

DRAKE RESOURCES LIMITED

ABN 12 108 560 069

**ANNUAL REPORT
30 JUNE 2011**

Chairman's Letter

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Drake Resources' Annual Report for the financial year ended June 2011.

The Company has continued to deliver outstanding results to shareholders, with the expansion of its gold presence in West Africa into Senegal a particular highlight, along with a new strategic alliance in Scandinavia identifying prospective base and precious metal targets and increasing the company's position in the region.

In Mauritania, our expectations of the target were justified with very encouraging news confirming the presence of high grade gold at the Conchita Prospect. Detailed airborne magnetic and radiometric surveys and air core drilling at our Tasiast South gold project has also brought the company closer to defining targets for follow up drill testing next field season.

The stronghold in the more established region of Scandinavia was bolstered by a new strategic alliance and joint venture agreements with Panoramic Resources to explore and develop base and precious metals. Panoramic brings extensive mining and development experience and Drake is confident the partnership will add value to its Scandinavian projects.

A continuing joint venture agreement with Royal Falcon Mining LLC has seen drilling at the Company's gold and copper project in Falun, Sweden deliver excellent grades of mineralisation. Mr James Merrillees was appointed to the Board as an Executive Director and Exploration Manager with expertise in a range of commodities and deposit styles. He supports our outstanding Managing Director, Dr Bob Beeson. Bob, James and the management team, along with both local and expatriate employees and consultants continue with a high level of commitment to deliver value to shareholders, despite the current uncertain and volatile global macroeconomic environment. These efforts were well recognised, resulting in a doubling of the share price over the year and a highly successful capital raising, achievements of which the Board is proud.

We also welcomed Mr John Hoon as a non-executive director to the Board. Mr Hoon brings with him a strong background in financial and audit matters and provides technical expertise to local and international publically listed companies. He will assist Drake in delivering on strategy.

The Board looks forward to an exciting next period with continued drilling programs in West Africa and identifying and testing of new gold targets, along with drill testing in Scandinavia. We continue to work towards maximising shareholder value with confidence and look forward to liaising with Drake shareholders throughout the year. Thank you for your continued support.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B Fraser'.

Brett Fraser
CHAIRMAN

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AND CONTROLLED ENTITIES**
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CORPORATE DIRECTORY

Directors

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

Company Secretary

Jay Stephenson

Principal Registered Office

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West Perth WA 6005
Telephone: 08 6141 3500
Facsimile: 08 6141 3599
Website: www.drakeresources.com.au
Email: info@drakeresources.com.au

Auditor

Bentleys
Level 1, 12 Kings Park Road
West Perth WA 6005

Share Registry

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

Australian Securities Exchange

ASX Code – DRK

OPERATIONS REVIEW

Key Achievements

- An extensive package of gold exploration permits assembled in the emerging gold province in Mauritania.
- Expansion of the West African presence with a strategic acquisition in Senegal located near several world-class gold deposits. In early 2011, a program was established to identify areas of high gold potential in other West African countries and the first area to be finalised is the Samekouta exploration permit in southeast Senegal.
- A \$7 million raising strongly supported by Australian Institutions provided the opportunity to progress the drilling and assessment of African assets, including an immediate focus on the Tasiast South project and the Conchita Prospect area where a recent drilling program has recorded high-grade hits in quartz veins.
- Establishment of a new strategic alliance with Panoramic to identify new opportunities in Scandinavia, enhancing the strong operating presence in the region through the alliance, joint ventures in Sweden and Finland, and its 100% properties.
- The Panoramic alliance has generated four joint ventures that cover highly mineralised parts of Norway and Finland, with a major historical copper endowment in the Løkken and Nordgruva mining districts.
- Two joint ventures were established with Panoramic over prospective sections of the Pyhasalmi-Vihanti copper-zinc belt, a major base metal region in Finland.
- The recommencement of drilling at the oldest and most historic Falun mine in Sweden, the original heartland of Scandinavian mining activity.
- High grade gold-copper mineralisation and identification of a massive sulphide body at Falun that has heightened interest.

Objectives for 2012

- Determine the potential of the gold projects in West Africa
- Identify and test gold targets in the Tasiast South Project
- Identify zones of significant mineralisation at the high grade Conchita Prospect
- Drill test geophysical and geological targets for copper-rich massive sulphides in Scandinavia
- Continue to build up the understanding of the Falun copper mine, and generate targets to expand the existing resources
- Continue to expand and improve the Drake project portfolio in Africa and Scandinavia
- Continue to strengthen financial position

OPERATIONS REVIEW

Active and buoyant

Activity plus! A buoyant year characterised by a progressive strategy and active approach to exploration produced quantifiable results in the two key geographic regions.

Listed on the ASX in 2005, Drake has built a strong, well-positioned portfolio of projects that continues to develop strategically and operationally, focused primarily on the advancement of West Africa and Scandinavia.

A number of competitive advantages are being leveraged and underpin the company's clear strategic direction and purpose. These include a major and strategic landholding for gold in the highly productive West African craton, a premier position in the world-class Falun copper-zinc belt in Sweden, an experienced technical team with a successful track record and a continuous pipeline of projects and opportunities.

Collectively the portfolio offers very strong copper, gold, silver and zinc potential. One of the key activities has been the drill testing of several targets within the Joint Venture with Royal Falcon Mining in central Sweden, including the Falun copper-gold-zinc project.

The new alliance with Panoramic Resources Ltd saw exciting opportunities offered in Scandinavia including two joint ventures each in Norway and Finland, searching for copper-zinc deposits.

WEST AFRICA

Mauritania

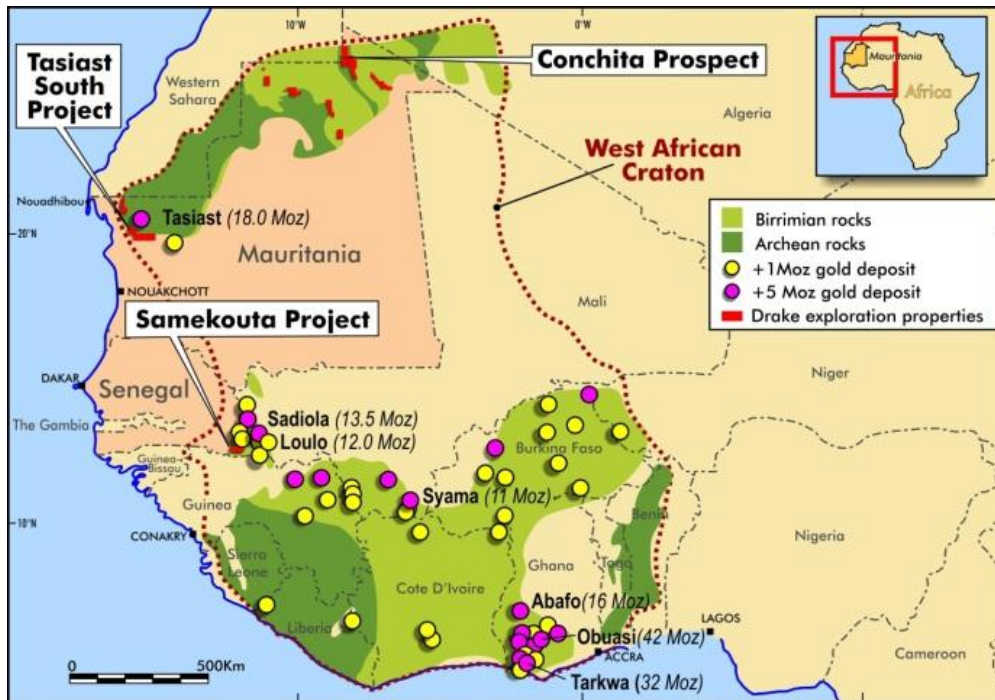
With a long history of mining, a well-administered and favourable Mining Act and a government supportive of foreign investment, Mauritania demands investor attention. Until recently, the country had seen relatively little systematic gold exploration. The area is richly endowed and Drake's work remains fully focused on capturing the exciting opportunities in gold that exist in this under-explored, emerging region.

An extensive package of gold exploration permits in Mauritania comprises nine granted permits covering 8,477 square kilometres and five applications covering a further 2,269 square kilometres. These permits target gold mineralisation associated with Archaean and Birimian age rocks of the Reguibat craton. Birimian rocks host most of the known gold mineralisation in the West African gold province.

There are two main projects based in Mauritania:

- Tasiast South Project – comprising permits over interpreted extensions of the Aouéouat greenstone belt that hosts the Tasiast gold mine (>21 million ounces of gold), and
- Hendrix Shear Project – featuring the high potential of Conchita Prospect.

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West African gold project areas

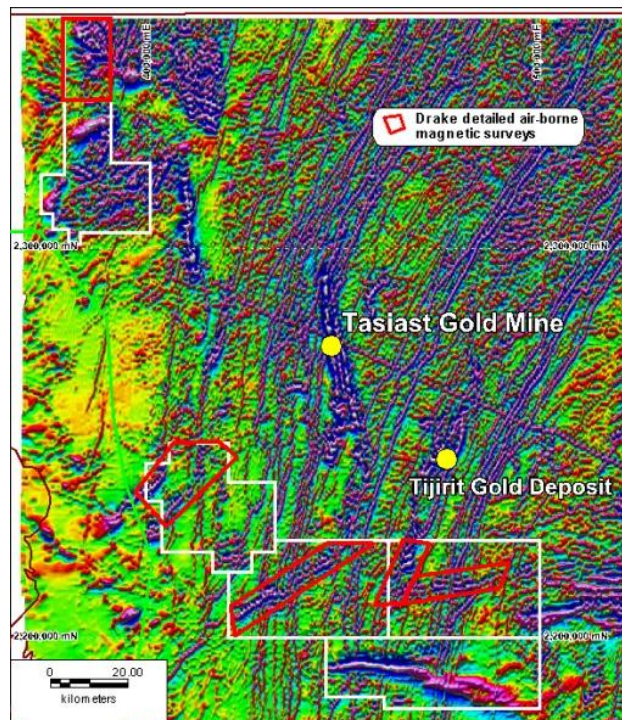
Tasiast South Project

The Tasiast Region comprises permits that include the interpreted southern extensions of the Tasiast and Tijirit gold-bearing greenstone belts.

Activity over the year included a detailed airborne magnetic/radiometric survey of selected areas, some results from an air core drilling program and extensive soil sampling programs on two of the permits.

The airborne magnetic survey covered an area of 1,071 square kilometres. Approximately 14,700 line kilometres were flown using a horizontal gradiometer system on 75 metre spaced lines with a nominal flying height of 30 metres. The objective of the survey was to provide detailed geological and structural data over the permits which cover interpreted extensions of the greenstone belts.

