Drake
Resources
Limited

DRAKE RESOURCES LIMITED

ABN 12 108 560 069

ANNUAL REPORT
30 JUNE 2012

CONTENTS

CORPORATE DIRECTORY

Directors

Brett Fraser	Non-executive Chairman
Dr Robert Beeson	Managing Director
James Merrillees	Executive Director
Jay Stephenson	Non-executive Director
John Hoon	Non-executive Director

Company Secretary
Jay Stephenson

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Share Registry
Computershare Registry Services
Level 2, 45 St Georges Terrace
Perth WA 6000

Australian Securities Exchange
ASX Code – DRK

Drake Resources
Operations Overview 2012

Achievements

- Identified broad gold zones at Tasiast South, Mauritania
- Identified the Ghassariat Prospect analogous to Tasiast Mine ore zones following 25,000 metre drilling programme
- High grade gold results confirmed at Conchita Prospect, Mauritania
- Extended the company's West African gold footprint into Eastern Guinea and Senegal
- Strong gold anomalies reported at Seimana Gold Project, Guinea
- 40,000 tonnes nickel metal acquired in nickel resources at Espedalen in Norway, with considerable scope for resources growth
- Copper-nickel greenfields discovery made at Granmuren, Sweden in an area with exceptional infrastructure and processing facilities
- Secured rights over two significant copper-zinc mines in Norway
- Successful capital raising of $7 million providing the opportunity to progress drilling and assessment of African assets

Objectives

- Focus on West Africa and gold opportunities
- Follow up drilling and further testing on newly defined Ghassariat Prospect
- Undertake first reverse circulation drilling programme at Seimana Project
- Complete rview of historical data , acquire new generation geophysics, and extend resources at Espedalen
- Follow up geophysical targets at Joma copper-zinc
- Drill test targets at Nordgruva and Løkken, Norway Continue to strengthen company's financial position

Operations Review

Drake Resources extensive range of advanced and highly prospective gold, copper and base metal projects across West Africa and Scandinavia kept the company exceptionally busy during the year.

Intensive work was undertaken on the company's key gold exploration project in Mauritania and securing many more permits in both West Africa and Scandinavia.

Specific work included a detailed drilling programme at the Tasiast South Project, intersecting broad zones of gold mineralisation and identifying a new prospect named Ghassariat while drilling at the Hendrix Shear Project confirmed consistent high gold grades.

Drake's West Africa portfolio also expanded during the year with the company securing significant land holdings in the resource rich provinces of Northern Guinea and Senegal.

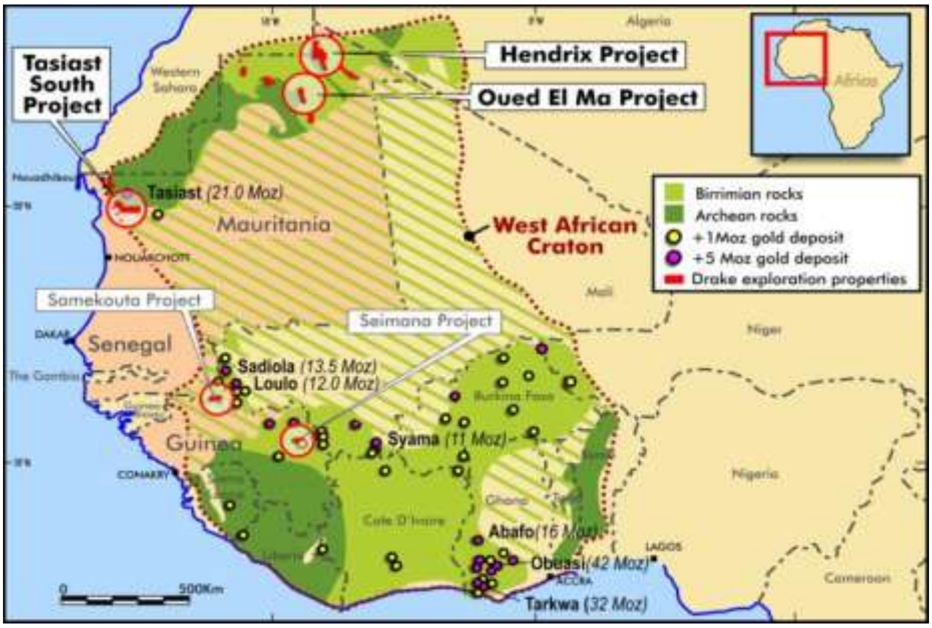
In Scandinavia Drake continued to increase the company's base metal portfolio including adding permits holding substantial existing resources. Exciting drill targets were identified in Drake's Swedish and Norwegian assets, establishing the framework for programmes in the year ahead.

West Africa Gold

The highly prospective West African gold areas are the focus for Drake Resources with a number of exciting projects in Mauritania, Guinea and Senegal.

Mauritania is underexplored in comparison to other gold-producing West African countries. The recent emergence of the Tasiast Gold deposit in Mauritania as a major gold resource indicates potential for further discoveries in this part of the province.

This year Drake expanded its West African gold footprint into both Northern Guinea and Senegal by securing five adjoining gold exploration permits in Guinea along with the Samekouta permit in Senegal, covering 325 square kilometres of Birrimian age rocks.



West African project locations

Mauritania

Drake has a large acreage of gold prospective ground in the underexplored region of Mauritania, host to the current 20 million ounce Tasiast Gold Mine. The country has a supportive government and regulations and a well-administered Mining Act. The area is rich in resources and Drake is focused on capturing the exciting gold opportunities existing in this emerging province.

Drake's seven exploration permits and nine applications covering 11,800 square kilometres in Mauritania target gold mineralisation associated with Archaean and Birrimian aged rocks of the Reguibat Craton, which host most of the known gold mineralisation in the province. The nearby Tasiast gold deposit is hosted within Archaean age rocks.

Drake's two main project areas in Mauritania are:

1. **Tasiast Region** comprising of permits covering interpreted extensions of the Aouéouat greenstone belt that hosts the 20 million ounce Tasiast gold mine.

2. **Hendrix Shear Project** covering a 150 kilometre long shear zone with extensive gold anomalism. It includes the **Conchita Prospect** with high to very high gold values in poorly outcropping and sub-outcropping quartz veins.

Tasiast South

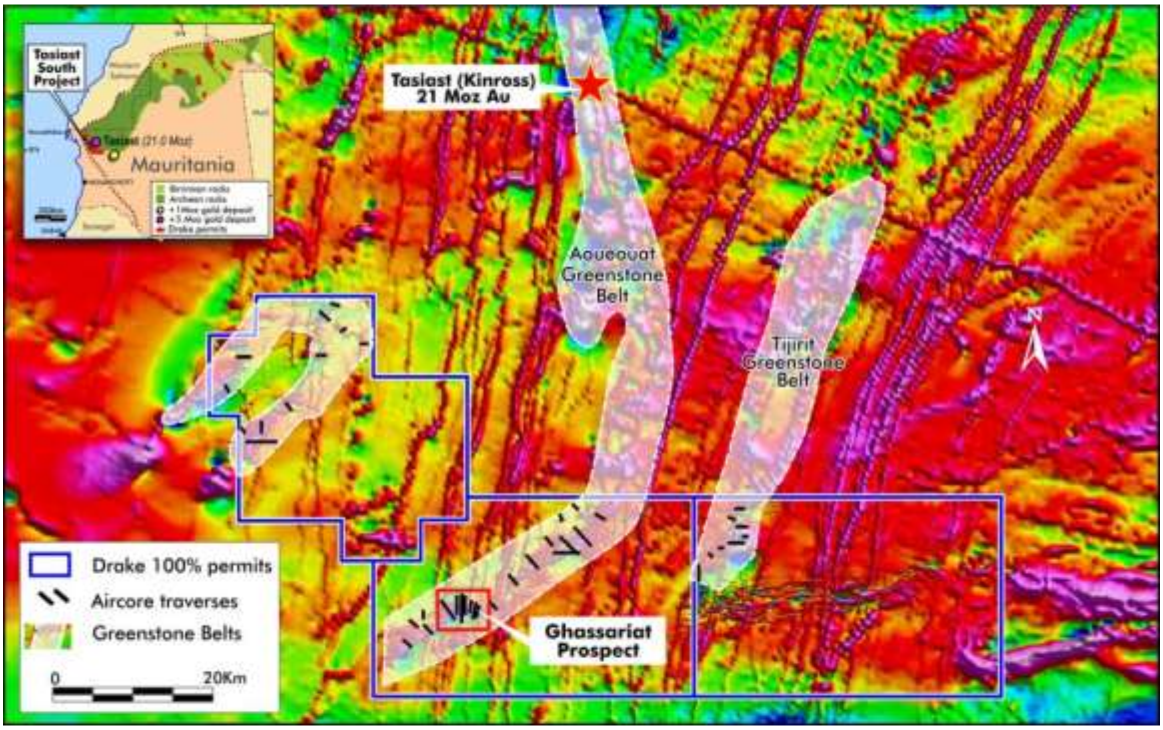
Drake owns 3,600 square kilometres of the southern extensions of the Tasiast Greenstone Belt (20 Moz), and the southern part of the Tijirit Greenstone Belt, also host to known gold mineralisation. The northern section is held by Gryphon Minerals (ASX: GRY). Drake is the first company to explore this area for gold.

A 20,000 metre air core drilling programme completed in early 2012 tested targets defined from earlier airborne magnetic surveys and structural interpretations. Results announced in May 2012 confirmed extensive areas of anomalous gold, with several anomalous gold zones of up to eight kilometres in length identified from wide-spaced traverses.

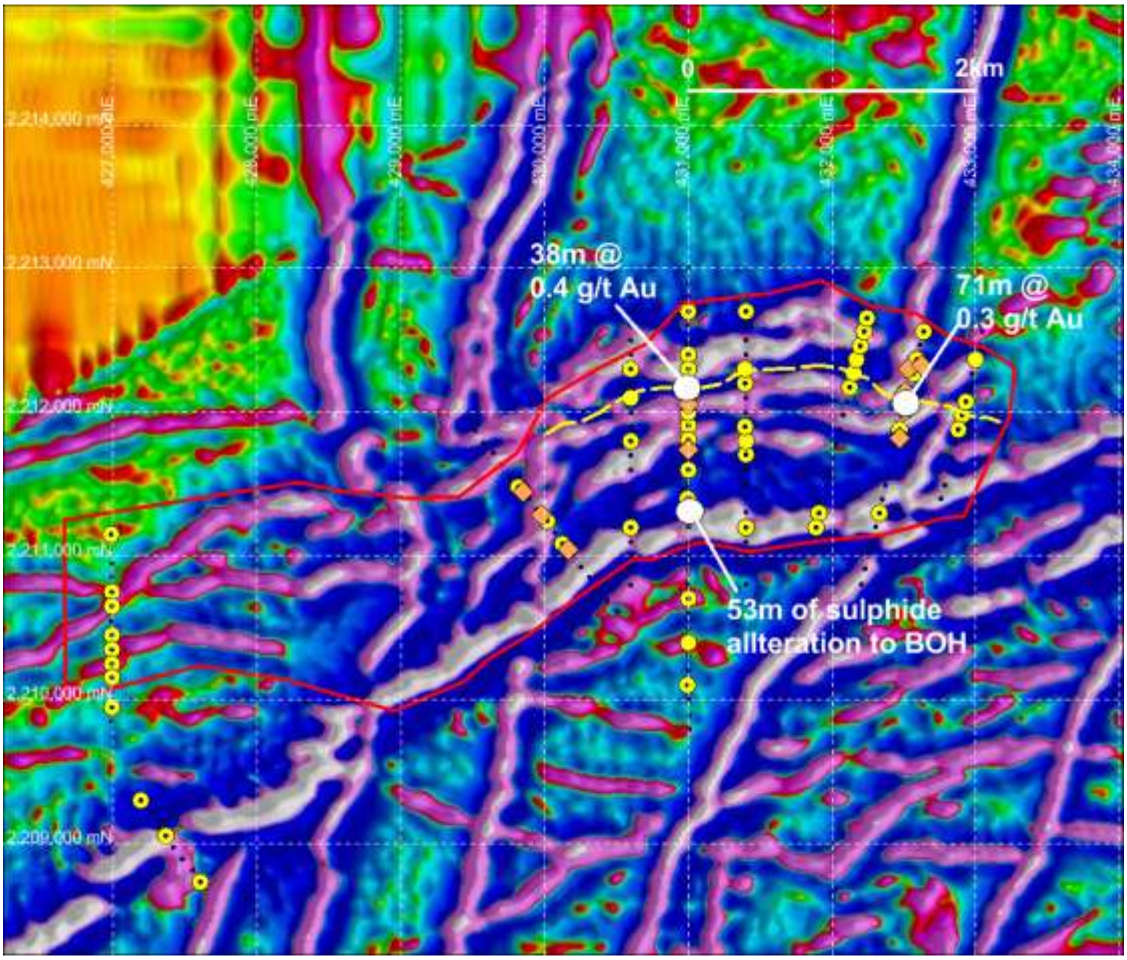
A programme of 5,000 metres of reverse circulation (RC) drilling immediately commenced on the project's key targets.

