

DRAKE RESOURCES LIMITED

ACN 108 560 069

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable pro rata offer to Eligible Shareholders of 52,020,294 New Shares at an issue price of \$0.03 per share on the basis of one (1) New Share for every two (2) Shares held and 26,010,147 free attaching New Options on the basis of one (1) free attaching New Option for every two (2) New Shares subscribed for to raise up to \$1,560,609 before issue costs based on the number of Shares on issue as at the date of this Prospectus (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Mr Brett Fraser (Non Executive Chairman)
Mr James Merrillees (Executive Director)
Dr Robert Beeson (Non Executive Director)
Mr Jay Stephenson (Non Executive Director)

Company Secretary

Mr Jay Stephenson

Registered Office

Level 4
66 Kings Park Road
WEST PERTH WA 6005

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Email: info@drakeresources.com.au
Website: www.drakeresources.com.au

Share Registry*

Computershare Investor Services Pty
Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 9323 2000
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Auditor*

Bentleys
Level 1, 12 Kings Park Road
WEST PERTH WA 6005
Telephone: +61 8 9226 4500
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Solicitors

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Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

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* These entities are included for information purposes only. Neither has been involved in the preparation of this Prospectus nor has either entity consented to being named in this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC	17 June 2013
Lodgement of Prospectus & Appendix 3B with ASX	17 June 2013
Notice sent to security holders	19 June 2013
Ex date	20 June 2013
Record Date for determining Entitlements	26 June 2013
Prospectus despatched to Shareholders & Company announces despatch has been completed	2 July 2013
Closing Date*	16 July 2013
Securities quoted on a deferred settlement basis	17 July 2013
ASX notified of under subscriptions	19 July 2013
Despatch of holding statements	24 July 2013
Quotation of New Shares and New Options issued under the Offer*	25 July 2013

* The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such the date the New Shares and New Options are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

This Prospectus is dated 17 June 2013 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

RISK FACTORS

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at www.drakeresources.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

4. DETAILS OF THE OFFER

4.1 Offer

The Offer is being made as a non-renounceable entitlement issue of one (1) New Share for every two (2) Shares held by Shareholders registered at the Record Date at an issue price of \$0.03 per New Share (**New Share**) plus one (1) free attaching option with an exercise price of \$0.07 and an expiry date of 1 August 2014 for every two (2) New Shares subscribed for and issued (**New Option**). Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 52,020,294 New Shares and 26,010,147 New Options will be issued pursuant to this Offer to raise approximately \$1,560,609 (before costs). No funds will be raised from the issue of the New Options.

As at the date of this Prospectus the Company has 9,470,000 Options on issue which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the New Shares offered under this Prospectus will rank equally with the Shares on issue as at the date of this Prospectus. Please refer to Section 6.1 for further information regarding the rights and liabilities attaching to the New Shares.

The terms and conditions of the New Options offered under this Prospectus are set out in Section 6.2. The Company will be applying for quotation of the New Options. All Shares issued on the conversion of the New Options will rank equally with the Shares on issue as at the date of this Prospectus.

The purpose of the Offer and the intended use of funds raised are set out in Section 5 of this Prospectus.

4.2 Minimum subscription

There is no minimum subscription.

4.3 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
 - (i) complete the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form. For payment by BPAY please refer to Section 4.5; or
- (b) if you only wish to accept **part** of your Entitlement:

- (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.03 per New Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.4 Payment by cheque/bank draft

Eligible Shareholders wishing to pay by cheque, bank draft or money order must follow the instructions on the Entitlement and Acceptance Form, provide a cheque or bank draft made payable to “**Drake Resources Limited Share Issue A/C**” and return your completed form and payment to:

Drake Resources Limited,
C/- Computershare Investor Services Pty Limited,
GPO Box 505
Melbourne Vic 3001

to be received by the Share Registry no later than 5.00pm (WST) on the Closing Date.

4.5 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 3.00pm (WST) on the Closing Date. You should be aware that your financial institution may implement cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.6 Underwriting Agreement

This offer is not underwritten.

4.7 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.03, being the price at which New Shares have been offered under the Offer.

The Shortfall shall be placed at the discretion of the Company. The Company reserves the right to allot to an Applicant a lesser number of Shortfall Securities than the number for which the Applicant applies or to reject an application.

