Drake Resources Limited

ABN 12 108 560 069

ANNUAL REPORT
30 JUNE 2009

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OPERATIONS REVIEW

During the past year, the Company's activities changed significantly. In October 2008, OZ Minerals Ltd withdrew from its Alliance affiliation with Drake Resources. The effect of the withdrawal was for OZ to cease funding for all of the Alliance's project generation activity, and for all of the Alliance's exploration project joint ventures, including those in Sweden. Although OZ had earned a participating interest in some of these joint ventures, it relinquished its entire position, and agreed to fulfil all its outstanding commitments, and to transfer all the tenements to Drake at no cost.

As 100 per cent holder of the property portfolio, Drake then sought to attract another partner to fund a significant ongoing exploration programme. In April 2009, Drake entered into an exploration Joint Venture agreement with Royal Falcon Mining LLC (RFM) via RFM's Alliance partner, ASX-listed Company, Golden Rim Resources Ltd, over its Falun and Bersbo properties in Bergslagen, Sweden. This programme formed the core of Drake's activities during the past year, and will remain the main focus in the short- to medium term. Drake retains all other properties in Bergslagen in 100 per cent terms.

In April 2008, Drake Resources entered into an option agreement with Rex Minerals Ltd over its Mt Carrington gold-silver project in New South Wales. Rex Minerals completed a major work programme on the Mt Carrington project during its option period. In April 2009, Rex Minerals exercised its option and paid the second tranche to Drake. The final payments of $350,000 and two million Rex shares fall due when the NSW Government transfers the tenements to Rex.

Operational highlights for the year include:

- At Falun, Drake located and acquired all assays of past drill core carried out by the original owners of the Falun copper-zinc-gold mine, entered the data into Drake's database, and analysed its significance using Drake's proprietary three-dimensional (3D) model. As part of this analysis, Drake identified high grade gold intercepts in historic, near-surface drilling in the Eastern Gold Zone including:
    - 15.2m @ 9.3 g/t Au (7.0 g/t cut to 30 g/t) 20/1990
    - 37m @ 23.6 g/t Au (3.5 g/t cut) 40/1990
    - 12.9m @ 23.5 g/t Au (3.9 g/t cut) 41/1990

  The model shows that the Eastern Copper-Gold Zone is 500 metres long, 200 metres wide, and at least 550 metres deep. Parts of the Eastern Copper-Gold Zone were selectively mined for copper but that mining did not take the gold content of the ores into account. Similarly, Drake's analysis shows the Western Zone extends from surface to a depth of more than 530 metres. It contains high-grade intercepts of potentially economic grades, including 23.5 metres at 2.8% copper, although this zone has been only partly tested by past drilling, and most intersections were not assayed for gold or silver.

- During the year, Drake completed its interpretation of the detailed airborne electromagnetic survey for the Falun and Bersbo Project Areas. The survey revealed numerous high-priority targets that warrant drill-testing.

- Two prospective, new regional exploration targets have been identified in Drake's Rogsån permit in Sweden, following further investigation of two high-priority VTEM geophysical anomalies.

- At the Digertäkt prospect, approximately 5km north east of the Falun copper-zinc mine, Drake received assay results for rock chip samples collected over a 1km line of old workings. Ten of the sixteen samples collected gave assayed in excess of 10% Zn, including assays up to up to 27.1% Zn, 14.2% Pb and 210 ppm Ag in separate samples. Drilling is planned to follow up these encouraging results.

CORPORATE

ROYAL FALCON MINING AGREEMENT

On 7 April 2009, the Company announced that it has signed an agreement with Royal Falcon Mining LLC for the exploration of Falun and Bersbo Projects in Sweden.

The Projects comprise 15 separate exploration permits in the Bergslagen Province west of Stockholm which were previously joint ventures with OZ Minerals Ltd. The permits are in the process of being transferred from OZ Minerals Ltd to Drake Resources Ltd, and Drake will hold 100% interests in each.

Royal Falcon Mining LLC (Royal Falcon) is a strategic alliance company established to acquire, explore, develop and manage mineral projects. The alliance partners are Golden Rim Resources Ltd and PAL Technology Services LLC, a member of the Royal Group of Companies of Abu Dhabi, United Arab Emirates.

The main elements of the agreement include:

- Royal Falcon must spend US$3 million to earn a 51% interest in the Falun and Bersbo Projects. Royal Falcon can withdraw from the agreement after spending a minimum of US$1.0 million; Drake retains a 100% interest in the Projects until the US$3 million is expended.
- Royal Falcon can elect to spend a further US$3 million to earn an additional 24% interest in the Falun and Bersbo Projects.
- Drake will have the right to fund their respective share (49% or 25%) of project exploration, feasibility, mine development, or mine development costs when these funding requirements have been met

- If Drake's project interest falls below 5% then their interest will revert to a 2% Net Smelter Royalty ("NSR") on production from the Falun or Bersbo Projects.
- Drake will, initially, continue to manage all exploration on the Falun and Bersbo Projects

MT CARRINGTON SILVER-GOLD, NEW SOUTH WALES

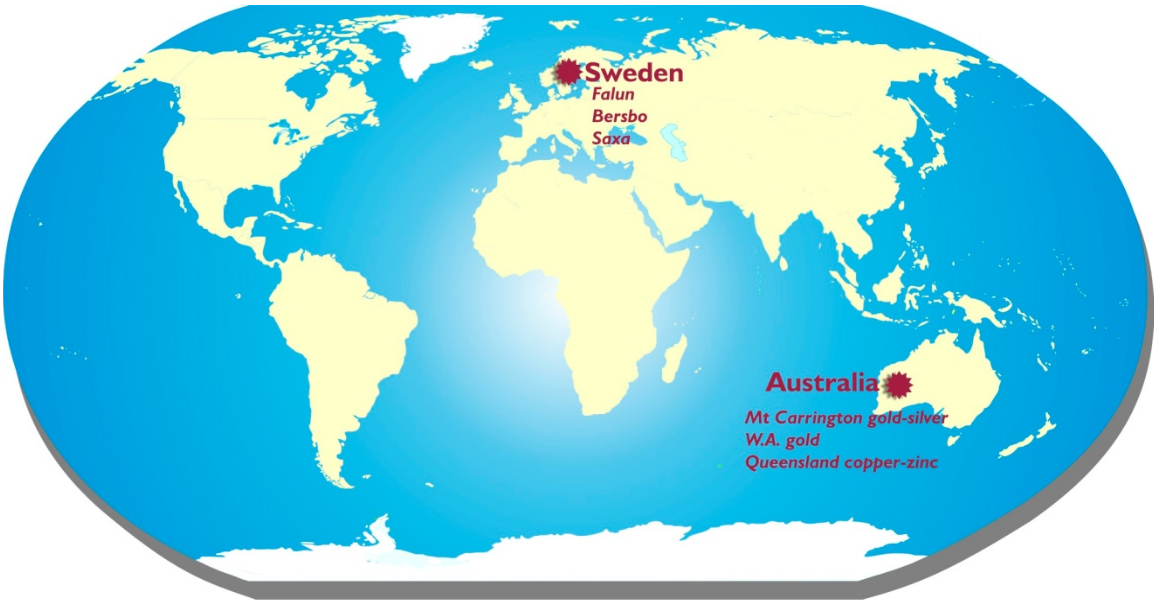
In April 2008, Drake granted an option to Rex Minerals Limited (Rex) to purchase all of its interests in the Mt Carrington gold-silver project in northern NSW. These interests include Drake's option to purchase a 90% participating interest in 22 mining and related leases from Virotec International PLC (Virotec), Drake's 90% interest in EL 6273 with Cazaly Resources Ltd (Cazaly), and its 100% interests in ELs 6452 and 6453. Drake's agreement with Rex followed lengthy discussions involving all four companies with a view to restructuring the project for advanced-stage exploration and resource assessment.

The initial terms of the Agreement were revised on 13 March 2009. Under the revised terms of the Option Agreement, total consideration for the purchase of the Mt Carrington Project is as follows:

- Total cash consideration of $735,000 being $135,000 paid on the granting of the option, $350,000 paid on the exercise of the Option, and the balance payable on the transfer of the tenements to Rex.
- 2.0 million Rex Shares.
- Assumption of the bond and liabilities associated with the mining leases and exploration licences.
- The sale is conditional upon Rex obtaining the renewal of the Mining Leases, and the consent from the Minister to the transfer of the Mining Leases to Rex.

On 24 April 2009, the Company announced that Rex had exercised its right to purchase 100% of the Mt Carrington Project.

EXPLORATION



Drake exploration regions

DRAKE-ZINIFEX ALLIANCE AND BASE METAL JOINT VENTURES - SWEDEN

Following the Zinifex – Oxiana merger in mid-2008, OZ Minerals Ltd undertook a review of its exploration activities worldwide, given the new commodity/region priorities for the merged entity. As a result of that review, and its budget constraints, OZ Minerals elected to withdraw from the Drake – Zinifex Alliance. Up until that point, Zinifex had been sole-funding Drake's generative exploration for the Alliance, as well as sole-funding the first-phase of all the joint venture projects arising from the generative activity.

Most of these exploration joint ventures were based upon projects in Sweden although the generative activity had been more broadly based. The Alliance's joint ventures in Sweden focussed on the major Bergslagen base metal province of central Sweden. The province contains two of the largest base metal mines in Europe, Zinkgruvan and Garpenberg. The province also contains the Falun copper-zinc-gold mine, which closed in 1992. The Falun project was acquired by the Drake – Zinifex Alliance as an opportunity when the Government lifted restrictions on exploration. The Alliance then quickly generated a strong portfolio of exploration opportunities in Bergslagen. Both Zinifex and Drake regarded the Alliance as very successful. Zinifex had invested more than $2 million (AUD) allowing the development of a high-quality portfolio of exploration projects, including an excellent group of properties in the vicinity of the historic Falun mine in Sweden.

Given the circumstances of the withdrawal, OZ Minerals agreed to transfer all of its rights, titles and interests in the properties to Drake at no cost to Drake, and to fulfil its outstanding commitments on the projects. Drake Resources then explored all the strategic options available that might allow continuing exploration and development of the portfolio.

As part of that review, Drake decided to focus on the two main projects in Sweden in the short- to medium-term. In April 2008, Drake entered into an exploration Joint Venture agreement with Royal Falcon Mining LLC via its Alliance partner, ASX-listed Company, Golden Rim Resources Ltd, over its Falun and Bersbo properties in Bergslagen, Sweden. Drake retains all other properties in Bergslagen in 100 per cent terms.

DRAKE-ROYAL FALCON BASE AND PRECIOUS METAL JOINT VENTURES - SWEDEN

THE FALUN PROJECT

Falun 100 covers the historic, world-class Falun copper mine which operated for over 1300 years until its closure in 1992. During the 17th and 18th centuries, Falun was the world's largest copper mine, producing two-thirds of the world's copper. Whilst best known as a major copper producer, Falun was also Sweden's largest gold mine and the second largest silver mine.

Detailed geological mapping of the licence and surrounding area was completed in the 2007 northern summer. This fieldwork has been integrated with an overall interpretation of the area by specialist consultants. The results of this work helped to form the programme for the Northern Hemisphere summer.

Sweden - Falun Location Map

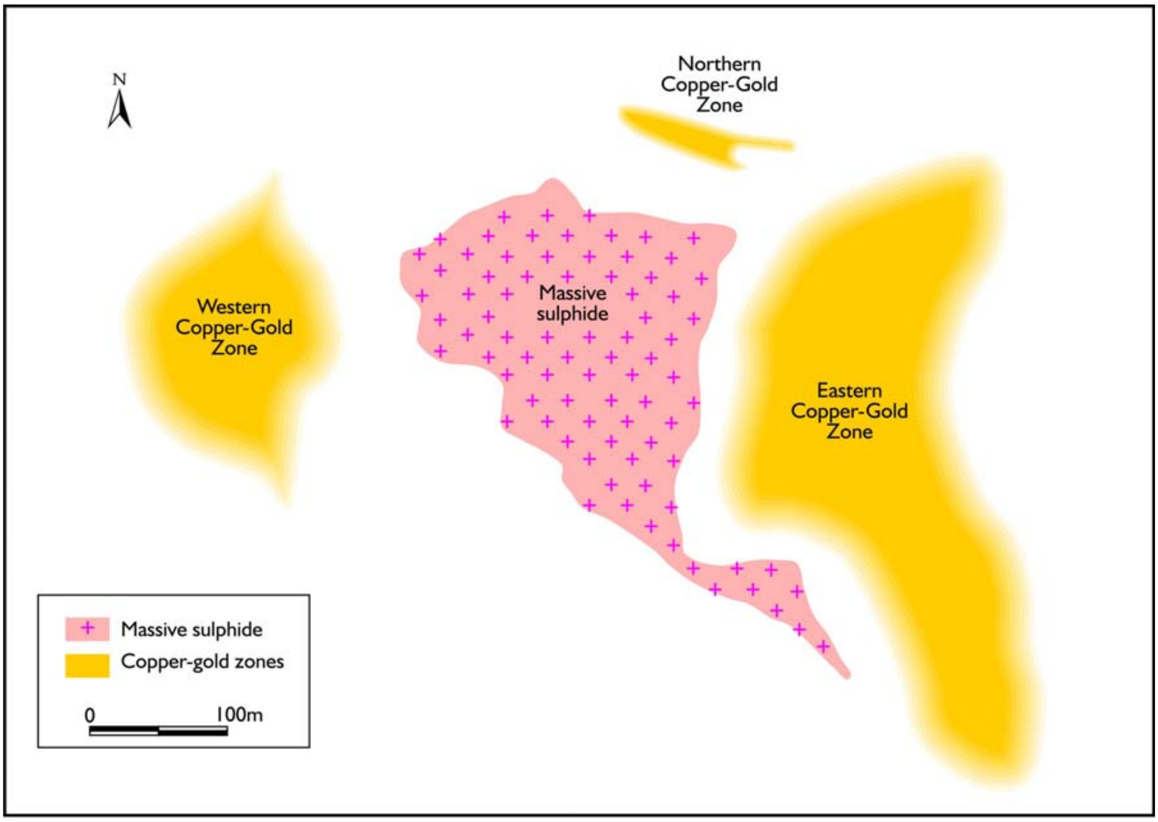
The Falun copper-zinc mine

Drake and Royal Falcon consider that copper, zinc, and gold ores still remain within the very large mineralised system that has been exploited at the historic Falun Mine. The companies have a programme to identify and assess the economic potential of any orebodies remaining within the mineralised system.

The main steps in this programme include:

1. The acquisition of all level plans and sections through the existing mine workings;
2. Digitising the drill hole logs and establishing a drill hole database for use in section plotting;
3. Locating, logging and sampling the existing drill core for the Falun mine area;
4. Building a 3D model of the mine and its immediate vicinity based on the plans and drill logs.

All of these data have now been incorporated into the 3D model, including all level plans and sections, the main mineralisation types, the key geological units, and the 1445 drill holes together with all their available assay data. The joint venture now has the capability to plot the drill holes as sections and in levels through the mine area, for the first time using a 3D model and digital drill hole database. The Joint Venture has applied this technology to assist in designing a drill programme to test the potential of the Falun mineralised system.



Falun Copper-Zinc Mine, 145m Level

This work adds weight to Drake's previous interpretation that a large area of mineralisation exists immediately east of the previously mined Falun massive sulphide, copper-zinc-gold deposit. This mineralisation is interpreted to extend from surface to at least 550 metres depth. High grade, siliceous copper-gold mineralisation and gold veins have been mined within this area, but the extent and continuity of this mineralisation has yet to be determined.

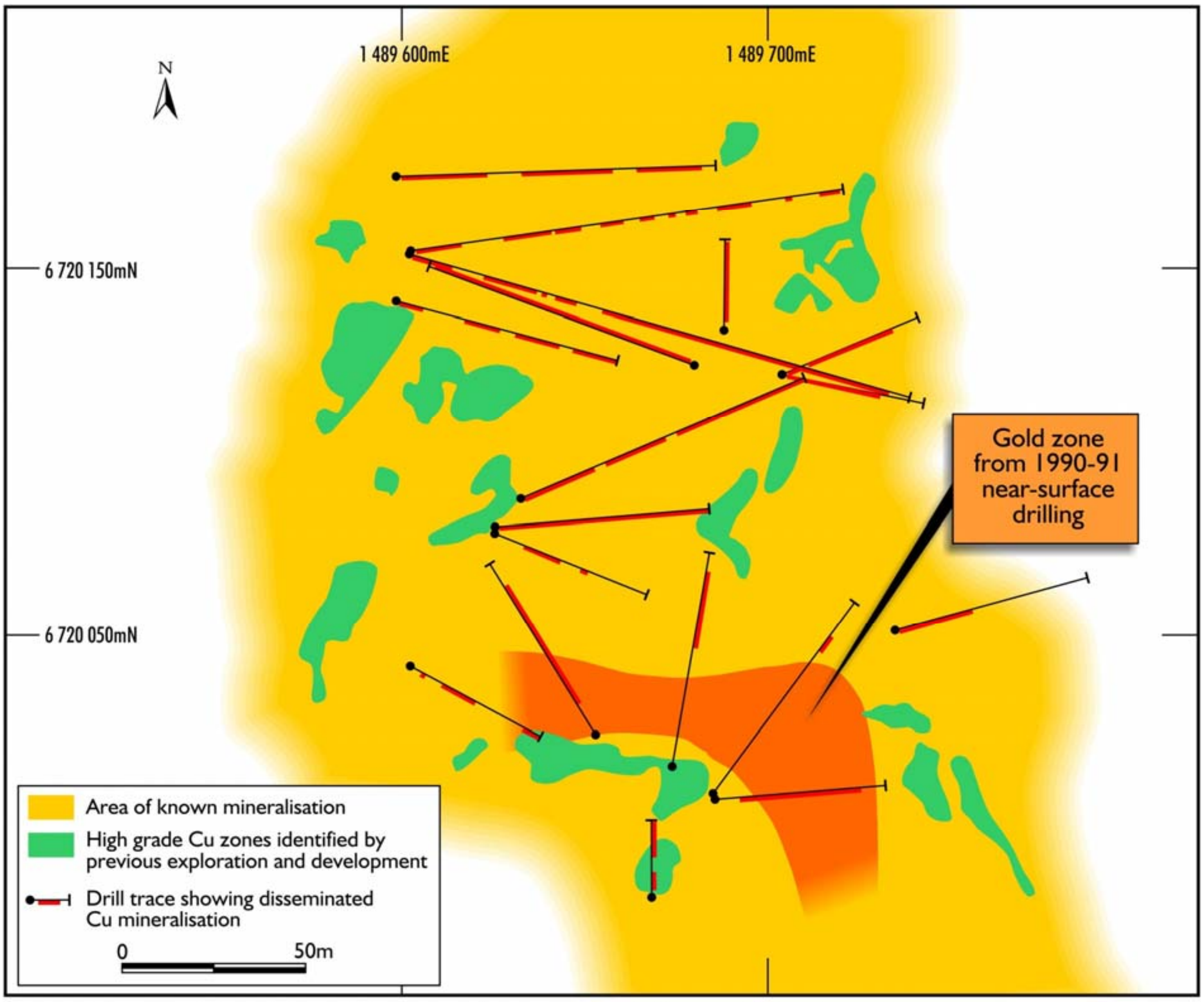
The Eastern Copper-Gold Zone

This zone is located on the eastern side of the main pit. It was partly mined between 100 and 300 years ago. Drake considers that mining practices at that time would only have extracted copper ores with in excess of 2-3% copper. It is likely that most significant sized bodies of lower-grade mineralisation still remain in the ground although the database does contain narrow drill intersections of up to 7% copper.

There is little information or assay data for gold in the Eastern Zone, but Drake's ongoing work demonstrates that it does contain gold with grades of 3-6 g/t in places, and locally grades higher than 1.0 oz per tonne over short intervals.

The extent of the Eastern Zone is partly defined by past mining and by drilling. It extends for at least 500 metres in a north-south direction. It is open to the south, and may link up with more mineralisation further to the north. Drilling shows that the Zone extends to a depth of 550 metres below surface, but old mine reports suggest that it may extend to 1100 metres depth. Declines and shafts at the mine are still open and offer potential access, extending down to a depth of 600 metres below surface.

The plan at the 145 metre level (see below) indicates the extent of the lenses of high-grade copper ores in green (partly mined), and the presence of chalcopyrite along drill holes in red. These indicate that much of the Zone is mineralised, although the limited assaying of the historic drill holes does not provide information on the grade.