Tasiast South RC Drilling

The RC drilling results released in August 2012 demonstrated the presence of broad zones of gold mineralisation in the Tasiast Greenstone Belt. The Ghassariat Prospect is a 10 square kilometre zone where the mineralisation was found to be analogous to Tasiast ore zones; zones of gold mineralisation up the 71 metres in thickness is accompanies by pyrite-quartz alteration.. Drake is targeting the Ghassariat prospect is a priority for future drilling activity.



Greenstone belt extensions under cover within Drake's Tasiast South project area



Zones of gold-mineralised sulphide alteration at Drake's Ghassariat Prospect; orange diamonds: RC holes, yellow circles: air core gold >0.02 g/t Au; white circles: areas of sulphide alteration; grid squares 1.0 km; image: first vertical derivative of airborne magnetic; red outline: Ghassariat Prospect

Hendrix Shear

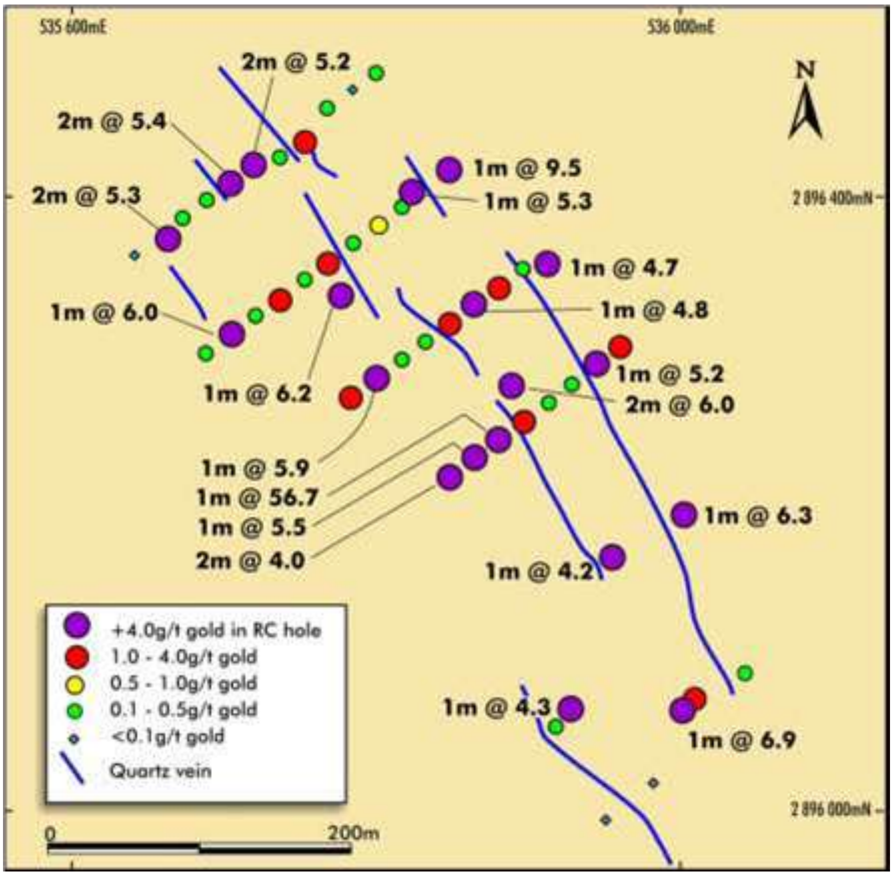
Drake holds the major portion of the Hendrix Shear Zone in Mauritania and is focusing on the Conchita Prospect, which features high to very high gold values of up to 437 g/t gold in poorly outcropping and sub-outcropping quartz veins, over a strike length of four kilometres.

The company recommenced field work at the prospect in 2012 with a 5,538 metre, 58-hole widely spaced reverse circulation programme. Results defined a number of new gold mineralised zones and extending the strike length of the gold anomalous zones to over seven kilometres in length and up to 1,500 metres in width.

Excellent initial assay results for 58 holes from the programme were received in June 2012, with individual intersections up to 1m @57 g/t gold. All holes were located in the southern portion of the Conchita Prospect where a suite of quartz veins with high gold grades have been previously identified by Drake. There were 20 intersections greater than one gram per tonne of gold featured in the latest results.

RC drilling at the Conchita Prospect has tested less than five per cent of the prospective area and there is reason to suggest the mineralised quartz veins are far more widespread than those identified to date.

Drake also tested a number of regional targets arising from the major soil geochemistry and rock chip sampling reconnaissance programme that was completed earlier in the field season. This work comprised a further 27 reverse circulation holes. Results are anticipated before the end of 2012.



Conchita Prospect drilling

GUINEA

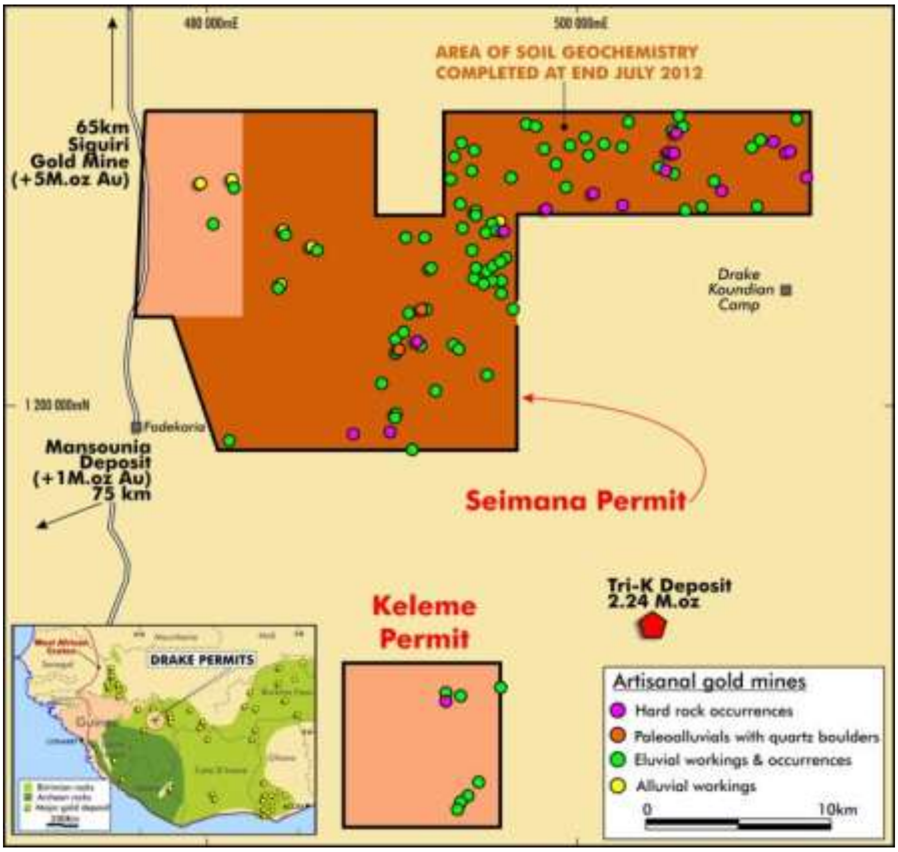
Drake's strategy to focus its gold discovery experience in underexplored areas of West Africa was strengthened in January 2012, when the company secured five adjoining gold exploration permits in Eastern Guinea, making up the Seimana Project. The area lies within the mineralised West African gold province that has generated a steady stream of gold discoveries over the past decade.

These include major deposits of more than five million ounces of gold within 60 kilometres, and Avocet's rapidly emerging Tri-K project only 15 kilometres to the south, and at which resources of 2.24 million ounces of gold have already been announced.

Seimana Project

Drake began an initial exploration programme in January 2012, involving geochemical sampling over the entire project, along with mapping and sampling of artisanal workings. The surface sampling programme involving over 11,200 soil, termite mound and rock samples covering 86 per cent of the area was completed in July 2012.

Many strong anomalies up to 2.87 grams per tonne gold in soil were reported and multiple drill targets identified, with analytical results still being received. Results for 75 per cent of the semi-regional soil samples have been reported.



Seimana project showing extent of geochemical sampling and artisanal workings

Twenty of the soil/termite mound samples returned values greater than 0.25 grams per tonne of gold, ranging up to 2.87, within 14 different geochemically anomalous clusters throughout the area. Such levels of gold are strongly anomalous in soils/termite mounds and point to the likely existence of high gold values in the rock beneath.

Elevated gold values were most concentrated in the northeast segment of the project area with a zone covering 1400 metres averaged 0.68 grams per tonne of gold.

Artisinal mining on eluvial gold occurence

Drake also commenced work during the quarter on the recently acquired Keleme Permit, located to the south of the Seimana Project, including systematic soil sampling coverage and mapping and sampling of artisanal workings.

Once results of this work has been analysed next phase of activity will be decided.

SENEGAL

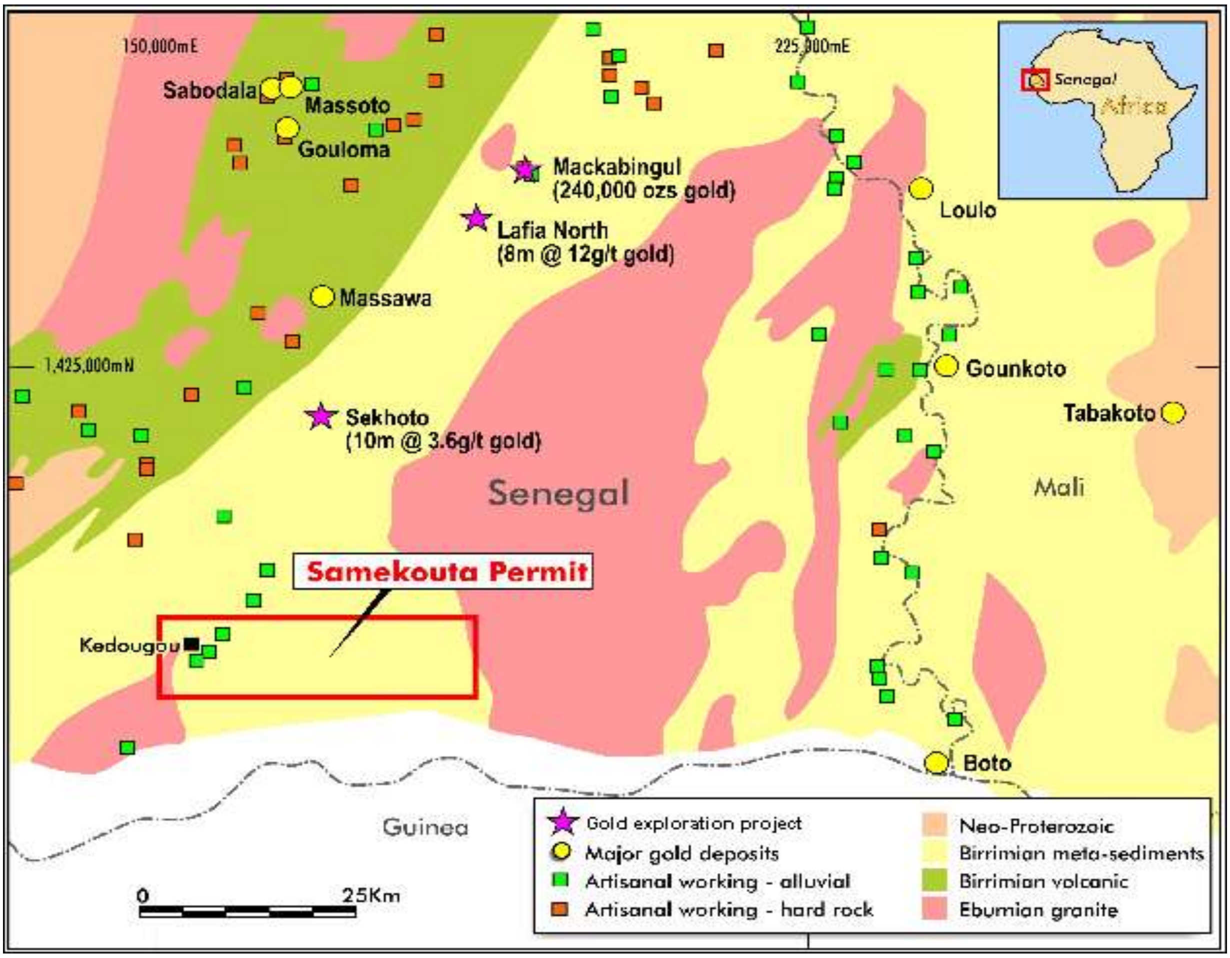
A new, emerging region that represents exciting potential is Senegal. In early 2011 the company embarked on an intensive program to identify areas of high gold potential in other West African countries. The first of these to be assessed and finalised was the Samekouta exploration permit in southeast Senegal.

