Drake Resources Limited

ABN 12 108 560 069

ANNUAL REPORT
30 JUNE 2008

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CORPORATE DIRECTORY

Directors

Brett Fraser	Chairman
Robert Beeson	Managing Director
Jay Stephenson	Non-executive Director

Company Secretary
Jay Stephenson

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Australian Stock Exchange
ASX Code - DRK

OPERATIONS REVIEW

SUMMARY OF ACTIVITIES

The year has seen considerable advances made on the portfolio of properties held by Drake Resources Limited (the Company or Drake) in both Australia and Sweden. Zinifex Ltd and its successor, OZ Minerals Ltd (Oz Minerals), the Manager of the joint ventures with Drake, has placed a project manager in Sweden, which has accelerated the pace of exploration on the Swedish properties. In addition, the portfolio of properties has continued to expand in both Sweden and Australia.

Highlights for the year include:

- Flying a $750,000 airborne electromagnetic survey over ten of the exploration licences in Sweden
- The establishment of a three dimensional model for the Falun copper-zinc mine in Sweden – the first time that the geological and drill hole data have been put into digital form
- The commencement of drilling at the Grönhög Project, Sweden
- Completion of a new generation of geological maps for the Sweden Projects by specialist Australian consultants
- The extension of the Drake-OZ Minerals Alliance project acquisition activities into Finland
- The optioning of the Mt Carrington gold-silver project in New South Wales to Rex Minerals Ltd
- The identification of near surface mineralisation at the Mt Palmer gold project in Western Australia

OPERATIONS REVIEW

DRAKE-OZ MINERALS BASE METAL JOINT VENTURES – SWEDEN

OZ Minerals Ltd has taken over management of the joint ventures in Sweden, and established an exploration base in the regional city of Falun. OZ Minerals Ltd now has employed a regional manager based at Falun.

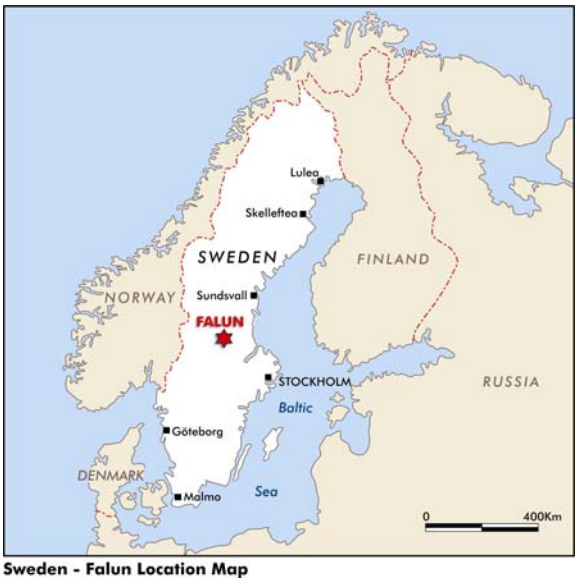
The joint ventures in Sweden occur in the major Bergslagen base metal province of central Sweden. The province contains two of the largest base metal mines in Europe, Zinkgruvan and Garpenberg, The province also contains the Falun copper-zinc-gold mine, which closed in 1992, and is now held by the Drake- OZ Minerals Joint Venture.

The Falun Project

Falun 100 covers the historic, world-class Falun copper mine which operated for over 1300 years until its closure in 1992. During the 17th and 18th centuries Falun was the world's largest copper mine, producing two-thirds of the world's copper.

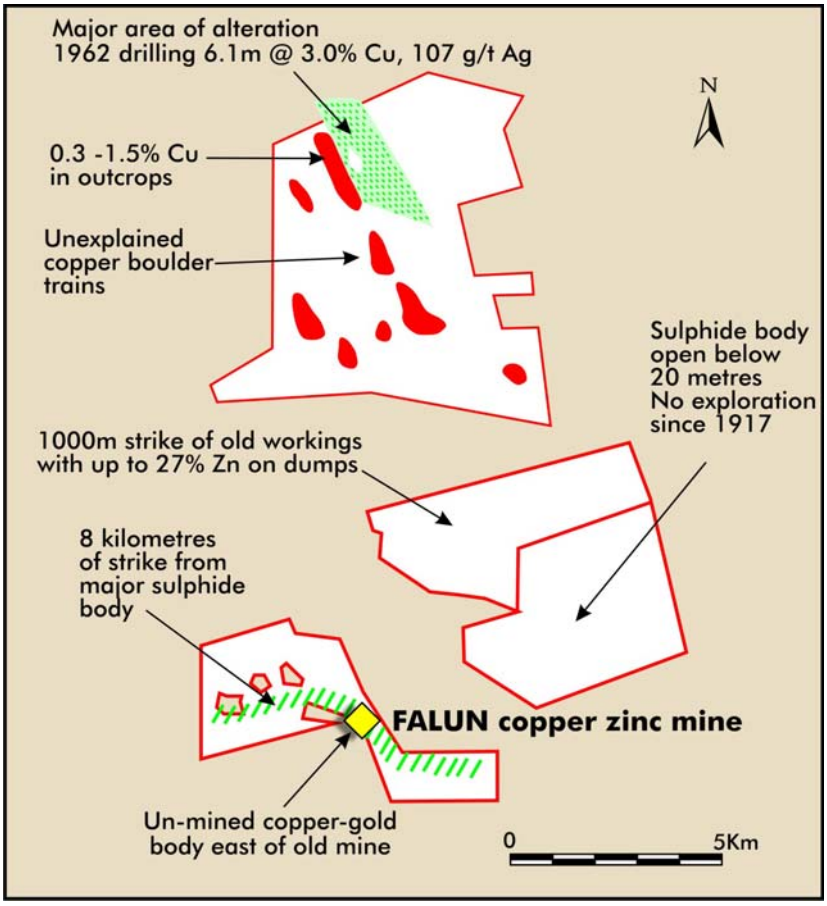
Whilst best known as a major copper producer, Falun was also Sweden's largest gold mine and the second largest silver mine.

Detailed geological mapping of the licence and surrounding area was completed in the 2007 northern summer. This fieldwork has been integrated with an overall interpretation of the area by the Drake/ OZ Minerals Ltd specialist consultants. The results of this work have been received from the consultants, and have integrated into programme for the Northern Henisphere summer.



Sweden - Falun Location Map

OPERATIONS REVIEW (Continued)



The Falun Project exploration licences and immediate targets

The Falun copper-zinc mine

Drake and OZ Minerals (the Partners) consider that copper, zinc, and gold ores remain within and around the historic Falun Mine. The Partners have put in place a programme to assess the economic potential of remaining ore and new orebodies that have yet to be identified.

The main elements of this programme include:

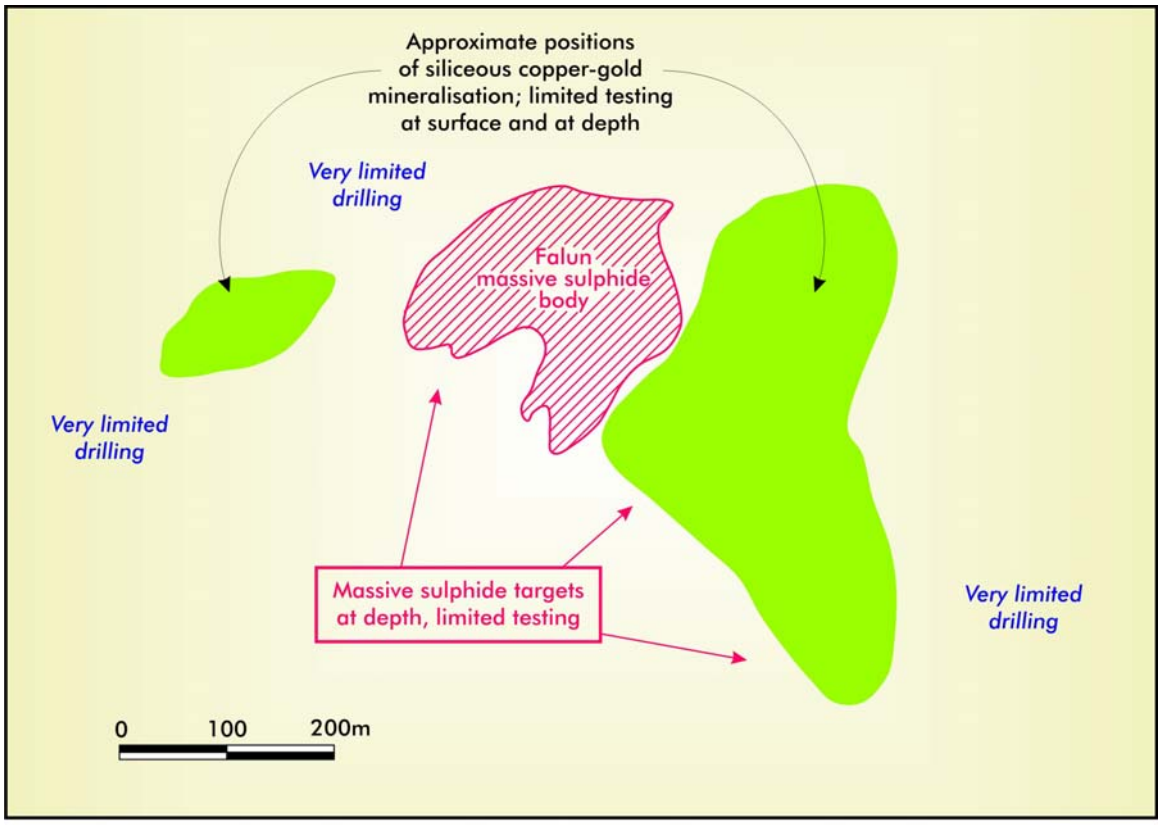
1. The acquisition of all level plans and sections through the existing mine workings; many of these plans and sections have been previously scanned and registered for use in Geographic Information Systems by the Swedish Geological Survey;
2. Digitising the drill hole logs and establishing a drill hole database for use in section plotting;
3. Locating, logging and sampling the existing drill core for the Falun mine area;
4. Building a three-dimensional model for the mine and its immediate vicinity based on the plans and drill logs.

Work on the first phase of the 3D model is nearing completion. All level plans and sections have been put into the model. The main mineralisation types and the key geological units have been linked between the sections and level plans.

All of the existing 1400 drill holes for the mine area have been digitised into a database. This is the first time that a digital drill hole database has been established for the mine. The drill holes have now been entered into the model, and give the first indications of what areas have been tested, and where mineralisation has been found, in three dimensions.

In addition the joint venture now has the capability to plot the drill holes as sections and in levels through the mine area.

