An 1 Re 2 Yr 3

Annual Report 2006

Cu 29 Copper

Zn 30 Zinc

Mo 42 Molybdenum

Ag 47 Silver

Au 79 Gold

Pb 82 Lead

Drake Resources Limited

Welcome to Drake Resources Annual Report 2006

Contents

Company Particulars

Directors

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Chairman

Robert Beeson
Managing Director

Jay Stephenson
Non-executive Director

Company Secretary

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Australian Stock Exchange

ASX Code - DRK

Chairman's Letter to Shareholders

Dear Fellow Shareholder

It is a pleasure to present the second annual report for Drake Resources Limited.

During the previous financial year, the Company and the executive was focused on its strength of project generation and acquisition. There was a continuation of Drake Resources Limited acquiring ground to grow its existing portfolio of tenements and applying an intelligent approach to exploration of resources under its influence. The acquisitions met the criteria the Board deemed essential for the benefit of the company; that 100% of the target ground is secured for the Company, significant land content was available and/or it provided strategic value.

These activities resulted in the Company increasing net asset value by $151,182. This is a pleasing result given that the Company had expended in excess of $1,000,000 on exploration expenses and tenement acquisition costs.

During the March 2006 quarter, the Board assessed that the ground it held with potential for uranium would best be exploited in a separate entity. The Company sold these tenements to Aura Energy Limited which successfully raised $5 million in May 2006. Drake Resources Limited retains a 12.5% interest in this company.

Drilling at the Mt Carrington project has demonstrated that mineralisation extends below previous drilling, and confirmed the potential for increasing the gold resources at depth in the area of the Strauss pit. In addition, previous drilling is considered to have underestimated ore grades because of the orientation of the vein system. The presence of percent levels of zinc may provide by product credits in the gold zones.

Drake's program at Mt Carrington has demonstrated that there is considerable potential for significantly increasing the silver resources at the project. The exploration team has brought an improved understanding of the Cheviot Hills and White Rock deposits, and developed a program to test that silver potential. Drilling also identified both primary and supergene copper, albeit low grade, within old workings at Mt Carrington.

Extensive fieldwork was undertaken on the West Australian projects, including Mt Palmer and Heron Well. This work has identified a number of zones that will be tested during the first half of 2007.

Recently the company announced a Heads of Agreement with the intention to enter into an alliance with Zinifex Australia Limited to seek out zinc exploration and development opportunities in several prospective areas around the world. The formation of the Alliance was a result of the internationally-recognised exploration skills of Dr Bob Beeson, the managing director, and Dr Chris Blain, company Geological consultant. Dr Beeson has put in a tremendous year and I thank him and his team for their effort.

Brett Fraser

Chairman

Operations Review
Exploration

In 2005-06 Drake has made major advances at its Mt Carrington gold-silver property in New South Wales, commenced work at two gold projects in Western Australia, established an alliance with Zinifex Limited to lead a global zinc-lead-silver search, and begun project generation in Mexico.

Mt Carrington Gold-Silver Zinc Project, NSW (Drake Resources 90-100%)

Mt Carrington is a complex epithermal system with separate areas where gold, silver and copper are the dominant metals. Zinc occurs with both the gold and the silver. Drake Resources has carried out drill testing of both the gold and copper systems during the year. In addition the company has completed a major review of the past exploration for silver to identify the potential for that metal. A silver operation was planned by Aberfoyle in the early 1980s, but low prices since then deferred that project. However, the current higher silver prices have highlighted the need to determine whether silver represents a target in its own right.

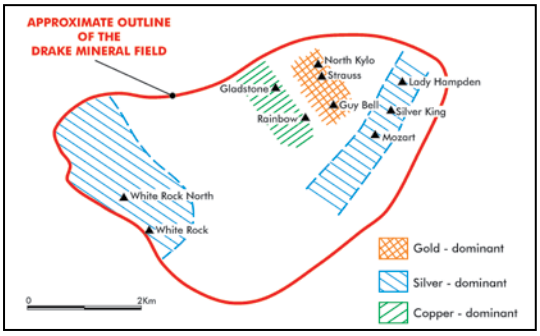
Current inferred resources at Mt Carrington are:

	Mt	Au	Ag	
Gold resources	1.0	3.77	7.00	126,000 oz Au 600,000 oz Ag
Silver resources	0.78	0.93	176	4,400,000 oz Ag 20,000 oz Au

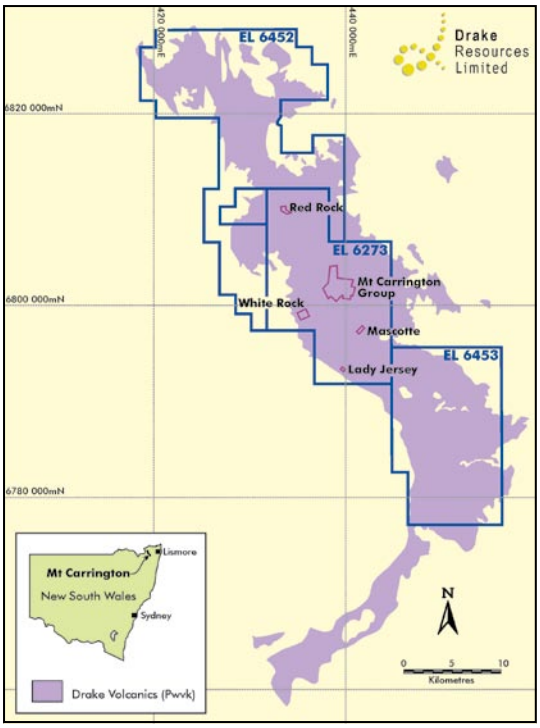
Mt Carrington – Gold

A major target of Drake's exploration has been to confirm the drilling reported by previous explorers, and to test for extensions to the mineralisation. Drake has drilled three holes into and below the known resources at the Strauss deposit, one of four gold areas mined by Mt Carrington Mines in the late 1980s. Previous drilling at the deposit had been mainly vertical; this is considered by Drake to be an inappropriate test of this style of mineralisation, which generally has a sub-vertical orientation in the existing pit.

The following intersections were obtained on Section 10230N: 20m @ 6.2 g/t Au from 17m depth, 7m @ 3.0 g/t Au from 76m depth, and 11m @ 3.8 g/t Au from 6m depth. The intersections strongly suggest that the grade of the mineralisation at Strauss may be higher than indicated by the previous vertical drilling.



Metal Zoning at Mt Carrington



Drake Volcanics with tenements

Drill core samples from Mt Carrington

Drilling at Strauss deposit

This is further supported by a previous angle hole drilled by Newmont (CD003) over 30 years ago, which gave an intersection of 54m at 5.5 g/t Au (uncut). The grades in CD003 are similar to the average grade of intersections in the angled drill holes recently completed by Drake Resources. CD003 was drilled 50m along strike to the north-east from Section 10230N.

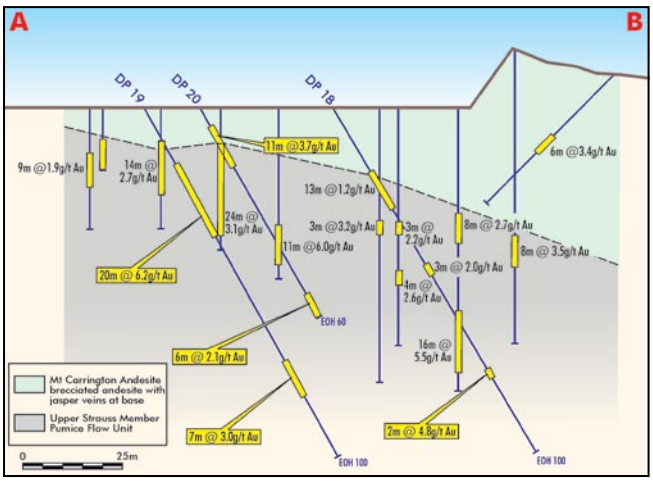
Drake's 3D modelling of the deposit suggests the mineralisation extends below past drilling. Two of the three Drake drill holes were 100m in length, or 88m vertically below the surface. Most past drilling ceased 35m below the old pit floor and no past drilling extended below 50m vertically.

The intersection of 7m @ 3.0 g/t Au from 76m downhole confirms that the mineralisation extends well below past drilling and opens up the potential for a significant resource increase at Strauss.

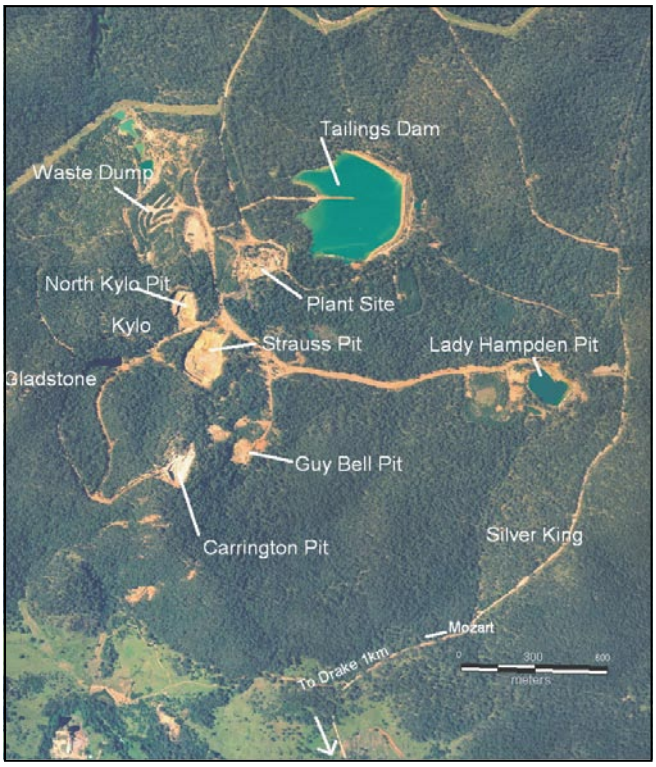
Much of the early drilling at Mt Carrington had not been assayed for base metals. It has therefore been difficult to obtain a grade for the copper and zinc in the Mt Carrington resources and an estimate of the potential value of these metals as by-products of any gold or silver production. Drake's drilling programme has emphasised the potentially valuable levels of zinc in the resources. Examples of the zinc grades in the gold zone at Strauss include: 20m @ 6.2 g/t Au and 2.03% Zn, 11m @ 3.8 g/t Au and 3.93% Zn, 25m @ 1.9% Zn from 12m depth and 24m @ 2.4% Zn from 6m depth.