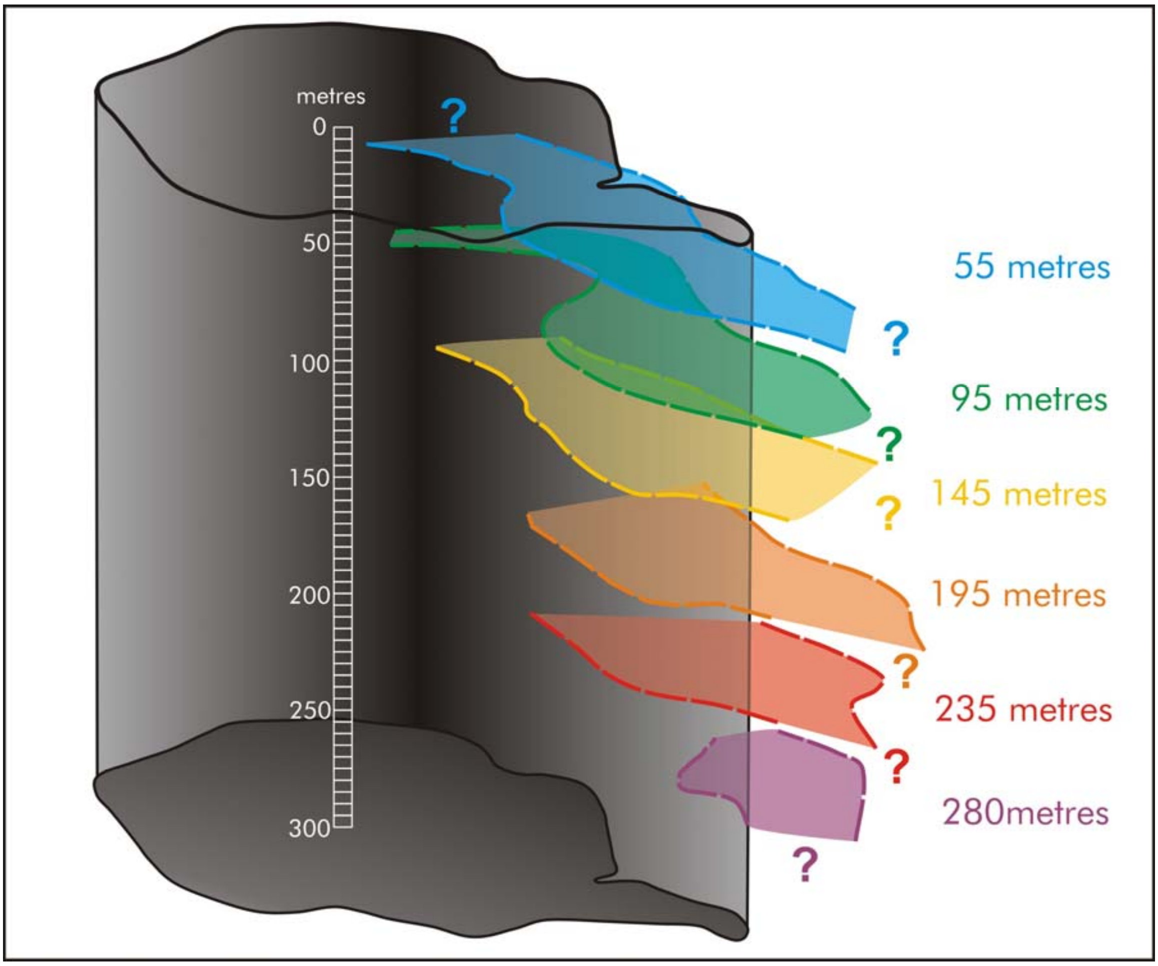


Falun Copper-Zinc Mine, Eastern Copper-Gold Zone, 145m Level

Prior to 1990, the second last year of exploration before the mine closed, there was no systematic assaying of drill holes in the Eastern Zone. Based upon the 1990 assay data, examples of drill hole intersections through the upper part of Eastern Copper-Gold Zone are:

- 55 metres level: Hole 10/1961 at the N end of this zone 8.7m @ 3.7% Cu, 18 g/t Ag and 0.5 g/t Au,
- 95 metres level: Hole 25/1961 at the N end of this zone contains an intersection of 4.0m @ 2.84% Cu,
- 145 metre level: Hole 3/1966, through the centre-north of the zone, has disseminated chalcopyrite mineralisation over much of its 143.9m length.

There is no drill testing of the northern half of the Zone; nor is there any drill testing of the Zone below the 145 metre level, as is shown in the figure below.



Extent of copper-gold zone at decreasing levels at the Falun mine; the surface extent of the pit at Falun is projected to depth in grey for location purposes.

The form of the mineralisation is poorly understood because of the paucity of drill core. The historic drill logs indicate that the mineralisation comprises disseminated chalcopyrite and thin quartz veins containing gold, copper and bismuth.

The copper and gold mineralisation is hosted by the silica alteration zone that envelopes the Falun massive sulphide body. The alteration zone contains varying amounts of biotite, anthophyllite and sulphides. Chalcopyrite is the dominant sulphide mineral. The Swedish mine geologists regarded the Copper-Gold Zone as a "stockwork" or "stringer zone" relating to the compact massive sulphide ores.
The quartz veins have two different forms:

1) Milky quartz weakly impregnated with chalcopyrite
2) Au-bearing quartz veins, in places showing some zoning with milky quartz at the edges, and coarser quartz towards its centre. These veins include electrum, chalcopyrite, pyrrhotite and laitakarite.

Old workings, Eastern Copper-Gold Zone

The Near-surface Gold-Copper Mineralisation

In 1990 and 1991, some of the last drilling before mine closure in 1992, was completed in a part of the mine known as the Johannes-Lucas zone. The core from this drilling was assayed for gold. The results from this work are very encouraging in that the drilling indicates the presence of significant copper-gold mineralisation but has not defined its full extent.

This mineralisation was drilled from surface, and at shallow angles to the southwest. Drill hole locations are indicated on the map (see below). Typically the first ten metres of each hole was drilled through mine waste, and not sampled.

Table 1: Gold and copper intersections in the Johannes-Lucas area of the Falun mine

	From	**To**	**Intersect (m)**	**Gold (uncut)**	***Gold (cut, Note 2)***	**Copper (%, Note 1)**
10/1990	9.5	23.9	14.4	8.2	*7.7*	1.0
20/1990	29.2	44.35	15.2	9.3	*7.0*	1.4
incl.	33	41.5	8.5	14.9	*10.8*	1.2
21/1990	11.2	62	50.8	3.4	*2.9*	0.5
incl.	36.6	44.8	8.2	13.8	*10.2*	0.7
39/1990	7.6	29.1	21.5	1.3	*1.3*	0.2
40/1990	3.5	40.9	37.4	23.6	*3.5*	0.5

incl.	15.3	35	19.7	43.8	*5.7*	0.6
41/1990	5.4	18.3	12.9	23.5	*3.9*	0.5
and	86.1	86.5	0.4	2.8	*2.8*	6.4
42/1990	29.5	32.4	2.9	1.5	*1.5*	0.5
49/1990	7.6	23.6	16.0	8.7	*6.2*	0.8
15/1991	23.1	70.4	47.3	0.9	*0.9*	1.0
incl.	23.1	44.8	21.7	1.4	*1.4*	2.0

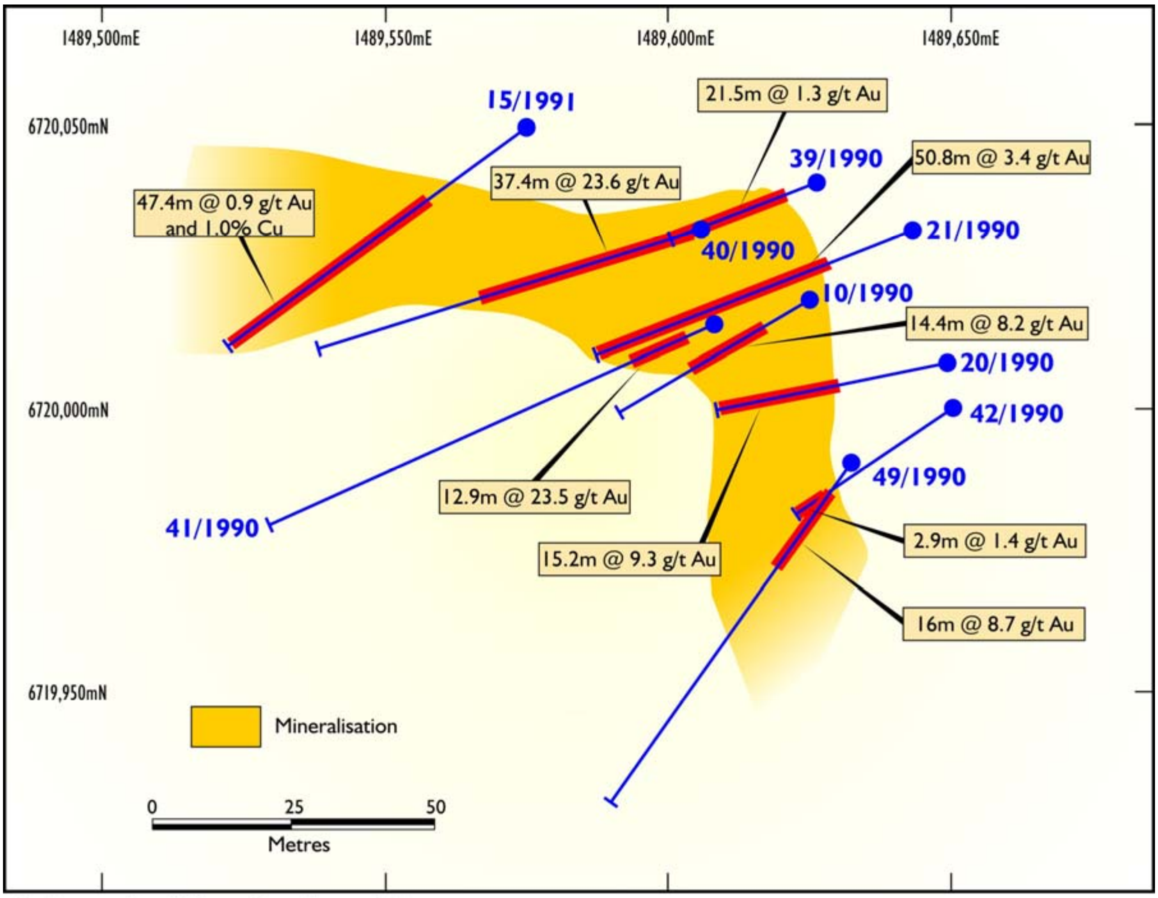
1. Majority of samples not assayed for copper; copper averages are therefore understated

2. Gold grades cut to 30 g/t

Several holes either start or end in mineralisation, as indicated by the table below.

Table 2: Drill holes starting or finishing in gold-copper mineralisation

Hole ID	**Comments**
10/1990	Started in mineralisation
20/1990	Stopped in mineralisation
21/1990	Stopped in mineralisation
39/1990	Stopped in mineralisation
40/1990	
41/1990	Started in mineralisation
42/1990	
49/1990	Started in mineralisation
15/1991	Started and stopped in mineralisation



Falun - Drilling Surface Plan

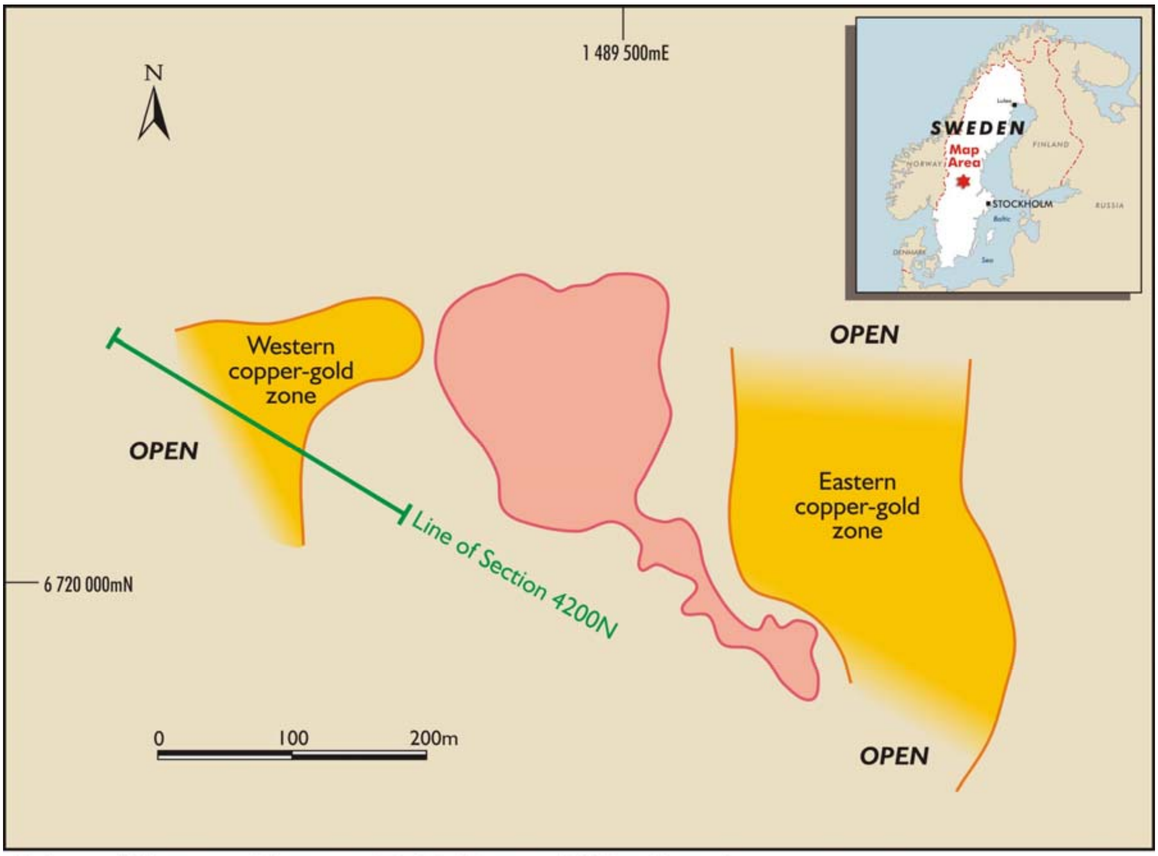
Uncut gold intersections in the near-surface part of the Johannes-Lucas section of the Falun mine

It is not known whether the mineralisation has been affected by near-surface processes that might have enriched or depleted the grades of gold and copper. There is no evidence of such processes generally in Sweden, and fresh sulphide mineralisation commonly crops out at surface.

.The Western Copper-Gold Zone

The Western Zone is also poorly defined below 100 metres depth. At the 195 metre level, it appears to have a minimum extent of 380 metres east-west and 160 metres north-south. It may well link up with mineralisation intersected in drilling at the 500-530 metres levels.

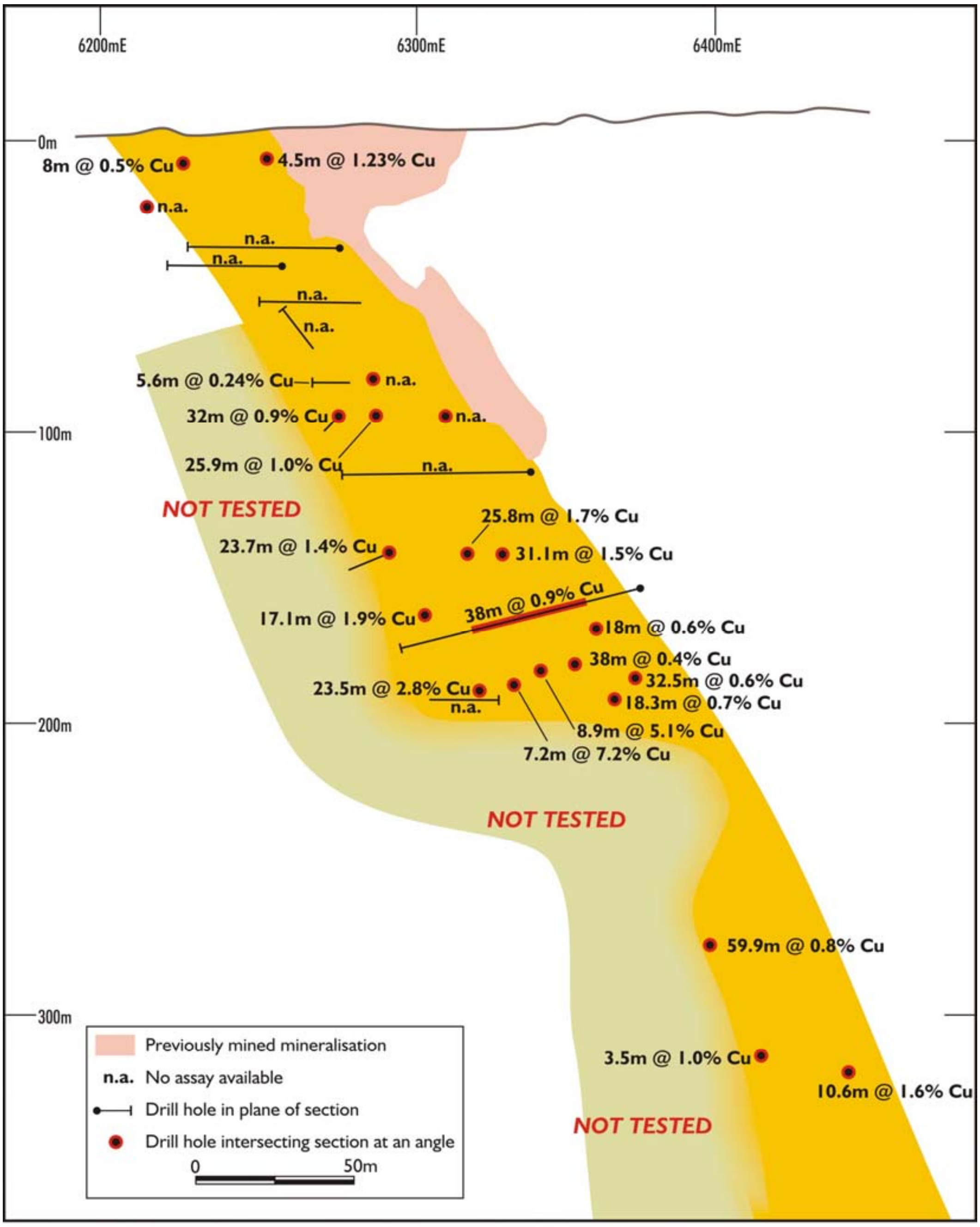
The mineralisation on the eastern side of the Western Zone has been partly mined adjoining the section where the massive sulphide body was extracted. There has also been mining of small lenses of massive sulphide that were located within the Western Copper-Gold Zone.



Falun - Western Copper-Gold Zone - 195m Level

The mineralisation style is similar to that previously reported in the Eastern Zone, namely chalcopyrite within siliceous altered volcanic rocks. Drill intersections, such as 8.9 metres at 5.1% copper, define locally plunging lenses of higher-grade mineralisation.

The section below indicates that the mineralisation is continuous down to at least 350 metres depth. The Zone is less well developed in the top 100 metres, but grade and thicknesses increase below this level. At 500-530 metres depth, two drill intersections (9.4 metres at 3.3% Cu and 10.9 metres at 2.1% Cu) occur approximately 80 metres southeast of a 60 metre intersection in Hole 4/1969, and 100 metre south of 6.6 metres at 2.8% Cu in Hole 7/1945, suggesting that the Western Zone persists at depth. Existing mine infrastructure gives access down to 600 metres depth.

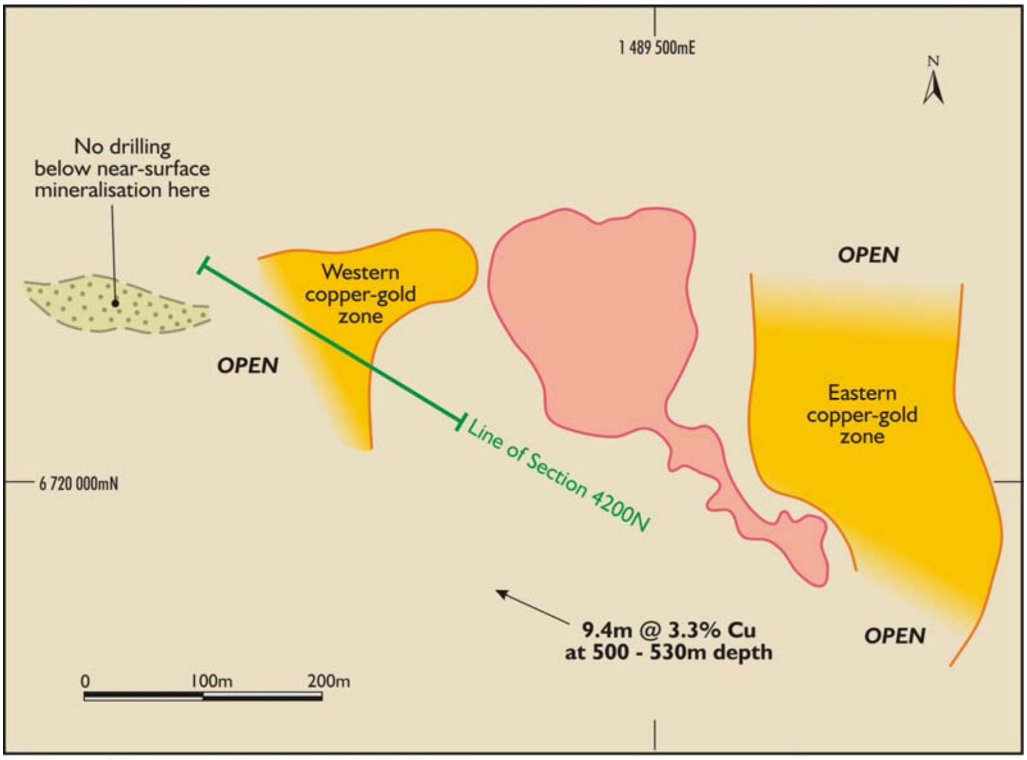


Falun Western Copper-Gold Zone - Section 4200N

Table 3: Representative assays for the Western Copper-Gold Zone on Section 4200N

Hole ID	Level (metres)	Intersection (m)	Copper grade (%)
9/1948	80	4.8	3.2
5/1955	95	25.9	1.0
3/1954	100	32.0	0.9
37/1968	130	19.0	0.9
14/1967	150	31.1	1.5

11/1969	160	23.7	1.4
8/1969	170	34.9	0.9
3/1970	180	17.1	1.9
38/1967	190	23.5	2.8
26/1972	195	7.2	7.2
4/1969	280	59.9	0.8
27/1983	320	10.6	1.6
28/1983	360	3.7	2.3
7/1945	440	6.6	2.8



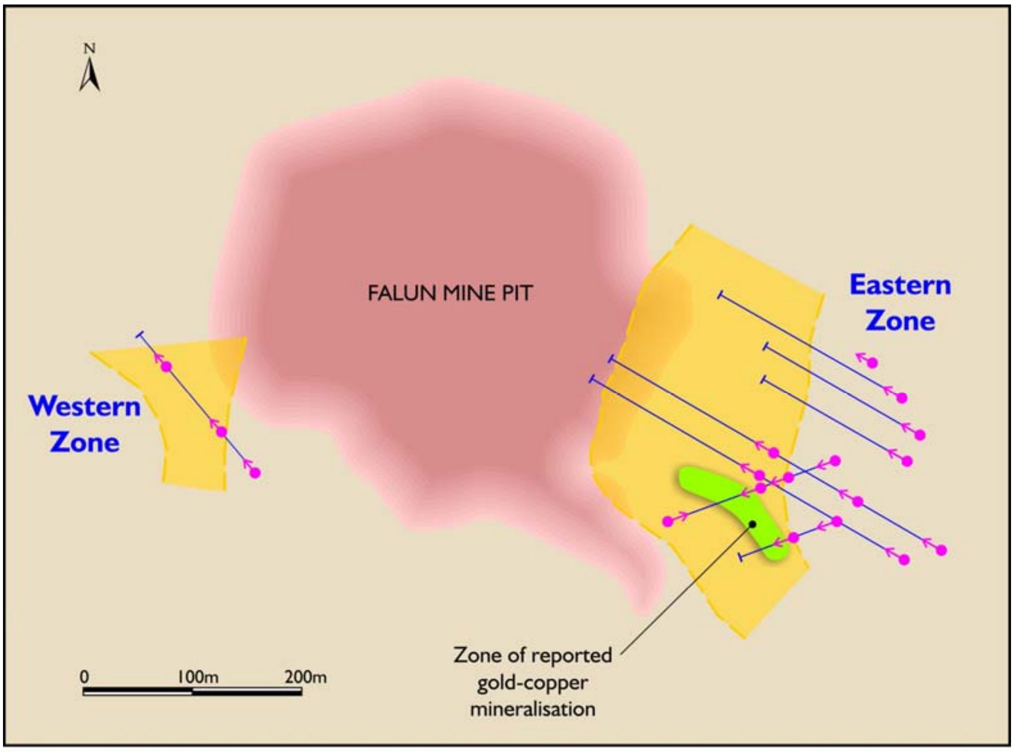
Falun - Western Copper-Gold Zone

<u>Summary</u>

In summary, Drake considers that there is the potential to define a copper-gold resource at Falun within the remaining mineralised system. Most of the drilling into the Eastern and Western Gold zones was completed before 1972 but few were assayed for gold. Drake has a programme in place to identify and to assess the economic potential of any remnant orebodies within the Falun mineralised system.