OPERATIONS REVIEW (Continued)



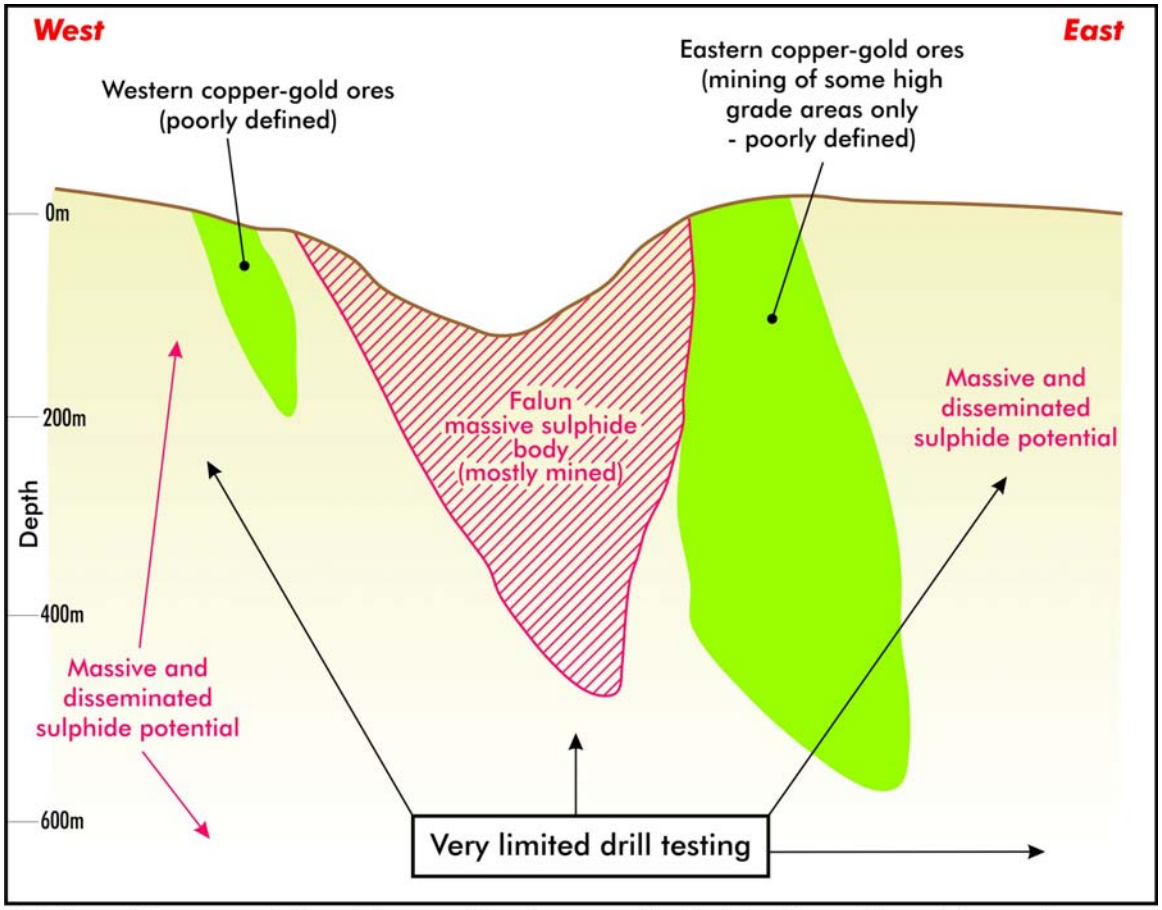
Falun Copper-Zinc Deposit - Within Mine Exploration Targets

This work is demonstrating that a large area of mineralisation exists immediately east of the previously mined Falun massive sulphide, copper-zinc-gold deposit. This mineralisation extends from surface to at least 550 metres depth. High grade, siliceous copper-gold mineralisation and gold veins have been mined within this area, but the extent and continuity of this mineralisation has yet to be determined.

Similar mineralisation occurs to the west of the massive sulphide body, but has received very limited drill testing.

Massive copper-silver and zinc-copper-lead-gold mineralisation has been identified at depth along strike from the massive sulphide lens, but again there has been limited testing of this material. The immediate prospective horizon is considered to extend for 8 kilometres through the Drake- OZ Minerals licence.

OPERATIONS REVIEW (Continued)



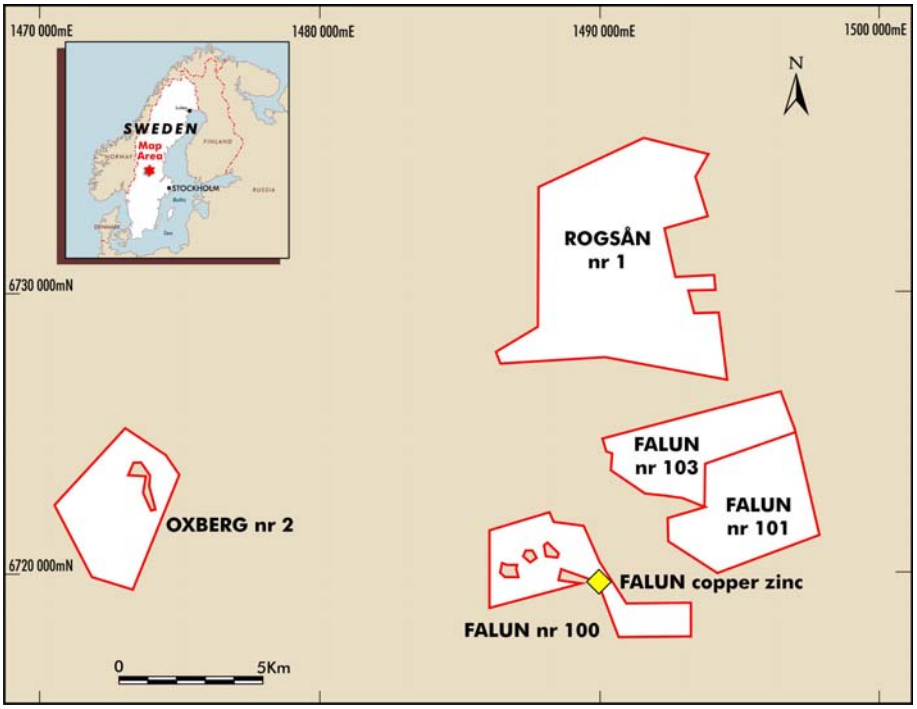
Falun Copper-Zinc Deposit - Immediate Exploration Targets

Rogsån Exploration Licence

Rogsån is part of Drake- OZ Minerals portfolio of properties around the mining centre of Falun. The licence is characterised by:

- the same prospective host-rock package as that at the nearby Falun copper mine;
- several mineral occurrences, including six historic, small copper and zinc mines;
- widespread silica-magnesia alteration of the type found at Falun;
- a large district-wide copper-zinc geochemical anomaly around Falun ;
- an extensive series of copper boulder trains which indicate significant mineralisation in the bedrock scoured out and dispersed by glaciation.

OPERATIONS REVIEW (Continued)



Location of the Rogsån licence relative to the other tenements of the Drake-OZ Minierals portfolio in the Falun Project

Drake has carried out a programme of re-assays on recently accessed drill core from a drilling programme completed 46 years ago.

The copper, silver and zinc assays show several significant mineralised intercepts, including:

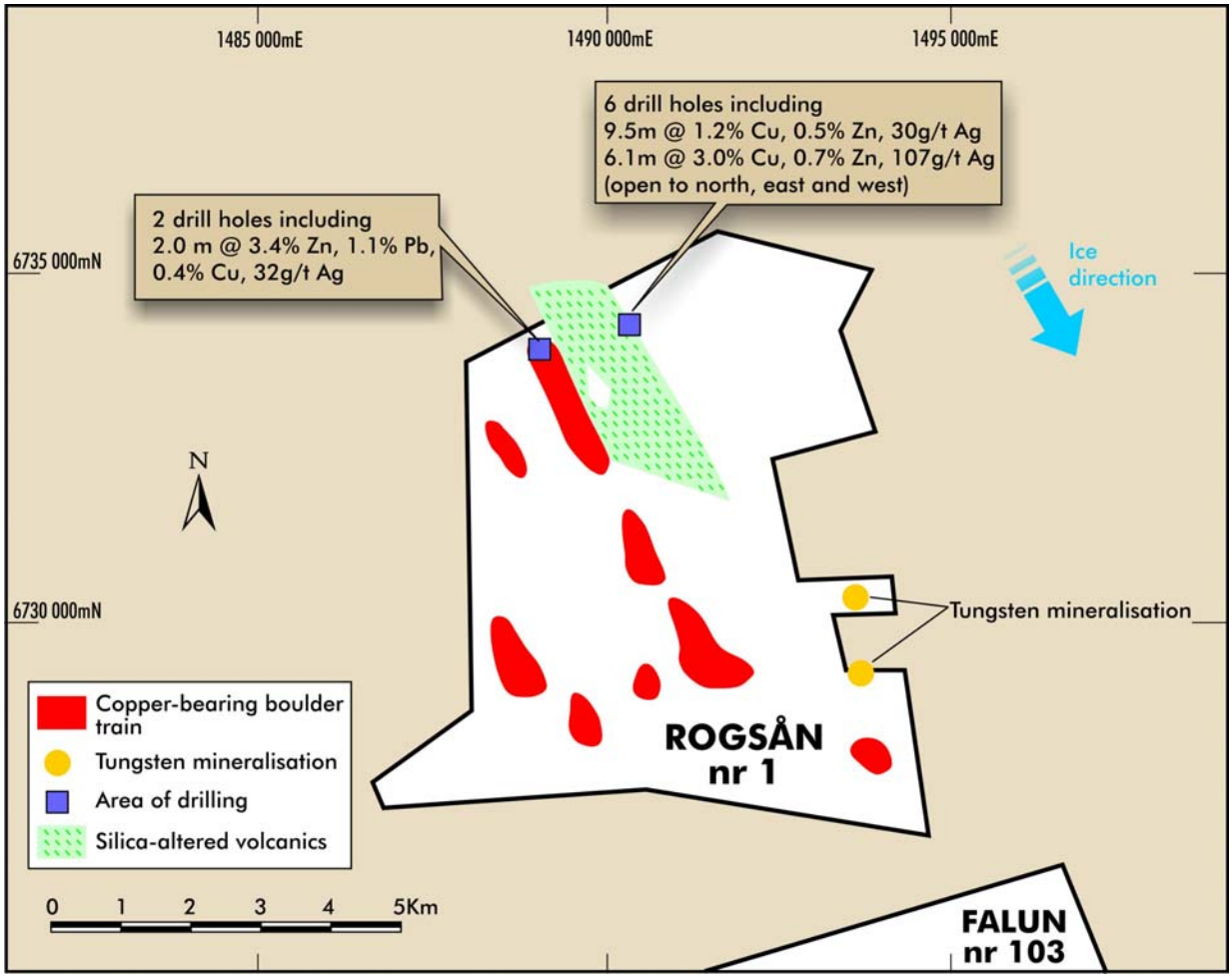
Hole No	From	Intersect	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)
Rogsån 001	21.0m	2.0m	0.4	1.1	3.4	32
Rogsån 005	20.5m	9.5m	1.2	0.1	0.5	30
Rogsån 006	6.1m	6.1m	3.0	0.3	0.7	107

Of particular interest are the assays of holes Rogsån 005 and 006, which are from a cluster of 6 holes within an area 200 metres by 130 metres. A further two of the six holes also have thin developments of copper mineralisation. The area of mineralisation is open to the east, north and west. Past drilling has only tested for shallow mineralisation, with the drill holes being between 29 and 72 metres in length.

The mineralised glacial boulder trains in the area demonstrate the potential of the area. Boulders containing between 0.5% and 3.8% copper have been found on the surface over a distance of 5 kilometres. Often referred to as a boulder train, the boulders have been transported by glacial action, and the source area is interpreted to lie within the northern part of the licence area. At this stage, it is not known whether the boulder trains are derived from a single bedrock source or multiple sources as they have only been tested by the two drill holes.

OPERATIONS REVIEW (Continued)

The property also contains the Rostberget tungsten prospect, which was explored in the 1980s.



Targets and drill hole assay results for the Rogsån licence, Sweden

Digertäkt, Sweden

The Digertäkt Prospect is a high grade base metal target covering old mine workings. The Prospect occurs within the exploration licence Falun 103, approximately five kilometres northeast of the Falun copper-zinc mine.

Digertäkt is a historic mining area, from which ore was once sent to Germany. The prospect forms a line of six shafts that extend over 1,000 metres. The continuity of mineralisation between these shafts is not known.

It appears that these pits fall on a single geological horizon, which occurs in a felsic volcanic unit similar to most of the copper-zinc ores in the region. The sulphide rocks occur with highly magnesian rocks which typifies many of the ore deposits of the district such as Falun.

