
DRAKE RESOURCES LIMITED

ACN 108 560 069

**NOTICE OF GENERAL MEETING AND EXPLANATORY
STATEMENT**

TIME: 11:00am (WST)

DATE: 1 July 2011

PLACE: QV1 Conference Centre
Level 2
250 St Georges Terrace
PERTH WA 6000

This Notice of General Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters contained in this Notice of Meeting and Explanatory Statement please do not hesitate to contact the Company Secretary on (08) 6468 0388.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Drake Resources Limited to which this Notice of Meeting and Explanatory Statement relates will be held at 11:00am (WST) on 1 July 2011 at:

QV1 Conference Centre
Level 2
250 St Georges Terrace
PERTH WA 6000

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

by post to Drake Resources Limited, Unit 6, 34 York Street, North Perth, Western Australia; or

by facsimile to the Company on facsimile number (08) 9228 0704,

so that it is received not later than 11:00am (WST) on 29 June 2011.

Proxy forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Drake Resources Limited will be held at 11:00am (WST) on 1 July 2011 at QV1 Conference Centre, Level 2, 250 St Georges Terrace, Perth WA 6000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 and 7.11.38 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company at the close of business on 29 June 2011.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – RATIFICATIONS OF PRIOR ISSUE OF SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 7,800,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – ELECTION OF DIRECTOR – MR JOHN HOON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for all purposes, Mr John Hoon, a director of the Company who retires in accordance with clause 11.2 of the Constitution and, being eligible, is re-elected as a Director of the Company.”

3. RESOLUTION 3 – ELECTION OF DIRECTOR – MR JAMES MERRILLEES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for all purposes, Mr James Merrillees, a director of the Company who retires in accordance with clause 11.2 of the Constitution and, being eligible, is re-elected as a Director of the Company.”

4. RESOLUTION 4 – GRANT OF OPTIONS TO MR BRETT FRASER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 10.11 of the ASX Listing Rules and Section 208 of the Corporations Act and for all other purposes, approval is given for the

Directors to grant to Mr Brett Fraser (or his nominee) 1,500,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Fraser (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – GRANT OF OPTIONS TO DR ROBERT BEESON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 of the ASX Listing Rules and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Dr Bob Beeson (or his nominee) 2,000,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Beeson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – GRANT OF OPTIONS TO MR JAY STEPHENSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 of the ASX Listing Rules and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Mr Jay Stephenson (or his nominee) 1,500,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Stephenson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – GRANT OF OPTIONS TO MR JOHN HOON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 of the ASX Listing Rules and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Mr John Hoon (or his nominee) 1,000,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Hoon (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 – GRANT OF OPTIONS TO MR JAMES MERRILLEES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 of the ASX Listing Rules and Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Mr James Merrillees (or his nominee) 1,000,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Merrillees (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 9 – GRANT OF OPTIONS TO CONSULTANTS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, approval is given for the Directors to grant to Consultants (or nominees) 1,500,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this resolution by any persons who may participate in the proposed issue and any other person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 30 May 2011

BY ORDER OF THE BOARD

**DRAKE RESOURCES LIMITED
JAY STEPHENSON
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at QV1 Conference Centre, Level 2, 250 St Georges Terrace, Perth WA 6000 at 11:00am (WST) on 1 July 2011.

The purpose of this Explanatory Statement is to provide information known to the Company which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions in the Notice of Meeting.

1. RESOLUTIONS 1 – RATIFICATION OF PRIOR ISSUE OF SHARES

1.1 General

On 24 December 2010, the Company announced that it had received firm commitments from sophisticated or professional investors for a placement of 7,800,000 Placement Shares at a price of 28 cents per Placement Share to raise approximately \$2,184,000 before costs (**Placement Shares**)

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 7,800,000 Shares.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

1.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Shares:

- (a) 7,800,000 Placement Shares were allotted;
- (b) the issue price was \$0.28 per Placement Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company and are on the same terms and conditions of the Company's existing Shares;
- (d) the Shares were allotted and issued to sophisticated and professional investors pursuant to section 708 of the Corporation Act;
- (e) none of the investors were related parties to the Company; and
- (f) funds raised from the issue will be used to execute the drill programmes in Sweden and explore the Company's expanded land position in Mauritania, West Africa.

