



ABN: 99 110 439 686

64 Thomas Street West Perth WA 6005  
PO Box 781 West Perth WA 6872

T: (08) 6102 4140, F: (08) 6102 6543  
[www.draigresources.com](http://www.draigresources.com)

ASX Announcement  
31 October 2012

## QUARTERLY REPORT

Mongolian coal explorer Draig Resources Ltd (**ASX: DRG**) ("**Draig**" or "**the Company**") is pleased to provide shareholders with its latest Quarterly Report, which outlines the progress made by the Company in the last quarter. Draig is exploring its parcel of eight coal licenses across Mongolia's Ovorhangay and South Gobi Provinces.

### OVERVIEW

During the quarter, Draig advanced its coal exploration program in Mongolia on both its South Gobi and Ovorhangay licences. The exploration program will continue for the remainder of 2012. The Company undertook a detailed review of all its licences in September and October and has developed an exploration strategy that aims in the short term to further develop and rank its targets according to both prospectivity and perceived risk.

Draig has established a 75 million tonne JORC compliant inferred coal resource on its Teeg (13879X) project within the Ovorhangay province, with an exploration target of 30-160<sup>1</sup> million tonnes over both its Teeg and Nariin Teeg (13581X) projects. The Company is working towards adding to its resource base and exploration target in 2013.

Draig continues to actively explore further coal acquisition opportunities in Mongolia and other jurisdictions.

---

<sup>1</sup> All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2004). As such it is conceptual in nature and there has been insufficient exploration drilling to define a coal resource on the licence, it is uncertain if further exploration will result in discovery of a coal resource on the licence. Coal quality ranges for the Teeg Licence are as follows (on an air dried basis): Moisture 1.8% - 3.4%; Raw Ash 4.3% - 37.5%; Volatile Matter 22.5% - 45.8%; Fixed Carbon 38.4% - 53.2%; Total Sulphur 0.54% - 2.8%; Calorific Value 5,904 - 7,114 kcal/kg (adb).

## Expansion of Exploration Target

During the quarter the Company increased the overall exploration target on its Ovorhangay licences to 30-160 million tonnes<sup>2</sup>, after establishing an exploration target on its Nariin Teeg licence within the Ovorhangay Province.

Re-interpretation of a geophysics program on Nariin Teeg, based on re-calibration of recent drilling has determined an exploration target of between 5-60 million tonnes<sup>2</sup>. This adds to the JORC inferred resource of 75 million tonnes and exploration target of 25-100 million tonnes<sup>2</sup> completed on the neighbouring Teeg licence in July 2012.

Draig holds eight coal licences in central and southern Mongolia, four in the Ovorhangay province, and four in the South Gobi region. The Ovorhangay licences (Teeg, Nariin Teeg, Khngor, Ergen Usny Khudag-2) lie within the Ongi River Basin, about 500 kilometres south west of Mongolia's capital Ulan Bator (**Figure 1**).

Draig undertook a geophysics program on Nariin Teeg in January 2012 as part of its initial exploration program over its Ovorhangay licences. While some interpretation was carried out at the time, Draig narrowed its focus to the Teeg licence to complete a JORC compliant resource.

Subsequent geological modelling and further interpretation of Nariin Teeg's geophysics by consultants PT Danmar Explorindo has led to the establishment of an exploration target on the licence.