OPERATIONS REVIEW (Continued)

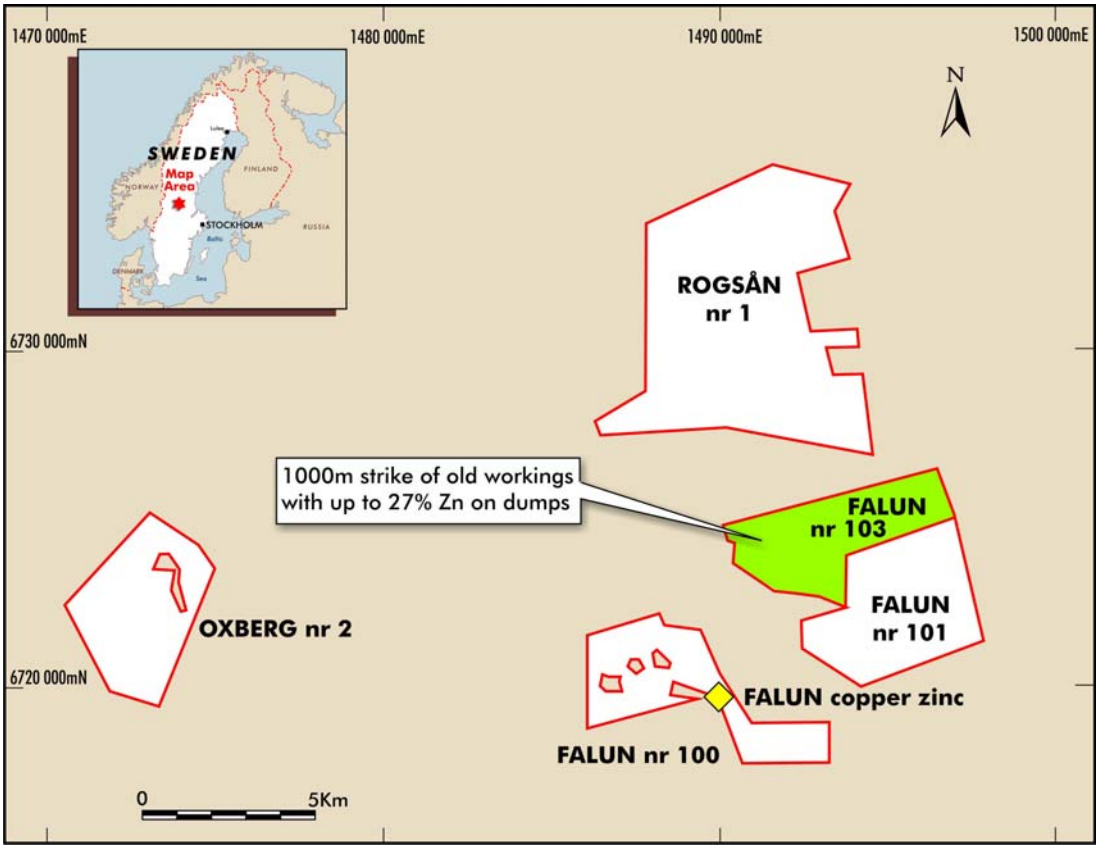
Reconnaissance exploration has been completed in the Falun No. 103 licence, which forms part of the six licences that make up Drake's Falun Project. Massive sulphide mineralisation is readily apparent in the material on the waste dumps close to the shafts. This material is particularly rich in the zinc sulphide mineral, sphalerite.

Assays of samples collected on the dumps have just been received.

Sample No.	Easting	Northing	Type	Cu %	Pb %	Zn %	Au ppm	Ag ppm
S010507	1491822	6724465	Dump	0.08	0.17	13.50	0.02	29
S010508	1491827	6724492	Dump	0.15	0.82	15.40	0.07	79
S010509	1491999	6724495	Dump	0.16	0.06	15.20	<0.01	9
S010510	1492060	6724450	Dump	0.17	14.20	16.05	0.01	65
S010511	1491970	6724484	Dump	0.34	0.16	0.90	0.25	18
S010512	1491782	6724505	Outcrop	0.02	0.02	3.21	0.02	36
S010513	1491784	6724492	Outcrop	0.05	0.02	0.05	0.01	6
S010514	1491240	6724450	Dump	0.04	<0.01	0.02	0.05	1
S010515	1491639	6724477	Dump	<0.01	0.01	0.05	<0.01	2
S010516	1491649	6724467	Dump	0.02	0.02	0.04	<0.01	1
S010517	1491744	6724490	Dump	0.05	3.84	13.50	0.23	210
S010540	1491822	6724487	Dump	0.26	0.02	13.25	0.21	11
S010541	1491833	6724489	Dump	0.05	0.21	17.35	0.03	42
S010542	1492085	6724449	Dump	0.03	<0.01	17.45	0.01	5
S010543	1492084	6724476	Dump	<0.01	0.35	27.10	0.01	35
S010544	1492074	6724457	Dump	0.01	1.44	19.85	0.02	79

These assays indicate the exceptional zinc grade of the material that was mined at Digertäkt. In addition lead (maximum 14.2%) and silver (maximum 210 ppm) are also at high grades in some samples.

OPERATIONS REVIEW (Continued)



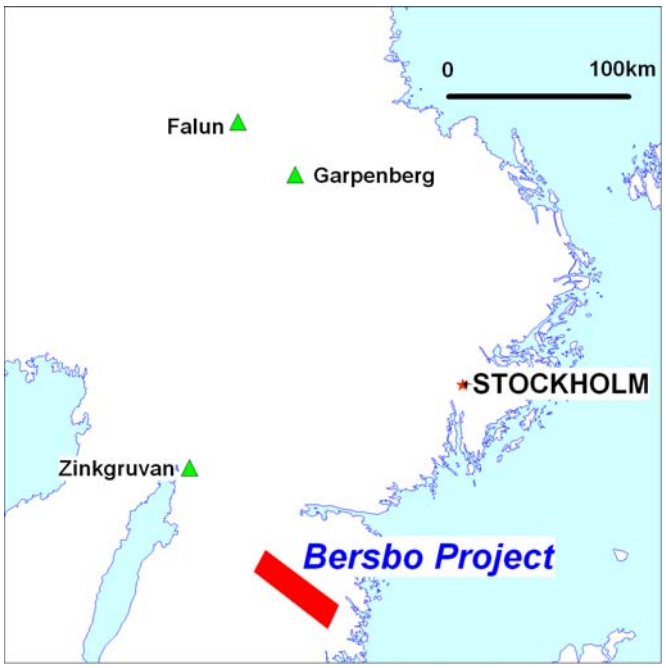
Geological reconnaissance in the till covered areas north of the workings that have been sampled has discovered mineralised boulders, suggesting that there is more than one mineralised horizon at Digertäkt.

Bersbo

The Drake-OZ Minerals Alliance now holds 240 square kilometres of the Bersbo massive sulphide belt.

The Alliance has secured what it considers to be the most prospective parts of belt containing the historic Bersbo copper mine in Sweden. Despite Bersbo being the second largest historic copper mine in the Bergslagen Province, the belt has not attracted any modern exploration, and remains effectively unexplored.

The main focus of the Alliance exploration programme at Bersbo in 2008 will be to evaluate all nine licences and applications. A detailed airborne magnetics survey, and ground mapping and sampling, were completed in the 2007 field season.



Bersbo Project area approximately 150 kilometres southwest of Stockholm; Major deposits of Bergslagen shown as green triangles

OPERATIONS REVIEW (Continued)

The programme is continuing in 2008 with the completion of an airborne electromagnetic survey in the first half of the year, further mapping and sampling, and shallow drilling to sample bedrock beneath the glacial till.

These new data will be integrated with existing data. The Alliance anticipates that a number of drill targets will be generated by this work for testing during in the northern summer.

The Grönhög Prospect

The Drake- OZ Minerals Ltd Alliance has reached agreement with Kopparberg Minerals SA (Kopparberg), a company listed on the Stockholm exchange, to earn an 80% participating interest in the Grönhög exploration licence in south-central Sweden.

The Alliance has agreed to the following terms to earn this interest in the Grönhög licence:

- A US$20,000 cash payment upon signing an agreement;
- A further expenditure of US$130,000 for exploration within the licence.

Grönhög is located within the larger Bersbo No. 2 licence, which is held by the Alliance. The licence contains the historic Grönhög base metal mine, which contained copper and zinc ore. This mine is located less than 2 kilometres southeast of the Alliance's Bersbo mine, which was historically the second largest copper producer in the Bergslagen province.

Location of the Grönhög mine and exploration licence (red), and the surrounding Drake-Zinifex exploration licences (green); the grid squares are 5 by 5 kilometres

The Grönhög base metal mineralised zone forms a shoot 50 metres long and 2-6 metres wide, plunging to a depth of 255 metres within a strongly folded sequence. The mine was essentially mined for copper; zinc held little value at the time.

A key factor in the exploration programme at Bersbo and Grönhög will be to determine how these mineralised zones are linked geologically. Gossans occur immediately along strike from the old shaft, and geology, geophysics, and shallow drilling will be used to find extensions of the prospective horizon 69 shallow holes have been drilled on the property to identify targets for deeper testing. Samples have been collected from the bedrock and the overlying glacial till.

OPERATIONS REVIEW (Continued)

Doverstorp

The Alliance has a single exploration licence that contains the historic Doverstorp Mineral Field in the Bergslagen district of Sweden. The licence is 23 square kilometres in area.

Doverstorp is located 45 kilometres southeast of Lundin Mining Corporation's Zinkgruvan zinc-lead-silver mine near Askersund, southern Sweden. Zinkgruvan has been in production continuously since 1857. It is the largest underground zinc mine in Sweden, and is amongst world's the lowest cost producers.

The Alliance has now received a detailed geological interpretation of the Doverstorp area from its consultants. The interpretation is based on the detailed airborne magnetics and geological mapping completed in 2007.

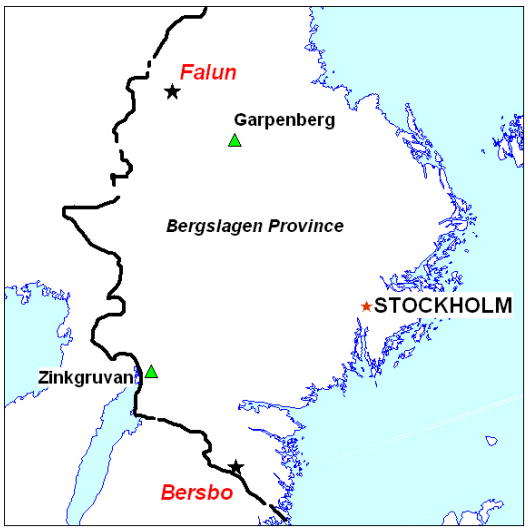
The VTEM airborne electromagnetic survey

The major, detailed airborne electromagnetics survey over ten of the Drake- OZ Minerals Ltd licence areas in Sweden has now been completed. This survey used the state-of-the-art helicopter-borne time-domain VTEM system.

The contract area was 2,983 line kilometres covering 270 square kilometres.

These licence areas cover:

- The Falun copper-zinc mine, and prospective rocks in the Falun belt;
- The prospective belt immediately north of Falun;
- The area surrounding the historic Bersbo mine.



Location of the airborne surveys at Falun and Bersbo

Airborne electromagnetic (EM) methods are a powerful group of exploration techniques used by mineral resource companies in the search for base and precious metal-bearing, massive sulphide deposits. EM techniques have been highly successful in directly identifying commercial deposits of metals on most continents.

The VTEM data are now being interpreted by the OZ Minerals geophysicist.

DRAKE-OZ MINERALS BASE METAL JOINT VENTURES – AUSTRALIA

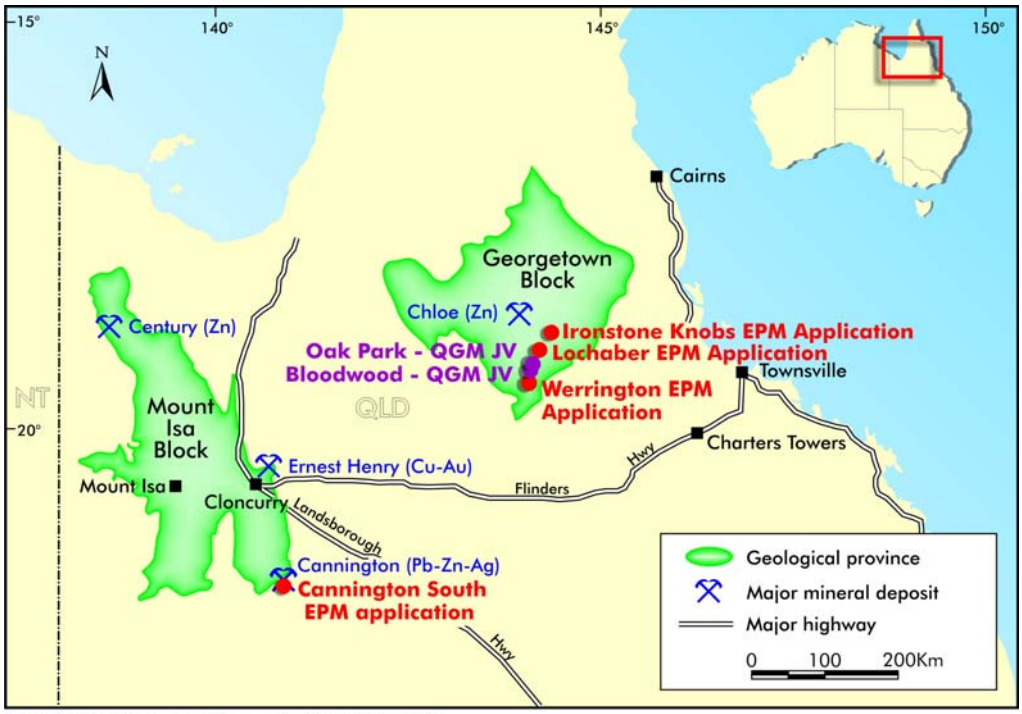
The Drake-OZ Minerals Alliance has now a total of one joint venture and five licence applications in northern Queensland. These comprise:

1. The previously announced joint venture with Queensland Gold and Minerals at Oak Park, plus three licence applications:
    a. These tenements cover 616 square kilometres of prospective stratigraphy;
2. One licence application in the Cannington area, Mt Isa district (61 square kilometres).

