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RESOURCES LIMITED

Coaltrans Mongolia, June 2013

Opportunities for exporting high Volatile Matter (VM) metallurgical coals to China

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Company Overview, and Mongolian Projects

Summary

Draig Resources Limited offers investors exposure to emerging coal projects in Mongolia with a qualified board and management team.

- ASX listed junior coal exploration company
- Focused on a range of coal project opportunities in Mongolia
- ASX Code: DRG
- Shares on issue: 65.5M
- Share Price: $0.04 (as at 19 June 2013)
- Market Capitalisation: $2.62M
- Cash: $3.8M (as at 30 April 2013)

A potential coal play in Mongolia

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Draig has established an experienced team and developed a platform to exploit Mongolia's extensive coal resources.

- Company was previously named C@ Limited (focused on spectacle frame sales)
- Name was changed to Draig Resources Limited in Dec 2011
- Focus was changed to coal in Mongolia, Indonesia and other countries
- Capital raising of $17M through the issuance of 34M shares at $0.50 per share in Dec 2011
- Subsequently acquired exploration licences in Mongolia from Peabody Winsway
  - with a subsidiary of Trinity Mongolia as a 10% joint venture partner
- Exploration success at Teeg (13879X) in early 2012
- Trinity Mongolia subsidiary acquired a 15% interest in the JV in Oct 2012
- New management team installed in Dec 2012

Experienced team now in place

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Draig's new board and management team are using their in-country experience and mining expertise to build a Mongolia-based, coal focused mining group.

- **Peter Doherty (Executive Chairman)**
  - Mining engineer
  - Coal experience
  - Corporate finance experience
- **Jarrod Smith (Executive Director, Chief Financial Officer)**
  - Corporate finance experience
  - ASX listed company experience
- **David Meldrum (Non Executive Director)**
  - Mining engineer
  - Coal experience
  - Mongolia experience
- **Mark Dougan (Country Manager, Mongolia)**
  - Mongolia experience
  - Coal experience
  - China experience

Repositioning to focus on exploration

Draig has spent the past six months repositioning the company with a focus on strategy, planning and cost-efficiencies.

- Refocused the Company's strategy
  - Southern Mongolia
  - Coking coal
  - Near surface
- Significant reduction in expenses
  - Reduction in employees
  - Closed Perth office
- Review of exploration data by senior management
  - Assisted by McElroy Bryan Geological Services
  - Review used to determine current exploration programme

Location of Exploration Licences - Mongolia

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Exploration Licences - Ovorhangay

Exploration Underway - Ovorhangay

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Draig Resources has approved Stage 1 of the 2013 Exploration Programme for its projects in Mongolia. Work to be undertaken as part of Stage 1 ranges from field mapping and trenching, ground magnetic surveys, as well as drilling over anomalies identified from exploration work carried out in the previous programme.

- Teeg (13879X) and Urtnii-Am (13581X)
  - Mapping, trenching, magnetic surveys, and RAB drilling
  - Objective is to obtain data to better understand the geological structure and stratigraphy
- Khongor (13880X)
  - Mapping, trenching, RAB drilling, and PCD drilling
  - Objective is to test geophysical anomalies and coal blooms

Exploration – Teeg (13879X)

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- RAB Drilling and Trenching