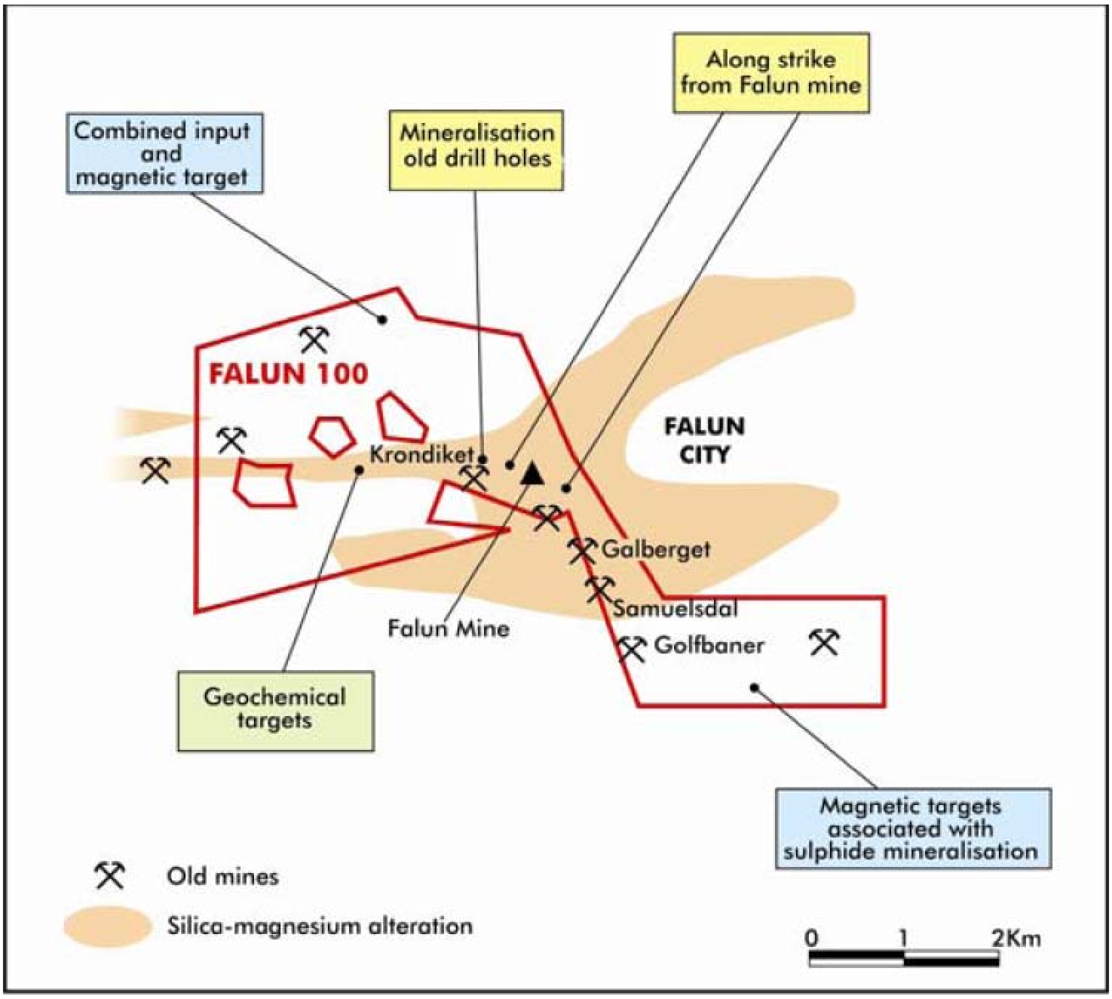
As Manager of the Royal Falcon Joint Venture, Drake has commenced a major diamond drilling campaign of seventeen diamond holes for a total of 3,600 metres. The drilling will test large volumes of both the Eastern and Western copper-gold Zones at Falun for remnant orebodies. The drill plan, illustrated in the diagrams below, will give controlled geological information and assay data on key sections of the peripheral copper-gold zones, including the higher-grade parts, such as the Johannes Lucas section in the southern part of the Eastern Zone.

Past drill core from the Eastern Copper-Gold Zone, showing copper mineralisation



Falun - Planned Drilling Program

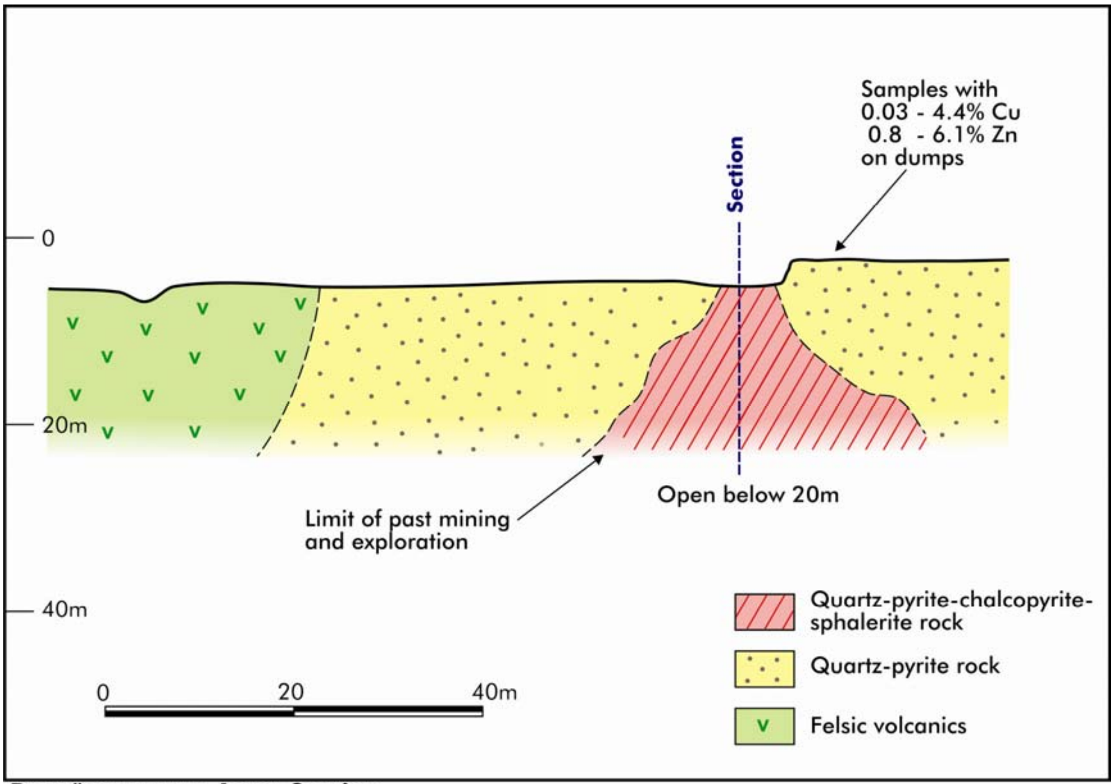
Beyond the immediate mineralised system at Falun, the prospective horizon extends for approximately eight kilometres along strike within the Falun tenement, the potential of which also remains to be tested.



Falun 100 showing the location of the Falun Mine and the extension of the prospective stratigraphy

Domängruvan

Drake's Falun East permit covers the area immediately east of the Falun township. This permit contains the Domängruvan massive sulphide occurrence where there is a historic mine that closed in 1917. Domängruvan was mined primarily for pyrite during the First World War. Development and drilling at the time reached depths of only 20 metres. The records of this mining, retained by the Mines Inspector's office in Falun, indicate that the material mined contained massive and disseminated sulphides.



Domängruvan : Long Section

The thickness of the quartz-pyrite-chalcopyrite-sphalerite rocks appears to be increasing between the surface and 20 metres depth. There has been no drilling below this depth.

Material on the waste dumps indicates that pyrite is the dominant sulphide, but sphalerite and chalcopyrite are also present. Six samples were collected from the waste dumps. The assays of these samples gave the following ranges for copper and zinc:

Copper: 0.02 – 4.4% Cu
Zinc: 0.5 – 6.1% Zn

This area has been occupied by the Swedish military since the First World War, and no exploration has been permitted since then. Hitherto, this highly prospective zone has not seen any modern exploration, including geophysical surveys to detect mineralisation at depth.

In 2008, Drake included this area in its high-resolution helicopter-borne geophysical survey, and located a coincident VTEM/magnetic anomaly to the northeast of the old workings at Domängruvan. This magnetic/conductive zone forms a coherent exploration target.

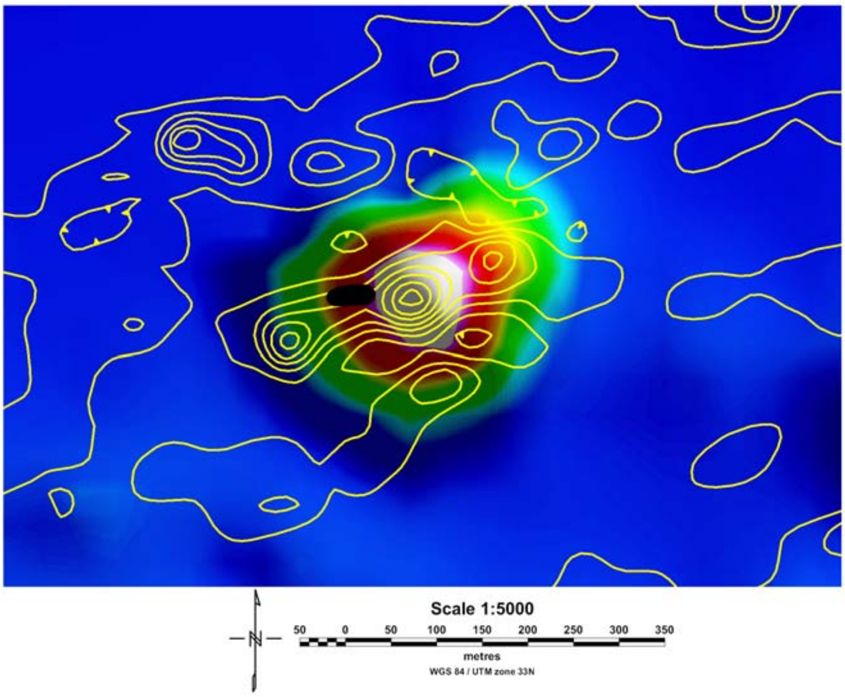
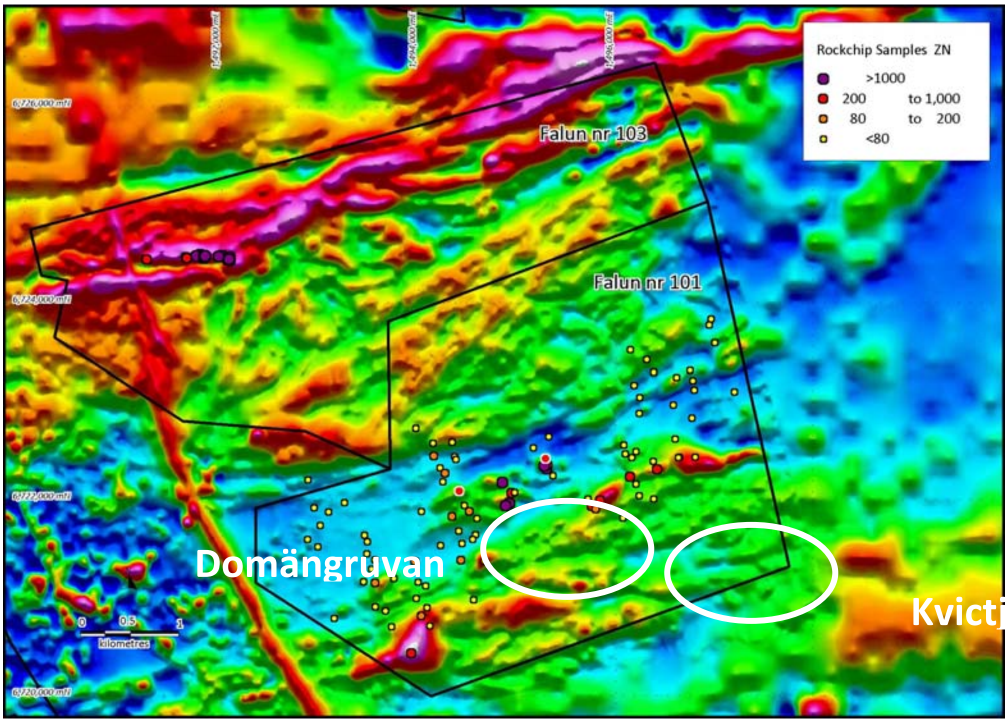


Image of the Domängruvan VTEM anomaly, with magnetic contours in yellow

Systematic rock chip and waste dump sampling near Domängruvan has identified an area of 1800 by 800 metres where five old workings show anomalous metal content. Copper contents vary between 0.05 and 4.4%, zinc between 128ppm and 6.1%, and silver between 0.3 g/t and 9.9 g/t. Follow up rock chip sampling defines a zone of at least 1000 metres strike, to either side of the Domängruvan sulphide deposit with anomalous zinc (138-493ppm, and copper (86-550ppm).

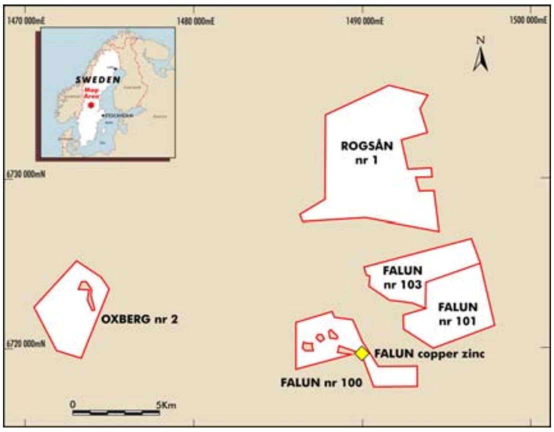


Falun 101 and Falun 103 exploration permits, with zinc in rock chip samples on detailed magnetics

These results are suggestive of extensive base metal mineralisation over a considerable strike length at Domängruvan.

The coincidence of the geochemical, magnetic and VTEM features has led Drake to propose that the Royal Falcon Joint Venture drills this target later in 2009.

Rogsån Exploration Licence
Rogsån is also part of Drake-Royal Falcon Joint Venture; it is located approximately 10 kilometres to the north of the mining centre of Falun.



Location of the Rogsån licence relative to the other tenements of the Drake-Zinifex portfolio in the Falun Project

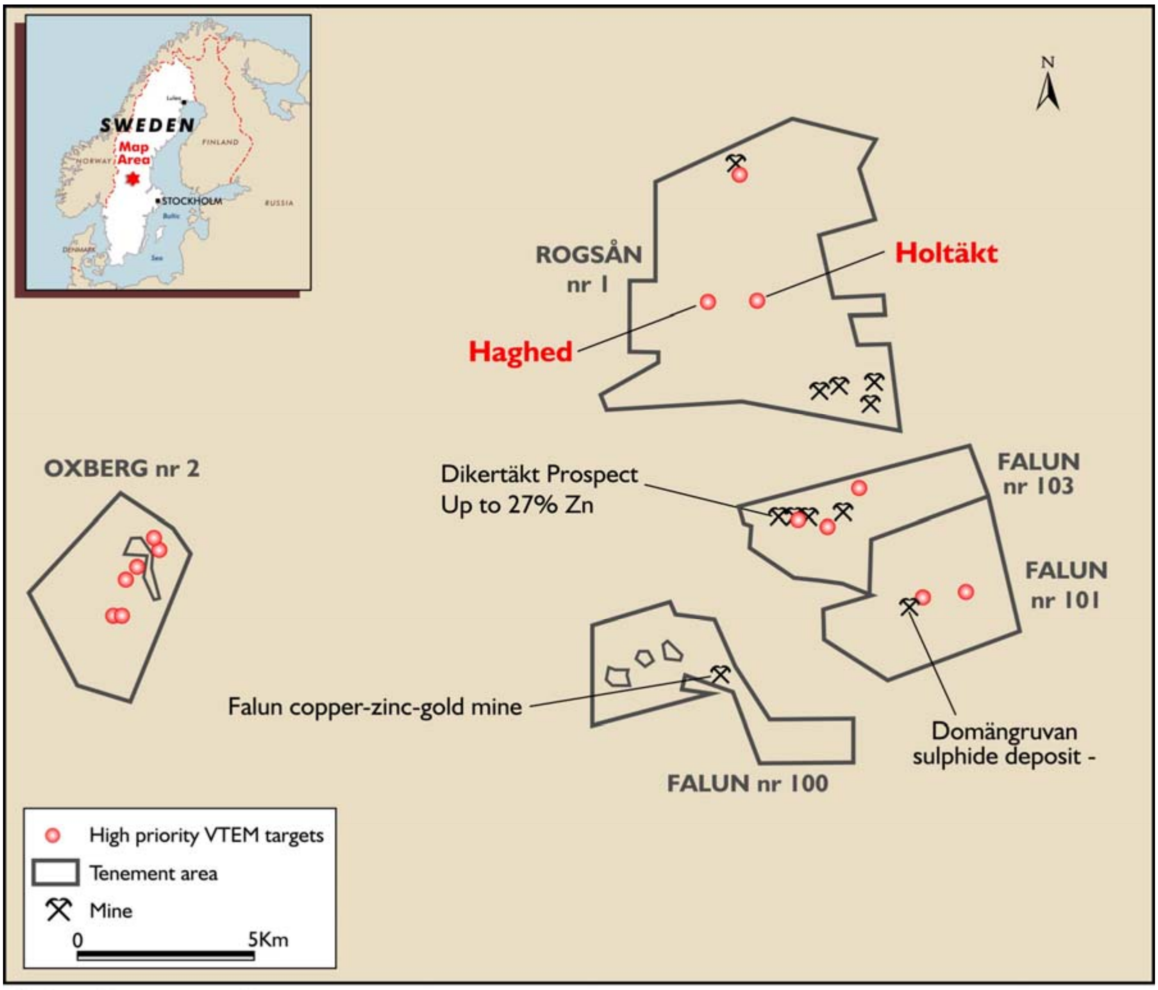
The licence is characterised by:

- the same prospective host-rock package as that at the nearby Falun copper mine;
- several mineral occurrences, including six historic, small copper and zinc mines;
- widespread silica-magnesia alteration of the type found at Falun;
- a large district-wide copper-zinc geochemical anomaly around Falun ;
- an extensive series of copper boulder trains which indicate significant mineralisation in the bedrock scoured out and dispersed by glaciation.

Drake has carried out field investigations around the geophysical targets generated in the VTEM survey completed in 2008. That survey identified two strong conductor targets in the Rogsån permit, approximately 10 kilometres north of the Falun copper-zinc-gold deposit.

The copper-zinc-gold massive sulphide deposits in this province of Sweden occur at particular horizons within volcanic belts. The two targets in the Rogsån permit occur in the next volcanic belt north of that containing the large Falun deposit.

The volcanic belt in the Rogsån permit does contain several small copper and zinc occurrences. The Svärdsjö base metal mine, which was mined up to 1992, occurs 14 kilometres along strike to the east in the same belt.



