

ASX Announcement  
29 July 2013

## EXPLORATION PROGRAMME UPDATE

---

### 1 SUMMARY

As previously advised, the Company recently implemented an exploration programme across a number of licences in Mongolia with the objective of confirming the prospectivity of target areas for coal.

Exploration undertaken at the licences of Teeg and Urtnii-Am in the Ovorkhangai region was the most successful component of the overall exploration programme, with the confirmation of coal-bearing sediments within the two licence areas.

Outside of the favourable results at Teeg and Urtnii-Am, no new coal discoveries were made during the exploration programme.

Exploration results from other target areas indicate that some of the licences have low prospectivity.

---

### 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. Draig also owns 16% of Trinity.

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



Figure 1 – Exploration Licences - Mongolia

### 3 EXPLORATION PROGRAMME

The Company has recently completed an exploration programme which tested areas of interest among the existing licences and built upon previous works.

#### 3.1 Ovorhangay

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



Figure 2 – Draig Exploration Licences - Ovorhangay

### ***Teeg (13879X) and Urtnii-Am (13581x)***

The objective of the programme with regard to these licences was to build upon the knowledge gained from previous exploration and improve the understanding of the structural setting to assist with the determination of future exploration.

The exploration has confirmed the existence of coal-bearing formation sediments within the two licence areas, with exploration work including:

- Mapping - A 9.5 km<sup>2</sup> area on the east of Teeg was mapped at a scale of 1:10,000 and traverses totaling 15.5 km were conducted on both licences;
- Magnetic Survey - A total of 134 km of magnetic survey lines at 200-400 m line spacings were undertaken along with the collection of surface rock outcrop samples which will be tested for magnetic susceptibility analysis for use in subsequent interpretation work;
- Trenching - Seven trenches with a combined total length of 219 m, mainly on Teeg's eastern and northern areas, were dug to determine the presence of coal near the surface; and
- Rotary Air Blast ("RAB") Drilling - Seventeen holes were completed in the eastern area of Teeg and the northern area of Urtnii-Am with a total of 500 m drilled, with the deepest hole being 31 m.

Trench and hole locations in each licence are shown in Appendix 1 and Appendix 2. Of the 500 m drilled, coal was present in three holes for a total length of 61 m (see Table 1 for summary of all RAB holes drilled).

Table 1 – RAB Drilling Summary

Licence	Drill hole name	Coordinate (UTM Zone 47)		Coal-bearing sediments intersections		Total depth (m)
		x	y	from (m)	to (m)	
13879X	TGRAB1	702808	5061696	no coal		31
	TGRAB2	702752	5061577	2	3	31
				4	5	
				9	10	
				11	12	
	TGRAB3	704334	5060407	no coal		30
	TGRAB4	704353	5060415	no coal		31
	TGRAB5	704371	5060527	no coal		31
	TGRAB6	703745	5060356	2	31	31
	TGRAB7	703834	5060366	no coal		31
	TGRAB8	703659	5060450	0.5	28	31
	TGRAB9	703722	5060437	no coal		31
	TGRAB10	704518	5060889	no coal		31
13880X	TGRAB11	704553	5060939	no coal		31
	TGRAB12	704598	5061026	no coal		31
	KKRAB1	727034	5052657	no coal		10
13581X	KKRAB2	727010	5052656	no coal		5
	KKRAB3	727109	5055141	no coal		5
	UARAB1	696232	5062540	no coal		31
	UARAB2	696196	5062202	no coal		31
	UARAB3	694805	5062698	no coal		8
	UARAB4	694907	5062599	no coal		31
	UARAB5	695384	5062123	no coal		28

*Confirmation of coal bearing sediments would require core drilling and geophysical logging. None of the RAB drill holes were geophysically logged due to the nature and intent of the holes.*

The mapping, magnetic survey, and shallow RAB drilling confirmed the existence of the Jurassic coal-bearing Bakhar formation sediments within the two licence areas.

These positive results, together with the existing 47 drill holes and other geophysical work, provide the foundation for the next stage of exploration for these licences.

### **Khongor (13880X)**

The aim of this component of the exploration programme relating to the Khongor licence was to test for the presence of coal in the western area and to improve the understanding of the surface geology and geological structure.