Samekouta Permit

Acquisition of an expansive zone of Birrimian aged rocks within the bountifully gold mineralised province of the Kenieba Inlier in 2011 has provided significant opportunities for Drake. Under the terms of the agreement, Drake has the option to acquire 100 per cent of the Samekouta permit by staged payments over four years.

The Kenieba Inlier, spanning the Senegal-Mali border, is one of the most strongly gold-mineralised areas within the West African gold province. It contains a number of major gold deposits located within 120 kilometres of the Samekouta Permit, including Loulo (11.5 Moz), Sadiola (4.5 Moz), Sabadala (3.3 Moz) and Gounkoto (2.9 Moz @ 6.9 g/t gold). The area also lies along strike from gold resources being drilled by Bassari Resources Limited, about 30 kilometres to the north.

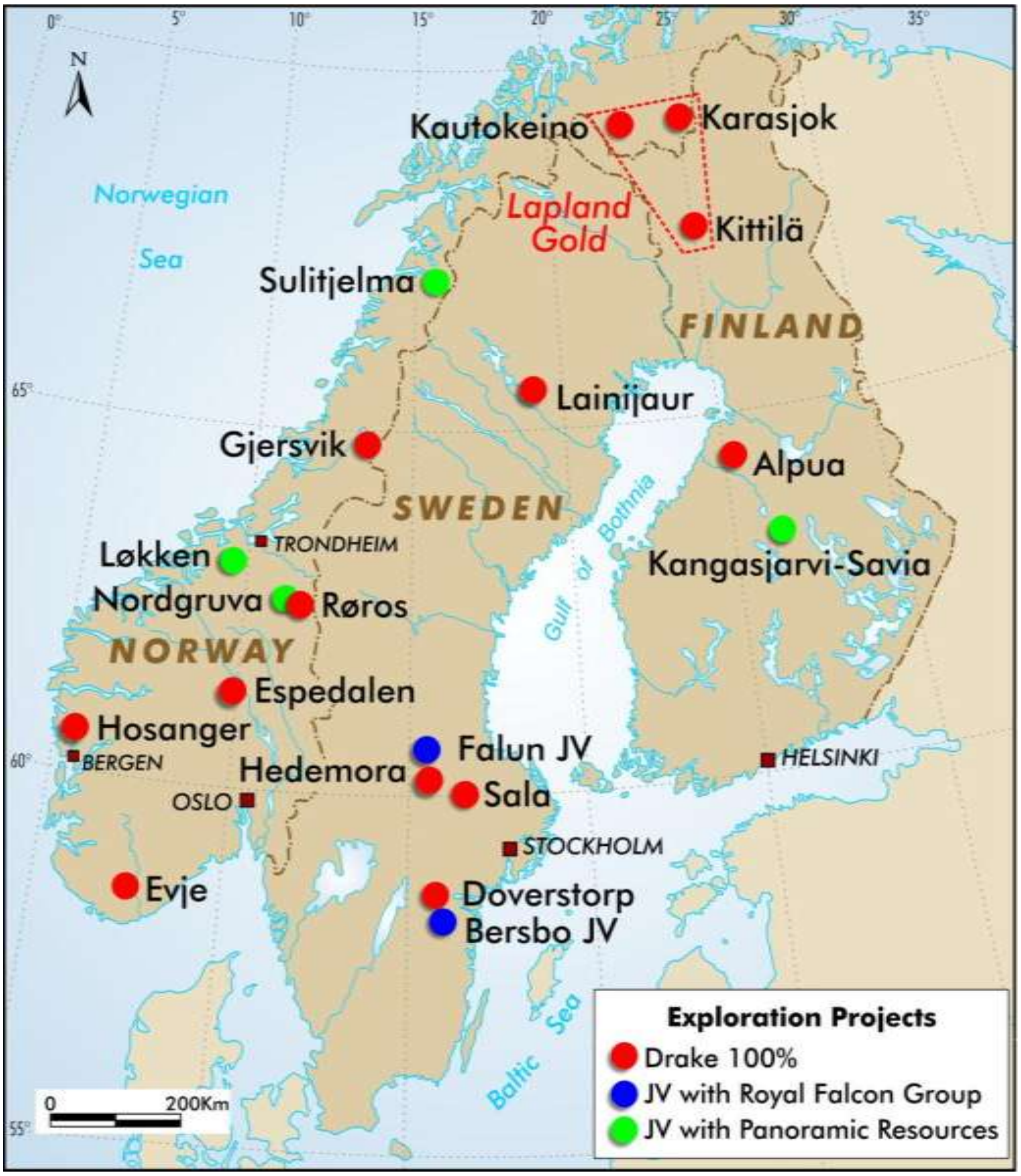
In December 2011, a programme of systematic geochemical sampling over the permit was completed with 5,170 termite mound soil samples collected. Final analytical results are expected before the end of calendar year 2012 and follow up of new targets will include pitting on anomalies and reverse circulation drill testing if necessary.


150,000mE
225,000mE
1,425,000mN
Sabodala
Massoto
Gouloma
Mackabingul
(240,000 ozs gold)
Lafia North
(8m @ 12g/t gold)
Massawa
Sekhoto
(10m @ 3.6g/t gold)
Senegal
Samekouta Permit
Kedougou
Loulo
Gounkoto
Tabakoto
Mali
Boto
Guinea
Senegal
Africa
0
25Km
Gold exploration project
Major gold deposits
Artisanal working - alluvial
Artisanal working - hard rock
Neo-Proterozoic
Birrimian meta-sediments
Birrimian volcanic
Eburnian granite

SCANDINAVIAN COPPER AND NICKEL

Drake's focus in Scandinavia is on nickel-copper and copper-zinc belts in Norway, Sweden and Finland. The company now holds majority positions in eight copper massive sulphide or copper-nickel belts, supporting its strategy to bring 21st century technologies to explore old mining districts.

This year, the company has identified exceptional geophysical targets in several belts and made a very promising nickel-copper discovery in the Bergslagen district. Drake has also acquired two nickel-copper resources.



Drake's Scandinavian Projects

NORWAY

Norway is a resource-based country with a major petroleum and gas industry. However, historically Norway has been a substantial metal producer. Its long history of copper mining dates back to the seventeenth century with mining commencing in the Røros (includes Nordgruva) area in 1644 and Løkken District in 1652. Both fields closed down in the 1980s, as did most of Norway's copper production with declining metal prices and increased costs at the time.

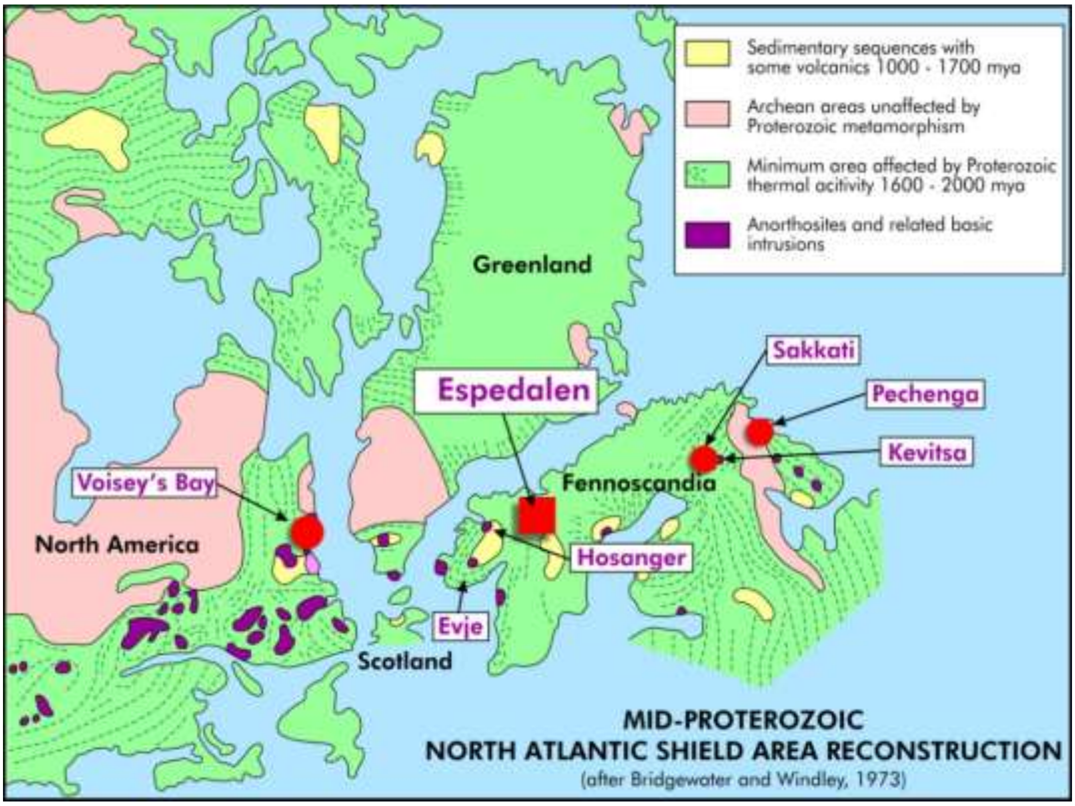
The new Norwegian Mining Act that came into force in January 2010 has made exploration and mining in the region significantly easier and more effective and is part of an overall strategy by the Norwegian Government to promote the minerals industry in the country.

Drake has several interests in the country, including permits in historical copper mining sites and continues to evaluate the region for significant deposits. The company also has three joint ventures with its alliance partner, Panoramic Resources (ASX: PAN).

Espedalen Copper-Nickel Project

Drake holds 100 per cent interest in 12 exploration claims containing two nickel resources in the highly prospective nickel-copper mining district of Espedalen in central Norway. There were no mining and exploration titles over the area at the time of Drake's applications.

These claims cover the Dalen and Stormya deposits and the Megrund Prospect with geology similar to that at Canada's large Voisey's Bay deposit. All the deposits are shallow drilling with the potential for open-pit mining.



- **Dalen**: a potentially open-pitable non JORC compliant indicated mineral resource estimate of 4.6 Mt @ 0.29% Ni, 0.12% Cu & 0.02% Co and non JORC compliant inferred resource estimate of 5.4 Mt @ 0.25% Ni, 0.11% Cu & 0.02% Co;*

- **Stormyra**: non JORC compliant inferred mineral resource estimate* of 1 Mt @ 1.09% Ni, 0.48% Cu, 0.04% Co using US$ 100/t cut off;

- **Megrund**: partially tested target, including drill intersections such as 51m @ 0.74% Ni and 117m @ 0.31% Ni.

**NI 43-101 compliant resources; waiver by the Australian Stock Exchange to use foreign, compliant resources described in Drake's release to the ASX on 31 August, 2012*

Drake considers that the potential for significantly increasing the resources is high. There are several prospects, for example Megrund, which possess ore grade intersections, but are not yet within the resources. In addition the great majority of the drilling to date has been shallow, generally to less than 80m depth, and depth extension have not been properly tested.

In September 2012, Drake was granted exploration claims and accelerated its review of historical data. The company anticipates a programme of drilling to extend the resources, commencing in the next northern winter.

Joma Copper-Zinc Project

In July 2012, Drake Resources acquired important exploration rights to some 100 square kilometres of highly prospective copper and zinc ground in the Grong District in Norway, known as the Joma-Gjersvik Project. Previous production at Joma (1972-1998) was 11.5 million tonnes of ore at 1.49 per cent copper and 1.45 per cent zinc. Considerable copper-zinc mineralisation remains at the mine.

The 100 per cent Drake claims include the Gjersvik deposit where 450,000 tonnes of ore grading 2.15 per cent copper and 0.6 per cent zinc was mined from 1994 to 1998 (source Grong Gruber/Geological Survey of Norway, NGU).