4.8 ASX listing

Application for Official Quotation of New Shares and New Options offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the New Shares and New Options offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the New Shares and New Options is not to be taken in any way as an indication of the merits of the Company or the New Shares or New Options now offered for subscription.

4.9 Allotment

Securities issued pursuant to the Offer will be allotted in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Securities issued pursuant to the Shortfall Offer will be allotted on a progressive basis at the discretion of the Board of Directors of the Company. Where the number of Securities issued is less than the number applied for, or where no allotment is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Securities issued under the Shortfall Offer as soon as practicable after their issue.

4.10 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Offer is being made in New Zealand pursuant to the Securities act (Overseas Companies) Exemption Notice 2002.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.11 Enquiries

Any questions concerning the Offer should be directed to Jay Stephenson, Company Secretary, on +61 8 6141 3585.

If you have any queries about your Entitlement or how to participate in the Offer, contact the Drake Resources Limited Shareholder Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia), from 8.30am to 5.00pm (AEDT), Monday to Friday.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$1,560,609 (before expenses).

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	Full Subscription	%
Expenses of the Offer ¹	40,588	2.6
Exploration of Scandinavian projects	900,000	57.7
Exploration of West African projects	200,000	12.8
Working capital	420,021	26.9
Total	1,560,609	100

Notes:

1. Refer to Section 8.7 of this Prospectus for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

5.2 Effect of the Offer

The principal effect of the Offer will be to:

- (a) increase the cash reserves by \$1,520,021 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer;
- (b) increase the number of Shares on issue from 104,040,588 as at the date of this Prospectus to 156,060,882 Shares; and
- (c) increase the number of Options on issue from 9,470,000 as at the date of this Prospectus to 35,480,147 options. Please refer to Section 5.4 below for the key terms of the different classes of Options currently on issue.

5.3 Pro-forma balance sheet

The reviewed balance sheet as at 31 December 2012 and the pro-forma balance sheet as at 31 December 2012 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	31-Dec-12	Pro-Forma
	\$	31-Dec-12 \$
CURRENT ASSETS		
Cash and cash equivalents	1,432,745	2,952,766
Financial assets	959,430	959,430
Trade and other receivables	166,236	166,236
TOTAL CURRENT ASSETS	2,558,411	4,078,432
NON-CURRENT ASSETS		
Plant and equipment	142,160	142,160
Exploration and evaluation assets	11,687,372	11,687,372
TOTAL NON-CURRENT ASSETS	11,829,532	11,829,532
TOTAL ASSETS	14,387,943	15,907,964
CURRENT LIABILITIES		
Trade and other payables	337,443	337,443
Short term provisions	86,632	86,632
TOTAL CURRENT LIABILITIES	424,075	424,075
TOTAL LIABILITIES	424,075	424,075
NET ASSETS	13,963,868	15,483,889
EQUITY		
Contributed equity	19,580,892	21,100,913
Reserves	1,603,727	1,603,727
Accumulated Losses	-	-
TOTAL EQUITY	13,963,869	15,483,890

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	104,040,588

New Shares offered pursuant to the Offer	52,020,294
Total Shares on issue after completion of the Offer	156,060,882

Options

	Number
New Options offered pursuant to the Offer (exercise price \$0.07, expiry date 01/08/2014)	26,010,147
Director Options (exercise price \$0.585, expiry date 30/06/2013)	7,000,000
Consultant Options (exercise price \$0.70, expiry date 30/06/2013)	1,000,000
Consultant Options (exercise price \$1.20, expiry date 30/06/2013)	500,000
Options (exercise price \$0.30, expiry date 23/12/2014)	400,000
Options (exercise price \$0.72, expiry date 31/03/2016)	570,000
Total Options on issue after completion of the Offer	35,480,147

5.5 Details of substantial holders

Based on publicly available information as at 17 June 2013, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Citicorp Nominees Pty Limited	5,565,000	5.35

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

6. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

The following is a summary of the more significant rights and liabilities attaching to the Securities being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of holders of those Securities. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

6.1 Rights and liabilities of Shares

General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

Dividend rights

The Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend. Subject to the rights of any preference Shareholders and to the rights of the holders of any shares credited or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares in accordance with Part 2H.5 of Chapter 2H of the Corporations Act. The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors,

for any purpose for which the profits of the Company may be properly applied.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution.

Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

Shareholder liability

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

Variation of rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

Alteration of Constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

6.2 Rights and liabilities of the New Options

The Options to be issued pursuant to this Prospectus entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Subject to paragraph (k), each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5:00pm (WST) on 1 August 2014 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.07 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Company will apply for quotation of the Options on ASX and all Options are freely transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business

Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (m) Subject to paragraph (k), an Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

7. RISK FACTORS

7.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) Exploration costs

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(b) Exploration success

The Company's tenements are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Company's tenements, or any other licenses that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

(c) Operations in West Africa

A number of the Company's projects are located in West Africa and the Company is subject to the risks associated with operating in that country, including various levels of political, economic and other risks and uncertainties. These risks and uncertainties include but are not limited to, terrorism, the risk of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licences, permits or contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency, currency controls and governmental regulations that favour or require the awarding of

contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from a particular jurisdiction.

Changes, if any, in mining or investment policies, or shifts in political attitude, in West Africa may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company. The Company has made its investment and strategic decision based on the information currently available to the Directors, however should there be any material change in the political, economic, legal and social environments in West Africa, the Directors may reassess investment decisions and commitments to assets in West Africa.

(d) **Potential for significant dilution**

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase from 104,040,588 currently on issue to 156,060,882. This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

(e) **Agreements with third parties**

The Company has signed various agreements with a number of third parties. There is a risk of financial failure or default by the third party to these arrangements. Any breach or failure may lead to penalties or termination of the relevant contract. In addition, our interest in the relevant subject matter (tenement, for example) may be jeopardised.

7.3 General risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

(e) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(f) **Speculative Investments**

Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management. Exploration in itself is a speculative endeavour, while

mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

(g) **Commodity Price and Exchange Rate Risks**

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in US dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the exchange rate between the US dollar and the Australian dollar as determined in international markets.

(h) **Environmental Risks**

The operations and proposed activities of the Company are subject to the laws and regulation of all jurisdictions in which the Company is operating concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(i) **Title Risks**

Interests in tenements are governed by the respective legislation in the jurisdiction in which the Company's tenements are located, and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest; there may be areas over which legitimate common law native title rights exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected.

(j) **Future Capital Requirements**

The Company's activities will require substantial expenditures. There can be no assurances that the Company will have sufficient capital resources, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may

involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(k) **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products or resource projects.

(l) **Resource Estimations**

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

7.4 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus.

Therefore, the New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
14 June 2013	Director Resignation and Final Director Interest Notice
11 June 2013	Program defined for New Targets at Joma
29 May 2013	Nordic Day Presentation
28 May 2013	Granmuren final results adds deeper Ni/Cu mineralisation
17 May 2013	54.2 Cumulative Metres of Ni-Sulphide at Granmuren
7 May 2013	Granmuren Drilling Update
22 April 2013	Quarterly Activity Report and Quarterly Cashflow Report
19 April 2013	Drilling Commences at Granmuren
11 April 2013	New Diamond Drill Program and Granmuren Nickel – Amended
11 April 2013	New Diamond Drill Program and Granmuren Nickel – Amended
04 April 2013	CEO Presents Strategic Path Forward
02 April 2013	Change in Substantial Holding
28 March 2013	Appendix 3B
27 March 2013	Scandinavian Opportunities Continue to Build at Joma
26 March 2013	Cleansing Statement and Appendix 3B

25 March 2013	Granmuren Preliminary Metallurgical Results
19 March 2013	Drake Presentation
18 March 2013	Strategic Direction and Capital Raising
14 March 2013	Trading Halt
7 March 2013	Multiple conductors confirmed at Granmuren, Sweden
5 March 2013	Half Yearly Accounts
21 February 2013	Remuneration of CEO
15 February 2013	Higher grade nickel mineralisation confirmed at Granmuren
11 February 2013	Drake appoints new CEO
6 February 2013	Results of General Meeting
5 February 2013	Investor Presentation
31 January 2013	Quarterly Cashflow Report
31 January 2013	Quarterly Activities Report
31 January 2013	Further extensions to nickel mineralisation at Granmuren
24 January 2013	Multiple nickel-copper drill targets identified at Espedalen
14 January 2013	Mineralisation Confirmed at Granmuren
11 January 2013	Further Extensive Intersections at Granmuren - Amended
8 January 2013	Further Extensive Intersections at Granmuren
7 January 2013	Notice of General Meeting/Proxy Form
21 December 2012	Significant New Discovery at Granmuren Sweden - Amended
20 December 2012	Significant New Discovery at Granmuren Sweden
20 December 2012	Change in substantial holding
12 December 2012	Appendix 3B
3 December 2012	Placement
29 November 2012	Trading Halt
27 November 2012	Results of Meeting

