
DRAKE RESOURCES LIMITED**ABN 12 108 560 069****NOTICE OF ANNUAL GENERAL MEETING**

TIME: 10.00 am (WST)
DATE: 24 November 2005
PLACE: London House
216 St Georges Terrace
Perth, Western Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9228 0703.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Drake Resources Limited to which this Notice of Meeting relates will be held at 10.00 am (WST) on 24 November 2005 at:

London House
216 St Georges Terrace
Perth, Western Australia

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

(a) by post to Drake Resources Limited, Unit 6, 34 York Street, North Perth, Western Australia 6006; or

(b) by facsimile to the Company on facsimile number (08) 9228 0704,

so that it is received not later than 10.00am (WST) on 22 November 2005.

Proxy forms received later than this time will be invalid.

CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the Board, I have pleasure in inviting you to the Annual General Meeting of the shareholders of Drake Resources Limited.

The meeting will be held at London House Level 1 216 St Georges Terrace Perth WA 6000 on Thursday, 24 November, at 10:00am.

The formal Notice of Meeting and Explanatory Statement is attached.

The Directors look forward to welcoming Shareholders to the Annual General Meeting and at the conclusion of the meeting, the Managing Director, Dr Bob Beeson, will make a short presentation concerning the latest activities of the Company.

**DRAKE RESOURCES LIMITED
BRETT FRASER
CHAIRMAN**

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Drake Resources Limited will be held at London House, 216 St Georges Terrace, Perth, Western Australia, at 10am (WST) on 24 November 2005.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at the close of business on 22 November 2005.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

1. ACCOUNTS

To receive and consider the Annual Financial Report together with the Directors' and Auditor's Reports for the period ended 30 June 2005.

SPECIAL BUSINESS

2. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – MR BRETT FRASER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for all purposes, Mr Brett Fraser, a director of the Company who retires by rotation in accordance with Clause 11.3 of the Constitution and, being eligible, is re-elected as a Director of the Company."

3. RESOLUTION 2 – ADOPTION OF INCENTIVE OPTION SCHEME

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Listing Rule 7.2 (Exception 9) of the ASX Listing Rules and for all other purposes, approval is given for the Company to adopt an incentive option scheme known as the "Drake Resources Limited Incentive Option Scheme" (**Scheme**), a summary of which is set out in the Explanatory Statement accompanying this Notice of Meeting."*

Short Explanation: The Scheme is designed to be an incentive to key people who assist in the successful development and operation of the Company. Please refer to the Explanatory Statement for further details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by the Directors (except those who are ineligible to participate in the Scheme), and any of their associates.

4. RESOLUTION 3 – GRANT OF OPTIONS TO MR BRETT FRASER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and Section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the Directors to grant to Mr Brett Fraser (or his nominee) 1,500,000 options to be issued on the terms and conditions set out in Annexure A to this Notice of Meeting."

Short Explanation: The ASX Listing Rules require the Company to seek Shareholder approval prior to the issue of securities to a related party. Under the Corporations Act, the provision of any financial benefit (which includes the grant of options) requires shareholder approval pursuant to the related party provisions (Part 2E). Mr Fraser is a related party of the Company by virtue of the fact that he is a director.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Fraser and any of his associates.

5. RESOLUTION 4 – GRANT OF OPTIONS TO DR BOB BEESON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and Section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the Directors to grant to Dr Bob Beeson (or his nominee) 500,000 options to be issued on the terms and conditions set out in Annexure A to this Notice of Meeting."

Short Explanation: The ASX Listing Rules require the Company to seek Shareholder approval prior to the issue of securities to a related party. Under the Corporations Act, the provision of any financial benefit (which includes the grant of options) requires shareholder approval pursuant to the related party provisions (Part 2E). Dr Beeson is a related party of the Company by virtue of the fact that he is a director.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Beeson and any of his associates.

6. RESOLUTION 5 – GRANT OF OPTIONS TO MR JAY STEPHENSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and Section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the Directors to grant to Mr Jay Stephenson (or his nominee) 500,000 options to be issued on the terms and conditions set out in Annexure A to this Notice of Meeting."

