

Interim Financial Report

31 December 2014

DRAIG
RESOURCES LIMITED

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DIRECTORS' REPORT

The Directors of Draig Resources Limited ("the Company" or "Draig") are pleased to present their report together with the consolidated financial statements of the group comprising Draig Resources Limited and its controlled entities ("the Group") for the half year ended 31 December 2014 and the auditor's review report thereon.

DIRECTORS

The names and details of the Directors of the Company in office during the half year are set out below. Directors have been in office for the entire period unless otherwise stated.

- Peter Doherty Executive Chairman
- Jarrod Smith Executive Director and Company Secretary
- David Meldrum Non-Executive Director

RESULTS AND REVIEW OF ACTIVITIES

Draig is involved in the exploration for coal within two exploration licences that are located in Mongolia. The Company's interest is held by a controlled entity, BDBL LLC ("BDBL"). BDBL is a participant in the Mongolian Coal Joint Venture (No.1) ("MCJV") with two other companies; Khan Mountain Pty Ltd ("KM") and Khan Mountain 2 Pty Ltd ("KM2"). KM and KM2 are wholly owned subsidiaries of Trinity Mongolia Pty Ltd ("Trinity"). BDBL has a 75% interest in the MCJV. KM has a 10% interest, which is free carried, and KM2 has a 15% interest in the MCJV. The Company has a 28% interest in Trinity.

The Company's investment in coal exploration in Mongolia has not progressed as positively as was originally planned. Consequently, prospective purchasers of these assets are actively being sought whilst the assets are being maintained.

The priority for the Company is now the acquisition of a suitable alternate opportunity. The main focus has been in resources, although some opportunities outside this sector have been reviewed. There are several potential opportunities which the Company is currently evaluating.

The Board continued to focus on minimising costs and conserving the Company's cash.

Administrative expenditure for the half year ended 31 December 2014 was \$0.3m compared to \$0.5m for the half year ended 31 December 2013.

Total comprehensive loss for the period was \$0.2m (2013: \$3.4m).

DIRECTORS' REPORT

The Group was debt free and held cash and term deposit investments of \$2.1m at the end of the reporting period.

The view of the Directors is that the Company and the Group are operating as a going concern.

SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 5 for the half year ended 31 December 2014.

Signed in accordance with a resolution of the Board of Directors.



Peter Doherty
Executive Chairman

11 March 2015



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Draig Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Anthony Jones
Partner

Sydney

11 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Note	31 December 2014 \$	31 December 2013 \$
Continuing Operations			
Employee and related expenses		(184,834)	(307,209)
Employee share based payments	8	(21,313)	(4,263)
Depreciation and amortisation		(1,748)	(4,677)
Share of Associate loss		(4,855)	(1,646)
Exploration expenditure		(11,160)	(2,876,944)
Other expenses		(99,745)	(198,835)
Results from operating activities		(323,655)	(3,393,574)
Financing income		26,271	31,850
Net financing income		26,271	31,850
Loss before income tax		(297,384)	(3,361,724)
Income tax expense		-	-
Loss from continuing operations		(297,384)	(3,361,724)
Other comprehensive expenses			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		63,982	(22,218)
Other comprehensive loss for the period, net of tax		63,982	(22,218)
Total comprehensive loss for the period		(233,402)	(3,383,942)
Basic and diluted loss per share (cents per share)		(0.45)	(5.07)

The statement of comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	31 December 2014 \$	30 June 2014 \$
CURRENT ASSETS			
Cash and cash equivalents	4	2,085,184	2,316,680
Trade and other receivables		81,404	72,946
TOTAL CURRENT ASSETS		2,166,588	2,389,626
NON CURRENT ASSETS			
Property, plant and equipment		1,082	7,419
Investment in Associate	5	-	-
Exploration and evaluation expenditure	6	-	-
TOTAL NON CURRENT ASSETS		1,082	7,419
TOTAL ASSETS		2,167,670	2,397,045
CURRENT LIABILITIES			
Trade and other payables		12,615	29,901
TOTAL CURRENT LIABILITIES		12,615	29,901
TOTAL LIABILITIES		12,615	29,901
NET ASSETS		2,155,055	2,367,144
EQUITY			
Issued capital	7	24,990,752	24,990,752
Reserves	8	862,653	1,482,825
Accumulated losses		(23,698,350)	(24,106,433)
TOTAL EQUITY		2,155,055	2,367,144

The statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	31 December 2014 \$	31 December 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash paid to suppliers and employees		(261,585)	(623,123)
Interest received		29,206	45,022
NET CASH USED IN OPERATING ACTIVITIES		(232,379)	(578,101)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for shares in Trinity		(5,324)	-
Transfer from /(to) term deposit		-	1,000,000
Payments from Trinity for exploration and evaluation		17,367	-
Payments for exploration and evaluation		(11,160)	(8,736)
NET CASH FROM INVESTING ACTIVITIES		883	991,264
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(231,496)	413,163
Cash and cash equivalents at 1 July		2,316,680	1,347,463
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	2,085,184	1,760,626

The statement of cash flows is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Issued Capital \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulat ed Losses \$	Total Equity \$
BALANCE AT 1 JULY 2013	24,956,649	1,583,223	(108,492)	(20,239,825)	6,191,555
Comprehensive loss for the period					
Loss for the period	-	-	-	(3,361,724)	(3,361,724)
Total other comprehensive loss	-	-	(22,218)	-	(22,218)
Total comprehensive loss for the period			(22,218)	(3,361,724)	(3,383,942)
Contributions by owners					
Issue of share capital	34,103	-	-	-	34,103
Share based payments expense	-	4,263	-	-	4,263
Lapsed options	-	(16,583)	-	16,583	-
Total contributions by owners	34,103	(12,320)	-	16,583	38,366
BALANCE AT 31 DECEMBER 2013	24,990,752	1,570,903	(130,710)	(23,584,966)	2,845,979
BALANCE AT 1 JULY 2014	24,990,752	1,596,478	(113,653)	(24,106,433)	2,367,144
Comprehensive loss for the period					
Loss for the period	-	-	-	(297,384)	(297,384)
Total other comprehensive loss	-	-	63,982	-	63,982
Total comprehensive loss for the period			63,982	(297,384)	(233,402)
Contributions by owners					
Share based payments expense	-	21,313	-	-	21,313
Lapsed options	-	(705,467)	-	705,467	-
Total contributions by owners	-	(684,154)	-	705,467	21,313
BALANCE AT 31 DECEMBER 2014	24,990,752	912,324	(49,671)	(23,698,350)	2,155,055

The statement of changes in equity is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

1. REPORTING ENTITY

Draig Resources Limited (the "Company") is a for-profit company domiciled in Australia. These consolidated interim financial statements as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries, Draig Investments (Singapore) Pte. Ltd, Draig Resources LLC and BDBL LLC (together referred to as the "Group"). The Group is primarily involved in the exploration and development of coal assets.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2014 are available upon request from the Company's registered office at Suite 22.01, 25 Bligh Street, Sydney, NSW, 2000 or at www.draigresources.com

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2014. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2014.

These consolidated interim financial statements were approved by the Board of Directors on 11 March 2015.

Judgements and Estimates

In preparing these interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	31 December 2014 \$	30 June 2014 \$
4. CASH AND CASH EQUIVALENTS		
Cash at bank	184,984	1,466,480
Term Deposits	1,900,200	850,200
	2,085,184	2,316,680
5. INVESTMENT IN ASSOCIATE		
Investment at cost	45,782	42,103
Share of loss for the period	(4,855)	(1,646)
	40,927	40,457
Impairment of investment in associate	(40,927)	(40,457)
	-	-
6. EXPLORATION AND EVALUATION EXPENDITURE		
Opening balance	-	2,868,208
Expenditure incurred during the period	-	36,275
Payment received from Trinity during the period	-	(22,599)
Expenditure expensed during the period	-	(4,910)
Impairment of exploration expenditure	-	(2,876,944)
	-	-
7. ISSUED CAPITAL		
	Number of shares	Amount \$
a) Issued shares:		
Balance at 1 July 2013	65,503,845	24,956,649
Shares issued	852,587	34,103
Balance at 31 December 2013	66,356,432	24,990,752
Balance at 1 July 2014 and 31 December 2014	66,356,432	24,990,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	31 December 2014	31 December 2013
Weighted average number of shares:		
Weighted average number of ordinary shares used in calculating basic earnings per share	66,356,432	66,245,225