Drake and OZ Minerals are building a substantial land holding in the Georgetown Block. This district contains Copperstrike's emerging Chloe copper-zinc deposit and other prospects: Chloe (1.82Mt @ 5.12% Zn, 2.23% Pb, 42g/t Ag & 0.25% Cu), Einasleigh copper (0.83Mt @ 3.0% Cu, 0.13g/t Au & 14g/t Ag), the Kaiser Bill deposit (13.4Mt @ 0.83% Cu, 0.13g/t Au & 6g/t Ag).

This district is considered geologically to be the eastward extension of the Mt Isa region, and is only separated from Mt Isa by sediments of the Great Artesian Basin. Consequently Drake and OZ Minerals are searching for equivalents of the large and very profitable Cannington silver-lead-zinc deposit operated by BHP Billiton, and the presence of deposits such as Chloe are confirmation of the potential of the Georgetown district.

OPERATIONS REVIEW (Continued)



Location Plan, Drake - Zinifex Projects

DRAKE-OZ MINERALS ALLIANCE – PROJECT GENERATION

The Drake - OZ Minerals Alliance has been formed to seek out zinc exploration and development opportunities in several of the most prospective areas around the world. Drake is the Manager of the Alliance. The purpose of the Alliance is to bring together Drake's technical project generation skills in base and precious metals exploration and OZ Mineral's operational capabilities in advanced project exploration, mineral project development, and mining to generate high quality exploration and development opportunities.

Eighteen specific target proposals put forward by Drake have been accepted by OZ Minerals in Sweden and Australia, and have been acquired by the Alliance. These have become 50:50 exploration joint ventures within the Alliance, initially sole-funded by OZ Minerals. Field programmes on nine of these have commenced in the current northern summer.

Several further targets are under consideration in Australia, Sweden, and Canada and a number of areas of interest are being discussed with third parties.

Alliance-funded properties – Skommer and Ruda

Preliminary exploration of the Skommer and Ruda base metal properties in northern Sweden is funded by the Alliance. If this work is successful both properties will be considered by the Alliance to become Drake-OZ Minerals Joint Ventures.

Programmes of glacial till sampling have been completed to facilitate the assessment of the properties. The initial assay data of the till samples is encouraging, and further programmes of sampling are being carried out in this year's field season.

Finland

The Drake-OZ Minerals Alliance has commenced the evaluation of opportunities in the zinc-, copper- and nickel belts of southern and central Finland. The region is host to several current and historic base metal mines, including Outokumpu, Kotalahti, Vammala, Pyhasalmi and Vihanti.

The Alliance is in the process of a major phase of data acquisition, interpretation and initial reconnaissance.

OPERATIONS REVIEW (Continued)

DRAKE PROJECTS NOT PART OF THE OZ MINERALS ALLIANCE

Mt Carrington Silver-Gold, New South Wales

Drake has granted an option to Rex Minerals Limited (Rex) to purchase all of its interests in the Mt Carrington gold-silver project in northern NSW. These interests include Drake's option to purchase a 90% participating interest in 22 mining and related leases from Virotec International PLC (Virotec), Drake's 90% interest in EL 6273 with Cazaly Resources Ltd (Cazaly), and its 100% interests in ELs 6452 and 6453. Drake's agreement with Rex follows lengthy discussions involving all four companies with a view to restructuring the project for advanced-stage exploration and resource assessment.

Mt Carrington is an epithermal gold-silver system. The project was mined by Mt Carrington Mines Ltd in the late 1980s, and lay dormant until Drake acquired its option over the leases in 2005.

Drake completed a focussed programme of data acquisition, processing and interpretation. This was followed by detailed structural mapping, and reverse circulation drilling of targets in the gold, silver and supergene copper systems. This work confirmed the presence of a gold-silver resource and Drake concluded that a major exploration and development programme would be required to progress the project.

Mt Palmer Gold, WA

The Palmer's Find group of workings has a recorded production of 156,000 ounces of gold from 310,000 tonnes of ore mined during the period 1935 to 1949. The ore was mined predominantly from the Main and East Lodes Three future potential gold resources at Mt Palmer have been identified by previous exploration and mining:

The quartz lodes

Four zones of interest have been identified by Drake as having potential to host high grade mineralisation similar to that exploited by historic mining:

- The northern strike extension of the Main and East lodes;
- The southern strike extension of all lodes beneath a large area covered by mine tailings;
- A potential fifth shear structure to the east of the East Lode;
- Along strike of New Lode in both directions.

Work in the previous period has focused on the identification of targets for drill testing for these extensions.

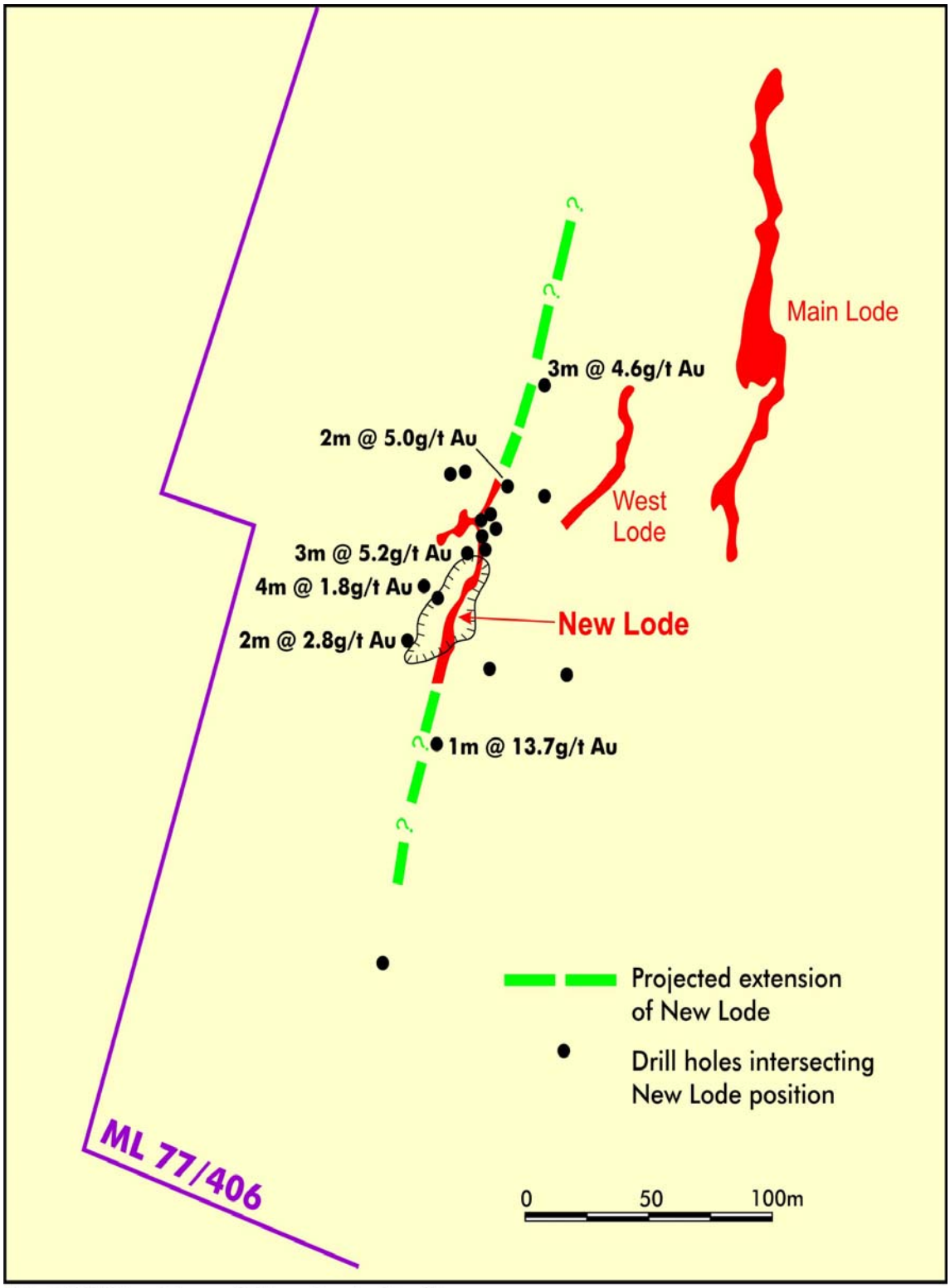
The New Lode consists of two parallel lodes some 10 metres apart, which have been interpreted to form an anticlinal fold closure close to the present day land surface. Both lodes dip to the west at approximately 80 degrees, and have a known strike length of between 15 and 40 metres. The fold is interpreted to plunge to the north.

The New Lode has been poorly tested at depth. RAB hole RAB39 passed through the mineralised position, but intersected pegmatite between 12 and 28 metres. The base of this pegmatite, at 26-27 metres, gave 0.52 g/t Au.

To the south of the pit RAB hole RAB 31 intersected 1 metre at 13.7 g/t Au, indicating that the mineralised structure continues for at least 20 metres to the south.

To the north of the New Lode pit a shallow intersection of 3 metres at 5.2 g/t Au occurs immediately north of the pit wall. The next significant intersection is in hole RC6, 40 metres north of the pit, which intersected 2 metres at 5.0 g/t Au, plus an old stope, at 22 metres depth.

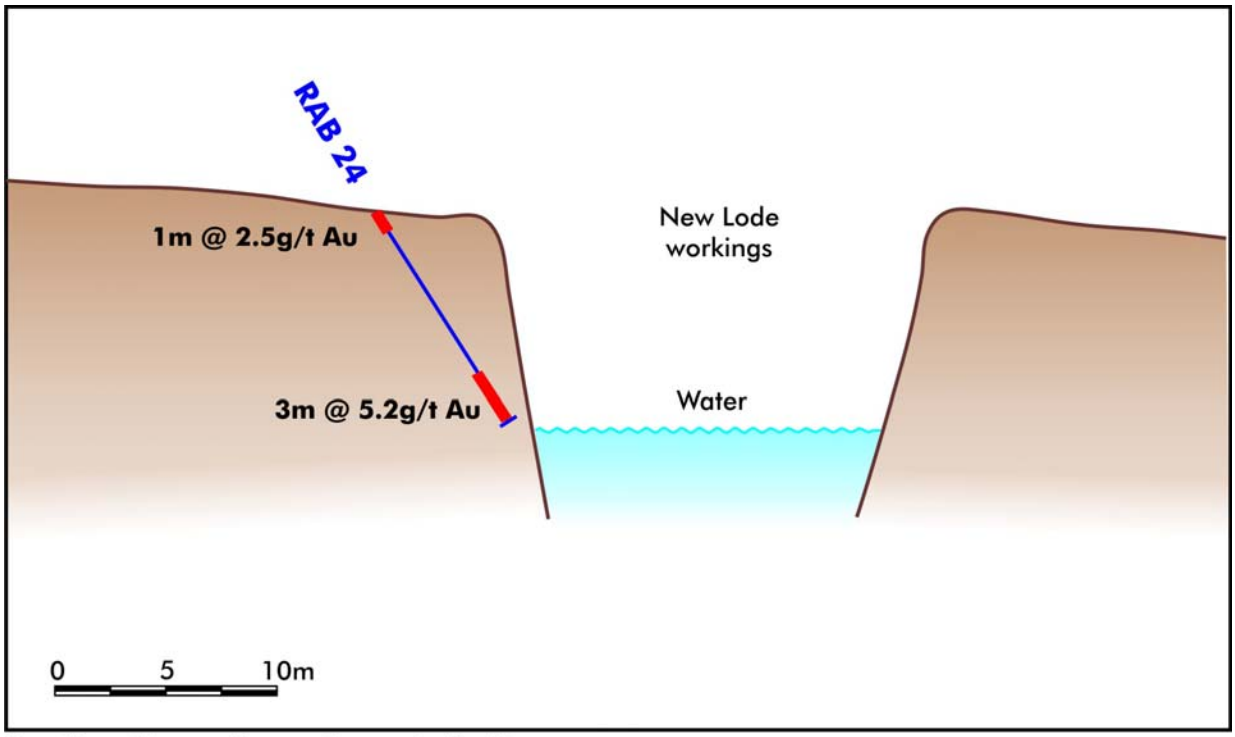
OPERATIONS REVIEW (Continued)



ML 77/406 - Plan of New Lode Position

A further 40 metres north of the pit drill hole RAB 43 intersected 3 metres at 4.6 g/t Au in the same position.