While these grades are too low for a zinc-alone project, by-product zinc has the potential to add value to potential ore processing options for a project at Mt Carrington.

Previous metallurgical test work on the gold mineralisation at Mt Carrington had been carried out by Mt Carrington Mines prior to the commencement of the mining operation in 1988. It is uncertain whether this work was completed on oxidised or sulphide samples. Hence a preliminary program to determine recoveries was undertaken on three Mt Carrington samples from drill hole DP19 in order to establish their amenability to leach recovery of gold from the primary mineralisation intersected in Drake drilling. Gold recoveries on these samples were in the range 83.9 to 91.1%.



Strauss deposit – New Gold intersections on Section 10230N



Aerial photograph of Mt Carrington

High grade gold and zinc mineralisation from the Strauss Pit

Mt Carrington – Silver and Zinc

The potential for extensions to the known silver resources at Mt Carrington silver resources is considered by Drake to be high.

- The Cheviot Hills Fault Trend containing in which the Lady Hampden and Silver King deposits has the characteristics of the large disseminated silver systems of the central Andes, and this concept has not been tested by previous explorers
- A new model for the White Rock area,again not previously tested, suggests that mineralisation associated with porphyry sills may extend for hundreds of metres beyond the current resources

Cheviot Hills Fault Trend

The Cheviot Hills Fault Trend (CHFT) contains stratiform, disseminated and replacement mineralisation at the two silver resources, Lady Hampden and Silver King, plus numerous small historic workings.

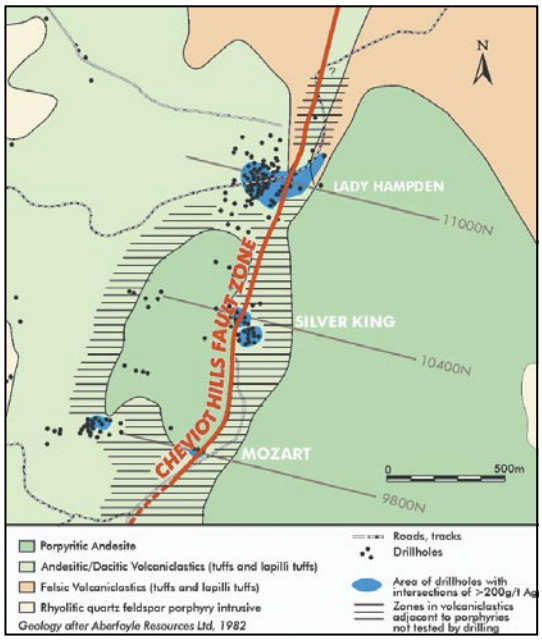
In 2003 Kanowna Lights published a JORC compliant silver resource of 2.14 million ounces of silver at a grade of 148 g/t Ag in the Lady Hampden and Silver King deposits. A silver price of US$4.75/oz was used for this estimate. The average depth of all drilling on these prospects was only 44.5 at Lady Hampden, and 35.7m at Silver King.

Immediately east of the Cheviot Hills fault and the northern edge of the Lady Hampden open cut, the down faulted extensions of the mineralised zone have been intersected in drilling, as, for example on Section 11050N where the zone is 49 metres in thickness. This mineralisation is open to the east. No detailed mapping exists for the Lady Hampden area, and consequently the distribution of known favourable horizons, and the potential for repetitions of prospective units, remains untested.

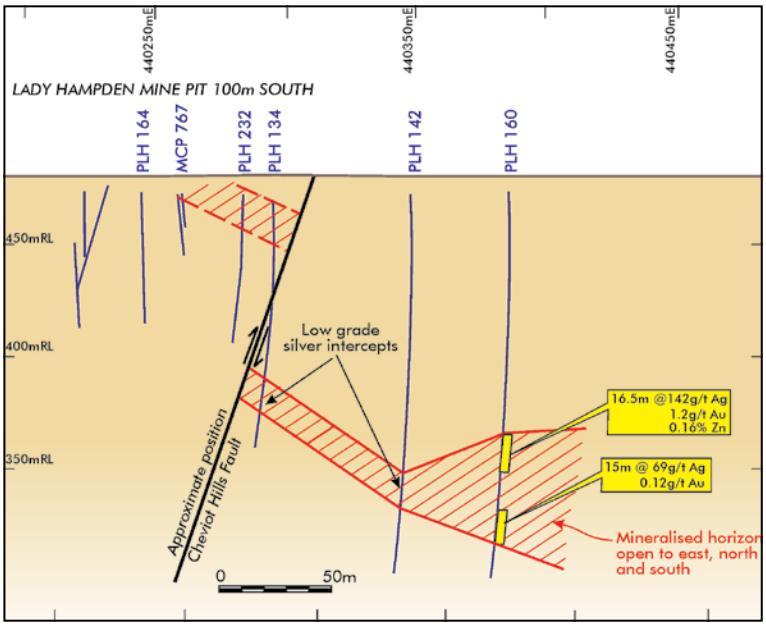
At Silver King, 400 metres to the south of Lady Hampden, sections again indicate that the mineralisation remains untested in depth and to the east of the Cheviot Hills fault.

At Mozart, 450 metres south of Silver King, there is a zone in which there has been no drilling apart from the 3 holes on line 9800N. Hole MCP 421 intersected 11m @ 89 g/t Ag from 35m; this prospect is open in all directions.

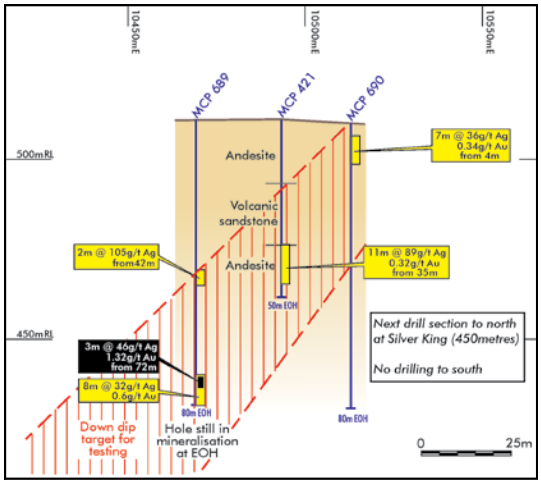
The company is very encouraged by the currently known extent of the mineralisation along the Cheviot Hills Fault Trend, and Drake believes the Lady Hampden - Silver King - Mozart corridor has excellent exploration potential. There has been almost no drilling in the 400 metres between the Lady Hampden and Silver King, north of Lady Hampden, and south of Silver King to Mozart.



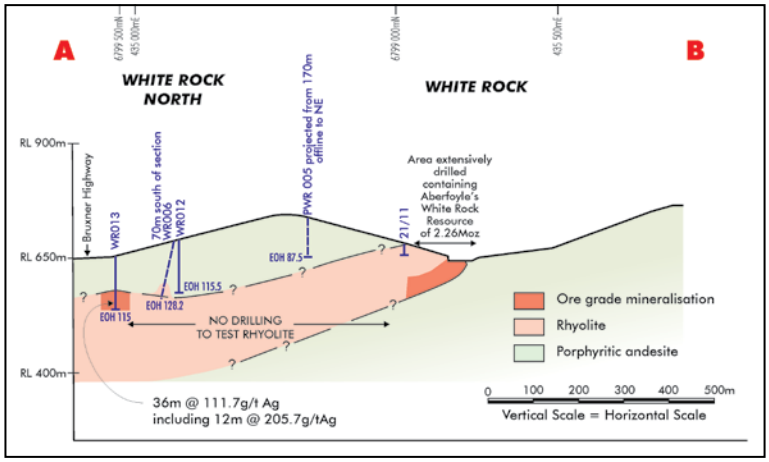
Plan showing the Cheviot Hills Fault Zone geology and drillhole locations



Lady Hampden cross section 11050 looking north



Mozart prospect Drill section 9800N looking north



Schematic long projection looking northeast through White Rock North to White Rock, showing mineralised rhyolite potential

An area at least two kilometers in length and up to 800 metres in width has potential for this style of mineralisation. 75% of this area has not been drill tested, and only 10% has received any systematic, but shallow, drilling.

The CHFT has similarities in style to the bulk-mineable, volcanic-hosted silver deposits such as San Cristobal in Bolivia (466 Moz silver). The mineralisation style in both districts is predominantly disseminated sulphides, with local vein mineralisation.

The central Andean ores are typically in caldera-fill volcanics and volcanic sediments. These can have lateral dimensions of up to 2,000 metres, and thicknesses of up to 450 metres.

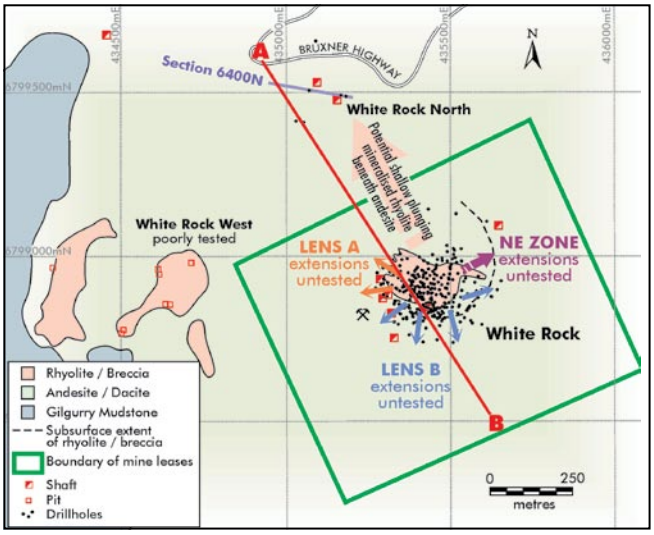
White Rock Area

The White Rock deposit contains 2.3 million ounces at an average grade of 207 g/t Ag. Very significant silver exploration potential is seen to exist within 200m of surface between White Rock, where Aberfoyle had previously outlined an inferred silver resource, and White Rock North. A buried mineralised rhyolite breccia and stockwork system is inferred from prior drilling, and may extend westwards to White Rock West.

The White Rock deposit comprises three zones: Lens A, Lens B and the Northeast Zone. The A lens is open and untested to the west and north, the B lens is open and untested to the east and south west. A northeast zone lens appears to be open to the east as the last hole in this direction ends in mineralisation. In addition the White Rock silver deposit contains significant zinc mineralisation within and adjacent to the Lens B silver resource defined by Aberfoyle in its evaluation of the prospect in the early 1980s. Aberfoyle and Kanowna Lights did not take account of the zinc mineralisation in their resource calculations in their respective reviews of the project. If extracted, the zinc could form a significant credit.