**Figure 1 - Map showing Teeg (13879X) and Nariin Teeg (13581X) licences, Ovorhangay Province**

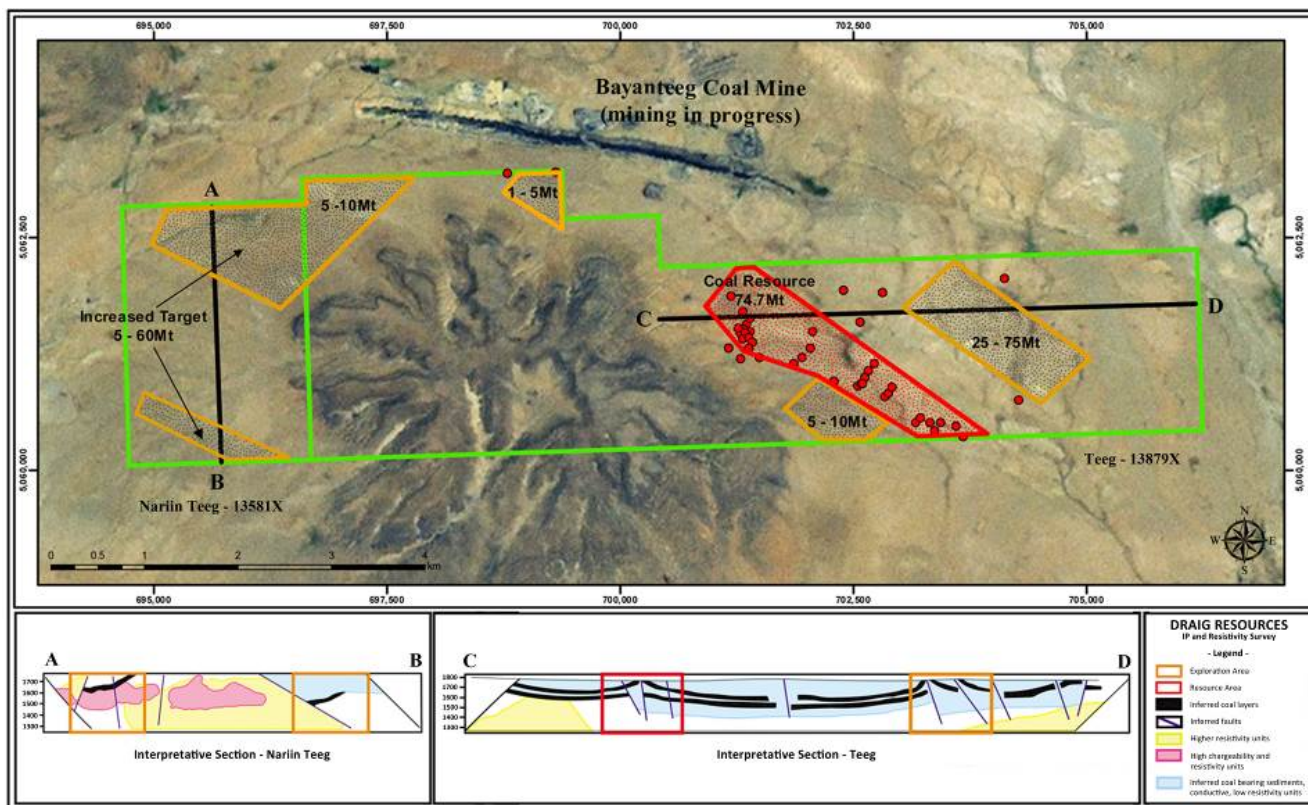
<sup>2</sup> All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2004). As such it is conceptual in nature and there has been insufficient exploration drilling to define a coal resource on the licence, it is uncertain if further exploration will result in discovery of a coal resource on the licence. Coal quality ranges for the Teeg Licence are as follows (on an air dried basis): Moisture 1.8% - 3.4%; Raw Ash 4.3% - 37.5%; Volatile Matter 22.5% - 45.8%; Fixed Carbon 38.4% - 53.2%; Total Sulphur 0.54% - 2.8%; Calorific Value 5,904 - 7,114 kcal/kg (adb).

The Nariin Teeg license is contiguous with Teeg and Draig believes the two licences contain parts of the same coal deposit. PT Danmar Explorindo's report found that a coal deposit may exist in the northern and southern part of the Nariin Teeg lease (**Figure 2**).

### Commencement of Exploration

Draig today announced the Company has commenced its exploration program that will continue for the remainder of 2012. Exploration will be undertaken on both the South Gobi and Overhangay licences. The Company has undertaken a detailed review of all its licences over the past two months and has subsequently developed an exploration strategy that aims in the short term to further develop and rank its targets according to both prospectivity and perceived risk.

Exploration for the balance of 2012 will comprise field mapping, target generation ground geophysics including induced polarisation and resistivity surveys and detailed ground penetrating radar (GPR), surface geochemical sampling and geological modelling.



