

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

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## **NON-RENOUNCEABLE ENTITLEMENT ISSUE PROSPECTUS**

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For a non-renounceable pro rata entitlement issue to Shareholders of approximately 15,625,000 Options at an issue price of \$0.01 each on the basis of one (1) Option for every two (2) Shares held to raise up to approximately \$156,250 before costs.

Applicants should read this Prospectus in its entirety before deciding whether to apply for the Options. An investment in Options offered by this Prospectus should be considered as speculative.

The Offer is fully underwritten by:

Findlay & Co Stockbrokers (Underwriters) Pty Ltd  
ACN 078 379 683  
AFSL 247 089

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## IMPORTANT NOTICES

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Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers before deciding whether to accept their Entitlement.

This Prospectus is dated 22 December 2006. A copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus.

The expiry date of this Prospectus is 21 January 2008 (**Expiry Date**). No Options will be issued after the Expiry Date.

There are risks associated with an investment in the Company and the Options offered under this Prospectus must be regarded as a speculative investment. Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company. Please refer to Section 0 for details relating to risk factors.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act). In compliance with Section 713(2) of the Corporations Act, this Prospectus contains all information that investors and their professional advisers would reasonably require and reasonably expect to find in this Prospectus for the purpose of making an informed assessment of:

- (a) the effect of the Offer on the Company;
- (b) the rights and liabilities attaching to the Options offered pursuant to this Prospectus; and
- (c) the rights and liabilities attaching to the existing Shares.

The Company has issued both a printed and electronic version of this Prospectus. The electronic version may be accessed at [www.drakeresources.com.au](http://www.drakeresources.com.au). Applications must be made by completing an original Entitlement and Acceptance Form which accompanies this Prospectus.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached 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.

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 upon as having been authorised by the Company in connection with this Prospectus.

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## 1. CORPORATE DIRECTORY

### **Directors**

Mr Brett Fraser  
Mr Bob Beeson  
Mr Jay Stephenson

### **Company Secretary**

Mr Jay Stephenson

### **Australian Business Number**

12 108 560 069

### **Registered Office**

Unit 6  
34 York Street  
NORTH PERTH WA 6006

Telephone: (08) 9228 0703

Facsimile: (08) 9228 0704

### **Website Address**

[www.drakeresources.com.au](http://www.drakeresources.com.au)

### **Solicitors to the Offer**

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

### **Share Registry\***

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

Telephone: 1300 557 010

Facsimile: (08) 9323 2033

### **Underwriter**

Findlay & Co Stockbrokers (Underwriters) Pty Ltd  
Level 12  
10 Spring Street  
SYDNEY NSW 2000

\*This entity has not consented to being named in this Prospectus. Its name is included for information purposes only.

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## **2. DETAILS OF OFFER**

### **2.1 Entitlement Offer**

The Company is making a pro-rata non-renounceable entitlement offer to Eligible Shareholders of approximately 15,625,000 Options exercisable at \$0.20 each at any time up to 31 December 2009, on the basis of one (1) Option for every two (2) Shares held on the Record Date. The issue price for each Option is 1 cent, which is payable in full on application.

Based on the capital structure of the Company at the date of this Prospectus, the number of Options to be issued is approximately 15,625,000. The Offer will raise approximately \$156,250 assuming all Entitlements are accepted.

The number of Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. In the calculation of any Entitlement, fractions will be rounded down to the nearest whole number.

The Company currently has 9,040,000 options to acquire Shares on issue. The exercise price and expiry date of these options are different to the exercise price and expiry date of the Options offered pursuant to this Prospectus. The option holders will be entitled to exercise their options at any time prior to the Record Date in order to participate in the Offer.

Further instructions for Shareholders on how to deal with their Entitlement are set out in Section 2.7.

### **2.2 Minimum Subscription**

There is no minimum amount to be raised pursuant to this Prospectus. The Offer is fully underwritten.

### **2.3 Rights Attaching to the Options**

A summary of the rights attaching to the Options is set out in Section 6.2.

### **2.4 Overseas Shareholders**

The Offer constituted by this Prospectus is made to Shareholders with registered addresses in Australia and New Zealand.

It is not practicable for the Company to make the Offer in other overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, Options offered pursuant to this Prospectus are only made available to those Shareholders at the Record Date with registered addresses in Australia and New Zealand. For that reason, the Offer is not being extended, and does not qualify for distribution or sale, and Options will not be issued, to a Shareholder with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required or other formulation needed to be observed, to enable them to exercise their Entitlement under the Offer.