Diluted loss per share is same as basic loss per share as the Company does not have any potential dilutive securities on issue.

b) Issued Share Options:

	Number of options
Balance at 31 December 2013 and 1 July 2014	6,600,000
Lapsed during the period	(2,950,000)
Balance at 31 December 2014	3,650,000

Details of options outstanding as at 31 December 2014

Grant Date	Date of Expiry	Exercise Price	Balance	Vested
25/01/2012	25/01/2015	\$0.60	50,000	50,000
25/01/2012	25/01/2015	\$0.75	50,000	50,000
01/02/2012	01/02/2015	\$0.50	250,000	250,000
25/11/2013	26/11/2017	\$0.050	1,650,000	-
25/11/2013	26/11/2017	\$0.075	1,650,000	-
		TOTAL	3,650,000	350,000

These options are not listed on the ASX.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	31 December 2014 \$	30 June 2014 \$
8. RESERVES		
a) Share Based Payments Reserve		
Balance at the beginning of the reporting period	1,596,478	1,583,223
Options issued to directors and employees	21,313	29,838
Options lapsed	(705,467)	(16,583)
Balance at the end of the period	912,324	1,596,478

The Share Based Payments Reserve records items recognised as expenses on valuation of director, employee, consultant and other third party share options and performance rights. Upon share options or performance rights being exercised, the cost of share based payments is reversed from the Share Based Payments Reserve and recorded against Issued Capital. In the event the share options or performance rights expire, the share based payment is reversed from the Share Based Payments Reserve and recorded against Accumulated Losses.

b) Foreign Currency Translation Reserve

Balance at the beginning of the reporting period	(113,653)	(108,492)
Currency translation differences arising during the period	63,982	(5,161)
	(49,671)	(113,653)

The Foreign Currency Translation Reserve is used to record exchange differences arising on translation of the Group entities that do not have a functional currency of Australian dollars and have been translated into Australian dollars for presentation purposes.

9. COMMITMENTS

The Group is committed to meeting its share of the minimum annual exploration expenditure each calendar year to maintain its Mongolian licences. The annual licence fees, for the two exploration licences held at 31 December 2014, for 2015 calendar year amount to US\$4,141 and the minimum annual exploration expenditure for the 2015 calendar year is US\$4,141.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

10. RELATED PARTIES

During the period ended 31 December 2014, Three Cheeky Monkeys Holdings Pty Ltd, as trustee of the Doherty Addinall Family Trust, rendered fees for the management services of Peter Doherty and Jarrod Smith. Fees during the period, which were in the ordinary course of business, amounted to \$105,875 (2013 - \$113,437). There were no amounts outstanding as at 31 December 2014.

During the period ended 31 December 2014, the Company received licence to occupy office space fees from Three Cheeky Monkeys Holdings Pty Ltd as trustee of the Doherty Addinall Family Trust. Fees during the period, which were in the ordinary course of business, amounted to \$11,440 (2013 - \$11,000). There were no amounts outstanding as at 31 December 2014.

During the period ended 31 December 2014, a related party of Three Cheeky Monkeys Holdings Pty Ltd, Republic Corporate Services Pty Ltd provided administrative services, including the services of a Financial Controller to the Group. Fees during the period, which were in the ordinary course of business, amounted to \$67,374 (2013 - \$67,374). There were no amounts outstanding as at 31 December 2014.

11. DIVIDENDS

No dividends were declared or paid in the previous year and the Directors recommended that no dividends be paid for the current period.

12. SEGMENT REPORTING

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker (CODM), which has been identified by the Group as the Board of directors.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

At 31 December 2014 the Group operated in one segment being coal exploration, which is consistent with 30 June 2014.

13. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTORS DECLARATION

In the opinion of the Directors of Draig Resources Limited ("the Company"):

1. The consolidated financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001, including:
 - a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Peter Doherty
Executive Chairman

11 March 2015

Independent auditor's review report to the members of Draig Resources Limited

We have reviewed the accompanying interim financial report of Draig Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As auditor of Draig Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Draig Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Anthony Jones
Partner

Sydney

11 March 2015