

drake resources



DRAKE RESOURCES LIMITED
ABN 12 108 560 069



**ANNUAL REPORT
30 JUNE 2014**

CORPORATE DIRECTORY

Directors

Brett Fraser	Non-executive Chairman
Jay Stephenson	Non-executive Director
Robert Beeson	Non-executive Director
James Merrillees	Executive Director (Resigned 14 August 2013)

Company Secretary

Jay Stephenson

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Auditor

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West Perth WA 6005

Share Registry

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Perth WA 6000

Securities Exchange

Australian Securities Exchange

ASX Code

DRK

DRAKE RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 12 108 560 069

ANNUAL REPORT 30 JUNE 2014

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CHAIRMAN'S LETTER

Dear Shareholder

I am delighted to present Drake's Annual Report for the year ending 30 June 2014. Over the past 12 months we have seen Drake perform to its stated objectives of focusing on priority targets across multiple commodities and further rationalising its non-core asset portfolio.

The start of the year saw the first green shoots of confidence in select commodities and the Australian mining sector. On the back of stability in the US and Chinese economies and metal demand recovery, producers were the first to benefit from the modest but stable recovery and this eventually made its way to the junior sector later in the year. The market has not returned to bullish conditions but investment and reward are available to those juniors with the right portfolio, proven strategy and a clear path of how to return value to Shareholders. I believe Drake sits in this space with its focus on priority assets and ability to progress them through prudent use of your investment dollars.

Development of Drake's portfolio of assets has delivered an improved understanding of each project permitting an informed basis to design the next course of work; all with limited funds and sensible management of external experts. The prevailing difficult market conditions enunciate that explorers must continue to progress its assets and make sensible decisions even though constrained by limited financial and personnel resources. Drake is strongly sponsored by its stakeholders as it delivers on the mandate to explore with a clear objective to discover a new mineral field. Drake fervently believes that within the Group's assets there will be a project that could become a producer.

I would like to acknowledge the work and dedication of our wonderful team led by our CEO Jason Stirbinskis. Jason continues to imbue the confidence of the Drake board with a clear strategy to progress the Group's assets by pursuing a thorough review of all the data on each project, recommending precise steps to fully test for economic mineralisation. This disciplined approach and its deployment is fully supported by the board as being the correct management.

To you our Shareholders, the board is grateful for your mandate and continued support for Drake. To our committed and exceptional team, under the operational stewardship of Jason, your board commend you for the dedicated services. To my fellow board members your support and counsel has been invaluable during this difficult year. The year ahead does pose some challenges but I assure you that the board and staff at Drake remain engaged and committed to fully exploiting the Group's exploration assets and delivering improved value to Shareholders.



Brett Fraser - Chairman

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

Brett Fraser

Chairman, Drake Resources Limited

ACTIVITIES REPORT

From Drake's perspective the year could be viewed as two episodes of roughly equal duration. The difficult economic conditions and sentiment of the previous year remained entrenched for the first half of this year. During this period Drake continued its focus on rationalising its portfolio and similar cost reduction strategies whilst preparing work plans for advancing priority assets and exploring several corporate initiatives. Drake concluded a capital raising in September 2013, giving the company capacity to materially progress its core assets.

The second half of the year saw improved market sentiment and movement out of low commodity cycles for copper, zinc and nickel. The improved financial climate allowed for the realisation of numerous plans developed during the more financially restrained and conservative first six months. The latter half of the year saw the doubling of our Seimana footprint in Guinea followed by two field mapping exercises and the launch of a 1500m RC drilling campaign at this highly prospective gold asset. Drilling also commenced at our copper-zinc assets in Norway that are in joint ventures with Panoramic Resources. Your company also announced some encouraging geophysics results at Joma and a potential near-term production opportunity at this copper-zinc project in Norway. The dramatic improvement in nickel price and outlook was also welcome as Drake advanced its Granmuren greenfield nickel discovery in Sweden. Independent specialist research helped Drake define a number of potential Granmuren repeats across our Bergslagen land holding and we look forward to testing those.

From a period of cautious spending and strategic planning to considerable activity on a number of fronts, Drake has emerged from the year with considerable success and numerous opportunities within its current portfolio.



Jason Stirbinskis – CEO



The Joma copper-zinc mine has workshops, offices, warehouses and main processing building in good order.

Seimana Gold Prospect – Guinea

Drake holds a package of permits covering Birrimian age rocks which lies within the Siguiri province of Northern Guinea. The region has more than 15 million ounces of gold in past mining and existing resources (Fig. 1). Negotiations to secure a highly prospective parcel adjacent to Drake's Seimana gold prospects in Guinea concluded in January. The option to purchase agreement covers a 236km² area adjacent to Drake's existing project which is under a similar option arrangement. Please see the company announcement made on 6 January 2014 for details of the agreements.

The Company immediately set about mapping and sampling the new area via two field campaigns with both programs generating exciting surface results (Fig. 2) including the following significant grab sample gold assay results:

70.8g/t	42.9g/t	29.4g/t	26.7g/t	15.8g/t	15.1g/t
15.1g/t	13.1g/t	10.9g/t	9.9g/t	9.2g/t	7.9g/t

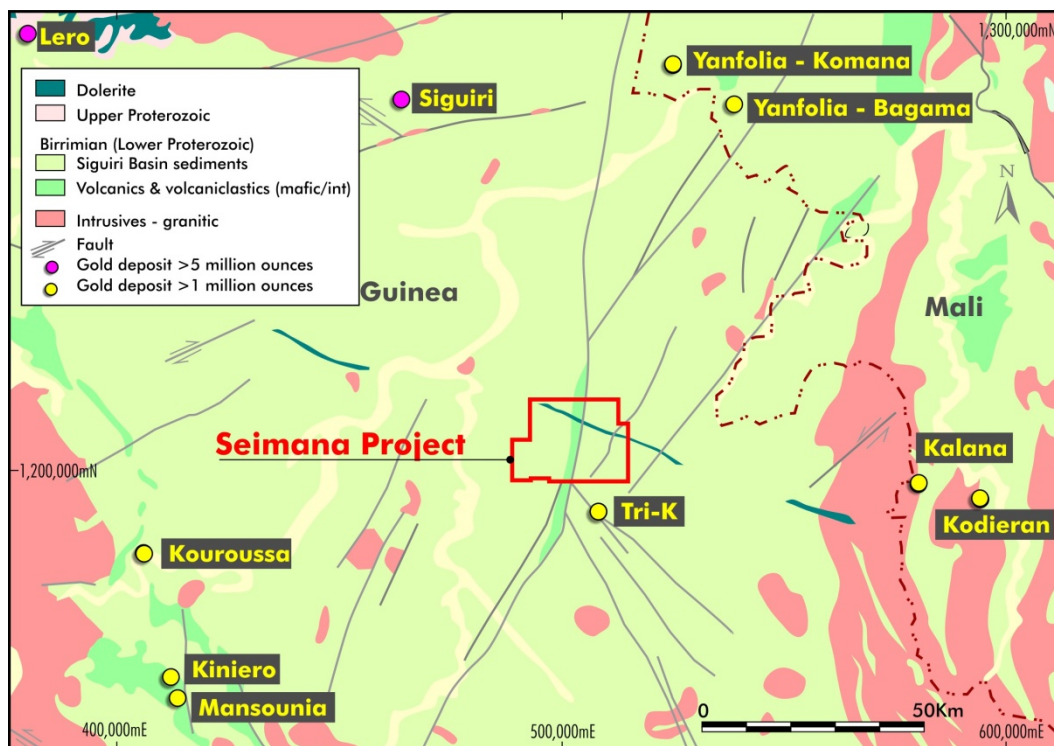


Figure 1: Geological setting – Seimana Project. The area hosts a number of +1Moz gold discoveries.

Key observations from the field programmes and mapping included:

- ▶ Hundreds of ancient and modern artisanal gold mine workings occurring in 55 clusters across the permit area.
- ▶ 41 clusters classified as Priority A and B sites with Priority A sites having a visible strike extent of over 100m based on artisanal mining, with some up to 500m.
- ▶ Preliminary soil sampling at the Fouwa target revealed almost 20% of the area returning +0.1 g/t gold – unusually high for soil values (Fig. 3).
- ▶ There is no evidence of prior exploration and certainly no previous drilling and with the area having very poor and limited outcrop the possibility of further target generation is high.

Drake Seimana Project

Recently Granted Area

Major Birrimian Structure

Tri-K Project
3.2 million oz (Avocet)

Koulekoun resource
2.3 million oz

Legend:

- Birrimian (Lower Proterozoic)**
 - Siguiri Basin sediments
 - Volcanics & volcanoclastics (mafic/int)
- Intrusives - granitic**
- Fault**
- Inferred structure**
- Zones of gold anomalous soil geochemistry**

Gold grades (g/t in rock chip sample):

- +5 g/t gold
- 3 - 5 g/t gold
- 2 - 3 g/t gold
- 1 - 2 g/t gold
- 0.5 - 1 g/t gold
- 0.1 - 0.5 g/t gold
- Less than 0.1g/t gold

Gold resource estimates:

- 15.1 g/t in rock chip sample
- 3.2 million oz (Avocet)
- 2.3 million oz (Koulekoun resource)

FOUWA PROSPECT

Legend: Gold g/t

9.840
185
122
96.9
83.1
75.3
67.4
61.5
55.6
49.7
45.7
41.8
35.9
32
26.1
18.2
0.5

Callouts:

- 2.0 g/t (in soils)
- 4.8 g/t (in rock)
- 3.3 g/t (in soils)
- 9.8 g/t (in soils)
- 3.8 g/t (in rock)
- 3.1 g/t (in rock)
- 1.3 g/t (in soils)

Scale: 0 to 200.0 metres

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Seimana Gold Prospect – Guinea (Continued)

On the back of the very encouraging field work, Drake commissioned a 17 RC hole discovery drilling program. The first drilling program ever conducted at Seimana was aimed to test 7 of the 41 priority targets already identified. Results were released in July 2014 (Table 1).

Target	Hole Number	Depth from (m)	Depth to (m)	Width (m)	Grade (g/t)
Tamdian	TAMRC001	50	54	4	19.80
	including	51	52	1	52.60
Tamdian	TAMRC002	34	41	7	1.55
	including	40	41	1	8.13
		59	67	8	1.80
	including	61	66	5	2.64
Kroufilate	KROUFR001	36	46	10	2.58
	KROUFR002	55	69	14	1.69
	including	55	60	5	2.02
		66	69	3	3.50
Kotromakolen	KOTRC001	26	29	3	5.60
	including	29	30	1	16.00
		39	40	1	3.90
	KOTRC002	29	30	1	1.20
		48	49	1	1.00
Kroudaoulen	KRDRC 001	34	35	1	3.00
	KRDRC 002	18	25	7	2.60
	including	22	25	3	5.06
		66	69	3	3.50
Fouwa	FOURC002	14	40	26	0.41
	FOURC005	30	38	8	0.90
	including	30	32	2	2.00

Table 1: Significant results from recent RC drilling at Seimana – Guinea. Please see announcement “Seimana Gold Project – Final drill results”, released on 30 July 2014, for further information.

The Company is encouraged by the results with 10 (~60%) of the 17 holes intercepting greater than 10m x grams/tonne and 6 holes intercepting high grade (>5g/t) gold, adding weight to Seimana being an area with extensive and frequent near surface zones of gold mineralisation.

Follow-up programs after the wet season are likely to include extension drilling around higher grade zones defined from drilling and more discovery drilling of the remaining 34 targets that have not been drilled to date.

Seimana Gold Prospect – Guinea (Continued)

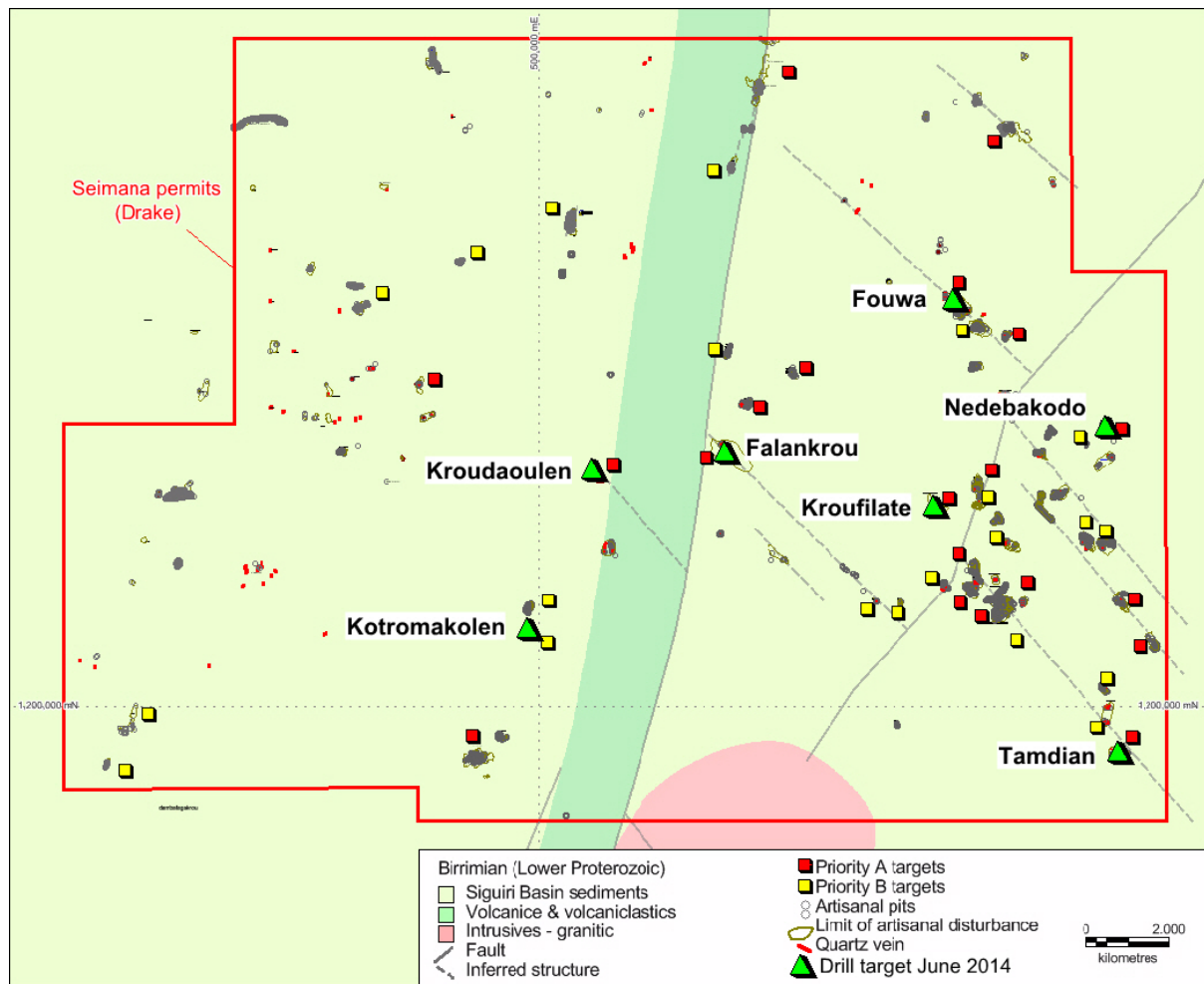


Figure 4: The June/July 2014 Guinea Seimana drilling program was the first drilling ever to be conducted in the region and involved 17 RC holes at 7 priority targets. The Seimana licence area has over 40 priority A or B targets.