## 2.5 Timetable

Lodgement of Prospectus with the ASIC	22 December 2006
"Ex" date	29 December 2006
Record Date	5 January 2007
Dispatch of Prospectus and applications open	9 January 2007
Closing Date for acceptances*	24 January 2007
Securities quoted on a deferred settlement basis	25 January 2007
Statements for Options dispatched (anticipated) and deferred settlement trading ends	29 January 2007

\* At least 6 Business Days notice must be given to extend this date.

This timetable is indicative only and the dates may be varied by the Company, without prior written notice.

## 2.6 Underwriter

Findlay & Co Stockbrokers (Underwriters) Pty Ltd has been appointed Underwriter to the Offer. The Company will pay to the Underwriter a fee of \$6,000. Please refer to Section 6.6 for a summary of the terms of the Underwriting Agreement.

## 2.7 Action Required by Shareholders

(a) *If you wish to take up all or part of your Entitlement*

Please complete the Entitlement and Acceptance Form, which accompanies this Prospectus, in accordance with the instructions contained on the form. Forward your completed Entitlement and Acceptance Form, together with your cheque for the amount shown to reach the Company's share registry by 5.00pm (WST) on 24 January 2007 or such later date as the Company may advise.

(b) *Entitlement not taken up*

If you decide not to accept all or part of your Entitlement, then your Entitlement will lapse.

If you do not wish to take up any part of your Entitlement you are not required to take any action.

(c) *Lodgement and Payment*

Completed Entitlement and Acceptance Forms must be lodged with the Company's share registry by 5.00pm (WST) on 24 January 2007.

Cheques should be made payable to "Drake Resources Limited – Option Offer Account" and crossed "**Not Negotiable**".

You must note that the Offer is non-renounceable so that Shareholders may not sell or transfer all or part of their Entitlement.

## 2.8 Shortfall

Any Entitlement not taken up pursuant to the Offer will form the Shortfall and will be dealt with in accordance with the Underwriting Agreement. The Directors and the Underwriter reserve the right to issue Shortfall Options at their absolute discretion. Accordingly, Shareholders should not apply for the Shortfall unless directed to do so by the Underwriter.

The offer of any Shortfall Options is a separate offer made pursuant to this Prospectus and will remain open for up to 3 months following the Closing Date. The issue price of any Shortfall Options shall be \$0.01 being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus.

## 2.9 Market Prices of Shares on ASX

The highest and lowest market sale price of the Company's Shares during the three months immediately preceding the lodgement of this Prospectus with the ASIC and the last market sale price on the date before the lodgement of this Prospectus with the ASIC is set out below.

3 month high	3 month low	Last market sale price
20 cents on 20 and 21 December 2006	12.5 cents on 17, 24, 27 and 30 October 2006	20 cents on 21 December 2006

## 2.10 Allotment

Application monies will be held in trust for applicants until allotment of the Options. Interest earned on the application monies will be retained for the benefit of the Company.

## 2.11 ASX Listing

Application will be made within seven (7) days of the date of issue of this Prospectus for the Options to be granted Official Quotation.

If such application is not made within this period, or Official Quotation of the Options is not granted by ASX within three months of the date of issue of this Prospectus, then all application monies received pursuant to this Prospectus will be repaid as soon as practicable, without interest.

## **2.12 CHESS**

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, holders of Options will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

## **2.13 Taxation Implications**

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the Options. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Options in the Company or dealing with an Entitlement.

## **2.14 Privacy Statement**

By completing an Entitlement and Acceptance Form, Shareholders may be providing further personal information to the Company. The Company collects, holds and will use that information to assess the application, and for successful applications, service Shareholder needs, communications and related administration. The information may also be disclosed to persons inspecting the register of members, bidders for securities in the context of takeovers, regulatory bodies, authorised securities brokers, print service providers, mail houses and the Company's share registry activities generally.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988, the Corporations Act and certain rules applicable to ASX quoted securities. If applicants do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process the application.

## **2.15 Electronic Prospectus**

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act 2001 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 Entitlement and Acceptance Form. If you have not, please email the Company at [admin@drakeresources.com.au](mailto:admin@drakeresources.com.au) and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance 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.

## **2.16 Enquiries**

If you have any questions concerning your Entitlement, please contact the Company's share registry, on the contact details provided in Section 1, your financial advisor, accountant or stockbroker.

