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ASX Announcement
31 October 2012

Draig Advances Mongolian Exploration Program

Highlights

- **Maiden exploration program underway on South Gobi coal licences**
- **Program for remainder of 2012 includes South Gobi and Ovorhangay licenses**
- **Exploration strategy to rank portfolio on prospectivity and perceived risk**

Mongolian coal explorer Draig Resources Ltd **(ASX: DRG) ("Draig"** or **"the Company")** is pleased to announce it is advancing 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 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.

Draig Managing Director Andrew Harrison said: "The objective of the exploration program for the balance of 2012 is to gain a better understanding of our licences, to assess those licences for coal and metals hosting potential, and to get a fuller picture of our overall licence portfolio in Mongolia."

"The program will also help us to determine whether the coal seams identified on the Teeg licenses extend south easterly onto the under-explored Khonghor (13880X) license," he said

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.

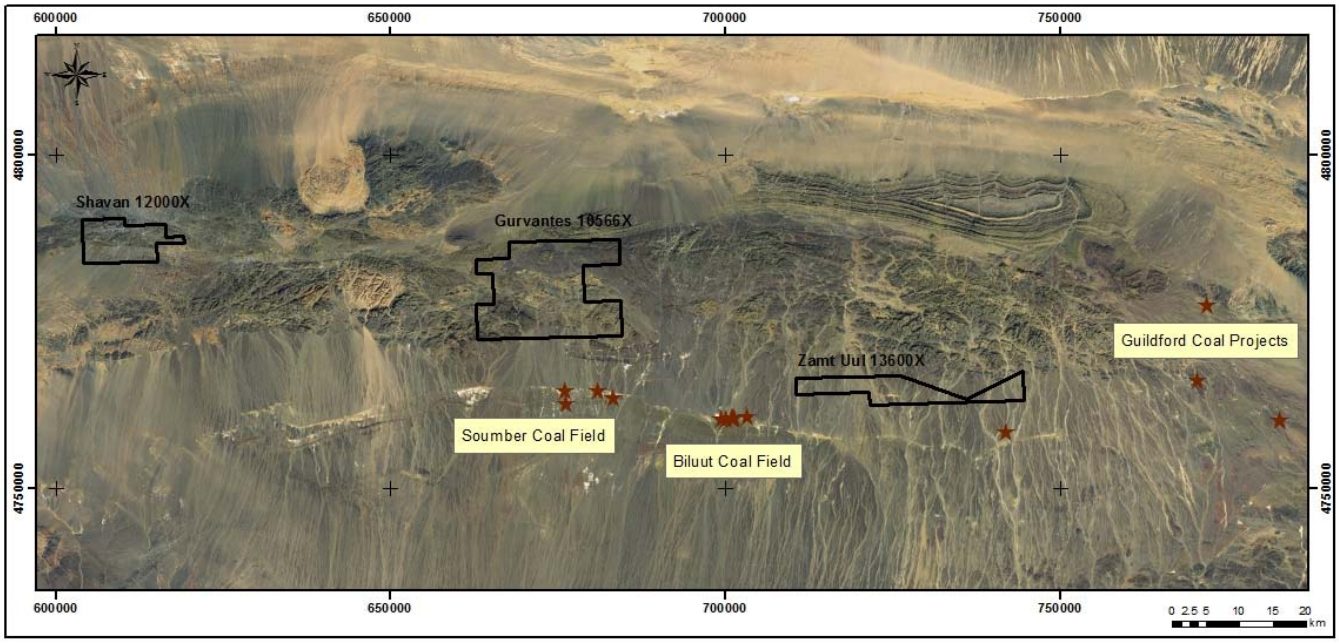

Figure 1. South Gobi exploration licenses

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 2)**. 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.