2. RESOLUTIONS 2 TO 3 - ELECTION OF DIRECTORS

Clause 11.2 of the Constitution allows the Company to elect a person as a Director by resolution passed in a general meeting. A Director elected at a general meeting is taken to have been elected with effect immediately after the end of a general meeting unless the resolution by which the Director was appointed or elected specifies a different time.

Resolution 2 seeks the election of Messrs John Hoon and James Merrillees as directors of the Company.

3. RESOLUTIONS 4 TO 8 – GRANT OF OPTIONS TO MESSRS BRETT FRASER, ROBERT BEESON, JAY STEPHENSON, JOHN HOON, AND JAMES MERRILLEES

The Company has agreed, subject to obtaining Shareholders approval, to grant a total of 7,000,000 Options (**Director Options**) to Messrs Fraser, Beeson, Stephenson, Hoon, and Merrillees (**Related Parties**) on the terms and conditions set out in Annexure A to this Explanatory Statement.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party (or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained) unless an exception in ASX Listing Rule 10.12 applies.

The issue of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as Directors, each of Messrs Brett Fraser, Robert Beeson, Jay Stephenson, John Hoon, and James Merrillees are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Director Options to each Related Party.

3.1 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares:

- a) the related parties are Messrs Brett Fraser, Robert Beeson, Jay Stephenson, John Hoon, and James Merrillees and they are related parties by virtue of being Directors;

- b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
- i. 1,500,000 Director Options to Mr Brett Fraser;
 - ii. 2,000,000 Director Options to Dr Robert Beeson;
 - iii. 1,500,000 Director Options to Mr Jay Stephenson;
 - iv. 1,000,000 Director Options to Mr John Hoon; and
 - v. 1,000,000 Director Options to Mr James Merrillees
- c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised. Any funds raised on the exercise of the Director Options will be used for working capital purposes;
- e) the terms and conditions of the Director Options are set out in Annexure A;
- f) the value of the Director Options, and the pricing methodology is set out in Annexure B;
- g) the existing relevant interests of each of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
Mr Brett Fraser	4,365,500	1,000,000
Dr Robert Beeson	770,000	1,500,000
Mr Jay Stephenson	2,395,000	1,000,000
Mr John Hoon	260,000	-
Mr James Merrillees	-	250,000
Total	7,790,500	3,500,000

- h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year Remuneration	Previous Financial Year Remuneration
Mr Brett Fraser	105,000	104,000
Dr Robert Beeson	166,500	151,376
Mr Jay Stephenson	100,000	91,500
Mr John Hoon	55,000	-
Mr James Merrillees	\$191,743	-

- i) At present there are 60,429,231 Shares and 6,120,000 options on issue. If all of the Director Options granted to the Related Parties are exercised, a total of 7,000,000 additional Shares would be allotted and issued.

This will increase the number of Shares on issue from 60,429,231 to 67,729,231 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Issued Shares as at the date of this Notice of Meeting	Director Options to be issued	Total Issued Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
Mr Brett Fraser	4,365,500	11,500,000	5,865,500	2.5%
Dr Robert Beeson	770,000	2,000,000	2,770,000	3.3%
Mr Jay Stephenson	2,395,000	1,500,000	3,895,000	2.5%
Mr John Hoon	260,000	1,000,000	1,260,000	1.7%
Mr James Merrillees	-	1,000,000	1,000,000	1.7%
Total	7,455,500	7,000,000	17,290,500	11.7%

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

The Board resolved to issue the Director Options to Messrs Brett Fraser, Robert Beeson, Jay Stephenson, John Hoon, and James Merrillees subject to Shareholder approval, on the terms and conditions set out in Annexure A. The grant of the Director Options to Messrs Brett Fraser, Robert Beeson, Jay Stephenson, John Hoon, and James Merrillees is intended to align their interests with the Company and its Shareholders;

- j) the trading history of the Shares on the ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Lowest	\$0.125	16 July 2010
Highest	\$0.73	21 April 2011
Last	\$0.48	27 May 2011

- k) the primary purpose of the grant of Director Options to Mr Fraser is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Fraser) considered the extensive experience and reputation of Mr Fraser within the industry when considering the grant of the Director Options to Mr Fraser. The Board considers the issue of the Director Options to Mr Fraser to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