Work consisted of:

- Mapping - Two areas were mapped at a scale of 1:10,000 scale and a 12 km traverse was undertaken within the western area;
- Magnetic Survey – A total of 732 km of magnetic survey lines at 200-400 m spacings were undertaken;
- Trenching - Three trenches totaling 85 m in length were completed in the eastern area;
- RAB Drilling - Three holes were drilled with a combined total length of 20 m;
- Polycrystalline Compact Drilling (“PCD”) - Two holes were drilled (494 m in total) in the licence’s western area to test a seismic reflector. Appendix 3 shows the locations of the PCD and RAB drill holes and the trenches (see Table 2 for a summary of the holes).

Mapping and trenching (on the eastern part of Khongor) did not identify (shallow) coal-bearing Jurassic sediments.

RAB drilling was challenging in the eastern area due to unconsolidated Quaternary aged sediments.. Consequently, in this area it was not possible to determine the depth of this type of cover using this drilling method.

The PCD holes did not intersect coal.

Table 2 – PCD Drilling Summary

Licence	Drill hole name	Coordinate (UTM Zone 47)		Coal-bearing sediments intersections		Total depth (m)
		x	y	from (m)	to (m)	
13880X	KKDH2	715490	5054912	no coal		294
	KKDH3	713948	5051275	no coal		200

*NB: Holes were geophysically logged*

### **Ergen Us (9116X)**

No exploration field work was undertaken on this licence during the recent exploration programme.

### 3.2 South Gobi

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

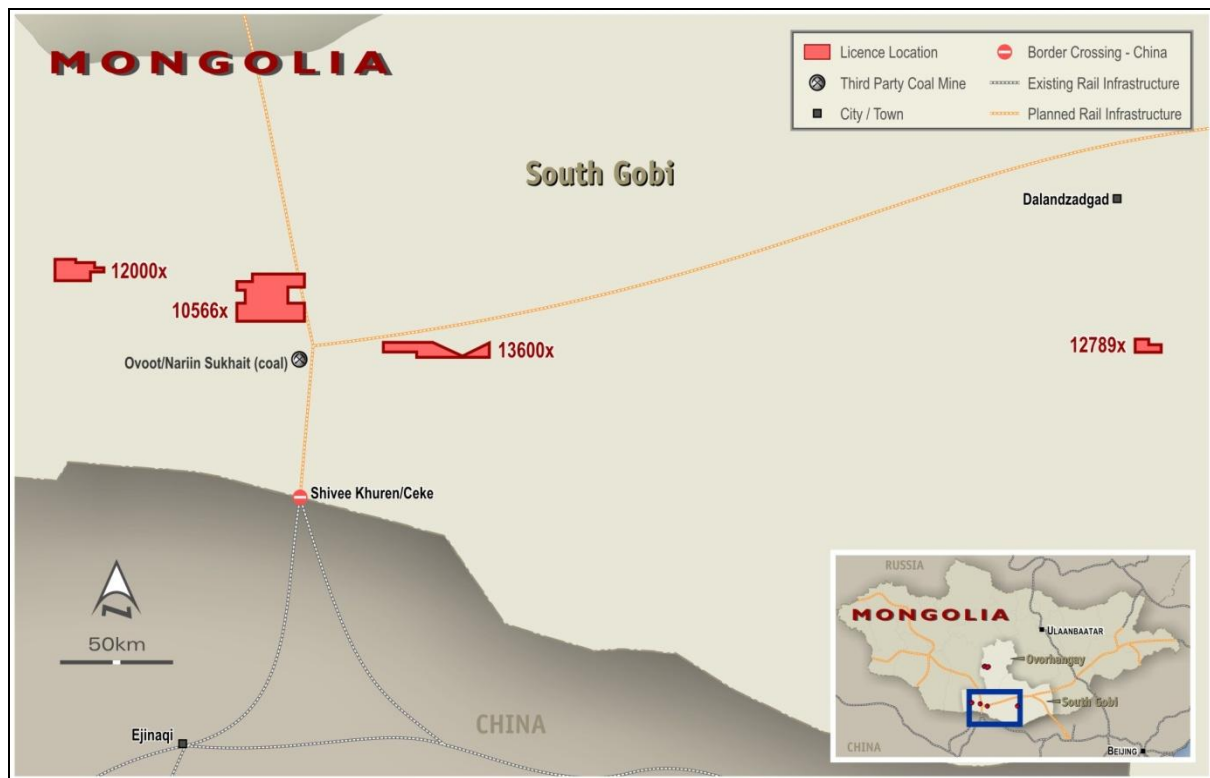


Figure 3 –Draig Exploration Licences – South Gobi

#### **Zamt Uul (13600X)**

The objective of the exploration programme at Zamt-Uul was to determine the presence of coal bearing sediments.