Joma Copper-Zinc Project – Norway

The exploration potential of the ~100 square kilometre prospective copper and zinc ground in the Grong District in Norway, known as Joma-Gjersvik, has been a focus for Drake. The licence area also holds two decommissioned mines with significant residual mineralisation remaining from past production events. Previous production at Joma between 1972 and 1998 was 11.5 million tonnes of ore at 1.49% copper and 1.45% zinc and production from Gjersvik was 450,000 tonnes of ore grading 2.15% copper and 0.6% zinc that was processed at the Joma-based copper-zinc float circuit near the end of its production life in 1998.

In February 2014, Drake entered a Letter of Intent ("LOI") with Vilhelmina Mineral AB ("Vilhelmina"), a private, Swedish-registered explorer, to investigate the potential of combining our Joma/Gjersvik assets with Vilhelmina's similar assets nearby to achieve a possible near term production scenario, leveraging the residual mineralisation and infrastructure at both sites. The 90 day Due Diligence period with Vilhelmina concluded without a formal agreement being reached. Both parties continue to see potential economic merit and synergies in the union and are open to further dialogue.

As part of investigating the potential for near term production, Drake commissioned initial resource validation investigations of the residual mineralisation at Joma. The objective of the work was to assess the possibility of generating a 2012 JORC compliant resource from the considerable database of historical technical data and models available to Drake.

Joma Copper-Zinc Project – Norway (Continued)

The program included re-sampling of historic drill core to validate a subset of original assays and remodelling of original mine data to generate an exploration target as a pre-cursor to estimating a potential mineral resource. The re-assay results (Table 2) gave Drake considerable comfort in the validity of the substantial assay database containing 24,000 assay points.

Hole	East	North	Dip	Az	From (m)	To (m)	Intersected Width (m)	Cu (%)	Zn (%)
683	31500.64	95386.61	-76.5	0	0.60	6.04	5.44	5.7(5.0)	0.93(0.91)
2016	31500.77	95418.94	-63.0	0	5.38	15.08	9.70	2.8(2.8)	1.10(1.10)
2516	31379.87	95379.58	-80.1	180.0	5.48	7.67	2.19	7.8(7.8)	0.81(0.86)
2741	31274.47	94908.33	-9.0	326.7	0.00	6.60	6.60	2.4(2.5)	0.04(0.03)

Table 2: Highlight assay results from recent re-sampling of Joma historic core. All grades are weighted by length and SG and are based on a 1% Cu cut-off. The calculated intersection values from the original assays are given in brackets.

The review of historical data generated an Exploration Target in the range of 4-10Mt grading 1-2% Cu and 1.5-2.5% Zn. The potential quantity and grade is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Joma deposit consists of an en echelon array of massive sulphide lenses in an overturned limb of a major isoclinal fold (Fig. 5). The individual lenses vary greatly in thickness and length with the massive zone attaining a maximum thickness of about 50m. The ore body forms a folded, plate-like body that dips steeply to the west-southwest from surface and flattens out at depth.

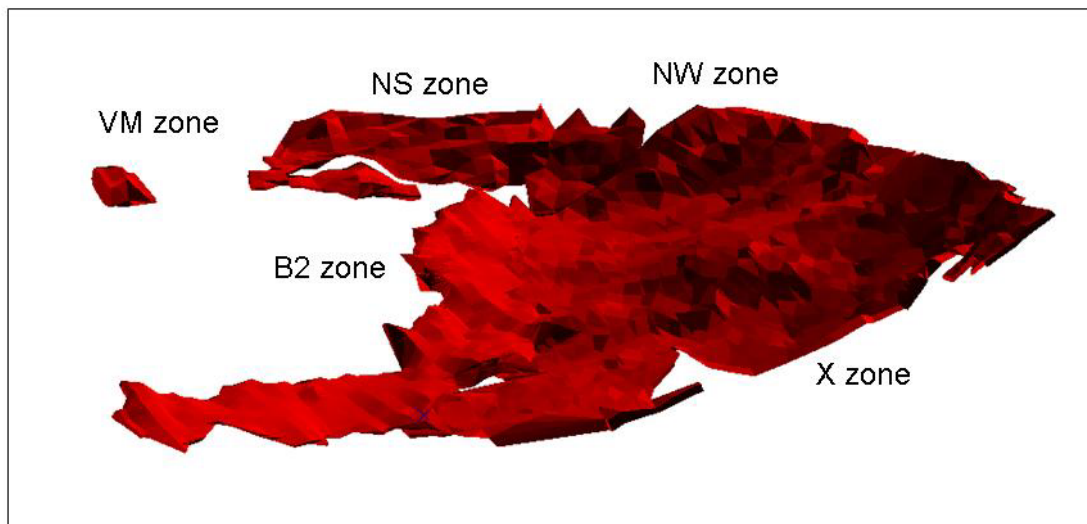


Figure 5: Mineralised zone of the Joma deposit, looking north, generated from the extensive database of historical exploration and mine data for Joma.

Drake's geophysical investigations of the larger Joma permit area over recent years has identified a number of significant untested anomalies (Fig. 6). A target to the northwest of the decommissioned Joma copper-zinc mine (Fig. 6 - Target 1) is of particular interest given its geophysical signature is analogous with that of the mine ore body. A second target has a similar magnetic signature (Fig. 6 - Target 10) and another exciting gravity feature to the northeast of the Joma mine does not appear to have been previously tested.

Joma Copper-Zinc Project – Norway (Continued)

Drake has a total of ~100km² of tenements covering Joma and the nearby Gjersvik deposit. Whilst Drake's attention has been focused on the immediate vicinity of the Joma mine, other mineralised zones may occur across Drake's large regional footprint (Fig. 8).

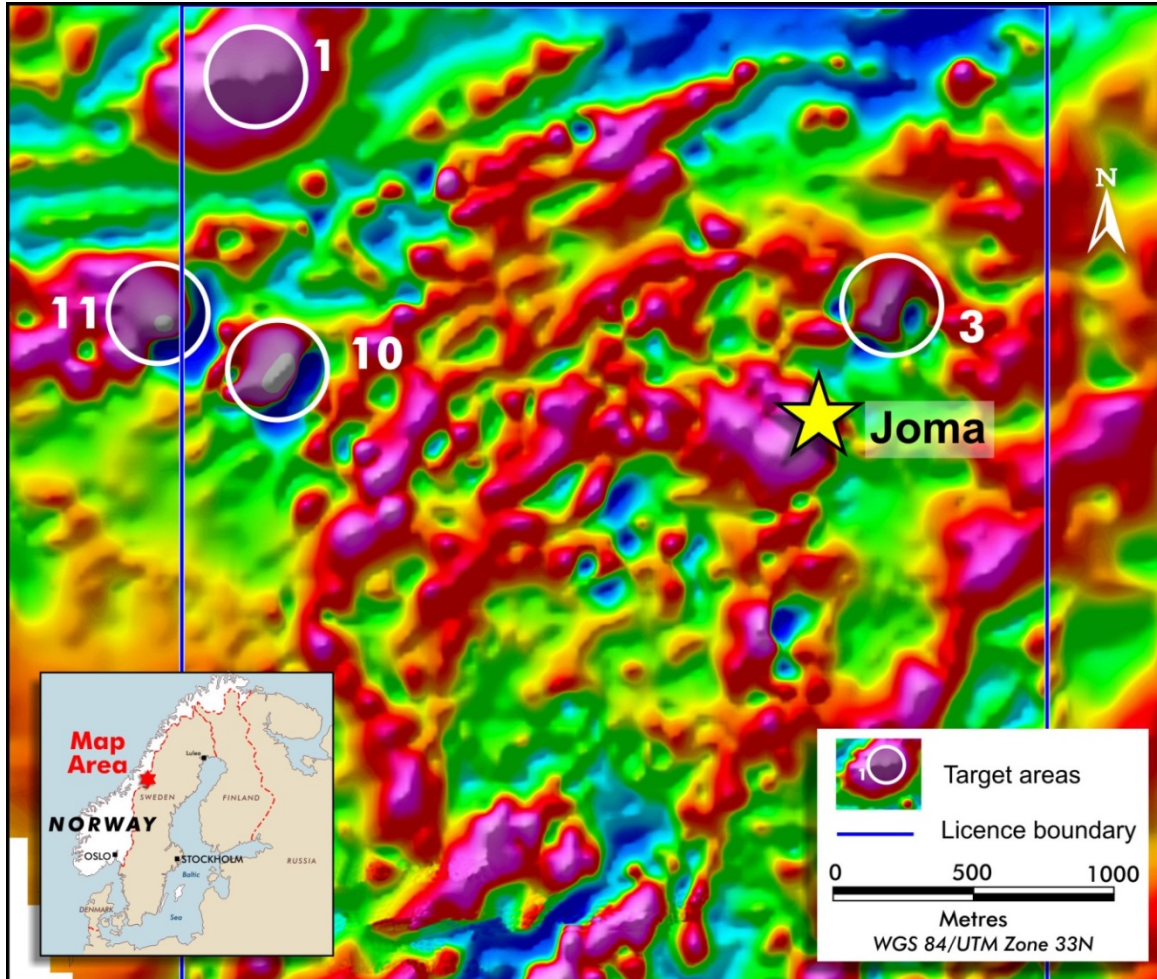


Figure 6: Geophysical surveys have revealed a number of promising targets at Joma.

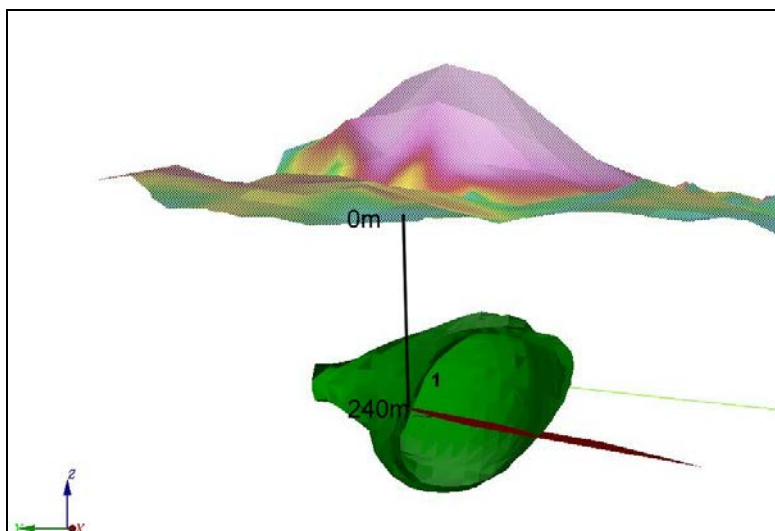


Figure 7: Target 1 - 3D representation of deep magnetic source and conductive plate at about 240m depth below surface.

Joma Copper-Zinc Project – Norway (Continued)

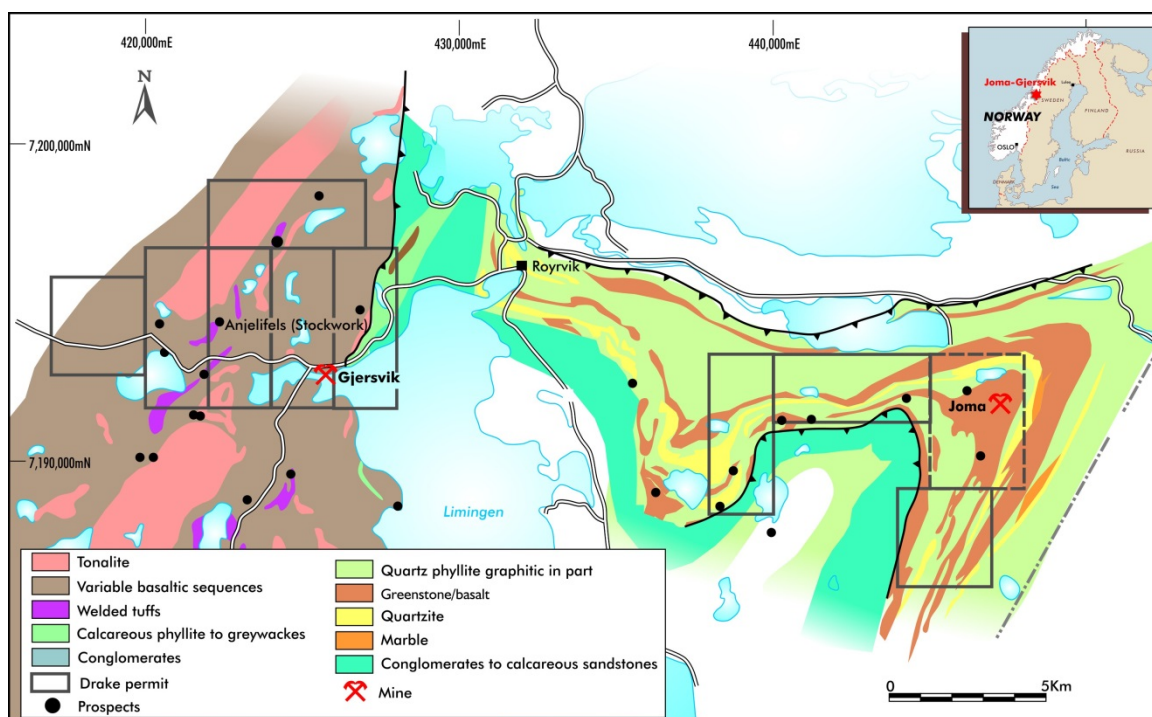


Figure 8: Exploration licences held by Drake in the Joma-Gjersvik area of Norway.