**Figure 2 – Coal Potential on Licence Teeg 13879X and Nariin Teeg 13581X**

### South Gobi Exploration Program

Field crews have commenced work at the Zamt Uul (13600X) and Gurvantes (10566X) projects. Field mapping and a surface geophysical program using IP resistivity has commenced and is expected to be completed by the end of the year. The work is targeting several coal prospective areas identified during recent field visits and will include detailed geological mapping and ground geophysics. Field mapping and ground geophysics work will also be undertaken on the Shavan (12000X) project.

In addition reconnaissance mapping and rock chip sampling is expected to commence at the Olomgui (12789X) licence in November 2012. Initially Draig will focus its interest at the Zamt Uul and Gurvantes projects due to their compelling proximity to neighbouring projects, geology and infrastructure.

### Base Metals Potential

As part of Draig’s review, it has identified previously mapped occurrences of gold, copper and molybdenum on the Gurvantes (10566X) licence (**Figure 4**). Field mapping and a review of satellite imagery has shown the rocks in the licence have been extensively structurally deformed. Similarly prospective geology has also been mapped within the Zamt Uul (13600X) licence. Mapping and surface geochemistry sampling is to be undertaken on these licenses to help expand their metals potential.

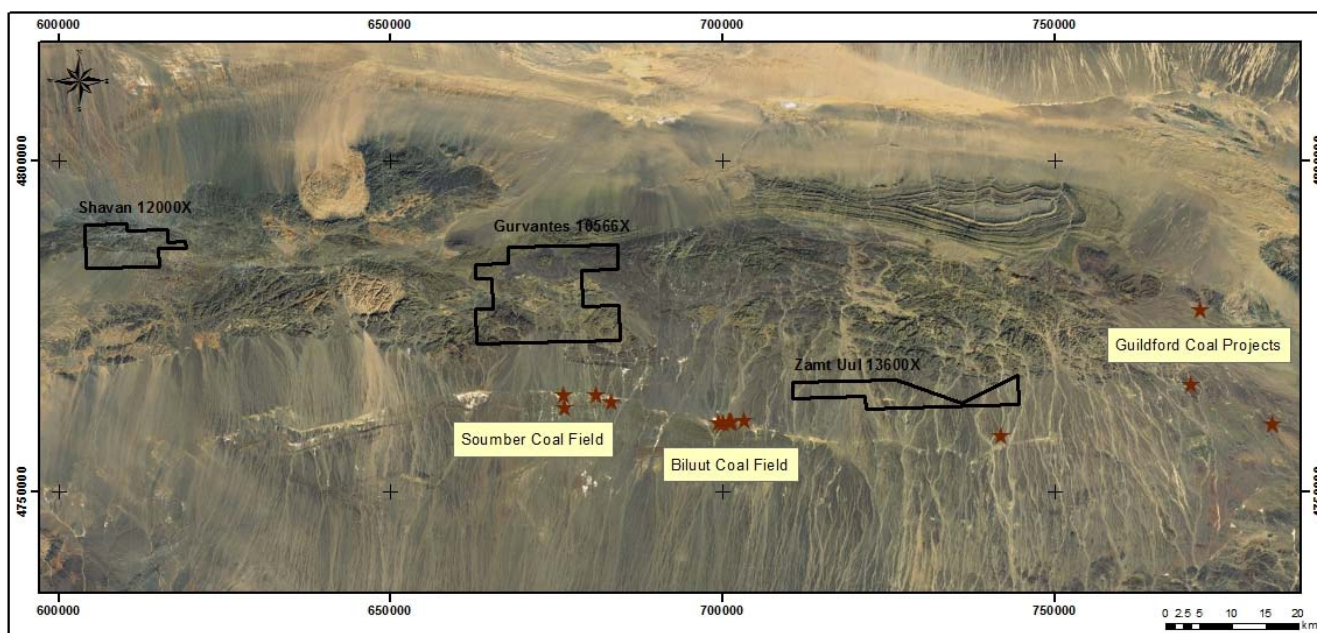


Figure 3 - South Gobi exploration licenses



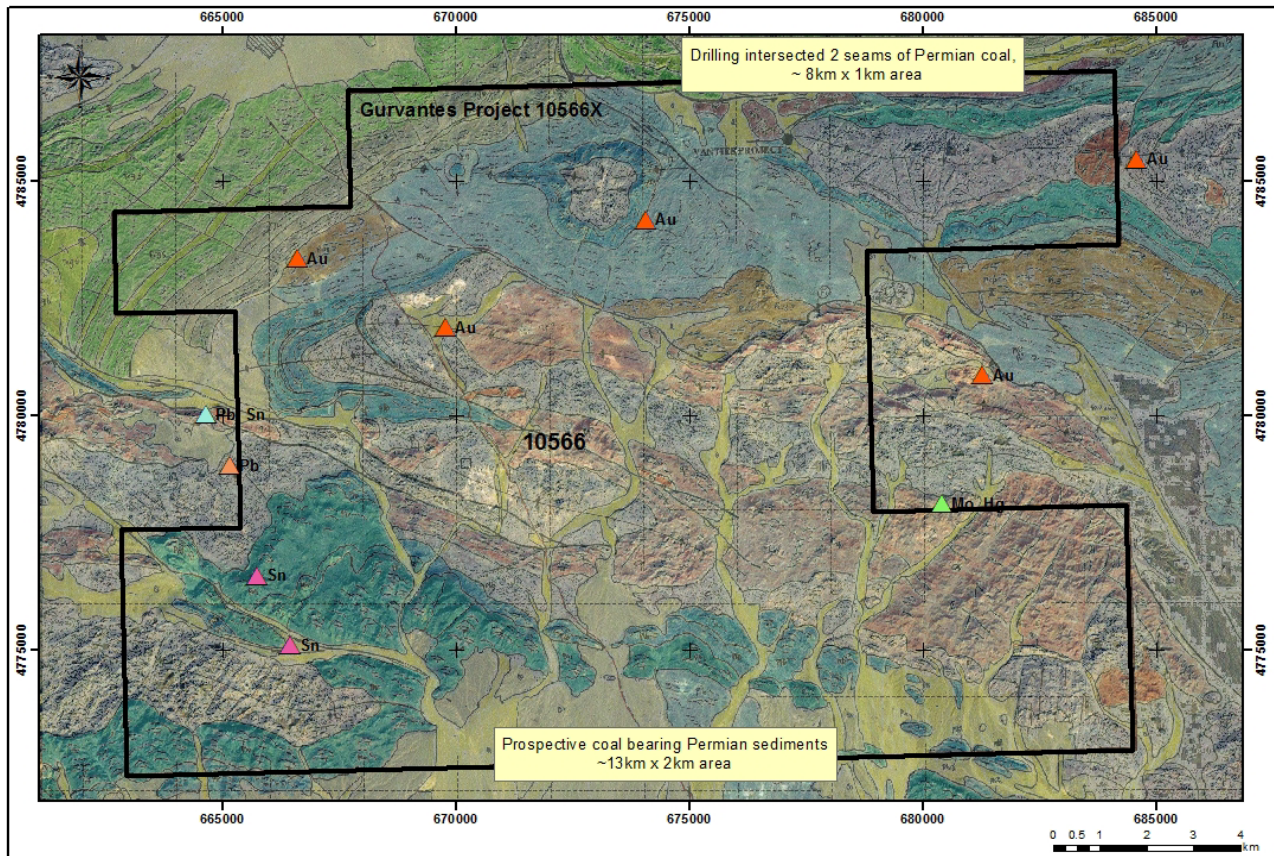


Figure 4 - Gurvantes (10566X) License in the South Gobi

### Ovorhangay Exploration Program

Draig has established a 75 million tonne JORC compliant inferred coal resource on its Teeg (13879X) project, with an exploration target of 30 - 160<sup>3</sup> million tonnes over both its Teeg and Nariin Teeg (13581X) projects. The Company is working towards adding to its resource base and exploration target in 2013.

The Company has been assessing additional exploration techniques that could be used to refine and develop drill targets at both its Teeg (13879X), Nariin Teeg (13581X) and the Khongor (13880X) projects. The company intends to trial GPR geophysical techniques over these areas.

GPR uses radar pulses to image the subsurface similar to that which is utilised in reflection seismology, except that electromagnetic energy is used instead of acoustic energy. This means reflections appear at boundaries with different dielectric constants instead of acoustic impedances.