- l) the primary purpose of the grant of Director Options to Dr Beeson is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Dr Beeson) considered the extensive experience and reputation of Dr Beeson within the industry when considering the grant of the Director Options to Dr Beeson. The Board considers the issue of the Director Options to Dr Beeson to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- m) the primary purpose of the grant of Director Options to Mr Stephenson is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Stephenson) considered the extensive experience and reputation of Mr Stephenson within the industry when considering the grant of the Director Options to Mr Stephenson. The Board considers the issue of the Director Options to Mr Stephenson to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- n) the primary purpose of the grant of Director Options to Mr Hoon is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Hoon) considered the extensive experience and reputation of Mr Hoon within the industry when considering the grant of the Director Options to Mr Hoon. The Board considers the issue of the Director Options to Mr Hoon to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- o) the primary purpose of the grant of Director Options to Mr Merrillees is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Merrillees) considered the extensive experience and reputation of Mr Merrillees within the industry when considering the grant of the Director Options to Mr Merrillees. The Board considers the issue of the Director Options to Mr Merrillees to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- p) The Board acknowledges that the grant of Director Options to Dr Beeson and Mr Merrillees is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to Mr Fraser, Mr Stephenson, and Mr Hoon reasonable in the circumstances, given the necessity to attract the highest calibre of professional to the Company, whilst maintaining the Company's cash reserves.

- q) Mr Fraser declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material interest in the outcome of Resolution 4. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4;
- r) Dr Beeson declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material interest in the outcome of Resolution 5. The other Directors, who do not have a material interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 5.
- s) Mr Stephenson declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material interest in the outcome of Resolution 6. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.
- t) Mr Hoon declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material interest in the outcome of Resolution 7. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 7.
- u) Mr Merrillees declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material interest in the outcome of Resolution 8. The other Directors, who do not have a material interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 8.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties (and any issue of Shares on exercise of those Director Options) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

4. RESOLUTIONS 6 – GRANT OF OPTIONS TO CONSULTANTS

3.1 Background

ASX Listing Rule 7.1 provides that a company must not issue more than 15% of its issued capital in any 12 month period without first obtaining the approval of its shareholders.

To provide the Company with the flexibility to make future issues of securities during the next 12 months, Resolution 6 seeks such shareholder approval to the issue of up to a maximum of 1,500,000 Consultant Options.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

None of the subscribers pursuant to this issue will be related parties of the Company.

The effect of Resolution 6 will be to allow the Directors to issue the Consultant Options during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical Information Required by ASX Listing Rule 7.3

In compliance with the information requirements of the ASX Listing Rule 7.3:

- (a) the maximum number of Consultant Options to be issued is 1,500,000;
- (b) the Consultant Options are free options and will have an issue price of nil;
- (c) the Consultant Options will be issued no later than 3 months after the date of the Meeting or such later date as may be permitted by any ASX waiver or modification of the Listing Rules;
- (d) the terms of the Consultant Options are found in Annexure C;
- (e) it is intended that allotment of the Consultant Options will occur within one week of the date of the General Meeting;
- (f) the Consultant Options will be allotted and issued to Consultants who assist the Company with Investor Relations. None of the Consultants will be related parties of the Company; and
- (g) no funds will be raised from the issue of the Consultant Options

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

Annexure	annexure to this Explanatory Statement.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning ascribed to it in Part 1.2 Division 2 of the Corporations Act.
ASX	ASX Limited (ACN 008 624 691).
ASX Listing Rules	the listing rules of the ASX as amended from time to time.
Board	board of Directors.
Chairman	Mr Brett Fraser.
Constitution	constitution of the Company.
Company	Drake Resources Limited (ACN 108 560 069).
Corporations Act	Corporations Act 2001 (Cth).
Director	director of the Company.
Explanatory Statement	the explanatory statement accompanying the Notice of Meeting.
Listing Rules	the Listing Rules of the ASX.
Meeting	the General Meeting of the Company's Shareholders to be held on 1 July 2011.
Member	a member of the Company.
Notice of Meeting	the notice of General Meeting accompanying the Explanatory Statement.
Shares	fully paid ordinary shares in the capital of the Company.
Shareholder	shareholder of the Company.
WST	Western Standard Time in Australia.

ANNEXURE A – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director Option, the Optionholder must exercise the Director Options in accordance with the terms and conditions of the Director Options.
 - (b) The Director Options will expire at 5:00 pm (WST) on 30 June 2013 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (c) The amount payable upon exercise of the Director Options will be at an exercise price equal to 150% of the ASX 5 day volume weighted average price per Drake Share prior to the Meeting Date; (**Exercise Price**)
 - (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
 - (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
 - (h) The Director Options will vest 12 months after the issue date.
 - (i) The Director Options are not transferable.
 - (j) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
 - (k) The Company will not apply for quotation of the Director Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
 - (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
 - (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
 - (n) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Director Options, the exercise price of the Director Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
 - (o) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Director Option had been exercised before the record date for the bonus issue.