Granmuren Nickel Sulphide Project – Sweden

Granmuren is Drake's greenfield nickel, copper, cobalt discovery in the heart of the Bergslagen district of Sweden which has a very long and significant mining history.

Granmuren is 'Voisey's Bay style mineralisation', a substantial intrusion of massive and disseminated sulphides, mainly pyrrhotite, pentlandite and chalcopyrite hosted in gabbros and norites. Mineralisation occurs near surface, has been tracked down to about 330m, and remains open at depth (Fig. 9). Mineralised zones tend to occur as long intersections of lower grade material including 63.5m @ 0.30% Ni and 0.51% copper. However, high grade material is occasionally encountered such as 4.5m @ 0.81% nickel and 0.70% copper. Granmuren appears to be an extension of the Svecofennian province (Fig. 10) which has played a long and significant part of Finland's smelting and refining success. Scandinavian operations are both open pit and underground with typical grades of 0.25% to 1.0% nickel.

Drake Resources engaged nickel experts Mineralium Pty Ltd to conduct a regional target review of the Company's Bergslagen asset portfolio. Key findings of the report include:

- ▶ The inferred age of Granmuren mineralisation is within an episode of Earth's history in which many of the world's major nickel camps were formed (1.88 – 1.86 Ga).
- ▶ Many of Drake's permits are near, and occasionally on, local deep structures/terrane boundaries such as the Gävle-Rättvik deformation zone. Nickel deposits tend to be associated with large, crustal scale structures.
- ▶ There are abundant sulphur-bearing rocks in the regional supracrustal sequence, providing the conditions in which nickel/copper sulphides could concentrate and precipitate to form massive sulphide.
- ▶ Combining the above with demonstrated presence of nickel/copper occurrences across Drake's portfolio, all point to the area having the potential to contain a world class nickel camp.

Granmuren Nickel Sulphide Project – Sweden

In addition to Granmuren itself, Drake has a dominant land position in the Bergslagen region (Fig. 11).

Drake also completed modelling of the Granmuren nickel deposit based on 2012/13 diamond drilling results and geophysics data. The model provides an indication of the potential for Granmuren to be a significant source of mineralisation. However, the Company's next steps are directed towards finding local repeats of Granmuren to demonstrate the prospectivity of the larger regional portfolio. Next steps at Granmuren will likely include VTEM assessment of high priority targets identified in the Mineralium report.

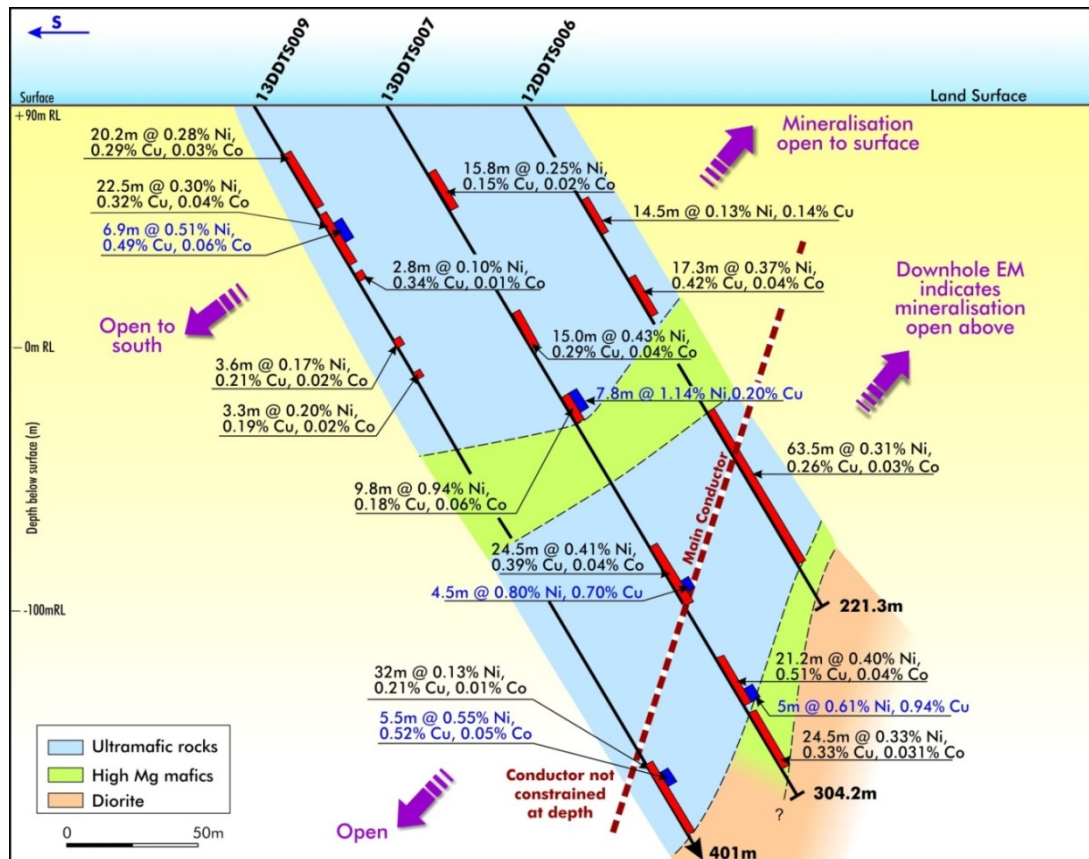


Figure 9: Granmuren cross section with down hole intercepts and logged geology through Holes TS006, TS007 and TS009 drilled in early 2013.

Granmuren Nickel Sulphide Project – Sweden



Figure 10: Nickel projects and operations in Scandinavia (Source: published company documents and analysts' reports).

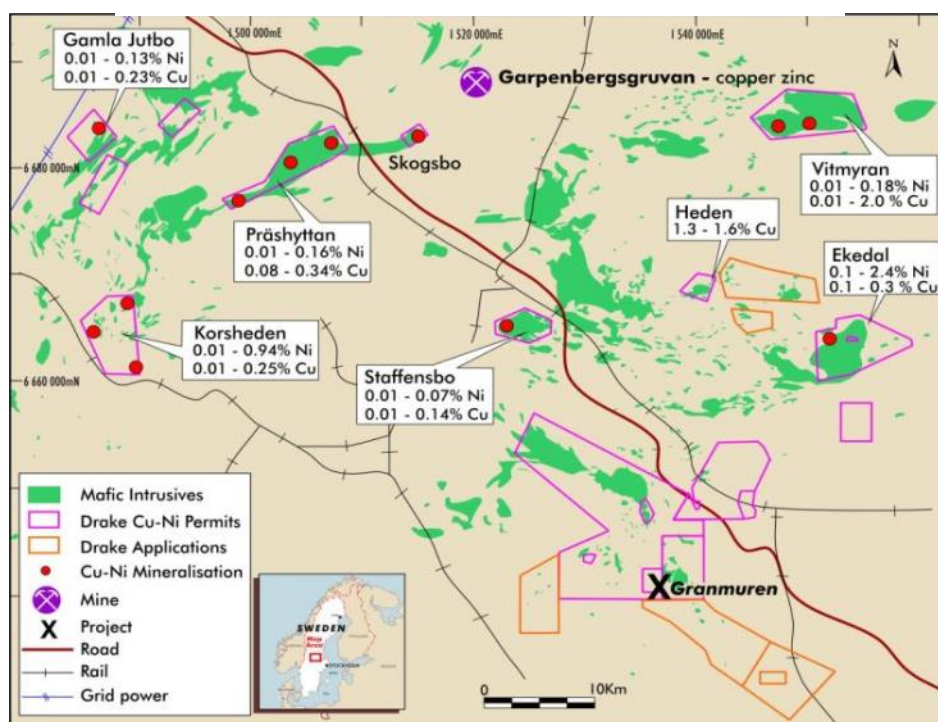


Figure 11: Granmuren region of Bergslagen - Sweden.

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Other Nordic Nickel Assets

Drake holds three additional nickel sulphide prospects across the Nordic region – Espedalen, Lainejaur and Hosanger.

Drake updated and remodelled resources (Table 4) at Dalen and Stormyra, two deposits within the Espedalen portfolio. Both nickel deposits also have recoverable copper and significant potential for extensions. Espedalen has ten further prospects at various stages of advancement (Fig. 12). Some of these prospects have drill hole intercepts exceeding 5metrepercent (m%) nickel; others where a significant geophysics anomaly has been investigated by one mineralised drill hole and yet others where an anomaly or positive rock chip sample has not been followed up with drill testing.

The Espedalen geology and mineralisation is of similar type and age to that found at Voisey's Bay and forms part of this exceptional nickel-copper province stretching from Canada through to Scandinavia (Fig. 13).

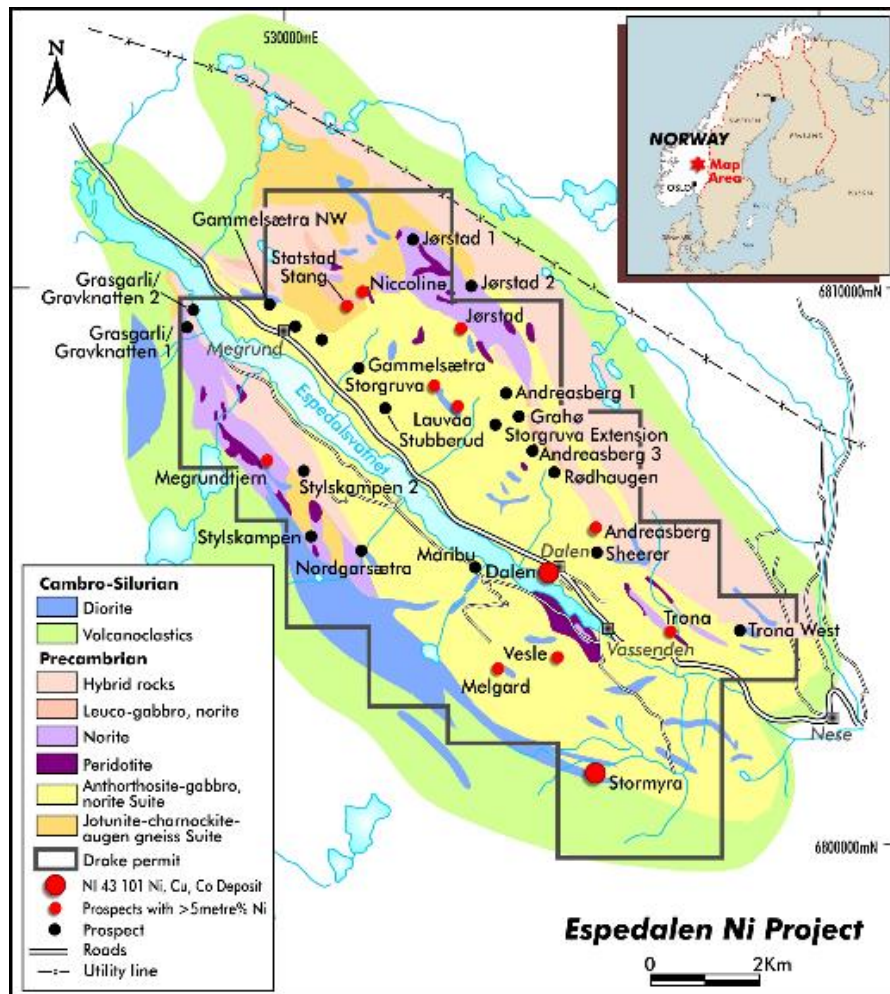


Figure 12: Espedalen has a number of prospective sites

Other Nordic Nickel Assets (Continued)

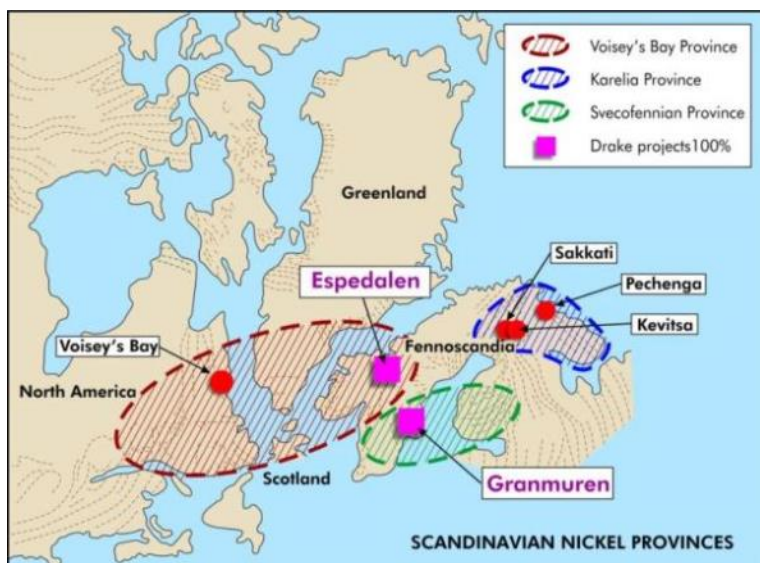


Figure 13: Drake projects in major nickel-copper provinces. (Atlantic Ocean removed as it would have been at the time of ore formation)

Mapping and sampling of the Lainejaur and Hosanger prospects conducted in July generated the following:

- ▶ Hosanger mine dump: 2.33% Nickel; 0.54% Copper and 0.08% Cobalt
- ▶ Lainejaur mine dump: 2.09% Nickel; 0.78% Copper and 0.10% Cobalt

The results confirmed the potential of Hosanger and Lainejaur to host higher grade ore which was the focus of historical mining operations in the 1940s at both sites. With increasingly strong nickel prices and optimistic long term forecasts for the commodity Drake is considering future work at these sites as part of a broader Nordic nickel development strategy.