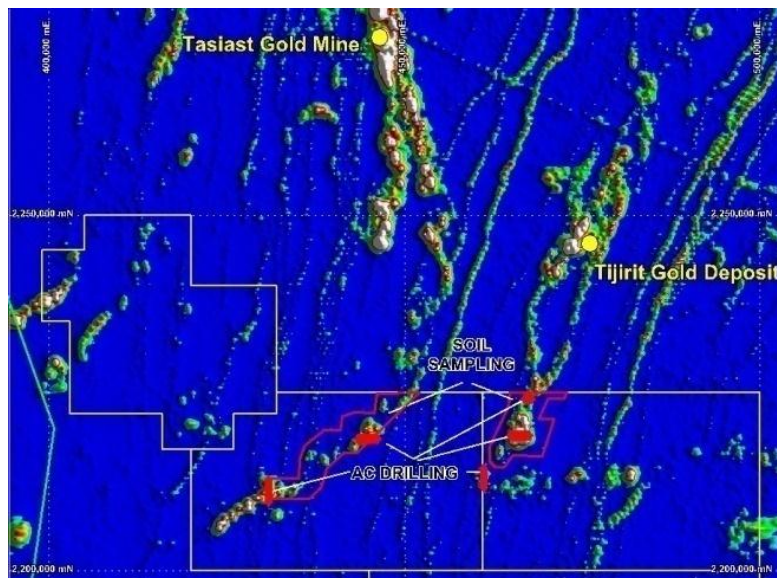
With a detailed structural interpretation currently in progress, it is expected the survey will define targets for follow up drill testing next field season, commencing in fourth quarter 2011.



Location of Drake airborne surveys – Tasiast Region

OPERATIONS REVIEW

On the Tasiast South permits, five lines of air core drilling totalling 4,440 metres in 133 holes were completed in the first quarter of 2011. The objective was to provide the first sub-surface testing in the area and to provide information on the nature of magnetic targets and the weathering profile. An extensive soil sampling program was completed over 155 square kilometres in two separate blocks.



Location of air core drilling and soil sampling – Tasiast South

Hendrix Shear Project

Covering a 150 kilometre-long shear zone with extensive gold anomalism, this project includes the Conchita Prospect with high to very high gold values (up to 437 g/t gold) in poorly outcropping and sub-outcropping quartz veins.

A first round of exploration commenced on three gold exploration permits awarded to Drake in late 2010, spanning over 2,900 square kilometres in the Reguibat Craton of northern Mauritania. The program consisted of reconnaissance mapping and sampling of rocks and soils and this work located a number of areas with anomalous gold values.

Conchita Prospect

In June 2011 very encouraging news was received with the presence of high grade gold confirmed in drilling at the Conchita Prospect, where gold grades had previously been reported at surface ranging up to 437 g/t.

A total of 2,033 metres of reverse circulation (RC) drilling was completed over 37 holes. The Conchita quartz vein system is strongly and consistently mineralised over the two kilometre strike length tested with the drilling program so far testing only 10% of the area of known quartz veins and geochemical anomalies.

Drilling results reported extensive mineralised quartz veins targeted from surface mapping. Highlights included:

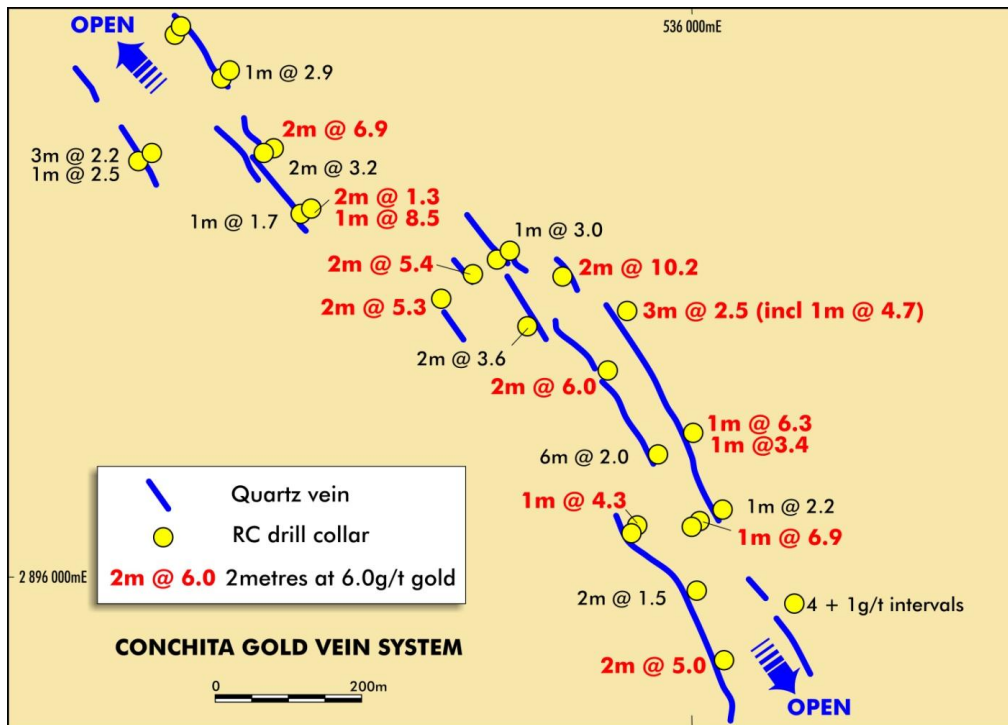
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- 2m @ 10.23 g/t gold, 2m @ 5.27 g/t gold, 2m @ 5.39g/t gold
- 2m @ 6 g/t gold
- 4m @ 2.18 g/t gold

OPERATIONS REVIEW

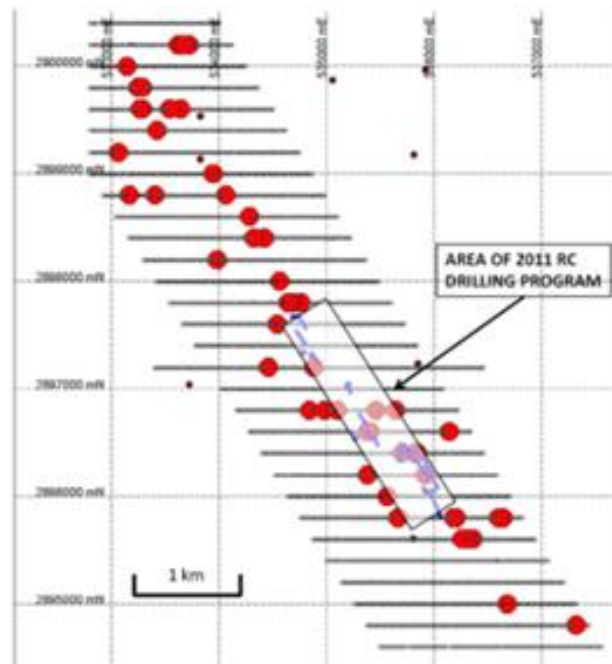
The average of all intersections greater than 2 g/t was 5.0 g/t. Approximately 80% of drill holes returned an intersection of at least 1 g/t gold with all intersections greater than 1 g/t averaging 3.5 g/t gold.

A detailed soil sampling program was conducted which confirmed that the area drilled lies within a zone of gold anomalism extending seven kilometres along strike. The anomalies lie within a zone up to 900 metres wide.



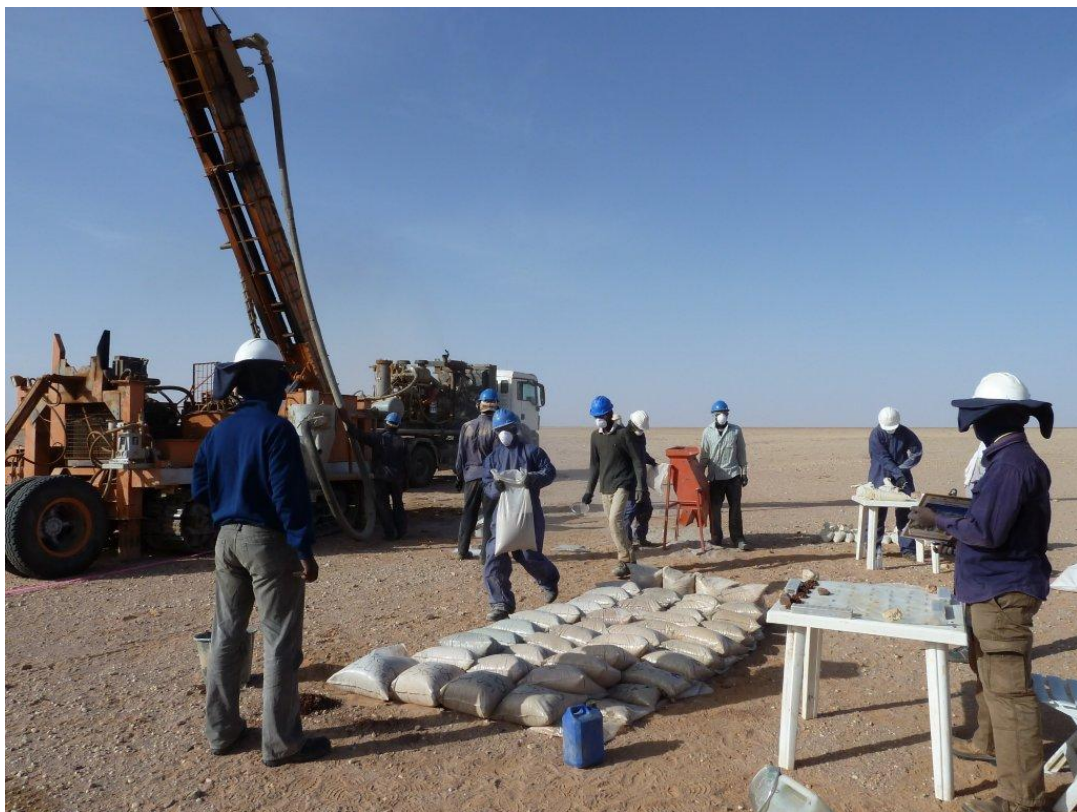
Location of Conchita RC drilling

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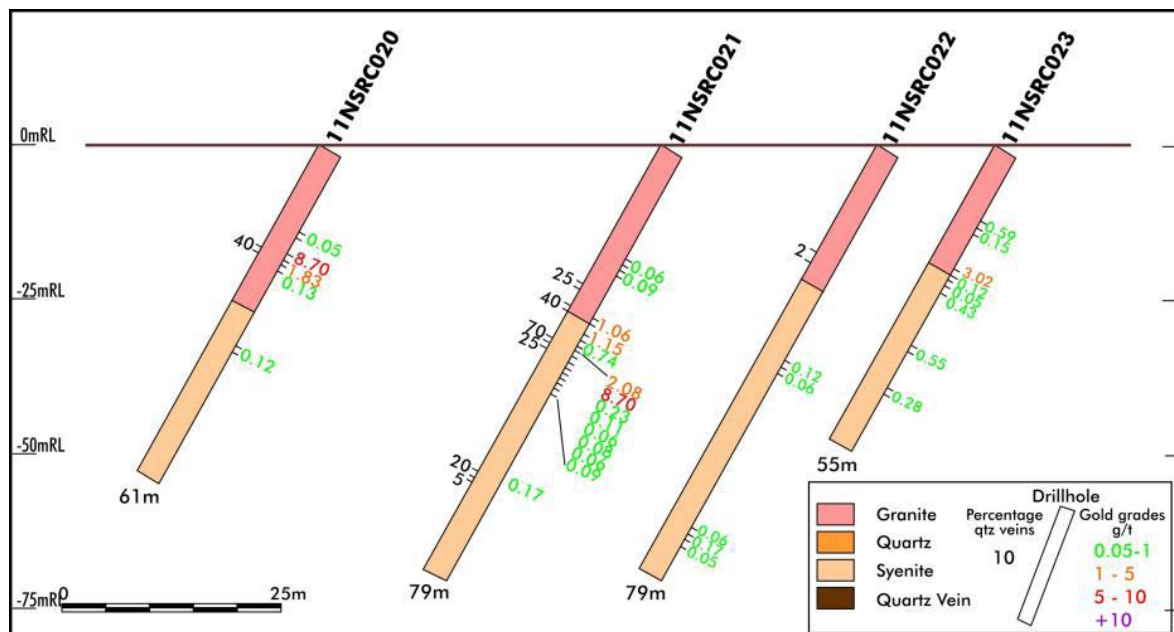
Conchita Prospect - area of drilling relative to soil gold anomalies in red