- PCD Drilling

Location of Exploration Licences – South Gobi

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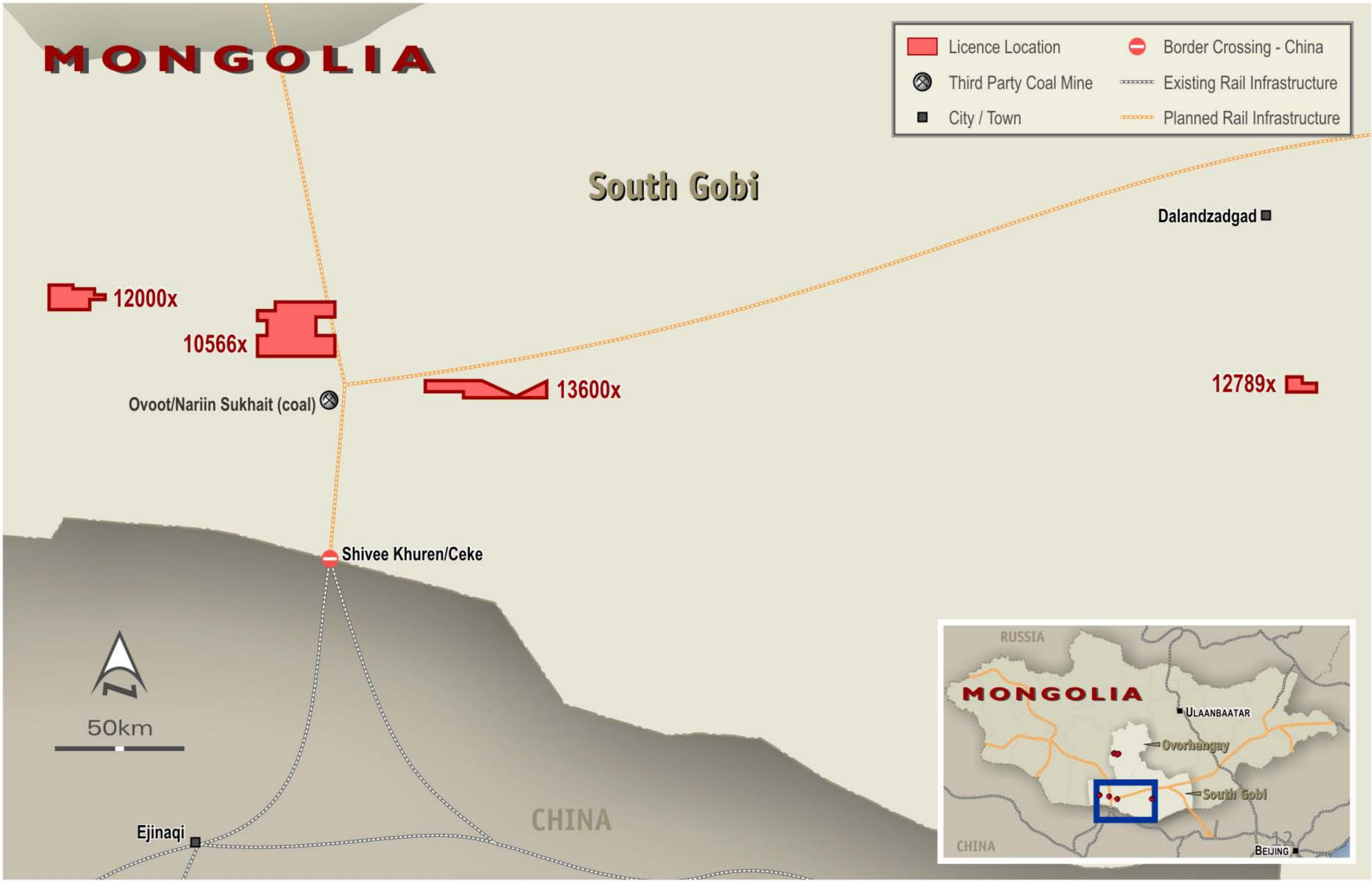

Exploration Underway – South Gobi

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The 2013 Exploration Programme is part of an overall exploration plan to test new areas of interest among the existing licences, particularly in the South Gobi, and to build solidly upon existing works.

- Zamt Uul (13600X)
  - Magnetic surveys and PCD drilling
  - Objective is to determine presence of coal bearing sedimentary group
- Gurvantes (10566X)
  - Mapping and PCD drilling
  - Objective is to determine the extent of the coal presence in the north and to test geophysical anomalies in the south

Future objectives

Draig will be reporting on the current Exploration Programme results later in Q3/Q4.

With a number of prospective targets already defined, the company is aiming to prove-up coal resources in Mongolia.

- Continued exploration of licences
  - Current programme expected to be completed by end of June 2013
- Acquisitions consistent with focus
  - Southern Mongolia
  - Coking coal
  - Open cut mining potential

- Draig is also actively assessing investment opportunities in new green, brown, and black-field Mongolian coal opportunities that are in line with our core strategy (i.e., Southern Mongolia, coking coal, open cut potential).