Figure 14: (a) Sample S117605, Stubberud Prospect, Espedalen. (b) Mineralised ore, Hosanger (sample S117601). (c) Sulphide alteration, Hosanger. (d) View of old workings, Lainejaur.

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Panoramic JV Assets – Norway

Drake has Joint Venture arrangements with Panoramic Resources covering three regions in Norway: Løkken, Nordgruva and Sulitjelma. Under the JV terms, Panoramic has the right to sole-funded exploration to earn a 70% interest in each of the three projects.

A single diamond drill hole drilled at Nordgruva in September 2013 identified off-hole EM conductors of interest. A single follow up drill hole commissioned near the end of the financial year suggested the conductors are attributable to iron sulphides. Nordgruva is part of the Røros mining district in central Norway which has a copper/zinc mining history extending back over 300 years from multiple sites including the Kongens mine. Drake has identified a number of conductors in the region yet to be drill tested. The Drake/Panoramic alliance also commissioned a preliminary small drilling program at the Løkken copper/zinc project late in the financial year with a similar outcome.

A VTEM survey at the third project – Sulitjelma, was conducted in the new financial year with results expected early October. The Sulitjelma area has had significant historical copper production of 25 million tonnes of ore containing 1.8% copper, 0.86% zinc, 10 g/t silver and 0.25 g/t gold between 1887 and 1991 when mining ceased. The survey area (Fig. 15) includes several historic copper-zinc mines. The objective of the program is to identifying targets for potential ground EM and/or follow up drilling.

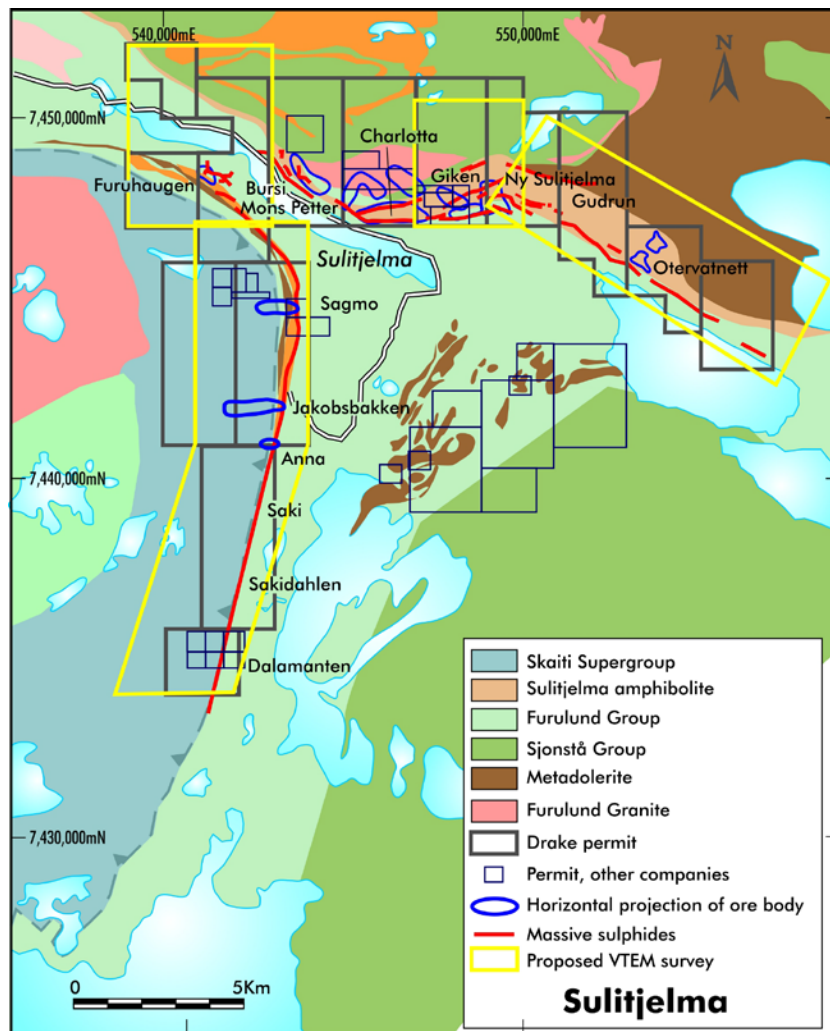


Figure 15: Sulitjelma licence area and locations for VTEM surveying completed in August 2014.

Mauritanian Assets

The Company substantially reduced its Mauritanian footprint (Fig. 17) during the year as part of Drake's prioritisation and rationalisation of its extensive portfolio. Drake has retained the key strategic regions of the licence area that host extensions of the Aouéouat and Tijirit greenstone belts including the Ghassariat Prospect which is located along strike from the 20+ million ounce Tasiast Gold Mine. The Tijirit belt also hosts Gryphon Mineral's Tijirit Prospect 21km north of Drake's permits. There was no on-ground activity at the assets during the year.

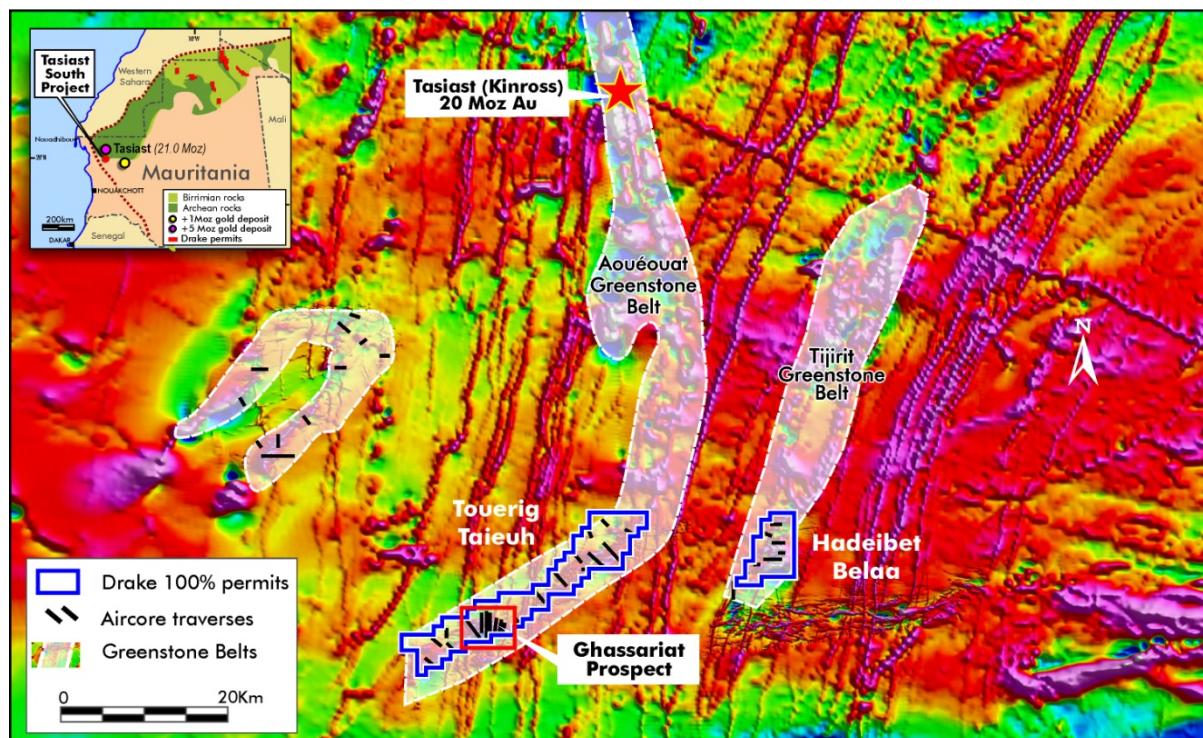


Figure 17: Magnetics image of the Tasiast District, with white shading highlighting the generalised greenstone belts

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Mineral Resource and Ore Reserves Statement 2014

The Company commissioned a review of historic Espedalen exploration data and generated a Resource compliant with 2012 JORC standards for two targets within the Espedalen Nickel project (Table 4). The exercise added to Drake's Mineral Resources (Table 3). Historic reports note a Resource for Espedalen however this is the first occasion that Drake has critically reviewed the available data to generate and release a Mineral Resource Statement.

A Mineral Resource for near pit copper gold mineralisation was calculated for Falun in 2011 which constitutes Drake's 2014 Opening Balance (Table 3). Drake has not revisited the Falun Resource. New Mineral Resources for the year is entirely attributable to the Espedalen Resource calculation.

Mineral Resources	Tonnes (Mt)
Opening Resources 2014	0.58
Production/Depletions	n/a
New Mineral Resource / Adjustments	8.96
Closing Mineral Resources	9.54
Mineral Resources Net Change	8.96

Table 3: Mineral Resources and movements for the year.

Country	Region	Resource Category	Tonnes (Mt)	Grade				Contained Metal			
				Ni (%)	Cu (%)	Co(%)	Au (g/t)	Ni (t)	Cu (t)	Co (%)	Au (Oz)
Norway	Stormyra (Espedalen)	Inferred	1.16	1.00	0.42	0.04		11,600	4,900	400	
	Dalen (Espedalen)	Inferred	7.8	0.28	0.12	0.02		21,900	9,400	1,800	
	Total Espedalen	Inferred¹	8.96	0.37	0.16	0.03		33,500	14,300	2,200	
Sweden	Falun	Inferred ²	0.58		0.60		2.4		3,500		44,000
	Drake Portion³		0.28						1,717		21,560

Table 4: Drake Mineral Resource broken down by Country, region and JORC category at 30 June 2014.

Note 1: Stormyra is calculated using a \$100/t GMV (Gross Metal Value) cut-off while Dalen, which is more amenable to open pit mining methods, is calculated using a \$40/t GMV cut-off. Please see announcement titled "Espedalen Nickel Copper Resource" released 10 October 2013 for further detail.

Note 2: Announced 27 September 2011. Please see relevant competent person statement at the base of this report.

Note 3: Drake holds a 49% interest in the Bergslagen JV which includes the Falun area. Royal Falcon holds 51% of the Bergslagen JV.

Competent Persons Statement – Mineral Resource and Ore Reserves ("MROR")

Mineral Resources are estimated using all available geological and relevant drill hole and assay data including mineralogical sampling and test work. The Resource estimates are determined by consideration of geology, cut off grades, mineralisation thickness mining ratios and consideration of the potential mining and extraction methodology. These factors may vary significantly between deposits.

The Falun Resource was determined by Dr Chris Gee. Dr Gee has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. This qualifies Dr Gee as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Gee is an Associate of Mining Plus Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. Dr Gee consents to the inclusion in the Announcement of the matters based on his information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to the Espedalen Mineral Resource Estimation is based on, and fairly represents, information and supporting documentation compiled by Mr Bruce Armstrong, Consultant Geologist. Mr Armstrong is a member of the Australasian Institute of Geoscientists, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Armstrong consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The MROR was compiled by Dr Bob Beeson. Dr Beeson is a member of the Australasian Institute of Geoscientists, and has sufficient experience which is relevant to the styles of mineralisation and type of deposits under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Dr Beeson consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The MROR represent estimates at 30 June 2014.

Activities Report (Continued)

For further information, please contact:

Mr Jason Stirbinskis

CEO, Drake Resources Limited

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info@drakeresources.com.au

Competent Persons Statement – Seimana and Nordgruva

The information in this report that relates to exploration results is based on, and fairly represents, information and supporting documentation compiled by Dr Bob Beeson. Dr Beeson is a member of the Australasian Institute of Geoscientists, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Dr Beeson consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

Competent Persons Statement – Joma

The information in this report that relates to exploration results and the Joma Exploration Target is based on, and fairly represents, information and supporting documentation compiled by Dr Chris Gee who is an Associate of Mining Plus Pty Ltd. Dr Gee is a Member of the Australasian Institute of Mining and Metallurgy, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Dr Gee consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

Competent Persons Statement – Granmuren

Dr Bob Beeson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. This qualifies Dr Beeson as a Competent Person as defined in the 2004 edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Dr Beeson is a Director of Drake and consents to the inclusion in the Announcement of the matters based on his information in the form and context in which it appears. Dr Beeson is a member of the Australian Institute of Mining and Metallurgy. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Caution Regarding Forward-Looking Information

This document contains forward looking statements concerning Drake. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on Drake's beliefs, opinions and estimates of Drake as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

CORPORATE GOVERNANCE STATEMENT

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

The essential corporate governance principles are:

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

1. Lay solid foundations for management and oversight.

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

Roles and Responsibilities:

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

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

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

The Board regularly reviews the performance of senior executives.

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

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

2. Structure the Board to add value.

Recommendation 2.1: A majority of the Board should be independent Directors. – The majority of the Board is not independent. Refer general comment below.

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

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

Recommendation 2.4: Establishment of a nominations committee.

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

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

General Comments:

Membership

The Board's membership and structure is selected to provide the Company with the most appropriate direction in the areas of business controlled by the Company. The Board currently consists of three members who are all non-executive Directors. Refer to the Directors' Report for details of each Director's profile. The Board includes no independent Directors. The directors each hold shares in the Company. The size of the board does not allow a majority of independent Directors.

CORPORATE GOVERNANCE STATEMENT

Chairman and Chief Executive Officer

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

Performance Evaluation

The Board assesses its performance, the performance of individual directors and the performance of its committees annually through a process of internal review. The Board also formally reviews its governance arrangements on a similar basis annually.

The performance of Key Management Personnel ("KMP") is reviewed on an annual basis by the Board and remuneration committee.

The performance of each member of KMP is assessed against their individual performance plans. Consideration is also given to the contribution that each member of KMP makes to board meetings. Further details regarding the Board's remuneration policy for KMP is provided in the remuneration report on page 30.

