



**DRAKE RESOURCES LIMITED**  
**ABN 12 108 560 069**

**Interim Financial Report**  
**for the period ended 31 December 2005**

**Note:**

The information contained herein should be read in conjunction with the most recent annual report.

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**DRAKE RESOURCES LIMITED  
AND CONTROLLED ENTITIES**  
ABN 12 108 560 069  
INTERIM FINANCIAL REPORT DECEMBER 2005

**DIRECTORS' REPORT**

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2005.

**Directors**

The names of directors who held office during or since the end of the half-year:

Brett Fraser

Robert Beeson

Jay Stephenson

**Review of Operations**

**Exploration**

**Mt Carrington**

- The drilling programme completed in the December quarter has indicated the potential for increasing the size and grade of the Mt Carrington gold resources
- Results from angled drilling at the Strauss gold deposit support the suggestion this is more appropriate drill orientation for resource evaluation than previous vertical drilling, and that true gold grades may be higher than those stated in the existing resource estimate
  - Drill hole DP19 gave an intersection of 20m @ 6.2 g/t Au whereas adjacent vertical holes gave 2-4 g/t Au
- Drilling under past resources indicates that mineralisation at significant grades and thicknesses exist below the 30-40 metre depth previously tested
- New fieldwork has indicated that there is clear potential to increase existing gold and silver resources in other target areas such as Red Rock and White Rock
- Gold at Strauss is accompanied by approximately 2 % zinc, which may provide metal credits under certain ore processing options
- Drilling of supergene copper targets has extended the zone of known higher grade copper at Gladstone
- Two exploration licenses, ELs 6452 and 6453, to the north west and south east of the Mt Carrington Mine Leases were granted by the New South Wales Department of Primary Industries. This has given Drake a dominant ground holding within the highly mineralised Drake Volcanics

**Mexico**

- Drake has commenced a programme of project identification and acquisition in north-central Mexico

**Uranium**

- The Company has applied for two exploration licenses to cover 115 kilometres of channels that contain uranium mineralisation both upstream and downstream near Yeelirrie Western Australia in August 2005.

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**DIRECTORS' REPORT**

**Adoption of Australian Equivalents to IFRS**

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

**Auditor's Declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2005.

This report is signed in accordance with a resolution of the Board of Directors.

Director



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Brett Fraser

Dated this 14

Day of March

2006

**DRAKE RESOURCES LIMITED  
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INTERIM FINANCIAL REPORT DECEMBER 2005



**RIX LEVY FOWLER**  
CHARTERED BUSINESS ADVISORS

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Partners:  
Philip Rix FCA  
Jon Carcich CA  
George Lazarou CA  
Ranko Matić CA

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To The Board of Directors of Drake Resources Limited

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2005 there have been:

- a. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

Yours faithfully

Handwritten signature of Rix Levy Fowler in blue ink.

**RIX LEVY FOWLER**  
Chartered Business Advisors

Handwritten signature of Ranko Matić in blue ink.

**RANKO MATIĆ**  
Partner

DATED at PERTH this 14<sup>th</sup> day of March 2006



**DRAKE RESOURCES LIMITED  
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**CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	Economic Entity	
	31.12.2005	31.12.2004
	\$	\$
Revenue	48,137	597
Loss on Sale of Shares	(5,000)	-
ASX and Registry Fees	(11,594)	-
Audit and Accounting	(326)	-
Depreciation and amortisation expense	(4,314)	-
Shareholder relations	(18,716)	-
Rent	(4,800)	-
Legal	(14,706)	(3,969)
Director Fees	(29,375)	-
Director Option Expense	(71,200)	-
People Costs	(101,981)	-
Contractors and Consultants	(59,807)	-
Computers and Software	(25,298)	-
Travel & Accommodation	(44,462)	(3,229)
Other expenses	(38,143)	(2,830)
Profit/(Loss) before income tax	(381,585)	(9,431)
Income tax expense	-	-
Profit/(Loss) from continuing operations	(381,585)	(9,431)
Profit for the period	(381,585)	(9,431)
Profit attributable to members of the parent entity	(381,585)	(9,431)
<b>Overall Operations:</b>		
Basic earnings per share (cents per share)	(1.27)	
Diluted earnings per share (cents per share)	(1.10)	

The accompanying notes form part of these financial statements.