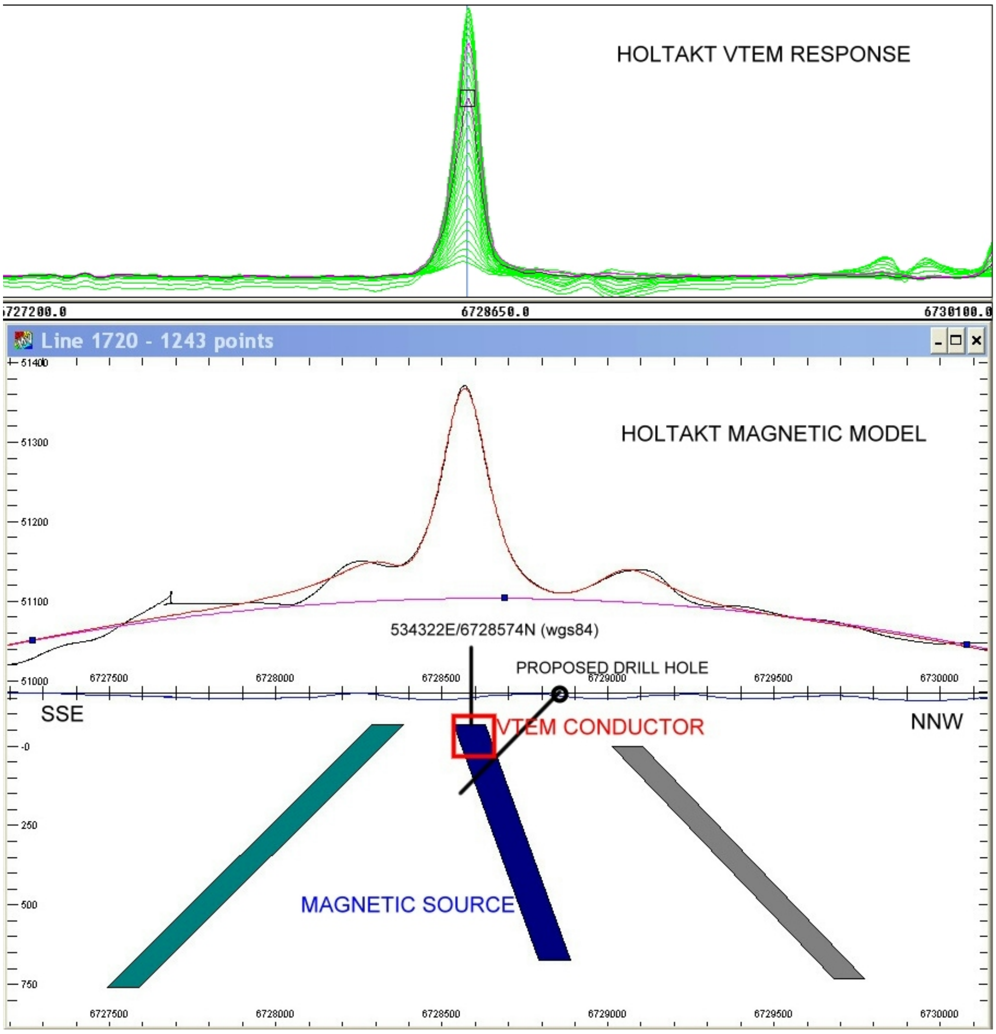
Falun District - Program

Holtäkt target

The Holtäkt target is a strong combined VTEM and magnetic anomaly. Both the VTEM and magnetic anomalies occur across 5 flight lines, implying a strike length of at least 450m.

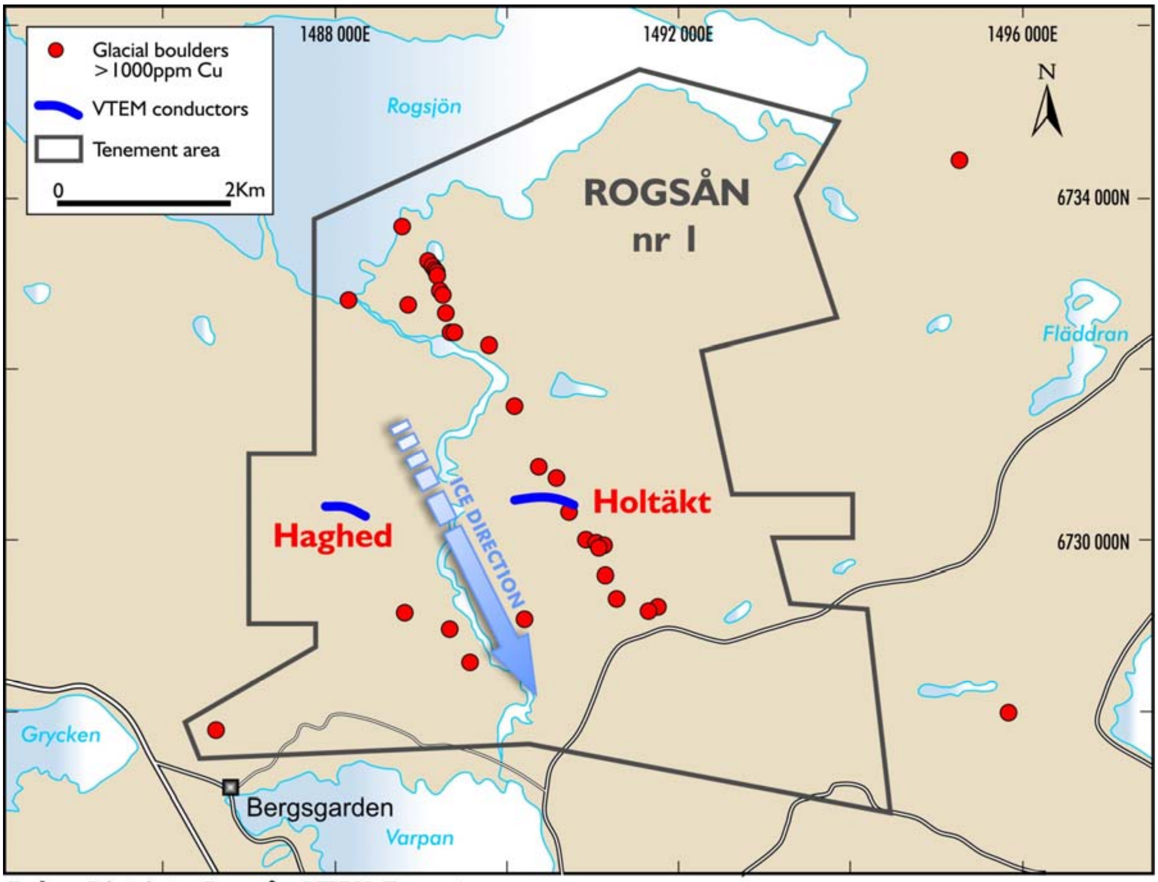
The magnetic source is modelled as a steeply north-dipping body, the top of which lies at a depth of about 80 metres below surface. There is no evidence of a cultural source to the anomaly, and the area is covered by forest and swamp. Thick glacial till is evident in the nearby gravel quarry, covering any outcrop of bedrock in the area. A provisional drill hole site has been located to the north of the target on high ground where access is relatively easy.

The Holtäkt target also appears to be the source of a train of glacial boulders containing copper mineralisation. The map below shows boulders sampled by the Swedish Geological Survey in the area, with red dots indicating the boulders with more than 1000ppm Cu.



Holtäkt target: Geophysical section showing the interpreted position of the VTEM target and the interpreted dip of the magnetic body

Drake and its partner, RFM, are planning to drill test Holtäkt later in 2009.



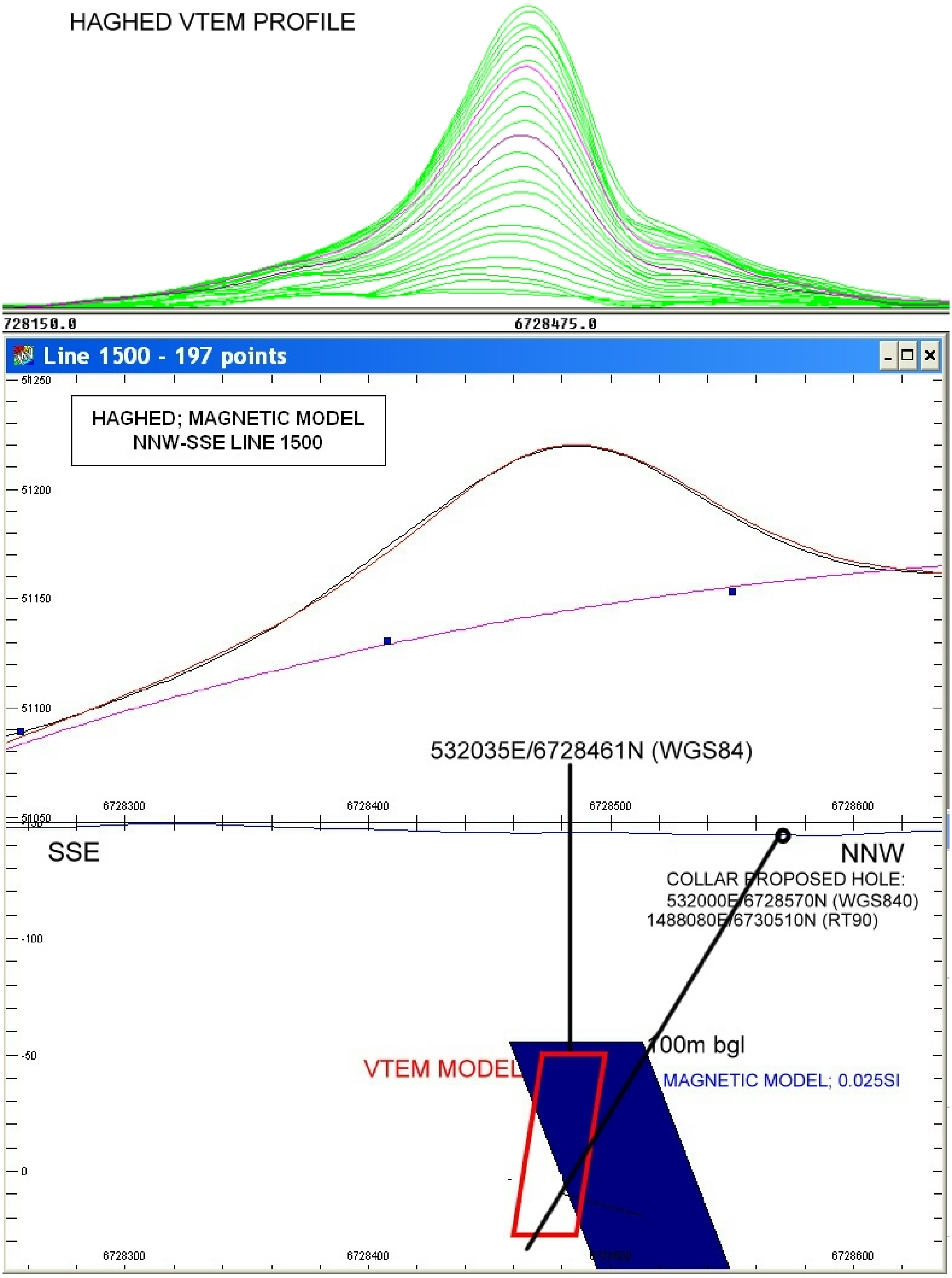
Falun District - Rogsån VTEM Targets

Copper-bearing glacial boulders in the vicinity of the Holtäkt and Haghed targets (red dots)

Haghed target

The Haghed target is a moderate to strong VTEM anomaly coincident with a moderate magnetic signature.

The anomaly extends across three survey lines, indicating a strike length of up to 250 metres. A small tungsten occurrence occurs about 600m to the west.

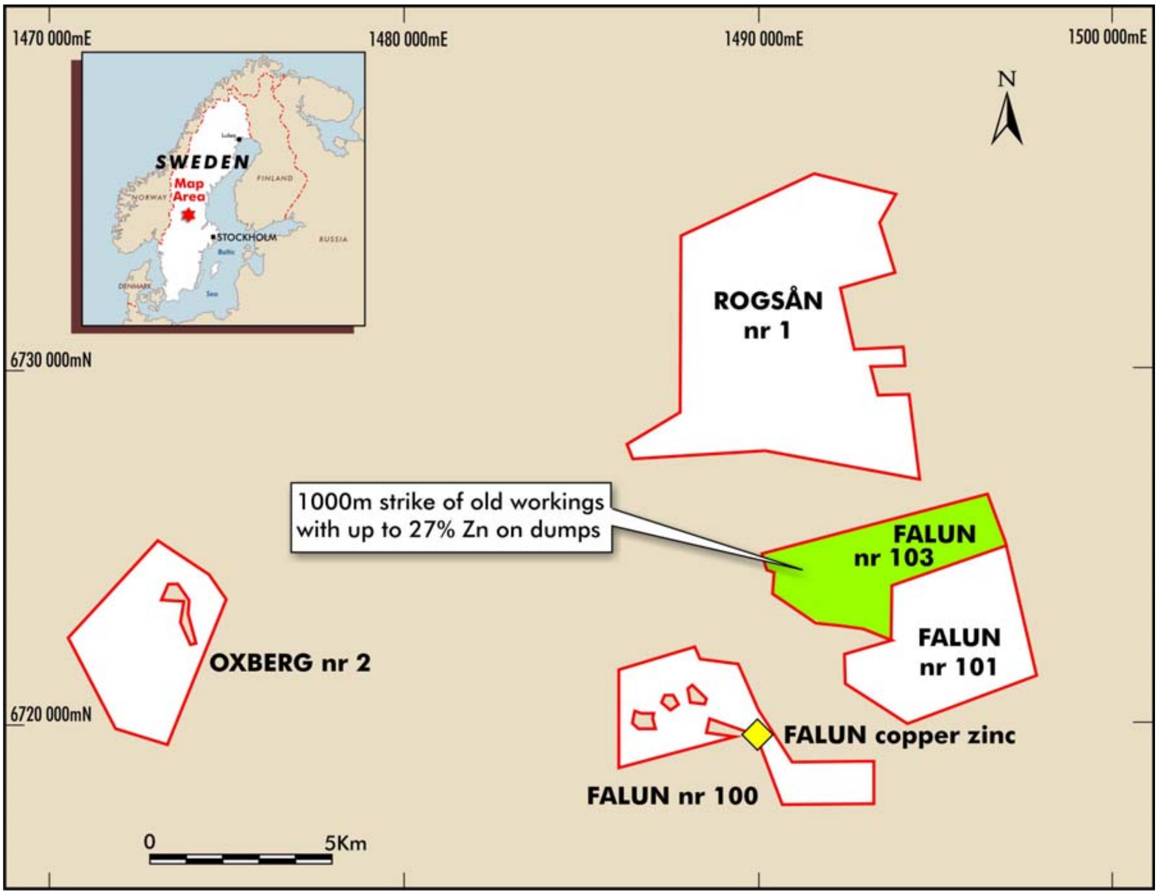


The top of the geophysical body is modelled at approximately 100 metres below the surface.
Both the VTEM and magnetic models suggest steep dips, and it is anticipated that the target body is near vertical.

The Haghed target occurs in a heavily forested area cut by small streams with no evidence of culture. Glacial till is present at the surface.

Digertäkt

The Digertäkt Prospect is a high-grade base metal target covering old mine workings. The prospect occurs within the exploration licence Falun 103, approximately five kilometres northeast of the Falun copper-zinc mine. The prospect forms a line of six shafts that extends over 1,000 metres. The continuity of mineralisation between these shafts is not known.



It appears that these pits fall on a single geological horizon within a felsic volcanic unit, in a setting similar to most of the copper-zinc ores in the region. The sulphides occur with highly magnesian rocks, a feature that also typifies many of the ore deposits of the district, such as Falun.

Reconnaissance exploration has been completed in the Falun No. 103 licence. During reconnaissance, it was noted that the waste dumps close to the shafts contain massive sulphides, which, in places, are rich in the zinc sulphide mineral, sphalerite. Assays of grab samples from the dumps reveal metal contents up to 27% zinc and 14% lead with anomalously high copper, gold and silver.

Sample No.	Easting	Northing	Type	Cu %	Pb %	Zn %	Au ppm	Ag ppm
S010507	1491822	6724465	Dump	0.08	0.17	13.50	0.02	29
S010508	1491827	6724492	Dump	0.15	0.82	15.40	0.07	79
S010509	1491999	6724495	Dump	0.16	0.06	15.20	<0.01	9
S010510	1492060	6724450	Dump	0.17	14.20	16.05	0.01	65
S010511	1491970	6724484	Dump	0.34	0.16	0.90	0.25	18
S010512	1491782	6724505	Outcrop	0.02	0.02	3.21	0.02	36
S010513	1491784	6724492	Outcrop	0.05	0.02	0.05	0.01	6
S010514	1491240	6724450	Dump	0.04	<0.01	0.02	0.05	1
S010515	1491639	6724477	Dump	<0.01	0.01	0.05	<0.01	2

S010516	1491649	6724467	Dump	0.02	0.02	0.04	<0.01	1
S010517	1491744	6724490	Dump	0.05	3.84	13.50	0.23	210
S010540	1491822	6724487	Dump	0.26	0.02	13.25	0.21	11
S010541	1491833	6724489	Dump	0.05	0.21	17.35	0.03	42
S010542	1492085	6724449	Dump	0.03	<0.01	17.45	0.01	5
S010543	1492084	6724476	Dump	<0.01	0.35	27.10	0.01	35
S010544	1492074	6724457	Dump	0.01	1.44	19.85	0.02	79

These assays suggest that ores with very high zinc, lead and silver grades may have been mined at Digertäkt. Geological reconnaissance in the till-covered areas north of the workings resulted in the discovery of several mineralised boulders, suggesting that there may be more than one mineralised horizon at Digertäkt.

Drake's state-of-the-art helicopter-borne VTEM survey carried out in 2008 revealed a significant conductor to the east of the line of workings. The conductor is interpreted as being derived from a bedrock source; it is a coherent target.

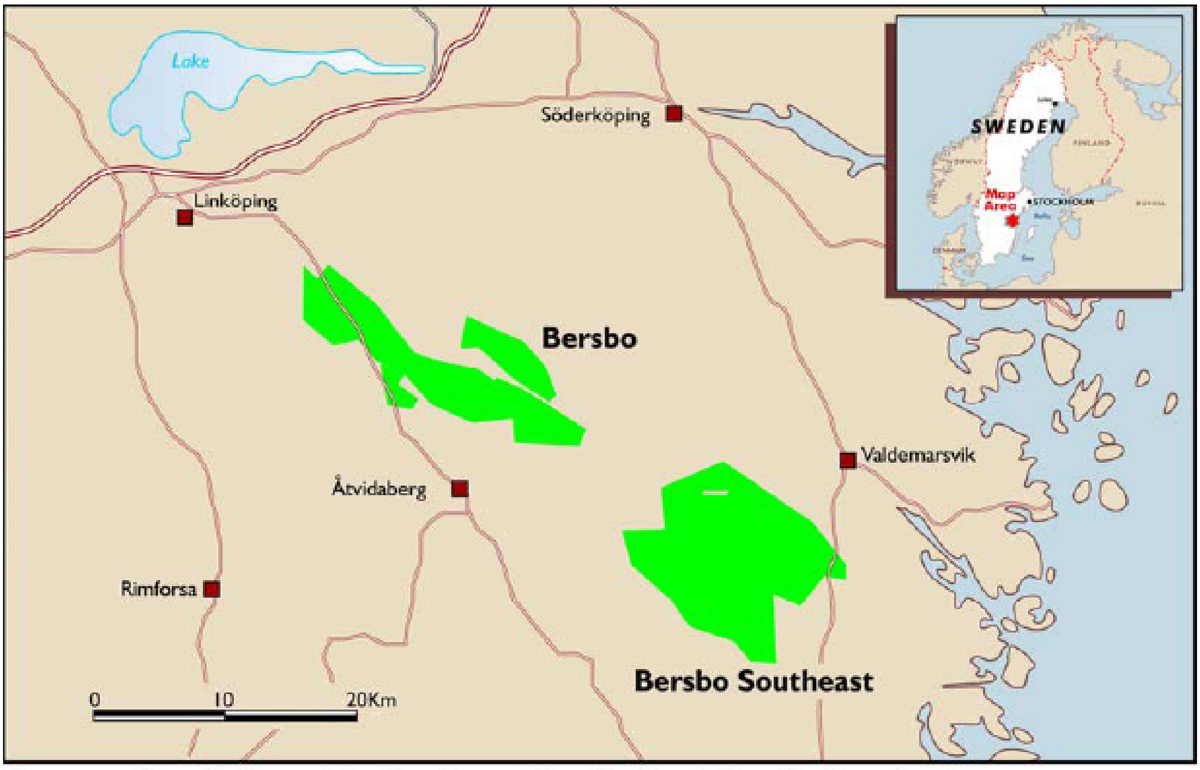
The Joint Venture is carrying out further ground work to determine drilling strategies in the area.

THE BERSBO PROJECT

Drake holds exploration tenements measuring approximately 240 sq km in several granted licences in the Bersbo district at Bersbo and Bersbo SE. The licences cover the prospective parts of the Bersbo stratigraphy which hosts the mineralised system exploited by the historic Bersbo mine, as well as numerous other copper and zinc occurrences. The Bersbo orebody was mined for almost 1,000 years, closing in approximately 1902. It is believed to have been the second-largest copper producer in the Bergslagen province. The area is characterised by widespread and strong base metal geochemical anomalism in the host rocks, the overlying till and plant materials. Despite its prospectivity, this belt has not attracted any modern exploration, and remains effectively unexplored by modern methods.

Approximately two kilometres southeast of the historic Bersbo mine workings is the Cu-Zn occurrence known as Grönhög. The previous mining at Grönhög extracted mineralisation from an ore shoot 50 metres long and 2-6 metres wide, plunging to a depth of 255 metres within a strongly folded sequence.

The mine workings at Grönhög are covered by a small licence held by Kopparberg Minerals SA (Kopparberg), a company listed on the Stockholm exchange. The Kopparberg licence is located entirely within Drake's larger Bersbo No. 2 licence. By fulfilling the conditions of the Drake-Zinifex - Kopparberg Minerals SA (Kopparberg) earn-in agreement, Drake – RFM can earn an 80 per cent participating interest in the Grönhög tenement.