- Capital raising for future acquisitions and exploration programs and further analysis being reviewed for 2014

Social Responsibility






- Draig is actively fulfilling its Mongolian local social responsibilities, including funding of:
  - Educational infrastructure and other local government community assistance to local Soums in Ovorhangay and Omnigovi provinces
  - Environmental protection infrastructure and operations

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High Volatile Matter (VM) Mongolian metallurgical coals and export potential

High Volatile Matter (High-VM) coke blend coals

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High-VM coke blend coals can be broadly characterised as follows:

- Volatile Matter values higher than Hard Coking Coals (HCCs) which are 20-28% (daf basis), whereas high-VM are in the 28-40% range.
  - They generally have weaker caking properties than HCCs which leads to weaker coke structural integrity
- They are synonymous with Semi-Soft Coking Coals (SSCCs) such as produced in Australia's Hunter Valley and eastern China (Yanzhou)
- Used with HCCs, they are an important 'filler' coals used to lower the costs of coke making and steel production.

Draig has high-VM coke blend coals

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2012 Teeg coal quality results

Energy – kcal/kg (db) - av	6,225
Energy – kcal/kg (daf)- max	7,597
Ash (ar) - av	12.96%
Sulphur (ar) - av	1.13%
Volatile Matter (ar) - av	37%
CSN - range	1-5
Carbon (db) -av	45.4%
Vitrinite Reflectance -av	0.6%

- Pending the results of washability analysis and caking-index ‘G’ values, Draig’s Teeg coal deposit appears capable of producing a high-Volatile Matter (high-VM) coke blend coal, fitting into the Chinese ‘gas’, ‘gas/fat’, or ‘1/3 coking coal’ classification zone.

China needs lots of high-VM coke blend coals

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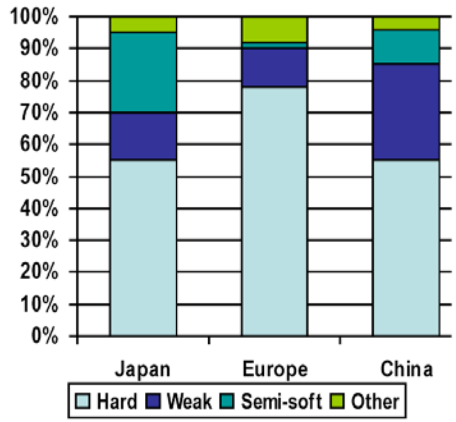
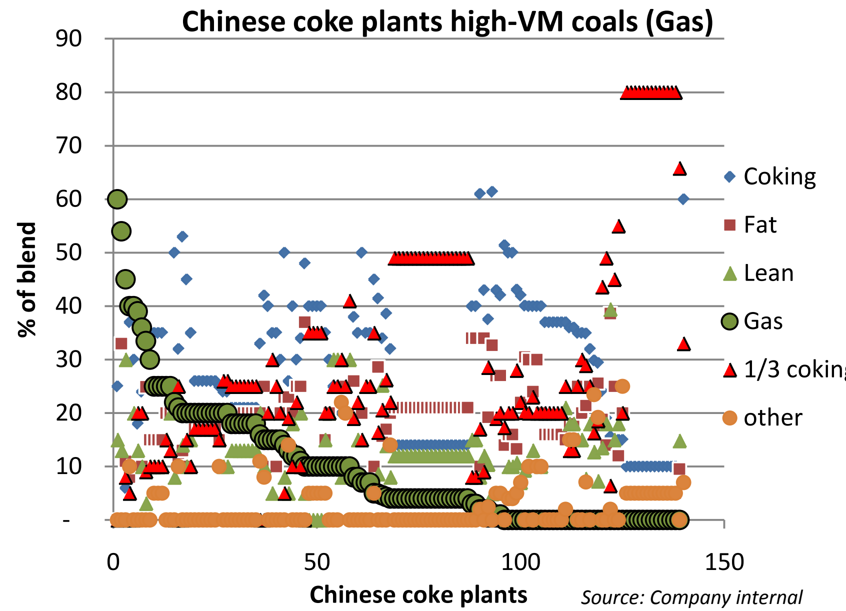
Type	Classification	Blend %
Coking Coal	Hard	37
Fat Coal	Hard/(Weak)	20
Lean coal	Weak	11
Gas coal	Weak/semi-soft	10
1/3 Coking Coal	Hard/Weak/ semi-soft	18
Other	Non coking	4