Short Explanation: The ASX Listing Rules require the Company to seek Shareholder approval prior to the issue of securities to a related party. Under the

Corporations Act, the provision of any financial benefit (which includes the grant of options) requires shareholder approval pursuant to the related party provisions (Part 2E). Mr Stephenson is a related party of the Company by virtue of the fact that he is a director.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Stephenson and any of his associates.

7. RESOLUTION 6 – APPROVAL TO GIVE FINANCIAL BENEFIT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes Section 208 of the Corporations Act and for all other purposes, approval is given for the provision of a financial benefit to Direct Discovery Pty Ltd under the Consultancy Agreement on the terms set out in the Explanatory Statement accompanying this Notice.”

Short Explanation: Under the Corporations Act, the provision of any financial benefit to a related party requires shareholder approval pursuant to the related party provisions (Chapter 2E). Direct Discovery Pty Ltd is a related party of the Company by virtue of its association with Dr Bob Beeson, a director of the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Direct Discovery Pty Ltd and any of its associates.

DATED: 12 October 2005

BY ORDER OF THE BOARD

**DRAKE RESOURCES LIMITED
DR BOB BEESON
MANAGING DIRECTOR**

Voting Exclusion Note:

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at London House, 216 St Georges Terrace, Perth, Western Australia on 24 November 2005 at 10.00 am (WST).

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND DIRECTORS' REPORTS

In accordance with the Company's Constitution, the business of the meeting will include receipt and consideration of the Company's Financial Report and reports of Directors and Auditors for the year ended 30 June 2005.

2. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – MR BRETT FRASER

Clause 11.3 of the Constitution requires that if the Company has three or more Directors, one third of those Directors must retire at each annual general meeting.

The Company currently has three Directors and accordingly one must retire.

Clause 11.4 of the Constitution provides that a Director who retires under Clause 11.3 is eligible for re-election.

Mr Brett Fraser will retire by rotation and seeks re-election.

Mr Fraser is currently the Chairman of the Company.

Mr Fraser has been working in the Investment and Finance industries for 20 years. This has involved serving as a director on public and private companies across a range of industries. Having financed and/or managed property projects, corporate takeovers, initial public offerings and corporate turnarounds, Mr Fraser now assists companies with strategy and growth. He is an active investor in a number of projects and industries.

3. RESOLUTION 2 – ADOPTION OF INCENTIVE OPTION SCHEME

Resolution 2 seeks the approval of Shareholders for the adoption of the "Drake Resources Limited Incentive Option Scheme" (**Scheme**). Resolution 2 is placed before Shareholders in accordance with Exception 9 of Listing Rule 7.2. If Resolution 2 is passed, the Company will be able to issue options under the Scheme without impacting on the Company's ability to issue up to 15% of its total ordinary securities without shareholder approval in any 12 month period.

Shareholders should note that no options have previously been issued under this Scheme and the objective of the Scheme is to attract, motivate and retain key employees.

It is considered by the Directors that the adoption of the Scheme and the future grant of options under the Scheme will provide selected employees with the opportunity to participate in the future growth of the Company.

A summary of the terms and conditions of the Scheme is set out below:

Introduction

The Scheme is designed to provide eligible participants with an ownership interest in the Company and to provide additional incentives for eligible participants to increase profitability and returns to Shareholders.

The summary of the Scheme is set out below for the information of potential investors in the Company. The detailed terms and conditions of the Scheme may be obtained free of charge by contacting the Company.

General

The Board may from time to time, in its absolute discretion, offer to grant options to eligible participants under the Scheme.

Each option will be issued for no consideration and will carry the right in favour of the option holder to subscribe for one (1) Share in the capital of the Company.

The Board may determine the exercise price of the options in its absolute discretion. Subject to the Listing Rules, the exercise price may be nil but to the extent the Listing Rules specify or require a minimum price, the exercise price in respect of an offer made following the day on which Shares are first quoted on the Official List must not be less than any minimum price specified in the Listing Rules.

Eligible Participants

Full time employees, part time employees, Directors and consultants of the Company or an associated body corporate (the **Group**) are eligible to participate in the Scheme.

