

ASX Announcement
31 January 2013

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

1 HIGHLIGHTS

- Exploration programme for the quarterly period completed with highlights including potential coal bearing areas identified at the Company's South Gobi exploration licences which will be more thoroughly investigated as part of future field exploration activities;
- The Company continues to monitor developments regarding the Government of Mongolia's proposed amendments to the Minerals Law;
- Major changes at board and senior management levels, with experienced coal and mining professionals Peter Doherty, Jarrod Smith and David Meldrum appointed Directors at the Company's Annual General Meeting (and with all of the previous Directors and Company Secretary resigning prior to or retiring at this meeting);
- Mark Dougan appointed Country Manager, Mongolia;
- Reduction in future administration expenses; and
- Cash balance of \$4.6 million at the end of the quarter.

2 EXPLORATION UPDATE

2.1 Overview

The Company completed its planned exploration programmes for the reporting period, with a range of results from its two operating areas; exploration licences in the Ovorange and South Gobi regions of Mongolia. As a result of these programmes, the Company intends to

focus on further exploration of promising finds of coal deposition in licences in both regions, as well as additional work to explore the potential of other minerals identified on some of the individual exploration licences in the programmes.

2.2 Background

The eight exploration licences in Mongolia are managed under a joint venture arrangement (Mongolian Coal Joint Venture (No. 1)). A subsidiary of Draig holds a 75% interest in the joint venture and subsidiaries of Trinity Mongolia Pty Ltd (“Trinity”) hold 10% and 15% interests. The Draig subsidiary is the manager of the joint venture. This subsidiary holds the licences on a 100% basis on behalf of the joint venture.

Four of these licences are located in the Ovorhangay region and four are located in the South Gobi region. See Figure 1.



Figure 1 – Exploration Licences - Mongolia

2.3 Ovorhangay

The locations of the exploration licences in the Ovorhangay region are shown in Figure 2.



Figure 2 – Exploration Licences - Ovorhangay

Teeg (13879X)

Exploration using ground penetrating radar (“GPR”) was trialled on this licence. Survey lines were undertaken over areas where drilling had previously been undertaken and coal had been found. Unfortunately the GPR data did not correlate with the drill hole results. It has therefore been concluded that GPR is not appropriate for coal exploration in this licence area.

Urtii-Am (13581X)

GPR was also trialled on this licence with similar results to those at Teeg.

Khongor (13880X)

GPR was also trialled on this licence too with, again, similarly disappointing results to those at Teeg and Urtii-Am.

Mapping was also undertaken on this licence with some success. Several coal ‘blooms’ were identified which will be investigated in future exploration.

Ergen Usny Khudag-2 (9116X)

Detailed mapping and sampling was undertaken during the period, with preliminary results showing some promising gold and background copper presence.

2.4 South Gobi

The locations of the exploration licences in the South Gobi region are shown in Figure 3.

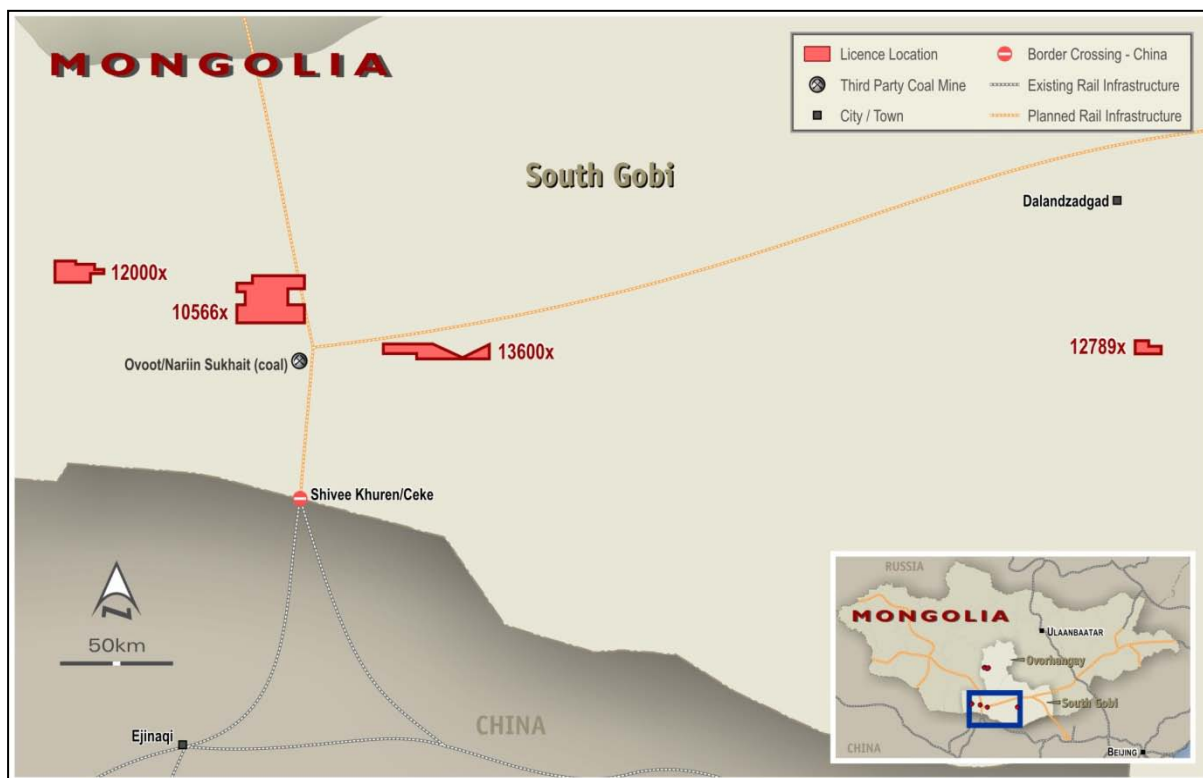


Figure 3 – Exploration Licences – South Gobi

Zamt Uul (13600X)

