



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

**Interim Financial Report
for the half year ended 31 December 2010**

Note:

The information contained herein should be read in conjunction with the most recent annual report.

Drake Resources Limited
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**DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES**
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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2010.

Directors

The names of directors who held office during or since the end of the half-year:

Brett Fraser
Robert Beeson
Jay Stephenson

REVIEW OF OPERATIONS

During the half year under review, the Company's focus was on three main activities including:

1. The acquisition of over 9,600 km² in Mauritania in a highly prospective West African gold province;
2. The further advancement of its Royal Falcon Mining Joint Venture covering the Falun and Bersbo Projects in Sweden; and
3. The establishment of an alliance with Panoramic Resources Limited whereby the Alliance will explore for base and precious metals primarily in Sweden and the subsequent two Joint Ventures with Panoramic in Finland which cover prospective sections of the Pyhasalmi-Vihanti Copper-Zinc Belt, a major Scandinavian base metal region.

In addition, in December 2010, the Company placed 7,800,000 ordinary shares at 28 cents per Share to raise \$2,184,000.

EXPLORATION HIGHLIGHTS

Mauritania Gold

- Drake holds substantial land position with six exploration permits and five applications covering 9,646 km² in this underexplored sector of the West African Craton.
- Gold grades ranging up to 437 g/t were obtained at the Conchita Prospect during Drake's first programme of reconnaissance surface sampling in the area.
- The high gold values are associated with poorly exposed quartz veins which can be traced in excess of 2 km along strike.
- A strongly mineralised sample (5.2 g/t gold) occurs a further 2 km directly along strike from the mapped veins, and suggests the system may extend for at least 4 km.
- Drake's permits include the interpreted southern extensions of the Tasiast greenstone belt (Tasiast gold mine 14 Moz).
- Drake has also been awarded a permit that adjoins Gryphon Minerals Limited's Tijirit Project. The Tijirit Project has received limited drilling, but intersections to date include **6m @ 17.63g/t Au, 6m @ 10.47g/t Au, and 2m @ 24.90g/t Au.**

Sweden copper-gold-zinc

- First pass resource estimate underway for the Johannes Lucas deposit.
- Sampling of archive drill holes within the Johannes Lucas deposit gives strong gold intersections including 11m @ 12.63 g/t Au.
- Gravity survey completed over the Falun mine sequence.
- Strong copper-in-till anomaly at Uvberget.

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Finland copper-zinc

- Two joint ventures have been established with Panoramic Resources Ltd over prospective sections of the Pyhasalmi-Vihanti, copper-zinc belt, a major base metal region in Finland.
- A major airborne electromagnetic survey has been completed, and data processed
- Ranking of targets nearing completion.

The information in this report that relates to Exploration Results, Mineral Resources, or Ore Reserves is based on information compiled by Dr Robert Beeson. Dr Robert Beeson is a member of the Australian Institute of Geoscientists, and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. This qualifies Dr Beeson as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Robert Beeson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2010.

This report is signed in accordance with a resolution of the Board of Directors.



Brett Fraser
Director

Dated this 8th Day of March 2011

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 review of the financial report of Drake Resources Limited and controlled entities for the half year ended 31 December 2010 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 review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants



CHRIS WATTS CA
Director

DATED at PERTH this 8th day of March 2011

**DRAKE RESOURCES LIMITED
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Note	31/12/2010 \$	31/12/2009 \$
Revenue		160,478	91,054
Unrealised Gain on Shares		1,321,181	2,593,250
		1,481,659	2,684,304
Loss on Sale of Tenements		-	(32,554)
Registry and ASX Fees		(33,346)	(29,110)
Audit and Accounting		(29,074)	(10,250)
Depreciation		(7,154)	(3,643)
Public Relations and Advertising		(10,462)	(7,313)
Rent and Utilities		(15,770)	(15,644)
Legal Costs		(15,547)	(5,188)
Insurance		(7,866)	(7,010)
Employee Benefits Expenses		(266,056)	(240,388)
Share Based Payments Expense		(185,833)	(37,167)
Contractors and Consultants		(570)	(4,633)
Computers and Software		(20,173)	(7,035)
Travel and Accommodation		(84,852)	(17,329)
Exploration and Evaluation		(134,555)	-
Impairment of Tenements		(15,916)	-
Other expenses		(90,594)	(32,540)
Profit/(Loss) before income tax		563,891	2,234,500
Income tax expense		-	-
Profit/(Loss) from continuing operations	2	563,891	2,234,500
 Other Comprehensive Income			
Foreign Exchange movement		(3,574)	1,360
Other Comprehensive Income for the period:		(3,574)	1,360
 Net Loss and Total comprehensive income attributable to members of the parent entity			
		560,317	2,235,860
 Overall Operations:			
Basic earnings per share (cents per share)		1.07	5.54
Diluted earnings per share (cents per share)		0.96	3.14