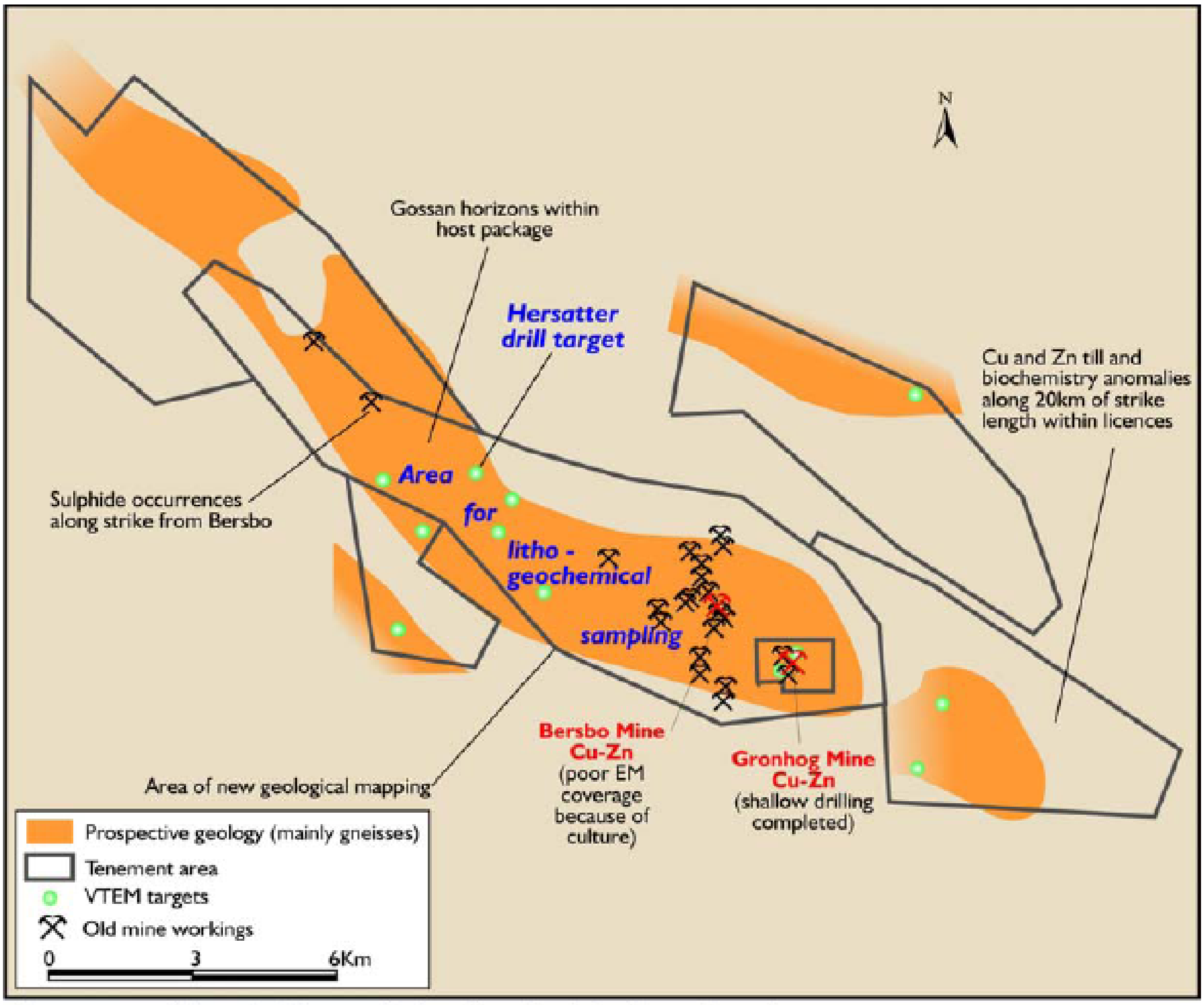


Summary Sketch Map of the Bersbo and Bersbo South East Exploration Areas

Drake's previous work at Bersbo includes:

- Ultra-detailed airborne magnetics
- Geological mapping and interpretation
- Ground EM
- VTEM airborne EM
- Ground sampling of gossans along strike from the main orebody, and
- At Grönhög shallow drilling for geochemical sampling

The airborne magnetics survey revealed distinctive magnetic stratigraphy which assists in the interpretation of the geology and structure of the area as a guide for further exploration. Disseminated pyrrhotite in the sulphide ores at Bersbo and Grönhög is expressed in the magnetic data as pronounced linear features. The magnetic pattern at Bersbo reflects the folded nature of the orebody. Numerous other features in the magnetics images are interpreted as targets.



Summary Sketch Map of the Bersbo Exploration Area

The Bersbo area was included in Drake's state-of-the-art helicopter-borne VTEM electromagnetic survey in 2008. This survey revealed an excellent target northwest of Bersbo area, known as the Hersatter target. Drake is planning to drill test the Herrsätter target in its current programme.

A preliminary examination of the geochemical results from the Grönhög drilling shows local areas of anomalous base metal content although there is no obvious coherent target. A detailed interpretation, integrating the geochemical and geophysical data, is underway.

The programme at Bersbo consists of ground checking VTEM targets and follow up drilling.

DRAKE'S OTHER PROJECTS IN SWEDEN HELD IN 100 PER CENT TERMS

Doverstorp

Drake holds a single exploration licence covering the historic Doverstorp Mineral Field in the Bergslagen district of Sweden. The licence is 23 square kilometres in area.

Doverstorp is located 45 kilometres southeast of Lundin Mining Corporation's Zinkgruvan zinc-lead-silver mine near Askersund, southern Sweden. Zinkgruvan has been in production continuously since 1857. It is the largest underground zinc mine in Sweden, and is amongst world's the lowest cost producers.

Drake was initially drawn to the Doverstorp area by a very prominent zinc anomaly in till, the third largest in the western Bergslagen region after Zinkgruvan and Falun.

In some respects, the geology of the Doverstorp area resembles that at Zinkgruvan. At Doverstorp, there is a belt of metamorphosed felsic volcanic rocks and sediments measuring more than 20 km^2 in area, flanked to the west and south by late granites. The volcanics are generally potassium-rich. There is an extensive development of pyrrhotite-rich sulphide horizons within the volcanics. Similar volcanics, several hundreds of metres thick underlie the ore host sequence at Zinkgruvan, where they are interpreted as representing the uppermost part of the volcanic package. At Doverstorp, the volcanics are overlain by sediments containing thin limestone and skarn units, typically associated with the iron ores. There is approximately 12 kilometres of the prospective volcanics-sediments transition in the Doverstorp area. The volcanics and sediments have generally been metamorphosed to granulite facies. In summary, the main similarities with the geological setting at Zinkgruvan are:

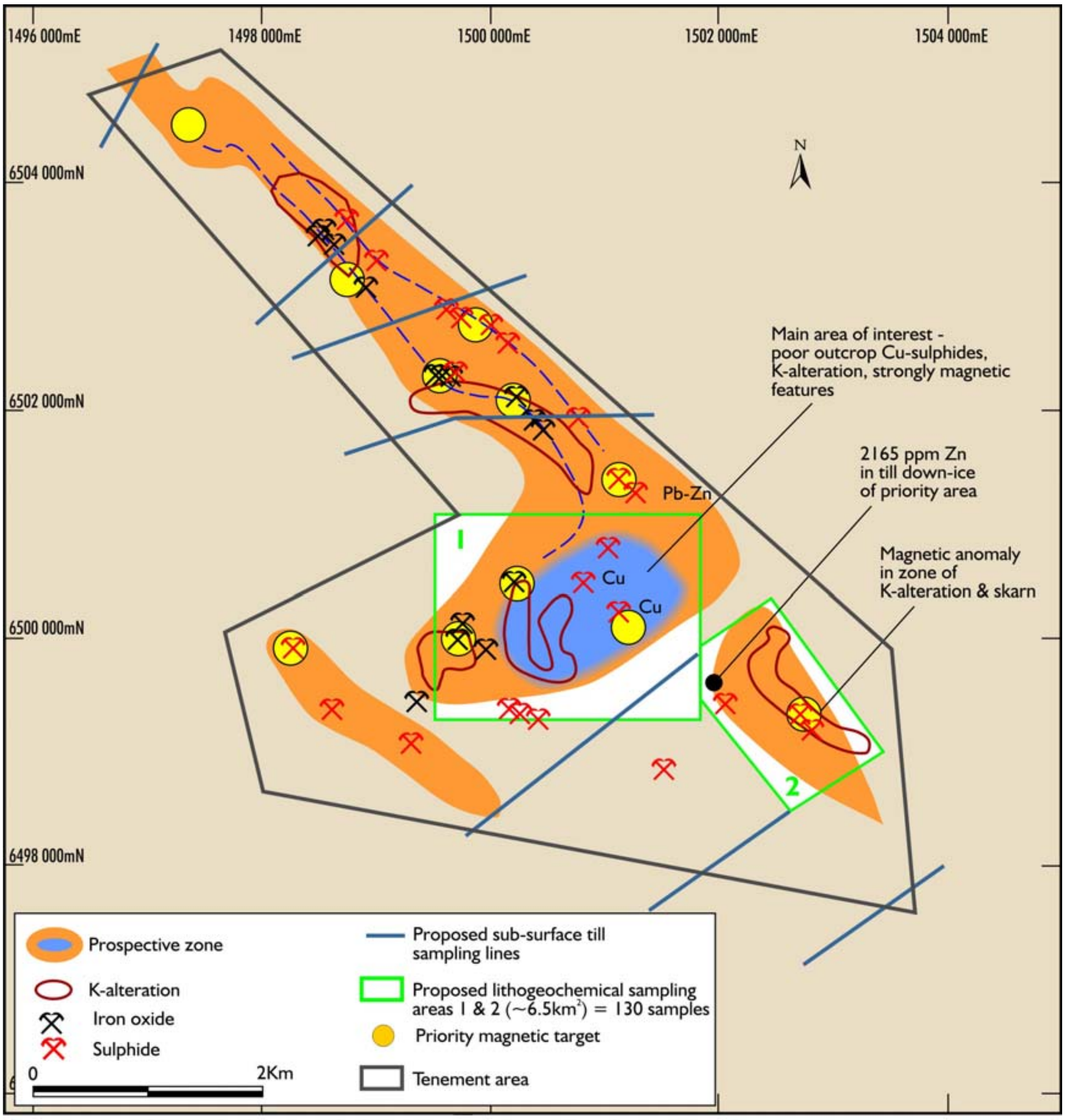
- Prominent K-rich volcanic rocks
- Spatially extensive pyrrhotite horizons in the volcanics
- Thin calc-silicate layers
- Numerous oxide Fe deposits

The Doverstorp area also contains extensive areas of amphibolite and meta-gabbro, considered a positive indicator in this geological setting.

The record of past mining in the Doverstorp area mainly concerns the iron ores, rather than base metals. There is no record of any significant exploration in the area although it was held in the mid-1990s. However, the records do show that fifteen mineralised boulders have been found in the area: three containing sphalerite, two containing chalcopyrite, and the rest with pyrite or pyrrhotite.

In 2007, Drake received a detailed geological interpretation of the Doverstorp area from its consultants based upon detailed airborne magnetics and geological mapping.

In view of its prospective geological setting and limited previous exploration, Drake believes that the area warrants an early-stage work programme which would include further geological mapping, till geochemistry, possibly ground EM, target definition and testing. .



Summary Sketch Map of the Doverstorp Exploration Area

Saxa Project

The Saxa Project covers one of the three most prominent regional base metal till geochemical anomalies in Bergslagen; the other two being Falun and Zinkgruvan. The project area lies within the Saxa basin, a volcano-sedimentary sub-basin on the western margin of the Bergslagen Province. The project area is away from the main mine trends and for this reason has received far less attention from explorers.

The area displays favourable indicators of base metal mineralisation including:

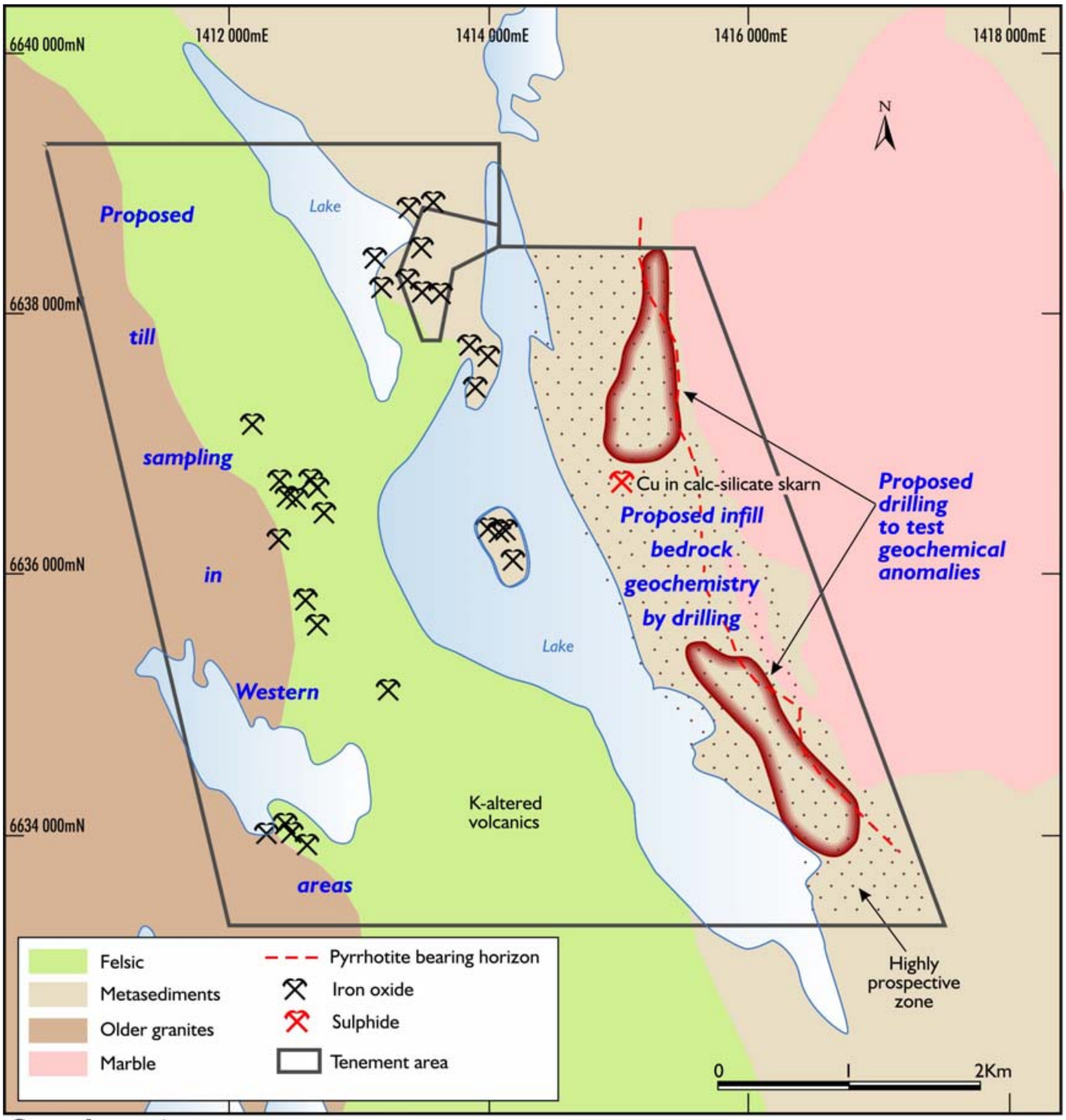
- Bi-modal volcanic package overlain by sedimentary sequence
- Regional scale alteration/metasomatism of the volcanic package (sodic and potassic)
- Numerous small sulphide and iron oxide occurrences, particularly within the upper, sediment-dominated part of the package

The Swedish government undertook an extensive and detailed till sampling programme at Saxa during the 1980s. The programme involved surface, deep and basal till sampling as well as bedrock lithogeochemical sampling. The eastern third of Drake's Saxa tenement was covered by this work. Bedrock samples were collected by drilling at 100m intervals along lines 500-1000m apart.

There are two bedrock Zn anomalies of immediate interest within the Drake licence. Both have multiple samples of >500ppm Zn in bedrock on at least two lines and are located stratigraphically above potassium-altered volcanics and below a pyrrhotite-bearing sedimentary horizon (drilled to the north). The host rocks are skarn and marble.

The Zn anomalies have corresponding basal till anomalies. The Swedish government drilled two traverses across stratigraphy to the north but did not target the highest Zn bedrock anomaly.

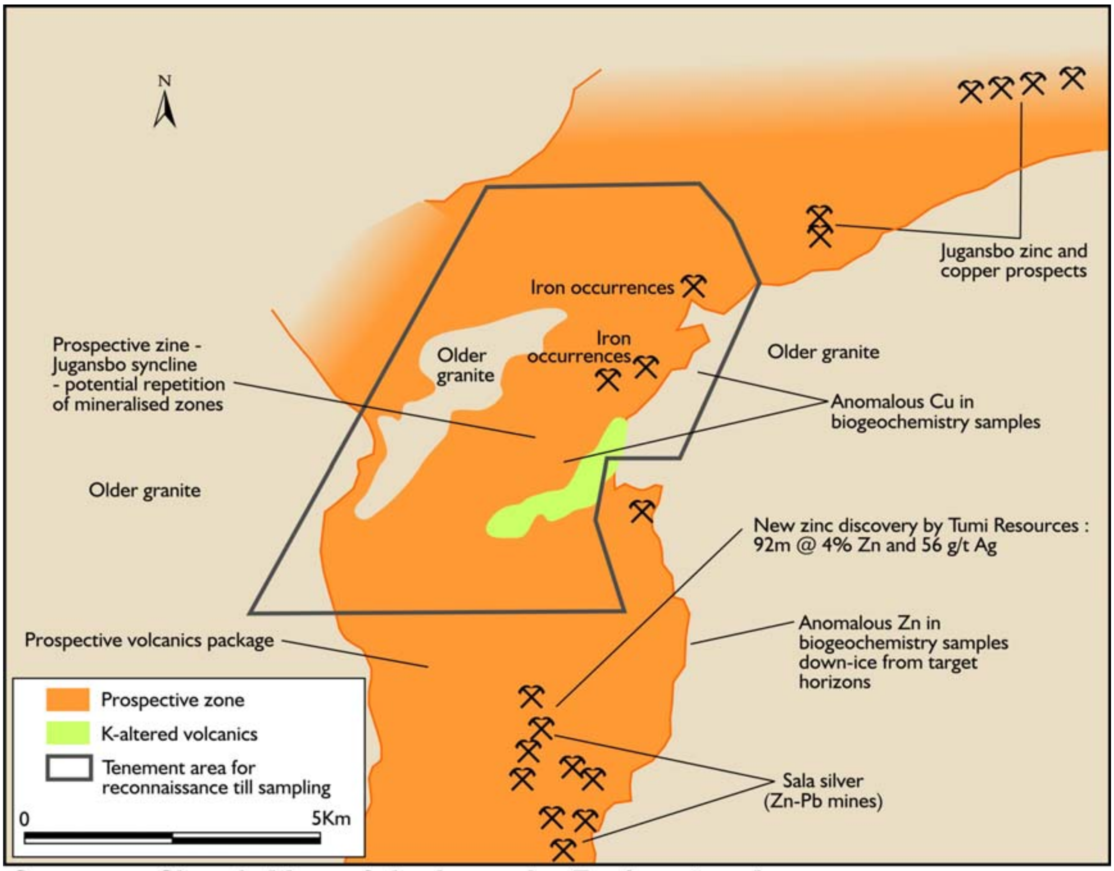
In addition, till sampling undertaken by previous workers returned two adjacent samples with >100 ppm Zn (3-4 times background) from within the Saxa tenement. These results were never followed up and represent an immediate target for investigation.



Saxa Location

Jugansbo Project

The Jugansbo Project (36 km^2) covers the northerly strike extension of the volcanic belt that hosts the Sala silver deposit (200 Moz Ag). Drake's tenement is over alluvium-covered ground where there has been little to no previous exploration. Whilst the area is not of the highest priority, it does represent ten km of poorly explored ground immediately along strike of a major silver deposit.



Summary Sketch Map of the Jugansbo Exploration Area

Drake plans to undertake reconnaissance geological mapping and geochemical sampling with a view to confirming the prospectivity of the area and to defining targets.

Skommer Project

The Skommer project is located in the Norbotten district of northern Sweden. It covers part of the Rappen Basin, an intra-continental rift basin (1.88Ga) selected as an area with potential to host Broken Hill-type massive sulphide deposits. Previous exploration within the Rappen Basin has mostly focussed on skarn-related and iron oxide-copper-gold deposits. The geology and exploration of the area has not been well documented; there is no published geological map and no systematic till geochemical data.

The Skommer target was first identified as an unexplained Zn-rich boulder train. Further investigation showed that there are two discrete boulder trains, each extending over a distance of more than two kilometres, and each containing numerous boulders with more than 0.5% Zn. Drake has completed two detailed till sampling campaigns over both boulder trains, and has identified a coherent Zn anomaly (>60ppm Zn) on the most up-ice line. The anomaly corresponds to the more northerly of the two Zn boulder trains.

Basinge Project

The Basinge area is located 20 km southeast of the Garpenberg zinc mine in central Bergslagen. It covers the former Basinge Cu-Co mine. The area was identified by the Alliance as a possible faulted offset of the felsic volcanic belt that hosts the Norberg and Riddarhyttan sulphide deposits to the west. Reprocessed aeromagnetic data shows that the area is likely underlain by felsic volcanic rocks rather than mafic rocks as depicted on published geological maps. A distinct but restricted copper biogeochemical anomaly coincides with the area or workings.

Drill core is available from nine holes drilled by Boliden at Basinge in 1955. There has been no exploration in the area during the last 40 years.

Ruda Project

The Ruda area is located in southern Bergslagen Province approximately 40km north or Doverstorp and a similar distance east of Zinkgruvan. The original target was for nickel sulphide mineralisation hosted within a series of norite intrusions. Drake's till sampling has downgraded the nickel potential; however, several samples returned strongly anomalous (>100ppm) zinc values. Drake carried out infill and follow-up till sampling to better define the zinc dispersion halo in the till.

DRAKE – OZ MINERALS BASE METAL JOINT VENTURES AND PROJECT GENERATION ACTIVITIES IN AUSTRALIA

Following OZ Minerals withdrawal from the Drake-Zinifex Alliance, Drake has reassessed its position in the Georgetown and Mt Isa Blocks in NW Queensland, Australia. As many of the opportunities that Drake identified are on ground held by third parties, Drake has made a strategic decision not to pursue these in the short- to medium term.

MT CARRINGTON SILVER-GOLD, NEW SOUTH WALES

In April 2008, Drake granted an option to Rex Minerals Limited (Rex) to purchase all of its interests in the Mt Carrington gold-silver project in northern NSW. These interests include Drake's option to purchase a 90% participating interest in 22 mining and related leases from Virotec International PLC (Virotec), Drake's 90% interest in EL 6273 with Cazaly Resources Ltd (Cazaly), and its 100% interests in ELs 6452 and 6453.

Mt Carrington is an epithermal gold-silver system. The project was mined by Mt Carrington Mines Ltd in the late 1980s, and lay dormant until Drake acquired its option over the leases in 2005.

Drake completed a focussed programme of data acquisition, processing and interpretation. This was followed by detailed structural mapping, and reverse circulation drilling of targets in the gold, silver and supergene copper systems. This work confirmed the presence of a gold-silver resource and Drake concluded that a major exploration and development programme would be required to progress the project.