Two types of geophysical surveys were undertaken; IP/resistivity gradient and IP/resistivity dipole-dipole on the western portion of the licence. The gradient surveys were utilised to identify near surface coal deposition. The dipole-dipole surveys were implemented to determine deeper coal bearing sedimentary rocks. These surveys were successful. The information gained has been combined to identify potential coal bearing areas which will be more thoroughly investigated as part of future field exploration activities.

Gurvantes (10566X)

A resistivity survey was conducted near the southern boundary of this licence. The results indicate a possible broad area of coal deposition. This will be investigated in future exploration.

In addition, mapping and sampling were undertaken throughout the licence area. Coal blooms were discovered near the northern boundary. Samples were also taken from a strongly mineralized (i.e. metalliferous) zone in the west central part of the licence.

Shavan (12000X)

A geological mapping survey was conducted in the southwest area of the licence. Some coal subcrops and blooms were identified. The stratigraphy and structure mapped will assist in developing the exploration strategy for this licence.

Olomgui (12789X)

A geological mapping survey was conducted. Some new subcrops of coal and upper Permian sediments were discovered. These will be further investigated in future exploration.

3 MANAGEMENT CHANGES

3.1 Changes

The Company has undergone a major change at board and senior management levels, with a number of highly qualified and experienced coal and mining industry professionals making up the new leadership team for Draig.

On 23 November 2012 the board terminated the Consultancy Agreement between the Company and Andrew Harrison whose role was the Managing Director, and that of Jade Styants whose role was Company Secretary and Chief Financial Officer.

Subsequently Andrew Harrison resigned as a Director and Jade Styants resigned as Company Secretary.

On 26 November 2012, and subsequent to all of these changes, Peter Doherty, Jarrod Smith and David Meldrum were appointed Directors of the Company. Jarrod Smith was also appointed Company Secretary.

The other two Directors of the Company, Colwin Lloyd and Rajah Chaudhry, decided to revoke their consents to stand for re-election at the Company's Annual General Meeting which was held on 26 November 2012. Consequently they retired at the conclusion of the meeting.

Mark Dougan was appointed Country Manager, Mongolia in December and commenced full time employment in January. He is based in the Company's office in Ulaanbaatar.

3.2 Peter Doherty

Peter Doherty, who originally trained as a mining engineer, has over 30 years of coal industry and finance experience both in Australia and internationally. He is the principal of

Republic Coal Pty Limited which, through related companies, has held interests in a number of coal projects including the Baralaba Mine in Queensland. These interests now include a 20% interest in Trinity and a 12.94% interest in Draig.

3.3 Jarrod Smith

Jarrod Smith has over 25 years experience in banking and finance. He has held senior roles within Westpac Banking Corporation, including leading the capital markets and securitisation areas within the Institutional Bank. Between 2002 and 2008 Jarrod was the Finance Director at Homeloans Limited (ASX: HOM). He is currently the Managing Director of Republic Holdings Pty Limited.

3.4 David Meldrum

David Meldrum is a mining engineer with over 30 years experience in the mining sector. Most recently he served as the Managing Director of Runge Limited (ASX: RUL, now RungePincockMinarco Limited), a major international mining consulting firm. His role at Runge included substantial experience in Mongolia. He was also a founding partner and Managing Director of Minarco Asia Pacific Pty Ltd, a leading provider of technical consulting services to the coal industry, which was acquired by Runge Limited.

3.5 Mark Dougan

Mark has a PhD in economics and has been working in the Northeast Asian coal scene since the late 1990s, including managing the Barlow Jonker coal consultancy practice in Beijing, China, between 2002 and 2009. In 2004 he began working extensively in Mongolia and in 2009 he cofounded Trinity, of which an associated entity holds a 32% interest. He brings significant regional coal knowledge and a proven track record of Mongolian-specific operational exploration experience to the Company.

4 MINERALS LAW AMENDMENTS

In December the Government of Mongolia presented details of its proposed draft amendments to the Minerals Law. Draig's Directors are monitoring developments closely and intend to advise shareholders of matters where changes are understood to impact the Company's activities in the country. A process of discussion and debate of the proposed changes is currently underway between the private sector and the Government of Mongolia, which the Company is also monitoring.

5 CORPORATE

In addition to the changes at board and senior management levels, a number of staff changes have been implemented by the new management which has resulted in a reduction in the number of employees.

There has also been a change to the Company's offices with the office in Perth to be closed and the office in Sydney reopened. The Company's office in Ulaanbaatar will be maintained.

The intent of the changes is to both better position the Company for future activity and to manage the business more effectively. The Company also expects a significant reduction in future administration expenses as a result of these changes.

The cash balance as of 31 December 2012 was \$4.6 million.

6 SHAREHOLDER ENQUIRIES

Please contact Peter Doherty or Jarrod Smith on +61-2-9230-0760 or enquiries@draigresources.com for further information.

Please refer to <http://www.draigresources.com/investor-centre/asx-announcements/> for the ASX releases made during this quarter.