ANNEXURE B – ESTIMATED VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 3, 4 and 5 have been valued by the Black & Scholes option model.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

Assumptions:	
Valuation date	31 March 2011
Estimated Grant Date	30 June 2011
Market price of Shares	55c
Exercise price*	150% of ASX 5 day VWAP
Expiry date	30 June 2013
Risk free interest rate	5%
Volatility	90%
Indicative value per Director Option	17.40 cents
Total Value of Director Options	\$1,218,000
- Brett Fraser	\$261,000
- Robert Beeson	\$348,000
- Jay Stephenson	\$261,000
- John Hoon	\$174,000
- James Merrillees	\$174,000

* The actual price of the options will be determined on the Meeting date when it will be based on 150% of the ASX 5 day volume weighted average price per Drake Share prior to the Meeting Date.

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

ANNEXURE C – TERMS AND CONDITIONS OF CONSULTANT OPTIONS

The Consultant Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Consultant Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Consultant Option, the Optionholder must exercise the Consultant Options in accordance with the terms and conditions of the Consultant Options.
 - (b) The Consultant Options will expire at 5:00 pm (WST) on 30 June 2013 (**Expiry Date**). Any Consultant Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (c) The amount payable upon exercise of the Consultant Options will be 70 cents for 1,000,000 Consultant Options and \$1.20 for 500,000 Consultant Options; (**Exercise Price**)
 - (d) The Consultant Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
 - (e) An Optionholder may exercise their Consultant Options by lodging with the Company, before the Expiry Date:
 - (iii) a written notice of exercise of Consultant Options specifying the number of Consultant Options being exercised; and
 - (iv) a cheque or electronic funds transfer for the Exercise Price for the number of Consultant Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Consultant Options specified in the Exercise Notice.
 - (h) The Consultant Options will vest 12 months after the issue date.
 - (i) The Consultant Options are not transferable.
 - (j) All Shares allotted upon the exercise of Consultant Options will upon allotment rank pari passu in all respects with other Shares.
 - (k) The Company will not apply for quotation of the Consultant Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Consultant Options on ASX within 10 Business Days after the date of allotment of those Shares.
 - (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
 - (m) There are no participating rights or entitlements inherent in the Consultant Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Consultant Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Consultant Options prior to the date for determining entitlements to participate in any such issue.
 - (n) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Consultant Options, the exercise price of the Consultant Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
 - (o) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Consultant Options, the number of securities over which a Consultant Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Consultant Option had been exercised before the record date for the bonus issue.

PROXY FORM

**APPOINTMENT OF PROXY
DRAKE RESOURCES LIMITED
ACN 108 560 069**

GENERAL MEETING

I/We

being a Member of Drake Resources Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

OR

Mark this box if you wish to appoint the Chairman of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Meeting to be held at 11:00am (WST), on 1 July 2011 at QV1 Conference Centre, Level 2, 250 St Georges Terrace, Perth WA 6000 and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all the resolutions.

Voting on Business of the General Meeting

FOR AGAINST ABSTAIN

Resolution 1 – Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Election of Director – Mr John Hoon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Election of Director – Mr James Merrillees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Grant of Options to Mr Brett Fraser	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Grant of Options to Dr Robert Beeson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Grant of Options to Mr Jay Stephenson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Grant of Options to Mr John Hoon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Grant of Options to Mr James Merrillees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Grant of Options to Consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

In relation to these Resolutions, if the Chairman is to be your proxy and you do **not** wish to direct your proxy how to vote on these Resolutions, please place a mark in this box

By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your votes on these Resolutions and your votes will not be counted in computing the required majority if a poll is called on these Resolutions. The Chairman intends to vote in favour of these Resolutions.

IF THE CHAIRMAN IS TO BE YOUR PROXY IN RELATION TO RESOLUTIONS 1 TO 9 YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY IN RELATION TO RESOLUTIONS 1 TO 9 WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

Signed this _____ day of _____ 2011

By:

Individuals and joint holders

Signature

Signature

Signature

Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

DRAKE RESOURCES LIMITED
ACN 108 560 069

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.