Nomination Committee

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

Skills

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

Experience

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

Meetings

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

Independent professional advice

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

3. Promote ethical and responsible decision-making.

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

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

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

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

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

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

The Board has established and disclosed its policy concerning diversity. However, the Board considers due to the size of the Company that setting measurable diversity objectives is not appropriate. The Company currently has only four employees and utilises external consultants and contractors as and when required.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

CORPORATE GOVERNANCE STATEMENT

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

Currently there are 2 women employees in the whole organisation, though none in senior executive positions, or on the Board. Given the present size of the Company, there are no plans to establish measurable objectives for achieving gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Company increases.

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

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

4. Safeguard integrity in financial reporting.

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

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

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

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

General Comments:

Integrity of Company's Financial Condition

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

Audit Committee

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

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

Due to the size of the Board, the Audit Committee cannot meet the guidelines which recommend a minimum of 3 members who are independent directors. The two members of the Audit Committee are Non-Executive Directors.

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 that the Board believes would have a material effect on the price of the Company's securities.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

6. Respect the rights of shareholders.

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

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

General Comments:

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

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

7. Recognise and manage risk

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

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

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

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

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

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

General Comments:

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

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

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

8. Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

Recommendation 8.2: The remuneration committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

Refer general comments below.

Recommendation 8.3: Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.

Recommendation 8.4: Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 8.

CORPORATE GOVERNANCE STATEMENT

General Comments:

Principles used to determine the nature and amount of remuneration

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

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

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

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. Due to the size of the Board, the Remuneration Committee cannot meet the guidelines which recommend a minimum of 3 members who are independent directors. The two members of the Remuneration Committee are Non-Executive Directors.

Remuneration Committee

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

Directors' Remuneration

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

DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2014.

Directors

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

Mr Brett Fraser
Mr Jay Stephenson
Dr Robert Beeson
Mr James Merrillees (Resigned 14 August 2013)

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

Company Secretary

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

Mr Jay Richard Stephenson — Fellow of Certified Practicing Accountants; Certified Management Accountant; Member of Australian Institute of Company Directors; Master of Business Administration; Fellow of Institute of Chartered Secretaries Australia. Mr Stephenson is also a non-executive director and performs the role of Chief Financial Officer for the Company.

Principal Activities

The principal activities of the Group during the financial year were the exploration and evaluation of its projects in Scandinavia, Africa, and Australia.

Operating Results

The consolidated loss for the year amounted to \$5,809,481 (2013: \$3,779,284).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2014.

Review of Operations

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

Financial Position

The net assets of the Group are \$9,255,536 at 30 June 2014 (2013: \$12,313,915).

Significant Changes in State of Affairs

There were no significant changes to the state of affairs of the Group during the period.

After Balance Date Events

On 23 September 2014, the Group announced that the Board of Directors has approved a Shareholder Share Purchase Plan consisting of 63,174,219 shares to be issued at \$0.012 each, to raise up to \$758,090. The offer is open for two weeks from that date and remains open at the time of reporting.

There were no other significant subsequent after-balance-date events.

Likely Developments

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

DRAKE RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 12 108 560 069

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DIRECTORS' REPORT

Information on Directors

Mr Brett Fraser

Qualifications

- Chairman (Non-Executive).
- Fellow of Certified Practising Accountants; Fellow of the Financial Services Institute of Australasia; Graduate Diploma of Finance, Securities Institute of Australia; Bachelor of Business (Accounting); International Marketing Institute - AGSM Sydney.
- Board member since 30 March 2004.
- 6,627,651 ordinary shares in Drake Resources Limited and options to acquire a further 817,605 ordinary shares.
- Member of the Audit Committee and Remuneration Committee.
- Current Non-Executive director of Aura Energy Limited since August 2005, and Blina Minerals NL since September 2008. Past Non-Executive Director of Doray Minerals Limited from October 2009 until November 2011 and past Chairman of Aura Energy Limited from August 2005 to July 2013.
- No other directorships in the past three years.

Experience

Interest in Shares and Options

Special Responsibilities

Directorships held in other listed entities

Mr Jay Stephenson

Qualifications

- Director (Non-Executive); Company Secretary.
- Fellow of Certified Practising Accountants; Certified Management Accountant; Member Australian Institute of Company Directors; Master of Business Administration; Fellow of the Institute of Chartered Secretaries Australia.
- Board member since 30 March 2004.
- 3,544,128 ordinary shares in Drake Resources Limited and options to acquire a further 376,648 ordinary shares.
- Member of the Audit Committee, Due Diligence Committee, and Remuneration Committee.
- Non-Executive Director of Strategic Minerals Corporation NL since July 2009, Doray Mining Limited since August 2009 and Nickelore Limited since July 2011. Chairman, Non-Executive Director of Quintessential Resources Limited since February 2011 and Non-Executive Director of Parmelia Resources Limited since May 2014. Past Non-Executive Director of Aura Energy Limited - August 2005 to July 2013, Bulletproof Limited (Spencer Resources Limited) July 2011 to January 2014 - and Parker Resources Limited - January 2011 to December 2012. No other directorships in the past three years.

Experience

Interest in Shares and Options

Special Responsibilities

Directorships held in other listed entities

Dr Robert Beeson

Qualifications

- Director (Non-Executive) since February 2013; Previously Managing Director - November 2004 to January 2013.
- Bachelor of Science with Honours; PhD; Member of the Australian Institute of Geoscientists.
- Board member since 17 November 2004. Geologist with over 30 years of global experience in base and precious metal exploration and development.
- 1,519,934 ordinary shares in Drake Resources Limited and options to acquire a further 280,412 ordinary shares.
- Current Managing Director of Aura Energy Limited since March 2006. No other directorships in the past three years.

Experience

Interest in Shares and Options

Directorships held in other listed entities

Mr James Merrillees

Qualifications

- Director (Executive) (Resigned 14 August 2013)
- Bachelor of Science (Geology); Bachelor of Commerce (Accounting and Finance); Graduate Certificate of Applied Finance.
- Board member since 17 May 2011 (Resigned 14 August 2013)
- 150,000 ordinary shares in Drake Resources Limited and options to acquire a further 25,000 ordinary shares.
- Current Non-Executive Director of Precious Metals Investments Ltd (NSX:PMZ) since February 2012.
- No other Directorships in the past three years.

Experience

Interest in Shares and Options

Directorships held in other listed entities

DIRECTORS' REPORT

Meetings of Directors

	BOARD MEETINGS		COMMITTEE MEETINGS			
	DIRECTORS' MEETINGS		REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Brett Fraser	3	3	-	-	-	-
Jay Stephenson	3	3	-	-	-	-
Robert Beeson	3	3	-	-	-	-
James Merrillees	1	1	-	-	-	-

Indemnifying Officers or Auditor

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

- The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the company to pay all damages and costs which may be awarded against the Directors.
- The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium in 2014 was \$6,500 (2013: \$11,500).
- No indemnity has been paid to auditors.

Options

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
23 December 2009	23 December 2014	\$0.30	150,000
31 March 2011	31 March 2016	\$0.72	395,000
7 February 2013	31 December 2014	\$0.40	500,000
7 February 2013	31 March 2015	\$0.60	500,000
19 July 2013	1 August 2014	\$0.07	5,358,015
11 September 2013	1 August 2014	\$0.07	20,652,138
16 May 2014	1 August 2015	\$0.05	4,303,180
30 May 2014	1 August 2015	\$0.05	2,589,673
17 June 2014	1 August 2015	\$0.05	2,664,002
26 June 2014	1 August 2015	\$0.05	7,783,307
			44,894,315

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

DIRECTORS' REPORT

Environmental Regulations

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

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

Non-Audit Services

During the year ended 30 June 2014, taxation consulting services were provided to the Company by a party related to the auditors. These services amounted to \$4,470 in 2014 (2013: \$4,400).

The directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth).

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 2014 has been received and can be found on page 38 of the annual report.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

A. Remuneration Policy

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

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

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Remuneration Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, options and performance incentives. The Remuneration Committee reviews executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.
- Executives are also entitled to participate in the employee share and option arrangements.
- The Non-Executive Directors and Executives receive a superannuation guarantee contribution required by the government, which is currently 9.25%, 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's policy is to remunerate Non-Executive Directors at the lower end of market rates for comparable companies for time, commitment, and responsibilities. The Non-Executive Directors have been provided with options that are meant to incentivise the Non-Executive Directors. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

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

B. Remuneration Details for the Year Ended 30 June 2014

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

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

The term "Key Management Personnel" refers to those persons having authority and responsibility for planning, directing and controlling the activities of the group directly or indirectly including any Director (whether executive or otherwise) of the Group.

DRAKE RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 12 108 560 069

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

2014									
Group Key Management Personnel	Short-term benefits				Post-employment benefits		Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Termination Benefits	Equity	Options	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors									
Brett Fraser ^{1,4}	25,368	-	-	1,200	5,550	-	34,632	-	66,750
Jay Stephenson ^{1,4}	22,035	-	-	1,200	5,088	-	32,965	-	61,288
Robert Beeson ^{2,4}	44,026	-	-	-	5,088	44,123	10,974	-	104,211
James Merrillees ⁴	53,058	-	-	100	1,560	-	2,804	-	57,522
Other Key Management Personnel									
Jason Stirbinskis ³	258,143	-	-	2,400	17,775	-	9,082	3,733	291,133
	402,630	-	-	4,900	35,060	44,123	90,458	3,733	580,904

2013									
Group Key Management Personnel	Short-term benefits				Post-employment benefits		Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Termination Benefits	Equity	Options	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors									
Brett Fraser ¹	60,000	-	-	1,200	5,400	-	-	-	66,600
Jay Stephenson ¹	55,000	-	-	1,200	4,950	-	-	-	61,150
Robert Beeson	119,133	-	-	1,150	10,722	-	-	-	131,005
James Merrillees	193,381	-	-	1,200	9,224	-	-	-	203,805
John Hoon	52,403	-	-	-	4,716	-	-	-	57,119
Other Key Management Personnel									
Jason Stirbinskis	113,412	-	-	1,000	6,588	-	-	26,187	147,187
	593,329	-	-	5,750	41,600	-	-	26,187	666,866

¹ Wolfstar Group Pty Ltd, a company controlled by Messrs Fraser and Stephenson, provides financial services and Company Secretarial services to Drake Resources Limited. These services are not provided directly by Messrs Fraser and Stephenson and have therefore not been included as remuneration. Please refer to Note 22, Related Party Transactions for further details.

² Termination Benefits amounts displayed in the report represent the refund of Leave Entitlements presented to Dr. Beeson upon stepping-down from his role as Managing Director of Drake Resources Limited. He is no longer entitled to leave benefits as a Non-Executive Director of the Group.

³ Effective from 1 April 2014, and as part of the Group's operating cost reduction strategy, Mr Stirbinskis reduced his annual salary by 20%. In addition, 25% of his remaining net monthly remuneration after tax is being paid in Ordinary Shares of Drake Resources Limited.

⁴ Directors' fees have been accrued as unpaid since March 2013. Amounts in "Equity" column represent accrued director's fees which have been paid to each Director and pledged by each Director to be re-invested as equity through the two rights entitlement issues which occurred during the year. A summary of Directors' fees accrued is included on the following page.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Directors' Fees Accrued

A summary of Directors' fees accrued is as follows:

Year ended 30 June 2014					
	Opening Balance	Accrued	Accrued Fees Paid (Cash)	Accrued Fees Paid (Equity) ¹	Closing Balance
Brett Fraser	20,000	60,000	10,000	34,632	35,368
Jay Stephenson	18,333	55,000	9,167	32,965	31,201
Robert Beeson	18,333	55,000	9,167	10,974	53,193
James Merrillees	18,333	4,583	9,167	2,804	10,946
John Hoon	15,736	-	9,167	-	6,569
	90,735	174,583	46,668	81,375	137,277

Year ended 30 June 2013					
	Opening Balance	Accrued	Accrued Fees Paid (Cash)	Accrued Fees Paid (Equity) ¹	Closing Balance
Brett Fraser	-	20,000	-	-	20,000
Jay Stephenson	-	18,333	-	-	18,333
Robert Beeson	-	18,333	-	-	18,333
James Merrillees	-	18,333	-	-	18,333
John Hoon	-	15,736	-	-	15,736
	-	90,735	-	-	90,735

The summary of Directors fees accrued above does not include superannuation guarantee payable on accrued Directors' fees. Superannuation guarantee relating to accrued Directors' fees has been paid to each Directors' nominated superannuation fund before the end of each financial year and as such there are no accrued balances at year end.

¹ Amounts in "Accrued Fees Paid (Equity)" column represent accrued director's fees which have been paid to each Director and pledged by each Director to be re-invested as equity through the two rights entitlement issues which occurred during the year ended 30 June 2014.

C. Service Agreements

Mr James Merrillees

Executive Director Mr James Merrillees was employed under a contract of employment. Mr Merrillees resigned from his position as Executive Director on 14 August 2013 and stayed with the company until 12 September 2013 as Exploration Manager.

Mr Merrillees' employment contract stipulated a four week resignation period. The Company could terminate the employment contract without cause by providing four weeks written notice or making payment in lieu of notice, based on the individual's annual salary. Termination payments were generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company could terminate employment at any time. Mr Merrillees' contract ended on 12 September 2013 when he left the Company.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

C. Service Agreements (Continued)

Mr Jason Stirbinskis

Chief Executive Officer Mr Jason Stirbinskis is employed under a contract of employment. The employment contract commenced 7 February 2013 and stipulated a term of 17 months from the commencement date (7 July 2014). The Company may terminate the employment contract without cause by providing three months written notice. In the event that Mr Stirbinskis' employment is terminated without cause, he shall be entitled to a termination payment equal to six months' salary, subject to the provisions of the Corporations Act 2001 (Cth) and shareholder approval. Termination payments are not payable on resignation or dismissal for serious misconduct.