Lapse of Options

Unless the Board in its absolute discretion determines otherwise, options shall lapse immediately if:

- (a) the eligible participant ceases to be an employee or director of, or to render services to, a member of the Group for any reason whatsoever and the conditions of exercise of the options (**Exercise Conditions**) have not been met;
- (b) the Exercise Conditions of the options are unable to be met;
- (c) the date which is 2 years after the date of the grant of the options, or such other expiry date as the Board determines in its discretion at the time of grant of the option (**Lapsing Date**) has passed; or
- (d) the expiry of 60 days after the eligible participant ceases to be an employee or director of, or to render services to, a member of the Group for any reason whatsoever prior to the Lapsing Date where the Exercise Conditions have been met,

whichever is earlier.

Participation in Future Issues

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the exercise price of the options shall be reduced in accordance with the formula in the Listing Rules.

In the event of a bonus issue of Shares being made pro-rata to Shareholders (other than an issue in lieu of dividends), the number of Shares issued on exercise of each option will include the number of bonus Shares that would have been issued if the option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the option.

Reorganisation

The terms upon which options will be granted will not prevent them being reorganised as required by the Listing Rules on the reorganisation of the capital of the Company.

Trigger Events

Upon the occurrence of certain trigger events (for example the receipt by the Company of a bidder's statement in respect of the Company), the Directors may determine:

- (a) that the options may be exercised at any time from the date of such determination, and in any number until the date determined by the Directors acting bona fide so as to permit the holder to participate in any change of control arising from a trigger event, provided that the Directors will forthwith advise in writing each holder of such determination. Thereafter, the options shall lapse to the extent they have not been exercised; or
- (b) to use their reasonable endeavours to procure that an offer is made to holders of options on like terms (having regard to the nature and value of the options) to the terms proposed under the trigger event in which case the Directors shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the options shall immediately become exercisable and if not exercised within 10 days, shall lapse.

4. RESOLUTIONS 3, 4 AND 5 – GRANT OF OPTIONS TO DIRECTORS

The Company seeks approval for the grant of:

- (a) 1,500,000 options exercisable at \$0.25 each on or before 30 June 2008 to Mr Brett Fraser;

- (b) 500,000 options exercisable at \$0.25 each on or before 30 June 2008 to Dr Bob Beeson; and
- (c) 500,000 options exercisable at \$0.25 each on or before 30 June 2008 to Mr Jay Stephenson,

on the terms and conditions set out in Annexure A to this Explanatory Statement (together, the **Director Options**).

The approval is sought for the purposes of:

- (a) Chapter 2E of the Corporations Act 2001, which governs the giving of financial benefits to directors and other "related parties" of a company; and
- (b) Listing Rule 10.11 which provides that, subject to certain exceptions, a company listed on ASX cannot issue or grant securities to a director without shareholder approval.

The Board considers that in view of the financial, legal and other responsibilities assumed by directors of public companies, the payment of monetary fees alone is not an adequate reward and does not provide an adequate incentive to enable the Company to attract and keep board members and executive directors of the requisite level of experience and qualifications. The Board considers that equity participation by way of the grant of options to members of the Board of the Company is appropriate for these purposes. In addition, the Board considers that the issuing of options will contribute to the preservation of the Company's cash reserves.

The purpose of the grant of the Director Options is to provide an incentive to the Directors to continue to be dedicated and committed to the Company and to maximize their efforts to the benefit of Shareholders generally. The Company has decided to grant Mr Fraser a greater number of Director Options than the other Directors due to his contribution to the Company in the previous year, which is in excess of what would reasonably be expected from a Non-Executive Chairman.

4.1 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing securities.

For the purpose of this meeting, a "related party" includes:

- (a) a director of the Company;
- (b) an entity over which a director has control; and
- (c) an entity which believes, or has reasonable grounds to believe, that it is likely to become a related party in the future.

For the purposes of Chapter 2E of the Corporations Act, Mr Fraser, Dr Beeson and Mr Stephenson are related parties of the Company by virtue of the fact that they are directors of the Company.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in Sections 217 to 227; and
- (b) give the benefit within 15 months after the approval.

For the avoidance of doubt, the Company is seeking shareholder approval for the purposes of Chapter 2E of the Corporations Act in respect of the Director Options proposed to be issued to Messrs Fraser, Beeson and Stephenson (or their nominees).