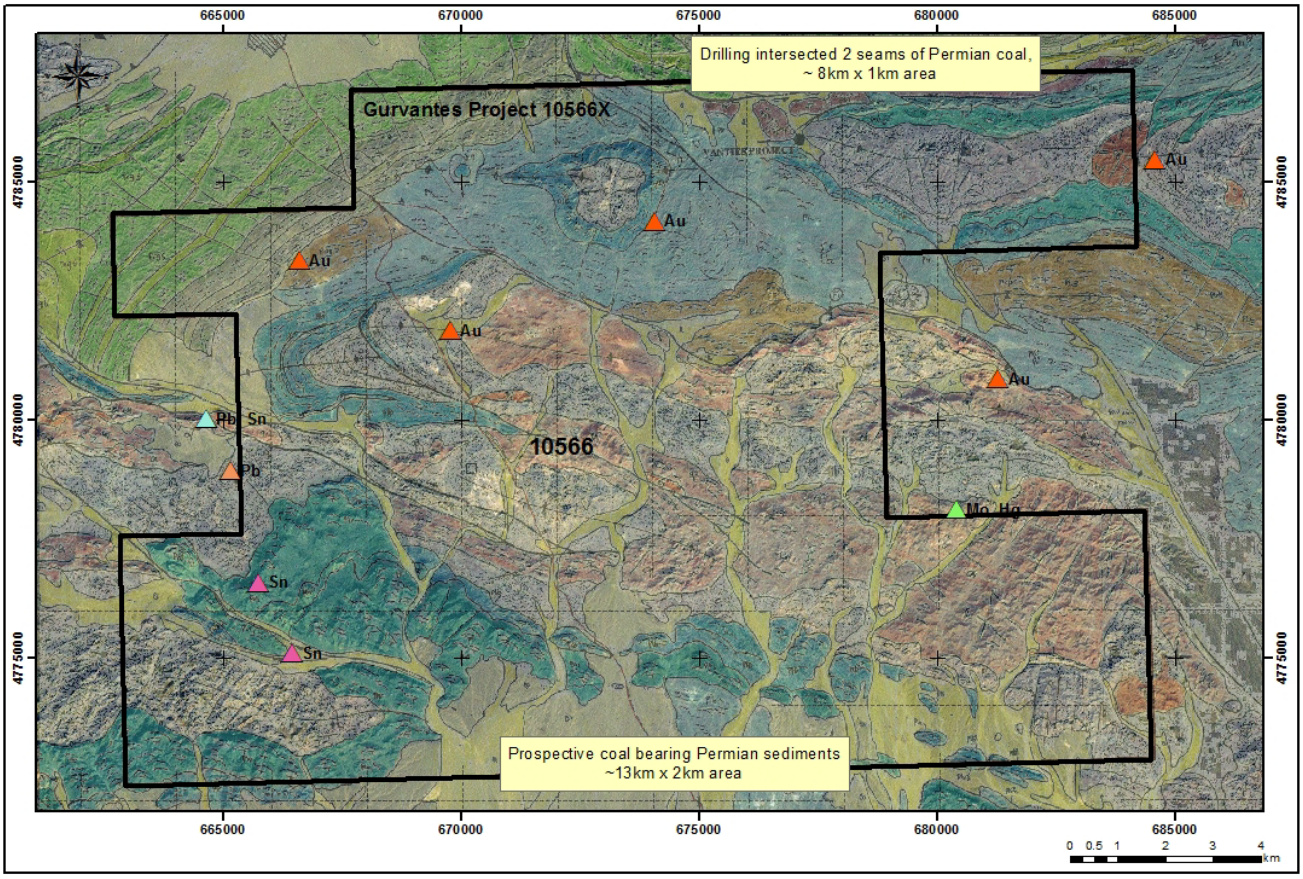

Figure 2. Gurvantes (10566X) License in the South Gobi

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 million tonnes[1] 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 both the 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 depth range of GPR is limited by the electrical conductivity of the ground, the transmitted centre frequency and the radiated power. As conductivity increases, the penetration depth decreases. Optimal depth penetration is achieved in ice where the depth of penetration can achieve several hundred meters. Good penetration is also achieved in dry sandy soils or massive dry materials such as granite, limestone, and concrete.