On 1 April 2014, the Company modified the terms of Jason Stirbinskis' deed of employment. Mr Stirbinskis' annual salary has been reduced by 20% as part of the Group's operating cost reduction strategy. In addition, 25% of his remaining net monthly remuneration after tax is being paid in Ordinary Shares of Drake Resources Limited. The number of shares to be granted each month is calculated using the monthly volume weighted average share price pertaining to each month of remuneration.

D. Share-based compensation

Incentive Option Scheme

Options are granted under the Drake Resources Limited Incentive Option Scheme, which was approved by shareholders at a general meeting on 24 November 2005. All staff and consultants of Drake are eligible to participate in the plan.

Director and Key Management Personnel share options

On 31 March 2011, 670,000 share options were granted to employees, including 50,000 to a director, to take up ordinary shares at an exercise price of \$0.72 each. The options vested immediately, are exercisable on or before 31 March 2016 and were valued at \$0.251 each at grant date.

On 7 February 2013, 1,500,000 share options were granted to Mr Jason Stirbinskis. Please refer Share-based Payments below for details of the option terms. These options vested upon successful completion of Mr Stirbinskis' probationary term, per the vesting dates detailed in the Description of Options Issued as Remuneration on the following page. 500,000 of these options, with an exercise price of \$0.20, expired on 31 March 2014 without being exercised. During the year ended 30 June 2014, 1.28% of Mr Jason Stirbinskis' total remuneration was made up of share options as a result of share options that were granted during the previous year but that had only vested during the year ended 30 June 2014.

Director and Key Management Personnel ordinary shares

On 1 April 2014, the Company modified the terms of Jason Stirbinskis' deed of employment as per (C) Service Agreements, above. As a result of this change 350,440 ordinary shares were granted to Mr Stirbinskis during the year ended 30 June 2014. 229,824 of these shares remained unissued as at balance date. These were issued after balance date, on 29 August 2014.

Share-based Payments - Options

There were no options granted as remuneration to Directors and Key Management Personnel during the year. The remaining vesting terms for options granted to Directors and Key Management Personnel in the prior year were as follows:

Group Key Management Personnel	Grant date	Vesting date	Grant value \$	Reason for Grant	Percentage vested during the year ended 30 June 2014 %	Percentage expired during the year ended 30 June 2014 %	Percentage remaining as unvested %	Expiry date for vesting	Range of possible values relating to future payments
Jason Stirbinskis	7 Feb 2013	7 May 2013	12,042	Note 1	-	100	-	N/A	-
Jason Stirbinskis	7 Feb 2013	7 Aug 2013	10,212	Note 1	21	-	-	N/A	-
Jason Stirbinskis	7 Feb 2013	7 Aug 2013	7,667	Note 1	21	-	-	N/A	-

Note 1: The options were granted to Key Management Personnel (KMP) to provide a market-linked incentive package in their capacity as KMP and for future performance in their role.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

D. Share-based compensation (Continued)

Description of Options Issued as Remuneration

Details of the options granted in the prior year as remuneration to those key management personnel listed in the above table are as follows:

Grant date	Vesting date	Issuer	Entitlement on exercise	Dates exercisable	Exercise price \$	Value per option at grant date \$	Amount paid/payable by recipient \$
7 Feb 2013	7 May 2013	Drake Resources Limited	1:1 Ordinary Shares in Drake Resources Limited	From vesting date to 31 March 2014 (expiry)	\$0.20	\$0.0241	-
7 Feb 2013	7 Aug 2013	Drake Resources Limited	1:1 Ordinary Shares in Drake Resources Limited	From vesting date to 31 December 2014 (expiry)	\$0.40	\$0.0204	-
7 Feb 2013	7 Aug 2013	Drake Resources Limited	1:1 Ordinary Shares in Drake Resources Limited	From vesting date to 31 March 2015 (expiry)	\$0.60	\$0.0153	-

Option values at grant date were determined independently using the Black-Scholes method.

Details relating to service and performance criteria required for vesting have been provided in the Share-based Payments table in Note 20.

Share-based payments – Directors' agreement to take up Rights Entitlement Issue shares

Directors' fees have been accrued as unpaid since March 2013. During the year ended 30 June 2014, a portion of accrued director's fees were paid to each Director on the condition that the funds were immediately re-invested as equity through the each of the two Rights Entitlement Issues which occurred during the year (Refer Note 15 for further information regarding shares issued throughout the period). A summary of Directors' fees accrued is included in the Remuneration Report which forms part of this Directors' Report.

As a result of this arrangement, the following ordinary shares and share options were issued to each Director:

	Accrued Fees Paid via Rights Issue (\$)	Number of Ordinary Shares Issued at \$0.03 per Share 17 July 2013	Number of 7c Options Issued (Expiring August 2014) 17 July 2013	Number of Ordinary Shares Issued at \$0.025 per Share 26 June 2014	Number of 5c Options Issued (Expiring August 2014) 26 June 2014
Brett Fraser	34,632	430,067	215,034	400,000	133,334
Jay Stephenson	32,965	400,378	200,189	400,000	133,334
Robert Beeson	10,974	258,333	129,167	-	-
James Merrillees	2,804	50,000	25,000	-	-
	81,375	1,138,778	569,390	800,000	266,668

DRAKE RESOURCES LIMITED

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DIRECTORS' REPORT**REMUNERATION REPORT (AUDITED)****D. Equity holdings of Key Management Personnel***(i) Option holdings*

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

30 June 2014	Balance at start of year	Granted as remuneration during the year	Expired during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable
Directors of Drake Resources Limited							
Brett Fraser	-	348,368	-	-	469,237	817,605	817,605
Jay Stephenson	-	333,523	-	-	43,125	376,648	376,648
Robert Beeson	-	129,167	-	-	151,245	280,412	280,412
James Merrillees ¹	50,000	25,000	50,000	-	-	25,000	25,000
Other KMP of Drake Resources Limited							
Jason Stirbinskis	1,500,000	-	500,000	-	203,702	1,203,702	1,203,702
	1,550,000	836,058	550,000	-	867,309	2,703,367	2,703,367

¹ Balance at end of year represents Mr Merrillees' shareholding as at the final date of his employment (12 September 2013).

30 June 2013	Balance at start of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable
Directors of Drake Resources Limited						
Brett Fraser	1,500,000	-	-	(1,500,000)	-	-
Jay Stephenson	1,500,000	-	-	(1,500,000)	-	-
Robert Beeson	2,000,000	-	-	(2,000,000)	-	-
James Merrillees	1,050,000	-	-	(1,000,000)	50,000	50,000
John Hoon ¹	1,000,000	-	-	(1,000,000)	-	-
Other KMP of Drake Resources Limited						
Jason Stirbinskis	-	1,500,000	-	-	1,500,000	500,000
	7,050,000	1,500,000	-	(7,000,000)	1,550,000	550,000

¹ Balance at end of year represents Mr Hoon's shareholding as at the date of his resignation (13 June 2013).

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

D. Equity holdings of Key Management Personnel (Continued)

(ii) Shareholdings (Continued)

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

30 June 2014	Balance at start of year	Received as compensation during the year	Received on exercise of options during the year	Other changes during the year	Balance at end of year
Directors of Drake Resources Limited					
Brett Fraser	4,658,000	830,067	-	1,139,584	6,627,651
Jay Stephenson	2,657,500	800,378	-	86,250	3,544,128
Robert Beeson	891,200	258,333	-	370,401	1,519,934
James Merrillees ¹	100,000	50,000	-	-	150,000
Other KMP of Drake Resources Limited					
Jason Stirbinskis ²	-	350,440	-	444,444	565,060
	8,306,700	2,289,218	-	2,040,679	12,406,773

¹ Balance at end of year represents Mr Merrillees' shareholding as at the final date of his employment (12 September 2013).

² 229,824 of these shares received as compensation remained unissued as at 30 June 2014. These were issued subsequent to balance date, on 29 August 2014.

"Other changes during the year" relate to shares purchased/(sold) on market.

30 June 2013	Balance at start of year	Received as compensation during the year	Received on exercise of options during the year	Other changes during the year	Balance at end of year
Directors of Drake Resources Limited					
Brett Fraser	4,658,000	-	-	-	4,658,000
Jay Stephenson	2,657,500	-	-	-	2,657,500
Robert Beeson	881,200	-	-	10,000	891,200
James Merrillees	100,000	-	-	-	100,000
John Hoon ¹	260,000	-	-	-	260,000
Other KMP of Drake Resources Limited					
Jason Stirbinskis	-	-	-	-	-
	8,556,700	-	-	10,000	8,566,700

¹ Balance at end of year represents Mr Hoon's shareholding as at the date of his resignation (13 June 2013).

"Other changes during the year" relate to shares purchased/(sold) on market.

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

D. Other Transactions with Key Management Personnel

Wolfstar Group Pty Ltd

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

Wolfstar Group Pty Ltd rents office space from Drake Resources Limited and the companies share a variety of office expenses on commercial terms.

Note: Positive amounts represent a net reimbursement to Drake Resources from Wolfstar Group Pty Ltd.

Amounts due to and from Related Parties:

Amounts due (to) Wolfstar Group Pty Ltd

Amounts due from Wolfstar Group Pty Ltd¹

2014	2013
\$	\$
(117,000)	(117,000)
119,872	55,947
(348)	(255)
34,222	583

¹Amounts due from Wolfstar Group Pty Ltd are currently offset by unpaid Directors' fees due to the directors of Wolfstar Group Pty Ltd, Mr Fraser and Mr Stephenson. The Current amount due to Mr Fraser and Mr Stephenson for unpaid Directors' fees is \$66,569.

END OF REMUNERATION REPORT

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



JAY STEPHENSON

Director

Dated this 26th Day of September 2014

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(WA) Pty Ltd**

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To The Board of Directors

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

As lead audit director for the audit of the financial statements of Drake Resources Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Director

Dated at Perth this 26th day of September 2014

DRAKE RESOURCES LIMITED

AND CONTROLLED ENTITIES

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Year Ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue	2	72,306	96,933
Accounting and audit fees		(99,415)	(111,203)
Computers and software		(16,020)	(19,119)
Contractors and consultants		(6,000)	(44,503)
Directors' fees		(174,583)	(244,403)
Employee benefits		(370,487)	(459,187)
Share-based payments	20	(3,733)	(26,187)
Depreciation		(54,254)	(70,411)
Insurance		(36,714)	(40,916)
Legal fees		(32,608)	(11,569)
Public relations and advertising		(9,016)	(72,025)
Registry and ASX fees		(47,805)	(46,985)
Rent & utility expense		(93,823)	(138,143)
Travel and accommodation		(12,543)	(72,157)
Unrealised Gain/(Loss) on listed shares		(313,891)	(560,479)
Impairment of exploration & evaluation assets	12	(4,564,417)	(2,066,157)
Exploration costs written off		(3,560)	(37,423)
Other expenses		(42,916)	(122,103)
Profit/(Loss) before income tax	3	(5,809,481)	(4,046,037)
Income tax benefit	4	-	266,753
Loss from continuing operations	3	(5,809,481)	(3,779,284)
Other comprehensive income, net of income tax			
▶ <i>Items that will not be reclassified subsequently to profit or loss:</i>			-
▶ <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		3,600	38,305
Other comprehensive income for the year, net of income tax		3,600	38,305
Total comprehensive income attributable to members of the parent entity		(5,805,881)	(3,740,979)
Earnings per share			
Basic and diluted (loss) per share (cents per share)	7	(3.82)	(4.12)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	8	1,349,734	812,515
Financial assets	9	271,898	585,784
Trade and other receivables	10	249,231	161,986
TOTAL CURRENT ASSETS		1,870,863	1,560,285
NON-CURRENT ASSETS			
Plant and equipment	11	61,879	114,142
Exploration and evaluation assets	12	7,684,841	11,215,310
TOTAL NON-CURRENT ASSETS		7,746,720	11,329,452
TOTAL ASSETS		9,617,583	12,889,737
CURRENT LIABILITIES			
Trade and other payables	13	308,901	518,198
Short-term provisions	14	53,146	57,624
TOTAL CURRENT LIABILITIES		362,047	575,822
TOTAL LIABILITIES		362,047	575,822
NET ASSETS		9,255,536	12,313,915
EQUITY			
Issued capital	15	22,995,085	20,279,166
Reserves	16	160,692	150,098
Accumulated losses		(13,900,241)	(8,115,349)
TOTAL EQUITY		9,255,536	12,313,915

The accompanying notes form part of these financial statements.

DRAKE RESOURCES LIMITED

AND CONTROLLED ENTITIES

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Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2014

	Issued Capital	Accumulated Losses	Options Reserve	Share Based Payments Reserve	Foreign Exchange Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012	18,863,303	(5,828,930)	1,622,710	-	(44,239)	14,612,844
Loss for the year	-	(3,779,284)	-	-	-	(3,779,284)
Other comprehensive income for the year	-	-	-	-	38,305	38,305
Total comprehensive income for the year	-	(3,779,284)	-	-	38,305	(3,740,979)
Transaction with owners, directly in equity						
Shares issued during the year	1,521,575	-	-	-	-	1,521,575
Transaction costs	(105,712)	-	-	-	-	(105,712)
Options expired during the year	-	1,492,865	(1,492,865)	-	-	-
Options issued during the year	-	-	26,187	-	-	26,187
Balance at 30 June 2013	20,279,166	(8,115,349)	156,032	-	(5,934)	12,313,915
Balance at 1 July 2013	20,279,166	(8,115,349)	156,032	-	(5,934)	12,313,915
Loss for the year	-	(5,809,481)	-	-	-	(5,809,481)
Other comprehensive income for the year	-	-	-	-	(3,600)	(3,600)
Total comprehensive income for the year	-	(5,809,481)	-	-	(3,600)	(5,813,081)
Transaction with owners, directly in equity						
Shares issued during the year	2,864,144	-	-	-	-	2,864,144
Transaction costs	(148,225)	-	-	-	-	(148,225)
Share-based payments not yet issued	-	-	-	35,053	-	35,053
Options vested during the year	-	-	3,730	-	-	3,730
Options expired during the year	-	24,589	(24,589)	-	-	-
Balance at 30 June 2014	22,995,085	(13,900,241)	135,173	35,053	(9,534)	9,255,536

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2014

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		45,199	28,964
Interest received		27,444	50,638
Payments to suppliers and employees		(1,125,120)	(814,446)
Payments for exploration expenditure		(1,112,255)	(3,242,364)
Research & development rebate received		-	266,753
Net cash used in operating activities	19	(2,164,732)	(3,710,455)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(1,992)	(24,058)
Payments for joint exploration, net of funding		(5,345)	603,301
Purchase of investments		-	(100,000)
Proceeds from sale of exploration assets		-	20,000
Net cash used in investing activities		(7,337)	499,243
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,864,144	1,517,677
Capital raising costs		(148,225)	(101,814)
Net cash provided by financing activities		2,715,919	1,415,863
Net increase/(decrease) in cash held		543,850	(1,795,348)
Cash at the beginning of the period		812,515	2,607,863
Effect of exchange rates on cash holdings in foreign currencies		(6,631)	-
Cash at the end of the period	8	1,349,734	812,515

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Statement of Compliance

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

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

The financial statements were authorised for issue on 26 September 2014 by the directors of the Company.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are presented in Australian Dollars unless otherwise noted.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Group incurred a loss for the year of \$5,809,481 (2013: \$3,779,284) and net cash outflows from operating activities of \$2,164,732 (2013: \$3,710,455)

During the year the Company successfully raised \$2,715,919 from the issue of shares net of capital raising costs.