OPERATIONS REVIEW



RC drilling at Conchita Prospect

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Conchita Prospect drill sections

OPERATIONS REVIEW

Senegal

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

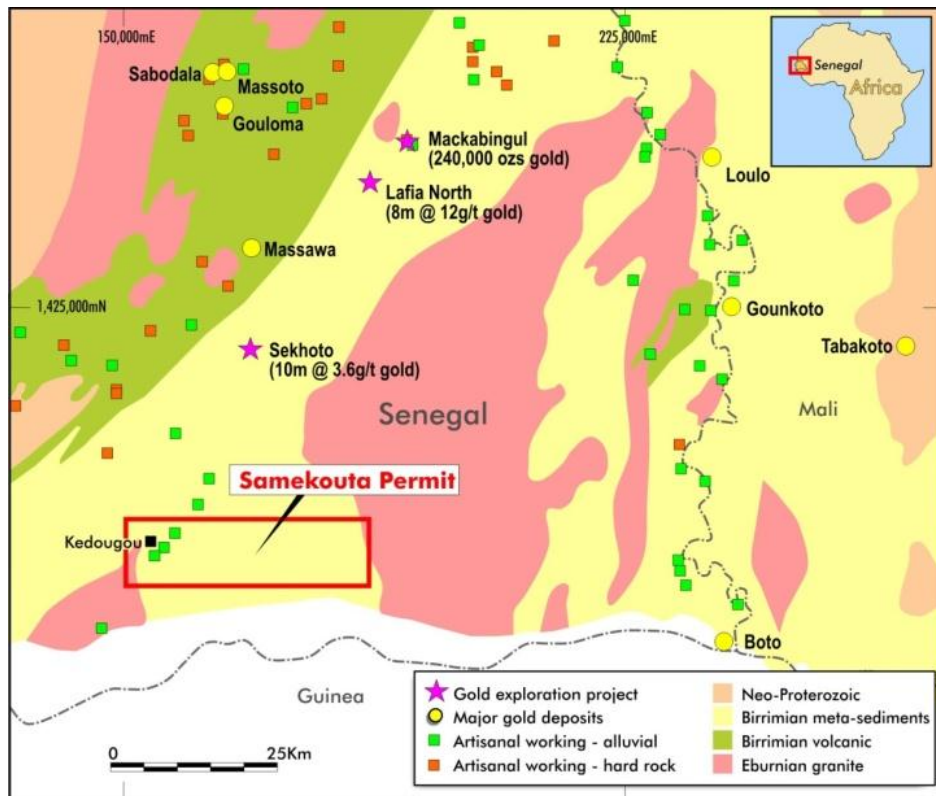
Samekouta Permit

Acquisition of 325 square kilometres of Birrimian age rocks within the prolifically gold mineralised province of Kenieba Inlier on the Senegal-Mali border has provided significant opportunities. The region contains a number of world-class gold deposits which are located within 120 kilometres of the Samekouta permit.

Deposits include those at Loulo (11.5 Moz), Sadiola (4.5 Moz), Sabadala (3.3 Moz) and Goukoto (2.9 Moz @ 6.9 g/t gold) and the area lies along strike from gold resources currently being drilled by Bassari Resources Limited, about 30 kilometres to the north.

An Option Agreement has been entered into with a Senegalese company called Senecorporation. Under the terms of the Agreement, Drake has the option to acquire 100% of the Samekouta permit by staged payments over four years.

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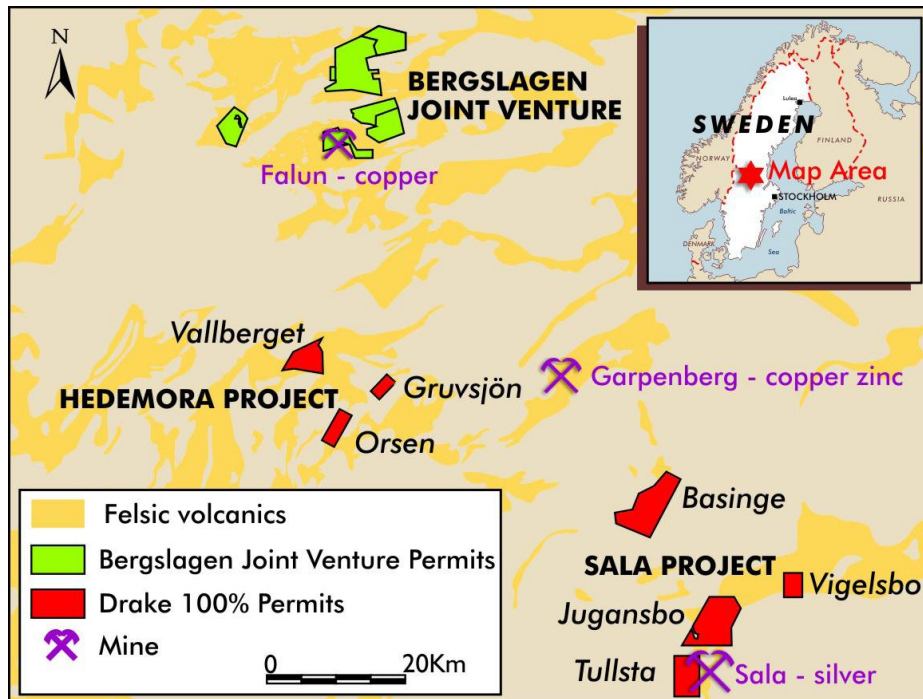
Geology and gold deposits in the vicinity of the Samekouta Project

OPERATIONS REVIEW

SCANDINAVIA

Sweden

Rich in resources, the focus for the year was following up the strong results for gold, copper and zinc in the Bergslagen region of Sweden, including permits over the Falun Mine area.



Scandinavia's project areas

Bergslagen Joint Venture – Falun, Sweden

Drake's oldest and historic gold and copper mine is secured through a Joint Venture with Royal Falcon Mining LLC covering the Falun and Bersbo Projects in Sweden.

Royal Falcon Mining is a jointly owned company between Golden Rim Resources Ltd and the PAL Group, a subsidiary of Royal Group, based in the United Arab Emirates. Royal Falcon spent US\$3 million to earn 51% of the projects, and has elected to increase its interest to 75% by spending a further US\$3 million on exploration.

In July 2011 Drake announced that the Bergslagen Joint Venture recommenced drilling at its copper and gold project at Falun. At the time of writing the work comprises a 3-hole diamond drilling at Falun to delineate the extent of the massive sulphide mineralisation discovered in the Western Copper Gold Zone in Hole 20-10 (17.2 m @ 2.3 g/t gold, 1.9% copper, 3.8% zinc, 0.8% lead and 56.4 g/t silver).

OPERATIONS REVIEW

Recently conducted drill testing in 2011 at the Eastern Copper-Gold Zone at Falun demonstrates very good grades. Many of the intersections throughout the area showed the strong presence of gold-copper mineralisation. Intersections include:

- 11.6m @ 61.2 g/t gold and 1.2% copper
- 21.4m @ 6.8 g/t gold and 0.9% copper
- 31.0m @ 4.4 g/t gold and 1.2% copper
- 15.6m @ 11.9 g/t gold and 2.5% copper
- 6.6m @ 14.2 g/t gold and 0.9% copper

Untested targets for copper, zinc and gold remain in the Falun mine area and a program has been put in place to assess the economic potential of remaining ore and new ore bodies.

Other Projects

Drilling continued at seven targets in five exploration permits for copper-zinc-gold-silver mineralisation in Drake's 100% permits in central Sweden.

The Bergslagen District is host to a number of historic and current mines, including Sala, Falun, Garpenberg and Zinkgruvan. The Sala silver mine is thought to be one of the five largest historical silver mines in the world.

Permits in the district include the Hedemora Project (Gruvsjön and Orsen permits) and the Sala Project (Bäsinge, Jugansbo and Vigelsbo permits).

A total of 1,250 metres of diamond core drilling has already commenced, including eight holes designed to test base metals targets on four 100% owned properties.

An additional two holes tested high-quality geophysical (VTEM) targets on Northern Minerals' Vallberget licences which the company is exploring under an option agreement. These drill holes were unsuccessful, and the option was not exercised.

Sala Project

Targets:

- At Bäsinge, where Drake is targeting high-grade copper-cobalt mineralisation associated with historical workings; and
- The Jugansbo and Vigelsbo licences, where anomalous till and boulder sampling is being followed up. This area has defined a zone of high grade silver anomalism associated with carbonates analogous to the Sala deposit, where in excess of 200 million ounces of silver was produced with grades up to 3,000 g/t silver.

Hedemora Project

- At Orsen, the targets are iron and iron oxide copper gold associated with an intense magnetic feature, historical workings and anomalous till and bedrock geochemistry.

OPERATIONS REVIEW

Norway and Finland

Major strategic alliance with Panoramic

Drake and Panoramic Resources Ltd entered into joint venture agreements to explore and develop base and precious metals projects, primarily in Scandinavia. The announcement of the alliance represents a great opportunity to leverage off Drake's wide Scandinavian positioning, drawing on the company's operating experience in Sweden and broader knowledge of opportunities in the region. Panoramic brings to the table extensive mining and development experience from its nickel operations in Western Australia.

Panoramic is sole funding exploration to earn 70% in each of the joint ventures. Drake has the option to either fund its 30% interest or dilute.

Under the alliance terms, Panoramic will have first right of refusal on any projects proposed by Drake. If Panoramic accepts the proposals, each proposal will form a joint venture project and Panoramic has the right to sole-fund exploration to earn a 70% interest in the projects. Drake can participate in the projects at 30% or 10% or revert to a 2% Net Smelter Return royalty.

The alliance is for an initial period of three years, but may be extended or terminated by mutual agreement.

In August 2011 an extensive landholding in two of the main copper districts of Norway was taken up with Panoramic. These claims cover historic mine sites and the surrounding prospective ground.