The following information is provided to satisfy the requirements of Section 219 of the Corporations Act:

- (a) the proposed financial benefit to be given to the related parties (or their nominees) is the grant of 2,500,000 Director Options. In determining the number of options to be issued and their terms, consideration was given to the relevant experience and role of each of the Directors, their respective overall remuneration terms, the current market price of Shares and the terms of options packages granted to the directors of other companies within the oil and gas industry;
- (b) Mr Fraser, Dr Beeson, and Mr Stephenson decline to make a recommendation to Shareholders in relation to Resolutions 3, 4 and 5 respectively due to their material personal interest in the outcome of the relevant Resolutions. The independent Directors (with respect to Resolutions that they do not have a material personal interest in) recommend that Shareholders vote in favour of Resolutions 3, 4 and 5 as they are of the view that the issue of options to the Directors is an appropriate form of remuneration to provide them with an incentive to maximise returns to Shareholders. The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolutions;
- (c) as at the date of this Notice, the annual remuneration (inclusive of superannuation where applicable) payable to the Directors is set out below:

Person	Remuneration
Mr Fraser	\$40,000
Dr Beeson	\$140,000
Mr Stephenson	\$27,500

- (d) during the previous financial year, the remuneration (inclusive of superannuation where applicable) paid to the Directors is set out below:

Person	Remuneration
Mr Fraser	\$36,675
Dr Beeson	\$23,162
Mr Stephenson	\$33,950

- (e) as at the date of this Notice, the Directors have notifiable interests in the securities of the Company as set out below:

Person	Shares	Options
Mr Fraser	2,550,000	750,000
Dr Beeson	500,000	750,000
Mr Stephenson	1,950,000	750,000

- (f) other than as set out above, the Directors receive no other emoluments from the Company;
- (g) the Director Options will be granted for no consideration and otherwise on the terms and conditions set out in Annexure A to this Explanatory Statement;
- (h) if Shareholders approve the grant of Director Options to Mr Fraser, Dr Beeson and Mr Stephenson and all or any of the Director Options are exercised, the effect will be to dilute the shareholding of existing Shareholders. Subject to any adjustments arising from any rights issues or bonus issues of securities by the Company, 2,500,000 Shares will be allotted and issued upon exercise of the Director Options with the effect that the shareholding of the existing Shareholders will be diluted by approximately 8.3% (based on the number of Shares currently on issue and assuming no other options are exercised). If all the Director Options were to be exercised then the Company however would have received \$625,000 in cash. The market price for Shares during the term of the Director Options would normally determine whether or not Mr Fraser, Dr Beeson and Mr Stephenson exercise the Director Options. If at any time any of the Director Options are exercised and the Shares are trading on ASX at a price which is higher than the exercise price of the Director Options, then there may be a perceived cost to the Company. In the 12 months before the date of this Notice, the highest, lowest and last trading price of Shares on ASX are as set out below:

Highest	\$0.195 on 31 March 2005 and 1 April 2005
Lowest	\$0.125 on 6 May 2005
Last	\$0.145 on 11 October 2005

- (i) the value of the Director Options and the option pricing methodology is set out below:

- (j) the primary purpose of the grant of the Director Options is to provide an incentive to Mr Fraser, Dr Beeson and Mr Stephenson to provide dedicated and ongoing commitment and effort to the Company. Given this purpose, the Directors do not consider that there are any opportunity costs to the Company of benefits forgone by the Company in granting the Director Options upon the terms proposed; and
- (k) in determining the number of Director Options to be issued and their terms, consideration was given to the relevant experience and role of each of the Directors, their respective overall remuneration terms (which the Company believes are modest in comparison to the level of service provided), the current market price of Shares and the terms of options packages granted to directors of other companies within the mining industry. The Company has decided to grant Mr Fraser a greater number of Director Options than the other Directors due to his contribution to the Company in the previous year, which is in excess of what would reasonably be expected from a Non-Executive Chairman.

4.2 Details concerning value of Director Options

The Director Options proposed to be issued are not listed on ASX and as such have no market value.