22 November 2012	Drilling to commence at very strong conductor at Granmuren
15 November 2012	Discovery of very strong conductor at Granmuren project
31 October 2012	Quarterly Cashflow Report
31 October 2012	Quarterly Activities Report
19 October 2012	Notice of Annual General Meeting/Proxy Form
15 October 2012	1 st drilling confirm gold mineralisation at Hendrix Prospect
8 October 2012	Large nickel-copper target at Granmuren, Sweden
28 September 2012	Annual Report

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.drakeresources.com.au.

8.3 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.29	14 January 2013
Lowest	\$0.031	13 June 2013
Last	\$0.031	14 June 2013

8.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

(a) as an inducement to become, or to qualify as, a Director; or

(b) for services provided in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement Shares
Mr Brett Fraser	4,658,000	1,500,000 ¹	931,600
Mr Robert Beeson	881,200	2,000,000 ¹	176,240
Mr Jay Stephenson	2,657,500	1,500,000 ¹	531,500
Mr James Merrillees	100,000	1,050,000 ²	20,000

Notes:

- Options exercisable at \$0.585 cents on or before 30 June 2013.
- 1,000,000 Options exercisable as in note 1 above and 50,000 Options exercisable at 30 cents on or before 23 December 2014.

The Board recommends all Shareholders take up their Entitlement and advises that all Directors are considering taking up their respective Entitlements.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$100,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

For the financial year ending 30 June 2012, the Company paid by way of approved remuneration for services provided by all Directors or former directors

of the Company (executive, non-executive and alternate), companies associated with those Directors or former directors of the Company or their associates in their capacity as Directors or former directors of the Company, employees, consultants or advisers (inclusive of employer superannuation contributions) a total of \$647,444.

The proposed annual remuneration of the Directors for the financial year ending 30 June 2013 is set out in the table below.

Director	Total Remuneration including Superannuation	Excluding Superannuation
Mr Brett Fraser	65,400	60,000
Mr Robert Beeson	130,854	120,049
Mr Jay Stephenson	59,950	55,000
Mr James Merrillees	321,470	305,000
Total	\$577,674	\$540,049

8.5 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$12,000 (excluding GST and disbursements) for these services. During the 24 months preceding

lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$8,409 (excluding GST and disbursements) for legal services provided to the Company.

8.6 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Bentleys has given its written consent to being named as the auditors to the Company in this Prospectus. Bentleys has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.7 Expenses of the Offer

In the event that all Entitlements are accepted, the total cash expenses of the Offer are estimated to be approximately \$40,588 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,171
ASX fees	13,871
Legal fees	12,000
Printing and distribution	12,546
Total	40,588

8.8 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 6141 3585 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.drakeresources.com.au

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.9 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing option or share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.10 Privacy Act

If you complete an application for New Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

JAY STEPHENSON
DIRECTOR
For and on behalf of
DRAKE RESOURCES LIMITED

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Bentleys means Bentleys Audit & Corporate (WA) Pty Ltd.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means Drake Resources Limited (ACN 108 560 069).

Computershare means Computershare Investor Services Pty Limited (ABN 48 078 279 277).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a Shareholder of the Company as at the Record Date.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

New Option means a free attaching Option offered under this Prospectus.

New Share means a Share offered under this Prospectus.

Offer means the non-renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Securities means the New Shares and New Options offered pursuant to the Offer.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Computershare Investor Services Pty Limited.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.7 of this Prospectus.

Shortfall Securities means those Securities issued pursuant to the Shortfall.

WST means Western Standard Time as observed in Perth, Western Australia.