During the option period, Rex Minerals undertook several drilling programmes at Mt Carrington. In December, it announced an updated Inferred Resource estimate for Mt Carrington for a total of 190,000ozs of gold and 10.5Mozs of silver. In March 2009, it announced a new shallow and high grade copper discovery. It then exercised it option in April 2009.

MT PALMER GOLD, WA

The Palmer's Find group of workings has a recorded production of 156,000 ounces of gold from 310,000 tonnes of ore mined during the period 1935 to 1949. The ore was mined predominantly from the Main and East Lodes

As outlined in Drake's 2008 Annual Report, there are three potential gold resources at Mt Palmer:

<u>The quartz lodes</u>

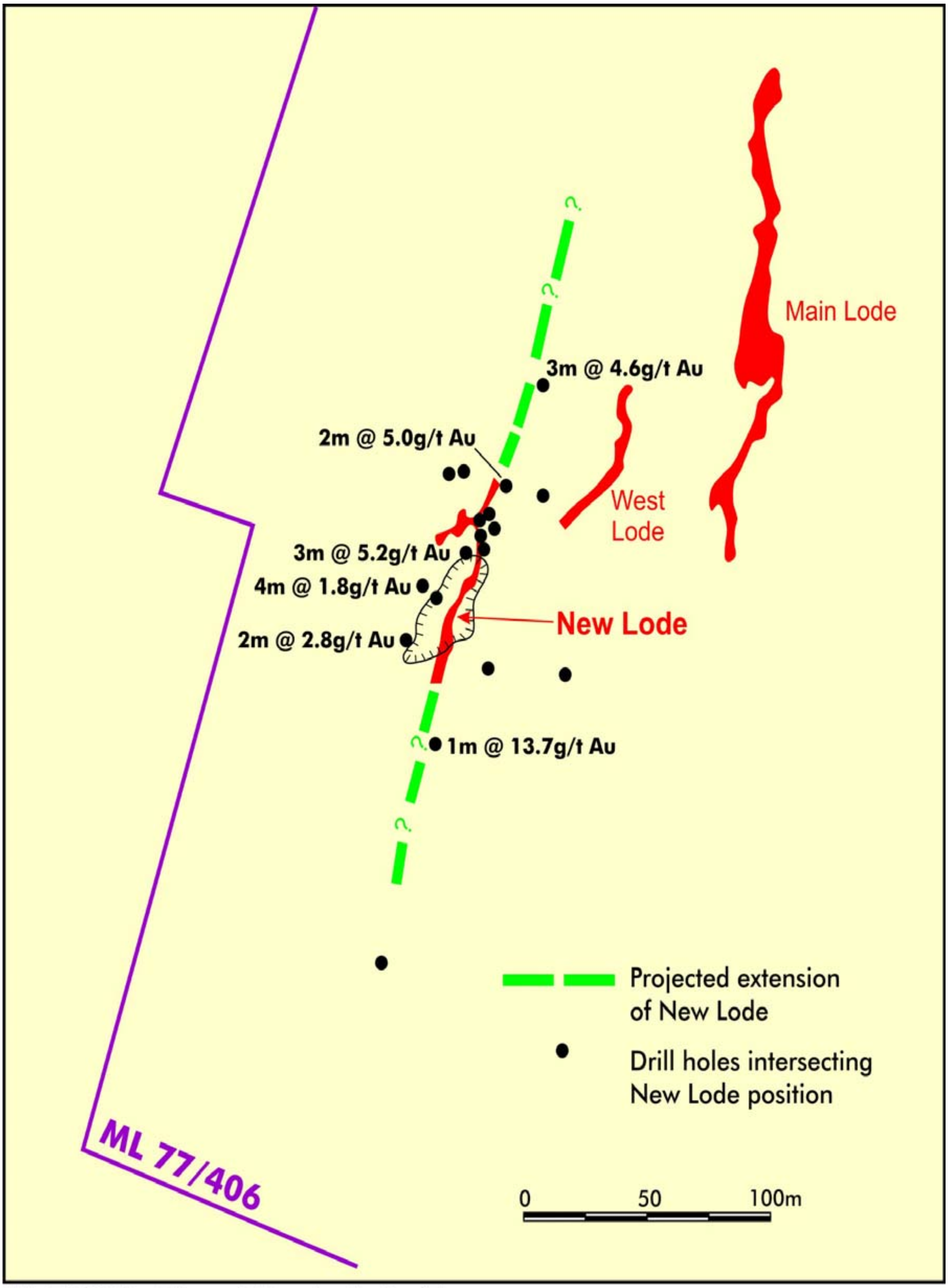
Drake identified four zones of interest:

- The northern strike extension of the Main and East lodes;
- The southern strike extension of all lodes beneath a large area covered by mine tailings;
- A potential fifth shear structure to the east of the East Lode;
- Along strike of New Lode in both directions.

The New Lode consists of two parallel lodes some 10 metres apart, which have been interpreted to form an anticlinal fold closure close to the present day land surface. Both lodes dip to the west at approximately 80 degrees, and have a known strike length of between 15 and 40 metres. The fold is interpreted to plunge to the north. The New Lode is poorly tested at depth. RAB hole RAB39 passes through the mineralised position, but intersected pegmatite between 12 and 28 metres. The base of this pegmatite, at 26-27 metres, gave 0.52 g/t Au.

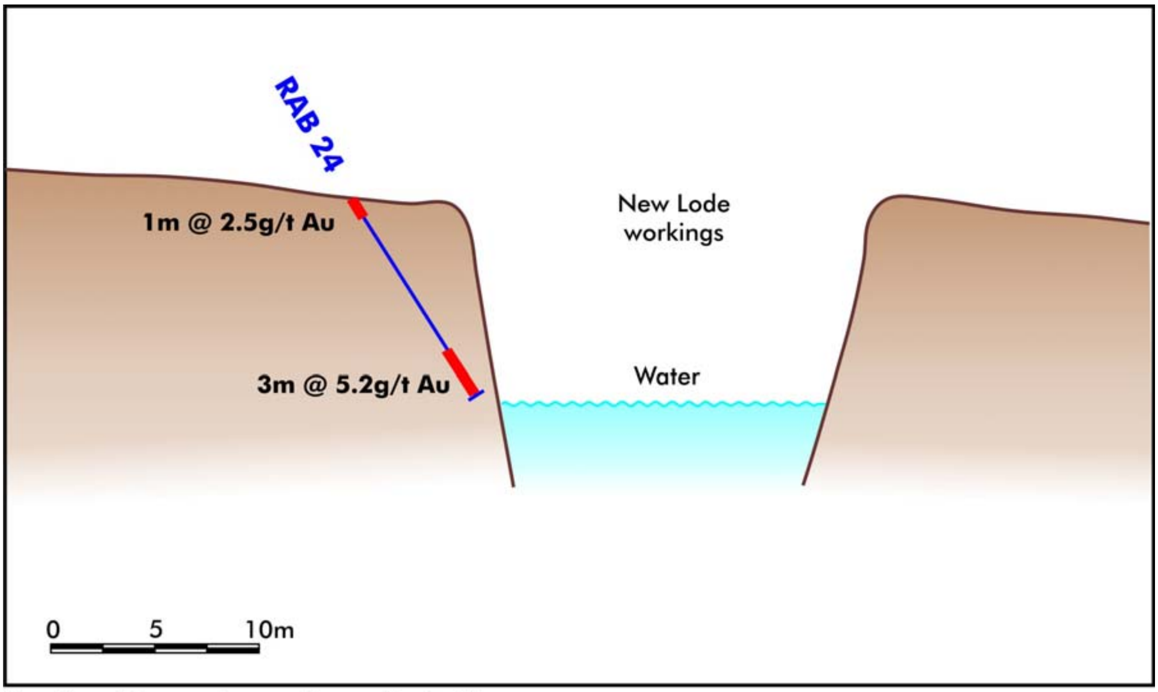
To the south of the pit RAB hole RAB 31 intersected one metre at 13.7 g/t Au, indicating that the mineralised structure continues for at least 20 metres to the south.

To the north of the New Lode pit, a shallow intersection of 3 metres at 5.2 g/t Au occurs immediately north of the pit wall. The next significant intersection is in hole RC6, 40 metres north of the pit, which intersected 2 metres at 5.0 g/t Au, plus an old stope, at 22 metres depth.



ML 77/406 - Plan of New Lode Position

A further 40 metres north of the pit drill hole RAB 43 intersected 3 metres at 4.6 g/t Au in the same position.

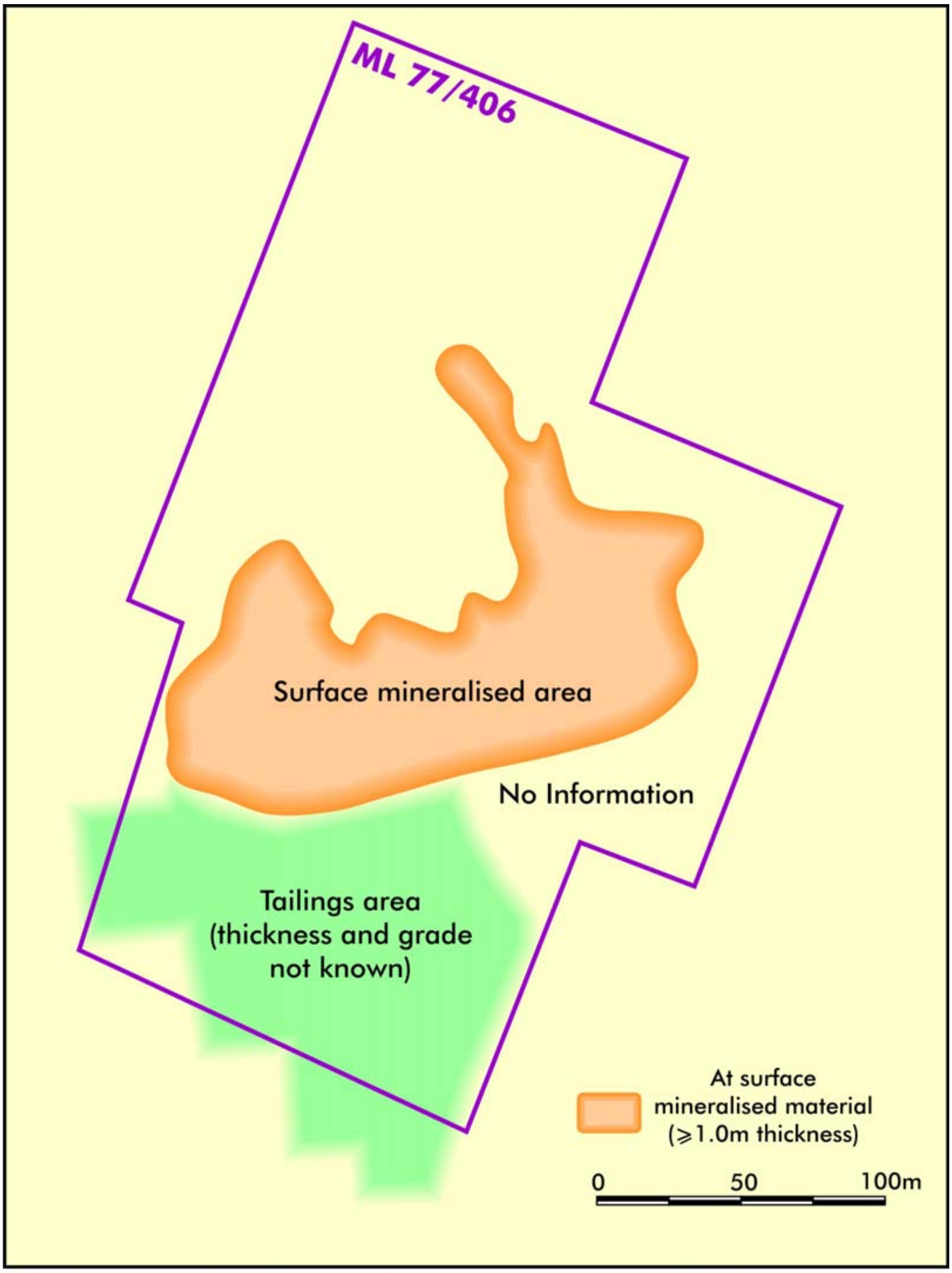


Section through north end of pit

<u>At surface mineralised material</u>

Several exploration groups have previously considered the potential of the gold contained in the waste dumps, and in alluvial and colluvial material around the old mine workings.

Assays of the top few metres of RAB and RC holes in the mine area have indicated that there is a substantial area containing mineralised material at surface.



Mt Palmer mineralised material at surface

<u>Potential ore within the Mt Palmer mine</u>

A reported parcel of remnant ore at Mt Palmer has encouraged Drake to assess the possibility of re-opening the Mt Palmer mine.

Drake continues to hold discussions with companies interested in pursuing the opportunities at Mt Palmer.

The information in this report that relates to Exploration Results, Mineral Resources, or Ore Reserves is based on information compiled by Dr Robert Beeson. Dr Robert Beeson is a member of the Australian Institute of Geoscientists, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. This qualifies Dr Beeson as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Robert Beeson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Dr Beeson is a Member of the Australian Institute of Geoscientists.

CORPORATE GOVERNANCE STATEMENT

As the framework of how the Board of Directors of Drake Resources Limited ("Company") carries out its duties and obligations, the Board has considered the ten principles of corporate governance as set out in the ASX Good Corporate Governance and Best Practice Recommendations.

The essential corporate governance principles are:

1 Lay solid foundations for management and oversight;
2 Structure the Board to add value;
3 Promote ethical and responsible decision-making;
4 Safeguard integrity in financial reporting;
5 Make timely and balanced disclosure;
6 Respect the rights of shareholders;
7 Recognise and manage risk;
8 Remunerate fairly and responsibly;

1. Lay solid foundations for management and oversight.

Recommendation 1.1: *Management should establish and disclose functions reserved to the board and delegated to management.*

Roles and Responsibilities:

The roles and responsibilities carried out by the Board are to:

- Oversee control and accountability of the Company;
- Set the broad targets, objectives, and strategies;
- Monitor financial performance;
- Assess and review risk exposure and management;
- Oversee compliance, corporate governance, and legal obligations;
- Approve all major purchases, disposals, acquisitions, and issue of new shares;
- Approve the annual and half-year financial statements;
- Appoint and remove the Company's Auditor;
- Appoint and assess the performance of the Managing Director and members of the senior management team;
- Report to shareholders.

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives.*

The Board regularly reviews the performance of senior executives.

Recommendation 1.3: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 1.*

The evaluation of performance of senior executives has taken place throughout the year.

2. Structure the Board to add value.

Recommendation 2.1: *A majority of the Board should be independent Directors. – There are no independent Directors. Refer general comment below.*

Recommendation 2.2: *The Chairperson should be an independent Director. – The Chairman is not independent. Refer general comment below.*

Recommendation 2.3: *The roles of the Chairperson and Chief Executive should not be exercised by the same individual.*

Recommendation 2.4: *Establishment of a nominations committee.*

Recommendation 2.5: *Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.*

Recommendation 2.6: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 2.*

General Comments:

Membership
The Board's membership and structure is selected to provide the Company with the most appropriate direction in the areas of business controlled by the Company. The Board currently consists of three members; a Managing Director, and two non-executive Directors. Refer to the Directors' Report for details of each Director's profile. The majority of the Board is not independent. The directors each hold shares in the Company. The size of the board does not allow a majority of independent directors.

Chairman and Managing Director
The roles of the Chairman and the Managing Director are separate. The Chairman is responsible for leading the Board in its duties, and facilitating effective discussions at Board level. The Managing Director is responsible for the efficient and effective operation of the Company.

Nomination Committee
The Company has a formal charter for the Nomination Committee, however, no Committee has been appointed to date. The Board as a whole deals with areas that would normally fall under the charter of the Nomination Committee. These include matters relating to the renewal of Board members, and Board performance.

Skills
The Directors bring a range of skills and background to the Board including exploration, accountancy, finance, stockbroking, and legal.

Experience
The Directors have considerable experience in business at both operational and corporate levels.

Meetings
The Board endeavours to meet at least bi-monthly on a formal basis, although the board regularly meets informally.

Independent professional advice
Each Director has the right to seek independent professional advice at the Company's expense for which the prior approval of the Chairman is required, and is not unreasonably withheld.

3. Promote ethical and responsible decision-making.

Recommendation 3.1: *Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent) and any other key executives as to:*

3.1.1 The practices necessary to maintain confidence in the Company's integrity;
3.1.2 The practices necessary to take into account legal obligations and the reasonable expectations of shareholders;
3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2: *Disclose the policy concerning trading in Company securities by Directors, officers, and employees.*

Standards
The Company is committed to its Directors and employees maintaining high standards of integrity, and ensuring that activities are in compliance with the letter and spirit of both the law and Company policies. Each staff member is issued with the Company's Policies and Procedures manual at the beginning of their employment with the Company.

Recommendation 3.3: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 3.*

A summary of both the Company's Code of Conduct and its Share Trading Policy are included on the Company's website.

4. Safeguard integrity in financial reporting.

Recommendation 4.1: *The Board should establish an audit committee.*

Recommendation 4.2: *Structure the audit committee so that it consists of:*

- *Only non-executive Directors;*
- *A majority of independent Directors;*
- *An independent Chairperson, who is not Chairperson of the Board;*
- *At least three members.*

Recommendation 4.3: *The Audit Committee should have a formal charter. – Refer to Recommendation 4.1.*

General Comments:

Integrity of Company's Financial Condition
The Company's Financial Controller and Company Secretary report in writing to the Board that the consolidated financial statements of the Company and its controlled entities for the half and full financial year present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

Audit Committee
The Company has a formal charter for an Audit Committee. The Audit Committee comprises Messers Fraser and Stephenson who are responsible for the following activities:

- Review the Company's accounting policies;
- Review the content of financial statements;
- Review the scope of the external audit, its effectiveness, and independence of the external audit;
- Ensure accounting records are maintained in accordance with statutory and accounting standard requirements;
- Monitor systems used to ensure financial and other information provided is reliable, accurate, and timely;
- Review the audit process with the external auditors to ensure full and frank discussion of audit issues;
- Present half and full year financial statements to the Board.

5. Make timely and balanced disclosure.

Recommendation 5.1: *Establish written policies and procedures designed to ensure compliance with ASX Listing rules disclosure requirements and to ensure accountability at a senior management level for that compliance.*

Being a listed entity on the ASX, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, the Company advises the market of all information required to be disclosed under the Rules that the Board believes would have a material affect on the price of the Company's securities.

The Company Secretary has been appointed as the person responsible for communication with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media, and the public.

All shareholders receive a copy of the Company's annual report.

Recommendation 5.2: *Provide the information indicated in the ASX Corporate Governance Councils' Guide to Reporting on Principle 5.*

Disclosure is reviewed as a routine agenda item at each Board meeting.

6. Respect the rights of shareholders.

Recommendation 6.1: *Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*

Recommendation 6.2: *Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit, and the preparation and content of the auditor's report.*

General Comments:

The Company is committed to keeping shareholders fully informed of significant developments at the Company. In addition to public announcements of its financial statements and significant matters, the Company provides the opportunity for shareholders to question the Board and management about its activities at the Company's annual general meeting.

The Company's auditor, Bentleys, will be in attendance at the annual general meeting and will also be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

7. Recognise and manage risk

Recommendation 7.1: *The Board or appropriate Board committee should establish policies on risk oversight and management.*

Recommendation 7.2: *The chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that:*

7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
7.2.2 The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Recommendation 7.3: *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.*

Recommendation 7.4: *Provide the information indicated in the ASX Corporate Governance Council's Guide to reporting on Principle 7.*

General Comments:

The Board oversees the Company's risk profile. The financial position of the Company and matters of risk are considered by the Board. The Board is responsible for ensuring that controls and procedures to identify, analyse, assess, prioritise, monitor and manage risk are in place, being maintained and adhered to.

The Financial Controller and Company Secretary state in writing to the Board that:

- The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

8. Remunerate fairly and responsibly

Recommendation 8.1: *The Board should establish a Remuneration Committee.*

Recommendation 8.2: *Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.*

Recommendation 8.3: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 8.*

<u>General Comments</u>:

Principles used to determine the nature and amount of remuneration
The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered. The framework aligns executive reward with the creation of value for shareholders, and conforms to market best practice.

The remuneration committee ensures that executive rewards satisfy the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to the shareholders;
- Performance linked;
- Transparency;
- Capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Remuneration Committee
Members of the Remuneration Committee are Mr Fraser and Mr Stephenson.

Directors' Remuneration
Further information on Directors' and executives' remuneration is set out in the Directors' Report and Note 5 to the financial statements.

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2009.

Directors

The names of Directors in office at any time during or since the end of the year are:

Mr Brett Fraser
Dr Robert Beeson
Mr Jay Stephenson

Directors have been in office since the start of the financial year to the date of this Report unless otherwise stated.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mr Jay Richard Stephenson—Chartered Secretary (FCIS) Master of Business Administration (MBA), Certified Management Accountant (CMA), Member of the Australian Institute of Company Directors (MAICD), Fellow of the Chartered Institute of Secretaries was appointed as Company Secretary for Drake Resources Limited on 30 March 2004. Mr Stephenson is also a non-executive director and performs the role of Chief Financial Officer for the Company.

Principal Activities

The principal activities of the economic entity during the financial year were exploration of its tenements in Sweden and Australia.

Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to $843,938 (2008 - $787,025).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2009.

Review of Operations

A detailed review of the Companies exploration activities is set out in the section titled "Operations Review — Exploration" in this annual report.

Financial Position

The net assets of the economic entity have decreased by $879,469 from 30 June 2008 to $2,804,298 at 30 June 2009.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

(a) On 22 October 2008, the Company announced that it would gain 100% interest in the joint ventures and properties previously held in a strategic alliance with Oz Minerals. Oz Minerals agreed to transfer all of its rights, titles and interests in the properties to the Company at no cost.

(b) On 7 April 2009, the Company announced that it had entered into an agreement with Royal Falcon Mining LLC for the exploration of the Falun and Bersbo Projects in Sweden. Royal Falcon is to fund up to $US 6 million dollars to earn up to 74% of the Project.

(c) ON 24 April 2009, the Company announced that Rex Minerals Ltd exercised its right to purchase 100% of the Mt Carrington Project.

After Balance Date Events

On 8 September 2009, the Company announced that it had entered into subscription agreements to issue 5,535,445 Shares at 18 cents per Share to raise $996,380.

