

ASX Announcement  
30 April 2013

## QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2013

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### 1 HIGHLIGHTS

- Mongolian *Strategic Entities Foreign Investment Law* amended to allow non-State owned foreign companies to undertake controlling interest investments without Parliamentary approval;
- Reduction in administration expenditure from \$1.3M last quarter to \$0.6M for this quarter;
- Review of exploration data commenced as preparation for 2013 exploration plan;
- McElroy Bryan Geological Services, which is well known in the coal industry and highly regarded, was appointed to provide a review of all exploration data and ongoing geological advice;
- Mineral Resources Authority of Mongolia approved 2012 exploration expenditure and approved indicative exploration plan for 2013;
- Key *Minerals Law* amendments delayed with future positive revisions anticipated by the mining industry; and
- Cash balance of \$4.0 million at the end of the quarter.

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### 2 BACKGROUND

The eight exploration licences in Mongolia are managed under a joint venture arrangement (Mongolian Coal Joint Venture (No. 1)) (“Joint Venture”). A subsidiary of Draig Resources Limited (“Draig” or “the Company”) 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

### 3 EXPLORATION UPDATE

#### 3.1 Data Review

During the quarter, Draig initiated a review of current exploration data as part of the Company’s preparation of its 2013 exploration plan.

The Company engaged McElroy Bryan Geological Services (“MBGS”) to undertake a review of all of the exploration data relating to the exploration licences in Mongolia. MBGS is a geological advisory firm with a sole focus on coal and relevant experience in Mongolia.

This review has proved very useful and the conclusions from it are being used to determine the exploration plan for this year.

### **3.2 Approvals**

Draig received confirmation from the Mineral Resources Authority of Mongolia (“MRAM”) that the exploration undertaken during 2012 met the required minimum criteria for each of the exploration licences.

MRAM also provided its approval for exploration to be undertaken on each of the licences during 2013. This was based on an indicative exploration plan. Approvals from the relevant local governments are currently being sought.

### **3.3 2013 Exploration Plan**

The exploration plan for 2013 is currently being finalised. Information about this will be provided in a separate release to the ASX once it has been approved by the Joint Venture management committee.

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## **4 GOVERNMENT**

### **4.1 Strategic Entities Foreign Investment Law**

The Strategic Entities Foreign Investment Law (“SEFIL”) became legislation in May 2012. This law regulates investment by foreign State-owned entities and foreign investment in sectors of ‘strategic importance’.

Foreign State-owned legal entities or businesses with foreign State ownership require consent from the Government of Mongolia to make any investment in Mongolia, irrespective of sector or of value.

The Company’s activities are considered to be within a sector of strategic importance (which includes all minerals). SEFIL required different approvals for different levels of ownership. The restriction most relevant to Draig was that if a foreign investor intended to hold more than 49 per cent ownership in a strategic entity and the amount of the proposed investment exceeded 100 billion tugriks (approximately \$70M) then the investor would have had to obtain the approval of the Parliament.

In April 2013 SEFIL was amended to exempt non-State owned foreign companies. This means that companies such as Draig are now no longer required to obtain approval from the Parliament prior to acquiring controlling interests in Mongolian companies.

### **4.2 Minerals Law**

The Government of Mongolia has now delayed the possible introduction of the previously proposed amendments. There have been numerous meetings between the private sector and the Government discussing issues associated with the proposed amendments. As a

result, it is anticipated that there will be future positive changes to the originally proposed amendments.

The timing of these possible amendments is now not known but they are not expected to occur in the short term.

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## 5 CORPORATE

Some staff changes were made during the period which resulted in a further net reduction in the number of employees.

The Company is currently considering alternative office premises for its Sydney office which would result in a reduction in office leasing expenditure.

Administration expenditure for the quarter was \$0.6M which is significantly less than the expenditure in the previous quarter of \$1.3M.

The cash balance as of 31 March 2013 was \$4.0 million and there was no debt.

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## 6 SHAREHOLDER ENQUIRIES

Please contact Peter Doherty or Jarrod Smith on +61-2-9230-0760 or [enquiries@draigresources.com](mailto: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.