**DRAKE RESOURCES LIMITED  
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**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005**

	Economic Entity	
	31.12.2005	30.06.05
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,542,224	2,282,090
Trade and other receivables	42,187	35,592
<b>TOTAL CURRENT ASSETS</b>	1,584,411	2,317,682
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	21,039	23,912
Financial Assets	32,500	120,000
Other non-current assets	1,769,040	1,301,308
<b>TOTAL NON-CURRENT ASSETS</b>	1,822,579	1,445,220
<b>TOTAL ASSETS</b>	3,406,990	3,762,902
<b>CURRENT LIABILITIES</b>		
Trade and other payables	55,222	99,803
Short-term provisions	4,663	5,609
<b>TOTAL CURRENT LIABILITIES</b>	59,885	105,412
<b>TOTAL LIABILITIES</b>	59,885	105,412
<b>NET ASSETS</b>	3,347,105	3,657,490
<b>EQUITY</b>		
Issued capital	3,822,460	3,822,460
Option Premium Reserve	82,450	11,250
Accumulated Losses	(557,805)	(176,220)
<b>TOTAL EQUITY</b>	3,347,105	3,657,490

The accompanying notes form part of these financial statements.

**DRAKE RESOURCES LIMITED  
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2005

	\$		\$		\$
	Share Capital Ordinary	Option Premium Reserve	Retained Profits	Total	
<b>Balance at 1.7.2004</b>	46,873	11,250	(23,078)	35,045	
Shares issued during the period	185,938			185,938	
Directors Option value					
Profit/(Loss) attributable to members of parent entity			(9,431)	(9,431)	
<b>Balance at 31.12.2004</b>	232,811	11,250	(32,509)	211,552	
<b>Balance at 1.7.2005</b>	3,822,460	11,250	(176,220)	3,657,490	
Shares issued during the year					
Directors Option Value		71,200	-	71,200	
Profit attributable to members of parent entity			(381,585)	(381,585)	
<b>Balance at 31.12.2005</b>	3,822,460	82,450	(557,805)	(3,347,105)	

**DRAKE RESOURCES LIMITED  
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**CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	Economic Entity	
	31.12.2005	31.12.2004
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(406,321)	17,700
Interest received	48,129	595
Payments for exploration and evaluation	(437,733)	-
Net cash provided by (used in) operating activities	(795,925)	18,295
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,441)	-
Purchase of exploration assets	(30,000)	(40,767)
(Purchase) of/Proceeds of Investments	87,500	-
Net cash provided by (used in) investing activities	56,059	(40,767)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	185,938
Net cash provided by (used in) financing activities	-	185,938
Net increase in cash held	(739,866)	163,466
Cash at <b>1 July 2005</b>	2,282,090	417
Cash at <b>31 December 2005</b>	1,542,224	163,883



**DRAKE RESOURCES LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE  
HALF-YEAR ENDED 31 DECEMBER 2005**

**NOTE 1: BASIS OF PREPARATION**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by Drake Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

**(a) Principles of Consolidation**

A controlled entity is any entity controlled by Drake Resources Limited whereby Drake Resources Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities

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

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

**(b) Income Tax**

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE**  
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NOTE 1: BASIS OF PREPARATION

**(c) Property, Plant and Equipment**

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

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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 been discounted to their present values in determining recoverable amounts.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

**Depreciation**

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

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

Class of Fixed Asset	Depreciation Rate
Computers	33.33%
Office Equipment	20%

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

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

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

**(d) 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.

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**NOTE 1: BASIS OF PREPARATION**

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

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

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

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

**(e) Financial Instruments**

**Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement 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 stated at amortised cost using the effective interest rate method.