There has been no other after balance day events.

Information on Directors

Mr Brett Fraser	—	Chairman (Non-Executive).
Qualifications	—	Fellow of Certified Practicing Accountants; Fellow of the Financial Services Institute of Australasia; Grad Dip Finance, Securities Institute of Australia; Bachelor of Business (Accounting); International Marketing Institute—AGSM Sydney.
Experience	—	Board member since 30 March 2004.
Interest in Shares and Options	—	3,938,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,777,750 ordinary shares.
Special Responsibilities	—	Member of the Due Diligence Committee and Remuneration Committee.
Directorships held in other listed entities	—	Current non-executive director and Chairman of Aura Energy Limited since August 2005, and non-executive chairman of Blina Diamonds NL since September 2008. Past non-executive director of Brainytoys Limited and Gage Roads Brewing Co Limited. No other Directorships in the past three years.

Dr Robert (Bob) Beeson	—	Managing Director
Qualifications	—	Bachelor of Science with Honours; PhD; Member of the Australian Institute of Geoscientists
Experience	—	Geologist with over 30 years of global experience in base and precious metal exploration and development. Board member since 17 November 2004.
Interest in Shares and Options	—	520,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 250,000 ordinary shares.
Directorships held in other listed entities	—	Current Managing Director of Aura Energy Limited since March 2006. No other Directorships in the past three years.

DIRECTORS' REPORT

Mr Jay Stephenson	—	Director (Non-Executive); Company Secretary
Qualifications	—	Certified Management Accountant; Member Australian Institute of Company Directors; Master of Business Administration; Fellow of the Chartered Institute of Secretaries.
Experience	—	Board member since 30 March 2004
Interest in Shares and Options	—	2,192,500 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,190,000 ordinary shares.
Special Responsibilities	—	Member of Due Diligence Committee and Remuneration Committee
Directorships held in other listed entities	—	Current non-executive Director of Aura Energy Limited since August 2005 and Strategic Minerals Corporation NL since July 2009. No other Directorships in the past three years.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of Drake Resources Limited and for the executives receiving the highest remuneration.

A. Remuneration Policy

The remuneration policy of Drake Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The Board of Drake Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the economic entity, as well as create goal congruence between Directors, executives, and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the economic entity is as follows:

The remuneration policy, setting the terms and conditions for the executive Directors and other senior executives, was developed by the Remuneration Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, options, and performance incentives. The Remuneration Committee reviews executive packages annually by reference to the economic entity's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share and option arrangements.

The non-executive Directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options given to Directors and employees are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive Directors at the lower end of market rates for comparable companies for time, commitment, and responsibilities. The non-executive Directors have been provided with options that are meant to incentivise the non-executive Directors. The Remuneration Committee determines payments to the non-executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

B. Details of Remuneration for Year Ended 30 June 2009

Details of the remuneration of the Directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of Drake Resources Limited are set out in the following tables:

The key management personnel of Drake Resources Limited include the Directors as per page 3. There are no other key management personnel as at 30 June 2009.

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses. During the year, there were no options issued to directors, employees or consultants.

Key Management Personnel

2009

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Superannuation	Other	Equity	Options			
	$	$	$	$	$	$	$	$	$	%	%
Brett Fraser	55,074	-	-	37,500	4,974	-	-	-	97,548	-	-
Robert Beeson	90,000	-	-	-	50,000	-	-	-	140,000	-	-
Jay Stephenson	33,363	-	-	37,500	3,019	-	-	-	73,882	-	-
	178,437	-	-	75,000	57,993	-	-	-	311,430	-	-

2008

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Superannuation	Other	Equity	Options			
	$	$	$	$	$	$	$	$	$	%	%
Brett Fraser	55,074	-	-	37,500	4,957	-	-	-	97,531	-	-
Robert Beeson	90,000	-	-	-	50,000	-	-	-	140,000	-	-
Jay Stephenson	33,363	-	-	37,500	3,003	-	-	-	73,866	-	-
	178,437	-	-	75,000	57,960	-	-	-	311,397	-	-

Cash from other activities paid to Mr Fraser and Mr Stephenson are paid to Wolfstar Group Pty Ltd, a company controlled by Mr Fraser and Mr Stephenson. Wolfstar Group Pty Ltd provides Financial and Company Secretarial services to Drake Resources Ltd.

REMUNERATION REPORT (continued)

C. Service Agreements

The Managing Director, Robert Beeson, is employed under an extension of the terms of a previous contract of employment.

The employment contract stipulated a three month resignation period. The Company may terminate an employment contract without cause by providing three months written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

D. Share-based compensation

Incentive Option Scheme

Options are granted under the Drake Resources Limited Incentive Option Scheme, which was approved by shareholders at a general meeting on 24 November 2005. All staff and consultants of Drake are eligible to participate in the plan.

Director Options

There were no director options issued during the 2008 or 2009 year.

E. Additional information

Company performance, shareholder wealth, and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of directors and executives interests in options at year end, refer to note 5 of the financial statements.

Share options granted to Directors and the most highly remunerated officers

No options over unissued ordinary shares of Drake Resources Limited were granted during or since the end of the financial year.

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Meetings of Directors

During the financial year, 3 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

			COMMITTEE MEETINGS					
	DIRECTORS MEETINGS		DUE DILIGENCE COMMITTEE		REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Brett Fraser	3	3	-	-	-	-	-	-
Robert Beeson	3	3	-	-	-	-	1	1
Jay Stephenson	3	3	-	-	-	-	1	1

Indemnifying Officers or Auditor

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was $11,779 for all Directors.

No indemnification has been paid to the auditors.

Options

At the date of this report, the un-issued ordinary shares of Drake Resources Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
31 March 2006	31 March 2011	$0.25	540,000
12 December 2006	31 December 2009	$0.25	750,000
18 January 2007	31 December 2009	$0.20	15,547,000
31 March 2007	31 March 2012	$0.25	500,000
24 October 2007	31 December 2009	$0.20	10,000,000
24 October 2007	31 December 2009	$0.20	1,650,000
24 December 2007	31 December 2009	$0.20	750,000
24 December 2007	31 December 2009	$0.20	375,000
24 April 2008	24 April 2013	$0.30	650,000
			30,762,000

No person entitled to exercise the option has or had any right by virtue of the option to participate in any share issue of any other body corporate.

DIRECTORS' REPORT

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the company for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

Non-audit Services

No non-audit services were provided to the company in the year ended 30 June 2009.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 49 of the Directors' Report.

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

JAY STEPHENSON
DIRECTOR
Dated this 30th Day of September 2009

Bentleys
Thinking ahead

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To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of Drake Resources Limited and Controlled Entities for the year ended 30 June 2009 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 30th day of September 2009

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
Revenue	2	39,169	86,468	38,570	86,468
Other Income	2	32,685	139,160	32,685	139,160
Registry and ASX Fees		(24,421)	(39,537)	(21,878)	(39,537)
Accounting and Audit Fees		(35,793)	(24,642)	(32,350)	(21,700)
Insurance		(20,277)	(27,060)	(20,277)	(27,060)
Legal Costs		(26,558)	(15,657)	(24,738)	(15,657)
Employee benefits expense		(381,256)	(377,136)	(381,256)	(377,136)
Rent		(28,004)	(24,330)	(28,004)	(24,330)
Depreciation		(10,962)	(14,435)	(10,962)	(14,435)
Contractors and Consultants		(30,555)	(205,637)	(30,555)	(205,637)
Public Relations and Advertising		(22,764)	(10,211)	(22,764)	(10,211)
Computers and Software		(5,668)	(9,781)	(5,668)	(9,781)
Exploration Expenses		(79,266)	(65,871)	(79,266)	(65,871)
Share Based Payments Expenses		-	(94,003)	-	(94,003)
Provision for Diminution in Listed Shares		(219,250)	-	(219,250)	-
Other expenses		(31,018)	(104,353)	(31,017)	(97,100)
Loss from continuing operations	3	(843,938)	(787,025)	(836,730)	(776,830)
Income tax benefit	4	-	-	-	-
Loss from continuing operations		(843,938)	(787,025)	(836,730)	(776,830)
Loss attributable to members of the parent entity		(843,938)	(787,025)	(836,730)	(776,830)
Overall Operations					
Basic earnings per share (cents per share)	7	(2.29)	(2.19)		

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
		2009	**2008**	**2009**	**2008**
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	8	830,904	442,141	814,308	423,834
Trade and other receivables	9	68,913	141,225	68,186	141,224
		899,817	583,366	882,494	565,058
Non-current assets held for sale	10	1,330,705	-	1,330,705	-
TOTAL CURRENT ASSETS		2,230,522	583,366	2,213,199	565,058
NON-CURRENT ASSETS					
Property, plant and equipment	11	11,201	22,163	11,201	22,163
Financial assets	12	408,250	822,500	449,150	855,154
Other non-current assets	13	675,708	2,373,008	675,708	2,373,008
TOTAL NON-CURRENT ASSETS		1,095,159	3,217,671	1,136,059	3,250,325
TOTAL ASSETS		3,325,681	3,801,037	3,349,258	3,815,383
CURRENT LIABILITIES					
Trade and other payables	14	521,383	117,270	521,142	117,270
TOTAL CURRENT LIABILITIES		521,383	117,270	521,142	117,270
TOTAL LIABILITIES		521,383	117,270	521,142	117,270
NET ASSETS		2,804,298	3,683,767	2,828,116	3,698,113
EQUITY					
Issued Capital	15	4,891,238	4,924,505	4,891,238	4,924,505
Reserves	16	689,961	692,225	692,225	692,225
Accumulated Losses		(2,776,901)	(1,932,963)	(2,755,347)	(1,918,617)
TOTAL EQUITY		2,804,298	3,683,767	2,828,116	3,698,113

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

Economic Entity	Note	$ Share Capital Ordinary	$ Accumulated Losses	$ Option Premium Reserve	$ Foreign Exchange Reserve	$ Total
Balance at *30 June 2007*		4,252,650	(1,145,938)	394,002	-	3,500,714
Shares issued during the year		696,630	-	-	-	696,630
Transaction Costs		(24,775)	-	-	-	(24,775)
Options issued during year		-	-	298,223	-	298,223
Loss attributable to members of parent entity		-	(787,025)	-	-	(787,025)
Balance at *30 June 2008*		4,924,505	(1,932,963)	692,225	-	3,683,767
Shares issued during the year		-	-	-	-	-
Transaction Costs		(33,267)	-	-	-	(33,267)
Foreign currency translation		-	-	-	(2,264)	(2,264)
Loss attributable to members of parent entity		-	(843,938)	-	-	(843,938)
Balance at *30 June 2009*		4,891,238	(2,776,901)	692,225	(2,264)	2,804,298

Parent Entity	Note	$ Share Capital Ordinary	$ Accumulated Losses	$ Option Premium Reserve	$ Total
Balance at *30 June 2007*		4,252,650	(1,141,787)	394,002	3,504,865
Shares issued during the year		696,630	-	-	696,630
Transaction Costs		(24,775)	-	-	(24,775)
Options issued during year		-	-	298,223	298,223
Loss attributable to members of parent entity		-	(776,830)	-	(776,830)
Balance at *30 June 2008*		4,924,505	(1,918,617)	692,225	3,698,113
Shares issued during the year		-	-	-	-
Transaction Costs		(33,267)	-	-	(33,267)
Loss attributable to members of parent entity		-	(836,730)	-	(836,730)
Balance at *30 June 2009*		4,891,238	(2,755,347)	692,225	2,828,116

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
		2009	**2008**	**2009**	**2008**
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers		89,625	57,647	90,352	57,647
Interest received		15,524	32,981	14,925	32,981
Payments to suppliers and employees		(195,448)	(824,692)	(185,619)	(814,497)
Payments from exploration and evaluation		-	13,956	-	13,956
Net cash used in operating activities	18	(90,299)	(720,108)	(80,342)	(709,913)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sales of Exploration Assets		350,000	135,000	350,000	135,000
Proceeds from Sale of Investment		230,000	-	230,000	-
Purchase of property, plant and equipment		-	(4,492)	-	(4,492)
Purchase of exploration assets, net of funding		(62,671)	-	(62,671)	-
Purchase of investments		(5,000)	-	(5,000)	(28,502)
Funding activities of subsidiaries		-	-	(8,246)	-
Net cash used in investing activities		512,329	130,508	504,083	102,006
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital raising costs		(33,267)	(24,775)	(33,267)	(24,775)
Proceeds from issue of shares		-	699,850	-	699,850
Net cash used in (provided by) financing activities		(33,267)	675,075	(33,267)	675,075
Net increase/(decrease) in cash held		388,763	85,475	390,474	67,168
Cash at 1 July 2008		442,141	356,666	423,834	356,666
Cash at 30 June 2009	8	830,904	442,141	814,308	423,834

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Drake Resources Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Drake Resources Limited as an individual parent entity ('Parent Entity'). Drake Resources Limited is a company limited by shares, incorporated and domiciled in Australia

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

A controlled entity is any entity over which Drake Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 12(a) to the financial statements.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

Investments in subsidiaries are accounted for at cost in the individual financial statements of Drake Resources Limited.

(b) Exploration and Development Expenditure

Exploration, evaluation, and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(c) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Property, Plant, and Equipment

Each class of property, plant, and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs, and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%
Computers	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

(g) Revenue and Other Income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Management Fees are recognised on portion of completion basis.

Gain on Disposal of tenements are recognised on receipt of compensation.

All revenue is stated net of the amount of goods and services tax (GST).

(h) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the Cash Flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(j) Financial Instruments

Initial recognition and measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit and loss
Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognized where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(k) Earnings Per Share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(l) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(o) Equity-settled compensation

The Group operates an Incentive Option Scheme share-based compensation plan. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(p) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(q) Foreign Currency Transactions and Balances

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(r) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Key Judgements – Deferred exploration and evaluation expenditure
Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(b). The carrying value of capitalised expenditure at reporting date is $674,508. In addition, $1,330,705 capitalised expenditure of specific tenements is recognised at reporting date as non-current assets held for sale.

Key Judgements – Environmental Issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact, the directors believe such treatment in reasonable and appropriate.

Key Estimate – Taxation
Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Key Estimates — Impairment
The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(s) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
  - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

but will be recognised as income;

- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

The financial report was authorised for issue on 30 September 2009 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
NOTE 2: REVENUE		$	$	$	$
Revenue					
— Management fees		23,645	53,487	23,645	53,487
— Interest received		15,524	32,981	14,925	32,981
Total Revenue		39,169	86,468	38,570	86,468
Other Income					
— Gain on Disposal of Tenements		-	135,000	-	135,000
— Profit on sale of Shares		30,000	-	30,000	-
— Equipment charge-backs		2,685	4,160	2,685	4,160
Total Other Income		32,685	139,160	32,685	139,160

NOTE 3: LOSS FOR THE YEAR

(a) Expenses

Exploration Expenses	79,266	65,871	79,266	65,871
Depreciation of non-current assets:				
— plant and equipment	10,962	14,435	10,962	14,435
Rental expense	28,004	24,330	28,004	24,330

(b) Significant Revenues and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

Sale of Tenements	-	135,000	-	135,000
Superannuation	25,631	63,320	25,631	63,320

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
NOTE 4: INCOME TAX		**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
(a) **Income tax expense**					
Current tax		-	-	-	-
Deferred tax		-	-	-	-
		-	-	-	-
Deferred income tax expense included in income tax expense comprises:					
- (Increase) in deferred tax assets	4(c)	(144,554)	(257,302)	(144,554)	(257,302)
- Increase in deferred tax liabilities	4(d)	144,554	257,302	144,554	257,302
		-	-	-	-
(b) **Reconciliation of income tax expense to prima facie tax payable**					
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:					
Prima facie tax on operating profit at 30%		(253,181)	(236,108)	(251,019)	(233,049)
Add / (Less)					
Tax effect of:					
Deferred tax asset not brought to account		253,181	236,108	251,019	233,049
Income tax attributable to operating loss		-	-	-	-
The applicable weighted average effective tax rates are as follows:		nil%	nil%	nil%	nil%
Balance of franking account at year end		nil	nil	nil	nil
(c) **Deferred tax assets**					
Tax Losses		49,541	177,369	49,613	177,369
Provisions and Accruals		70,602	2,100	70,530	2,100
Other		24,411	77,833	24,411	77,833
		144,554	257,302	144,554	257,302
Set-off deferred tax liabilities	4(d)	(144,554)	(257,302)	(144,554)	(257,302)
Net deferred tax assets		-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
NOTE 4: INCOME TAX (cont.)		**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
(d) **Deferred tax liabilities**					
Exploration expenditure		144,554	257,302	144,554	257,302
		144,554	257,302	144,554	257,302
Set-off deferred tax assets	4(c)	(144,554)	(257,302)	(144,554)	(257,302)
Net deferred tax liabilities		-	-	-	-
(e) Deferred Tax Assets					
Unused tax losses for which no deferred tax asset has been recognised		1,063,937	540,816	1,061,702	509,556

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2009 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel compensation

The Company has transferred the detailed remuneration disclosures to the Director's Report in accordance with the Corporations Amendment Regulations 2006 (No 4). The relevant information can be found in section B of the Remuneration Report on page 45.

The totals of remuneration paid to key management personnel during the year are as follows:

	2009 $	2008 $
Short-term employee benefits	253,437	253,437
Post-employment benefits	57,993	57,960
Total	311,430	311,397

(b) Equity instrument disclosures relating to key management personnel

(i) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Drake Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

30 June 2009	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Drake Resources Limited						
Brett Fraser	2,527,750	-	-	(750,000)	1,777,750	1,777,750
Robert Beeson	1,000,000	-	-	(750,000)	250,000	250,000
Jay Stephenson	1,992,000	-	-	(802,000)	1,190,000	1,190,000
	5,519,750	-	-	(2,302,000)	3,217,750	3,217,750

30 June 2008	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Drake Resources Limited						
Brett Fraser	3,980,250	-	-	(1,452,500)	2,527,750	2,527,750
Robert Beeson	1,500,000	-	-	(500,000)	1,000,000	1,000,000
Jay Stephenson	2,292,500	-	-	(300,500)	1,992,000	1,992,000
	7,772,750	-	-	(2,253,000)	5,519,750	5,519,750

Other Changes during the year relate to options purchased and expired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(ii) Shareholdings

The numbers of shares in the Company held during the financial year by each Director of Drake Resources Limited and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

30 June 2009 Ordinary Shares	Balance at the start of the year	Received during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors					
Brett Fraser	3,938,000	-	-	-	3,938,000
Robert Beeson	500,000	-	-	20,000	520,000
Jay Stephenson	2,192,500	-	-	-	2,192,500
Total	6,630,500	-	-	20,000	6,650,500

30 June 2008 Ordinary Shares	Balance at the start of the year	Received during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors					
Brett Fraser	3,563,000	-	-	375,000	3,938,000
Robert Beeson	500,000	-	-	-	500,000
Jay Stephenson	2,167,500	-	-	25,000	2,192,500
Total	6,230,500	-	-	400,000	6,630,500

Other Changes during year relate to Shares purchased on market

(c) Loans to key management personnel

There are no loans made to key management personnel at 30 June 2009.

(d) Other transactions with key management personnel

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer note 21: Related party transactions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 6: AUDITORS' REMUNERATION	**Economic Entity**		**Parent Entity**	
	2009 $	**2008** $	**2009** $	**2008** $
Remuneration of the auditor of the parent entity for:				
— Auditing or reviewing the financial reports	31,496	19,800	31,250	19,800
	31,496	19,800	31,250	19,800

NOTE 7: EARNINGS PER SHARE	**Economic Entity**	
	2009 $	**2008** $
(a) Reconciliation of earnings to net profit or loss		
Loss used in the calculation of basic EPS	(843,938)	(787,025)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	36,903,000	35,523,830

Dilutive earnings per share have not been disclosed as the entity does not have on issue any potential ordinary shares which are dilutive.

NOTE 8: CASH AND CASH EQUIVALENTS	**Economic Entity**		**Parent Entity**	
	2009 $	**2008** $	**2009** $	**2008** $
Cash at bank	830,904	442,141	814,308	423,834
Reconciliation of Cash				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	830,904	442,141	814,308	423,834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 9: TRADE AND OTHER RECEIVABLES	**Economic Entity**		**Parent Entity**	
	2009 $	**2008** $	**2009** $	**2008** $
CURRENT				
Other Receivables	51,521	112,182	50,794	112,181
GST Receivable	17,392	29,043	17,392	29,043
	68,913	141,225	68,186	141,224

NOTE 10: NON-CURRENT ASSETS HELD FOR SALE

CURRENT				
Exploration expenditure capitalised				
- Exploration and evaluation phases at cost	1,330,705	-	1,330,705	-

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

PLANT AND EQUIPMENT				
Plant and equipment				
At cost	55,517	55,517	55,517	55,517
Accumulated depreciation	(44,316)	(33,354)	(44,316)	(33,354)
Total Property, Plant and Equipment	11,201	22,163	11,201	22,163

(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Balance at the beginning of year	22,163	32,105	22,163	32,105
Additions	-	4,493	-	4,493
Disposals	-	-	-	-
Depreciation expense	(10,962)	(14,435)	(10,962)	(14,435)
Carrying amount at the end of year	11,201	22,163	11,201	22,163

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Economic Entity		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
NOTE 12: FINANCIAL ASSETS				
NON-CURRENT				
Available for sale:				
Securities in ASX listed entity	408,250	822,500	408,250	822,500
Shares in controlled entities at cost	-	-	18,307	18,307
Loans to subsidiaries	-	-	22,593	14,347
Net carrying value	408,250	822,500	449,150	855,154

(a) Controlled Entities	Country of Incorporation	Class of Shares	Percentage Owned % 2009	Percentage Owned % 2008
Drake Resources UK Limited	UK	Ordinary	100	100
Drake Resources Sweden AB	Sweden	Ordinary	100	100

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
NOTE 13: OTHER ASSETS				
NON-CURRENT				
Exploration expenditure capitalised				
- Exploration and evaluation phases at cost	674,508	2,371,808	674,508	2,371,808
Other	1,200	1,200	1,200	1,200
Net carrying value	675,708	2,373,008	675,708	2,373,008

The value of Company interest in exploration expenditure is dependent upon the:

- the continuance of the economic entity's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The economic entity's exploration properties may be subjected to claim(s) under Native Title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

The economic entity has sold its Mt Carrington Project and settlement is conditional upon the NSW Mines department transferring the licenses to the Purchaser. If the settlement proceeds, Mt Carrington will be sold and the carrying value of the project will become a cost of the sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14: TRADE AND OTHER PAYABLES	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
CURRENT – unsecured liabilities					
Trade payables		107,163	110,270	107,163	110,270
Unspent Joint Venture funds		391,128	-	391,128	-
Accrued Expenses		23,092	7,000	22,851	7,000
		521,383	117,270	521,142	117,270

NOTE 15: ISSUED CAPITAL

	Note				
36,903,000 Fully paid ordinary shares	15a	4,891,238	4,924,505	4,891,238	4,924,505
		4,891,238	4,924,505	4,891,238	4,924,505

The Company has issued share capital amounting to 36,903,000 (2008: 36,903,000) ordinary shares at no par value.