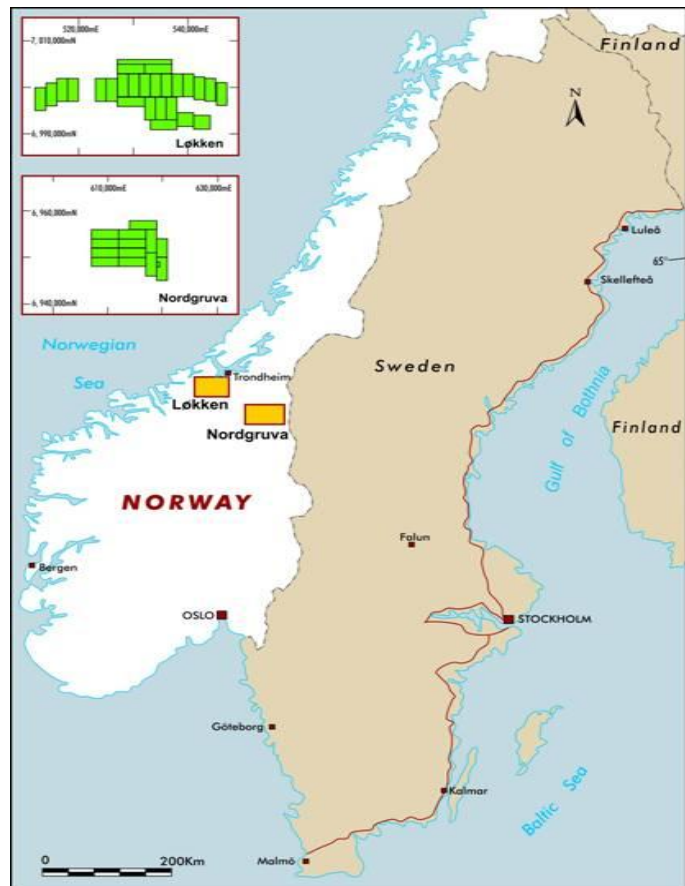
- 26 claims (258 square kilometres) at Løkken
- 13 claims (130 square kilometres) cover deposits in the Nordgruva Field in the Røros district

Løkken is believed to be the largest Cyprus-type copper deposit in the world with reported production of 24 million tonnes @ 2.3% copper, 1.8% zinc and 41 g/t silver. Although there has been no significant exploration in the district for 20 years, it represents a very good opportunity with the modern technology now available.

Parts of the Løkken orebody extend into the Drake claims. The Norwegian state hold three small mining leases over the area around the old mine shafts. Drake holds the remainder of the district.

Thirty-nine claims cover 388 square kilometres across the two major historical copper mining districts, with VTEM airborne electromagnetic surveys recently commencing in August 2011 over the Hersjø and Løkken Joint Ventures.

Endowed with natural resources, Norway has a long history of copper dating back to the 1600s. It is seen as a country that has supportive laws and provides very positive government support to explorers.



Norway's project areas

OPERATIONS REVIEW

Finland: Kangasjarvi and Savia Joint Ventures

Panoramic's support has been fundamental to developing the company's ongoing interest in a highly prospective region of Finland. In early October 2010 the first outcomes from the alliance were two Joint Ventures in the highly mineralised copper-zinc belt of central Finland.

Pyhäsalmi-Vihanti region

The most important zinc mining belt in Finland, this region offers past mining and reserves in excess of 100 million tonnes of ore. The main mine of the belt is Pyhäsalmi, with past production and reserves of 71 million tonnes @ 0.79% copper, 2.47% zinc, 15 g/t silver and 0.4 g/t gold.

Pyhäsalmi is an operating, underground mine and produces three types of concentrates: copper, zinc and pyrite. Copper and zinc concentrates are sold under long-term contracts to smelters in Finland. Pyrite is sold in Europe and Asia.

The Joint Ventures cover prospective land south of Pyhäsalmi which contain numerous small copper-zinc-silver-gold prospects. The Joint Venture areas have not been subject to modern exploration, and an opportunity exists to define new copper-dominant deposits within these areas.

Drilling has commenced on both joint ventures in Finland which have a total area of 400 square kilometres.

The current drill program is designed to test high priority coincident geophysical, geological and geochemical targets defined from a compilation of historical data, integrated with the results of a detailed airborne electromagnetic (VTEM) survey flown in late 2010.

Finland is a mining-friendly country with a long history of mining activity and metals production. Mining commenced in the 1500s and since then around 270 metal mines have been in operation. The main commodities are copper, nickel, zinc, gold and chromium. Finland is one of the most favourable regions for mining investment supported by a corporate tax rate of 26%.



Finland's project areas

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DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2011.

Directors

The names of Directors in office at any time during or since the end of the year are:

Mr Brett Fraser

Dr Robert Beeson

Mr Jay Stephenson

Mr John Hoon – appointed 4 April 2011

Mr James Merrillees – appointed 17 May 2011

Directors have been in office since the start of the financial year to the date of this Report unless otherwise stated.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mr Jay Richard Stephenson – Fellow of Certified Practicing Accountants; Certified Management Accountant; Member of Australian Institute of Company Directors; Master of Business Administration; Fellow of Institute of Chartered Secretaries Australia. Mr Stephenson was appointed as Company Secretary for Drake Resources Limited on 30 March 2004. Mr Stephenson is also a non-executive director and performs the role of Chief Financial Officer for the Company.

Principal Activities

The principal activities of the Group during the financial year were exploration of its tenements in Sweden, Australia and Africa.

Operating Results

The consolidated loss of the Group after providing for income tax amounted to \$1,454,321 (2010: profit of \$1,248,200).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2011.

Review of Operations

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

Financial Position

The net assets of the Group have increased by \$1,210,418 from 30 June 2010 to \$8,572,714 at 30 June 2011.

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DIRECTORS' REPORT

Significant Changes in State of Affairs

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

- (a) On 24 December 2010, the Company announced a placement of 7,800,000 Shares at \$0.28 per Share to raise \$2,184,000.
- (b) Significant events in relation to operating activities are found in the Operations Review.

After Balance Date Events

On 1 August 2011, the Company announced a placement in two tranches through the issue of 17.9 million shares at \$0.39 per Share to raise \$7,000,000 before costs.

There has been no other significant after balance date events.

Likely Developments

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

Information on Directors

Mr Brett Fraser

— Chairman (Non-Executive).

Qualifications

— Fellow of Certified Practicing Accountants; Fellow of the Financial Services Institute of Australasia; Grad Dip Finance, Securities Institute of Australia; Bachelor of Business (Accounting); International Marketing Institute—AGSM Sydney.

Experience

— Board member since 30 March 2004.

Interest in Shares and Options

— 4,538,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,500,000 ordinary shares.

Special Responsibilities

— Member of the Due Diligence Committee and Remuneration Committee.

Directorships held in other listed entities

— Current non-executive director and Chairman of Aura Energy Limited since August 2005, non-executive director and chairman of Blina Diamonds NL and Doray Minerals Limited since September 2008 and 23 October 2009 respectively.

No other Directorships in the past three years.

Dr Robert Beeson

— Managing Director

Qualifications

— Bachelor of Science with Honours; PhD; Member of the Australian Institute of Geoscientists

Experience

— Geologist with over 30 years of global experience in base and precious metal exploration and development. Board member since 17 November 2004.

Interest in Shares and Options

— 1,481,200 Ordinary Shares in Drake Resources Limited and options to acquire a further 2,000,000 ordinary shares.

Directorships held in other listed entities

— Current Managing Director of Aura Energy Limited since March 2006.

No other Directorships in the past three years.

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Information on Directors

Mr Jay Stephenson	— Director (Non-Executive); Company Secretary
Qualifications	— Fellow of Certified Practising Accountants, Certified Management Accountant; Member of Australian Institute of Company Directors; Master of Business Administration; Fellow of the Institute of Chartered Secretaries Australia.
Experience	— Board member since 30 March 2004
Interest in Shares and Options	— 2,537,500 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,500,000 ordinary shares.
Special Responsibilities	— Member of Due Diligence Committee and Remuneration Committee
Directorships held in other listed entities	— Current non-executive Director of Aura Energy Limited since August 2005, Strategic Minerals Corporation NL since July 2009, Quintessential Resources Limited since January 2011, Parker Resources since January 2011, Doray Minerals Limited since 20 August 2009, and Nickelore Limited since July 2011. Past non-executive Director of Excelsior Gold Limited from October 2009 to November 2009. No other Directorships in the past three years.
Mr John Hoon	— Director (Non-Executive)
Qualifications	— CA, CPA, CFP, ACIS
Experience	— Board member since 4 April 2011
Interest in Shares and Options	— 260,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,000,000 ordinary shares.
Special Responsibilities	— None
Directorships held in other listed entities	— Currently a non-executive director of Grange Resources Limited. No other Directorships in the past three years.
Mr James Merrillees	— Director (Executive)
Qualifications	— BSc (Geology); BComm (Accounting and Finance); Grad Cert App Fin
Experience	— Board member since 17 May 2011
Interest in Shares and Options	— 100,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,050,000 ordinary shares.
Special Responsibilities	— None
Directorships held in other listed entities	— No other Directorships in the past three years.

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DIRECTORS' REPORT

Meetings of Directors

During the financial year, 4 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

COMMITTEE MEETINGS

	DIRECTORS MEETINGS		DUE DILIGENCE COMMITTEE		REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Brett Fraser	4	4	-	-	1	1	1	1
Robert Beeson	4	4	-	-	1	1	-	-
Jay Stephenson	4	4	-	-	1	1	1	1
John Hoon	-	-	-	-	-	-	-	-
James Merrillees	-	-	-	-	-	-	-	-

Indemnifying Officers or Auditor

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

- The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the company to pay all damages and costs which may be awarded against the Directors.
- The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the Company. The amount of the premium was \$10,046.
- No indemnity has been paid to auditors.

Options

At the date of this report, the un-issued ordinary shares of Drake Resources Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
31 March 2007	31 March 2012	\$0.25	800,000
24 April 2008	24 April 2013	\$0.30	650,000
1 July 2011	30 June 2013	\$0.585	7,000,000
1 July 2011	30 June 2013	\$0.70	1,000,000
1 July 2011	30 June 2013	\$1.20	500,000
23 December 2009	23 December 2014	\$0.30	400,000
31 March 2011	31 March 2016	\$0.72	570,000
			<hr/> 10,920,000 <hr/>

No person entitled to exercise the option has or had any right by virtue of the option to participate in any share issue of any other body corporate.

DIRECTORS' REPORT

REMUNERATION REPORT

A. Remuneration Policy

The remuneration policy of Drake Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Drake Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between Directors, executives, and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive Directors and other senior executives, was developed by the Remuneration Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, options, and performance incentives. The Remuneration Committee reviews executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share and option arrangements.

The non-executive Directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options given to Directors and employees are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive Directors at the lower end of market rates for comparable companies for time, commitment, and responsibilities. The non-executive Directors have been provided with options that are meant to incentivise the non-executive Directors. The Remuneration Committee determines payments to the non-executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer to Note 5 of the financial statements.

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

B. Remuneration Details for the Year Ended 30 June 2011

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

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

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DIRECTORS' REPORT

REMUNERATION REPORT

Table of Benefits and Payments for the Year Ended 30 June 2011

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

<i>Key Management Personnel</i>	Short-term benefits				Post- employment Benefits	Long-term benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non- monetary	Other	Super- annuation	Other	Equity	Options	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
2010									
Brett Fraser	57,500	-	-	46,500	5,175	-	-	74,605	183,780
Robert Beeson	151,376	-	-	-	13,624	-	-	111,907	276,907
Jay Stephenson	45,000	-	-	46,500	4,050	-	-	74,605	170,155
	253,876	-	-	93,000	22,849	-	-	261,117	630,842

Cash from other activities paid to Mr Fraser and Mr Stephenson are paid to Wolfstar Group Pty Ltd, a company controlled by Mr Fraser and Mr Stephenson. Wolfstar Group Pty Ltd provides Financial and Company Secretarial services to Drake Resources Ltd.