The ability of the Consolidated Group to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets and managing cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Consolidated Group to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Consolidated Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecast and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Consolidated Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Consolidated Group be unable to continue as a going concern and meet its debts as and when they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

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

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

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

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

(b) Exploration and Development Expenditure

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

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

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

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

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

(c) Income Tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Where the Group receives the Australian Government's Research and Development Tax incentive, The Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return and disclosed as such in Note 4 Income Tax.

(d) Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

Depreciation

The depreciable amount of all fixed assets including is depreciated on a straight line basis over their useful lives to the Consolidated Group commencing from the time that 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 as follows:

Plant and equipment	25-50%
Computers	33-50%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. 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 the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(f) Cash and cash equivalents

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

(g) Revenue and Other Income

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

Management fees are recognised on a portion of completion basis.

Gain on disposal of tenements, and revenue from equipment chargebacks, are recognised on receipt of compensation.

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

(h) Goods and Services Tax (GST)

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

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

(i) Leases

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.

(j) Financial Instruments

Initial recognition and measurement

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Classification and Subsequent Measurement

Financial assets at fair value through profit and loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

Financial liabilities

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

Fair value

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

Impairment

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

Derecognition

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

(k) Earnings Per Share

Basic earnings per share is determined by dividing the loss from continuing operations, 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.

(l) Impairment of Assets

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have become 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 recognised immediately to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

(m) Provisions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(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 profit or loss in the period in which they are incurred.

(o) Equity-settled compensation

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

(p) Comparative Figures

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

(q) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

- ▶ Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- ▶ Income and expenses are translated at average exchange rates for the period; and;
- ▶ Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

(r) Critical Accounting Estimates and Judgments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Key Judgments – Exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(b). The carrying value of capitalised expenditure at reporting date is \$7,684,841 (2013: \$11,215,310)

During the financial year, the Group undertook assessment of its tenement assets, as a result of this assessment, the Group decided to impair some of its exploration assets. Refer Note 12.

Key Judgments – Environmental Issues

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

Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions. Refer Note 4.

Key Estimate – Impairment

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

Key Estimate – Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in Note 20.

(s) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- ▶ **Market approach:** valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- ▶ **Income approach:** valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- ▶ **Cost approach:** valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- ▶ **Level 1** - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- ▶ **Level 2** - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- ▶ **Level 3** - Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- ▶ if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- ▶ if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(t) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- ▶ its assets, including its share of any assets held jointly;
- ▶ its liabilities, including its share of any liabilities incurred jointly;
- ▶ its revenue from the sale of its share of the output arising from the joint operation;
- ▶ its share of the revenue from the sale of the output by the joint operation; and
- ▶ its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(u) New Accounting Standards Adopted by the Group

In the current year, the Group has applied a number of new and revised standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

● AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

Applicable for annual reporting periods commencing on or after 1 July 2013.

The Standard amends AASB 124 *Related Party Disclosures* to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the AASBs.

As a result the Group only discloses the KMP compensation in total and for each of the categories required in AASB 124.

● AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This standard makes amendment to AASB 1048 Interpretation of Standards following the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*.

The adoption of this amending standard does not have any material impact on the consolidated financial statements.

● AASB CF 2013-1 Amendments to the Australian Conceptual Framework and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part A Conceptual Framework)

This standard makes amendment to AASB 1048 Interpretation of Standards following the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*.

The adoption of this amending standard does not have any material impact on the consolidated financial statements.

● AASB 12 Disclosure of Interests in Other Entities (issued August 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures introduced by AASB 12 include disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

● AASB 13: Fair Value Measurement (issued September 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

This Standard was first adopted for the year ended 30 June 2014. The Group does not have any material assets or liabilities significantly impacted by this Standard. Consequently, additional disclosures under this Standard, required about fair values, have had minimal impact to the financial statements.

(v) New Accounting Standards for Application in Future Periods

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

● AASB 9 Financial Instruments (issued December 2009 and amended December 2010)

Applicable for annual reporting periods commencing on or after 1 January 2015.

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- ▶ Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- ▶ Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- ▶ Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- ▶ Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and
 - ▶ The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- ▶ Classification and measurement of financial liabilities; and
- ▶ Derecognition requirements for financial assets and liabilities.

Consequential amendments arising from AASB 9 are contained in AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010), AASB 2010-10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*.

The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018 and the IASB is yet to finalise the remaining phases of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 in Australia).

● AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

Applicable for annual reporting periods commencing on or after 1 January 2014.

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

● AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets

Applicable for annual reporting periods commencing on or after 1 January 2014.

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

When developing IFRS 13 *Fair Value Measurement*, the IASB decided to amend IAS 36 *Impairment of Assets* to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 *Impairment of Assets*.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements

● AASB 1031 Materiality (December 2013)

Applicable for annual reporting periods commencing on or after 1 January 2014.

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn.

When the revised AASB 1031 is first adopted for the year ending 30 June 2015, it is unlikely to have any significant impact on the entity.

● AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality)

Applicable for annual reporting periods commencing on or after 1 January 2014.

Part B of AASB 2013-9 deletes references to AASB 1031 in various Australian Accounting Standards (including Interpretations).

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.

● AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)

Applicable for annual reporting periods commencing on or after 1 January 2015.

These amendments:

- ▶ add a new chapter on hedge accounting to AASB 9 *Financial Instruments*, substantially overhauling previous accounting requirements in this area;
- ▶ allow the changes to address the so-called 'own credit' issue that were already included in AASB 9 to be applied in isolation without the need to change any other accounting for financial instruments; and
- ▶ defer the mandatory effective date of AASB 9 from '1 January 2015' to '1 January 2017'.

Note that, subsequent to issuing these amendments, the AASB has issued AASB 2014-1 which defers the effective date of AASB 9 to '1 January 2018'.

The entity has not yet assessed the full impact of these amendments.

● AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

Applicable for annual reporting periods commencing on or after 1 July 2014

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- (1) clarify that the definition of a 'related party' includes a management entity that provides KMP services to the reporting entity (either directly or through a group entity); and
- (2) (b) amend AASB 8 *Operating Segments* to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

● **AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119))**

Applicable for annual reporting periods commencing on or after 1 July 2014

Part B of AASB 2014-1 makes amendments to AASB 119 *Employee Benefits* to incorporate the IASB's practical expedient amendments finalised in International Financial Reporting Standard Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) in relation to the requirements for contributions from employees or third parties that are linked to service.

The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of AASB 119 for the gross benefit.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

● **AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)**

Applicable for annual reporting periods commencing on or after 1 July 2014

Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 *Materiality*, which historically has been referenced in each Australian Accounting Standard.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

● **AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)**

Applicable for annual reporting periods commencing on or after 1 January 2016

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.

● **AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)**

Applicable for annual reporting periods commencing on or after 1 January 2015

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 *Financial Instruments: Disclosures* and AASB 101 *Presentation of Financial Statements*.

The entity has not yet assessed the full impact of these amendments.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Interest received

Management fees

Total Revenue**Other Income**

Realised foreign exchange gain/(loss)

Total Other Income

2014	2013
\$	\$
27,449	50,638
45,199	28,964
72,648	79,602
(342)	17,331
(342)	17,331

NOTE 3 LOSS BEFORE INCOME TAX

The following significant revenue and (expense) items are relevant in explaining the financial performance:

Impairment of exploration and evaluation assets

Depreciation of property, plant & equipment

Share based payments expense

Rent & utilities expense

Income tax benefit

2014	2013
\$	\$
4,564,417	2,103,580
54,254	70,411
3,733	26,187
93,823	138,143
-	266,753

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 INCOME TAX

(a) Income tax expense / (benefit)

Current tax

Deferred tax

Deferred income tax expense included in income tax expense comprises:

- ▶ Increase / (decrease) in deferred tax assets
- ▶ (Increase) / decrease in deferred tax liabilities

(b) Reconciliation of income tax expense to prima facie tax payable

The prima facie tax payable / (benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on operating loss at 30% (2013: 30%)

Add / (Less)

Tax effect of:

- ▶ Share-based payments
- ▶ Other non-allowable items
- ▶ Capital raising costs deductible
- ▶ Under provision in prior years
- ▶ Movement in unrecognised temporary differences

Income tax expense / (benefit) attributable to operating loss

Less rebates:

Tax effect of:

- ▶ Non-Assessable Income

Income tax expense / (benefit)

The applicable weighted average effective tax rates attributable to operating profit are as follows

Balance of franking account at year end

Note	2014 \$	2013 \$
	-	-
	-	-
	-	-
4(c)	115,997	(45,135)
4(d)	(115,997)	45,135
	-	-
	(1,742,844)	(1,133,785)
	1,120	7,856
	1,237,529	466,604
	(29,988)	(30,171)
	109,122	143,483
	425,061	812,767
	-	266,753
	-	-
	-	266,753
	nil%	nil%
	nil	nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4 INCOME TAX

	Note	2014 \$	2013 \$
(c) Deferred tax assets			
Tax losses		1,669,599	1,474,057
Provisions and accruals		15,944	66,168
Other		379,630	309,879
Set-off deferred tax liabilities	4(d)	(15,428)	(131,425)
Net deferred tax assets		2,049,745	1,718,680
Less deferred tax assets not recognised		(2,049,745)	(1,718,680)
Net tax assets			-
(d) Deferred tax liabilities			
Exploration expenditure		-	131,425
Other		15,428	-
Set-off deferred tax assets	4(c)	(15,428)	(131,425)
Net deferred tax liabilities		-	-
(e) Tax losses			
Unused tax losses for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		5,565,330	4,913,524
		5,565,330	4,913,524

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2014 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel ("KMP") compensation

The aggregate compensation made to directors and other key management personnel of the Group is set out below:

	2014	2013
	\$	\$
Short-term employee benefits	407,530	599,079
Post-employment benefits	35,060	41,600
Termination Benefits	44,123	-
Share based payments	94,191	26,187
Other long term benefits	-	-
Total	580,904	666,866

NOTE 6 AUDITOR'S REMUNERATION

Note

Remuneration of the auditor of the Group for:

- Auditing and reviewing the financial reports
- Taxation and advisory services provided by a related practice of the auditor

	2014	2013
	\$	\$
	38,246	36,930
	4,470	4,400
	42,716	41,330

NOTE 7 EARNINGS PER SHARE

Note

- (a) Reconciliation of earnings to net profit or loss
Loss used in the calculation of basic EPS
- (b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

	2014	2013
	\$	\$
	(5,809,481)	(3,779,284)
	152,049,521	91,784,417
	(3.82)	(4.12)

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014****NOTE 8 CASH AND CASH EQUIVALENTS**

	Note	2014 \$	2013 \$
Cash at bank		1,349,734	812,515
Cash and cash equivalents		1,349,734	812,515

The effective interest rate on short term bank deposits was 2.44% (2013: 2.9%). These deposits have an average maturity of 0 days (2013: 19 days).

NOTE 9 FINANCIAL ASSETS

	Note	2014 \$	2013 \$
CURRENT			
Financial assets – held for trading:			
Securities in ASX listed entity		171,893	485,784
Other financial assets		100,005	100,000
Net carrying value		271,898	585,784

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

NOTE 10 TRADE AND OTHER RECEIVABLES

	Note	2014 \$	2013 \$
CURRENT			
Expenditure recoverable from JV Partners		32,348	49,041
GST and MOMS receivable		37,904	51,516
Amount receivable from related parties		34,222	583
Other receivables & prepayments		144,757	60,846
		249,231	161,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11 PLANT AND EQUIPMENT

	Note	2014 \$	2013 \$
Plant and equipment at cost		325,658	323,668
Accumulated depreciation		(263,779)	(209,525)
Total plant and equipment		61,879	114,143
Movements in Carrying Amounts			
Carrying amount at the beginning of the year		114,143	160,496
Additions		1,990	28,697
Disposals		-	(4,639)
Depreciation expense		(54,254)	(70,411)
Carrying amount at the end of the year		61,879	114,143

NOTE 12 EXPLORATION AND EVALUATION ASSETS

	Note	2014 \$	2013 \$
NON CURRENT			
Exploration expenditure capitalised:			
- Exploration and evaluation phases at cost		7,684,841	11,636,635
Total exploration expenditure capitalised		7,684,841	11,636,635
Movements in Carrying Amounts			
Carrying amount at the beginning of the year		11,215,310	11,211,279
Additions		1,033,948	2,089,860
Disposals		-	(20,000)
Impairment		(4,564,417)	(2,065,829)
Carrying amount at the end of the year		7,684,841	11,215,310

The value of the Group's interest in exploration expenditure is dependent upon the continuance of the Group's rights to tenure of the areas of interest, the results of future exploration and the expected recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

During the year the company decided to relinquish the following areas, resulting in an impairment loss of \$4,564,417:

Australia: Mt Palmer M77/406 & Mallee Hen Point E38/1905;

Mauritania: Oued El Ma, Nsour, Nsour Sud Ouest, Nsour Nord, Nsour Ouest, Tsalabia Nord, Hadeibet Nsil, Grara Mouchgag & El Egareb;

Sweden: Bersbo nr2, Oxberg nr2, Falun nr103, Rogsan nr1, Rogsan nr2, Jugansbo nr5, Jugansbo nr6, Doverstop nr1, Ojaren nr1 & Tallbotten nr1;

Norway: Karasjok & Kautokeino; and;

Finland: Kittila.