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### 3. INVESTMENT OVERVIEW

#### 3.1 Important Notice

This section is not intended to provide full information for Shareholders intending to apply for Options offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

#### 3.2 Purpose of the Offer

The funds raised by the Offer of approximately \$156,250 will be used as general working capital for the Company and also to meet Offer expenses of approximately \$38,331.

#### 3.3 Application of Funds Raised

The funds raised from the Offer will be applied as follows:

Description	Amount
Working capital	\$117,919
Expenses of the Offer	\$38,331
<b>Total</b>	<b>\$156,250</b>

#### 3.4 Capital Structure

Assuming no existing Options are exercised, the capital structure of the Company following completion of the Offer is summarised below:

Shares	Number
Shares on issue at date of the Prospectus	31,250,000
<b>Options</b>	
<b>Number</b>	
Exercisable at \$0.30 on or before 1 July 2008	2,250,000
Exercisable at \$0.25 on or before 30 June 2008	4,500,000
Exercisable at \$0.25 on or before 31 March 2011	540,000
Exercisable at \$0.20 on or before 31 July 2008	1,000,000
Exercisable at \$0.25 on or before 30 June 2008	750,000
Options to be issued pursuant to this Prospectus	15,625,000
<b>Total Options on issue</b>	<b>24,665,000</b>

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## **4. FINANCIAL INFORMATION**

### **4.1 Consolidated Statement of Financial Position**

The consolidated statement of financial position of the Company for the year ended 30 June 2006 is contained in the Company's Annual Report for the year ended 30 June 2006, which is available free of charge by contacting the Company.

### **4.2 Pro Forma Balance Sheet**

Set out below is:

- (a) the historical balance sheet of the consolidated entity as at 30 November 2006; and
- (b) an unaudited pro forma statement of the consolidated entity's balance sheet as at 30 November 2006, incorporating the effect of the Offer.

## 4.2 Pro Forma Balance Sheet (contd)

	30 Nov 2006 Historical Consolidated \$	30 Nov 2006 Proforma Consolidated \$
<b>Current assets</b>		
Cash and cash equivalents	705,261	823,180
Trade and other receivables	26,114	26,114
<b>Total current assets</b>	<u>731,375</u>	<u>849,294</u>
<b>Non-current assets</b>		
Property, plant and equipment	21,250	21,250
Financial Assets	845,000	845,000
Other assets	2,101,972	2,101,972
<b>Total non-current assets</b>	<u>2,968,222</u>	<u>2,968,222</u>
<b>Total assets</b>	<u>3,699,597</u>	<u>3,817,516</u>
<b>Current liabilities</b>		
Trade and other payables	115,074	115,074
<b>Total current liabilities</b>	<u>115,074</u>	<u>115,074</u>
<b>Total liabilities</b>	<u>115,074</u>	<u>115,074</u>
<b>Net assets</b>	<u>3,584,524</u>	<u>3,702,443</u>
<b>Equity</b>		
Issued capital	4,021,660	4,139,579
Reserves	126,352	126,352
Accumulated losses	(563,488)	(563,488)
<b>Total equity</b>	<u>3,584,524</u>	<u>3,702,443</u>

Notes:

1. The unaudited Balance Sheet as at 30 November 2006 and the unaudited Pro Forma Balance Sheet as at 30 November 2006 shown above have been prepared on the basis of accounted policies normally adopted by the Company and reflect the changes to its financial position as a result of the Offer.
2. The Balance Sheet and the unaudited Pro Forma Balance Sheet have been prepared on the assumption that a total of 15,625,000 Options are issued pursuant to this Prospectus. The estimated cash expenses of the Offer of \$38,331 has been recognised directly against the Share capital, as a reduction of the proceeds of the Offer.

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## **5. RISK FACTORS**

### **5.1 Introduction**

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Options.

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

### **5.2 Economic Risks**

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.

Further, 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:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

### **5.3 Market Conditions**

The market price of the Options (and Shares issued upon exercise of the Options) 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.

### **5.4 Exploration Success**

The mineral tenements of the Company 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 tenements, or any other tenements 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.

## **5.5 Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

## **5.6 Resource Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

## **5.7 Commodity Price Volatility and Exchange Rate Risks**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes 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 United States 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 rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

## **5.8 Environmental Risks**

The operations and proposed activities of the Company are subject to State and Federal laws and regulation 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. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

In this regard, the Department of Industry & Resources in Western Australia from time to time reviews the environmental bonds that are placed on tenements. The Directors are not in a position to state whether a review is imminent or

whether the outcome of such a review would be detrimental to the funding needs of the Company.