The rights include:

- Nine 100% Drake claims including the historic Gjersvik mine
- Exploration & Exploitation (Mining) Agreement over the Joma mine, closed in the 1990s

An Exploration and Exploitation Agreement has been signed with Joma Naeringspark (JN), the commercial branch of the Røyrvik Commune and the owners of two claims which contain the Joma mine/project and has the ability to obtain a 100 per cent interest upon meeting the terms. The agreement is exercisable by December 2015 with total option payments of $36,000 and a total expenditure commitment of $410,000 over a four year term, with a one per cent NSR royalty payable on production.

Exploration commenced on the project in August 2012 with an airborne magnetic survey over the Joma mine and extensions. The project is particularly attractive as the rights are located in a proven and significant mining area, are close to infrastructure and have not had the benefit of modern exploration technologies.

Aeromagnetic survey at Joma, Norway

Løkken, Røros-Nordgruva and Sulitjelma Joint Ventures

Drake has three joint ventures with alliance partner Panoramic Resources in the historic mining districts at Løkken, Nordgruva and Sulitjelma. All are prospective for massive sulphide copper deposits.

The company holds 26 claims in the Løkken district, believed to be the largest Cyprus type copper deposit in the world with reported production of 24 million tonnes of 2.3 per cent copper, 1.8 per cent zinc and 41 grams per tonne of silver.

Drake also holds 13 claims in the copper zinc mining district of Nordgruva near Røros covering 128 square kilometres of the Nordgruva mine sites at Kongens, Rodalen and Lobekken. This is where 1.75 million tonnes of2.3 per cent copper and four per cent zinc were mined between 1735 and 1939 (source: Norwegian Geological Survey). The mineralisation is hosted in metasediments intruded by gabbro sills.

In December 2011, Drake expanded its Norway landholding in the major copper mining district of Sulitjelma. The area has had significant historical copper production of 25 million tonnes of ore containing 1.8 per cent copper, 0.86 per cent zinc, 10 grams per tonne of silver and 0.25 grams per tonne of gold.

VTEM surveys were completed over the Løkken and Nordgruva JV in late 2011 and Drake received positive results from the interpretation and prioritisation of targets at both permits in early 2012, with a number of conductors identified within the survey areas which may be caused by massive sulphide mineralisation.

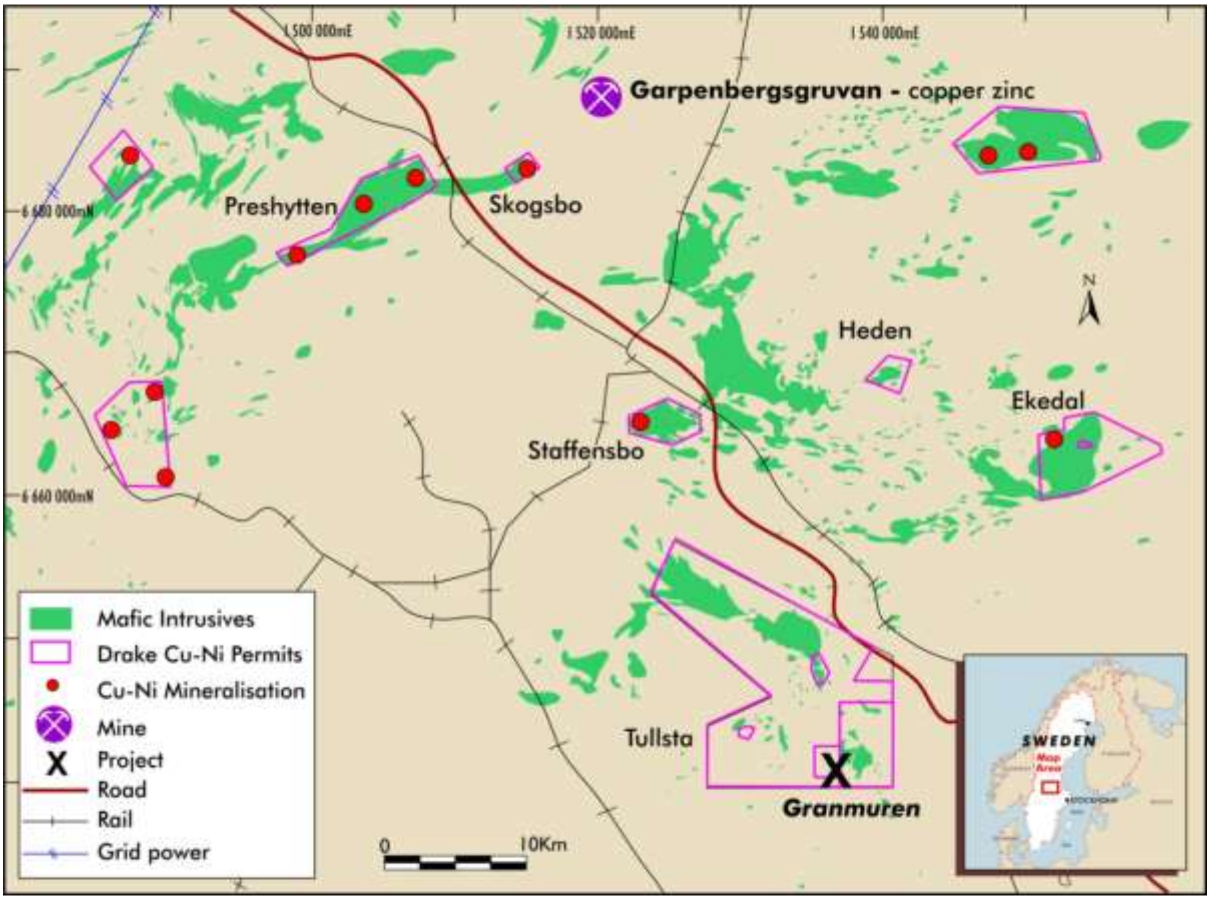
In August, results from the ground surveys identified five drill targets for potential copper and zinc mineralisation in the Løkken district.

Five excellent targets were also identified within the Norgruva project. The 3D modelling and analysis have been completed and a drilling programme has been set out. If successful, the targets will present an opportunity to provide an extension to the 333 year history of copper mining in the district.

SWEDEN

Sweden is a country rich in resources, with a long history of mining and strong government support. The country has vast experience in exploration and production of metals including copper, gold, uranium, iron ore and zinc.

One of Sweden's oldest and most prospective mines is the Falun copper mine, which operated for over 1,300 years until its closure in 1992. Drake has a strategic landholding within the mine, which produced two-thirds of the world's copper during the 17th and 18th centuries, making it the world's largest copper mine. Drake also has a substantial landholding with several permits in the Bergslagen Province west of Stockholm.



Drake's Swedish permits

Sala Project

The historic Sala silver mine operated from the 15th century up until 1908, with an estimated 400 tonnes of silver and about 40,000 tonnes of lead extracted. Drake has assembled a portfolio of high potential properties with drill-ready targets in this prospective region.

Drake completed detailed electromagnetic surveys for these permits in 2011 and identified a number of high priority targets for follow up testing by ground EM and drilling.

Granmuren Prospect

Widespread nickel-copper mineralisation was intersected on the 100 per cent owned greenfields Granmuren Prospect within the Tullsta Permit. Mineralisation begins at 10 metres below surface, immediately below the glacial cover material, showing the opportunity for future low cost mining.

- Intersections of 16m @ 0.32% Ni, 0.50% Cu & 0.03% Co in 12DDTS001
  - Within overall intersection of 97m @ 0.17% Ni & 0.17 Cu from near surface
- 11.6m @ 0.40% nickel, 0.51% copper & 0.04% cobalt in 12DDTS003

The area has exceptional infrastructure in place, with direct rail links to smelters in Sweden, Finland and Norway, and power, road and rail nearby. An existing ore processing facility is within 40 kilometres of the prospect.

The initial gravity survey has been extended to target potential for mineralisation extensions, as well as support the calculation of a conceptual exploration target. The data from this survey is still being processed.

Orsen Permit

The Orsen permit contains a strong magnetic feature and the area has been mined for iron in the past. In addition, parts of the system contain copper mineralisation associated with iron with grades of up to 0.85 per cent copper.

A hole drilled by Drake in 2011 intersected 60 metres of moderate grade magnetite mineralisation. This magnetite appears to be in the form of a plunging shoot of mineralisation approximately 150-200 metres in length. A second drill hole intersected a similar thickness of magnetite mineralisation. The magnetite is coarse grained and preliminary Davis Tube Recovery (DTR) testwork at ALS in Perth has confirmed that a very high quality concentrate can be produced at relatively coarse grind sizes.

Bergslagen Joint Venture

Drake's Bergslagen landholding is made up of the wholly-owned Falun and Bersbo projects and comprises 15 separate exploration permits in the Bergslagen Province. The Falun Project covers the world-class Falun copper mine.

Drilling at Falun recommenced in July 2011 with a three-hole diamond drilling programme to define the massive sulphide mineralisation discovered in the Western Copper Gold Zone in Hole 20-10.

Results estimated the project's first JORC Inferred Resource of 0.85 million tonnes at 2.4 g/t gold and 0.6 per cent copper (0.7 g/t gold cut-off) for 44,000 ounces gold and 3,500 tonnes copper for the upper part of the Eastern permit zone.

An exploration target of 1.9 – 2.8 million tonnes at 0.4 – 0.8 per cent copper was also defined for parts of the Western and Eastern zones.

The company has excellent potential to expand the resource areas with deeper drilling, and expects most of the exploration target areas to be upgraded to resource status with further drilling.

Drake's joint venture partner, Royal Falcon Mining LLC, which holds a 51 per cent of the Falun Project, advised Drake in early 2012 that it had decided to divest its interest in the project.

Drilling at Granmuren

THE YEAR AHEAD

Drake is looking forward to another exciting and busy year ahead. The underexplored provinces of West Africa will continue to be the company's focus, with planned follow up drilling at Tasiast South and the Seimana Project.

The ongoing programmes include:

- Follow up drilling and further testing on newly defined Ghassariat Prospect
- Undertake first reverse circulation drilling programme at Seimana Project

In Scandinavia Drake will continue to develop its copper and base metal portfolio.

- Extend resources at Espedalen
- Establish the first nickel-copper resources at the Granmuren Prospect
- Follow up geophysical targets at Joma copper-zinc
- Drill test targets at Nordgruva and Løkken, Norway Continue to strengthen company's financial position

Our aim is to be a successful mining company in the future and deliver strong shareholder value.

Competent Persons Statement

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 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.

DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2012.

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

Mr John Hoon

Mr James Merrillees

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 – Fellow of Certified Practicing Accountants; Certified Management Accountant; Member of Australian Institute of Company Directors; Master of Business Administration; Fellow of Institute of Chartered Secretaries Australia. Mr Stephenson 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 Group during the financial year were exploration of its tenements in Sweden, Australia and Africa.

Operating Results

The consolidated loss of the Group after providing for income tax amounted to $3,172,448 (2011: loss of $1,454,321).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2012.

Review of Operations

A detailed review of the Group's exploration activities is set out in the section titled "Operations Review" in this annual report.

Financial Position

The net assets of the Group have increased by $6,040,130 from 30 June 2011 to $14,612,844 at 30 June 2012.

DIRECTORS' REPORT

Significant Changes in State of Affairs

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

(a) On 1 August 2011, the Company announced that it had placed 17,900,000 fully paid ordinary shares at $0.39 per Share to raise $7,000,000 before costs.

There were no other significant changes in the state of affairs of the Group.

(b) Significant events in relation to operating activities are found in the Operations Review.

After Balance Date Events

In July 2012 the Group signed an Exploration and Exploitation Agreement with Joma Naeringspark to explore highly prospective ground in Norway, including the Joma and Gjersvik copper-zinc mines. The Group paid NOK 75,000 (~A$13,000) on signing the agreement, and is committed to spend NOK 250,000 (~A$42,000) in calendar year 2012. The Group has the right to withdraw from the agreement at any time after December 2012, or to continue with commitments of NOK 825,000 (~A$143,000) per calendar year until December 2015, at which time it will have the right to apply for a extraction licence in its sole name in exchange for a 1% NSR royalty.

The Group has also been granted 12 exploration claims covering 119 square kilometres in the Espedalen nickel-copper district of Norway.

There has been no other significant after balance date events.

Likely Developments

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

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	—	4,658,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,500,000 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, non-executive director and chairman of Blina Diamonds NL since September 2008. Previously non-executive director and chairman of Doray Minerals from October 2009 until November 2011. No other Directorships in the past three years.