DIRECTORS' REPORT

REMUNERATION REPORT

C. Service Agreements

The Managing Director, Dr Robert Beeson, is employed under an extension of the terms of a previous contract of employment.

The employment contract stipulated a three month resignation period. The Company may terminate an employment contract without cause by providing three months written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

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

The employment contract stipulates a three month resignation period. The Company may terminate an employment contract without cause by providing three months written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

D. Share-based compensation

Incentive Option Scheme

Options are granted under the Drake Resources Limited Incentive Option Scheme, which was approved by shareholders at a general meeting on 24 November 2005. Options are granted under the plan for no consideration. All staff and consultants of Drake are eligible to participate in the plan.

Director and Key Management Personnel Options

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

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

On 31 March 2011, 570,000 share options were granted to employees, including 50,000 to a director, to take up ordinary shares at an exercise price of \$0.72 each. The options are exercisable on or before 31 March 2016.

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DIRECTORS' REPORT

REMUNERATION REPORT

Share-based Payments

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

<i>Group Key Management Personnel</i>	Grant date	Grant value \$	Reason for grant	Percentage vested during year % (Note 2)	Percentage forfeited during year %	Percentage remaining as unvested %	Expiry date for vesting	Range of possible values relating to future payments
James Merrillees	31 March 2011	12,550	Note 1	100	-	-	31 March 2016	-

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

- KMP options will vest 12 months after the issue date and if the KMP is continually employed by the Company during that 12 months.
- KMP options vest only if the share price is greater than 26 cents for 5 consecutive days during the 12 months vesting period.
- Director options will vest immediately if there is a change or addition in directors exceeding 50% to those in office on date of issue.

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REMUNERATION REPORT

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

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

Options Granted

<i>Group Key Management Personnel</i>	Grant details			For the financial year ended 30 June 2011					Overall		
	Date	No.	Value \$ (Note 1)	Exercised no.	Exercised \$	Lapsed no.	Lapsed \$	Vested no.	Vested %	Unvested %	Lapsed %
Brett Fraser	30 November 2009	1,000,000	127,700	-	-	-	-	-	100	-	-
Bob Beeson	30 November 2009	1,500,000	191,550	-	-	-	-	-	100	-	-
Jay Stephenson	30 November 2009	1,000,000	127,700	-	-	-	-	-	100	-	-
James Merrillees	19 July 2010	200,000	7,600	200,000	40,000	-	-	-	100	-	-
James Merrillees	31 March 2011	50,000	12,550	-	-	-	-	-	100	-	-
				200,000	40,000	-	-	-			

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

Description of Options Issued as Remuneration

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

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

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

DIRECTORS' REPORT

Environmental Regulations

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

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the company for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

Non-audit Services

During the year ended 30 June 2011, taxation consulting services were provided to the company by a party related to the auditors. Refer to Note 6: Auditors remuneration for additional information.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 30 of the financial report.

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



JAY STEPHENSON

DIRECTOR

Dated this 30th Day of September 2011

CORPORATE GOVERNANCE STATEMENT

As the framework of how the Board of Directors of Drake Resources Limited ("Company") carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Good Corporate Governance and Best Practice Recommendations.

The essential corporate governance principles are:

- 1 Lay solid foundations for management and oversight;
- 2 Structure the Board to add value;
- 3 Promote ethical and responsible decision-making;
- 4 Safeguard integrity in financial reporting;
- 5 Make timely and balanced disclosure;
- 6 Respect the rights of shareholders;
- 7 Recognise and manage risk;
- 8 Remunerate fairly and responsibly;

1. Lay solid foundations for management and oversight.

Recommendation 1.1: *Management should establish and disclose functions reserved to the board and delegated to management.*

Roles and Responsibilities:

The roles and responsibilities carried out by the Board are to:

- Oversee control and accountability of the Company;
- Set the broad targets, objectives, and strategies;
- Monitor financial performance;
- Assess and review risk exposure and management;
- Oversee compliance, corporate governance, and legal obligations;
- Approve all major purchases, disposals, acquisitions, and issue of new shares;
- Approve the annual and half-year financial statements;
- Appoint and remove the Company's Auditor;
- Appoint and assess the performance of the Managing Director and members of the senior management team;
- Report to shareholders.

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives.*

The Board regularly reviews the performance of senior executives.

Recommendation 1.3: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 1.*

The evaluation of performance of senior executives has taken place throughout the year.

2. Structure the Board to add value.

Recommendation 2.1: *A majority of the Board should be independent Directors. – There are no independent Directors. Refer general comment below.*

Recommendation 2.2: *The Chairperson should be an independent Director. – The Chairman is not independent. Refer general comment below.*

Recommendation 2.3: *The roles of the Chairperson and Chief Executive should not be exercised by the same individual.*

Recommendation 2.4: *Establishment of a nominations committee.*

Recommendation 2.5: *Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.*

Recommendation 2.6: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 2.*

CORPORATE GOVERNANCE STATEMENT

General Comments:

Membership

The Board's membership and structure is selected to provide the Company with the most appropriate direction in the areas of business controlled by the Company. The Board currently consists of five members; a Managing Director, Executive Director and three non-executive Directors. Refer to the Directors' Report for details of each Director's profile. The majority of the Board is not independent. The directors each hold shares in the Company. The size of the board does not allow a majority of independent directors.

Chairman and Managing Director

The roles of the Chairman and the Managing Director are separate. The Chairman is responsible for leading the Board in its duties, and facilitating effective discussions at Board level. The Managing Director is responsible for the efficient and effective operation of the Company.

Nomination Committee

The Company has a formal charter for the Nomination Committee, however, no Committee has been appointed to date. The Board as a whole deals with areas that would normally fall under the charter of the Nomination Committee. These include matters relating to the renewal of Board members, and Board performance.

Skills

The Directors bring a range of skills and background to the Board including exploration, accountancy, finance, stockbroking, and legal.

Experience

The Directors have considerable experience in business at both operational and corporate levels.

Meetings

The Board endeavours to meet at least bi-monthly on a formal basis, although the board regularly meets informally.

Independent professional advice

Each Director has the right to seek independent professional advice at the Company's expense for which the prior approval of the Chairman is required, and is not unreasonably withheld.

3. Promote ethical and responsible decision-making.

Recommendation 3.1: *Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent) and any other key executives as to:*

- 3.1.1 *The practices necessary to maintain confidence in the Company's integrity;*
- 3.1.2 *The practices necessary to take into account legal obligations and the reasonable expectations of shareholders;*
- 3.1.2 *The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company is committed to its Directors and employees maintaining high standards of integrity, and ensuring that activities are in compliance with the letter and spirit of both the law and Company policies. Each staff member is issued with the Company's Policies and Procedures manual at the beginning of their employment with the Company.

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

Recommendation 3.5: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 3.*

A summary of both the Company's Code of Conduct and its Share Trading Policy is included on the Company's website.

4. Safeguard integrity in financial reporting.

Recommendation 4.1: *The Board should establish an audit committee.*

Recommendation 4.2: *Structure the audit committee so that it consists of:*

- *Only non-executive Directors;*
- *A majority of independent Directors;*
- *An independent Chairperson, who is not Chairperson of the Board;*
- *At least three members.*

Recommendation 4.3: *The Audit Committee should have a formal charter. – Refer to Recommendation 4.1.*

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

General Comments:

Integrity of Company's Financial Condition

The Company's Financial Controller and Company Secretary report in writing to the Board that the consolidated financial statements of the Company and its controlled entities for the half and full financial year present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The Company has a formal charter for an Audit Committee. The Audit Committee comprises Messers Fraser and Stephenson who are responsible for the following activities:

- Review the Company's accounting policies;
- Review the content of financial statements;
- Review the scope of the external audit, its effectiveness, and independence of the external audit;
- Ensure accounting records are maintained in accordance with statutory and accounting standard requirements;
- Monitor systems used to ensure financial and other information provided is reliable, accurate, and timely;
- Review the audit process with the external auditors to ensure full and frank discussion of audit issues;
- Present half and full year financial statements to the Board.

5. Make timely and balanced disclosure.

Recommendation 5.1: *Establish written policies and procedures designed to ensure compliance with ASX Listing rules disclosure requirements and to ensure accountability at a senior management level for that compliance.*

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

General Comments:

Being a listed entity on the ASX, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, the Company advises the market of all information required to be disclosed under the Rules that the Board believes would have a material affect on the price of the Company's securities.

The Company Secretary has been appointed as the person responsible for communication with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media, and the public.

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

Disclosure is reviewed as a routine agenda item at each Board meeting.

6. Respect the rights of shareholders.

Recommendation 6.1: *Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*

Recommendation 6.2: *Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit, and the preparation and content of the auditor's report.*

General Comments:

The Company is committed to keeping shareholders fully informed of significant developments at the Company. In addition to public announcements of its financial statements and significant matters, the Company provides the opportunity for shareholders to question the Board and management about its activities at the Company's annual general meeting.

The Company's auditor, Bentleys, will be in attendance at the annual general meeting and will also be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

CORPORATE GOVERNANCE STATEMENT

7. Recognise and manage risk

Recommendation 7.1: *The Board or appropriate Board committee should establish policies on risk oversight and management.*

Recommendation 7.2: *The chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that:*

7.2.1 *The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.*

7.2.2 *The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

Recommendation 7.3: *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.*

Recommendation 7.4: *Provide the information indicated in the ASX Corporate Governance Council's Guide to reporting on Principle 7.*

General Comments:

The Board oversees the Company's risk profile. The financial position of the Company and matters of risk are considered by the Board. The Board is responsible for ensuring that controls and procedures to identify, analyse, assess, prioritise, monitor and manage risk are in place, being maintained and adhered to.

The Financial Controller and Company Secretary state in writing to the Board that:

- The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

8. Remunerate fairly and responsibly

Recommendation 8.1: *The Board should establish a Remuneration Committee.*

Recommendation 8.2: *Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.*

Recommendation 8.3: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 8.*

General Comments:

Principles used to determine the nature and amount of remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered. The framework aligns executive reward with the creation of value for shareholders, and conforms to market best practice.

The remuneration committee ensures that executive rewards satisfy the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to the shareholders;
- Performance linked;
- Transparency;
- Capital management.

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CORPORATE GOVERNANCE STATEMENT

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Remuneration Committee

Members of the Remuneration Committee are Mr Fraser and Mr Stephenson.

Directors' Remuneration

Further information on Directors' and executives' remuneration is set out in the Directors' Report and Note 5 to the financial statements.

Departure from Best Practice Recommendations

For the year ended 30 June 2011, the Company complied with each of the Eight Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council.