**Held-to-maturity investments**

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets**

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Derivative instruments**

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

**Fair value**

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

**Impairment**

At each reporting date, the group assess whether there is objective evidence that a financial instrument

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**NOTE 1: BASIS OF PREPARATION**

has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

**(f) Foreign Currency Transactions and Balances**

**Functional and presentation currency**

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

**Transaction and balances**

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

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

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

**Group companies**

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

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

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

**(g) Employee Benefits**

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

**(h) 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 result and that outflow can be reliably measured.

**(i) Cash and Cash Equivalents**

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

**(j) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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NOTE 1: BASIS OF PREPARATION

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

**(k) Goods and Services Tax (GST)**

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

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

**(l) Comparative Figures**

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	Note	Economic Entity		
		Previous GAAP at 1.7.2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 1.7.2004
<b>Reconciliation of Equity at 1 July 2004</b>		\$	\$	\$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		417	-	417
Trade and other receivables		10,306	-	10,306
<b>TOTAL CURRENT ASSETS</b>		<b>10,723</b>	<b>-</b>	<b>10,723</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		-	-	-
Investments		-	-	-
Deposits		-	-	-
Other non-current assets		25,322	-	25,322
<b>TOTAL NON-CURRENT ASSETS</b>		<b>25,322</b>	<b>-</b>	<b>25,322</b>
<b>TOTAL ASSETS</b>		<b>36,045</b>	<b>-</b>	<b>36,045</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		-	-	-
Short-term provisions		-	-	-
Accrued expenses		1,000	-	1,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>TOTAL LIABILITIES</b>		<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>NET ASSETS</b>		<b>35,045</b>	<b>-</b>	<b>35,045</b>
<b>EQUITY</b>				
Issued capital		46,873	-	46,873
Option Premium Reserve		-	11,250	11,250
Accumulated Losses		(11,828)	(11,250)	(23,078)
<b>TOTAL EQUITY</b>		<b>35,045</b>	<b>-</b>	<b>35,045</b>

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NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	Note	Economic Entity		
		Previous GAAP at 31.12.2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 31.12.2004
		\$	\$	\$
<b>Reconciliation of Equity at 31 December 2004</b>				
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		163,883	-	163,883
Trade and other receivables		11,518	-	11,518
<b>TOTAL CURRENT ASSETS</b>		<b>175,401</b>	<b>-</b>	<b>175,401</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		-	-	-
Investments		-	-	-
Deposits		-	-	-
Other non-current assets		66,089	-	66,089
<b>TOTAL NON-CURRENT ASSETS</b>		<b>66,089</b>	<b>-</b>	<b>66,089</b>
<b>TOTAL ASSETS</b>		<b>241,490</b>	<b>-</b>	<b>241,490</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		28,938	-	28,938
Short-term provisions		-	-	-
Accrued expenses		1,000	-	1,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>29,938</b>	<b>-</b>	<b>29,938</b>
<b>TOTAL LIABILITIES</b>		<b>29,938</b>	<b>-</b>	<b>29,938</b>
<b>NET ASSETS</b>		<b>211,552</b>	<b>-</b>	<b>211,552</b>
<b>EQUITY</b>				
Issued capital		232,811	-	232,811
Option Premium Reserve		-	11,250	11,250
Accumulated Losses		(21,259)	(11,250)	(32,509)
<b>TOTAL EQUITY</b>		<b>211,552</b>	<b>-</b>	<b>211,552</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	Note	Economic Entity		
		Previous GAAP at 30.6.2005	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 30.6.2005
<b>Reconciliation of Equity at 30 June 2005</b>		\$	\$	\$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		2,282,090	-	2,282,090
Trade and other receivables		35,592	-	35,592
<b>TOTAL CURRENT ASSETS</b>		<b>2,317,682</b>	<b>-</b>	<b>2,317,682</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		23,912	-	23,912
Investments		120,000	-	120,000
Deposits		-	-	-
Other non-current assets		1,301,308	-	1,301,308
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,445,220</b>	<b>-</b>	<b>1,445,220</b>
<b>TOTAL ASSETS</b>		<b>3,762,902</b>	<b>-</b>	<b>3,762,902</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		99,803	-	99,803
Short-term provisions		5,609	-	5,609
Accrued expenses		-	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>105,412</b>	<b>-</b>	<b>105,412</b>
<b>TOTAL LIABILITIES</b>		<b>105,412</b>	<b>-</b>	<b>105,412</b>
<b>NET ASSETS</b>		<b>3,657,490</b>	<b>-</b>	<b>3,657,490</b>
<b>EQUITY</b>				
Issued capital		3,822,460	-	3,822,460
Option Premium Reserve			11,250	11,250
Accumulated Losses		(164,970)	(11,250)	(176,220)
<b>TOTAL EQUITY</b>		<b>3,657,490</b>	<b>-</b>	<b>3,657,490</b>