OPERATIONS REVIEW (Continued)



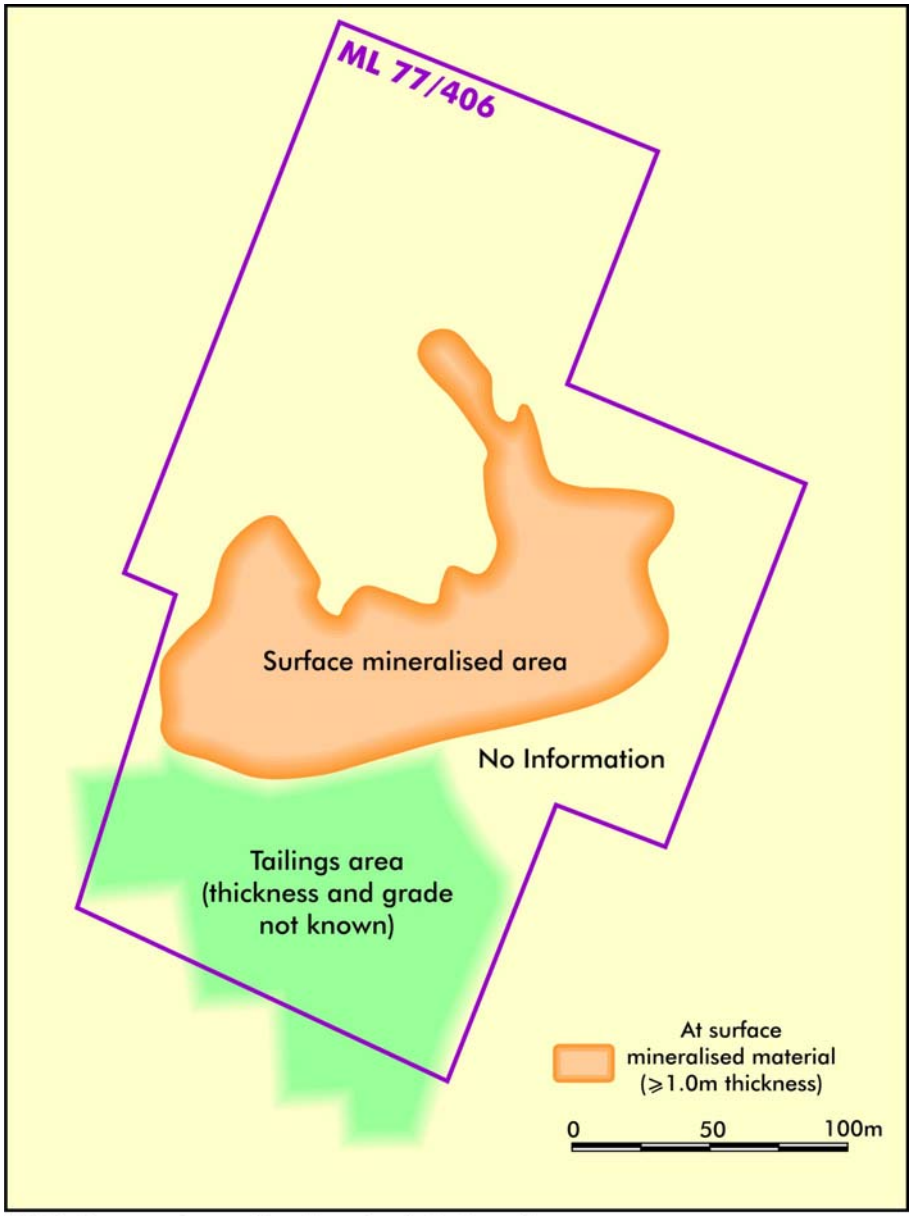
Section through north end of pit

At surface mineralised material

Several exploration groups have previously considered the potential of the gold contained in the waste dumps, and in alluvial and colluvial material around the old mine workings.

Assays of the top few metres of RAB and RC holes in the mine area have indicated that there is a substantial area containing mineralised material at surface.

OPERATIONS REVIEW (Continued)



Mt Palmer mineralised material at surface

Potential ore within the Mt Palmer mine

A reported parcel of remnant ore at Mt Palmer has encouraged Drake to assess the possibility of re-opening the Mt Palmer mine. Drake continues to hold discussions with companies interested in assessing this opportunity.

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. Dr Beeson is a Member of the Australian Institute of Geoscientists.

CORPORATE GOVERNANCE STATEMENT

As the framework of how the Board of Directors of Drake Resources Ltd ("Company") carries out its duties and obligations, the Board has considered the ten 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 Encourage enhanced performance;
9 Remunerate fairly and responsibly;
10 Recognise the legitimate interests of stakeholders.

1. Lay solid foundations for management and oversight.

Recommendation 1.1: Formalise and disclose the functions reserved to the Board and those delegates to management.

Roles and Responsibilities:

The roles and responsibilities of 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.

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.

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 three members; a Managing Director and two non-executive Directors. Refer to the Directors' Report for details of each Director's profile.

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 as the size of the board does not warrant a committee at this time. 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 backgrounds to the Board including exploration, accountancy, finance, marketing, stockbroking, and mining.

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 responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2: Disclose the policy concerning trading in Company securities by Directors, officers, and employees.

Standards

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. The Company's policy on trading in the Company securities is disclosed on the Company's website.

4. Safeguard integrity in financial reporting.

Recommendation 4.1: Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with relevant accounting standards.

Recommendation 4.2: The Board should establish an audit committee.

Recommendation 4.3: 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 4.4: The Audit Committee should have a formal charter.

Integrity of Company's Financial Condition

The Company's Financial Controller and Company Secretary report in writing to the Audit Committee 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.

Audit Committee

The Company has a formal charter for an Audit Committee, however, no Committee has been appointed to date. The Board has determined that given the size of the Board, it is efficient that all members of the Board provide an active role in 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.

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 which 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 Stock 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.

All shareholders receive a copy of the Company's annual report.

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.

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 Accountants, 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.

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.

The Board oversees the Company's risk profile. The financial position of the Company and matters of risk are considered by the Board on a daily basis. 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. Encourage enhanced performance

Recommendation 8.1: Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives.

Given the specific nature of the Company's activities, performance evaluation is an on-going process. Achievement of goals and business development and compliance issues is evaluated regularly on an informal basis.

9. Remunerate fairly and responsibly

Recommendation 9.1: Provide disclosure in relation to the Company's remuneration policies to enable investors to understand:

(i) the costs and benefits of the policies; and
(ii) the link between remuneration paid to Directors and key executives, and corporate performance.

Recommendation 9.2: The Board should establish a Remuneration Committee.

Recommendation 9.3: Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

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.

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 or have been Mr Stephenson and Mr Fraser.

Directors' Remuneration

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

10. Recognise the legitimate interests of stakeholders.

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

Besides its accountability to its shareholders, the Company has expectations from a diverse group of stakeholders. The Company's Policies and Procedures Manual outlines expectations of Directors and employees in dealing with the Company's obligations to these interested parties. It outlines responsibilities with regard to areas such as the law, the Company, the Market, Clients, ASX Listing Rules and ASX Market Rules.

Departure from Best Practice Recommendations

From 1 July 2007 to 30 June 2008, the Company complied with each of the Ten Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council.

General comment: The Company is not included in the ASX/S&P All Ordinaries Index and, as such, is excepted from certain of the recommendations regarding non-executive Directors being on the Board and Committees. Furthermore, given the small size of the Company, the criteria for inclusion of non-executive Directors makes it difficult to attract suitable candidates – criteria such as not being a Director on another company's board and low remuneration by way of Director fees. However, the Board of Directors continues to review these matters.

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2008.

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

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—Chartered Secretary (FCIS) Master of Business Administration (MBA), Certified Management Accountant (CMA), Member of the Australian Institute of Company Directors (MAICD), Fellow of the Chartered Institute of Secretaries 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 economic entity during the financial year were exploration of its tenements and search for new projects both for itself and for the Zinifex Alliance:

Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to $787,025 (2007 - $805,798).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2008.

Review of Operations

A detailed review of the Companies exploration activities is set out in the section titled "Operations Review — Exploration" in this annual report.

Financial Position

The net assets of the economic entity have increased by $183,053 from 30 June 2007 to $3,683,767 in 2008.

Significant Changes in State of Affairs

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

(a) On 26 October 2007, Drake made a placement of 3,300,000 Shares at $0.15 per share to raise $495,000. On the same day, Drake issued 10,000,000 options at $0.02 per option to raise $200,000.

(b) Drake continued its involvement with the Zinifex alliance with a number of projects becoming joint ventures as outlined in the Operations section of this Director's Report.

After Balance Date Events

There have been no after balance day events.

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	— 4,038,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,777,750 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, and non-executive director of Gage Roads Brewing Co Limited. Past non-executive director of Brainytoys Limited. No other Directorships in the past three years.

Dr Robert (Bob) 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	— 520,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 250,000 ordinary shares.
Directorships held in other listed entities	— Current Managing Director of Aura Energy Limited. No other Directorships in the past three years.

Mr Jay Stephenson	— Director (Non-Executive); Company Secretary
Qualifications	— Certified Management Accountant; Member Australian Institute of Company Directors; Master of Business Administration; Fellow of the Chartered Institute of Secretaries.
Experience	— Board member since 30 March 2004
Interest in Shares and Options	— 2,192,500 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,190,000 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. No other Directorships in the past three years.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of Drake Resources Limited and for the executives receiving the highest remuneration.

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 economic entity'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 economic entity, 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 economic entity 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 economic entity'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 economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

B. Details of Remuneration for Year Ended 30 June 2008

Details of the remuneration of the Directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of Drake Resources Limited are set out in the following tables:

The key management personnel of Drake Resources Limited include the Directors as per page 3. There are no other key management personnel as at 30 June 2008.

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses. During the year, there were no directors options issued. There were 650,000 unlisted options issued to employees and consultants under the Drake Resources Limited Incentive Option Scheme. The options were issued on 24 April 2008 and expire on 24 April 2013. The exercise price of the options is $0.30.

B. Details of Remuneration for Year Ended 30 June 2008 (audited) (continued)

Key Management Personnel of the Parent

2008

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	$	$	$	%	%
Brett Fraser	55,074	37,500	-	-	4,957	-	-	-	97,531	-	-
Robert Beeson	90,000	-	-	-	50,000	-	-	-	140,000	-	-
Jay Stephenson	33,363	37,500	-	-	3,003	-	-	-	73,866	-	-
	178,437	75,000	-	-	57,960	-	-	-	311,397	-	-

2007

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	$	$	$	%	%
Brett Fraser	55,074	37,665	-	-	4,957	-	-	-	97,696	-	-
Robert Beeson	58,333	-	-	-	80,500	-	-	-	138,833	-	-
Jay Stephenson	33,363	37,665	-	-	3,003	-	-	-	74031	-	-
	146,770	75,330	-	-	88,460	-	-	-	310,560	-	-

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.