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To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of Drake Resources Limited and Controlled Entities for the year ended 30 June 2011 and in accordance with the provisions of the *Corporations Act 2001*.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- no contraventions of the *Code of Professional Conduct* of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



RICHARD JOUGHIN CA
Director

DATED at PERTH this 30th day of September 2011

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
Revenue	2	352,311	349,566
Unrealised gain on listed shares	2	360,328	17,750
Other income	2	9,500	2,432,590
		<hr/> 722,139	<hr/> 2,799,906
Accounting and audit fees		(64,016)	(35,740)
Computers and software		(30,044)	(12,583)
Contractors and consultants		(35,985)	(4,633)
Director fees		(128,615)	(102,500)
Employee benefits		(597,323)	(367,387)
Share-based payment		(336,503)	(329,767)
Depreciation		(26,054)	(10,486)
Insurance		(30,441)	(17,736)
Legal fees		(18,120)	(20,334)
Public relations and advertising		(21,431)	(13,504)
Registry and ASX fees		(44,696)	(35,304)
Rental expense		(31,138)	(30,810)
Travel and accommodation		(170,566)	(56,976)
Exploration expense		(541,536)	(411,177)
Loss on disposal of tenements		-	(32,554)
Other expenses		(99,992)	(70,215)
(Loss)/profit before income tax	3	<hr/> (1,454,321)	<hr/> 1,248,200
Income tax expense	4	-	-
(Loss)/profit from continuing operations	3	<hr/> (1,454,321)	<hr/> 1,248,200
Other comprehensive income			
Foreign exchange movement		1,736	(4,909)
Other comprehensive income for the year, net of tax		<hr/> 1,736	<hr/> (4,909)
Total comprehensive income attributable to members of the parent entity		<hr/> (1,452,585)	<hr/> 1,243,291
Earnings per share			
Basic earnings/(loss) per share (cents per share)	7	(2.56)	2.69
Diluted earnings per share (cents per share)	7	-	1.92

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	8	4,350,274	7,014,354
Trade and other receivables	9	901,131	253,313
TOTAL CURRENT ASSETS		5,251,405	7,267,667
NON-CURRENT ASSETS			
Plant and equipment	10	79,987	21,510
Financial assets	11	1,217,081	426,000
Exploration and evaluation assets	12	2,881,257	517,601
TOTAL NON-CURRENT ASSETS		4,178,325	965,111
TOTAL ASSETS		9,429,730	8,232,778
CURRENT LIABILITIES			
Trade and other payables	13	820,081	862,267
Short-term provisions	14	36,935	8,215
TOTAL CURRENT LIABILITIES		857,016	870,482
TOTAL LIABILITIES		857,016	870,482
NET ASSETS		8,572,714	7,362,296
EQUITY			
Issued capital	15	10,569,823	8,235,723
Reserves	16	757,275	426,636
Accumulated losses		(2,754,384)	(1,300,063)
TOTAL EQUITY		8,572,714	7,362,296

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital	Accumulated Losses	Options Reserve	Foreign Exchange Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2009	4,891,238	(2,776,901)	692,225	(2,264)	2,804,298
Profit for the year	-	1,248,200	-	-	1,248,200
Other comprehensive income for the year	-	-	-	(4,909)	(4,909)
Total comprehensive income for the year	-	1,248,200	-	(4,909)	1,243,291
Transaction with owners, directly in equity					
Shares issued during the year	3,034,759	-	-	-	3,034,759
Transaction costs	(49,819)	-	-	-	(49,819)
Options expired during year	359,545	228,638	(588,183)	-	-
Options issued during year	-	-	329,767	-	329,767
Balance at 30 June 2010	8,235,723	(1,300,063)	433,809	(7,173)	7,362,296
Balance at 1 July 2010	8,235,723	(1,300,063)	433,809	(7,173)	7,362,296
Profit for the year	-	(1,454,321)	-	-	(1,454,321)
Other comprehensive income for the year	-	-	-	1,736	1,736
Total comprehensive income for the year	-	(1,454,321)	-	1,736	(1,452,585)
Transaction with owners, directly in equity					
Shares issued during the year	2,184,000	-	-	-	2,184,000
Shares issued on exercise of options	142,500	-	-	-	142,500
Options exercised during year	7,600	-	(7,600)	-	-
Options issued during year	-	-	336,503	-	336,503
Balance at 30 June 2011	10,569,823	(2,754,384)	762,712	(5,437)	8,572,714

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		247,883	289,475
Interest received		135,599	89,497
Payments to suppliers and employees		(1,252,781)	(714,734)
Payments for exploration expenditure		(5,018,279)	(131,014)
Net cash used in operating activities	19	(5,887,578)	(466,776)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of exploration assets		-	300,000
Proceeds from sale of financial asset		-	3,489,500
Purchase of plant and equipment		(84,532)	(20,795)
Payments for alliance exploration, net of funding		1,410,547	(98,510)
Purchase of investments		(430,754)	-
Net cash provided by investing activities		895,261	3,670,195
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,326,501	3,034,759
Capital raising costs		-	(49,819)
Net cash provided by/(used in) financing activities		2,326,501	2,984,940
Net increase in cash held		(2,665,816)	6,188,359
Cash at 1 July		7,014,354	830,904
Effect of exchange rates on cash holdings in foreign currencies		1,736	(4,909)
Cash at 30 June	8	4,350,274	7,014,354

The accompanying notes form part of these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

A controlled entity is any entity over which Drake Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 17 to the financial statements.

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

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

(b) Exploration and Development Expenditure

Exploration, evaluation, and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

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

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

(c) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognized outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Plant, and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	25 - 50%
Computers	33 - 50%

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) Employee Benefits

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

(f) Cash and Cash Equivalents

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

(g) Revenue and Other Income

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

Management fees are recognised on portion of completion basis.

Gain on disposal of tenements are recognised on receipt of consideration.

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

(h) Goods and Services Tax (GST)

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

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

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(j) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Classification and Subsequent Measurement

Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

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

Available-for-sale financial assets

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Derivative instruments

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

Fair value

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

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss. Also, any cumulative decline in fair value previously recognized in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(k) Earnings Per Share

i. Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(l) Impairment of Assets

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognized immediately to profit or loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(o) Equity-settled compensation

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

(p) Comparative Figures

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

(q) Foreign Currency Transactions and Balances

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

Transaction and balances

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Group companies

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

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the Statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

(r) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Judgments – Exploration and Evaluation Expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in Note 1(b). The carrying value of capitalised expenditure at reporting date is \$2,881,257.

Key Judgments – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the relevant taxation authorities.

Key Estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Estimates – Share based payment

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

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(s) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - simplifying the requirements for embedded derivatives;
 - removing the tainting rules associated with held-to-maturity assets;
 - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
 - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
 - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

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AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

- AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

- AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Group.

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

The financial report was authorised for issue on 30 September 2011 by the board of directors.

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Note	2011	2010
NOTE 2: REVENUE AND OTHER INCOME	\$	\$
Revenue		
- Management fees	216,712	260,069
- Interest received	135,599	89,497
Total Revenue	352,311	349,566
Unrealised gain on shares	360,328	17,750
Other Income		
- Profit on sale of shares	-	2,429,500
- Equipment charge-backs	7,500	3,090
- Other	2,000	-
Total Other Income	9,500	2,432,590
	2011	2010
NOTE 3: PROFIT/(LOSS) FOR THE YEAR	\$	\$
(a) Expenses		
Exploration expenses	541,536	411,177
Depreciation of non-current assets:		
- plant and equipment	26,054	10,486
Share based payment expense	336,503	329,767
Rental expense	31,138	30,810
(b) Significant Revenues and Expenses		
The following significant revenue and (expense) items are relevant in explaining the financial performance:		
Profit on sale of shares	-	2,429,500
Superannuation expense	(49,387)	(29,987)

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	Note	2011 \$	2010 \$
NOTE 4: INCOME TAX			
(a) Income tax expense			
Current tax		-	-
Deferred tax		-	-
		-	-
Deferred income tax expense included in income tax expense comprises:			
- (Increase) in deferred tax assets	4(c)	(9,464)	(10,726)
- Increase in deferred tax liabilities	4(d)	9,464	10,726
		-	-
¹ Correction: Balances in the comparative period have been adjusted to reflect the movement from period to period of deferred balances. There is no effect on income tax expense, nor upon the deferred tax balances to which they related. Amounts previously recorded were ±\$155,280 respectively.			
(b) Reconciliation of income tax expense to prima facie tax payable			
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Prima facie tax on operating profit at 30% (2010:30%)		(436,296)	374,460
Add / (Less)			
Tax effect of:			
- Share based payments		100,951	98,930
- Exploration expenditure		-	-
- Other adjustments		(62,687)	(29,962)
- Prior year tax losses		-	(931,090)
Deferred tax asset not brought to account		296,138	487,662
Income tax attributable to operating loss		-	-
The applicable weighted average effective tax rates are as follows:			
		nil%	nil%
Balance of franking account at year end		Nil	nil
(c) Deferred tax assets			
Tax losses		790,040	405,484
Provisions and accruals		11,081	2,465
Other		15,138	78,731
		816,258	486,680
Set-off deferred tax liabilities	4(d)	(145,816)	(155,280)
Net deferred tax assets		670,442	331,400
Less deferred tax assets not recognised	4(d)	(670,442)	(331,400)
Net deferred tax assets		-	-

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	Note	2011 \$	2010 \$
NOTE 4: INCOME TAX (cont.)			
(d) Deferred tax liabilities			
Exploration expenditure		145,816	155,280
		145,816	155,280
Set-off deferred tax assets	4(c)	(145,816)	(155,280)
Net deferred tax liabilities		-	-
(e) Tax Losses			
Unused tax losses for which no deferred tax asset has been recognised		2,234,806	1,104,666

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2011 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- (i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- (ii) the company continues to comply with conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel (KMP) compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid to each member of the Group's KMP for the year ended 30 June 2011.

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

	2011 \$	2010 \$
Short-term employee benefits	547,498	346,876
Post-employment benefits	51,955	22,849
Share-based payments	205,983	261,117
Other long-term benefits	-	-
Termination benefits	-	-
Total	805,436	630,842

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(b) Equity instrument disclosures relating to KMP

(i) Option holdings

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

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

	Balance at the beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested and unexercisable
30 June 2010						
<i>Directors of Drake Resources Limited</i>						
Brett Fraser	1,777,750	1,000,000	(1,302,500)	(475,250)	1,000,000	1,000,000
Robert Beeson	250,000	1,500,000	(250,000)	-	1,500,000	1,500,000
Jay Stephenson	1,190,000	1,000,000	(177,500)	(1,012,500)	1,000,000	1,000,000
	3,217,750	3,500,000	(1,730,000)	(1,487,750)	3,500,000	3,500,000

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

(ii) Shareholdings

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

	Balance at the start of the year	Received during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
30 June 2011					
Ordinary Shares					
<i>Directors</i>					
Brett Fraser	4,340,500	-	-	25,000	4,365,500
Robert Beeson	770,000	-	-	211,200	981,200
James Merrillees	-	-	200,000	-	200,000
John Hoon	-	-	-	260,000	260,000
Jay Stephenson	2,370,000	-	-	25,000	2,395,000
Total	7,480,500	-	200,000	521,200	8,201,700

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30 June 2010		Received during	Received during		
Ordinary Shares	Balance at the	the year as	the year on the	Other changes	Balance at the
	start of the year	compensation	exercise of options	during the year	end of the year
Directors					
Brett Fraser	3,938,000	-	1,302,500	(900,000)	4,340,500
Robert Beeson	520,000	-	250,000	-	770,000
Jay Stephenson	2,192,500	-	177,500	-	2,370,000
Total	6,650,500	-	1,730,000	(900,000)	7,480,500

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

(c) Loans to key management personnel

There are no loans made to key management personnel at 30 June 2011.