**DRAKE RESOURCES LIMITED  
AND CONTROLLED ENTITIES**  
ABN 12 108 560 069  
INTERIM FINANCIAL REPORT DECEMBER 2005

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	Note	Previous GAAP	Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
<b>Reconciliation of Profit or Loss for the half-year 31 December 2004</b>		\$	\$	\$
Revenue		595	-	595
Legal		(3,969)	-	(3,969)
Travel & Accommodation		(3,229)	-	(3,229)
Other expenses		(2,830)	-	(2,830)
Profit/(Loss) before income tax		(9,432)	-	(9,432)
Income tax expense		-	-	-
Profit for the period		(9,432)	-	(9,432)
 <b>Reconciliation of Profit or Loss for the full to 30 June 2005</b>				
Revenue		26,165	-	26,165
ASX and Registry fees		(12,676)	-	(12,676)
Audit and Accounting		(5,050)	-	(5,050)
Insurance		(19,315)	-	(19,315)
Legal Expenses		(7,022)	-	(7,022)
Directors Fees		(12,500)	-	(12,500)
People Costs		(31,637)	-	(31,637)
Contractors and Consultants		(30,727)	-	(30,727)
Computers and Software		(10,689)	-	(10,689)
Travel and Accommodation		(29,118)	-	(29,118)
Other		(20,573)	-	(20,573)
Profit/(Loss) before income tax		(153,141)	-	(153,141)
Income tax expense				
Profit for the year		(153,141)	-	(153,141)
Profit attributable to members of the parent entity		(153,141)	-	(153,141)

**DRAKE RESOURCES LIMITED  
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INTERIM FINANCIAL REPORT DECEMBER 2005

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

Economic Entity

	31.12.2005	31.12.2004
	\$	\$

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Director Option Expenses	71,200	11,250
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NOTE 4: SEGMENT REPORTING

The Company does not have different segments.

NOTE 5: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

After reporting date, the economic entity acquired the Heron Well Gold Project for 1,250,000 fully paid ordinary shares.

**DRAKE RESOURCES LIMITED  
AND CONTROLLED ENTITIES**  
ABN 12 108 560 069  
**INTERIM FINANCIAL REPORT DECEMBER 2005**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4-17:
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 31 December 2005 and of its performance for the half year ended on that date.
2. 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



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**Brett Fraser**

Dated this 14 day of March 2006

**DRAKE RESOURCES LIMITED  
AND CONTROLLED ENTITIES**  
ABN 12 108 560 069  
INTERIM FINANCIAL REPORT DECEMBER 2005



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Partners  
Phillip Rix FCA  
Jon Corcich CA  
George Lazarou CA  
Ranko Matic CA

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## Independent Review Report

### To The Members of Drake Resources Limited

#### Scope

##### *The financial report and directors' responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration of the consolidated entity comprising Drake Resources Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half year ended 31 December 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Audit approach*

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### Independence

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's declaration as set out in the financial report has not changed as at the date of providing our review opinion.



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ACCOUNTING | AUDIT & ASSURANCE | BUSINESS ADVISORY | BUSINESS VALUATION | DUE DILIGENCE | FINANCIAL SERVICES | SUPERANNUATION | TAXATION | WEALTH PLANNING

**DRAKE RESOURCES LIMITED  
AND CONTROLLED ENTITIES  
ABN 12 108 560 069  
INTERIM FINANCIAL REPORT DECEMBER 2005**

***Independent Review Report***

To the Members of Drake Resources Limited (CONTINUED)

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**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Drake Resources Limited is not drawn up in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements in Australia.



**RIX LEVY FOWLER**  
Chartered Business Advisors



**RANKO MATIĆ**  
Partner

DATED at PERTH this 14<sup>th</sup> day of March 2006