REMUNERATION REPORT (continued)

B. Details of Remuneration for Year Ended 30 June 2008 (audited) (continued)

Key Management Personnel of the Group

The key management personnel of the Group are the same as the Parent.

C. Service Agreements

The employment conditions of the Managing Director, Robert Beeson, is formalised in a contract of employment.

The employment contract stipulates a three month resignation periods. 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. All staff and consultants of Drake are eligible to participate in the plan.

Director Options

There were no director options issued during the 2007 and 2008 or year.

REMUNERATION REPORT (continued)

E. Additional information

Details of remuneration; cash bonuses, and options

For each cash bonus and grant of options included in the tables on pages 28, the percentage of the available bonus or grant that was paid or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria, is set out below. No part of the bonuses is payable in future years. The options vest when they are issued.

Name	Cash Bonus		Options					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest	Minimum total value of grant yet to vest
Brett Fraser	-	-	2006	100	-	2006	-	-
Robert Beeson	-	-	2006	100	-	2006	-	-
Jay Stephenson	-	-	2006	100	-	2006	-	-

Company performance, shareholder wealth and directors' and executives' remuneration

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. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of directors and executives interests in options at year end, refer to note 5 of the financial statements.

Share options granted to Directors and the most highly remunerated officers

Options over unissued ordinary shares of Drake Resources Limited granted during or since the end of the financial year were issued to technical personnel only and not key management personnel.

The options were granted under the Drake Resources Incentive Option Scheme on 24 April 2008 Details of the options granted can be found in section D of the remuneration report on page 26. No options have been granted since the end of the year.

REMUNERATION REPORT (continued)

Meetings of Directors

During the financial year, 3 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			DUE DILIGENCE COMMITTEE		REMUNERATION COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Brett Fraser	3	3	-	-	-	-
Robert Beeson	3	3	-	-	-	-
Jay Stephenson	3	3	-	-	-	-

Indemnifying Officers or Auditor

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 wilful breach of duty in relation to the Company. The amount of the premium was $14,710 for all Directors.

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 2006	31 March 2011	$0.25	540,000
12 December 2006	31 December 2009	$0.25	750,000
18 January 2007	31 December 2009	$0.20	15,547,000
31 March 2007	31 March 2012	$0.25	500,000
24 October 2007	31 December 2009	$0.20	10,000,000
24 October 2007	31 December 2009	$0.20	1,650,000
24 December 2007	31 December 2009	$0.20	750,000
24 December 2007	31 December 2009	$0.20	375,000
24 April 2008	24 April 2013	$0.30	650,000
			30,762,000

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

DIRECTORS' REPORT

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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 2008 has been received and can be found on page 34 of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

JAY STEPHENSON
DIRECTOR
Dated this 30th Day of September 2008

Bentleys
Thinking ahead

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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 2008 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
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 30th day of September 2008

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
Revenue	2	86,468	34,331	86,468	34,331
Other Income	2	139,160	24,630	139,160	24,630
Cost of Sales		-	(9,043)	-	(9,043)
Registry and ASX Fees		(39,537)	(30,219)	(39,537)	(30,219)
Accounting and Audit Fees		(24,642)	(18,435)	(21,700)	(18,435)
Insurance		(27,060)	(29,994)	(27,060)	(29,994)
Legal Costs		(15,657)	(24,596)	(15,657)	(24,596)
Employee benefits expense		(377,136)	(360,856)	(377,136)	(360,856)
Rent		(24,330)	(10,611)	(24,330)	(10,611)
Depreciation		(14,435)	(10,107)	(14,435)	(10,107)
Contractors and Consultants		(271,508)	(116,938)	(271,508)	(116,938)
Public Relations and Advertising		(10,211)	(21,729)	(10,211)	(21,729)
Computers and Software		(9,781)	(13,849)	(9,781)	(13,849)
Travel and Accommodation		(48,501)	(54,652)	(48,501)	(54,652)
Exploration Expenses		-	(13,000)	-	(13,000)
Share Based Payments Expenses		(94,003)	(112,325)	(94,003)	(112,325)
Other expenses		(55,852)	(38,405)	(48,599)	(36,435)
Loss from continuing operations	3	(787,025)	(805,798)	(776,830)	(803,828)
Income tax benefit	4	-	-	-	-
Loss from continuing operations		(787,025)	(805,798)	(776,830)	(803,828)
Loss attributable to members of the parent entity		(787,025)	(805,798)	(776,830)	(803,828)
Overall Operations					
Basic earnings per share (cents per share)	7	(2.19)	(2.55)	-	-

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2008

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	8	442,141	356,666	423,834	356,666
Trade and other receivables	9	141,225	75,103	141,224	75,103
TOTAL CURRENT ASSETS		583,366	431,769	565,058	431,769
NON-CURRENT ASSETS					
Property, plant and equipment	10	22,163	32,105	22,163	32,105
Financial Assets	11	822,500	822,500	855,154	826,651
Other non-current assets	12	2,373,008	2,335,964	2,373,008	2,335,964
TOTAL NON-CURRENT ASSETS		3,217,671	3,190,569	3,250,325	3,194,720
TOTAL ASSETS		3,801,037	3,622,338	3,815,383	3,626,489
CURRENT LIABILITIES					
Trade and other payables	13	117,270	121,624	117,270	121,624
TOTAL CURRENT LIABILITIES		117,270	121,624	117,270	121,624
TOTAL LIABILITIES		117,270	121,624	117,270	121,624
NET ASSETS		3,683,767	3,500,714	3,698,113	3,504,865
EQUITY					
Issued Capital	14	4,924,505	4,252,650	4,924,505	4,252,650
Option Premium Reserve	15	692,225	394,002	692,225	394,002
Accumulated Losses		(1,932,963)	(1,145,938)	(1,918,617)	(1,141,787)
TOTAL EQUITY		3,683,767	3,500,714	3,698,113	3,504,865

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

Economic Entity	Note	$ Share Capital Ordinary	$ Accumulated Losses	$ Option Premium Reserve	$ Total
Balance at *30.06.2006*		4,022,460	(340,140)	126,352	3,808,672
Shares issued during the year		233,000	-	-	233,000
Transaction Costs		(2,810)	-	-	(2,810)
Loss attributable to members of parent entity		-	(805,798)	-	(805,798)
Share based payments reserve		-	-	267,650	267,650
Balance at *30.06.2007*		4,252,650	(1,145,938)	394,002	3,500,714
Shares issued during the year		696,630	-	-	696,630
Transaction Costs		(24,775)	-	-	(24,775)
Loss attributable to members of parent entity		-	(787,025)	-	(787,025)
Options issued during year		-	-	298,223	298,223
Balance at *30 June 2008*		4,924,505	(1,932,963)	692,225	3,683,767

Parent Entity	Note	$ Share Capital Ordinary	$ Accumulated Losses	$ Option Premium Reserve	$ Total
Balance at *30.06.2006*		4,022,460	(337,959)	126,352	3,810,853
Shares issued during the year		233,000	-	-	233,000
Transaction Costs		(2,810)	-	-	(2,810)
Loss attributable to members of parent entity		-	(803,828)	-	(803,828)
Share based payments reserve		-	-	267,650	267,650
Balance at *30.06.2007*		4,252,650	(1,141,787)	394,002	3,504,865
Shares issued during the year		696,630	-	-	696,630
Transaction Costs		(24,775)	-	-	(24,775)
Loss attributable to members of parent entity		-	(776,830)	-	(776,830)
Options issued during year		-	-	298,223	298,223
Balance at *30 June 2008*		4,924,505	(1,918,617)	692,225	3,698,113

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers		57,647	-	57,647	-
Payments to suppliers and employees		(824,692)	(721,084)	(814,497)	(719,114)
Payments from exploration and evaluation		13,956	(106,376)	13,956	(106,376)
Interest received		32,981	34,331	32,981	34,331
Net cash used in operating activities	17a	(720,108)	(793,129)	(709,913)	(791,159)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of Exploration Assets		135,000	-	135,000	-
Purchase of property, plant and equipment		(4,492)	(20,963)	(4,492)	(20,963)
Purchase of exploration assets		-	-	-	-
Purchase of investments		-	30,000	(28,502)	28,030
Net cash used in investing activities		130,508	9,037	102,006	7,067
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares net of cost		675,075	165,515	675,075	165,515
Net cash used in (provided by) financing activities		675,075	165,515	675,075	165,515
Net increase/(decrease) in cash held		85,475	(618,577)	67,168	(618,577)
Cash at 1 July 2007		356,666	975,243	356,666	975,243
Cash at 30 June 2008	8	442,141	356,666	423,834	356,666

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Drake Resources Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Drake Resources Limited as an individual parent entity ('Parent Entity'). Drake Resources Limited is a company limited by shares, incorporated and domiciled in Australia

Basis of Preparation

The financial report is a general purpose financial report that has 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. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has 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 11 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).

Investments in subsidiaries are accounted for at cost in the individual financial statements of Drake Resources Limited.

(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.
When production commences, the accumulated costs for the relevant area of interest are amortised over

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility 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 directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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.

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) Property, Plant, and Equipment

Each class of property, 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.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs, and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity 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	20%
Computers	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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 to balance date. 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 the balance sheet.

(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 compensation.

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 Balance Sheet are shown inclusive of GST.

Cash flows are presented in the Cash Flow statement 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 economic entity 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 economic entity 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.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(j) Financial Instruments

Recognition

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. Financial instruments are classified and measured as set out below.

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 using the effective interest rate method.

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 using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments

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

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 each reporting date, 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 income statement.

(l) Impairment of Assets

At each reporting date, 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 expensed to the income statement.

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.

(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 results 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 Incentive Option Scheme share-based compensation plan. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 the income statement, 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 equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

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 balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(r) Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity incurred a loss from ordinary activities of $787,025 for the year ended 30 June 2008 (2007: $805,798 loss).

The net working capital position of the consolidated entity at 30 June 2008 was $466,096 (2007: $310,145) and the net movement in cash held during the year was an increase of $85,475 (2007: a decrease of $618,577).

The ability of the Company and the consolidated entity to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital and ultimately developing or selling one of its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Directors have an appropriate plan to raise additional funds as and when it is required. In light of the consolidated entity's current exploration projects, the Directors believe that the additional capital required can be raised in the market; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Should the Company not be successful in its planned capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Company and the consolidated entity may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

course of business and at the amounts stated in the financial report.

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 Judgements – Deferred 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 balance sheet 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).

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.
The Directors have reviewed the accounts and have determined that no impairment exists at 30 June 2008.

The financial report was authorised for issue on 30 September 2008 by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Economic Entity		Parent Entity	
		2008	2007	2008	2007
NOTE 2: REVENUE		$	$	$	$
Revenue					
— Management fees		53,487	-	53,487	-
— Interest received		32,981	34,331	32,981	34,331
Total Revenue		86,468	34,331	86,486	34,331
Other Income					
— Gain on Disposal of Tenements		135,000	18,550	135,000	18,550
— Profit on sale of Shares		-	6,080	-	6,080
— Equipment charge-backs		4,160	-	4,160	-
Total Other Income		139,160	24,630	139,160	24,630

NOTE 3: LOSS FOR THE YEAR

(a) Expenses				
Cost of Sales	-	9,043	-	9,043
Exploration Expenses	65,871	-	65,871	-
Depreciation of non-current assets:				
— plant and equipment	14,435	10,107	14,435	7,509
Rental expense	24,330	10,611	24,330	10,611
(b) Significant Revenues and Expenses				
The following significant revenue and expense items are relevant in explaining the financial performance:				
Sale of Tenements	135,000	18,550	135,000	18,550
Superannuation Expense	63,320	119,025	63,320	119,025

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Economic Entity		Parent Entity	
NOTE 4: INCOME TAX		**2008**	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
(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)	(257,302)	(85,625)	(257,302)	(85,625)
- Increase in deferred tax liabilities	4(d)	257,302	85,625	257,302	85,625
		-	-	-	-
(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%		(236,108)	(241,739)	(233,049)	(241,739)
Add / (Less)					
Tax effect of:					
Deferred tax asset not brought to account		236,108	241,739	233,049	241,739
Income tax attributable to operating loss		-	-	-	-
The applicable weighted average effective tax rates are as follows:		nil%	nil%	nil%	nil%
Balance of franking account at year end		nil	nil	nil	nil
(c) **Deferred tax assets**					
Tax Losses		177,369	-	177,369	-
Provisions		2,100	18,916	2,100	18,916
Other		77,833	66,709	77,833	66,709
		257,302	85,625	257,302	85,625
Set-off deferred tax liabilities	4(d)	(257,302)	(85,625)	(257,302)	(85,625)
Net deferred tax assets		-	-	-	-

	Note	Economic Entity		Parent Entity	
NOTE 4: INCOME TAX		**2008**	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
(d) **Deferred tax liabilities**					
Exploration expenditure		257,302	85,625	257,302	85,625
		257,302	85,625	257,302	85,625
Set-off deferred tax assets	4(d)	(257,302)	(85,625)	(257,302)	(85,625)
Net deferred tax liabilities		-	-	-	-
(e) Deferred Tax Assets					
Unused tax losses for which no deferred tax asset has been recognised		540,816	424,111	509,556	424,111
Other		-	11,616	-	11,616

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2008 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of Economic and Parent Entity key management personnel in office at any time during the financial year:

Key Management Personnel

Directors

Brett Fraser	Chairman — Non-Executive
Robert Beeson	Managing Director
Jay Stephenson	Director — Non-Executive and Chief Financial Officer

All of the above persons were also key management persons during the year ended 30 June 2008.