Exploration work undertaken included:

- Magnetics – A total of 440 km of magnetic survey lines at 200 m spacing over the licence's eastern and western areas were undertaken; and
- PCD Drilling - One hole (163 m depth) was drilled in the southeast corner and was barren of coal. Table 3 summarises the details of this hole and Appendix 4 shows its location.

The magnetic survey lines did not identify any potential drilling targets and the PCD hole did not intersect potential coal bearing sediments.

Table 3 – PCD Drilling Summary

Licence	Drill hole name	Coordinate (UTM Zone 47)		Coal-bearing sediments intersections		Total depth (m)
		x	y	from (m)	to (m)	
<b>13600X</b>	ZUDH4	744453	4763453	no coal		163

*NB: Hole was geophysically logged*

### **Gurvantes (10566X)**

The aim of the exploration programme at Gurvantes was to determine the presence of coal near the southern boundary of the licence.

Upon examination of the surface geology it was decided not to undertake exploration field work on this licence as part of the recent exploration programme.

### **Shavan (12000X)**

No exploration field work was undertaken on this licence during the recent exploration programme.

### **Olom Gui (12789X)**

No exploration field work was undertaken on this licence during the recent exploration programme.

## **4 CONCLUSION**

The objective of the recent exploration programme was to confirm the prospectivity of target areas for coal.

The most encouraging results from the programme were on the Teeg and Urtnii-Am exploration licences (13879x and 13581x) in the Ovorhangay region. The Company's Board of Directors (the "Board") will now consider plans for further exploration within the two licence areas.

The Board will continue to assess the coal potential of the other licences.

Further information will be made available to shareholders as the Board progresses this strategy in terms of possible timing and allocation of funds for further exploration work.

---

## **5 COMPETENT PERSON STATEMENT**

The information in this announcement that relates to the Exploration Results is based on information evaluated by Mr Louis Wade Robinson who is a member of a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by ASX from time to time. Mr Robinson is a fulltime employee of SRK Mongolia LLC. Mr Robinson is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). Mr Robinson consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