Six holes drilled at White Rock North Prospect have indicated the presence of significant silver mineralisation. The prospect was identified from an Ag, As, and Hg soil anomaly. Mineralised drill intercepts include 36m at 111 g/t Ag from 79.5 metres in buried rhyolite in hole PWR 013. This mineralisation remains open in all directions. PWR 013 was stopped in mineralization at 115m.

The ore grade silver intercepts at White Rock and White Rock North are therefore located in the top of a rhyolite sill (or sills) at a certain position in the stratigraphy of the area. Drake considers that mineralisation in this position may be extensive, but no drill holes have penetrated to this position between the prospects. If this interpretation is substantiated the silver resources in the White Rock area will be increased considerably.



White Rock Summary showing Long Section A-B

Mt Carrington – Copper

Primary copper mineralisation

The ongoing analysis of past exploration results has revealed the presence of very extensive, albeit low grade, copper mineralisation in a poorly explored area southwest of the old Carrington gold deposit pit in the area of the Rainbow and Pioneer old workings..

Hole C012 was drilled by Newmont beneath a copper soil anomaly on the northern flank of the felsite. This hole intersected numerous narrow quartz-chalcopyrite veins over most of its 279m length. A number of zones with greater than 0.5% Cu were intersected within three broad zones of low grade mineralisation, including 73.m @ 0.28% Cu from 9m, and 66.5m @ 0.26% Cu from 109m.

A roughly circular felsite intrusive body occurs immediately to the south of Mt Carrington in the area of the Rainbow and Pioneer workings. Numerous shallow old workings occur on the margin of and within the felsite. A moderate to strong gold soil geochemical anomaly coincides with the intrusive body and strong copper anomalism occurs around its northern and eastern flanks.

This felsite body has received only limited drilling in the past, with only 12 drill holes testing an area of interest 600 metres by 500 metres. The contact zone of the felsite has only been tested by five drill holes.

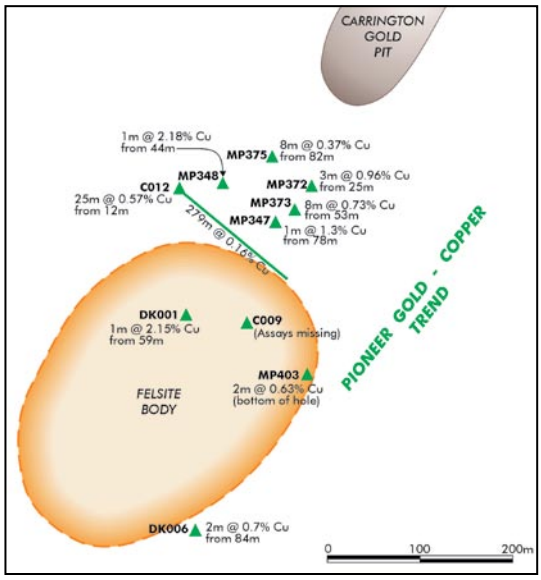
Supergene copper

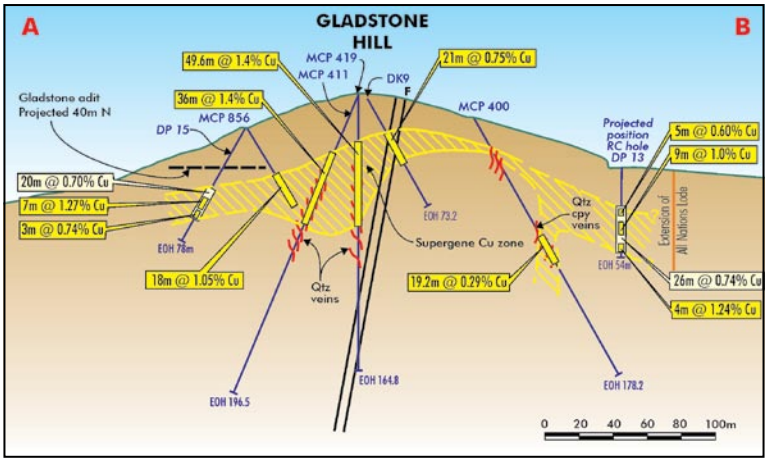
Two main areas of supergene copper mineralisation have been identified to date within the Mining Leases - Gladstone and Lady Mary. These form two northeast-southwest trending zones of mineralisation. The two zones reflect the dominant fissure vein trend direction, and have a positive topographic expression and show a positive correlation with gold soil geochemistry.

The main supergene copper prospect is at Gladstone, which is located 650m northwest of Mt Carrington and itself forms a prominent hill. Numerous small historic workings occur over a small area (30x100m) on the east side of the hill. The workings have exploited narrow quartz veins that strike northeast. Drill intersections by previous explorers include 49.6 metres at 1.4% Cu, 36 metres at 1.4% Cu and 18 metres at 1.05% Cu.

The workings are located within breccias and tuffs of the Upper Strauss member close to the contact with overlying banded felsite intrusive that crops out on the top of the hill. Drill hole data show that the contact between the felsite and the Upper Strauss member dips to the west at a moderate to low angle.

Drake drilling at Gladstone demonstrated that the zone of mineralisation extends beyond that defined by previous drilling, and significant grades and thicknesses were maintained. DP15, located north-west of past drilling, intersected 20m @ 0.70% Cu, and DP13, at the south-eastern limit of drilling at Gladstone, gave 26m @ 0.74% Cu.





Above **Copper drill intersections in Pioneer-Carrington area**

Top right **Supergene copper at Mt Carrington**

Right **Gladstone hill section showing supergene copper intercepts**

Mt Palmer Gold Project, WA (Drake 70%)

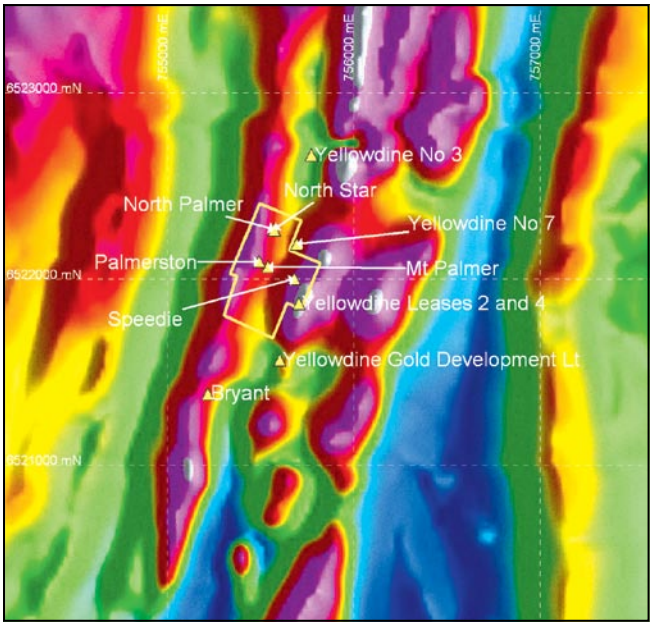
The Mt Palmer Gold Project is located in the Yellowdine Greenstone belt approximately 40km southeast of Southern Cross in Western Australia. The district hosts significant gold mines such as Marvel Loch, Cornishman, Yilgarn Star and Golden Pig, which had pre-mining reserves and resources of 2.5Moz (2003). The project area is covered by a granted mining lease containing one of area's larger historic producers, the Palmer's Find Gold Mine. The mine operated during the 1930's and 1940's and produced approximately 160,000 ounces of gold from 310,000t of ore at an average grade of approximately 16g/t Au.

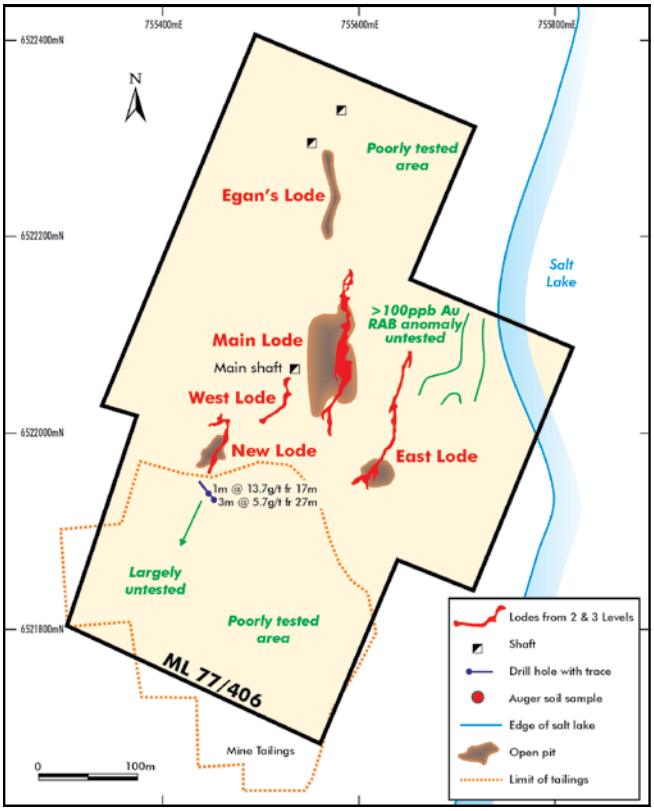
Gold mineralisation at Mt Palmer occurs in a series of parallel quartz vein lodes within shear zones hosted by amphibolite. The mineralised shear zones are regularly spaced at 40-50 metre intervals, and have been traced over a strike length of 500 metres.

Individual lodes were mined over a length of up to 200 metres and to depths of up to 150 metres below surface. Within the broader zones of mineralisation are plunging shoots of high-grade mineralisation. The two most significant shoots occur in the Main and East lodes.

Approximately 160 surface holes have been drilled within the mining lease, but very few have intersected mineralisation comparable in grade to historic production figures. Many of the holes are shallow and were drilled in the immediate vicinity of the old workings, often intersecting mine cavities. Very few holes have tested the areas along strike of the lodes, particularly at depth. The southerly strike extension of the lodes is covered by mine tailings and remains largely unexplored.

Drake has identified several clear targets as having potential to host high grade mineralisation similar to that exploited by historic mining. These targets are primarily along strike to the previous workings, or on parallel structures.





Top **Mt Palmer Project radiometrics**

Bottom **Mt Palmer tenements**

Heron Well Gold Project, WA (Drake 100%)

The Heron Well Gold Project in Western Australia covers an area of 10.4 sq km within the Norseman-Wiluna Greenstone Belt, approximately 20 kilometres south of Leonora. Nearby gold deposits include Sons of Gwalia (3Moz) and Orient Well (0.36Moz).