(d) Other transactions with key management personnel

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer Note 22: Related party transactions.

NOTE 6: AUDITORS' REMUNERATION

	2011	2010
	\$	\$
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial reports	33,385	27,380
- Taxation services provided by related party of auditor	1,650	-
	<u>35,035</u>	<u>27,380</u>

NOTE 7: EARNINGS PER SHARE

	2011	2010
	\$	\$
(a) Reconciliation of earnings to net profit or loss		
(Loss)/profit used in the calculation of basic EPS	(1,454,321)	1,248,200
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	56,764,857	46,447,486
Basic earnings per share, cents per share	(2.56)	2.69
(c) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS		65,086,254
Diluted earnings per share, cents per share		1.92

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	Note	2011	2010
NOTE 8: CASH AND CASH EQUIVALENTS		\$	\$
Cash at bank		4,350,274	7,014,354
Reconciliation of Cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		4,350,274	7,014,354

The effective interest rate on short term bank deposits was 2.5% (2010: 3.5%). These deposits have an average maturity of 1 month (2010: 12 months).

	2011	2010
NOTE 9: TRADE AND OTHER RECEIVABLES	\$	\$
CURRENT		
Expenditure recoverable from JV partner	680,668	-
Other receivables	98,998	56,050
GST and MOMS receivable	110,729	195,856
Amount receivable from related parties	10,736	1,407
	901,131	253,313

	2011	2010
NOTE 10: PLANT AND EQUIPMENT	\$	\$
Plant and equipment		
At cost	160,843	76,312
Accumulated depreciation	(80,856)	(54,802)
Total plant and equipment	79,987	21,510

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NOTE 10: PLANT AND EQUIPMENT (cont.)

a) Movements in Carrying Amounts

	2011	2010
	\$	\$
Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:		
Balance at the beginning of year	21,510	11,201
Additions	84,531	20,795
Disposals	-	-
Depreciation expense	(26,054)	(10,486)
Carrying amount at the end of year	<u>79,987</u>	<u>21,510</u>

	2011	2010
	\$	\$
NOTE 11: FINANCIAL ASSETS		
NON-CURRENT		
Financial assets at fair value through profit and loss:		
Securities in ASX listed entity	<u>1,217,081</u>	<u>426,000</u>
Net carrying value	<u>1,217,081</u>	<u>426,000</u>

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

	2011	2010
	\$	\$
NOTE 12: EXPLORATION AND EVALUATION ASSETS		
NON-CURRENT		
Exploration expenditure capitalised		
- Exploration and evaluation phases at cost	2,880,057	516,401
Other	1,200	1,200
Net carrying value	<u>2,881,257</u>	<u>517,601</u>

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

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subjected to claim(s) under Native Title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

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	Note	2011	2010
NOTE 13: TRADE AND OTHER PAYABLES		\$	\$
CURRENT – unsecured liabilities			
Trade payables		486,348	218,728
Unspent joint venture funds		171,063	292,618
Accrued expenses		135,928	158,625
GST and PAYG payable		26,742	192,285
Amount payable to related parties		-	11
		<u>820,081</u>	<u>862,267</u>

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

	2011	2010
NOTE 14: SHORT TERM PROVISIONS	\$	\$
Employee Benefits	36,935	8,215
Number of employees at year end	<u>4</u>	<u>3</u>

	2011	2010
NOTE 15: ISSUED CAPITAL	\$	\$
The company has issued 61,039,231 fully paid ordinary shares at no par value (2010: 52,629,231)		
15(a)	<u>10,569,823</u>	<u>8,235,723</u>

(a) Ordinary shares	\$	\$
At the beginning of the reporting period	8,235,723	4,891,238
Shares issued during the year :		
5,535,445 shares issued on 8 September 2009	-	996,602
10,190,786 options exercised @ 20c prior to 31 December 2009	-	2,038,157
7,800,000 shares issued @ 28c on 24 December 2010	2,184,000	-
410,000 options exercised @ 25c prior to 31 March 2011	102,500	-
200,000 options exercised @ 20c prior to 30 June 2011	40,000	-
Expired options transferred from Options Reserve	-	359,545
Exercised options transferred from Options Reserve	7,600	-
Transaction costs relating to share issues	-	(49,819)
At reporting date	<u>10,569,823</u>	<u>8,235,723</u>

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Note 15: Issued Capital (Continued)	2011	2010
	No.	No.
At the beginning of the reporting period	52,629,231	36,903,000
Shares issued during the year :		
5,535,445 shares issued on 8 September 2009	-	5,535,445
10,190,786 options exercised prior to 31 December 2009	-	10,190,786
7,800,000 shares issued on 24 December 2010	7,800,000	-
410,000 options exercised prior to 31 March 2011	410,000	-
200,000 options exercised prior to 30 June 2011	200,000	-
At reporting date	<u>61,039,231</u>	<u>52,629,231</u>

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

b) Options

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

(c) Capital Management

The Directors' objectives when managing capital are to ensure that the Group can fund its operations and continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group at 30 June 2011 and 30 June 2010 are as follows:

	2011	2010
Working Capital:	\$	\$
Cash and cash equivalents	4,350,274	7,014,354
Trade and other receivables	901,131	253,313
Financial assets at fair value through profit or loss	1,217,081	426,000
Trade and other payables	(820,081)	(870,482)
Working capital position	<u>5,648,405</u>	<u>6,823,185</u>

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	2011	2010
	\$	\$
NOTE 16: RESERVES		
Options reserve	762,712	433,809
Foreign exchange reserve	(5,437)	(7,173)
	757,275	426,636

Options Reserve

The option reserve records items recognised as expenses on valuations of employee and consultant share options.

Foreign Exchange Reserve

The foreign exchange reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 17: CONTROLLED ENTITIES

Controlled Entities	Country of Incorporation	Class of Shares	Percentage Owned %	
			2011	2010
Drake Resources UK Limited	UK	Ordinary	100%	100%
Drake Resources Sweden AB	Sweden	Ordinary	100%	100%

Investments in subsidiaries are accounted for at cost.

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NOTE 18: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

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

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

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

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

	Australian Exploration	Sweden Exploration	Africa Exploration	Treasury	Total
For the Year Ended 30 June 2011	\$	\$	\$	\$	\$
Segment Revenue	9,500	216,712	-	495,927	722,139
Segment Results	(192,388)	72,176	(195,111)	495,916	180,593
Amounts not included in segment results but reviewed by Board:					
- Corporate charges					(1,272,357)
- Depreciation					(26,054)
- Share-based payment expenses					(336,503)
Loss before Income Tax					(1,454,321)
As at 30 June 2011					
Segment assets	357,227	710,625	1,842,205	5,567,355	8,477,412
Unallocated assets					
Trade and other receivables					871,131
Plant and equipment					79,987
Other non-current assets					1,200
Total Assets					9,429,731
Segment asset increases for the period:					
- Capital expenditure	(94)	732,225	1,777,304		
Segment liabilities	-	206,835	28,491	-	235,326
Unallocated liabilities					
Trade and other payables					621,690
Total Liabilities					857,016

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NOTE 18: OPERATING SEGMENTS (cont.)

	Australian Exploration	Sweden Exploration	Africa Exploration	Treasury	Total
For the Year Ended 30 June 2010	\$	\$	\$	\$	\$
Segment Revenue	-	263,159	-	2,518,997	2,782,156
Segment Results	(358,335)	179,465	(1,702)	2,536,220	2,355,648
Amounts not included in segment results but reviewed by Board:					
- Corporate charges					(767,195)
- Depreciation					(10,486)
- Share-based payments expenses					(329,767)
Loss before Income Tax					1,248,200
As at 30 June 2010					
Segment assets	357,321	124,179	64,901	7,440,354	7,986,755
Unallocated assets					
Trade and other receivables					223,313
Plant and equipment					21,510
Other non-current assets					1,200
Total Assets					8,232,778
Segment assets increases for the period:					
- Capital expenditure	51,853	113,960	64,901		
Segment liabilities	29,743	472,633	-	-	502,376
Unallocated liabilities					
Trade and other payables					368,106
Total Liabilities					870,482

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

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

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b. *Inter-segment transactions*

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

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

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

c. *Segment assets*

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

d. *Segment liabilities*

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

e. *Unallocated items*

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

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

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	2011	2010
	\$	\$
NOTE 19: CASH FLOW INFORMATION		
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
(Loss)/ Profit after income tax	(1,454,321)	1,248,200
Cash flows excluded from (loss)/ profit attributable to operating activities		
Non-cash flows in (loss)/profit from ordinary activities		
Depreciation	26,054	10,486
Exploration expenditure written off	201,374	325,781
Unrealised gain/(loss) in listed equities	(360,328)	(17,750)
Share based payments	336,503	329,767
Loss on disposal of tenements	-	32,554
Gain on disposal of shares	-	(2,429,500)
Changes in assets and liabilities:		
Decrease in receivables	(115,796)	853
Increase in payables	128,334	157,062
Increase in provisions	28,720	6,785
Increase in exploration assets	(4,678,118)	(131,014)
Cash Flow from Operations	<u>(5,887,578)</u>	<u>(466,776)</u>

Credit Standby Facilities

The Company had no standby credit facilities as at 30 June 2011.

Non-Cash investing and financing activities

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 20: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2011:

On 31 March 2007, under the Drake Resources Limited Incentive Option Scheme, 800,000 share options were granted to employees and consultants to take up ordinary shares at an exercise price of \$0.25 each. The options are exercisable on or before 31 March 2012. The options hold no voting or dividend rights and are not transferable. Since balance date, no employee or consultant has ceased their employment. At balance date, no share option has been exercised.

On 24 April 2008 under the Drake Resources Limited Incentive Option Scheme, 650,000 share options were granted to key consultants to take up ordinary shares at an exercise price of \$0.30 each. The options are exercisable on or before 24 April 2013. The options hold no voting or dividend rights, and are not transferable. Since balance date, no employee or consultant has ceased their employment. At balance date, no share option has been exercised.

On 30 November 2009 under the Drake Resources Limited Incentive Option Scheme, 3,500,000 share options were granted to directors to take up ordinary shares at an exercise price of \$0.34 each. The options were exercised on 1 September 2011. Further details of these options are provided in the Directors' Report.

On 23 December 2009 under the Drake Resources Limited Incentive Option Scheme, 400,000 share options were granted to employees and consultants to take up ordinary shares at an exercise price of \$0.30 each. The options are exercisable on or before 23 December 2014. The options hold no voting or dividend rights, and are not transferable. Since balance date, no employee or consultant has ceased their employment. At balance date, no share option has been exercised.

On 31 March 2011 under the Drake Resources Limited Incentive Option Scheme, 570,000 share options were granted to employees and consultants to take up ordinary shares at an exercise price of \$0.72 each. The options are exercisable on or before 31 March 2016. The options hold no voting or dividend rights, and are not transferable. Since balance date, no employee or consultant has ceased their employment. At balance date, no share option has been exercised.

During the year, 130,000 Options expired.

All options granted to key management personnel are for ordinary shares in Drake Resources Limited, which confer a right to one ordinary share for every option held.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 20: SHARE-BASED PAYMENTS (cont.)