(a) Ordinary shares				
At the beginning of the reporting period	4,924,505	4,252,650	4,924,505	4,252,650
Shares issued during the year :				
300,000 issued on 1 July 2007	-	51,000	-	51,000
3,000 options exercised on 8 October 2007	-	630	-	630
3,300,000 issued on 26 October 2007	-	495,000	-	495,000
750,000 issued on 24 December 2007	-	150,000	-	150,000
Transaction costs relating to share issues	(33,267)	(24,775)	(33,267)	(24,775)
At reporting date	4,891,238	4,924,505	4,891,238	4,924,505

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	No.	No.	No.	No.
At the beginning of the reporting period	36,903,000	32,550,000	36,903,000	32,550,000
Shares issued during the year :				
300,000 issued on 1 July 2007	-	300,000	-	300,000
3,000 options exercised on 8 October 2007	-	3,000	-	3,000
3,300,000 issued on 26 October 2007	-	3,300,000	-	3,300,000
750,000 issued on 24 December 2007	-	750,000	-	750,000
At reporting date	36,903,000	36,903,000	36,903,000	36,903,000

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(b) Incentive share scheme

For information relating to the Drake Resources Limited Incentive Option Scheme, including details of options issued during the financial year, refer to Note 18.

(c) Capital Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2009 and 30 June 2008 are as follows:

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
Working Capital:	$	$	$	$
Cash and cash equivalents	830,904	442,141	814,308	423,834
Trade and other receivables	68,913	141,225	68,186	141,224
Financial assets at fair value through profit or loss				
Trade and other payables	(521,383)	(117,270)	(521,142)	(117,270)
Working capital position	378,434	466,096	361,352	447,788

NOTE 16: RESERVES

Option reserve	692,225	692,225	692,225	692,225
Foreign exchange reserve	(2,264)	-	-	-
	689,961	692,225	692,225	692,225

Option Reserve
The options reserve records items recognised as expenses on valuations of employee and consultant share options.

Foreign Exchange Reserve
The foreign exchange reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 17: SEGMENT REPORTING

2009	**Australia**	**Sweden**	**Total**
Primary Reporting — Geographical Segments			
	$	$	$
REVENUE			
External sales	2,685	23,645	26,330
Other segments	-	-	-
Total sales revenue	2,685	23,645	26,330
Unallocated revenue	44,925	599	45,524
Total revenue	47,610	24,244	71,854
RESULT			
Segment result	(839,143)	(4,795)	(843,938)
Unallocated expenses net of unallocated revenue	-	-	-
Finance costs	-	-	-
Share of net profits of associates and joint venture entities	-	-	-
Profit before income tax	(839,143)	(4,795)	(843,938)
Income tax expense	-	-	-
Profit after income tax	(839,143)	(4,795)	(843,938)
ASSETS			
Segment assets	3,298,865	26,816	3,325,681
Unallocated assets	-	-	-
Total assets	3,298,865	26,816	3,325,681
LIABILITIES			
Segment liabilities	130,014	391,369	521,383
Unallocated liabilities	-	-	-
Total liabilities	130,014	391,369	521,383
OTHER			
Investments accounted for using the equity method	-	-	-
Acquisitions of non-current segment assets	-	-	-
Depreciation and amortisation of segment assets	10,962	-	-
Other non-cash segment expenses	219,250	-	-

Secondary Reporting – Secondary Reporting is as per Primary Reporting.

NOTE 17: SEGMENT REPORTING

2008	**Australia**	**Sweden**	**Total**
Primary Reporting — Geographical Segments			
	$	$	$
REVENUE			
External sales	135,000	57,647	192,647
Other segments			-
Total sales revenue	135,000	57,647	192,647
Unallocated revenue	32,981		32,981
Total revenue	167,981	57,647	225,628
RESULT			
Segment result	(844,672)	57,647	(787,025)
Unallocated expenses net of unallocated revenue	-	-	-
Finance costs	-	-	-
Share of net profits of associates and joint venture entities	-	-	-
Profit before income tax	(844,672)	57,647	(787,025)
Income tax expense			-
Profit after income tax	(844,672)	57,647	(787,025)
ASSETS			
Segment assets	3,912,143	1,055,490	4,967,633
Contribution from Alliance & JV partners	(111,106)	(1,055,490)	(1,166,596)
Unallocated assets	-	-	-
Total assets	3,801,037	-	3,801,037
LIABILITIES			
Segment liabilities	117,270	-	117,270
Unallocated liabilities	-	-	-
Total liabilities	117,270	-	117,270
OTHER			
Investments accounted for using the equity method	-	-	-
Acquisitions of non-current segment assets	-	-	-
Depreciation and amortisation of segment assets	14,435	-	-
Other non-cash segment expenses	94,003	-	-

Secondary Reporting – Secondary Reporting is as per Primary Reporting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 18: CASH FLOW INFORMATION	**Consolidated Entity**		**Parent Entity**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit/Loss after income tax	(843,938)	(787,025)	(836,730)	(776,830)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit from ordinary activities				
Depreciation	10,962	14,435	10,962	14,435
Exploration expenditure written off	79,266	-	79,266	-
Provision for diminution in listed equities	219,250	-	219,250	-
Share based payments	-	244,003	-	244,003
Net exchange differences	(2,264)	-	-	-
Sale of Option in Mt Carrington included in Profit, but an investing cash flow item	-	(135,000)	-	(135,000)
Gain on Disposal of Shares	(30,000)	-	(30,000)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in other assets	-	13,956	-	13,956
(Increase)/decrease in receivables	55,377	(66,123)	56,103	(66,123)
Increase/(decrease) in payables	419,619	(15,500)	419,378	(15,500)
Increase/(decrease) in provisions	1,429	11,146	1,429	11,146
Cash flow from operations	(90,299)	(720,108)	(80,342)	(709,913)

Credit Standby Facilities

The Company had no standby credit facilities as at 30 June 2009.

Non-Cash investing and financing activities

During the previous financial year, 300,000 shares were issued at $0.17 each as consideration for the acquisition of gold exploration tenements in Western Australia, and 750,000 shares were issued at $0.20 each to a key consultant as consideration for corporate work. There were no non-cash activities in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 19: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2009.

On 31 March 2006, under the Drake Resources Limited Incentive Option Scheme, 540,000 share options were granted to employees and consultants to take up ordinary shares at an exercise price of $0.25 each. The options are exercisable on or before 31 March 2011. The options hold no voting or dividend rights and are not transferable. Since balance date, no employee or consultant has ceased their employment. At balance date, no share option has been exercised.

On 12 December 2006, the Company issued 750,000 options to key consultants to take up ordinary shares at an exercise price of $0.25 each. The options are exercisable on or before 31 December 2009. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

On 31 March 2007, under the Drake Resources Limited Incentive Option Scheme, 500,000 share options were granted to employees and consultants to take up ordinary shares at an exercise price of $0.25 each. The options are exercisable on or before 31 March 2012. The options hold no voting or dividend rights and are not transferable. Since balance date, no employee or consultant has ceased their employment. At balance date, no share option has been exercised.

On 24 December 2007, the Company issued 1,125,000 options to key consultants to take up ordinary shares at an exercise price of $0.20 each. The options are exercisable on or before 31 December 2009. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

On 24 April 2008 under the Drake Resources Limited Incentive Option Scheme, 650,000 share options were granted to key consultants to take up ordinary shares at an exercise price of $0.30 each. The options are exercisable on or before 24 April 2013. The options hold no voting or dividend rights, and are not transferable. Since balance date, no employee or consultant has ceased their employment. At balance date, no share option has been exercised.

All options granted to key management personnel are for ordinary shares in Drake Resources Limited, which confer a right to one ordinary share for every option held.

Details of options at 30 June 2009 are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Economic Entity				Parent Entity			
	2009		2008		2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$		$		$
Outstanding at the beginning of the year	6,815,000	$0.2557	9,540,000	$0.2566	6,815,000	$0.2557	9,540,000	$0.2566
Granted	-	-	1,775,000	$0.2366	-	-	1,775,000	$0.2366
Forfeited	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	(3,250,000)	$0.2692	(4,500,000)	$0.2500	(3,250,000)	$0.2692	(4,500,000)	$0.2500
Outstanding at year-end	3,565,000	$0.2433	6,815,000	$0.2557	3,565,000	$0.2433	6,815,000	$0.2557
Exercisable at year-end	3,565,000	$0.2433	6,815,000	$0.2557	3,565,000	$0.2433	6,815,000	$0.2557

The options outstanding at 30 June 2009 had a weighted average exercise price of $0.2433 and a remaining weighted average contractual life of 0.62 years.

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

On 8 September 2009, the Company announced that it had entered into subscription agreements to issue 5,535,445 Shares at 18 cents per Share to raise $996,380. The funds have been received as at the date of this report.

There has been no other after balance day events.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 21: RELATED PARTY TRANSACTIONS	**Economic Entity**		**Parent Entity**	
	2009 $	**2008** $	**2009** $	**2008** $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Loans to Subsidiaries	-	-	22,593	14,347
Transactions with Key Management Personnel:				
Jay Stephenson				
Drake Resources Limited rents office space from Jay Stephenson	10,800	9,600	10,800	9,600
Wolfstar Group Pty Ltd				
Mr Fraser and Mr Stephenson, non-executive Directors of Drake Resources Limited, are Directors and Shareholders of Wolfstar Group Pty Ltd. Mr Stephenson provides Company Secretarial and Chief Financial Officer duties to Drake Resources	75,000	75,000	75,000	75,000

NOTE 22: CAPITAL COMMITMENTS

Capital expenditure commitments:

Capital expenditure commitments contracted for:

Exploration tenement minimum expenditure requirements	467,000	589,000	467,000	589,000
Payable:				
- not later than 12 months	75,000	72,000	75,000	72,000
- between 12 months and 5 years	332,000	434,000	332,000	434,000
- greater than 5 years	60,000	83,000	60,000	83,000
	467,000	589,000	467,000	589,000

NOTE 23: FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

The Group does not speculate in the trading of derivative instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 23: FINANCIAL INSTRUMENTS (Cont.)

i. Treasury Risk Management

The Board meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the Group is exposed to through its financial instruments are, foreign currency risk, liquidity risk, and credit risk.

Foreign currency risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swedish Krone.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

Commodity risk

Given the current level of operations, neither the Group, nor the parent entity, are exposed to commodity risk.

Credit risk

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group and the parent entity are confined to trade and other payables as disclosed in the Balance Sheet. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

Price risk

The investment in listed equities has been valued at the market price prevailing at balance date. Management of this investment's price risk is by ongoing monitoring of the value with respect to any impairment.

NOTE 23: FINANCIAL INSTRUMENTS (cont.)

b. Financial Instruments

i. Derivative Financial Instruments

The economic entity had no derivative financial instruments at 30 June 2009.

ii. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

30 June 2009	**Floating Interest Rate**	**Fixed Interest maturing in 1 year or less**	**Fixed Interest maturing over 1 to 5 years**	**Non-interest bearing**	**2009 Total**
	$	**$**	**$**	**$**	**$**
Financial assets					
Cash Assets	830,904	-	-	-	830,904
Receivables	-	-	-	68,913	68,913
Other financial assets	-	-	-	627,500	627,500
	830,904	-	-	696,413	1,527,317
Weighted average Interest rate	3.55%				
Financial Liabilities					
Payables	-	-	-	514,383	514,383
	-	-	-	514,383	514,383
Weighted average interest rate	3.55%				
Net financial assets	830,904	-	-	182,030	1,012,934

30 June 2008	**Floating Interest Rate**	**Fixed Interest maturing in 1 year or less**	**Fixed Interest maturing over 1 to 5 years**	**Non-interest bearing**	**2008 Total**
	$	**$**	**$**	**$**	**$**
Financial assets					
Cash Assets	442,141	-	-	-	442,141
Receivables	-	-	-	141,225	141,225
Other financial assets	-	-	-	822,500	822,500
	442,141	-	-	963,725	1,405,866
Weighted average Interest rate	5.95%				
Financial Liabilities					
Payables	-	-	-	117,270	117,270
	-	-	-	117,270	117,270
Weighted average interest rate	5.95%				
Net financial assets	442,141	-	-	846,455	1,288,596

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 23: FINANCIAL INSTRUMENTS (cont.)

iii. Net Fair Values

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

— Other assets and other liabilities approximate their carrying value.
— Trade and other payables are expected to be paid within six months.

Fair values are materially in line with carrying values. A discount rate of 0% (2008: 0%) has been applied to all non-current borrowings to determine fair value.

iv. Sensitivity Analysis

Interest Rate Sensitivity Analysis

The group has performed sensitivity analysis relating to its exposure to interest rate risk, at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	Economic Entity		**Parent Entity**	
	2009	**2008**	**2009**	**2008**
Change in profit				
— Increase in interest rate by 1%	**4,370**	**5,543**	**4,193**	**5,543**
— Decrease in interest rate by 1%	**(4,370)**	**(5,543)**	**(4,193)**	**(5,543)**
Change in Equity				
— Increase in interest rate by 1%	**4,370**	**5,543**	**4,193**	**5,543**
— Decrease in interest rate by 1%	**(4,370**	**(5,543)**	**(4,193)**	**(5,543)**

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date :

	2009		**2008**	
	Carrying Amount $	**Net Fair Value $**	**Carrying Amount $**	**Net Fair Value $**
Financial Assets				
Loans and receivables	68,913	68,913	141,225	141,225
Available for sale – financial assets	627,500	627,500	822,500	1,057,500
	696,413	696,413	963,725	1,198,725
Financial Liabilities				
Other liabilities	514,383	514,383	117,270	117,270
	514,383	514,383	117,270	117,270

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 24: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2009. (2008: none)

NOTE 25: COMPANY DETAILS

The principal and registered office of the Company is:

Drake Resources Ltd
Unit 6, 34 York Street
NORTH PERTH WA 6006

The principal places of business are:

Drake Resources Ltd
Unit 6, 34 York Street
NORTH PERTH WA 6006

Suite 3, Level 1
19-23 Prospect Place
BOX HILL VIC 3128

DIRECTORS' DECLARATION

THE DIRECTORS OF THE COMPANY DECLARE THAT:

1 The directors of the company declare that the financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, and accompanying notes are in accordance with the *Corporations Act 2001* and:

(a) Comply with Accounting Standards; and

(b) Give a true and fair view of the financial position as at 30 June 2009, and of the performance for the year ended on that date of the Company and consolidated entities.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

b. the financial statements and notes for the financial year comply with the Accounting Standards; and

c. the financial statements and notes for the financial year give a true and fair view;

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

DIRECTOR

JAY STEPHENSON

Dated 30th September 2009, Perth WA.

Bentleys Audit
& Corporate (WA) Pty Ltd
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Independent Auditor's Report

To the Members of Drake Resources Limited

We have audited the accompanying financial report of Drake Resource Limited (the company) and Drake Resource Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. The financial report of Drake Resource Limited and Drake Resource Limited and Controlled Entities (the consolidated entity), is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included within the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Drake Resource Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 30th day of September 2009

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1 Shareholding as at 22 September 2009

(a) Distribution of Shareholders To be updated

Category (size of holding)	Number Ordinary
1 – 1,000	21
1,001 – 5,000	60
5,001 – 10,000	109
10,001 – 100,000	230
100,001 – and over	80
	500

(b) The number of shareholdings held in less than marketable parcels is 24.

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(d) 20 Largest Shareholders — Ordinary Shares as at 22 September 2009.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	PINEWOOD ASSET PTY LTD <THE FRASER FAMILY A/C>	3,020,500	7.12
2.	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MLCI A/C>	2,691,984	6.34
3.	BILL BROOKS PTY LTD <BILL BROOKS SUPER FUND A/C>	1,952,403	4.60
4.	ALMAMATER PTY LTD <STEPHENSON FAMILY A/C>	1,830,000	4.31
5.	HAWTHORNE PARK INVESTMENTS PTY LTD	1,120,000	2.64
6.	MR ROBERT JOHN HUGALL + MRS RICCARDA MARTINA HUGALL <RJ & RM HUGALL S/FUND A/C>	1,000,000	2.36
7.	MR MUN SIONG YEO	1,000,000	2.36
8.	SIONG MUN YEO	800,000	1.89
9.	LING YIH HOON	700,000	1.65
10.	TYLER STREET HOLDINGS PTY LTD <ROSEBRETT SUPERANNUATION A/C>	700,000	1.65
11.	MR JOHN MALCOLM BURRELL + MRS JUDITH MAREE BURRELL <BURRELL FAMILY S/F A/C>	560,000	1.32
12.	MR FELIX OCAMPO	524,518	1.24
13.	AVODAY TECHNOLOGY PTY LTD	502,075	1.18
14.	PACIFIC CAPITAL SECURITIES PTY LTD	500,088	1.18
15.	MR ROBERT BEESON <BEESON FAMILY A/C>	500,000	1.18
16.	CLASSY INVESTMENTS PTY LTD	500,000	1.18
17.	CHEE KEAN LOO	500,000	1.18

18.	MR FRANK HONG	452,336	1.07
19.	BERMALC PTY LTD <WEBER FAMILY A/C>	411,556	0.97
20.	CLEAR STAR HOLDINGS PTY LIMITED	402,304	0.95
		19,667,764	46.35

(e) 20 Largest Option Holders as at 22 September 2009.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	MR LAURENCE CHARLES KIRK	1,250,000	4.60
2.	GAZUMP RESOURCES PTY LTD	1,217,809	4.48
3.	MR RICHARD KAROLEWICZ + MRS GAYE LORRAINE KAROLEWICZ	1,000,000	3.68
4.	ALMAMATER PTY LTD <STEPHENSON FAMILY A/C>	975,000	3.58
5.	AMH CUSTODIAN PTY LTD	900,000	3.31
6.	PINEWOOD ASSET PTY LTD <THE FRASER FAMILY A/C>	875,000	3.22
7.	MR GARY CUTHBERTSON	619,283	2.28
8.	PREMAR CAPITAL NOMINEES PTY LTD	600,000	2.21
9.	MRS KATHLEEN MARY EDDINGTON <KATHIE EDDINGTON NO2 S/F A/C>	550,000	2.02
10.	PINEWOOD ASSET PTY LTD <THE FRASER FAMILY A/C>	500,250	1.84
11.	MR ROBERT JOHN HUGALL + MRS RICCARDA MARTINA HUGALL <RJ & RM HUGALL S/FUND A/C>	500,000	1.84
12.	MR MICHAEL ANDREW WHITING + MRS TRACEY ANNE WHITING <WHITING FAMILY S/F A/C>	500,000	1.84
13.	MR MUN SIONG YEO	500,000	1.84
14.	FORTIS CLEARING NOMINEES P/L <SETTLEMENT A/C>	499,970	1.84
15.	BILL BROOKS PTY LTD <BILL BROOKS SUPER FUND A/C>	486,159	1.79
16.	MR WILLIAM PAUL BROOKS	450,000	1.65
17.	TAYSCRIP NOMINEES PTY LTD	443,245	1.63
18.	MR WILLIAM JANSEN + MRS MARILYN GAIL JANSEN <W & M G JANSEN S/F A/C>	400,000	1.47
19.	SIONG MUN YEO	400,000	1.47
20.	LING YIH HOON	350,000	1.29
		13,016,716	47.86

2 The name of the Company Secretary is Mr Jay Richard Stephenson.

3 The address of the principal registered office in Australia is 6/34 York Street NORTH PERTH WA 6006. Telephone (08) 9228 0703.

4 Registers of securities are held at the following addresses

Western Australia — Computershare Registry Services
Level 2, 45 St Georges Terrace, PERTH WA 6000

5 Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

6 Unquoted Securities

Options over Un-issued Shares

There are 3,565,000 unlisted options at 22 September 2009; none are on issue to the Directors.

7 Use of Funds

The Company has used its funds in accordance with its initial business objectives.

TENEMENT REPORT

Area	Project	Drake %
NSW	EL6273 Mt Carrington	100%
	EL 6452 Mt Carrington	100%
	EL 6453 Mt Carrington	100%
WA	Mt Palmer M77/406	70%
	Lake Rebecca E28/1610	80%
	Lake Nabberu E69/2173	80%
	Mallee Hen Point E38/1905	100%
	Heron Well P40/1119	100%
	Heron Well P40/1120	100%
	Heron Well P40/1121	100%
	Heron Well P40/1122	100%
	Heron Well P40/1123	100%
	Heron Well P40/1129	100%
Sweden	Bersbo nr 2 2007/137	100%
	Bersbo nr 3 2008/10	100%
	Bersbo nr 4 2008/11	100%
	Bersbo nr 5 2008/12	100%
	Bersbo nr 6 2008/15	100%
	Hagerstad nr 1 2007/1461	100%
	Larum nr 1 2007/1462	100%
	Sjogerum nr 1 2007/1463	100%
	Svenstorpet nr 1 2007/1464	100%
	Doverstop nr 1	100%
	Falun nr 100 2007/61	100%
	Falun nr 101 2007/62	100%
	Falun nr 102 2007/254	100%
	Falun nr 103 2007/267	100%
	Rogsan nr 1 2007/277	100%
	Oxberg nr 2 2008/4	100%
	Haghed	100%
	Krondiket	100%
	Gronhog	100%
	Ruda nr 1 2008/5	100%
	Ruda nr 2 2008/95	100%
	Saxa nr 1 2008/98	100%
	Gruvberget nr 5 2008/167	100%
	Jugansbo nr 5	100%
	Skommer nr 1 2007/99	100%
	Skommer nr 3 2008/90	100%