Despite its proximity to major ore deposits the project area has not been intensively explored. The lack of exploration is due to the transported cover that overlies most of the southern half of the tenement.

Previous explorers identified two prospects within the project area: Pelican and Flamingo. Neither prospect outcrops, but both were originally identified by surface geochemical sampling.

Gold mineralisation at the Pelican prospect occurs within a broad, northeast trending zone of quartz veining and sericite-pyrite-arsenopyrite alteration hosted by a felsic volcanic unit. The mineralisation has been traced over a strike length of 1.5 kilometres and the zone remains open along strike in both directions. The mineralised structure trends parallel to the strike of the stratigraphy and dips at a shallow angle to the southeast.

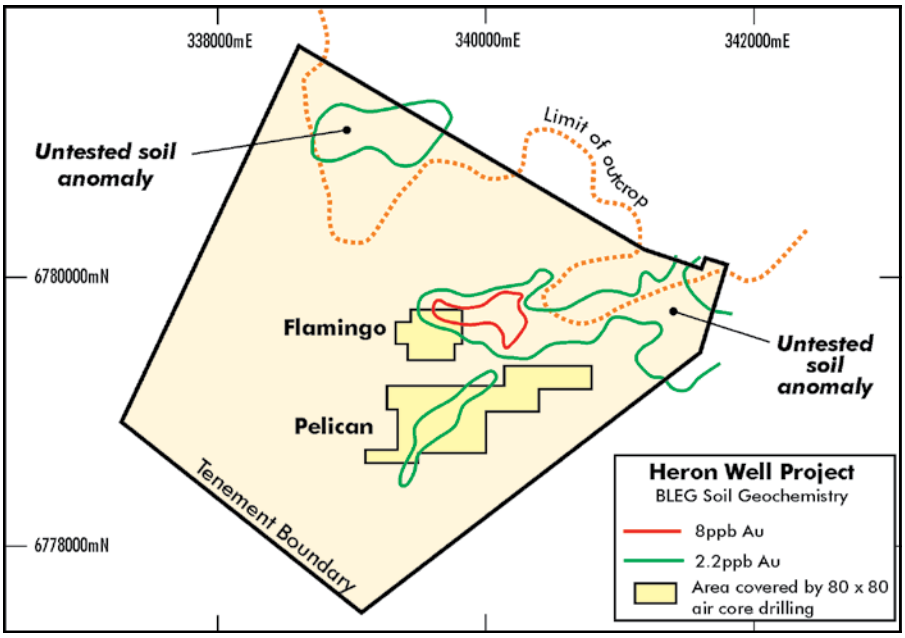
A zone of supergene/oxide gold occurs at around 40-50 metres depth has been traced over a strike length of approximately one kilometre. Deeper drilling has tested the mineralised structure(s) below the supergene mineralisation and several narrow, high grade intersections were reported.

The bedrock geochemical anomaly defined by aircore drilling remains open along strike in both directions; aeromagnetic data suggests the felsic host rocks also continue in both directions. The cover thins to the northeast, and there is a broad gold geochemical anomaly located approximately 1 kilometre along strike in that direction.

Four areas around the Pelican anomaly that returned the strongest bottom-of-hole gold geochemical values have not been drill tested. These include the zone at the north eastern end of the Pelican anomaly where four consecutive aircore holes returned bottom-of-hole assays exceeding 100ppb gold.

Most of the mineralisation identified to date occurs within the felsic rocks. However, no holes have been drilled deep enough to test the down-dip extension of the zone where it is interpreted to crosscut the strongly magnetic dolerite/basalt unit to the southeast. Importantly, iron-rich quartz dolerite is a major host rock for gold mineralisation throughout the Eastern Goldfields. This zone represents a highly prospective target.

The Flamingo prospect occurs at the western end of a broad, east-west trending soil geochemical anomaly. Air core drilling outlined a 200x400 metre bedrock geochemical anomaly, but this anomaly is open to the west and north. The extensive east-west soil geochemical anomaly extends over more than 2 kilometres and the majority of this anomaly has not been tested by drilling. Only one reverse circulation hole has been drilled into the bedrock anomaly.



Zinifex Alliance

Broken Hill Type Lead-Zinc-Silver Search

Drake has entered an agreement to form an Alliance with Zinifex Australia Ltd to identify and acquire zinc exploration and development opportunities in several prospective areas around the world. Drake will be 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 Zinifex's operational capabilities in advanced project exploration, mineral project development and mining.

The Alliance will primarily aim to identify zinc-lead-silver targets and opportunities that are prospective for the occurrence of metamorphosed zinc-lead-silver orebodies of the Broken Hill Type. However, it also extends to opportunities for other metals, such as copper and gold. The Alliance will focus its search on the known prospective mineral provinces in Australia, Scandinavia, North America and southern Africa, and will run initially until the end of June 2008.

Under the terms of the agreement, the Alliance will be funded jointly with cash and in-kind contributions. Drake will identify and present opportunities to the Alliance for consideration. Projects accepted by Zinifex will progress as Zinifex – Drake Joint Ventures, initially sole-funded by Zinifex. Drake has the right to participate in these Joint Ventures with a minority (30% or 10%) participating interest, or to retain a free-carried 1.5% net smelter royalty. Any project identified by the Alliance, but not accepted by Zinifex, can be taken up by Drake.

Mexico Silver-Zinc Exploration

In keeping with its strategy of pursuing gold, silver and base metal opportunities Drake Resources Ltd commenced a programme of project identification and acquisition in Mexico. This country possesses exceptional deposits of copper, zinc and silver, and has an emerging gold mining industry. Mexico is the world's largest silver producer (99 million ounces in 2004), and has a historical production of approximately 10 billion ounces.

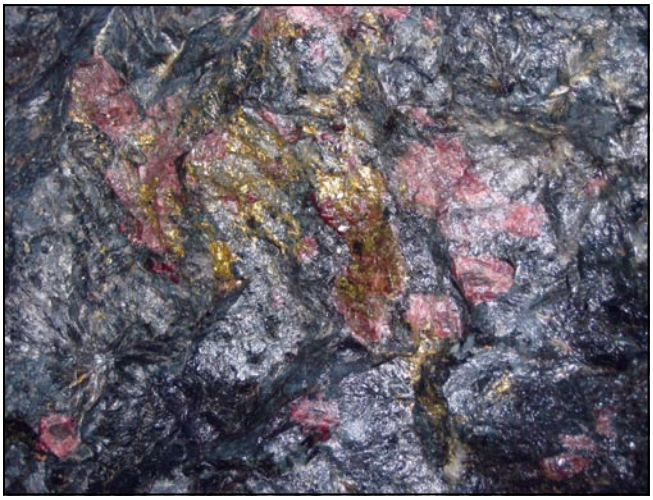
Drake considers Mexico to be relatively under-explored. A new mining law was only put in place in 1992, and there has been limited modern exploration since then. In particular there has been little exploration under cover, with the exception of the Sonora porphyry belt, and Drake plans to apply its experience in Australia and elsewhere in Mexico in this respect.

Investment in Aura Energy Limited

The Company holds 12,500,000 shares in the uranium explorer, Aura Energy Limited. Aura listed on the ASX in May 2006 and has Drake as its major shareholder (12.5%).

Aura's primary objective is to build a uranium exploration company and is currently drilling its Wondinong project.

Cash of $4.3 million give Aura a firm base from which to grow.



Copper mineralisation in new road cut in Drake licence application in Sweden

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. 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 endeavour to meet at least once a month on a formal basis.

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.

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. – Refer general comment below.

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. All members of the Board currently 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, Rix Levy Fowler 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 6 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 2005 to 30 June 2006, 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 entity for the financial year ended 30 June 2006.

Directors

The names of Directors and Technical Advisors in office at any time during or since the end of the year are listed to the right.

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

Brett Fraser FCPA FFin B.Bus

Non-Executive Chairman

Brett Fraser has been working in the Investment and Finance industries for 20 years. This has involved serving as a director on several public and private companies across a range of industries and he has successfully contributed to the growth of these entities. Having financed and/or managed property projects, corporate takeovers, initial public offerings and corporate turnarounds, Mr Fraser now assists companies with strategy and growth. He is an active investor in a number of projects and industries.

Robert Beeson BSc Hons, PhD

Managing Director

Bob Beeson is a professional geologist with over 30 years of global experience in base and precious metal exploration and development. Dr Beeson has a range of experience in leading and managing exploration teams, project identification, valuation and acquisition, strategy development and maintaining technical and operating standards. He has held senior management positions with Billiton Australia, Acacia Resources, North Limited and New Hampton Goldfields. Dr Beeson has participated in exploration for epithermal gold and silver deposits throughout the world, and has recent experience in exploring for this deposit type in South America and the USA.

Jay Stephenson MBA CMA MAICD

Non-Executive Director and Company Secretary

Jay Stephenson is a qualified accountant and has been involved in manufacturing and business development for 18 years including the past 12 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, manufacturing, wine, hotels, and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well managing all areas of finance for companies.

Chris Blain BSc Hons DIC MSc PhD FAusIMM

Technical Advisor

Chris Blain has a strong background in economic geology and mineral exploration management. Early in his career, he lectured in Mining Geology and Mineral Exploration at the Imperial College of Science and Technology, London, and contributed to its Mineral Exploration MSc program. Following that, he worked for more than 23 years with BHP Minerals as a senior technical advisor and manager of major exploration programs, mostly in Australia and the SW Pacific. Several of these resulted in significant base and precious metal discoveries. In addition, Dr Blain has considerable international experience in the development of exploration strategy and exploration business opportunities globally. He now acts as a technical advisor and consultant in the exploration sector of the mineral industry.

Company Secretary

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

Mr Jay Richard Stephenson – Master of Business Administration, Certified Management Accountant (CMA), was appointed as Company Secretary for Drake Resources Limited on 15 October 2004. Mr Stephenson also 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:

Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to $163,920.

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2006.

Review of Operations

Corporate

Drake applied for a number of Uranium exploration licences between August 2005 and April 2006.

In May 2006 Drake sold its uranium tenements to Aura Energy Limited in May 2006 for $100,000 cash and shares at $0.20 for the value of $700,000. Drake also subscribed $100,000 for all the seed capital in Aura Energy Limited at $0.10 per share. Aura Energy Limited listed on 30 May 2006 after raising $5,000,000. Drake maintains an interest of 12.5% in Aura Energy Limited.

Exploration

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 $151,182 from 30 June 2005 to $3,808,672 in 2006. This increase has largely resulted from the following factors:

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 31 March 2006 the Company completed the transaction to acquire the Heron Well Gold Project in Western Australia for 1,250,000 Ordinary Shares in the Company.

