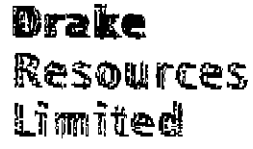


Drake Resources Limited
 Registered Office: 222 Esplanade North Perth Western Australia 6006
 Telephone: 08 9228 0704 Fax: 08 9228 0706



22 March 2005

Vickrem Naicker
 Australian Stock Exchange Limited
 Exchange Plaza
 2 The Esplanade
 PERTH WA 6000

Dear Sir

RE: DRAKE RESOURCES LIMITED

We refer to your query on the financial effect of adopting International Reporting Financial Standards (or Australian equivalents) ("IRFS") for Drake Resources Limited "Drake" or the "Company". The directors of the company, in consultation with its auditors have discussed the potential impact of IRFS adoption which will be applicable to the Company's full financial year ended 30 June 2006.

It is our view that there will be no material financial effect on adopting IFRS.

The Australian Accounting Standards Board is adopting the International Accounting Standards for application to reporting periods on or after 1 January 2005. Pending Accounting Standard AASB1 "First time Adoption of Australian Equivalents to International Financial Reporting Standards" prescribes transitional provisions for the first time adopters. AASB1047 "Disclosing the Impact of Adopting Australian Equivalents to International Financial Reporting Standards" requires financial reports to disclose information about the impact of any changes in accounting policies in the transition period leading up to the adoption date.

The company does not need to have any significant changes made to its systems as a result of adopting the IFRS.

A summary of any key difference in accounting policies that are expected to arise from adopting Australian equivalent to IFRS's are as follows:

- Income Tax - The Company will adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than accounting for the effects of timing differences between taxable income & accounting profit. The company currently has tax losses and it is not expected to book a benefit of such losses under IFRS.
- Impairment of Assets - The Company currently assess whether assets are impaired by determining the recoverable amount of the assets on the basis of undiscounted future cash flows. IFRS will determine recoverable amount as the higher of the fair value less costs to sell and value in use.

Exploration Expenditure -

AASB 6: Exploration and Evaluation of Mineral Resources determines that entities recognising exploration and evaluation assets must perform impairment testing on those assets when facts and circumstances suggest that the carrying amount has been impaired.

AASB 6 also confirms that it does not apply to expenditures incurred before the entity has obtained legal rights to explore a specific area (pre-exploration activities). As such pre license expenditures may be required to be expensed as incurred.

The International Accounting Standard therefore requires a more rigorous test to satisfy carrying forward exploration and evaluation expenditure.

Financial Instruments -

Investments available for sale are to be measured at fair value with changes in fair value recognised in equity subject to impairment.

-

Investments in marketable securities are to be measured at fair value with changes in fair value recognised in the statement of financial performance as an expense or income.

Business Combinations -

Annual impairment testing of goodwill will now be applied, and amortisation of goodwill will no longer be permitted.

Yours Sincerely



Jay Stephenson
Director