The Director Options have been valued by Stanton Partners Corporate Pty Ltd using the Black & Scholes pricing model, based on the following assumptions:

- (a) the exercise price of the Director Options is 25 cents each;
- (b) the expiry date of the Director Options is 30 June 2008;
- (c) the market price of a Share is 14.5 cents (being the last sale price of Shares on ASX before performing the calculation);
- (d) the risk free interest rate is approximately 5.31% (being the Treasury bonds rate);
- (e) the valuation date for the Director Options is 11 October 2005, although the Director Options will not be granted until the Company has approved the grant of the Director Options. This is expected to occur in late November or early December 2005;
- (f) the valuations ascribed to the Director Options may not necessarily represent the market price of the Director Options at the date of the valuations;
- (g) since being quoted on ASX on 31 March 2005, Shares have traded in the range of 13.0 cents to 19.5 cents for a volatility of 50%. However, we note that in the three months to 11 October 2005, the Shares traded in the 14.0 cents to 18.5 cents range for a volatility of approximately 32%. During the last six months leading up to 11 October 2005, the Company made a number of announcements involving existing and new projects including an announcement in September 2005 regarding its Mt Carrington copper project and an August 2005 announcement regarding a uranium prospect. Further, it is not uncommon for listed mineral and energy exploration companies to have volatilities in the range of 25% to 100% with some companies falling outside that normal range. After taking into account the above factors, we are of the view

that the fair volatility should be set in the range of 50% to 80%, with a mid range volatility of 65%; and

- (h) the valuations incorporate a 30% discount to reflect the fact that the Director Options are not listed.

Based on the above assumptions, the technical ranges of values of each of the Director Options are as follows:

	50% Volatility	65% Volatility	80% Volatility
Option Value	1.875 cents	2.848 cents	3.797 cents

Accordingly, the total value of the Director Options (assuming a volatility of 65%) to be granted to the Directors is as follows:

Person	Value
Mr Fraser	\$42,720
Dr Beeson	\$14,240
Mr Stephenson	\$14,240

4.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party. Mr Fraser, Dr Beeson and Mr Stephenson are considered related parties of the Company by virtue of the fact that they are Directors of the Company.

Approval pursuant to Listing Rule 7.1 is not required in order to grant the Director Options as approval is being obtained under ASX Listing Rule 10.11. The grant of the Director Options will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

4.4 Technical Information Required by ASX Listing Rule 10.13

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. The following information is provided to Shareholders for the purposes of Listing Rule 10.13:

- (a) the maximum number of Director Options to be granted is 2,500,000 and the allottees will be Mr Fraser, Dr Beeson and Mr Stephenson;
- (b) the Director Options will be issued no later than one (1) month from the date of approval of the Resolutions (or such later date as approved by ASX) and it is anticipated that the Director Options will be issued on one date;
- (c) the terms and conditions of the Director Options are set out in Annexure A to this Explanatory Statement;

- (d) the Director Options will be granted free as consideration for performance of work, both previously and into the future, by Mr Fraser, Dr Beeson and Mr Stephenson for the Company and to secure the ongoing commitment of Mr Fraser, Dr Beeson and Mr Stephenson to the continued growth of the Company; and
- (e) the Company acknowledges that the grant of the Director Options to Non-Executive Directors of the Company is contrary to recommendation 9.3 of the ASX Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of the Director Options to be appropriate and reasonable in the circumstances given the necessity to attract the highest calibre of professionals to the role, whilst maintaining the Company's cash reserves. The Non-Executive Directors of the Company receive only modest fees (as set out in Section 4.1 of this Explanatory Statement) in comparison to other listed companies of a similar size and their role in the Company is focussed on growing Shareholder value through strategic direction as well as ensuring governance and controls. The Board considers it more appropriate for Non-Executive Directors to be compensated in part by a performance related option issue rather than by increased fees. The Board considers that the grant of these Director Options forms part of a reasonable overall remuneration package.

5. RESOLUTION 6 – APPROVAL TO GIVE FINANCIAL BENEFIT

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to Section 208 apply or shareholders have in general meeting approved the giving of that financial benefit to the related party.