(b) On 4 April 2006, the Company acquired 1,000,000 Shares in Aura Energy Limited for $100,000.

(c) On 30 May 2006, the Company completed its sale of its Uranium tenements to Aura Energy and received $100,000 cash and 3,500,000 Shares in Aura. The transaction resulted in a net profit of $700,000.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

After Balance Date Events

On 11 September 2006, the Company entered into an alliance to explore with Zinifex Australia Limited.

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	– 2,754,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 2,250,000 ordinary shares.
Special Responsibilities	– Member of the Due Diligence Committee and Remuneration Committee.
Directorships held in other listed entities	– Current non-executive director and Chairman of Aura Energy Limited. Past non-executive director of Brainytoys Limited. No other Directorships in the past three years.
Dr 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	– 500,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,250,000 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
Experience	– Board member since 30 March 2004
Interest in Shares and Options	– 2,085,000 Ordinary Shares in Drake Resources Limited and options to acquire a further 1,250,000 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 (audited)

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, fringe benefits, 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 2006 (audited)

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 13. There are no other key management personnel as at 30 June 2006.

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 2,500,000 director options issued. The Options expire on 30 June 2008. The exercise price of the options is $0.25.

Key Management Personnel of the Parent

2006	Short-term benefits			Post-employment benefits	Share-based payment	
Name	Cash salary and fees	Cashfrom other activities	Non-cash Benefits	Super-annuation	Options	Total
	$	$	$	$	$	$
Directors						
Brett Fraser	48,774	30,000	-	3,825	42,720	125,319
Robert Beeson	107,840	-	-	20,322	14,240	142,402
Jay Stephenson	31,427	30,000	-	2,456	14,240	78,123
	188,041	60,000	-	26,603	71,200	345,844

2005	Short-term benefits			Post-employment benefits	Share-based payment	
Name	Cash salary and fees	Cashfrom other activities	Non-cash Benefits	Super-annuation	Options	Total
	$	$	$	$	$	$
Directors						
Brett Fraser	7,500	28,500	-	675	3,750	40,425
Robert Beeson	21,250	-	-	1,912	3,750	26,912
Jay Stephenson	5,000	28,500	-	450	3,750	37,700
	33,750	57,000	-	3,037	11,250	105,037

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

Key Management Personnel of the Group

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

C. Service Agreements (unaudited)

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 (audited)

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.

Options are granted under the plan for no consideration. Options are granted for a five year period.

A total of 540,000 options were granted to non key management personnel under the Incentive Option Scheme during the year.

Director Options

Options granted to Directors of Drake were issued in accordance with the Annual General Meeting held on 24 November 2005.

A total of 2,500,000 options were granted to Directors during the year.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
30 March 2004	01 July 2008	$0.30	$0.00500	30 March 2004
23 December 2005	30 June 2008	$0.25	$0.02848	23 December 2005
31 March 2006	31 March 2011	$0.25	$0.08130	31 March 2006

Options granted under the plan carry no dividend or voting rights.

The ability for the employee or consultant to exercise the options is restricted in accordance with the terms and conditions detailed in the Incentive Option Scheme.

Each option will automatically lapse if not exercised within five years of the date of issue. The exercise period may also be affected by other events as detailed in the terms and conditions detailed in the Incentive Option Scheme.

Details of options over ordinary shares in the Company provided as remuneration to each director of Drake Resources Limited are set out below. When exercisable, each option is convertible into one ordinary share of Drake Resources Limited.

Name	Number of options granted during the year		Number of options vested during the year	
	2006	2005	2006	2005
Directors				
Brett Fraser	1,500,000	750,000	1,500,000	750,000
Robert Beeson	500,000	750,000	500,000	750,000
Jay Stephenson	500,000	750,000	500,000	750,000

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk free interest rate for the term of the option.

The model inputs for options granted to Directors during the year ended 30 June 2006 included:

(a) options are granted for no consideration
(b) exercise price: $0.25
(c) grant date: 23 December 2005
(d) expiry date: 30 June 2008
(e) share price at grant date: $0.145
(f) expected price volatility of the company's shares: 65%
(g) expected dividend yield: 0.0%
(h) risk-free interest rate: 5.310%

D. Share-based compensation (audited) (continued)

The model inputs for options granted to key management personnel during the year ended 30 June 2006 included:

(i) options are granted for no consideration
(j) exercise price: $0.25
(k) grant date: 31 March 2006
(l) expiry date: 31 March 2011
(m) share price at grant date: $0.24
(n) expected price volatility of the company's shares: 50%
(o) expected dividend yield: 0.0%
(p) risk-free interest rate: 5.75%

There were no options exercised during the year.

E. Additional information (unaudited)

Details of remuneration; cash bonuses and options

For each cash bonus and grant of options included in the tables on pages 6-9, 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	-	-	2005	100	-	2005	-	-
Robert Beeson	-	-	2005	100	-	2005	-	-
Jay Stephenson	-	-	2005	100	-	2005	-	-
Brett Fraser	-	-	2006	100	-	2006	-	-
Robert Beeson	-	-	2006	100	-	2006	-	-
Jay Stephenson	-	-	2006	100	-	2006	-	-

Share-based compensation: Options

The options issued under the Drake Resources Limited Incentive Option Scheme have been valued by an independent accounting firm using the Black Scholes method at $0.08130.

The options issued to Directors during the year as approved at the Annual General Meeting on 24 November 2005 have been valued by an independent accounting firm using the Black Scholes method at $0.02848.

Loans to Directors and Executives

There were no loans to Directors during the year.

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 31 March 2006. Details of the options granted can be found in section D of the remuneration report on pages 18-19. No options have been granted since the end of the year.

E. Additional information (unaudited) (continued)

Meetings of Directors

During the financial year, 6 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	6	6	-	-	-	-
Robert Beeson	6	6	-	-	-	-
Jay Stephenson	6	6	-	-	-	-

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 $21,450 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
30 April 2004	01 July 2008	$0.30	2,250,000
21 July 2005	30 June 2008	$0.25	1,000,000
23 December 2005	30 June 2008	$0.25	2,500,000
31 March 2006	31 March 2011	$0.25	540,000
			6,290,000

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.

Environmental Regulations

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

Non-audit Services

There were no non-audit services provided by the auditors during the financial year. The board would normally satisfy themselves prior to any non-audit services being provided that:

- 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 as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

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 2006 has been received and can be found here on page 21 of the Annual Report.

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

Brett Fraser

Chairman

28 September 2006

Auditor's Independence Declaration

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 financial year ended 30 June 2006 and in accordance with the provisions of the Corporations Act 2001.

- We declare that, to the best of our knowledge and belief, there have been:
- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully,

Rix Levy Fowler

Chartered Business Advisors

28 September 2006

Ranko Matic

Partner

Level 1, 12 Kings Park Road

West Perth WA 6872

Income Statement for the year ended 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006 $	2005 $	2006 $	2005 $
Revenue	3	887,833	26,165	887,833	26,165
Cost of Sales		(87,230)	-	(87,230)	-
Registry and ASX Fees		(32,193)	(12,676)	(32,193)	(12,676)
Accounting and Audit Fees		(11,833)	(5,050)	(11,833)	(5,050)
Insurance		(16,379)	(19,315)	(16,379)	(19,315)
Legal Costs		(29,421)	(7,022)	(29,421)	(7,022)
Employee benefits expense		(311,086)	(44,141)	(311,086)	(44,141)
Rent		(9,600)	(2,400)	(9,600)	(2,400)
Depreciation		(7,509)	(1,303)	(7,509)	(1,303)
Contractors and Consultants		(107,920)	(30,727)	(107,920)	(30,727)
Public Relations and Advertising		(42,838)	-	(42,838)	-
Computers and Software		(48,777)	(10,689)	(48,777)	(10,689)
Travel and Accommodation		(62,898)	(29,118)	(62,898)	(29,118)
Exploration Expenses		(64,803)	-	(64,803)	-
Share Based Payments Expenses		(115,102)	(11,250)	(115,102)	(11,250)
Other expenses		(104,164)	(16,866)	(101,983)	(16,866)
Loss from continuing operations	4	(163,920)	(164,392)	(161,739)	(164,392)
Income tax benefit	5	-	-	-	-
Loss from continuing operations		(163,920)	(164,392)	(161,739)	(164,392)
Loss attributable to members of the parent entity		(163,920)	(164,392)	(161,739)	(164,392)
OVERALL OPERATIONS					
Basic earnings per share (cents per share)	8	(0.0054)	(1.1)		
Diluted earnings per share (cents per share)	8	(0.0054)	(1.1)		

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006 $	2005 $	2006 $	2005 $
CURRENT ASSETS					
Cash and cash equivalents	9	975,243	2,282,090	975,243	2,282,090
Trade and other receivables	10	27,001	35,592	27,001	35,592
TOTAL CURRENT ASSETS		**1,002,244**	**2,317,682**	**1,002,244**	**2,317,682**
NON-CURRENT ASSETS					
Property, plant and equipment	11	21,250	23,912	21,250	23,912
Financial assets	12	852,500	120,000	854,681	120,000
Other assets	13	2,009,588	1,301,308	2,009,588	1,301,308
TOTAL NON-CURRENT ASSETS		**2,883,338**	**1,445,220**	**2,885,519**	**1,445,220**
TOTAL ASSETS		3,885,582	3,762,902	3,887,763	3,762,902
CURRENT LIABILITIES					
Trade and other payables	14	76,910	105,412	76,910	105,412
TOTAL CURRENT LIABILITIES		**76,910**	**105,412**	**76,910**	**105,412**
TOTAL LIABILITIES		76,910	105,412	76,910	105,412
NET ASSETS		3,808,672	3,657,490	3,810,853	3,657,490
EQUITY					
Issued Capital	16	4,022,460	3,822,460	4,022,460	3,822,460
Option Premium Reserve	17	126,352	11,250	126,352	11,250
Accumulated Losses		(340,140)	(176,220)	(337,959)	(176,220)
TOTAL EQUITY		3,808,672	3,657,490	3,810,853	3,657,490

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2006

Economic Entity	Note	$			
		Share Capital	Accumulated Losses	Option Premium	Total
		Ordinary		Reserve	
Balance at 1 July 2004		**46,873**	**(11,828)**	**-**	**35,045**
Shares issued during the year		3,775,587	-	-	3,775,587
Profit attributable to members of parent entity		-	(164,392)	-	(164,392)
Share based payments reserve		-	-	11,250	11,250
Balance at 30 June 2005		**3,822,460**	**(176,220)**	**11,250**	**3,657,490**
Shares issued during the year – net of costs		200,000	-	-	200,000
Profit attributable to members of parent entity		-	(163,920)	-	(163,920)
Share based payments reserve		-	-	115,102	115,102
Balance at 30 June 2006		**4,022,460**	**(340,140)**	**126,352**	**3,808,672**

Parent Entity	Note	$			
		Share Capital	Accumulated Losses	Option Premium	Total
		Ordinary		Reserve	
Balance at 1 July 2004		**46,873**	**(11,828)**	**-**	**35,045**
Shares issued during the year		3,775,587	-	-	3,775,587
Profit attributable to members of parent entity		-	(164,392)	-	(164,392)
Share based payments reserve		-	-	11,250	11,250
Balance at 30 June 2005		**3,822,460**	**(176,220)**	**11,250**	**3,657,490**
Shares issued during the year – net of costs		200,000	-	-	200,000
Profit attributable to members of parent entity		-	(161,739)	-	(161,738)
Share based payments reserve		-	-	115,102	115,102
Balance at 30 June 2006		**4,022,460**	**(337,959)**	**126,352**	**3,810,854**

The accompanying notes form part of these financial statements.