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

	2011		2010	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	5,890,000	\$0.3124	3,565,000	\$0.2433
Granted	770,000	\$0.5849	3,900,000	\$0.3359
Exercised	(610,000)	\$0.2336	-	-
Expired	(130,000)	\$0.2500	(1,575,000)	\$0.2200
Outstanding at year-end	5,920,000	\$0.3573	5,890,000	\$0.3124
Exercisable at year-end	5,920,000	\$0.3573	5,890,000	\$0.3124

The weighted average remaining contractual life of options outstanding at year end was 1.097 years. The exercise price of outstanding shares at the end of the reporting period was \$0.3573.

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

The weighted average fair value of options granted during the year was \$0.1957 (2010: \$0.127). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	\$0.20	\$0.72
Number of options issued:	200,000	570,000
Remaining life of the options:	-	4.75 years
Expected share price volatility:	135%	88.4%
Risk-free interest rate:	4.6%	5.24%

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

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

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

On 1 August 2011, the Company announced a placement in two tranches through the issue of 17.9 million shares at \$0.39 per Share to raise \$7,000,000 before costs.

There has been no other significant after balance date events.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 22: RELATED PARTY
TRANSACTIONS**

2011	2010
\$	\$

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with Key Management Personnel:

Jay Stephenson

Drake Resources Limited rents office space from Jay Stephenson, a non-executive Director of Drake Resources Limited

10,800	10,800
--------	--------

Wolfstar Group Pty Ltd

Mr Fraser and Mr Stephenson, non-executive Directors of Drake Resources Limited, are Directors and Shareholders of Wolfstar Group Pty Ltd. Mr Stephenson provides Company Secretarial and Chief Financial Officer duties to Drake Resources.

99,750	93,000
--------	--------

NOTE 23: CAPITAL COMMITMENTS

2011	2010
\$	\$

Capital expenditure commitments:

Capital expenditure commitments contracted for:

Exploration tenement minimum expenditure requirements

34,500	79,000
--------	--------

Payable:

Not longer than 1 year

-	33,000
---	--------

Longer than 1 year and not longer than 5 years

34,500	46,000
--------	--------

Longer than 5 years

-	-
---	---

34,500	79,000
--------	--------

Operating lease commitments:

Operating leases contracted for but not capitalised in the financial statements

1,350,875	57,000
-----------	--------

Payable:

Not longer than 1 year

270,175	23,000
---------	--------

Longer than 1 year and not longer than 5 years

1,080,700	34,000
-----------	--------

Longer than 5 years

-	-
---	---

1,350,875	57,000
-----------	--------

NOTE 24: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2011. (2010: none).

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NOTE 25: FINANCIAL RISK MANAGEMENT

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

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

The Group does not speculate in the trading of derivative instruments.

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

	Floating Interest Rate	Non- interest bearing	2011 Total	Floating Interest Rate	Non- interest bearing	2010 Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	4,350,274	-	4,350,274	7,014,354	-	7,014,354
Trade and other receivables	-	901,131	901,131	-	253,313	253,313
Financial assets at fair value through profit or loss –						
Held for trading	-	1,217,081	1,217,081	-	426,000	426,000
Total Financial assets	4,350,274	2,118,212	6,468,486	7,014,354	679,313	7,693,667
Financial Liabilities						
Financial liabilities at amortised cost –						
Trade and Other Payables	-	820,081	820,081	-	862,267	862,267
Total Financial Liabilities	-	820,081	820,081	-	862,267	862,267
 Net Financial Assets	 4,350,274	 1,298,131	 5,648,405	 7,014,354	 (182,954)	 6,831,400

Specific Financial Risk Exposures and Management

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

a. Credit risk

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

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

Credit risk exposures

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

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NOTE 25: FINANCIAL RISK MANAGEMENT (cont.)

Specific Financial Risk Exposures and Management (cont.)

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

	Note	2011	2010
		\$	\$
Cash and cash equivalents			
- AA Rated	8	4,350,274	7,014,354

b. Liquidity risk

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

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

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

c. Market risk

The Board meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

i. Interest rate risk

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

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

ii. Foreign exchange risk

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 25: FINANCIAL RISK MANAGEMENT (cont.)

iii. Price risk

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

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

The investment in listed equities has been valued at the market price prevailing at balance date. Management of this investment's price risk is by ongoing monitoring of the value with respect to any impairment.

Sensitivity Analysis

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

	Consolidated Group	
	Profit	Equity
Year ended 30 June 2011	\$	\$
+/-1% in interest rates	+/- 43,503	+/- 43,503
Year ended 30 June 2010		
+/-1% in interest rates	+/- 34,543	+/- 34,543

Net Fair Values

Fair value estimation

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

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

	2011		2010	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial Assets				
Cash and cash equivalents:				
Trade and other receivables	901,131	901,131	253,313	253,313
Financial assets at fair value through profit or loss:				
Investments – held for trading	1,217,081	1,217,081	426,000	426,000
Total Financial Assets	2,118,212	2,118,212	679,313	679,313
Financial Liabilities				
Trade and other liabilities	820,081	820,081	862,267	862,267
Total Financial Liabilities	820,081	820,081	862,267	862,267

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

- i. Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.
- ii. For held for trading financial assets, closing bid prices at the end of the reporting period are used.

Financial Instruments Measured at Fair Value

The Group only holds level 1 financial instrument recognised at fair value in the statement of financial position. The carrying value at 30 June 2011 is \$1,217,081 (2010: \$426,000).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26: PARENT ENTITY DISCLOSURES	Note	2011	2010
		\$	\$
(a) Financial Position of Drake Resources Limited			
CURRENT ASSETS			
Cash and cash equivalents		4,294,231	6,944,325
Trade and other receivables		831,965	81,384
TOTAL CURRENT ASSETS		5,126,196	7,025,709
NON-CURRENT ASSETS			
Plant and equipment		79,987	21,510
Financial assets	26(b)	1,383,428	697,730
Other non-current assets		2,881,257	517,601
TOTAL NON-CURRENT ASSETS		4,344,672	1,236,841
TOTAL ASSETS		9,470,868	8,262,550
CURRENT LIABILITIES			
Trade and other payables		820,081	862,042
Short term provisions		36,935	8,215
TOTAL CURRENT LIABILITIES		857,016	870,257
TOTAL LIABILITIES		857,016	870,257
NET ASSETS		8,613,852	7,392,293
EQUITY			
Issued Capital		10,569,823	8,235,723
Option Reserve		762,712	433,809
Accumulated Losses		(2,718,683)	(1,277,239)
TOTAL EQUITY		8,613,852	7,392,293
(b) Financial Assets			
Shares in listed entities held for trading - at fair value		1,217,081	426,000
Loans to Subsidiaries		148,040	253,423
Shares in controlled entities at cost		18,307	18,307
Net carrying value		1,383,428	697,730

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 26: PARENT ENTITY DISCLOSURES (cont.)

Controlled Entities	Country of Incorporation	Class of Shares	Percentage Owned % 2011	2010
Drake Resources UK Limited	UK	Ordinary	100%	100%
Drake Resources Sweden AB	Sweden	Ordinary	100%	100%

	2011	2010
(c) Financial Performance of Drake Resources Limited	\$	\$
Profit/(Loss) for the year	(1,441,444)	1,249,470
Other comprehensive income	-	-
Total comprehensive income	(1,441,444)	1,249,470

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

There are no guarantees entered into by Drake Resources Limited for the debts of its subsidiaries as at 30 June 2011 (2010: none).

(e) Contingent liabilities of Drake Resources Limited

There are no contingent liabilities as at 30 June 2011 (2010: none).

(f) Commitments Drake Resources Limited

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

NOTE 27: COMPANY DETAILS

The principal and registered office of the Company is:

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

The principal places of business are:

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

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

**DRAKE RESOURCES LIMITED
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DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 31 - 69, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards;
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
 - (c) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company and Consolidated Group.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

DIRECTOR



JAY STEPHENSON

Dated 30th September 2011, Perth WA.

Independent Auditor's Report

To the Members of Drake Resources Limited

We have audited the accompanying financial report of Drake Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

**Bentleys Audit & Corporate
(WA) Pty Ltd**

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Australia

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West Perth WA 6872
Australia

ABN 33 121 222 802

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F +61 8 9226 4300

bentleys.com.au

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

- a. The financial report of Drake Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b. The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Drake Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



BENTLEYS
Chartered Accountants



RICHARD JOUGHIN CA
Director

DATED at PERTH this 30th day of September 2011

**DRAKE RESOURCES LIMITED
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ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1 Shareholding as at 28 September 2011.

(a) Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	26
1,001 – 5,000	97
5,001 – 10,000	124
10,001 – 100,000	321
100,001 – and over	108
	<hr/> 676 <hr/>

(b) The number of shareholdings held in less than marketable parcels is 28.

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(d) 20 Largest Shareholders — Ordinary Shares as at 28 September 2011.

	NAME	Number of Ordinary Fully Paid Shares Held	% held of Issued Ordinary Capital
1	NATIONAL NOMINEES LIMITED	9,048,713	10.97
2	CITICORP NOMINEES PTY LIMITED	4,012,820	4.86
3	NEFCO NOMINEES PTY LTD	3,651,282	4.43
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,943,139	3.57
5	BILL BROOKS PTY LTD <BILL BROOKS FAMILY A/C>	2,500,000	3.03
6	MR LAURENCE CHARLES KIRK	2,500,000	3.03
7	PINEWOOD ASSET PTY LTD <THE FRASER FAMILY A/C>	2,295,500	2.78
8	BOND STREET CUSTODIANS LTD <MACQ AUST MICROCAP FUND A/C>	1,997,949	2.42
9	ALMAMATER PTY LTD <STEPHENSON FAMILY A/C>	1,905,000	2.31
10	YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	1,615,440	1.96
11	DR ROBERT BEESON	1,420,000	1.72
12	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,282,051	1.55
13	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,107,168	1.34
14	JONENDERBEE INVESTMENTS PTY LTD <STARLOTTERS STAFF PROV A/C>	1,077,516	1.31
15	MR ROBERT JOHN HUGALL + MRS RICCARDA MARTINA HUGALL <RJ & RM HUGALL S/FUND A/C>	1,000,000	1.21
16	MCNEIL NOMINEES PTY LIMITED	1,000,000	1.21
17	MR MUN SIONG YEO	1,000,000	1.21
18	LUMAROO PTY LTD <LAURENCE KIRK S/F A/C>	900,000	1.09
19	MR BRETT FRASER	880,000	1.07
20	PINEWOOD ASSET PTY LTD <THE FRASER FAMILY A/C>	875,000	1.06
	TOTAL	<hr/> 43,011,578 <hr/>	<hr/> 52.12 <hr/>

**DRAKE RESOURCES LIMITED
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- 2** The name of the Company Secretary is Mr Jay Richard Stephenson.
- 3** The address of the principal registered office in Australia is Level 4, 66 Kings Park Road, WEST PERTH WA 6005. Telephone (08) 6141 3500.
- 4 Registers of securities are held at the following addresses**
Western Australia Computershare Registry Services
Level 2, 45 St Georges Terrace, PERTH WA 6000
- 5 Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.
- 6 Unquoted Securities**
Options over Un-issued Shares
There are 10,920,000 unlisted options at 24 September 2011, including 7,050,000 on issue to the Directors.
- 7 Use of Funds**
The Company has used its funds in accordance with its initial business objectives.

TENEMENT REPORT

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