(b) Key management personnel compensation

The Company has transferred the detailed remuneration disclosures to the Director's Report in accordance with the Corporations Amendment Regulations 2006 (No 4). The relevant information can be found in section B of the Remuneration Report on page 28.

(c) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the Remuneration Report on page 29.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Drake Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2008	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Drake Resources Limited						
Brett Fraser	3,980,250	-	-	(1,452,500)	2,527,750	2,527,750
Robert Beeson	1,500,000	-	-	(500,000)	1,000,000	1,000,000
Jay Stephenson	2,292,500	-	-	(300,500)	1,992,000	1,992,000

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

2007	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Drake Resources Limited						
Brett Fraser	2,250,000	-	-	1,730,250	3,980,250	3,980,250
Robert Beeson	1,250,000	-	-	250,000	1,500,000	1,500,000
Jay Stephenson	1,250,000	-	-	1,042,500	2,292,500	2,292,500

Other Changes during the year relate to options purchased as part of the Company Entitlement Issue and on –market.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(iii) Shareholdings

The numbers of shares in the Company held during the financial year by each Director of Drake Resources Limited and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

2008	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
Directors					
Ordinary Shares					
Brett Fraser	3,563,000	-	-	375,000	3,938,000
Robert Beeson	500,000	-	-	-	500,000
Jay Stephenson	2,167,500	-	-	25,000	2,192,500
Total	6,230,500	-	-	400,000	6,525,500

Other Changes during year relate to Shares purchased on market and sold on market

The numbers of shares in the Company held during the financial year by each Director of Drake Resources Limited and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

2007	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
Directors					
Ordinary Shares					
Brett Fraser	2,754,000	-	-	809,000	3,563,000
Robert Beeson	500,000	-	-	-	500,000
Jay Stephenson	2,085,000	-	-	82,500	2,167,500
Total	5,339,000	-	-	891,500	6,230,500

Other Changes during year relate to Shares purchased on market

(e) Loans to key management personnel

There are no loans made to key management personnel at 30 June 2008.

(f) Other transactions with key management personnel

Mr Fraser, a non-executive Director of Drake Resources Limited, is a Director and Joint Shareholder with Mr Stephenson of Wolfstar Company Pty Ltd. Mr Stephenson provides Company Secretarial and Chief Financial Officer duties to Drake Resources Limited.

Aggregate amounts of each of the above types of other transactions with key management personnel of Drake Resources Limited.

	2008	**2007**
	$	**$**
Amounts recognised as expense		
Company Secretarial and Corporate Advisory Fees	75,000	75,330

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 6: AUDITORS' REMUNERATION

	Economic Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	$	$	$
Remuneration of the auditor of the parent entity for:				
— Auditing or reviewing the financial reports	19,800	15,000	19,800	15,000
	19,800	15,000	19,800	15,000

NOTE 7: EARNINGS PER SHARE

		Economic Entity	
		2008	**2007**
		$	$
(a)	Reconciliation of earnings to net profit or loss		
	Loss	(787,025)	(805,799)
	Earnings used in the calculation of basic EPS	(787,025)	(805,799)
(b)	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	35,523,830	31,598,493

Dilutive earnings per share have not been disclosed as the entity does not have on issue any potential ordinary shares which are dilutive.

NOTE 8: CASH AND CASH EQUIVALENTS

	Note	Economic Entity		Parent Entity	
		2008	**2007**	**2008**	**2007**
		$	$	$	$
Cash at bank		442,141	356,666	423,834	356,666
Reconciliation of Cash					
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:					
Cash and cash equivalents		442,141	356,666	423,834	356,666

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 9: TRADE AND OTHER RECEIVABLES

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
CURRENT				
Other Receivables	112,182	51,345	112,182	51,345
GST Receivable	29,043	23,758	29,043	23,758
	141,225	75,103	141,225	75,103

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

PLANT AND EQUIPMENT				
Plant and equipment				
At cost	55,517	51,024	55,517	51,024
Accumulated depreciation	(33,354)	(18,919)	(33,354)	(18,919)
Total Property, Plant and Equipment	22,163	32,105	22,163	32,105

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and Equipment	Total
	$	$
Economic Entity:		
Balance at the beginning of year	32,105	32,105
Additions	4,493	4,493
Disposals	-	-
Depreciation expense	(14,435)	(14,435)
Carrying amount at the end of year	22,163	22,163
Parent Entity:		
Balance at the beginning of year	32,105	32,105
Additions	4,493	4,493
Disposals	-	-
Depreciation expense	(14,435)	(14,435)
Carrying amount at the end of year	22,163	22,163

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Economic Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	$	$	$
NOTE 11: FINANCIAL ASSETS				
NON-CURRENT				
Shares in controlled entities at cost	1	1	18,308	1
Loan to subsidiaries	-	-	14,347	-
Securities in ASX listed entities	822,499	822,499	822,499	826,650
Net carrying value	822,500	822,500	855,154	826,651

			Percentage Owned %	
(a) Controlled Entities	Country of Incorporation	Class of Shares	2008	2007
Drake Resources UK Limited	UK	Ordinary	100	100
Drake Resources Sweden AB	Sweden	Ordinary	100	0

NOTE 12: OTHER ASSETS				
NON-CURRENT				
Exploration and evaluation phases at cost	3,538,405	2,626,871	3,538,405	2,626,871
Exploration and evaluation phases contributions from alliance partner	(1,166,597)	(292,107)	(1,166,597)	(292,107)
Other	1,200	1,200	1,200	1,200
Net carrying value	2,373,008	2,335,964	2,373,008	2,335,964

The value of Company interest in exploration expenditure is dependent upon the:

- the continuance of the economic entity'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 economic entity'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.

The economic entity has sold an option over its Mt Carrington Project. If the Option is exercised, Mt Carrington will be sold and the carrying value of the project will become a cost of the sale.

The economic entity currently has an alliance with Oz Minerals Limited whereby exploration costs are funded by Oz Minerals. The alliance allows Drake to explore for base metal advanced exploration projects in Australian, Scandanavia and Canada. If the alliance is successful in acquiring a project, the project becomes a joint venture between Oz Minerals and Drake Resources. Drake's interest is then reduced to 30% by way of Oz Mineral exploration expenditure on the Joint Venture. Drake may then elect to fund the project to maintain its 30% or reduce its position to 10% or a 1.5% Net Smelter Royalty.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 13: TRADE AND OTHER PAYABLES		**Economic Entity**		**Parent Entity**	
		2008	**2007**	**2008**	**2007**
CURRENT – unsecured liabilities					
Trade payables		110,270	58,572	110,270	58,572
Accrued Expenses		7,000	63,052	7,000	63,052
		117,270	121,624	117,270	121,624
NOTE 14: ISSUED CAPITAL					
36,903,000 Fully paid ordinary shares	14a	4,924,505	4,252,650	4,924,505	4,252,650
		4,924,505	4,252,650	4,924,505	4,252,650

The Company has issued share capital amounting to 36,903,000 ordinary shares at no par value.

(a) Ordinary shares				
At the beginning of the reporting period	4,252,650	4,022,460	4,252,650	4,022,460
Shares issued during the year				
— 250,000 issued on 23 February 2007	-	50,000	-	50,000
— 1,000,000 issued on 31 March 2007	-	170,000	-	170,000
— 50,000 issued on 2 April 2007		13,000	-	13,000
— 300,000 issued on 1 July 2007	51,000	-	51,000	-
— 3,000 options exercised on 8 October 2007	630	-	630	-
— 3,300,000 issued on 26 October 2007	495,000	-	495,000	-
— 750,000 issued on 24 December 2007	150,000	-	150,000	-
Transaction costs relating to share issues	(24,775)	(2,810)	(24,775)	(2,810)
At reporting date	4,924,505	4,252,650	4,924,505	4,252,650

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	No.	No.	No.	No.
At the beginning of the reporting period	32,550,000	31,250,000	32,550,000	31,250,000
Shares issued during the year				
— 250,000 issued on 23 February 2007	-	250,000	-	250,000
— 1,000,000 issued on 31 March 2007	-	1,000,000	-	1,000,000
— 50,000 issued on 2 April 2007	-	50,000	-	50,000
— 300,000 issued on 1 July 2007	300,000	-	300,000	-
— 3,000 options exercised on 8 October 2007	3,000	-	3,000	-
— 3,300,000 issued on 26 October 2007	3,300,000	-	3,300,000	-
— 750,000 issued on 24 December 2007	750,000	-	750,000	-
At reporting date	36,903,000	32,550,000	36,903,000	32,550,000

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) Incentive share scheme

For information relating to the Drake Resources Limited Incentive Option Scheme, including details of options issued during the financial year, refer to Note 18.

(c) Capital Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to 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 programmes 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 and the parent entity at 30 June 2008 and 30 June 2007 are as follows:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Cash and cash equivalents	442,141	356,666	423,834	356,666
Trade and other receivables	141,225	75,103	141,224	75,103
Financial assets at fair value through profit or loss				
Trade and other payables	(117,270)	(121,624)	(117,270)	(121,624)
Working capital position	466,096	310,145	447,788	310,145

NOTE 15: OPTION PREMIUM RESERVE

The Share based payments records items recognised as expenses on valuations of employee and consultant share options.

NOTE 16: SEGMENT REPORTING

Primary Reporting — Geographical Segments	Australia	Sweden	Total
	$	$	$
REVENUE			
External sales	135,000	57,647	192,647
Other segments			-
Total sales revenue	135,000	57,647	192,647
Unallocated revenue	32,981		32,981
Total revenue	167,981	57,647	225,628
RESULT			
Segment result	(844,672)	57,647	(787,025)
Unallocated expenses net of unallocated revenue	-	-	-
Finance costs	-	-	-
Share of net profits of associates and joint venture entities	-	-	-
Profit before income tax	(844,672)	57,647	(787,025)
Income tax expense			-
Profit after income tax	(844,672)	57,647	(787,025)
ASSETS			
Segment assets	3,912,143	1,055,490	4,967,633
Contribution from Alliance & JV partners	(111,106)	(1,055,490)	(1,166,596)
Unallocated assets	-	-	-
Total assets	3,801,037	-	3,801,037
LIABILITIES			
Segment liabilities	117,270	-	117,270
Unallocated liabilities	-	-	-
Total liabilities	117,270	-	117,270
OTHER			
Investments accounted for using the equity method	-	-	-
Acquisitions of non-current segment assets	-	-	-
Depreciation and amortisation of segment assets	14,435	-	-
Other non-cash segment expenses	94,003	-	-

Secondary Reporting – Secondary Reporting is as per Primary Reporting.