Cash Flow Statement for the year ended 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006 $	2005 $	2006 $	2005 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(779,200)	(112,669)	(777,019)	(112,669)
Payments for exploration and evaluation		(551,756)	(54,567)	(551,756)	(54,567)
Interest received		82,783	26,165	82,783	26,165
Net cash used in operating activities	19a	**(1,248,173)**	**(141,071)**	**(1,245,992)**	**(141,071)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(4,847)	(25,215)	(4,847)	(25,215)
Purchase of exploration assets		(21,327)	(217,628)	(21,327)	(217,628)
Purchase of investments		(32,500)	(120,000)	(34,681)	(120,000)
Net cash used in investing activities		**(58,674)**	**(362,843)**	**(60,855)**	**(362,843)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares net of cost		-	2,785,587	-	2,785,587
Net cash used in (provided by) financing activities		**-**	**2,785,587**	**-**	**2,785,587**
Net increase/(decrease) in cash held		**(1,306,847)**	**2,281,673**	**(1,306,847)**	**2,281,673**
Cash at 1 July 2005		2,282,090	417	2,282,090	417
Cash at 30 June 2006	9	975,243	2,282,090	975,243	2,282,090

The accompanying notes form part of these financial statements.

Notes to the Financial Report

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Drake Resources Limited and controlled entities and Drake Resources Limited as an individual parent entity. Drake Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Drake Resources Limited and controlled entities, and Drake Resources Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Drake Resources Limited and controlled entities, and Drake Resources Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Drake Resources Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 28 for further details on changes in accounting policy.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Principles of Consolidation

A controlled entity is any entity controlled by Drake Resources Limited. Control exists where Drake Resources Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Drake Resources Limited to achieve the objectives of Drake Resources Limited. A list of controlled entities is contained in Note 15 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control 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 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

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(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.

(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

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

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

(h) Goods and Services Tax (GST)

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

(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.

(j) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement 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 stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

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 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 assess 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.

(k) Earnings Per Share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(l) Impairment of Assets

At 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.

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 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 2006.

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

	Note	Previous GAAP at 1.7.2004	Economic Entity: Adjustments on introduction of Australian equivalents to IFRS	Economic Entity: Australian equivalents to IFRS at 1.7.2004
		$	$	$
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		417	-	417
Trade and other receivables		10,306	-	10,306
TOTAL CURRENT ASSETS		10,723	-	10,723
NON-CURRENT ASSETS				
Property, plant and equipment		-	-	-
Other financial assets		-	-	-
Other assets		25,322	-	25,322
TOTAL NON-CURRENT ASSETS		25,322	-	25,322
TOTAL ASSETS		**36,045**	**-**	**36,045**
CURRENT LIABILITIES				
Trade and other payables		1,000	-	1,000
Short term provisions		-	-	-
TOTAL CURRENT LIABILITIES		1,000	-	1,000
TOTAL LIABILITIES		1,000	-	1,000
NET ASSETS		**35,045**	**-**	**35,045**
EQUITY				
Issued capital		46,873	-	46,873
Option Premium Reserve	2a	-	11,250	11,250
Retained earnings	2b	(11,828)	(11,250)	(23,078)
TOTAL EQUITY		**35,045**	**-**	**35,045**

	Note	Previous GAAP at 30.6.2005	Economic Entity: Adjustments on introduction of Australian equivalents to IFRS	Economic Entity: Australian equivalents to IFRS at 30.6.2005
		$	$	$
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		2,282,090	-	2,282,090
Trade and other receivables		35,592	-	35,592
TOTAL CURRENT ASSETS		2,317,682	-	2,317,682
NON-CURRENT ASSETS				
Property, plant and equipment		23,912	-	23,912
Other financial assets		120,000	-	120,000
Other assets		1,301,308	-	1,301,308
TOTAL NON-CURRENT ASSETS		1,445,220	-	1,445,220
TOTAL ASSETS		3,762,902	-	3,762,902
CURRENT LIABILITIES				
Trade and other payables		105,412	-	105,412
Short term provisions		-	-	-
TOTAL CURRENT LIABILITIES		105,412	-	105,412
TOTAL LIABILITIES		105,412	-	105,412
NET ASSETS		3,657,490	-	3,657,490
EQUITY				
Issued capital		3,822,460	-	3,822,460
Option Premium Reserve	2a	-	11,250	11,250
Retained earnings	2b	(164,970)	(11,250)	(176,220)
TOTAL EQUITY		**3,657,490**	**-**	**3,657,490**

	Note	Previous GAAP at 1.7.2004	Parent Entity	
			Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 1.7.2004
		$	$	$
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		417	-	417
Trade and other receivables		10,306	-	10,306
TOTAL CURRENT ASSETS		10,723	-	10,723
NON-CURRENT ASSETS				
Property, plant and equipment		-	-	-
Other financial assets		-	-	-
Other assets		25,322	-	25,322
TOTAL NON-CURRENT ASSETS		25,322	-	25,322
TOTAL ASSETS		**36,045**	**-**	**36,045**
CURRENT LIABILITIES				
Trade and other payables		1,000	-	1,000
Short term provisions		-	-	-
TOTAL CURRENT LIABILITIES		1,000	-	1,000
TOTAL LIABILITIES		1,000	-	1,000
NET ASSETS		**35,045**	**-**	**35,045**
EQUITY				
Issued capital		46,873	-	46,873
Option Premium Reserve	2a	-	11,250	11,250
Retained earnings	2b	(11,828)	(11,250)	(23,078)
TOTAL EQUITY		**35,045**	**-**	**35,045**

	Note	Previous GAAP at 30.6.2005	Parent Entity	
			Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 30.6.2005
		$	$	$
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS		2,282,090	-	2,282,090
Cash and cash equivalents			-	
Trade and other receivables		35,592		35,592
TOTAL CURRENT ASSETS		2,317,682	-	2,317,682
NON-CURRENT ASSETS				
Property, plant and equipment		23,912	-	23,912
Other financial assets		120,000	-	120,000
Other assets		1,301,308	-	1,301,308
TOTAL NON-CURRENT ASSETS		1,445,220	-	1,445,220
TOTAL ASSETS		3,762,902	-	3,762,902
CURRENT LIABILITIES				
Trade and other payables		105,412	-	105,412
Short term provisions		-	-	-
TOTAL CURRENT LIABILITIES		105,412	-	105,412
TOTAL LIABILITIES		105,412	-	105,412
NET ASSETS		3,657,490	-	3,657,490
EQUITY				
Issued capital		3,822,460	-	3,822,460
Option Premium Reserve	2a	-	11,250	11,250
Retained earnings	2b	(164,970)	(11,250)	(176,220)
TOTAL EQUITY		3,657,490	-	3,657,490

	Note	Previous GAAP	Economic Entity	
			Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
		$	$	$
Reconciliation of Profit or Loss year ended 30 June 2005				
Revenue		26,165	-	26,165
Registry Fees		(12,676)	-	(12,676)
Accounting and Audit Fees		(5,050)	-	(5,050)
Insurance		(19,315)	-	(19,315)
Legal Costs		(7,022)	-	(7,022)
Director Fees		(12,500)	-	(12,500)
Employee benefits expense		(31,637)	-	(31,637)
Contractors and Consultants		(30,727)	-	(30,727)
Computers and Software		(10,689)	-	(10,689)
Travel and Accommodation		(29,118)	-	(29,118)
Share based payments	2a	-	(11,250)	(11,250)
Other Expenses		(20,573)	-	(20,573)
Loss before income tax		(153,142)	(11,250)	(164,392)
Income tax expense		-	-	-
Loss from continuing operations		(153,142)	(11,250)	(164,392)
Loss for the year		(153,142)	(11,250)	(164,392)
Loss attributable to members of the parent entity		(153,142)	(11,250)	(164,392)

	Note	Previous GAAP	Parent Entity	
			Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
		$	$	$
Reconciliation of Profit or Loss year ended 30 June 2005				
Revenue		26,165	-	26,165
Registry Fees		(12,676)	-	(12,676)
Accounting and Audit Fees		(5,050)	-	(5,050)
Insurance		(19,315)	-	(19,315)
Legal Costs		(7,022)	-	(7,022)
Director Fees		(12,500)	-	(12,500)
Employee benefits expense		(31,637)	-	(31,637)
Contractors and Consultants		(30,727)	-	(30,727)
Computers and Software		(10,689)	-	(10,689)
Travel and Accommodation		(29,118)	-	(29,118)
Share based payments	2a	-	(11,250)	(11,250)
Other Expenses		(20,573)	-	(20,573)
Loss before income tax		(153,142)	(11,250)	(164,392)
Income tax expense		-	-	-
Loss from continuing operations		(153,142)	(11,250)	(164,392)
Loss for the year		(153,142)	(11,250)	(164,392)
Loss attributable to members of the parent entity		(153,142)	(11,250)	(164,392)

	30.6.2005	1.7.2004
	$	$
Notes to the Reconciliations of Equity and Profit and Loss at 1 July 2004 and 30 June 2005 of Economic and Parent Entity		
(a) Option Payments Reserve		
Value of Options granted to Directors 30 April 2004	11,250	11,250
(b) Retained earnings comprise:		
Option Payments Reserve (refer 2(a))	(11,250)	(11,250)
	(11,250)	(11,250)