The accompanying notes form part of these financial statements.

**DRAKE RESOURCES LIMITED
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Note	31/12/2010 \$	30/6/2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		6,765,192	7,014,354
Trade and other receivables		410,247	253,313
TOTAL CURRENT ASSETS		7,175,439	7,267,667
NON-CURRENT ASSETS			
Property, plant and equipment		85,001	21,510
Financial assets		2,177,935	426,000
Other non-current assets		1,025,670	517,601
TOTAL NON-CURRENT ASSETS		3,288,606	965,111
TOTAL ASSETS		10,464,045	8,232,778
CURRENT LIABILITIES			
Trade and other payables		153,371	870,482
Short-term provisions		18,228	-
TOTAL CURRENT LIABILITIES		171,599	870,482
TOTAL LIABILITIES		171,599	870,482
NET ASSETS		10,292,446	7,362,296
EQUITY			
Issued capital	6	10,419,723	8,235,723
Reserves		608,895	426,636
Accumulated losses		(736,172)	(1,300,063)
TOTAL EQUITY		10,292,446	7,362,296

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Issued Capital \$	Option Premium Reserve \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2009	4,891,238	692,225	(2,264)	(2,776,901)	2,804,298
Loss attributable to members of parent entity	-	-	-	2,234,500	2,234,500
Other comprehensive income	-	-	1,360	-	1,360
Total comprehensive income for the half year	-	-	1,360	2,234,500	2,235,860
Transaction with owners, directly in equity -					
Shares issued during the period	996,380	-	-	-	996,380
Options exercised	2,038,379	-	-	-	2,038,379
Options expired	588,183	(588,183)	-	-	-
Capital Raising Costs	(49,819)	-	-	-	(49,819)
Options issued during the period	-	37,167	-	-	37,167
Balance at 31 December 2009	8,464,361	141,209	(904)	(542,401)	8,062,265

	Issued Capital \$	Option Premium Reserve \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2010	8,235,723	433,809	(7,173)	(1,300,063)	7,362,296
Loss attributable to members of parent entity	-	-	-	563,891	563,891
Other comprehensive income	-	-	(3,574)	-	(3,574)
Total Comprehensive Income for the period	-	-	(3,574)	563,891	560,317
Transaction with owners, directly in equity -					
Shares issued during the period	2,184,000	-	-	-	2,184,000
Options issued during the period	-	185,833	-	-	185,833
Balance at 31 December 2010	10,419,723	619,642	(10,747)	(736,172)	10,292,446

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	31/12/2010	31/12/2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	117,505	87,077
Interest received	53,473	11,893
Payments to suppliers and employees	(1,578,756)	(486,022)
Payments for exploration expenditure	(523,985)	(98,640)
Net cash used in operating activities	<u>(1,931,763)</u>	<u>(485,692)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(70,645)	(10,628)
Proceeds from tenement sales	-	300,000
Purchase of investments	(430,754)	-
Net cash (used in) / provided by investing activities	<u>(501,399)</u>	<u>289,372</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	2,184,000	3,034,760
Cost of share issues	-	(49,819)
Net cash provided by financing activities	<u>2,184,000</u>	<u>2,984,941</u>
Net increase in cash held	(249,162)	2,788,621
Cash at the beginning of the period	7,014,354	830,904
Cash at the end of the period	<u>6,765,192</u>	<u>3,619,525</u>

The accompanying notes form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

NOTE 1: BASIS OF PREPARATION FOR INTERIM

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Drake Resources Limited and its controlled entities ("the Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Drake Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Material correction to prior period

In the accounts prepared for the half-year ended 31 December 2009, share based payments expense was overstated by \$409,783 because the options were not fully vested at that time. The prior period figures have been amended and restated to correct this error.