Dr Robert Beeson	—	Managing Director

Information on Directors

Qualifications	— Bachelor of Science with Honours; PhD; Member of the Australian Institute of Geoscientists
Experience	— Board member since 17 November 2004. Geologist with over 30 years of global experience in base and precious metal exploration and development.
Interest in Shares and Options	— 881,200 Ordinary Shares in Drake Resources Limited and options to acquire a further 2,000,000 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.
Mr Jay Stephenson	— Director (Non-Executive); Company Secretary
Qualifications	— Fellow of Certified Practicing Accountants, Certified Management Accountant; Member of Australian Institute of Company Directors; Master of Business Administration; Fellow of the Institute of Chartered Secretaries Australia.
Experience	— Board member since 30 March 2004
Interest in Shares and Options	— 2,657,500 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,500,000 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, Strategic Minerals Corporation NL since July 2009, Doray Minerals Limited since August 2009, Spencer Resources Limited and Parker Resources since January 2011, Quintessential Resources Limited since February 2011, and Nickelore Limited since July 2011. Past non-executive Director of Excelsior Gold Limited from October 2009 to November 2009. No other Directorships in the past three years.
Mr John Hoon	— Director (Non-Executive)
Qualifications	— CA, CPA, CFP, ACIS
Experience	— Board member since 4 April 2011
Interest in Shares and Options	— 260,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,000,000 ordinary shares.
Special Responsibilities	— None
Directorships held in other listed entities	— Currently a non-executive director of Grange Resources Limited. No other Directorships in the past three years.
Mr James Merrillees	— Director (Executive)
Qualifications	— BSc (Geology); BComm (Accounting and Finance); Grad Cert App Fin
Experience	— Board member since 17 May 2011
Interest in Shares and Options	— 100,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,050,000 ordinary shares.
Special Responsibilities	— None
Directorships held in other listed entities	— Currently a non-executive director of Precious Metals Investments Ltd (NSX:PMZ) since February 2012. No other Directorships in the past three years.

DIRECTORS' REPORT

Meetings of Directors

During the financial year, 5 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	DIRECTORS MEETINGS		COMMITTEE 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	5	5	-	-	-	-	-	-
Robert Beeson	5	5	-	-	-	-	-	-
Jay Stephenson	5	5	-	-	-	-	-	-
John Hoon	5	4	-	-	-	-	-	-
James Merrillees	5	2	-	-	-	-	-	-

Indemnifying Officers or Auditor

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the company to pay all damages and costs which may be awarded against the Directors.
- 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 willful breach of duty in relation to the Company. The amount of the premium was $13,165.
- No indemnity has been paid to 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
24 April 2008	24 April 2013	$0.30	650,000
1 July 2011	30 June 2013	$0.585	7,000,000
1 July 2011	30 June 2013	$0.70	1,000,000
1 July 2011	30 June 2013	$1.20	500,000
23 December 2009	23 December 2014	$0.30	400,000
31 March 2011	31 March 2016	$0.72	670,000
			10,220,000

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

REMUNERATION REPORT (AUDITED)

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 Group'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 Group, 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 Group 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 Group'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 Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

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. For details of directors and executives interests in options at year end, refer to Note 5 of the financial statements.

Remuneration is not based upon the financial performance of the company.

B. Remuneration Details for the Year Ended 30 June 2012

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses.

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated Group:

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Table of Benefits and Payments for the Year Ended 30 June 2012

Key Management Personnel	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	Percent of Remuneration
2012	**Salary, fees and leave**	**Profit share and bonuses**	**Non-monetary**	**Other**	**Super-annuation**	**Other**	**Equity**	**Options**		**as Options**
	$	$	$	$	$	$	$	$	$	%
Brett Fraser	60,000	-	-	58,500	5,400	-	-	253,050	376,950	67
Robert Beeson	166,514	-	-	-	14,986	-	-	337,400	518,900	65
Jay Stephenson	55,000	-	-	58,500	4,9850	-	-	253,050	371,500	68
John Hoon	50,781	-	-	-	4,570	-	-	168,700	224,051	75
James Merrillees	146,036	-	-	-	22,207	-	-	168,700	336,943	50
	478,331	-	-	117,000	52,113	-	-	1,180,900	1,828,344	65

Key Management Personnel	Short-term benefits				Post-employment Benefits	Long-term benefits	Equity-settled share-based payments		Total	Percent of Remuneration
2011	**Salary, fees and leave**	**Profit share and bonuses**	**Non-monetary**	**Other**	**Super-annuation**	**Other**	**Equity**	**Options**		**as Options**
	$	$	$	$	$	$	$	$	$	%
Brett Fraser	58,750	-	-	49,875	5,288	-	-	53,095	167,008	32
Robert Beeson	148,250	-	-	-	25,000	-	-	79,643	252,893	31
Jay Stephenson	49,999	-	-	49,875	4,500	-	-	53,095	157,469	34
John Hoon	8,802	-	-	-	792	-	-	-	9,594	-
James Merrillees	181,947	-	-	-	16,375	-	-	20,150	218,472	9
	447,748	-	-	99,750	51,955	-	-	205,983	805,436	26

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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

C. Service Agreements

The Managing Director, Dr 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.

Executive Director Mr James Merrillees is employed under a contract of employment.

The employment contract stipulates 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. Options are granted under the plan for no consideration. All staff and consultants of Drake are eligible to participate in the plan.

Director and Key Management Personnel Options

On 30 November 2009, 3,500,000 share options were granted to directors to take up ordinary shares at an exercise price of $0.34 each. The options were exercised on or before 1 September 2011.

On 19 July 2010, 200,000 share options were granted to a director to take up ordinary shares at an exercise price of $0.20 each. The options were exercised on 30 June 2011.

On 31 March 2011, 670,000 share options were granted to employees, including 50,000 to a director, to take up ordinary shares at an exercise price of $0.72 each. The options are exercisable on or before 31 March 2016.

On 1 July 2011, 7,000,000 share options were granted to directors to take up ordinary shares at an exercise price of $0.585 each. The options are exercisable on or before 30 June 2013.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Share-based Payments

The terms and conditions relating to options granted as remuneration to Directors and Key Management Personnel (KMP) during the year are as follows:

Group Key Management Personnel	Grant date	Grant value $	Reason for grant	Percentage vested during year % (Note 2)	Percentage forfeited during year %	Percentage remaining as unvested %	Expiry date for vesting	Range of possible values relating to future payments
Brett Fraser	1 July 2011	$253,050	Note 1	100	-	-	30 June 2013	-
Robert Beeson	1 July 2011	$337,400	Note 1	100	-	-	30 June 2013	-
Jay Stephenson	1 July 2011	$253,050	Note 1	100	-	-	30 June 2013	-
John Hoon	1 July 2011	$168,700	Note 1	100	-	-	30 June 2013	-
James Merrillees	1 July 2011	$168,700	Note 1	100	-	-	30 June 2013	-

Note 1 The options have been granted to Key Management Personnel (KMP) to provide a market-linked incentive package in their capacity as KMP and for future performance by them in their roles. The vesting conditions of the options are as follows:

- KMP options will vest 12 months after the issue date and if the KMP is continually employed by the Company during that 12 months.

Note 2 The dollar value of the percentage vested during the period has been reflected in the Table of Benefits and Payments on previous page.

All options were issued by Drake Resources Limited and entitle the holder to one ordinary share in Drake Resources Limited for each option exercised.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Options Granted

Group Key Management Personnel	Grant details			For the financial year ended 30 June 2012					Overall		
	Date	No.	Value $ (Note 1)	Exercised no.	Exercised $	Lapsed no.	Lapsed $	Vested no.	Vested %	Unvested %	Lapsed %
Brett Fraser	1 July 2011	1,500,000	253,050	-	-	-	-	-	100	-	-
Bob Beeson	1 July 2011	2,000,000	337,400	-	-	-	-	-	100	-	-
Jay Stephenson	1 July 2011	1,500,000	253,050	-	-	-	-	-	100	-	-
John Hoon	1 July 2011	1,000,000	168,700	-	-	-	-	-	100	-	-
James Merrillees	1 July 2011	1,000,000	168,700	-	-	-	-	-	100	-	-
				-	-	-	-	-			

Note 1 The value of options granted as remuneration and as shown in the above table has been determined in accordance with applicable accounting standards.

Description of Options Issued as Remuneration

Details of the options granted as remuneration to key management personnel are as follows:

Grant date	Issuer	Entitlement on exercise	Dates exercisable	Exercise price $	Value per option at grant date $	Amount paid/ payable by recipient $
30 November 2009	Drake Resources Limited	1:1 Ordinary Shares in Drake Resources Limited	From vesting date to 11 September 2011 (expiry)	$0.34	$0.1277	-
19 July 2010	Drake Resources Limited	1:1 Ordinary Shares in Drake Resources Limited	From vesting date to 30 June 2011 (expiry)	$0.20	$0.038	-
31 March 2011	Drake Resources Limited	1:1 Ordinary Shares in Drake Resources Limited	From vesting date to 31 March 2016 (expiry)	$0.72	$0.251	-
1 July 2011	Drake Resources Limited	1:1 Ordinary Shares in Drake Resources Limited	From vesting date to 30 June 2013 (expiry)	$0.585	$0.1687	-

Option values at grant date were determined using the Black-Scholes method. Details relating to service and performance criteria required for vesting have been provided in Note 20: Share-based Payments.

End of Remuneration Report.

DIRECTORS' REPORT

Environmental Regulations

The Company holds, or has an interest in, various exploration licenses to regulate its exploration activities in Australia, Sweden and Africa. These licences include conditions and regulation with respect to rehabilitees of areas disturbed during the course of exploration activities. However the board believes that it has adequate systems in place for management of its environmental requirements as they apply to the Company.

The directors have considered the 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

During the year ended 30 June 2012, taxation consulting services were provided to the company by a party related to the auditors. Refer to Note 6: Auditors remuneration for additional information.

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 2012 has been received and can be found on page 33 of the financial report.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

JAY STEPHENSON
DIRECTOR
Dated this 28th Day of September 2012

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 eight 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.*

CORPORATE GOVERNANCE STATEMENT

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 five members; a Managing Director, Executive Director and three 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.

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 3.2: *Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.*

The Company has a diversity policy included in its Corporate Governance Policy.

CORPORATE GOVERNANCE STATEMENT

Recommendation 3.3: *Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*

The Company believes that the promotion of diversity on boards, in senior management and within the organisation generally broadens the pool for recruitment of high quality directors and employees; is likely to support employee retention; through the inclusion of different perspectives, is likely to encourage greater innovation; and is socially and economically responsible governance practice.

The Company is in compliance with the ASX Corporate Governance Council's Principles & Recommendations on Diversity. The Board of Directors is responsible for adopting and monitoring the Company's diversity policy. The policy sets out the beliefs and goals and strategies of the Company with respect to diversity within the Company. Diversity within the Company means all the things that make individuals different to one another including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to treating of one another with respect.

The Company is dedicated to promoting a corporate culture that embraces diversity. The Company believes that diversity begins with the recruitment and selection practices of its board and its staff. Hiring of new employees and promotion of current employees are made on the bases of performance, ability and attitude.

Recommendation 3.4: *Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

Currently there are 6 women employees in the whole organisation, in senior executive positions, or on the board. Given the present size of the Company, there are no plans to establish measurable objectives for achieving gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Company increases.

Recommendation 3.5: *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 is 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.*

Recommendation 4.4: *Companies should provide the information indicated in the Guide to reporting on Principle 4.*

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.

CORPORATE GOVERNANCE STATEMENT

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.*

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

General Comments:

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 Securities 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.

Shareholders receive a copy of the Company's annual report if they have requested one, and a copy is placed on the Company website when lodged with the ASX.

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.

CORPORATE GOVERNANCE STATEMENT

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.*

General Comments:

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.

CORPORATE GOVERNANCE STATEMENT

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.

Departure from Best Practice Recommendations
For the year ended 30 June 2012, the Company complied with each of the Eight Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council.