	Note	Economic Entity		Parent Entity	
		2006 $	2005 $	2006 $	2005 $
NOTE 3: REVENUE					
Operating activities					
– Sale of Tenements	3a	800,000	-	800,000	-
– Profit on sale of Shares	3b	5,050	-	5,050	-
– Interest received	3c	82,783	26,165	82,783	26,165
Total Revenue		**887,833**	**26,165**	**887,833**	**26,165**
(a) Sale of Tenements:					
Sale of Uranium tenements to Aura Energy Limited for consideration of $100,000 cash and 3,500,000 Shares at $0.20 per Share.		800,000	-	800,000	-
(b) Profit on sale of shares					
Sale of ASX Listed Shares		5,050	-	5,050	-
(c) Interest revenue from:					
Other parties		82,873	26,165	82,873	26,165
Total Interest Revenue		**82,873**	**26,165**	**82,873**	**26,165**
NOTE 4: LOSS FOR THE YEAR					
(a) Expenses					
Cost of Sales – On tenements sold to Aura Energy Limited		87,230	-	87,230	-
Exploration Expenses		64,803	-	64,803	-
Depreciation of non-current assets:					
– plant and equipment		7,509	1,303	7,509	1,303
Rental expense		9,600	2,400	9,600	2,400
(b) Significant Revenues and Expenses					
The following significant revenue and expense items are relevant in explaining the financial performance:					
– Sale of Tenements		800,000	-	800,000	-
– Employee benefits expense		311,086	44,141	311,086	44,141
– Contractors and Consultants		107,920	30,727	107,920	30,727
– Computers and Software		48,777	10,689	48,777	10,689
– Share Registry and Listing Fees		32,193	12,676	32,193	12,676
– Share based payments expense		115,102	11,250	115,102	11,250

Note	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

NOTE 5: INCOME TAX EXPENSE

The components of the tax expense comprise:				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30%				
Company	(49,176)	(49,318)	(48,522)	(49,318)
Add:				
Tax effect of:				
other non-allowable items	34,531	-	34,531	-
tax benefit of revenue losses not recognised	14,645	49,318	13,991	49,318
	-	-	-	-

NOTE 6: 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*
All of the above persons were also key management persons during the year ended 30 June 2005.

(b) Key management personnel compensation

Short-term employee benefits	248,041	90,750	248,041	90,750
Post employment benefits	26,604	3,037	26,604	3,037
Share based payments	71,200	-	71,200	-
Total key management personnel compensation	345,845	93,787	345,845	93,787

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 pages 16-17.

(d) 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 pages 18-19.

(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.

2006	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						
Brett Fraser	750,000	1,500,000	-	-	2,250,000	2,250,000
Robert Beeson	750,000	500,000	-	-	1,250,000	1,250,000
Jay Stephenson	750,000	500,000	-	-	1,250,000	1,250,000

No options are vested and unexercisable at the end of the year.

2005	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						
Brett Fraser	750,000	-	-	-	750,000	750,000
Robert Beeson	750,000	-	-	-	750,000	750,000
Jay Stephenson	750,000	-	-	-	750,000	750,000

(ii) 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.

2006	Balance at the start of the year	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	2,450,000	-	304,000	2,754,000
Robert Beeson	500,000	-	-	500,000
Jay Stephenson	1,950,000	-	135,000	2,085,000
TOTAL	**4,900,000**	**-**	**439,000**	**5,339,000**

2005	Balance at the start of the year	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	2,450,000	-	-	2,450,000
Robert Beeson	500,000	-	-	500,000
Jay Stephenson	1,950,000	-	-	1,950,000
TOTAL	**4,900,000**	**-**	**-**	**4,900,000**

(e) Loans to key management personnel

There are no loans made to key management personnel at 30 June 2006.

(f) Other transactions with key management personnel

Mr Fraser, a non-executive Director of Aura Energy 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 Aura Energy Limited, as well as providing corporate advisory advice during the listing process.

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

	2006	2005
	$	$
Amounts recognised as expense		
Company Secretarial and Corporate Advisory Fees	60,000	57,000

Note	Economic Entity		Parent Entity	
	2006 $	2005 $	2006 $	2005 $

NOTE 7: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:				
– Auditing or reviewing the financial reports	8,000	5,000	8,000	5,000
	8,000	5,000	8,000	5,000

NOTE 8: EARNINGS PER SHARE

(a) Reconciliation of earnings to net profit or loss		
Net loss	(163,920)	(164,392)
Earnings used in the calculation of basic EPS	(163,920)	(164,392)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	30,311,644	14,153,336

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

NOTE 9: CASH AND CASH EQUIVALENTS

Cash at bank	**975,243**	**2,282,090**	**975,243**	**2,282,090**
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	975,243	2,282,090	975,243	2,282,090
Bank overdrafts	-	-	-	-
	975,243	**2,282,090**	**975,243**	**2,282,090**

NOTE 10: TRADE AND OTHER RECEIVABLES

CURRENT				
GST Receivable	27,001	35,592	27,001	35,592
	27,001	35,592	27,001	35,592

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

PLANT AND EQUIPMENT				
Plant and equipment				
At cost	30,062	25,215	30,062	25,215
Accumulated depreciation	(8,812)	(1,303)	(8,812)	(1,303)
Total Property, Plant and Equipment	**21,250**	**23,912**	**21,250**	**23,912**

	Plant and Equipment	Total
	$	$
Economic Entity:		
Balance at the beginning of year	23,912	23,912
Additions	4,847	4,847
Disposals	-	-
Depreciation expense	(7,509)	(7,509)
Carrying amount at the end of year	**21,250**	**21,250**
Parent Entity:		
Balance at the beginning of year	23,912	23,912
Additions	4,847	4,847
Disposals	-	-
Depreciation expense	(7,509)	(7,509)
Carrying amount at the end of year	**21,250**	**21,250**

Note	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

NOTE 12: TRADE AND OTHER FINANCIAL ASSETS

NON-CURRENT				
Shares in controlled entities at cost	1	-	1	-
Securities in ASX listed entities	852,499	120,000	854,680	120,000
Net carrying value	852,500	120,000	854,681	120,000

Controlled Entities	Country of Incorporation	Class of Shares	Percentage Owned % 2006	2005
Drake Resources UK Limited	UK	Ordinary	100	100

NOTE 13: OTHER ASSETS

NON-CURRENT				
Exploration and evaluation phases at cost	2,008,388	1,300,108	2,008,388	1,300,108
	1,200	1,200	1,200	1,200
Net carrying value	2,009,588	1,301,308	2,009,588	1,301,308

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

- the continuance of the economic entity 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 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.

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$

NOTE 14: TRADE AND OTHER PAYABLES

CURRENT – unsecured liabilities				
Trade payables	68,910	56,296	68,910	56,296
Accrued Expenses	8,000	38,591	8,000	38,591
Unearned Interest		10,525		10,525
	76,910	**105,412**	**76,910**	**105,412**

NOTE 15: DEFERRED TAX ASSET

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1c occur.				
– tax losses				
– operating losses	119,256	66,380	-	-

The tax benefits of the above Deferred Tax Assets will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

NOTE 16: ISSUED CAPITAL

31,250,000 Fully paid ordinary shares	16a	4,022,460	3,822,460	4,022,460	3,822,460
		4,022,460	**3,822,460**	**4,022,460**	**3,822,460**

The Company has authorised share capital amounting to 31,250,000 ordinary shares at no par value.

(a) Ordinary shares				
At the beginning of the reporting period	3,822,460	46,853	3,822,460	46,853
Shares issued during the year				
– Shares issued during 2005	-	4,207,000	-	4,207,000
– Shares cancelled during 2005	-	(3)	-	(3)
– 1,250,000 issued on 31 March 2006	200,000	-	200,000	-
Transaction costs relating to share issues	-	(431,390)	-	(431,390)
At reporting date	4,022,460	3,822,460	4,022,460	3,822,460
	No.	No.	No.	No.
At the beginning of the reporting period	30,000,000	7,880,003	30,000,000	7,880,003
Shares issued during the year				
– Shares issued during 2005	-	22,120,000	-	22,120,000
– Shares cancelled during 2005	-	(3)	-	(3)
– 1,250,000 issued on 31 March 2006	1,250,000	-	1,250,000	-
At reporting date	31,250,000	30,000,000	31,250,000	30,000,000

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.

Note	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
(b) Options				
	No	No	No	No
At the beginning of the reporting period	2,250,000	2,250,000	2,250,000	2,250,000
Options issued during the year				
21 July 2005	1,000,000	-	1,000,000	-
23 December 2005	2,500,000	-	2,500,000	-
31 March 2006	540,000	-	540,000	-
At reporting date	6,290,000	2,250,000	6,290,000	2,250,000

(i) For information relating to share options issued to key management personnel during the financial year, refer to Note 6 and Directors' Report.

(ii) Options issued on 21 July 2005 are $0.25 options exercisable by 30 June 2008.
Options issued on 23 December 2005 are $0.25 options exercisable by 30 June 2008.
Options issued on 31 March 2006 are $0.25 options exercisable by 31 March 2011.

(c) 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 20.

NOTE 17: OPTION PREMIUM RESERVE

Option Premium reserve	126,352	11,250	126,352	11,250

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

NOTE 18: SEGMENT REPORTING

The Company holds investments and operates solely in Australia and has no business divisions. The Companies' principal activities are exploration of its tenements in Australia. The UK Subsidiary has no operations for the year ended 30 June 2006.

NOTE 19: CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit after income tax	(163,920)	(164,392)	(161,739)	(164,392)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit from ordinary activities				
Depreciation	7,509	1,303	7,509	1,303
Shares received as consideration	(700,000)		(700,000)	
Share based payments	115,102	11,250	115,102	11,250
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in other assets	(486,952)	(68,358)	(486,952)	(68,358)
(Increase)/decrease in receivables	8,589	(25,285)	8,589	(25,285)
Increase/(decrease) in payables	(59,073)	88,278	(59,073)	88,278
Increase/(decrease) in provisions	30,572	16,133	30,572	16,133
Cash flow from operations	**(1,248,173)**	**(141,071)**	**(1,245,992)**	**(141,071)**

Credit Standby Facilities – The Company currently has no standby credit facilities as at 30 June 2006

Non-Cash investing and financing activities – The Company has no non-cash investing and financing activities.

NOTE 20: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2006.

On 23 December 2005, 2,500,000 Director options were issued in accordance with a resolution at the Annual General Meeting held on 24 November 2005. The options are to take up ordinary shares at an exercise price of $0.25 each and are exercisable on or before 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.

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.