Source: Company internal



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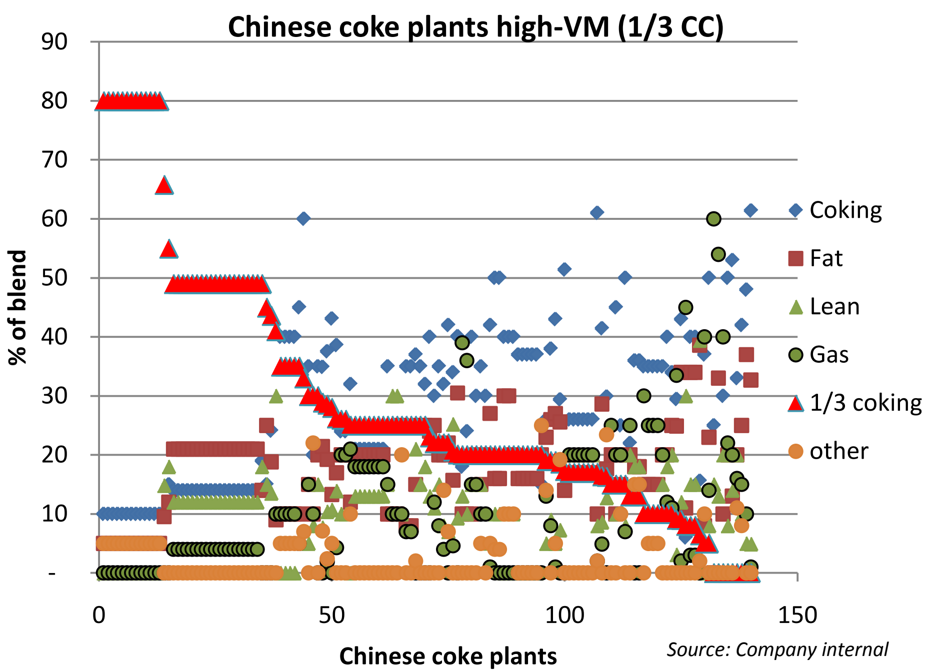

Source: Company internal

- ‘Large-scale’ Chinese coke blend coal usage is ~225Mt, of which ~79Mt is high-VM coals (Gas and 1/3 CC)
  - High reliance of High-VM blend coals is regionally biased reflecting local supply sources, e.g., in Wuhai. **Good** for Mongolian suppliers
  - By 2017, this should grow ~11Mt to 90Mt of high-VM blend coal demand

Viability of exporting Mongolian High-VM blend coals

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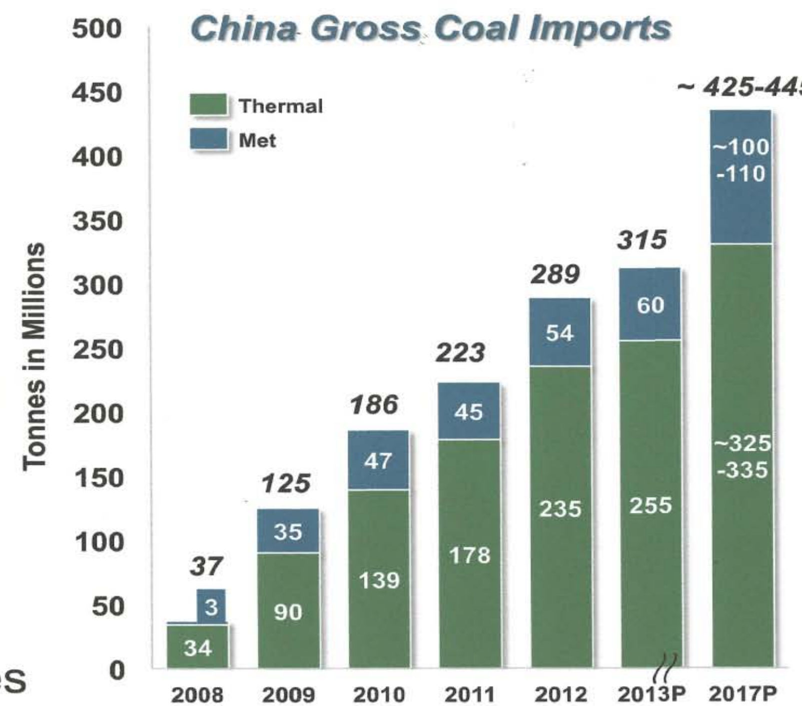
China Demand Expected to Grow ~1.0 Billion Tonnes by 2017