Bentleys
THINKING AHEAD

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To The Board of Directors

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

As lead audit director for the audit of the financial statements of Drake Resources Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 28th day of September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Revenue	2	429,137	352,311
Unrealised gain on listed shares	2	-	360,328
Other income	2	-	9,500
		429,137	722,139
Accounting and audit fees		(73,175)	(64,016)
Computers and software		(13,912)	(30,044)
Contractors and consultants		(118,212)	(35,985)
Director fees		(229,947)	(128,615)
Employee benefits		(303,497)	(597,323)
Share-based payment		(1,404,850)	(336,503)
Depreciation		(61,132)	(26,054)
Insurance		(34,191)	(30,441)
Legal fees		(6,346)	(18,120)
Public relations and advertising		(72,631)	(21,431)
Registry and ASX fees		(75,390)	(44,696)
Rental expense		(97,192)	(31,138)
Travel and accommodation		(201,890)	(170,566)
Unrealised loss on listed shares		(330,961)	-
Exploration expense		(415,352)	(541,536)
Other expenses		(162,907)	(99,992)
(Loss)/profit before income tax	3	(3,172,448)	(1,454,321)
Income tax expense	4	-	-
(Loss)/profit from continuing operations	3	(3,172,448)	(1,454,321)
Other comprehensive income			
Exchange differences on translating foreign operations		(38,802)	1,736
Other comprehensive income for the year, net of tax		(38,802)	1,736
Total comprehensive income attributable to members of the parent entity		(3,211,250)	(1,452,585)
Earnings per share			
Basic and diluted (loss) per share (cents per share)	7	(4.01)	(2.56)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	8	2,607,863	4,350,274
Financial assets	9	1,046,263	1,217,081
Trade and other receivables	10	1,256,459	901,131
TOTAL CURRENT ASSETS		4,910,585	6,468,486
NON-CURRENT ASSETS			
Plant and equipment	11	160,496	79,987
Exploration and evaluation assets	12	11,211,279	2,881,257
TOTAL NON-CURRENT ASSETS		11,371,775	2,961,244
TOTAL ASSETS		16,282,360	9,429,730
CURRENT LIABILITIES			
Trade and other payables	13	1,591,295	820,081
Short-term provisions	14	78,221	36,935
TOTAL CURRENT LIABILITIES		1,669,516	857,016
TOTAL LIABILITIES		1,669,516	857,016
NET ASSETS		14,612,844	8,572,714
EQUITY			
Issued capital	15	18,863,303	10,569,823
Reserves	16	1,578,471	757,275
Accumulated losses		(5,828,930)	(2,754,384)
TOTAL EQUITY		14,612,844	8,572,714

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital	Accumulated Losses	Options Reserve	Foreign Exchange Reserve	Total
	$	$	$	$	$
Balance at 1 July 2010	8,235,723	(1,300,063)	433,809	(7,173)	7,362,296
Profit for the year	-	(1,454,321)	-	-	(1,454,321)
Other comprehensive income for the year	-	-	-	1,736	1,736
Total comprehensive income for the year	-	(1,454,321)	-	1,736	(1,452,585)
Transaction with owners, directly in equity					
Shares issued during the year	2,184,000	-	-	-	2,184,000
Shares issued on exercise of options	142,500	-	-	-	142,500
Options exercised during year	7,600	-	(7,600)	-	-
Options issued during year	-	-	336,503	-	336,503
Balance at 30 June 2011	10,569,823	(2,754,384)	762,712	(5,437)	8,572,714
Balance at 1 July 2011	10,569,823	(2,754,384)	762,712	(5,437)	8,572,714
Loss for the year	-	(3,172,448)	-	-	(3,172,448)
Other comprehensive income for the year	-	-	-	(38,802)	(38,802)
Total comprehensive income for the year	-	(3,172,448)	-	(38,802)	(3,211,250)
Transaction with owners, directly in equity					
Shares issued during the year	7,004,700	-	-	-	7,004,700
Transaction costs	(348,170)	-	-	-	(348,170)
Shares issued on exercise of options	1,190,000	-	-	-	1,190,000
Options expired during year	-	97,902	(97,902)	-	-
Options exercised during year	446,950	-	(446,950)	-	-
Options issued during year	-	-	1,404,850	-	1,404,850
Balance at 30 June 2012	18,863,303	(5,828,930)	1,622,710	(44,239)	14,612,844

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		199,811	247,883
Interest received		247,490	135,599
Payments to suppliers and employees		(378,610)	(1,252,781)
Payments for exploration expenditure		(9,234,882)	(5,018,279)
Net cash used in operating activities	19	(9,166,191)	(5,887,578)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(141,641)	(84,532)
Payments for alliance exploration, net of funding		(120,965)	1,410,547
Purchase of investments		(160,143)	(430,754)
Net cash provided by investing activities		(422,749)	895,261
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		8,194,699	2,326,501
Capital raising costs		(348,170)	-
Net cash provided by/(used in) financing activities		7,846,529	2,326,501
Net decrease in cash held		(1,742,411)	(2,665,816)
Cash at 1 July		4,350,274	7,014,354
Effect of exchange rates on cash holdings in foreign currencies		-	1,736
Cash at 30 June	8	2,607,863	4,350,274

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These are the consolidated financial statements and notes of Drake Resources Limited and controlled entities ('Consolidated Group' or 'Group'). Drake Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Drake Resources Limited, have not been presented with this financial report as permitted by the Corporations Act 2001.

Basis of Preparation

The financial statements are general purpose financial statements that have 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 as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are 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 17 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).

(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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When production commences, the accumulated costs for the relevant area of interest will be 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 capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project 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 outside profit or loss when the tax relates to items that are recognized outside profit or loss.

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 (continued)

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) Plant, and Equipment

Each class of 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.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the group 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	25 - 50%
Computers	33 - 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees by the end of the reporting period. 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 statement of financial position.

(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 consideration.

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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows 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 Group 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 Group 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

Classification and Subsequent Measurement

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.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

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.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie. gains or losses) recognized in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognized, the cumulative gain or loss pertaining to that asset previously recognized in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income 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.

Impairment

At the end of each reporting period, 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 profit or loss. Also, any cumulative decline in fair value previously recognized in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised 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

i. Basic 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.

ii. Diluted earnings per share

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 the end of each reporting period, 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 recognized immediately to profit or loss. 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(o) Equity-settled compensation

The Group operates an employee share ownership scheme. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(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 profit or loss, 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 other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

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 Statement of financial position. These differences are recognised in profit or loss 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.

Key Judgments –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 reporting 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 $11,211,279.

Key Judgments – 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 is 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 relevant taxation authorities.

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.

Key Estimates — Share based payments

The group measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(s) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company incurred a loss for the year of $3,172,448 (2011: 1,454,321) and net cash outflows from operating and investing activities of $9,588,940 (2011: $4,992,317).

The Company has lease and exploration commitments of $364,139 (2011: $270,175) due within the next twelve months.

During the year the Company successfully raised $7,846,529 from the issue of shares net of capital raising costs.

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident that if required the Company has the ability to raise additional funds.

(t) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 9: Financial Instruments (issued December 2009 and amended December 2010)

Applicable for annual reporting periods commencing on or after 1 January 2015.

Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.

AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.

- AASB 10: Consolidated Financial Statements (issued August 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice).
- Exposure, or rights, to variable returns from investee.
- Ability to use power over investee to affect the entity's returns from investee.
- Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.

- **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(s) New Accounting Standards for Application in Future Periods (cont.)

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The Group does not have 'defacto' control of any entities with less than 50% ownership in an entity.

- AASB 11: Joint Arrangements (issued August 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group has not entered into any joint arrangements.

- AASB 12: Disclosure of Interests in Other Entities (issued August 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.

As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

- AASB 13: Fair Value Measurement (issued September 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes to the financial statements.

Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements

Extensive additional disclosures are required for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments.

When this standard is first adopted for the year ended 30 June 2014, additional disclosures will be required about fair values.

- AASB 2011-4: Amendments to AASB 124 to Remove Individual Key Management Personnel Disclosure Requirements (issued July 2011)

Applicable for annual reporting periods commencing on or after 1 July 2013.

These amendments remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the Corporation Act 2001.

When this standard is first adopted for the year ended 30 June 2014, the Group will show reduced disclosures under the Key Management Personnel note to the financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New Accounting Standards for Application in Future Periods (cont.)

- AASB 2011-9: Amendments to AASB 101 Presentation of Items of Other Comprehensive Income (issued September 2011)

  Applicable for annual reporting periods commencing on or after 1 July 2012.

  - One statement of comprehensive income to be referred to as 'statement of profit or loss and other comprehensive income'.
  - Two statements to be referred to as 'statement of profit or loss' and 'statement of other comprehensive income'.
  - OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss, and those that cannot.

  When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognized for transactions and balances for 30 June 2013 and comparatives.

- Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (issued November 2011)

  Applicable for annual reporting periods commencing on or after 1 January 2013.

  Clarifies that costs of removing minewaste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 *Inventories* if the benefits from stripping activity are realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalized as a non-current, stripping activity asset if certain recognition criteria are met.

  As the Group does not operate a surface mine, there will be no impact on the financial statements when this interpretation is first adopted.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

The financial report was authorised for issue on 28 September 2012 by the board of directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		$	$
NOTE 2: REVENUE AND OTHER INCOME			
Revenue			
- Management fees		181,647	216,712
- Interest received		247,490	135,599
Total Revenue		429,137	352,311
Unrealised gain on shares		-	360,328
Other Income			
- Equipment charge-backs		-	7,500
- Other		-	2,000
Total Other Income		-	9,500

		2012	2011
NOTE 3: PROFIT/(LOSS) FOR THE YEAR			
Expenses			
Exploration expenses		415,352	541,536
Depreciation of non-current assets:			
- plant and equipment		61,132	26,054
Share based payments expense		1,404,850	336,503
Rent and utilities expense		97,192	31,138
Superannuation expense		(50,032)	(49,387)

	Note	2012	2011
NOTE 4: INCOME TAX		**$**	**$**
(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)	(59,526)	(9,464)
- Increase in deferred tax liabilities	4(d)	59,526	9,464
		-	-

[1] *Correction: Balances in the comparative period have been adjusted to reflect the movement from period to period of deferred balances. There is no effect on income tax expense, nor upon the deferred tax balances to which they related. Amounts previously recorded were ±$155,280 respectively.*

	Note	2012	2011
(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% (2011:30%)		(951,734)	(436,296)
Add / (Less)			
Tax effect of:			
- Share based payments		421,455	100,951
- Exploration expenditure		-	-
- Other adjustments		-	39,207
Deferred tax asset not brought to account		530,279	296,138
Income tax attributable to operating loss		-	-
The applicable weighted average effective tax rates are as follows:		nil%	nil%
Balance of franking account at year end		Nil	nil
(c) Deferred tax assets			
Tax losses		1,111,250	790,040
Provisions and accruals		880	11,081
Other		83,357	15,137
		1,195,487	816,258
Set-off deferred tax liabilities	4(d)	(86,290)	(145,816)
Net deferred tax assets		1,109,197	670,442
Less deferred tax assets not recognised	4(d)	(1,109,197)	(670,442)
Net deferred tax assets		-	-

	Note	2012	2011
NOTE 4: INCOME TAX (cont.)		**$**	**$**
(d) Deferred tax liabilities			
Exploration expenditure		86,290	145,816
		86,290	145,816
Set-off deferred tax assets	4(c)	(86,290)	(145,816)
Net deferred tax liabilities		-	-
(e) Tax Losses			
Unused tax losses for which no deferred tax asset has been recognised		2,665,150	2,234,806

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2012 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 (KMP) compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid to each member of the Group's KMP for the year ended 30 June 2012.

The totals of remuneration paid to KMP during the year are as follows:

	2012	2011
	$	**$**
Short-term employee benefits	595,331	547,498
Post-employment benefits	52,113	51,955
Share-based payments	1,180,900	205,983
Other long-term benefits	-	-
Termination benefits	-	-
Total	1,828,344	805,436

(b) Equity instrument disclosures relating to KMP

(i) Option holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2012	Balance at the beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes	Balance at end of year	Vested and exercisable
Directors of Drake Resources Limited						
Brett Fraser	1,000,000	1,500,000	(1,000,000)	-	1,500,000	1,500,000
Robert Beeson	1,500,000	2,000,000	(1,500,000)	-	2,000,000	2,000,000
James Merrillees	50,000	1,000,000	-	-	1,050,000	1,050,000
John Hoon	-	1,000,000	-	-	1,000,000	1,000,000
Jay Stephenson	1,000,000	1,500,000	(1,000,000)	-	1,500,000	1,500,000
	3,550,000	7,000,000	(3,500,000)	-	7,050,000	7,050,000

30 June 2011	Balance at the beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes	Balance at end of year	Vested and exercisable
Directors of Drake Resources Limited						
Brett Fraser	1,000,000	-	-	-	1,000,000	1,000,000
Robert Beeson	1,500,000	-	-	-	1,500,000	1,500,000
James Merrillees	-	250,000	(200,000)	-	50,000	50,000
John Hoon	-	-	-	-	-	-
Jay Stephenson	1,000,000	-	-	-	1,000,000	1,000,000
	3,500,000	250,000	(200,000)	-	3,550,000	3,550,000

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

(ii) Shareholdings

The number of ordinary shares in Drake Resources Limited held by each KMP of the Group during the financial year is as follows:

30 June 2012 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	4,365,500	-	1,000,000	(707,500)	4,658,000
Robert Beeson	981,200	-	1,500,000	(1,600,000)	881,200
James Merrillees	200,000	-	-	(100,000)	100,000
John Hoon	260,000	-	-	-	260,000
Jay Stephenson	2,395,000	-	1,000,000	(737,500)	2,657,500
Total	8,201,700	-	3,500,000	(3,145,000)	8,556,700

30 June 2011 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	4,340,500	-	-	25,000	4,365,500
Robert Beeson	770,000	-	-	211,200	981,200
James Merrillees		-	200,000	-	200,000
John Hoon		-	-	260,000	260,000
Jay Stephenson	2,370,000	-	-	25,000	2,395,000
Total	7,480,500	-	200,000	521,200	8,201,700

Other changes during year relate to shares purchased or sold on market.