NOTE 17: CASH FLOW INFORMATION	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
(Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit/Loss after income tax	(787,025)	(805,799)	(776,830)	(803,829)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit from ordinary activities				
Depreciation	14,435	10,107	14,435	10,107
Share based payments	244,003	112,325	244,003	112,325
Sale of Option in Mt Carrington included in Profit, but an investing cash flow item	(135,000)	-	(135,000)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in other assets	13,956	-	13,956	-
(Increase)/decrease in receivables	(66,123)	(48,100)	(66,123)	(48,100)
Increase/(decrease) in payables	(15,500)	78,502	(15,500)	78,502
(Increase)/decrease in payables for exploration assets		(106,376)		(106,376)
Increase/(decrease) in provisions	11,146	(33,788)	11,146	(33,788)
Cash flow from operations	(720,108)	(793,129)	(709,913)	(791,159)

Credit Standby Facilities

The Company currently has no standby credit facilities as at 30 June 2008.

Non-Cash investing and financing activities

During the current financial year, 300,000 shares were issued at $0.17 each as consideration for the acquisition of a gold exploration tenements in Western Australia and 750,000 shares were issued at $0.20 each as consideration for corporate work to a key consultant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 18: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2008.

On 31 March 2006, under the Drake Resources Limited Incentive Option Scheme, 540,000 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 2011. 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 12 December 2006, the Company issued 1,000,000 options to key consultants to take up ordinary shares at an exercise price of $0.20 each. The options are exercisable on or before 31 July 2008. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

On 12 December 2006, the Company issued 750,000 options to key consultants to take up ordinary shares at an exercise price of $0.25 each. The options are exercisable on or before 31 December 2009. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

On 31 March 2007, under the Drake Resources Limited Incentive Option Scheme, 500,000 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 December 2007, the Company issued 1,125,000 options to key consultants to take up ordinary shares at an exercise price of $0.20 each. The options are exercisable on or before 31 December 2009. The options hold no voting or dividend rights and are not transferable. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Economic Entity				Parent Entity			
	2008		2007		2008		2007	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	9,540,000	$0.2566	6,290,000	$0.268	9,540,000	$0.2566	6,290,000	$0.268
Granted	1,775,000	$0.2366	3,250,000	$0.2346	1,775,000	$0.2366	3,250,000	$0.2346
Forfeited	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	(4,500,000)	$0.2500	-	-	(4,500,000)	$0.2500	-	-
Outstanding at year-end	6,815,000	$0.2557	9,540,000	$0.2566	6,815,000	$0.2557	9,540,000	$0.2566
Exercisable at year-end	6,815,000	$0.2557	9,540,000	$0.2566	6,815,000	$0.2557	9,540,000	$0.2566

The options outstanding at 30 June 2008 had a weighted average exercise price of $0.2557 and a remaining weighted average contractual life of 0.7245 years.

The weighted average fair value of the options granted during the year was $0.0530. This price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted Average Exercise Price	$0.2366
Weighted Average Life of the Option	2.7181 years
Underlying share price	$0.197
Expected share price volatility	50.00%
Risk free interest rate	6.25%

NOTE 19: EVENTS SUBSEQUENT TO REPORTING DATE

There were no events subsequent to reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 20: RELATED PARTY TRANSACTIONS	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Loans to Subsidiaries			14,347	-
Transactions with Key Management Personnel:				
Jay Stephenson				
Drake Resources Limited rents office space from Jay Stephenson	9,600	7,288	9,600	7,288
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	75,000	75,330	75,000	75,330

NOTE 21: Capital Commitments

	2008	2007	2008	2007
	$	$	$	$
Capital expenditure commitments:				
Capital expenditure commitments contracted for:				
Exploration tenement minimum expenditure requirements	589,000	590,804	589,000	590,804
Payable:				
- not later than 12 months	72,000	295,910	72,000	295,910
- between 12 months and 5 years	434,000	294,894	434,000	294,894
- greater than 5 years	83,000	-	83,000	-
	589,000	590,804	589,000	590,804

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 22: FINANCIAL INSTRUMENTS

a. **Financial Risk Management Policies**

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts payable, loans to and from subsidiaries, bills and leases.

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.

i. Treasury Risk Management

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.

ii. Financial Risks

The main risks the Group is exposed to through its financial instruments are, foreign currency risk, liquidity risk, and credit risk.

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency.

Credit risk

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 balance sheet and notes to the financial statements.

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

b. **Financial Instruments**

i. Derivative Financial Instruments

The economic entity had no derivative financial instruments at 30 June 2008

ii. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 22: FINANCIAL INSTRUMENTS

2008	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Fixed Interest maturing over 1 to 5 years	Non-interest bearing	2008 total
	$	$	$	$	$
Financial assets					
Cash Assets	442,141	-	-	-	442,141
Receivables	-	-	-	141,225	141,225
Other financial assets	-	-	-	822,500	822,500
	442,141	-	-	963,725	1,405,866
Weighted average Interest rate	5.95%				
Financial Liabilities					
Payables	-	-	-	117,270	117,270
	-	-	-	117,270	117,270
Weighted average interest rate	5.95%				
Net financial assets	442,141	-	-	846,455	1,288,596

2007	Floating Interest Rate	Fixed Interest maturing in 1 year or less	Fixed Interest maturing over 1 to 5 years	Non-interest bearing	2007 total
	$	$	$	$	$
Financial assets					
Cash Assets	356,666	-	-	-	356,666
Receivables	-	-	-	75,103	75,103
Other financial assets				822,500	822,500
	356,666	-	-	897,603	1,254,269
Weighted average Interest rate	4.35%				
Financial Liabilities					
Payables	-	-	-	121,624	121,624
	-	-	-	121,624	121,624
Weighted average interest rate	4.35%				
Net financial assets	356,666	-	-	775,979	1,132,645

iii. Net Fair Values

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

— Other assets and other liabilities approximate their carrying value.
— Trade and other payables are expected to be paid within six months.

Fair values are materially in line with carrying values. A discount rate of 0% (2007: 0%) has been applied to all non-current borrowings to determine fair value.

iv. **Sensitivity Analysis**

Interest Rate Risk, Foreign Currency Risk and Price Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk, at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
Change in profit				
— Increase in interest rate by 1%	**5,543**	**7,892**	**5,543**	**7,892**
— Decrease in interest rate by 1%	**(5,543)**	**(7,892)**	**(5,543)**	**(7,892)**
Change in Equity				
— Increase in interest rate by 1%	**5,543**	**7,892**	**5,543**	**7,892**
— Decrease in interest rate by 1%	**(5,543)**	**(7,892)**	**(5,543)**	**(7,892)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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

	2008		2007	
	Carrying Amount $	**Net Fair Value $**	**Carrying Amount $**	**Net Fair Value $**
Financial Assets				
Loans and receivables	141,225	141,225	75,103	75,103
Available for sale – financial assets	822,500	1,057,500	822,500	1,057,500
	963,725	1,198,725	879,603	1,198,725
Financial Liabilities				
Other liabilities	117,270	117,270	121,624	121,624
	117,270	117,270	121,624	121,624

NOTE 23: CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Mineral			
	AASB 102	Inventories			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all	1.1.2009	1.7.2009

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
	AASB 101 Presentation of Financial Statements AASB 107 Cash Flow Statements AASB 111 Construction Contracts AASB 116 Property, Plant and Equipment AASB 138 Intangible Assets	borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.		
AASB 123 Borrowing Costs	AASB 123 Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101 Presentation of Financial Statements	As above	1.1.2009	1.7.2009

NOTE 24: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2008. (2007: none)

NOTE 25: COMPANY DETAILS

The principal and registered office of the Company is:

Drake Resources Ltd
6/34 York Street
NORTH PERTH WA 6006

DIRECTORS' DECLARATION

THE DIRECTORS OF THE COMPANY DECLARE THAT:

1 The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, and accompanying notes are in accordance with the *Corporations Act 2001* and:

(a) Comply with Accounting Standards and the Corporations Regulations 2001; and

(b) Give a true and fair view of the financial position as at 30 June 2008, and of the performance for the year ended on that date of the Company and consolidated entities.

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 section 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 and is signed for and on behalf of the directors by:

DIRECTOR

JAY STEPHENSON

Dated 30th September 2008, Perth WA.

Bentleys
Thinking ahead

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Independent Audit Report

To the Members of Drake Resources Limited

We have audited the accompanying financial report of Drake Resources Limited (the company) and Drake Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of 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.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 27 to 30 of the directors' report and not in the financial report.

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 (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

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 and the remuneration disclosures in the directors' 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 and Drake Resources Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1

c. the remuneration disclosures that are contained in pages 27 to 30 of the directors' report comply with Accounting Standard AASB 124.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1(r) Going Concern to the financial report, uncertainty exists whether Drake Resources Limited will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The ability of the Company and the consolidated entity to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital and ultimately developing or selling one of its mineral properties.

Should the Company not be successful in its planned capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Company and the consolidated entity may be unable to continue as a going concern.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 30th day of September 2008

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 18 September 2008

(a) Distribution of Shareholders To be updated

Category (size of holding)	Number Ordinary
1 – 1,000	17
1,001 – 5,000	52
5,001 – 10,000	111
10,001 – 100,000	168
100,001 – and over	60
	408

(b) The number of shareholdings held in less than marketable parcels is 74.

(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 18 September 2008.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Pinewood Asset Pty Ltd	3,120,500	8.46
2.	RBC Dexia Investor Services Australia Nominees Pty Ltd	2,785,277	7.55
3.	Bill Brooks Pty Ltd	1,952,403	5.29
4.	Almamater Pty Ltd	1,840,000	4.99
5.	Hawthorn Park Investments Pty Ltd	1,100,000	2.98
6.	Robert John Hugall & Riccada Martina Hugall	1,000,000	2.71
7.	Mun Siong Yeo	1,000,000	2.71
8.	William Paul Brooks	855,000	2.32
9.	Siong Mun Yeo	800,000	2.17
10.	Ling Yih Hoon	700,000	1.90
11.	Tyler Street Holdings Pty Ltd	700,000	1.90
12.	Taycol Nominees Pty Ltd	635,000	1.72
13.	Felix Ocampo	524,518	1.42
14.	Avoday Technology Pty Ltd	502,075	1.36
15.	Pacific Capital Securities Pty Ltd	500,088	1.36
16.	Robert Beeson	500,000	1.35
17.	Classy Investments Pty Ltd	500,000	1.35
18.	Chee Kean Loo	500,000	1.35
19.	Frank Hong	452,336	1.23
20.	Rita Marian Brooks & William Tobias Brooks	424,832	1.15
		20,392,029	55.27

(e) 20 Largest Option Holders as at 18 September 2008.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	RBC Dexia Investor Services Australia Nominees Pty Ltd	4,436,500	16.31
2.	Taycol Nominees Pty Ltd	1,097,500	4.04
3.	Almamater Pty Ltd	975,000	3.58
4.	AMH Custodian Pty Ltd	900,000	3.31
5.	Pinewood Asset Pty Ltd	875,000	3.22
6.	Gary Cuthbertson	619,283	2.28
7.	Hawthorne Park Investments Pty Ltd	600,000	2.21
8.	Pinewood Asset Pty Ltd	500,250	1.84
9.	Robert John Hughall & Riccarda Martina Hugall	500,000	1.84
10.	Michael Andrew Whiting & Tracey Anne Whiting	500,000	1.84
11.	Mun Siong Yeo	500,000	1.84
12.	Souness Consulting Pty Ltd	489,667	1.80
13.	Bill Brooks Pty Ltd	486,159	1.79
14.	William Paul Brooks	450,000	1.65
15.	Kathleen Mary Eddington	448,333	1.65
16.	Taipan Investment Management Pty Ltd	400,000	1.47
17.	Siong Mun Yeo	400,000	1.47
18.	Ling Yih Hoon	350,000	1.29
19.	Tyler Street Holdings	350,000	1.29
20.	Wobbly Investments Pty Ltd	350,000	1.29
		15,227,692	56.01

2 The name of the Company Secretary is Mr Jay Richard Stephenson.

3 The address of the principal registered office in Australia is 6/34 York Street NORTH PERTH WA 6006. Telephone (08) 9228 0703.

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

A total of 27,197,000 options are on issue; 2,700,250 options are on issue to three Directors.

7 Use of Funds

The Company has used its funds in accordance with its initial business objectives.