#### **5.9 Title Risks and Native Title**

Interests in tenements in Australia are governed by the respective State legislation 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 of Aboriginal Australians 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 adversely affected.

The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

#### **5.10 Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

#### **5.11 Reliance on Key Management**

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.

#### **5.12 Investment Speculative**

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 securities offered under this Prospectus. Therefore, the securities 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 securities.

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

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## 6. ADDITIONAL INFORMATION

### 6.1 Rights attaching to Shares

The following are the more important rights, privileges and restrictions attaching to the Shares to be issued upon exercise of the Options offered for subscription by this Prospectus:

- (a) subject to any special rights or restrictions for the time being attached to any class or classes of Shares in the Company (at present there are none), at a general meeting every Shareholder present in person or by proxy, representative or attorney will have a vote on a show of hands and, on a poll, one vote for each Share held;
- (b) each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Constitution or the Corporations Act;
- (c) subject to any special rights of the holders of any Shares as to a dividend (at present there are none), any dividend declared shall be payable on all Shares in proportion to the number of Shares held by the Shareholders irrespective of the amount paid up or credited as paid up in respect of such Shares;
- (d) subject to the rights of holders of Shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all monies and property that are to be legally distributed among holders of Shares will be distributed so that, to the greatest extent possible, the amount distributed is in proportion to the Shares held by Shareholders respectively, irrespective of the amounts paid up or credited as paid up in respect of the Shares; and
- (e) subject to the Constitution and the Corporations Act, Shares are freely transferable.

### 6.2 Terms of Options

The following is a summary of the terms of the Options to be issued pursuant to this Prospectus:

- (a) each Option entitles the holder, when exercised, to one Share;
- (b) the Options are exercisable at any time up to and including 31 December 2009 (**Expiry Date**);
- (c) the exercise price is \$0.20 each;
- (d) 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;
- (e) the Company will apply for quotation of the Options on ASX;
- (f) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will

apply for official quotation by ASX of all Shares issued upon exercise of the Options;

- (g) 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 the proposed issue, notice of the new issue will be given to optionholders at least five (5) Business Days before the record date. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- (h) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of the optionholders will be varied in accordance with the Listing Rules.

### **6.3 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. The Shares, which will be issued upon exercise of the Options offered pursuant to this Prospectus, are in the same class of Shares that have been quoted on the official list of ASX during the 12 months prior to the issue of this Prospectus.

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 12 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.

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 report of the Company most recently lodged with ASIC;
- (ii) any half yearly financial report lodged with the ASIC by the Company after lodgement of the annual report and before lodgement of this Prospectus; and
- (iii) any continuous disclosure notices given by the Company after lodgement of the annual report with 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.

The Company has lodged the following announcements with ASX since the lodgement of the Annual Report for the year ended 30 June 2006:

<b>Date</b>	<b>Description of Announcement</b>
20/12/2006	Zinifex Alliance Update
12/12/2006	Appendix 3B
29/11/2006	Results of Meeting
31/10/2006	First Quarter Activities Report
31/10/2006	First Quarter Cashflow Report
31/10/2006	Annual Report

ASX maintains files containing publicly available information for all listed companies on its internet site (<http://www.asx.com.au>). The Company's announcements can be viewed on this site.

#### **6.4 Directors' Interests in Securities**

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares and Options as set out in the table below:

	<b>No. of Shares held</b>	<b>No. of existing options held</b>
Mr Brett Fraser	2,754,000	2,250,000 (1)
Mr Bob Beeson	500,000	1,250,000 (2)
Mr Jay Stephenson	2,085,000	1,250,000 (2)

#### **Notes:**

(1) 750,000 of these options are exercisable at 30 cents on or before 1 July 2008 and 1,500,000 of these options are exercisable at 25 cents on or before 30 June 2008.

(2) 750,000 of these options are exercisable at 30 cents on or before 1 July 2008 and 500,000 of these options are exercisable at 25 cents on or before 30 June 2008.

As Shareholders, the Directors are entitled to participate in the Offer and intend to participate to their full Entitlement.

## **6.5 Directors' Remuneration**

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of \$150,000 per annum.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary.

In the last 2 years prior to lodgement of this Prospectus, a total of \$506,825 has been paid or is payable by the Company to executive and non-executive Directors, former directors, companies associates with the Directors or their associates. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

## **6.6 Underwriting Agreement**

On 21 December 2006, the Company entered into an underwriting agreement with Findlay & Co Stockbrokers (Underwriters) Pty Ltd (**Underwriter**), pursuant to which the Underwriter was appointed to act as the underwriter to the Offer (**Underwriting Agreement**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter a fee of \$6,000.