Peabody ENERGY

Imports Expected to Nearly Double From 2011 to 2017

- ~240 GW of coal-fueled generation expected to come on line by 2016
  - Much of buildout occurring in coastal areas
  - Represents >800 MTPY of thermal coal use over time
- China NDRC seeks coking coal production limits for "special and scarce" resource
- China reducing domestic production; continuing to close small inefficient mines



Source: Peabody Global Analytics, China National Bureau of Statistics. 2008, 2009 imports exclude 'other lignite' product, now reported in total import figures. Projections assume 7.5% annual China GDP growth, as outlined in 12th Five-Year Plan.

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Source: Presentation by Chris Hagedorn of Peabody Energy at the Pacific Basin Coal Conference, February 2013.

Export potential of Mongolian High-VM coke blend coals

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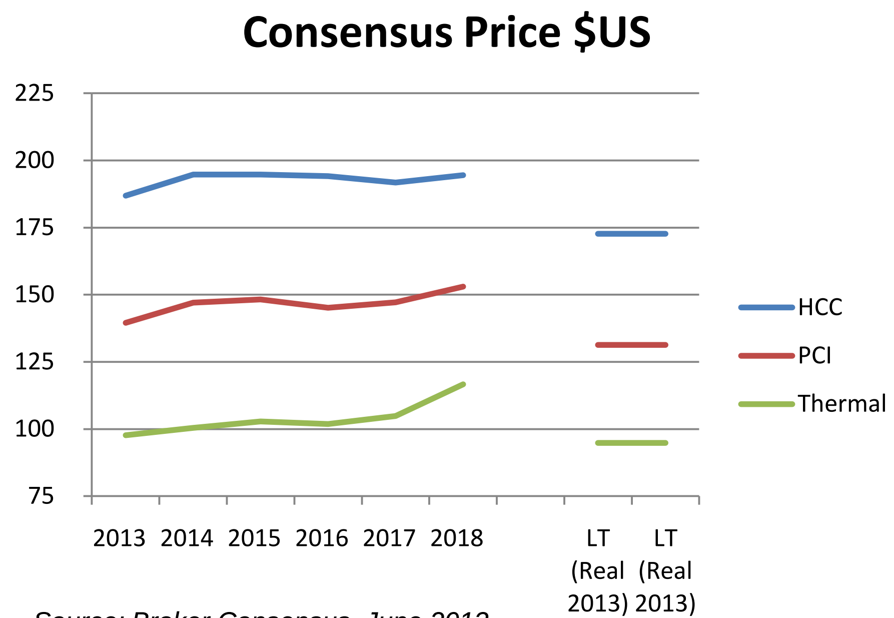
Prices/Conclusions

- Buyers like Jiuquan Iron and Steel in China's Gansu province are currently paying prices for high-VM blend coals that equate to ~RMB 430/t (US$70/t) at Ceke/Shivee Khuren.
- Based on supply costs of ~US$50/t from projects such as Teeg, Mongolian exports are clearly viable.
- If these prices move in line with international equivalents – as they generally have over the last 10 years – there will remain strong fundamentals for such projects going forward.



Source: Broker Consensus, June 2013

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