The GPR work will first focus on the Teeg and Nariin Teeg license area within the Ovorhangay Province to identify additional near surface coal horizons and also aid in the mapping of any faulting. The survey aimed at mapping and identifying near surface coal bearing sequences will then be undertaken on the large, under-explored Khonghor (13880X) license area (144km<sup>2</sup>).

<sup>3</sup> All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2004). As such it is conceptual in nature and there has been insufficient exploration drilling to define a coal resource on the licence, it is uncertain if further exploration will result in discovery of a coal resource on the licence. Coal quality ranges for the Teeg Licence are as follows (on an air dried basis): Moisture 1.8% - 3.4%; Raw Ash 4.3% - 37.5%; Volatile Matter 22.5% - 45.8%; Fixed Carbon 38.4% - 53.2%; Total Sulphur 0.54% - 2.8%; Calorific Value 5,904 - 7,114 kcal/kg (adb).

The results of this survey will be used to develop drill targets for future programs. Figure 5 shows Draig's Overhangay Province license locations.

At the Ergen Unsy Khudag-2 (9116X) license, located at the eastern end of the large Khongor licence, recent reconnaissance fieldwork by the Company located quartz with visible copper oxide mineralisation. Extensively sheared and quartz veined rocks were also observed in a small abandoned (<10m deep) pit located just off the western license boundary. In addition during due diligence work a rock chip sample returned results of 2.5ppm gold and 4.3% copper. A soil sampling program has commenced to quantify the copper / gold potential on this license.