[1] 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 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^2).

The results of this survey will be used to develop drill targets for future programs. Figure 3 shows Draig's Ovorhangay Province license locations.

Base Metals Potential

At the Ergen Unsy Khudag-2 (9116X) license, located at the eastern end of the large Khongor licence, recent reconnaissance fieldwork by the Company recently 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.

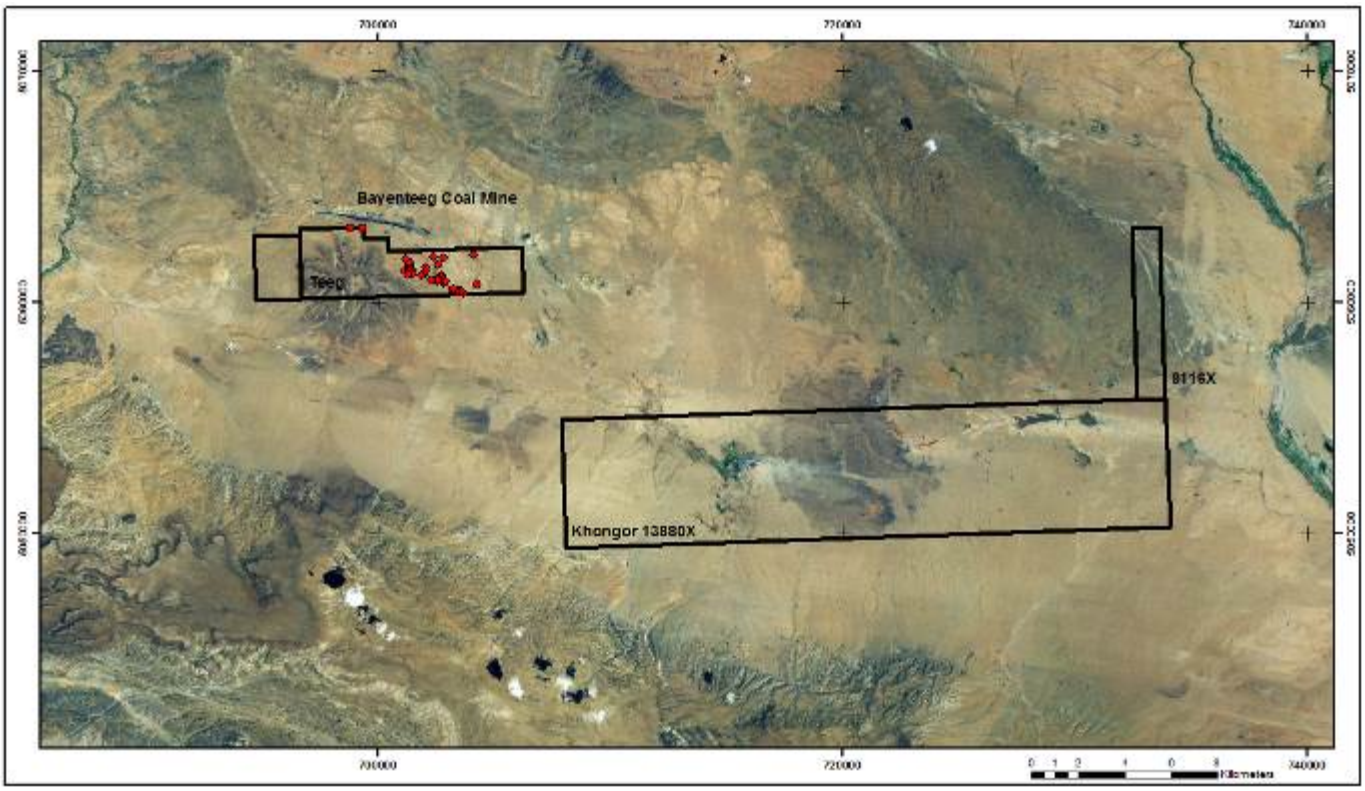

Figure 3. Ovorhangay licences

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

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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[2] 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.

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