Direct Discovery Pty Ltd (**Direct**) is a related party of the Company by virtue of its association with Dr Bob Beeson, a director of the Company. Dr Beeson is a director and controlling shareholder of Direct.

The Company and Direct are proposing to enter into a Consultancy Agreement on the following material terms:

- (a) the Company will engage Direct on a non-exclusive basis to identify drilling targets using its satellite technology;
- (b) the Company will pay Direct a fee of \$1000 for each satellite scene processed and interpreted;
- (c) Direct will provide Drake with written reports which identify and rank various prospects; and
- (d) if the Company enters into an agreement to farm into, purchase an interest in or otherwise acquire title to one or more prospects identified by Direct and has completed two successive drilling programmes on identified targets, the Company will pay Direct an additional fee of \$30,000 in respect of each such prospect to a maximum of two targets or \$60,000.

Under the terms of the Consultancy Agreement, Direct will receive financial benefits.

Section 210 of the Corporations Act provides that an entity does not need to obtain shareholder approval to give a financial benefit to a related party if the

giving of the financial benefit would be reasonable in the circumstances if the related party and the entity were dealing at arm's length (or terms less favourable than arm's length).

The Consultancy Agreement is currently being finalised between the Company and Direct and will be entered into by the Board on the basis that the terms of the agreement and the financial benefits to be given to Direct under the agreement is on arm's length terms (or terms less favourable than arm's length) and are reasonable in the circumstances.

Notwithstanding this opinion, the Board is of the view that it is prudent to seek Shareholder approval under Section 208 of the Corporations Act to permit the giving of financial benefits to Direct under the terms of the Consultancy Agreement.

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to Direct:

- (a) the related party to whom a financial benefit may be given under the Consultancy Agreement is Direct;
- (b) the nature of the financial benefits proposed to be given under the Consultancy Agreement is discussed above. The material financial benefit can be summarised as the right to receive remuneration for the provision of technical services to the Company;
- (c) information on the remuneration payable to Dr Beeson for the current year and previous year as well as Dr Beeson's notifiable interests in the securities of the Company are set out in Section 4.1 of this Explanatory Statement; and
- (d) Dr Beeson declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. The other Directors recommend that Shareholders vote in favour of Resolution 6 as they are of the view that the appointment of Direct as a consultant to the Company is in the best interests of the Company and its Shareholders.

ANNEXURE A

TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The terms and conditions of the Director Options are as follows:

- (a) each Director Option entitles the holder to one (1) Share in the Company;
- (b) the Director Option exercise price is \$0.25 per Director Option;
- (c) each Director Option is exercisable at any time on or prior to 5.00pm Western Standard Time on 30 June 2008 by completing an Option Exercise Form and delivering to the Registered Office of the Company together with the payment for the number of Shares in respect of which the Director Options are exercised;
- (d) no application will be made to ASX for the Director Options to be granted quotation. If the Director Options are exercised the Company will apply for the Shares thereupon issued to be granted quotation. Such Shares will rank equally from the date of issue with all other Shares on issue;
- (e) the rights of the holder of the Director Options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation;
- (f) the Director Options do not entitle the holder to participate in any new issues by the Company without exercising the Director Options;
- (g) the Director Options do not confer on the holder any rights to a change in the exercise price of the Director Options or a change to the number of underlying securities over which the Director Options can be exercised except:
 - (i) in the case of a pro rata issue to the holders of Shares (except a bonus issue) the exercise price of each Director Option shall be reduced in accordance with the formula contained in Listing Rule 6.22.2; or
 - (ii) in the case of a bonus issue to the holders of Shares the number of Shares over which each Director Option is exercisable shall be increased by the number of Shares which the holder of the Director Option would have received if the Director Option had been exercised before the record date for the bonus issue; and
- (h) the Director Options are not transferable.

DRAKE RESOURCES LIMITED
ABN 12 108 560 069

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting
5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed:
 - (a) send the proxy form by post to Drake Resources Limited, Unit 6, 34 York Street, North Perth, Western Australia 6006; or
 - (b) by facsimile to the Company on facsimile number (08) 9228 0704,so that it is received not later than 10.00 am (WST) on 22 November 2005.

Proxy forms received later than this time will be invalid.