	Economic Entity				Parent Entity			
	2006		2005		2006		2005	
	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	2,250,000	$0.30	2,250,000	$0.30	2,250,000	$0.30	2,250,000	$0.30
Granted	4,040,000	$0.25	4,040,000	$0.25	4,040,000	$0.25	4,040,000	$0.25
Forfeited	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Outstanding at year-end	**6,290,000**	**$0.268**	**6,290,000**	**$0.268**	**6,290,000**	**$0.268**	**6,290,000**	**$0.268**
Exercisable at year-end	**6,290,000**	**$0.268**	**6,290,000**	**$0.268**	**6,290,000**	**$0.268**	**6,290,000**	**$0.268**

The options outstanding at 30 June 2006 had a weighted average exercise price of $0.268 and a remaining weighted average contractual life of 2.96 years.

The weighted average fair value of the options granted during the year was $03786. This price was calculated by using a Black Scholes option pricing model applying the following inputs:

Exercise Price	$0.25
Time to maturity	2.96 years
Underlying share price	$0.162
Expected share price volatility	62.3%
Risk free interest rate	5.388%

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

•On 11 September 2006, the Company entered into an alliance to explore with Zinifex Limited.

NOTE 22: RELATED PARTY TRANSACTIONS

Note	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Transactions with related parties:				
Jay Stephenson				
Drake Resources Limited rents office space from Jay Stephenson	9,600	2,400	9,600	2,400
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	60,000	57,000	60,000	57,000

NOTE 23: Capital Commitments

Capital expenditure commitments:

Capital expenditure commitments contracted for:				
Exploration tenement minimum expenditure requirements	360,485	376,903	360,485	376,903
Payable:				
– not later than 12 months	209,392	164,125	209,392	164,125
– between 12 months and 5 years	151,093	212,778	151,093	212,778
– greater than 5 years	-	-	-	-
	360,485	376,903	360,485	376,903

NOTE 24: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

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

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is 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 2006.

(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:

2006	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2006 total $
Financial assets					
Cash Assets	975,243	-	-	-	975,243
Receivables	-	-	-	27,001	27,001
Other financial assets				852,500	852,500
	975,243	-	-	879,501	1,854,7444
Weighted average Interest rate	5.42%				
Financial Liabilities					
Payables	-	-	-	76,910	76,910
	-	-	-	76,910	76,910
Weighted average interest rate					
Net financial assets	975,243	-	-	802,591	1,777,834

2005	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2005 total $
Financial assets					
Cash Assets	2,282,090	-	-	-	2,282,090
Receivables	-	-	-	35,592	35,592
Other financial assets				120,000	120,000
	2,282,090	-	-	155,592	2,437,682
Weighted average Interest rate	5.18%				
Financial Liabilities					
Payables	-	-	-	105,412	105,412
	-	-	-	105,412	105,412
Weighted average interest rate					
Net financial assets	2,282,090	-	-	50,180	2,332,270

(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.

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

	2006		2005	
	Carrying Amount $000	Net Fair Value $000	Carrying Amount $000	Net Fair Value $000
Financial Assets				
Loans and receivables	27,001	27,001	35,592	35,592
Available for sale – financial assets	852,500	852,500	120,000	120,000
	879,501	879,501	155,592	155,592
Financial Liabilities				
Other liabilities	76,910	76,910	105,412	105,412
	76,910	76,910	105,412	105,412

NOTE 25: CHANGE IN ACCOUNTING POLICY

(a) The group has adopted the following Accounting Standards for application on or after 1 July 2005.
– AASB 132: Financial Instruments: Disclosure and Presentation; and
The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

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

AASB Amendment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Group
2004–3	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006
	AASB 124: Related Party Disclosures	No change, no impact	1 January 2006	1 July 2006
2005–1	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005–5	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005–6	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
2005–10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 July 2007
	AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2007	1 July 2007
	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2007	1 July 2007
	AASB 4: Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1023: General Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1038: Life Insurance Contracts	No change, no impact	1 January 2007	1 July 2007

AASB Amendment	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Group
2006–1	AASB 121: The Effects of Changes in Foreign Exchange Rates	No change, no impact	1 January 2006	1 July 2006
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2007	1 July 2007
New Standard	AASB 119: Employee Benefits: December 2004	No change, no impact	1 January 2006	1 July 2006

All other pending Standards issued between the previous financial report and the current reporting dates have no application to either the parent or economic entity.

AASB Amendment	AASB Standard Affected
2005–2	AASB 1023: General Insurance Contracts
2005–4	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation
2005–9	AASB 4: Insurance Contracts
	AASB 1023: General Insurance Contracts
	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation

NOTE 26: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2006. (2005: none)

NOTE 27: 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 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 2006, and of the performance for the year ended on that date of the Company and consolidated entity.

2 In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3 The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

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:

Brett Fraser

Director

Robert Beeson

Director

28 September 2006, Perth WA

Independent Audit Report

Partners
Phillip Rix FCA
Jon Carcich CA
Ranko Matic CA
Chris Watts CA

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To the Members of Drake Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Drake Resources Limited (the company) and Drake Resources Limited (the consolidated entity) for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during the period.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence.

Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out in this financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Drake Resources Limited is in accordance with:

(a) 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 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Rix Levy Fowler

Rix Levy Fowler

Chartered Business Advisors Partner

29 September 2006

Ranko Matic

Partner

Shareholder Information

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

1. Shareholding as at 31 August 2006

(a) Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	14
1,001 – 5,000	28
5,001 – 10,000	112
10,001 – 100,000	159
100,001 – and over	51
	364

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

(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 22 September 2006.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Almamater Pty Ltd	1,950,000	6.24%
2. Mr William Brooks	1,794,337	5.74%
3. Pinewood Asset Pty Ltd	1,750,000	5.60%
4. Mr Mun Siong Yeo	1,000,000	3.20%
5. Mr William Paul Brooks	900,000	2.88%
6. Merrill Lynch (Australia) Nominees Pty Ltd	900,000	2.88%
7. Estancia Management Pty Ltd	850,000	2.72%
8. Lanzerac Nominees Pty Ltd	816,500	2.61%
9. Siong Mun Yeo	800,000	2.56%
10. Carabooda Pty Ltd	700,000	2.24%
11. Ling Yih Hoon	700,000	2.24%
12. Tyler Street Holdings	700,000	2.24%
13. Mr Robert Beeson	500,000	1.60%
14. Classy Investments Pty Ltd	500,000	1.60%
15. Graynic Metals Pty Ltd	500,000	1.60%
16. Chee Kean Loo	500,000	1.60%
17. Mr Boon Leng Low	500,000	1.60%
18. Mr Frank Hong	452,336	1.45%
19. Tricom Nominees Pty Ltd	430,000	1.38%
20. Gracefield Holdings Pty Ltd	400,000	1.28%
	16,643,173	**53.26%**

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 +61 (08) 9228 0703.

4. Registers of securities are held at the following addresses

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.

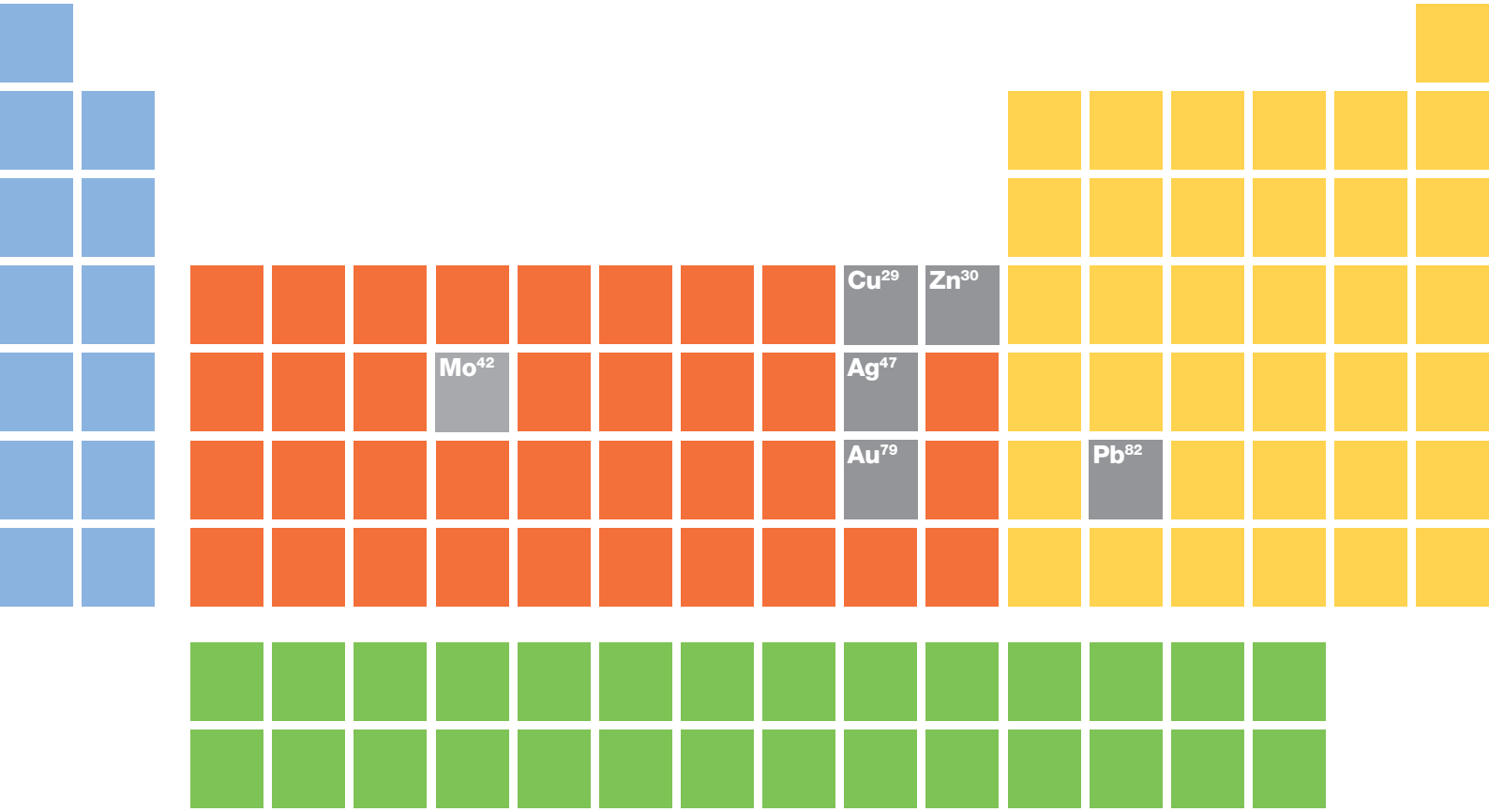
6. Unquoted Securities

Options over Un-issued Shares

A total of 6,290,000 options are on issue 4,750,000 options are on issue to three Directors.

7. Use of Funds

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



Drake Resources Limited

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