---

## **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.

---

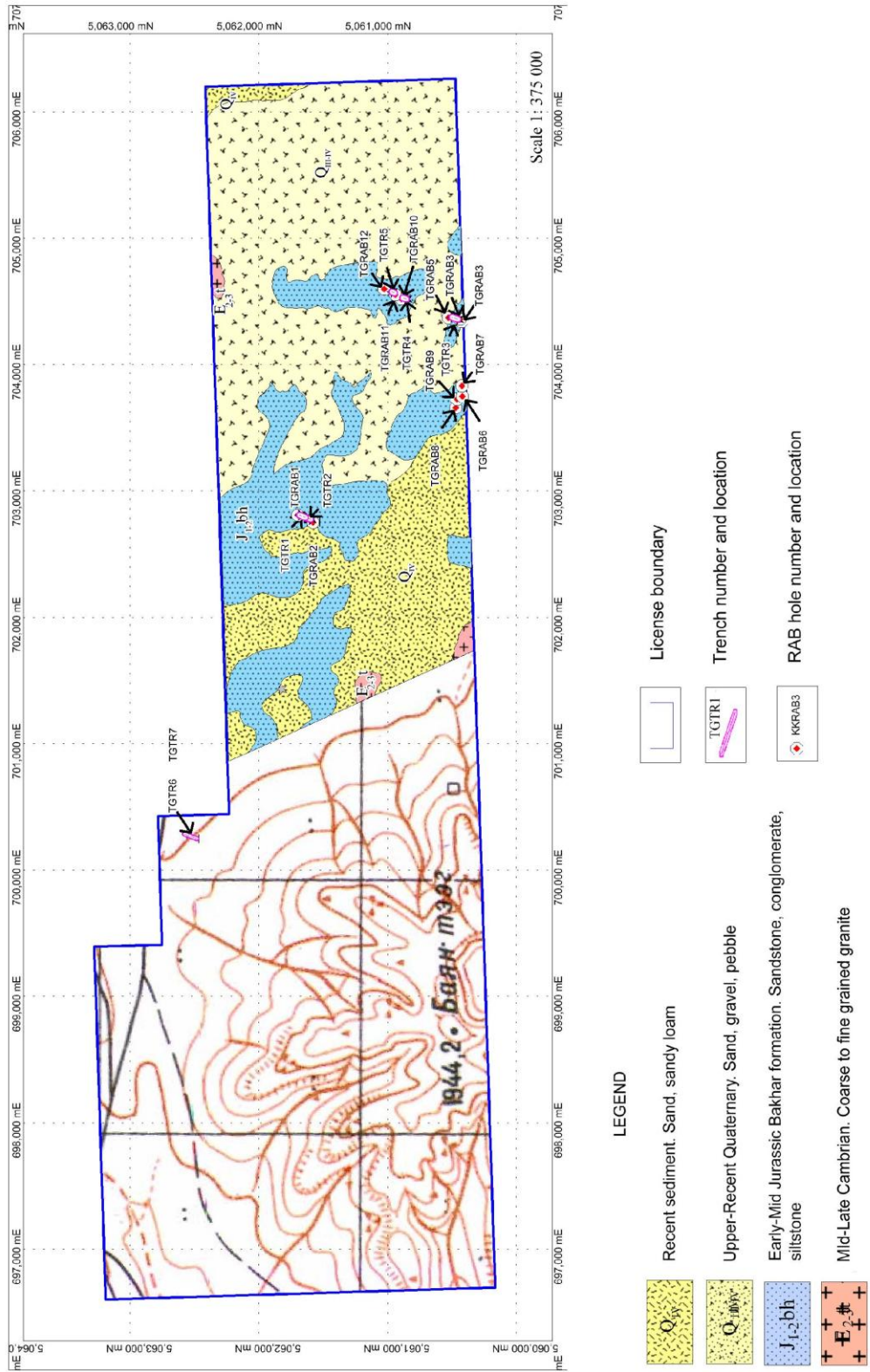
## **7 MEDIA ENQUIRIES**

Fortbridge Consulting +612 9003 0477

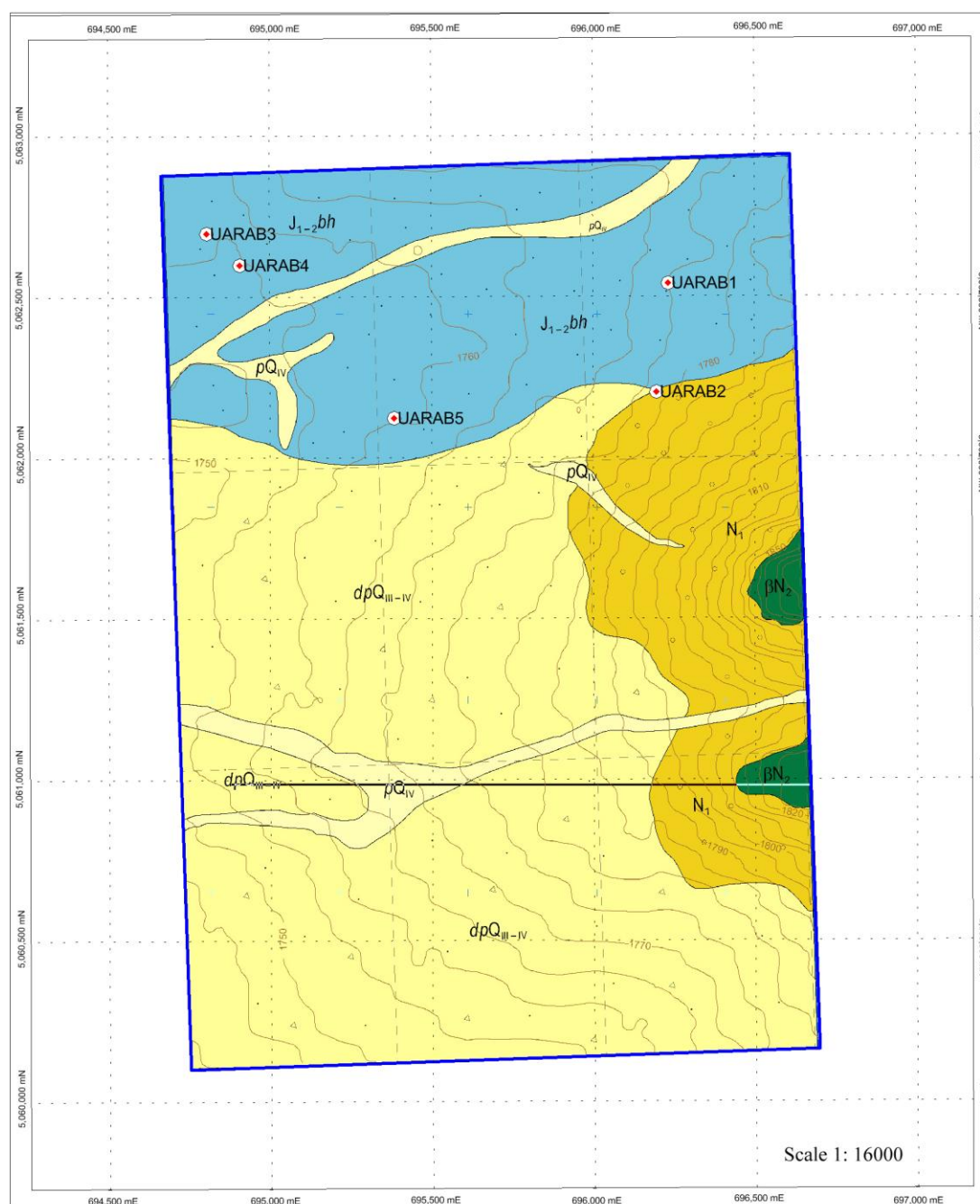
Bill Kemmery +61 400 122 449



Geological map of 13879X license



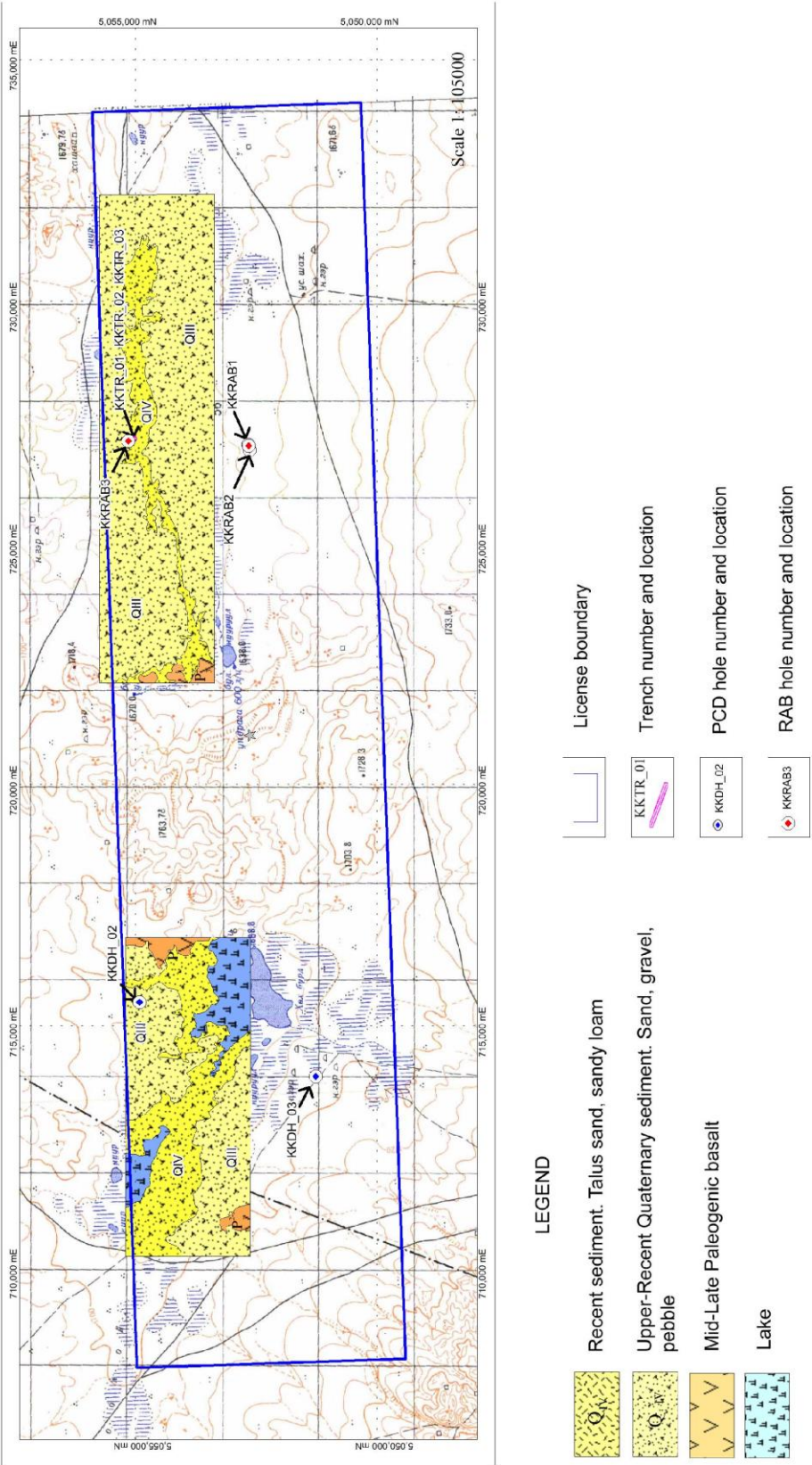