The impact of the restatement on the Statement of Financial Position was corrected during the second half of the 2010 financial year and consequently no changes are required to the comparatives in the Statement of Financial Position.

The impact of the restatement on the Statement of Comprehensive Income for the comparative period ended 31 December 2009 is as follows:

Statement of Comprehensive Income for the period ended 31 December 2009

	Restated Balance	Previously Reported Balance	Impact Profit / (Loss)
	\$	\$	\$
Share based payments expense	37,167	446,950	409,783
Profit/(loss) before income tax	2,234,500	1,824,717	409,783
Income tax (expense)/benefit	-	-	-
Net profit/(loss) attributable to members	2,234,500	1,824,717	409,783
Basic earnings/(loss) per share (cents per share)	5.54	4.52	1.02

NOTE 2: LOSS FOR PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31/12/2010	31/12/2009
	\$	\$
Proceeds on Sale of Tenements	-	1,360,000
Costs of Tenements sold	-	(1,392,554)
	-	(32,554)
Provision for Employee Leave	(10,013)	(7,376)

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NOTE 3: OPERATING SEGMENTS

	Australian Exploration \$	Scandinavian Exploration \$	African Exploration \$	Treasury \$	Total \$
For the Half Year to 31 December 2010					
Segment Revenue	2,000	105,005	-	1,374,654	1,481,659
Segment Results	(14,431)	(18,287)	(10,749)	1,374,644	1,331,177
Corporate Expenses					(767,286)
Profit/(Loss) before Income Tax					563,891
As at 31 December 2010					
Segment Assets	356,856	378,774	318,840	8,943,127	9,997,597
Unallocated Assets:					
Trade and other receivables					380,247
Property, plant and equipment					85,001
Other non-current assets					1,200
Total Assets					10,464,045
Segment Liabilities	-	35,764	28,491	-	64,255
Unallocated Liabilities:					
Trade and other payables					107,344
Total Liabilities					171,599

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

NOTE 3: OPERATING SEGMENTS (cont.)

	Australian Exploration \$	Sweden Exploration \$	African Exploration \$	Treasury \$	Total \$
For the Half Year to 31 December 2009					
Segment Revenue	-	79,161	-	2,605,143	2,684,304
Segment Results	(32,554)	79,161	-	2,604,616	2,651,223
Corporate Expenses					(416,723)
Profit/(Loss) before Income Tax					2,234,500
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
Property, plant and equipment					21,510
Other non-current assets					1,200
Total Assets					8,232,778
Segment Liabilities	29,743	472,633	-	-	502,376
Unallocated Liabilities:					
Trade and other payables					368,106
Total Liabilities					870,482

NOTE 4: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year, the value of the financial assets held by the Company have increased by \$64,056.90 as a result of the increase in the share price of Aura Energy Limited.

There are no other subsequent events at reporting date.

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NOTE 6: ISSUED CAPITAL	31/12/2010	31/12/2009
	\$	\$
60,429,231 Fully paid ordinary shares (2009: 52,629,231)	10,419,723	8,235,723

The Company has issued share capital amounting to 60,429,231 (2009: 52,629,231) ordinary shares at no par value.

(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 at 20c prior to 31 December 2009	-	2,038,157
7,800,000 shares issued on 24 December 2010	2,184,000	-
Expired options transferred from Options Reserve	-	359,545
Transaction costs relating to share issues	-	(49,819)
At reporting date	10,419,723	8,235,723

	31/12/2010	31/12/2009
	No.	No.
At the beginning of the reporting period	52,629,231	36,903,000
Shares issued during the year :		
5,535,445 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	-
At reporting date	60,429,231	52,629,231

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.

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4-11:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001; and
 - b. give a true and fair view of the consolidated group's financial position as at 31 December 2010 and of its performance for the half year ended on that date.
2. 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.



Brett Fraser
Director

Dated this 8th Day of March 2011

Independent Auditor's Review Report

To the Members of Drake Resources Limited

We have reviewed the accompanying half-year financial report of Drake Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Drake Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