(c) Loans to key management personnel

There are no loans made to key management personnel at 30 June 2012.

(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 22: Related party transactions.

NOTE 6: AUDITORS' REMUNERATION	**2012**	**2011**
	$	**$**
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial reports	39,375	33,385
- Taxation services provided by related party of auditor	1,600	1,650
	40,975	35,035

	2012	**2011**
NOTE 7: EARNINGS PER SHARE	**$**	**$**
(a) Reconciliation of earnings to net profit or loss		
Loss used in the calculation of basic EPS	(3,172,448)	(1,454,321)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	79,043,461	56,764,857
Basic earnings per share, cents per share	(4.01)	(2.56)

Diluted EPS has not been disclosed as options outstanding do not have a dilutive effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		$	$
NOTE 8: CASH AND CASH EQUIVALENTS			
Cash at bank		2,607,863	4,350,274
Reconciliation of Cash:			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		2,607,863	4,350,274

The effective interest rate on short term bank deposits was 4.8% (2011: 2.5%). These deposits have an average maturity of 3 month (2011: 1 month).

NOTE 9: FINANCIAL ASSETS

		2012	2011
CURRENT			
Financial assets – held for trading:			
Securities in ASX listed entity		1,046,263	1,217,081
Net carrying value		1,046,263	1,217,081

The Securities in ASX listed entity are classed as level 1 of the fair value hierarchy. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

NOTE 10: TRADE AND OTHER RECEIVABLES

		2012	2011
CURRENT			
Expenditure recoverable from JV partner		672,923	680,668
GST and MOMS receivable		171,783	110,729
Amount receivable from related parties		270,314	10,736
Other receivables		141,439	98,998
		1,256,459	901,131

NOTE 11: PLANT AND EQUIPMENT	2012	2011
	$	$
Plant and equipment		
At cost	302,484	160,843
Accumulated depreciation	(141,988)	(80,856)
Total plant and equipment	160,496	79,987

a) Movements in Carrying Amounts

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

Balance at the beginning of year	79,987	21,510
Additions	141,641	84,531
Depreciation expense	(61,132)	(26,054)
Carrying amount at the end of year	160,496	79,987

NOTE 12: EXPLORATION AND EVALUATION ASSETS

NON-CURRENT		
Exploration expenditure capitalised		
- Exploration and evaluation phases at cost	11,210,079	2,880,057
Other	1,200	1,200
Net carrying value	11,211,279	2,881,257

The value of the Group's interest in exploration expenditure is dependent upon the:

- the continuance of the Group'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 Group'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.

	Note	2012	2011
NOTE 13: TRADE AND OTHER PAYABLES		**$**	**$**
CURRENT – unsecured liabilities			
Trade payables		1,489,247	486,348
Unspent joint venture funds		-	171,063
Accrued expenses		27,500	135,928
GST and PAYG payable		74,548	26,742
		1,591,295	820,081

Trade payables are non-interest bearing, and usually settled within 45 days.

NOTE 14: SHORT TERM PROVISIONS

Employee Benefits		78,221	36,935
Number of employees at year end		6	4

NOTE 15: ISSUED CAPITAL

The company has issued 82,500,000 fully paid ordinary shares at no par value (2011: 61,039,231)	15(a)	18,863,303	10,569,823

(a) Ordinary shares	**$**	**$**
At the beginning of the reporting period	10,569,823	8,235,723
Shares issued during the year :		
7,800,000 shares issued on 24 December 2010 at 28c	-	2,184,000
410,000 options exercised prior to 31 March 2011 at 25c	-	102,500
200,000 options exercised prior to 30 June 2011 at 20c	-	40,000
9,155,000 shares issued on 10 August 2011 at 39c	3,570,450	-
3,500,000 options exercised on 1 September 2011 at 34c	1,190,000	-
8,805,769 shares issued on 14 September 2011 at 39c	3,434,250	-
Exercised options transferred from Options Reserve	446,950	7,600
Transaction costs relating to share issues	(348,170)	-
At reporting date	18,863,303	10,569,823

Note 15: Issued Capital (Continued)	2012	2011
	No.	No.
At the beginning of the reporting period	61,039,231	52,629,231
Shares issued during the year :		
7,800,000 shares issued on 24 December 2010 at 28c	-	7,800,000
410,000 options exercised prior to 31 March 2011 at 25c	-	410,000
200,000 options exercised prior to 30 June 2011 at 20c	-	200,000
9,155,000 shares issued on 10 August 2011 at 39c	9,155,000	-
3,500,000 options exercised on 1 September 2011 at 34c	3,500,000	-
8,805,769 shares issued on 14 September 2011 at 39c	8,805,769	-
At reporting date	82,500,000	61,039,231

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.

b) Options

For information relating to the Drake Resources Limited employee options scheme, including details of options issued, exercised and lapsed during the financial year, and the options outstanding at year end, refer to Note 20.

(c) Capital Management

The Directors' objectives when managing capital are to ensure that the Group can fund its operations and 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 programs 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 at 30 June 2012 and 30 June 2011 are as follows:

	2012	2011
Working Capital:	$	$
Cash and cash equivalents	2,607,863	4,350,274
Trade and other receivables	1,256,459	901,131
Financial assets	1,046,263	1,217,081
Trade and other payables	(1,591,295)	(820,081)
Short term provisions	(78,221)	(36,935)
Working capital position	3,241,069	5,611,470

	2012	2011
	$	$
NOTE 16: RESERVES		
Options reserve	1,622,710	762,712
Foreign exchange reserve	(44,239)	(5,437)
	1,578,471	757,275

Options Reserve

The option 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: CONTROLLED ENTITIES

	Country of	Class of	Percentage Owned %	
Controlled Entities	**Incorporation**	**Shares**	**2012**	**2011**
Drake Resources UK Limited	UK	Ordinary	100%	100%
Drake Resources Sweden AB	Sweden	Ordinary	100%	100%

Investments in subsidiaries are accounted for at cost and eliminated on consolidation.

NOTE 18: OPERATING SEGMENTS

Identification of reportable segments

The Group operates predominantly in the mining industry. This comprises exploration and evaluation of gold, silver and base metals projects. Inter-segment transactions are priced at cost to the consolidated group.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors on a monthly basis. Management has identified the operating segments based on the three principal locations of its projects – Australia, Sweden and Africa.

Corporate expenses include administration and regulatory expenses arising from operating an ASX listed entity.

Segment assets include the costs to acquire tenements and the capitalised exploration costs of those tenements. Financial assets including cash and cash equivalents, and investments in financial assets, are reported in the Treasury segment.

	Australian Exploration	Scandinavian Exploration	African Exploration	Treasury	Total
For the Year Ended 30 June 2012	**$**	**$**	**$**	**$**	**$**
Segment Revenue	-	181,647	-	247,490	429,137
Segment Results	(5,702)	18,942	(246,944)	(84,543)	(318,247)
Amounts not included in segment results but reviewed by Board:					
- Corporate charges					(1,388,219)
- Depreciation					(61,132)
- Share-based payment expenses					(1,404,850)
Loss before Income Tax					(3,172,448)
As at 30 June 2012					
Segment assets	373,451	2,903,394	8,606,157	3,654,126	15,537,128
Unallocated assets					
Trade and other receivables					583,536
Plant and equipment					160,496
Other non-current assets					1,200
Total Assets					16,282,360
Segment asset increases for the period:					
- Capital expenditure	46,224	1,732,663	6,763,952	160,142	
Segment liabilities	-	51,418	1,371,097	-	1,422,515
Unallocated liabilities					
Trade and other payables					247,001
Total Liabilities					1,669,516

NOTE 18: OPERATING SEGMENTS (cont.)

For the Year Ended 30 June 2011	Australian Exploration $	Sweden Exploration $	Africa Exploration $	Treasury $	Total $
Segment Revenue	9,500	216,712	-	495,927	722,139
Segment Results	(192,388)	72,176	(195,111)	495,916	180,593
Amounts not included in segment results but reviewed by Board:					
- Corporate charges					(1,272,357)
- Depreciation					(26,054)
- Share-based payment expenses					(336,503)
Loss before Income Tax					(1,454,321)
As at 30 June 2011					
Segment assets	357,227	710,625	1,842,205	5,567,355	8,477,412
Unallocated assets					
Trade and other receivables					871,131
Plant and equipment					79,987
Other non-current assets					1,200
Total Assets					9,429,730
Segment asset increases for the period:					
- Capital expenditure	(94)	732,225	1,777,304		
Segment liabilities	-	206,835	28,491	-	235,326
Unallocated liabilities					
Trade and other payables					621,690
Total Liabilities					857,016

Basis of accounting for purposes of reporting by operating segments

a. *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

NOTE 18: OPERATING SEGMENTS (cont.)

b. *Inter-segment transactions*

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. *Segment assets*

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. *Segment liabilities*

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. *Unallocated items*

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

— Impairment of assets and other non-recurring items of revenue or expense
— Income tax expense
— Deferred tax assets and liabilities
— Current tax liabilities
— Other financial liabilities

	2012	2011
	$	$
NOTE 19: CASH FLOW INFORMATION		
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
(Loss)/ Profit after income tax	(3,172,448)	(1,454,321)
Cash flows excluded from (loss)/ profit attributable to operating activities		
Non-cash flows in (loss)/profit from ordinary activities		
Depreciation	61,132	26,054
Exploration expenditure written off	306,074	201,374
Unrealised loss/(gain) in listed equities	330,961	(360,328)
Share based payments	1,404,850	336,503
Changes in assets and liabilities:		
Decrease in receivables	(341,200)	(115,796)
Increase in payables	1,328,759	128,334
Increase in provisions	41,286	28,720
Increase in exploration assets	(9,125,605)	(4,678,118)
Cash Flow from Operations	(9,166,191)	(5,887,578)

Credit Standby Facilities

The Company had no standby credit facilities as at 30 June 2012.

Non-Cash investing and Financing Activities

There were no non-cash activities in the current year or previous financial year.

NOTE 20: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2012:

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 options have been exercised.

On 23 December 2009 under the Drake Resources Limited Incentive Option Scheme, 400,000 share options were granted to employees and consultants to take up ordinary shares at an exercise price of $0.30 each. The options are exercisable on or before 23 December 2014. 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 options have been exercised.

On 31 March 2011 under the Drake Resources Limited Incentive Option Scheme, 670,000 share options were granted to employees and consultants to take up ordinary shares at an exercise price of $0.72 each. The options are exercisable on or before 31 March 2016. 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 options have been exercised.

On 7 July 2011 the following unlisted share options were issued following shareholder approval:

- 7,000,000 unlisted share options issued to Directors at an exercise price of 58.5 cents each.
- 1,000,000 unlisted share options issued to consultants at an exercise price of 70 cents each.
- 500,000 unlisted share options issued to consultants at an exercise price of $1.20 each.

These options are exercisable on or before 30 June 2013. The options hold no voting or dividend rights, and are not transferable. Since balance date, no Director has ceased their employment. At balance date, no share option has been exercised.

During the year, 800,000 Options expired.

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.

A summary of the movements of all company options issued is as follows:

	2012		2011	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at the beginning of the year	5,920,000	$0.3573	5,890,000	$0.3124
Granted	8,600,000	$0.6347	770,000	$0.5849
Exercised	(3,500,000)	$0.3400	(610,000)	$0.2336
Expired	(800,000)	$0.2500	(130,000)	$0.2500
Outstanding at year-end	10,220,000	$0.6059	5,920,000	$0.3573
Exercisable at year-end	10,220,000	$0.6059	5,920,000	$0.3573

NOTE 20: SHARE-BASED PAYMENTS (cont.)

