.

	31 December 2016 \$	30 June 2016 \$
9. RESERVES		
a) Share Based Payments Reserve		
Balance at the beginning of the reporting period	51,150	51,150
Options issued to third party advisors	555,000	-
Balance at the end of the period	606,150	51,150

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

9. RESERVES (continued)

b) Share based payments - Consideration options issued

Share based payments made during the half year ended 31 December 2016 were \$555,000 (2015: \$Nil). During the half year, the following options, which vested immediately, were issued to advisors for assisting in identification and acquisition of the Bellevue gold resource project:

Option series	Grant date	No. of options	Fair value per option	Total fair value of options issued
Exercise price \$0.05 expiring 31 August 2019	22 August 2016	15,000,000	\$0.037	\$555,000
Total		15,000,000		\$555,000

31 December	30 June
2016	2016
\$	\$

c) Expenses arising from share based payment transactions

Total expense arising from share-based payment transaction recognised during the period was as follows:

Options issued to advisors for assisting in identification and acquisition of the Bellevue Gold project	555,000	-
	<hr/>	

15,000,000 unlisted options were issued to the advisors. The options are exercisable at \$0.05 and expire 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 below:

Exercise price	\$0.05
Life of the options	3 years
Underlying share price at grant date	\$0.045
Expected volatility	157%
Risk free interest rate	1.42%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

9. RESERVES (continued)

	31 December 2016 \$	30 June 2016 \$
d) Foreign Currency Translation Reserve		
Balance at the beginning of the reporting period	(2,345)	(47,543)
Currency translation differences arising during the period	(6,389)	45,198
Balance at the end of the period	(8,734)	(2,345)

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.

10. COMMITMENTS

The Group must meet the following tenement expenditure commitments in relation to the Bellevue Gold Project 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:

	31 December 2016 \$	30 June 2016 \$
Bellevue Gold Project		
Not later than one year	250,600	-
After one year but less than five years	1,002,400	-
	1,253,000	-

In addition to the above, 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 2016, for 2017 calendar year amount to US\$4,141 and the minimum annual exploration expenditure for the 2017 calendar year is US\$4,141.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

11. RELATED PARTIES

Raymond Shorrocks is a Director and shareholder of Spring Street Holdings Pty Ltd. During the period ended 31 December 2016, 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 \$23,570 (2015: \$Nil). The amount outstanding as at 31 December 2016 was \$4,200.

Guy Robertson is a Director and shareholder of Integrated CFO Solutions Pty Ltd. During the period ended 31 December 2016, Integrated CFO Solutions Pty Ltd, rendered fees for the following:

1. Director fees for Guy Robertson of \$18,000;
2. Company secretarial fees for Guy Robertson of \$24,000; and
3. Accounting support services of \$5,000.

All fees were in the ordinary course of business. The amount outstanding as at 31 December 2016 was \$9,350.

Warren Staude is a Director and shareholder of Serrasalmin Investments Pty Ltd. During the period ended 31 December 2016, 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 \$15,000 (2015: \$Nil). The amount outstanding as at 31 December 2016 was \$3,300.

Peter Doherty and Jarrod Smith are Directors of Three Cheeky Monkeys Holdings Pty Ltd which is the trustee of the Doherty Addinall Family Trust. During the period ended 31 December 2016, 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 \$9,000 (2015 - \$105,875). There were no amounts outstanding as at 31 December 2016.

During the period ended 31 December 2016, 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 \$20,000 (2015 - \$44,000). The licence to occupy office space, which were in the ordinary course of business, amounted to \$7,709 (2015 - \$24,988). There were no amounts outstanding as at 31 December 2016.

12. 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 2016

13 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*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

14. SEGMENT REPORTING

As a result of the acquisition of Golden Spur Resources during the six months ended 31 December 2016, the group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the six months ended 31 December 2015.

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 2016 the Group had the following segments:

	Operating Profit/(Loss)		Total Assets		Total Liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$	\$	\$	\$	\$	\$
Coal	(8,652)	(18,793)	13,307	16,663	(1)	-
Gold	(2,250)	-	4,340,058	-	(1,127,238)	-
Corporate	(772,871)	(343,198)	2,016,540	1,678,437	(172,028)	(15,207)
	(783,773)	(361,991)	6,369,905	1,695,100	(1,299,267)	(15,207)

15. 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods other than:

- On 18 January 2017, Mr Guy Robertson resigned as Company Secretary and Ms Oonagh Malone was appointed Company Secretary.
- On 31 January 2017, 15,000,000 ordinary shares were issued at \$0.001 per share to the facilitator of the acquisition of Golden Spur Pty Ltd in consideration for its services.

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DIRECTORS' DECLARATION

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

1. the consolidated financial statements and notes set out on pages 7 to 21 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 2016 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:



Raymond Shorrocks
Non-Executive Chairman

16th March 2017



Independent Auditor's Review Report

To the shareholders of Draig Resources Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Draig Resources Limited.

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:

- giving a true and fair view of the **Group's** financial position as at 31 December 2016 and of 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*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2016
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Draig Resources Limited (the Company) and the entities it controlled at 31 December 2016 or from time to time during the Interim period.

The Interim period is the six month period ended on 31 December 2016.

Material uncertainty related to going concern

We draw your attention to Note 2 of the Interim Financial Report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our Conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-year 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 for the review of the Interim Financial Report

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 2016 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 Period 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*.



KPMG



Daniel Camilleri
Partner

Sydney

16 March 2017