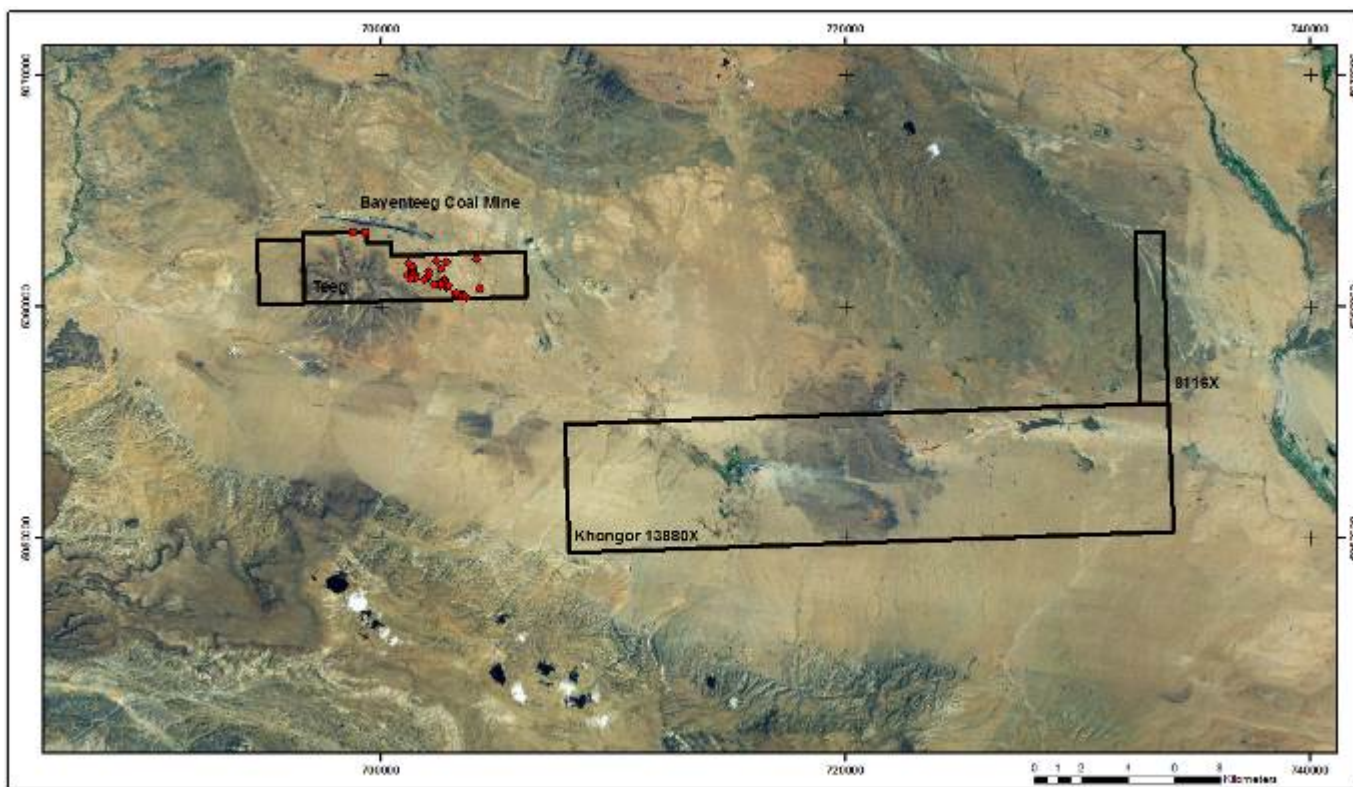


Figure 5 - Overhangay licences

The results of this program will provide a detailed understanding of the relative potential of each license and be the basis the program development for 2013.

### Board and Management Changes

During the quarter the Company made a number of board and management changes.

The Company appointed Colwin Lloyd as a Non-Executive Director. Mr Lloyd is a geologist with more than 22 years' experience in mining and exploration across a broad range of commodities and geological regions. Mr Lloyd is the Principal Geologist and Director of Geobase Australia Pty Ltd, which provides professional geological services to the international resources industry. Mr Lloyd adds key geological experience to the Company for exploration and development of its assets.

Draig has also further strengthened its Board with the appointment of international investment banker Rajah Chaudhry as a Non-Executive Director. Mr Chaudhry has worked for the last decade as

an investment banker with Deutsche Bank and Renaissance Capital, where he was previously a Director and Head of the Natural Resources Banking division in the Asia Pacific region. He has extensive experience in the Mongolian mining and resources industry and has worked in the region on a regular basis since 2007.

Jade Styants resigned as a Non-Executive Director of the Company but continued in her role as Company Secretary and Chief Financial Officer.

Andrew Harrison, former Executive director of the company was appointed as the Company's new Managing Director. He has significant board and management position experience across a number of listed companies.

Former Managing Director Mark Earley resigned from the Company during the quarter to pursue private business activities.

### **Business Development**

During the quarter, the Company continued to assess a number of potential business opportunities in Mongolia and other regions.

### **Financial**

At the end of the quarter the Company had a cash balance of \$4,817,603, this excluded the payment of US\$1,325,000 relating to the exercise of Trinity's option to acquire an additional 15% participating interest in the joint venture which was received on 5 October 2012.

-- END--

**For more information, please contact:**

**Andrew Harrison**  
Managing Director  
Draig Resources Limited  
(08) 6102 4140

**James Tranter**  
FTI Consulting  
(08) 9485 8888  
0408 951 780

## **About Draig Resources Limited**

Coal explorer Draig Resources Ltd (ASX: DRG) is developing eight coal licences in Mongolia's Ovorhangay and South Gobi provinces. In late 2011, Draig acquired the coal licences through BDBL LLC, previously a subsidiary of Peabody-Winsway. The Company commenced a drilling program on its Teeg Licence within the Ovorhangay province in April 2012 and has now established a 75 million tonne JORC reportable inferred coal resource on the licence, with an additional exploration target of between 30-160 million tonnes<sup>4</sup> over the Teeg and Nariin Teeg licences.

Draig continues to seek further quality coal acquisition opportunities in Mongolia and other regions.

## **Competent Persons Statement**

The information provided in this report that relates to exploration results is based on information provided by Daniel Madre of PT Danmar Explorindo. Mr Madre is a member of the Australian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Madre is an independent consulting coal geologist and consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Madre has over 30 years' experience in exploration and mining of coal.

---

<sup>4</sup> All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2004). As such it is conceptual in nature and there has been insufficient exploration drilling to define a coal resource on the licence, it is uncertain if further exploration will result in discovery of a coal resource on the licence. Coal quality ranges for the Teeg Licence are as follows (on an air dried basis): Moisture 1.8% - 3.4%; Raw Ash 4.3% - 37.5%; Volatile Matter 22.5% - 45.8%; Fixed Carbon 38.4% - 53.2%; Total Sulphur 0.54% - 2.8%; Calorific Value 5,904 - 7,114 kcal/kg (adb).