The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of the following events:

- (a) the S&P ASX 200 Index as determined at close of trading falls to a level that is 90% or less of the level at the close of trading on the date of the Underwriting Agreement and remains at that decreased level for 3 consecutive Business Days; or
- (b) the price of gold on the London Metals Exchange falls 15% or more below its price at the date of the Underwriting Agreement for a period of 3 consecutive Business Days.

## **6.7 Fees and Benefits**

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

- (a) Director of the Company;
- (b) 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
- (c) promoter of the Company,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (a) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Options under this Prospectus;
- (b) the formation or promotion of the Company; or
- (c) the offer of Options under this Prospectus,

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 those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Options under this Prospectus.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$7,500 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received approximately \$45,000 from the Company for other services.

Findlay & Co Stockbrokers (Underwriters) Pty Ltd is Underwriter to the Offer. Findlay & Co Stockbrokers (Underwriters) Pty Ltd will be paid fees in relation to this Offer in accordance with the Underwriting Agreement. Refer to Section 6.6 for details.

## **6.8 Consents**

Each of the parties referred to in this Section:

- (a) does not make the Offer and has not authorised or caused the issue of the Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (c) 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 their written consent to being named as the solicitors to the Company in this Prospectus and have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Findlay & Co Stockbrokers (Underwriters) Pty Ltd has given its written consent to being named as the Underwriter to the Offer in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## **6.9 Expenses of the Offer**

The total expenses of the Offer are estimated to be \$38,331 comprising, issue management, corporate, legal and due diligence costs, printing and other administrative expenses, including ASX quotation fees.

#### **6.10 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.

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7. **DIRECTORS' STATEMENT**

Each of the Directors have consented to the lodgement of this Prospectus in accordance with Section 720 of the Corporations Act.

A handwritten signature in black ink, appearing to read "B Fraser". The signature is written in a cursive style with a large initial "B".

**Mr Brett Fraser  
Chairman  
For and on behalf of  
Drake Resources Limited**

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8. GLOSSARY

\$ means **Australian dollars**.

**Application** means an application for Shares pursuant to this Prospectus using and Entitlement and Acceptance Form.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means Australian Stock Exchange Limited.

**Board** means the board of directors of the Company.

**Closing Date** means the closing date of the Offer being 24 January 2007 unless extended by the Directors.

**Company** or **Drake** means Drake Resources Limited (ABN 12 108 560 069) and its controlled entities.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**Eligible Shareholder** means a holder of Shares on the Record Date with a registered address in Australia or New Zealand.

**Entitlement** means the entitlement (or right) of Shareholders to subscribe for Options under this Prospectus. This entitlement is also commonly referred to as a **Right**.

**Entitlement and Acceptance Form** means the entitlement and acceptance form accompanying this Prospectus.

**Entitlement Offer** means the non renounceable pro-rata issue of Options in accordance with Section 2.1 of the Prospectus.

**Existing Share** means a Share on issue as at the Record Date.

**Offer** means the issue of Options under this Prospectus.

**Listing Rules** means the Listing Rules of ASX.

**Official Quotation** means official quotation on ASX.

**Option** means an option to acquire a Share on the terms and conditions set out in Section 6.2 of this Prospectus.

**Prospectus** means this Prospectus dated 22 December 2006.

**Record Date** means 5 January 2007.

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

**Shareholder** means the holder of a Share.

**Shortfall** means those Options under the Offer not applied for by Shareholders under their Entitlement.

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

**WST** means Western Australian Standard Time.



## INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Shortfall Application Form together with a cheque to the Underwriter of the Company. If an Applicant has any questions on how to complete this Shortfall Application Form, please telephone the Share Registry on 1300 557 010.

**A. Application for Options**

The Shortfall Application Form must only be completed in accordance with instructions included in the Prospectus.

**B. Name of Applicant**

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.

**C. Name of Joint Applicants or Account Designation**

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.

**D. Address**

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

**E. Contact Details**

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.

**F. CHESS HIN or existing SRN Details**

The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

**G. Cheque Details**

Make cheques payable to "Drake Resources Limited – Option Offer Account" in Australian currency and cross them "Not Negotiable". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.

**H. Declaration**

By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed.