The weighted average remaining contractual life of options outstanding at year end was 1.2268 years. The exercise price of outstanding shares at the end of the reporting period was $0.6059.

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was $0.1623 (2011: $0.1957). These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options issued this year:

Option exercise price:	$0.585	$0.70	$1.20
Number of options issued:	7,000,000	1,000,000	500,000
Remaining life of the options:	1.00	1.00	1.00
Expected share price volatility:	90.8%	90.8%	90.8%
Risk-free interest rate:	4.815%	4.815%	4.815%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

In July 2012 the Group signed an Exploration and Exploitation Agreement with Joma Naeringspark to explore highly prospective ground in Norway, including the Joma and Gjersvik copper-zinc mines. The Group paid NOK 75,000 (~A$13,000) on signing the agreement, and is committed to spend NOK 250,000 (~A$42,000) in calendar year 2012. The Group has the right to withdraw from the agreement at any time after December 2012, or to continue with commitments of NOK 825,000 (~A$143,000) per calendar year until December 2015, at which time it will have the right to apply for an extraction licence in its sole name in exchange for a 1% NSR royalty.

The Group has also been granted 12 exploration claims covering 119 square kilometres in the Espedalen nickel-copper district of Norway. There have been no other significant after balance date events.

NOTE 22: RELATED PARTY TRANSACTIONS	2012 $	2011 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with Key Management Personnel:		
Jay Stephenson		
Drake Resources Limited rented office space from Jay Stephenson, a non-executive Director of Drake Resources Limited, until May 2012	10,890	10,800
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.	117,000	99,750

NOTE 23: CAPITAL COMMITMENTS	2012 $	2011 $
Capital expenditure commitments:		
Capital expenditure commitments contracted for:		
Exploration tenement minimum expenditure requirements	96,000	34,500
Payable:		
Not longer than 1 year	33,000	-
Longer than 1 year and not longer than 5 years	63,000	34,500
Longer than 5 years	-	-
	96,000	34,500
Operating lease commitments:		
Operating leases contracted for but not capitalised in the financial statements	1,404,970	1,350,875
Payable:		
Not longer than 1 year	331,139	270,175
Longer than 1 year and not longer than 5 years	1,073,831	1,080,700
Longer than 5 years	-	-
	1,404,970	1,350,875

NOTE 24: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2012. (2011: none).

NOTE 25: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts receivable and payable.

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.

A summary of the Group's financial assets and liabilities is shown below.

	Floating Interest Rate	Non-interest bearing	2012 Total	Floating Interest Rate	Non-interest bearing	2011 Total
	$	$	$	$	$	$
Financial assets						
Cash and cash equivalents	2,607,863	-	2,607,863	4,350,274	-	4,350,274
Trade and other receivables		1,256,459	1,256,459	-	901,131	901,131
Financial assets at fair value through profit or loss –						
Held for trading	-	1,046,263	1,046,263	-	1,217,081	1,217,081
Total Financial assets	2,607,863	2,302,702	4,910,565	4,350,274	2,118,212	6,468,486
Financial Liabilities						
Financial liabilities at amortised cost –						
Trade and Other Payables	-	1,591,295	1,591,295	-	820,081	820,081
Total Financial Liabilities	-	1,591,295	1,591,295	-	820,081	820,081
Net Financial Assets	2,607,863	711,407	3,319,270	4,350,274	1,298,131	5,648,405

All financial assets and liabilities of the Group mature within 3 months of the reporting date.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

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

Credit risk exposures

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 statement of financial position and notes to the financial statements.

NOTE 25: FINANCIAL RISK MANAGEMENT (cont.)

Specific Financial Risk Exposures and Management (cont.)

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	2012	2011
		$	$
Cash and cash equivalents			
- AA Rated	8	2,607,863	4,350,274

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

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. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

c. Market risk

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.

i. *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is not material to the Group as no debt arrangements have been entered into.

ii. *Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in foreign currencies may impact on the Group's financial results. The Group's exposure to foreign exchange risk is minimal, however the Board continues to review this exposure regularly.

NOTE 25: FINANCIAL RISK MANAGEMENT (cont.)

iii. *Price risk*

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group is exposed to securities price risk on investments held for trading or for medium to longer terms.

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.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
	Profit	**Equity**
Year ended 30 June 2012	**$**	**$**
+/-1% in interest rates	+/- 26,078	+/- 26,078
Year ended 30 June 2011		
+/-1% in interest rates	+/- 43,503	+/- 43,503

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

	2012		2011	
	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
Financial Assets				
Cash and cash equivalents:				
Trade and other receivables	1,256,459	1,256,459	901,131	901,131
Financial assets at fair value through profit or loss:				
Investments – held for trading	1,046,263	1,046,263	1,217,081	1,217,081
Total Financial Assets	2,302,722	2,302,722	2,118,212	2,118,212
Financial Liabilities				
Trade and other liabilities	1,591,295	1,591,295	820,081	820,081
Total Financial Liabilities	1,591,295	1,591,295	820,081	820,081

The fair values disclosed in the above table have been determined based on the following methodologies:

i. Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.

ii. For held for trading financial assets, closing bid prices at the end of the reporting period are used.

Financial Instruments Measured at Fair Value

The Group only holds level 1 financial instrument recognised at fair value in the statement of financial position. The carrying value at 30 June 2012 is $1,046,263 (2011: $1,217,081).

NOTE 26: PARENT ENTITY DISCLOSURES	Note	2012	2011
		$	$
(a) Financial Position of Drake Resources Limited			
CURRENT ASSETS			
Cash and cash equivalents		2,464,070	4,294,231
Financial assets	26(b)	1,046,263	-
Trade and other receivables		983,650	831,965
TOTAL CURRENT ASSETS		4,493,983	5,126,196
NON-CURRENT ASSETS			
Plant and equipment		160,496	79,987
Financial assets	26(b)	649,392	1,383,428
Other non-current assets		11,125,461	2,881,257
TOTAL NON-CURRENT ASSETS		11,935,349	4,344,672
TOTAL ASSETS		16,429,332	9,470,868
CURRENT LIABILITIES			
Trade and other payables		1,560,454	820,081
Short term provisions		78,221	36,935
TOTAL CURRENT LIABILITIES		1,638,675	857,016
TOTAL LIABILITIES		1,638,675	857,016
NET ASSETS		14,790,657	8,613,852
EQUITY			
Issued Capital		18,863,303	10,569,823
Option Reserve		1,622,710	762,712
Accumulated Losses		(5,695,356)	(2,718,683)
TOTAL EQUITY		14,790,657	8,613,852
(b) Financial Assets			
Shares in listed entities held for trading - at fair value		1,046,263	1,217,081
Loans to Subsidiaries		541,160	148,040
Shares in controlled entities at cost		108,232	18,307
Net carrying value		1,695,655	1,383,428

Loans are provided by the parent entity to its controlled entities to fund their activities. The eventual recovery of loans and investments will be dependent upon the successful commercial application of these projects or their sale to third parties.

NOTE 26: PARENT ENTITY DISCLOSURES (cont.)

Controlled Entities	Country of Incorporation	Class of Shares	Percentage Owned % 2012	Percentage Owned % 2011
Drake Resources UK Limited	UK	Ordinary	100%	100%
Drake Resources Sweden AB	Sweden	Ordinary	100%	100%

(c) Financial Performance of Drake Resources Limited	**2012 $**	**2011 $**
Profit/(Loss) for the year	(3,074,575)	(1,441,444)
Other comprehensive income	-	-
Total comprehensive income	(3,074,575)	(1,441,444)

(d) Guarantees entered into by Drake Resources Limited for the debts of its subsidiaries

There are no guarantees entered into by Drake Resources Limited for the debts of its subsidiaries as at 30 June 2012 (2011: none).

(e) Contingent liabilities of Drake Resources Limited

There are no contingent liabilities as at 30 June 2012 (2011: none).

(f) Commitments Drake Resources Limited

The amounts applicable for both Drake Resources Limited (the parent) and the Consolidated Group can be found in Note 23.

NOTE 27: COMPANY DETAILS

The principal and registered office of the Company is:

Drake Resources Ltd
Level 4, 66 Kings Park Road
WEST PERTH WA 6005

The principal places of business are:

Drake Resources Ltd
Level 4, 66 Kings Park Road
WEST PERTH WA 6005

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

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 34-71, are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards;
   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
   (c) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company and Consolidated Group.
2. the Chief Executive Officer and Chief Finance Officer have each declared under s295A of the Corporations Act 2001 that:
   (a) the financial records of the Company for the financial year have been properly maintained in accordance with s 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.

DIRECTOR

JAY STEPHENSON

Dated 28th September 2012, Perth WA.

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd

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West Perth WA 6005
Australia

PO Box 44
West Perth WA 6872
Australia

ABN 33 121 222 802

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F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Report

To the Members of Drake Resources Limited

We have audited the accompanying financial report of Drake Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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 Resources Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company and Consolidated Entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

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 in directors' report of the year ended 30 June 2012. 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 Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 28th day of September 2012

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 25 September 2012.

(a) Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	29
1,001 – 5,000	88
5,001 – 10,000	118
10,001 – 100,000	342
100,001 – and over	122
	699

(b) The number of shareholdings held in less than marketable parcels is 119.

(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 25 September 2012.

	NAME	Number of Ordinary Fully Paid Shares Held	% held of Issued Ordinary Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,641,880	5.63
2	NATIONAL NOMINEES LIMITED	4,437,408	5.38
3	CITICORP NOMINEES PTY LIMITED	4,412,931	5.35
4	NEFCO NOMINEES PTY LTD	3,651,282	4.43
5	PINEWOOD ASSET PTY LTD <THE FRASER FAMILY A/C>	3,170,500	3.84
6	MR LAURENCE CHARLES KIRK	2,600,000	3.15
7	YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	2,415,440	2.93
8	BILL BROOKS PTY LTD <BILL BROOKS SUPER FUND A/C>	2,358,971	2.86
9	MR MUN SIONG YEO	1,800,000	2.18
10	ALMAMATER PTY LTD <STEPHENSON FAMILY A/C>	1,405,000	1.70
11	J P MARGAN NOMINEES AUSTRALIA LIMITED	1,391,394	1.69
12	JONENDERBEE INVESTMENTS PTY LTD <STARLOTTERS STAFF PROV A/C>	1,286,798	1.56
13	STONE AXE PTY LTD <THE CARMODY BAIRD S/F A/C>	1,242,257	1.51
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,065,000	1.29
15	MR ROBERT JOHN HUGALL & MRS RICCARDA MARTINA HUGALL <RJ & RM HUGALL S/FUND A/C>	1,000,000	1.21
16	LUMAROO PTY LTD <LAURENCE KIRK S/F A/C>	900,000	1.09
17	ASHABIA PTY LTD <ASHABIA SUPER FUND A/C>	840,000	1.02
18	DAVSLAV PTY LTD	800,000	0.97
19	TYLER STREET HOLDINGS PTY LTD <ROSEBRETT SUPERANNUATION A/C>	800,000	0.97
20	MR ROBERTH BEESON <BEESON FAMILY A/C>	750,000	0.91
	TOTAL	**40,968,861**	**49.66**

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

3 The address of the principal registered office in Australia is Level 4, 66 Kings Park Road, WEST PERTH WA 6005. Telephone (08) 6141 3500.

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 10,220,000 unlisted options at 28 September 2012, including 7,050,000 on issue to the Directors.

7 Use of Funds

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

TENEMENT REPORT

Australia		
	ML 77 / 406	100%
	E38/1905	100%
Sweden		
	Jugansbo nr 5	100%
	Bäsinge nr 1	100%
	Gruvberget nr 5	100%
	Saxa nr 1	100%
	Vigelsbo nr 1	100%
	Doverstorp nr 1	100%
	Gruvsjön nr 2	100%
	Orsen	100%
	Tullsta	100%
	Skyttgruvan nr 2	100%
	Rogsan nr 1 2007/277	49%
	Oxberg nr 2 2008/4	49%
	Haghed	49%
	Krondiket	49%
	Rogsan nr 2	49%
	Falun nr 100 2007/61	49%
	Falun nr 101 2007/62	49%
	Bersbo nr 2 2007/137	49%
	Falun nr 102 2007/254	49%
	Falun nr 103 2007/267	49%
Mauritania		
	El Mheissat	100%
	Nsour	100%
	Oued El Ma	100%
	Nsour Sud Ouest	100%
	Touerig Taieuh	100%
	Hadeibet Belaa	100%
	Nsour Nord	100%
	Grara Mouchgag	100%