## Geological map of 13581X license



## LEGEND

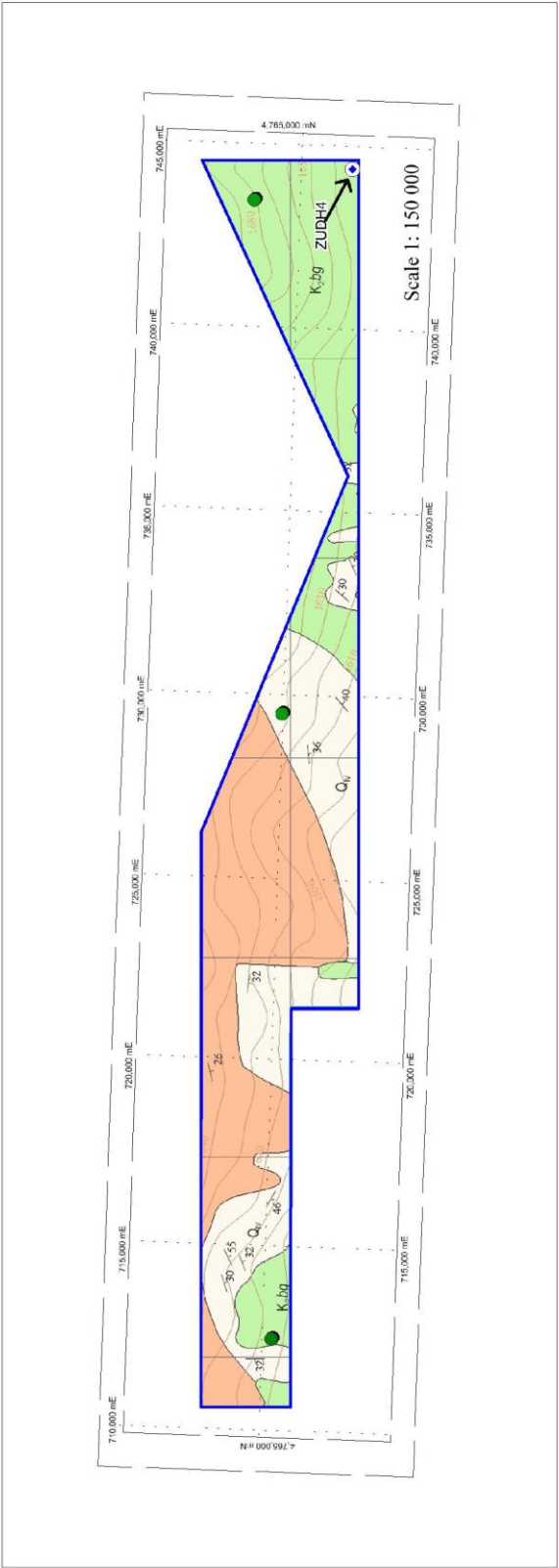
	Recent sediment. Sand, sandy loam		Early-Mid Neogen. Black basalt
	Upper-Recent Quaternary. Sand, gravel, pebble		License boundary
	Early Neogen. Clay, siltstone, sand, ravel		RAB hole number and location
	Early-Mid Jurassic Bakhar formation. Sandstone, conglomerate, siltstone		

Geological map of 13880X license





Geological map of 13600X license



LEGEND

- Q<sub>u</sub> Upper-Recent Quaternary. Sand, clay, sandy, gravel
- K<sub>2</sub>bg Mid-Cretaceous. Baruun-goyot formation.
- P<sub>4</sub>th Sandstone, siltstone, clay, gravel, conglomerate, gypsum
- Trachy-rhyolite, basalt, sandstone, siltstone, gravel
- Existing drill hole
- 2013 drill hole
- License boundary