If a Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Shortfall Application Form, and how to construe, amend or complete it, shall be final. A Shortfall Application Form will not however, be treated as having offered to subscribe for more Options than is indicated by the amount of the accompanying cheque.

Forward your completed application together with the application money to:

**Drake Resources Limited – Option Offer Account**  
 C/- Findlay & Co Stockbrokers (Underwriters) Pty Ltd  
 Level 12  
 10 Spring Street  
 SYDNEY NSW 2000

### CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

# ENTITLEMENT AND ACCEPTANCE FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT  
YOUR STOCKBROKER OR LICENSED PROFESSIONAL ADVISER.

## DRAKE RESOURCES LIMITED

ABN 12 108 560 069

REGISTERED OFFICE  
Unit 6  
34 York Street  
NORTH PERTH WA 6006

SHARE REGISTRY  
Computershare Investor Services Pty Ltd

45 St George's Terrace  
PERTH WA 6000

### EXAMPLE ONLY

Security Reference Number:  
Entitlement No:  
Sub-Register:

Shareholding at 5.00 pm. 5 January 2007	Entitlement to Options on 1 for 2 basis	Amount Payable at 1 cent per Option
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Non-renounceable entitlement issue of approximately 15,625,000 Options to subscribe for Options on the basis of 1 Option for every 2 Shares held at the Record Date (fractional entitlements rounded down), at an issue price of 1 cent per Option.

To the Directors  
Drake Resources Limited

1. I/We the above mentioned, being registered on 5 January 2007 as the holder(s) of ordinary shares in your Company hereby accept the below mentioned Options issued in accordance with the enclosed Prospectus;
2. I/We enclose my/our cheque made payable to Drake Resources Limited – Option Offer Account, for the amount shown being payment at the rate of 1 cent per Option;
3. I/We hereby authorise you to place my/our name(s) on the register of option holders in respect of the number of Options allotted to me/us; and
4. I/We agree to be bound by the Constitution of the Company.

RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL CONSTITUTE YOUR  
ACCEPTANCE OF THE SECURITIES BEING OFFERED

Options Accepted	Amount Enclosed at \$0.01(1) cent per new option

PLEASE ENTER CHEQUE DETAILS THANKYOU	Drawer	Bank	Branch or BSB	Amount

My/Our contact details in the case of inquiry are:

Telephone ( ) ..... Fax ( ) ..... Contact Name .....

NOTE: Cheques should be made payable to Drake Resources Limited – Option Offer Account, crossed "NOT NEGOTIABLE" and forwarded to Computershare Investor Services Pty Ltd, Level 2, Reserve Bank Building, 45 St Georges Terrace, Perth, Western Australia 6000 to arrive no later than 5.00pm Western Standard Time on 24 January 2007.

Complete this panel and sign below only if a change of address is to be registered with the Company.

New Address: .....

.....

Signature(s): ..... Date: .....

Please indicate your correct title : Director / Secretary / .....

**ISSUE CLOSES 5.00PM W.S.T. ON 24 JANUARY 2007**

THE DIRECTORS RESERVE THE RIGHT TO MAKE AMENDMENTS TO THIS FORM WHERE APPROPRIATE  
PLEASE REFER OVERLEAF FOR INSTRUCTIONS

## EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of Options which you are entitled to accept.
2. Your entitlement may be accepted either in full or in part. There is no minimum acceptance.
3. You may not apply for new Options in excess of your maximum entitlement.
4. The price payable on acceptance of each Option is 1 cent.
5. You may accept your entitlement by completing the Entitlement and Acceptance Form overleaf.

## APPLICATION INSTRUCTIONS

1. The issue price of 1 cent per Option is payable in full upon application.
2. Payments must be made in Australian currency by cheque or bank draft drawn on and payable at a bank within Australia. Cheques or bank drafts drawn on banks outside Australia in either Australian currency or in foreign currency will not be accepted.
3. The cheques must be made payable to Drake Resources Limited – Option Offer Account and crossed “Not Negotiable”.
4. When completed, this form together with the appropriate payment in Australian currency should be forwarded to Drake Resources, c/- Computershare Investor Services Pty Ltd at the address below.
5. An appropriate Reply Paid envelope is enclosed with the Prospectus.
6. Acceptances must be received by Computershare Investor Services Pty Ltd no later than 5.00pm W.S.T. on 24 January 2007.

## ENQUIRIES

Any enquiries should be directed to:

**The Company's share registry:  
Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
PERTH WA 6000**

**Telephone 1300 557 010  
Facsimile (08) 9323 2033**