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

The Group participated in the following joint operations during the year:

Name of Partner	Name of Joint Operation	Drake Participating Interest (%)
Panoramic Resources Limited	Hersjo-Nordgruva (Roros) Project	30%
Panoramic Resources Limited	Lokken Project	100%
Panoramic Resources Limited	Sulitjelma Project	100%
Drake Resources UK Limited	Bergslagen JV Areas (Falun)	49%

The Group accounts for the assets, liabilities, revenues and expenses relating to its interests in each joint operation in accordance with the accounting policies of the Group.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014****NOTE 13 TRADE AND OTHER PAYABLES**

CURRENT – Unsecured liabilities

Trade payables

Employee benefits payable

Accrued expenses

GST, MOMS and PAYG payable

Note

	2014	2013
	\$	\$
	142,292	282,605
	139,566	135,322
	17,002	72,201
	10,041	28,070
	308,901	518,198

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

NOTE 14 SHORT TERM PROVISIONSEmployee Benefits¹

Provision for Mauritanian Withholding Tax

Note

	2014	2013
	\$	\$
	40,684	45,162
	12,462	12,462
	53,146	57,624

¹The number of employees with accrued benefits at year end was 4 (2013: 7).**NOTE 15 ISSUED CAPITAL**

The company has issued 208,201,792 fully paid ordinary shares at no par value (2013: 104,040,588)

Note

15 (a)

	2014	2013
	\$	\$
	22,995,085	20,279,166
	20,279,166	18,863,303
	-	742,500
	-	779,075
	321,481	-
	514,720	-
	724,407	-
	322,735	-
	194,225	-
	3,027	-
	199,800	-
	583,748	-
	(148,225)	(105,712)
	22,995,085	20,279,166

(a) Ordinary Shares

At the beginning of the reporting period

▶ 12,375,000 shares issued on 10 December 2012 at 6c

▶ 9,165,588 shares issued on 25 March 2013 at 8.5c

▶ 10,716,031 shares issued on 17 July 2013 at 3c

▶ 17,157,347 shares issued on 2 August 2013 at 3c

▶ 24,146,916 shares issued on 10 September 2013 at 3c

▶ 12,909,392 shares issued on 16 May 2014 at 2.5c

▶ 7,769,000 shares issued on 30 May 2014 at 2.5c

▶ 120,616 shares issued on 30 May 2014 at 2.51c

▶ 7,992,000 shares issued on 17 June 2014 at 2.5c

▶ 23,349,902 shares issued on 26 June 2014 at 2.5c

Transaction costs relating to share issues

At reporting date

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15 ISSUED CAPITAL (Continued)

	Note	2014 No.	2013 No.
At the beginning of the reporting period		104,040,588	82,500,000
▶ 12,375,000 shares issued on 10 December 2012 at 6c		-	12,375,000
▶ 9,165,588 shares issued on 25 March 2013 at 8.5c		-	9,165,588
▶ 10,716,031 shares issued on 17 July 2013 at 3c		10,716,031	-
▶ 17,157,347 shares issued on 2 August 2013 at 3c		17,157,347	-
▶ 24,146,916 shares issued on 10 September 2013 at 3c		24,146,916	-
▶ 12,909,392 shares issued on 16 May 2014 at 2.5c		12,909,392	-
▶ 7,769,000 shares issued on 30 May 2014 at 2.5c		7,769,000	-
▶ 120,616 shares issued on 30 May 2014 at 2.51c		120,616	-
▶ 7,992,000 shares issued on 17 June 2014 at 2.5c		7,992,000	-
▶ 23,349,902 shares issued on 26 June 2014 at 2.5c		23,349,902	-
At reporting date		208,201,792	104,040,588

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

(b) Options

For information relating to the Drake Resources Limited employee options scheme, including details of options issued, issued and lapsed during the financial year, and the options outstanding at balance date, refer to Note 20, Share-based Payments.

(c) Capital Management

The Directors' objectives when managing capital are to ensure that the Group can fund its operations and continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group was as follows:

	2014 \$	2013 \$
Working Capital:		
Cash and cash equivalents	1,349,734	812,515
Trade and other receivables	249,231	161,986
Financial assets	271,898	585,784
Trade and other payables	(308,901)	(518,198)
Short term provisions	(53,146)	(57,624)
	1,508,816	984,463

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2014 \$	2013 \$
Options reserve		135,173	156,032
Foreign exchange reserve		(9,534)	(5,934)
Share-based payments reserve		35,053	-
		160,692	150,099

Options Reserve

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

Foreign Exchange Reserve

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

Share-based payments reserve

The share-based payments reserve records shares which have been granted as share-based payments at year end. Please refer Note 20 for further information.

NOTE 17 CONTROLLED ENTITIES

Controlled Entities	Country of incorporation	Class of shares	Percentage Owned	
			2014	2013
Drake Resources Sweden AB	Sweden	Ordinary	100%	100%
Drake Resources UK Limited	United Kingdom	Ordinary	100%	100%

Investments in controlled entities are accounted for at cost and eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 18 OPERATING SEGMENTS

Identification of reportable segments

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

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors on a monthly basis. Management has identified the operating segments based on the three principal locations of its projects; Australia, Scandinavia and Africa. Corporate expenses include administration and regulatory expenses arising from operating an ASX listed entity. Segment assets include the costs to acquire tenements and the capitalised exploration costs of those tenements. Financial assets including cash and cash equivalents, and investments in financial assets, are reported in the Treasury segment.

	Australian Exploration \$	Scandinavian Exploration \$	African Exploration \$	Treasury \$	Total \$
For the year ended 30 June 2014					
Segment revenue	-	45,199	-	27,107	72,306
Segment Results	(440,908)	(657,708)	(3,424,070)	(286,784)	(4,809,470)
Amounts not included in segment results but reviewed by the Board:					
▶ Corporate charges					(942,023)
▶ Depreciation					(54,254)
▶ Share-based payment expense					(3,733)
Loss before income tax					(5,809,481)
As at 30 June 2014					
Segment assets	-	2,386,489	5,330,700	1,620,456	9,337,645
Unallocated assets					
▶ Trade and other receivables					218,059
▶ Plant and equipment					61,879
Total assets					9,617,583
Segment asset movements for the period:					
▶ Impairment of exploration assets	(440,908)	(700,695)	(3,422,813)	-	
▶ Unrealised gain/(loss) on listed shares	-	-	-	(313,891)	
▶ Other movements	2,826	393,094	621,335	222,157	
Net movement in segment assets	(438,082)	(307,601)	(2,801,478)	(91,734)	
Segment liabilities	-	27,993	69,222	-	97,215
Unallocated liabilities					
▶ Trade and other payables and provisions					264,832
Total Liabilities					362,047

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014****NOTE 18 OPERATING SEGMENTS (Continued)**

	Australian Exploration \$	Scandinavian Exploration \$	African Exploration \$	Treasury \$	Total \$
For the year ended 30 June 2013					
Segment revenue	-	28,964	-	67,968	96,933
Segment Results	-	(764,657)	(1,309,959)	(492,510)	(2,567,126)
Amounts not included in segment results but reviewed by the Board:					
▶ Corporate charges					(1,382,312)
▶ Depreciation					(70,411)
▶ Share-based payment expense					(26,187)
Loss before income tax					(4,046,037)
As at 30 June 2013					
Segment assets	438,082	2,694,091	8,132,178	1,398,299	12,662,650
Unallocated assets					
▶ Trade and other receivables					112,946
▶ Plant and equipment					114,142
Total assets					12,889,738
Segment asset increases for the period:					
▶ Impairment of exploration assets	-	(753,030)	(1,312,799)	-	
▶ Unrealised gain/(loss) on listed shares	-	-	-	(560,479)	
▶ Other movements	64,631	543,727	838,819	(1,695,348)	
Net movement in segment assets	64,631	(209,303)	(473,979)	(2,255,827)	
Segment liabilities	(179)	94,297	131,156	-	225,274
Unallocated liabilities					
▶ Trade and other payables					350,548
Total Liabilities					575,822

Basis of accounting for purposes of reporting by operating segments**a. Accounting policies adopted**

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

b. Inter-segment transactions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 18 OPERATING SEGMENTS (Continued)

c. *Segment assets*

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

d. *Segment liabilities*

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

e. *Unallocated items*

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

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

NOTE 19 CASH FLOW INFORMATION

**Reconciliation of cash flow from operations
with (loss) from continuing operations:**

(Loss) from continuing operations

(5,809,481) (3,779,284)

Cash flows excluded from (loss) attributable to operating activities

Non-cash flows in (loss) from operating activities

▶ Depreciation

54,254 70,411

▶ Impairment of exploration and evaluation assets

4,564,417 2,103,580

▶ Unrealised (gain)/loss from listed equities

313,891 560,479

▶ Share-based payments

3,733 26,187

▶ Effects of foreign exchange on translation

(5,108) (17,331)

Changes in assets and liabilities:

▶ (Increase)/decrease in receivables

(84,779) 470,590

▶ Increase/(decrease) in payables

(163,233) 117,874

▶ Decrease in provisions

(4,478) (20,597)

▶ Capitalised exploration expenditure included in cash flows from operations

(1,033,948) (3,242,364)

Cash flow from operations

(2,164,732) (3,710,455)

Credit standby facilities

The company had no standby credit facilities as at 30 June 2014.

Non-cash investing and financing activities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20 SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2014:

Share-based payments – Share options

On 23 December 2009 under the Drake Resources Limited Incentive Option Scheme, 400,000 share options were granted to employees and consultants to take up ordinary shares at an exercise price of \$0.30 each. The options are exercisable on or before 23 December 2014. The options hold no voting or dividend rights, and are not transferable. At grant date, the fair value of these share options was \$48,400 and all share options were fully vested. As at balance date, 250,000 of these share options had expired due to employees and consultants ceasing their employment since grant date. Since balance date, no employee or consultant has ceased their employment. At balance date, no share options have been exercised.

On 31 March 2011 under the Drake Resources Limited Incentive Option Scheme, 670,000 share options were granted to employees and consultants to take up ordinary shares at an exercise price of \$0.72 each. The options are exercisable on or before 31 March 2016. The options hold no voting or dividend rights, and are not transferable. At grant date, the fair value of these share options was \$143,070 and all share options were fully vested. As at balance date, 175,000 of these share options had expired due to employees and consultants ceasing their employment since grant date. Since balance date, no employee or consultant has ceased their employment. At balance date, no share options have been exercised.

On 7 February 2013 the following unlisted share options were issued under the Drake Resources Limited Incentive Option Scheme:

- ▶ 500,000 unlisted share options issued to an employee at an exercise price of \$0.20 each, exercisable on or before 31 March 2014. These share options vested on 7 May 2013 and expired on 31 March 2014 having not been exercised. The fair value of these share options at grant date was \$12,042.
- ▶ 500,000 unlisted share options issued to an employee at an exercise price of \$0.40 each, exercisable on or before 31 December 2014. These share options vested on 7 August 2013 and the fair value of these share options at grant date was \$10,212.
- ▶ 500,000 unlisted share options issued to an employee at an exercise price of \$0.60 each, exercisable on or before 31 March 2015. These share options vested on 7 August 2013 and the fair value of these share options at grant date was \$7,667.

Other share options issued during the period

On 12 September 2013 the company concluded a rights entitlement issue which included 26,010,153 free-attaching share options at an exercise price of \$0.07 each, exercisable on or before 1 August 2014. At balance date, no share options have been exercised.

On 23 June 2014 the company concluded a rights entitlement issue which included 17,340,162 free-attaching share options at an exercise price of \$0.05 each, exercisable on or before 1 August 2015. At balance date, no share options have been exercised.

The company's share options hold no voting or dividend rights, and are not transferable. At balance date, no share option has been exercised. During the year, 550,000 share options expired.

All options granted are for ordinary shares in Drake Resources Limited, which confer a right to one ordinary share for every option held. All options have vested as at balance date.

A summary of all share options on issue at balance date is included below:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	1,095,000	\$0.4250	10,220,000	\$0.6059
Granted	43,350,315	\$0.0620	1,500,000	\$0.4000
Exercised	-	-	-	-
Expired	550,000	\$0.2473	(9,625,000)	\$0.6054
Outstanding at year-end	43,895,315	\$0.0783	2,095,000	\$0.4608
Exercisable at year-end	43,895,315	\$0.0783	1,095,000	\$0.4250

The weighted average remaining contractual life of options outstanding at year end was 0.5019 years (2013: 1.6469 years). The exercise price of outstanding shares at the end of the reporting period was \$0.0783 (2013: \$0.4608).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20 SHARE-BASED PAYMENTS (Continued)

The weighted average fair value of options granted during the year was \$0.0000 (2013: \$0.0199). All share options granted during the year ended 30 June 2014 were free-attached to the rights entitlement issues which were conducted.

Share-based payments - Ordinary shares

On 29 May 2014, the Company entered into an agreement with a drilling contractor relating to the drilling program conducted on the Seimana project in Guinea, West Africa. The contract agreed that ordinary shares of Drake Resources Limited be provided as compensation for 40% of the drilling component of each invoice issued by the drilling contractor. As a result of this agreement the company granted 966,593 ordinary shares to the contractor at \$0.030 each on 30 June 2014. The total fair value of this transaction was \$28,998. These shares remained unissued as at balance date but were subsequently issued after balance date, on 29 August 2014.

On 1 April 2014, the Company modified the terms of CEO Jason Stirbinskis' deed of employment to agree that one quarter of Mr Stirbinskis' net monthly remuneration is provided in ordinary shares of Drake Resources Limited. The number of shares to be granted each month is calculated using the monthly volume weighted average share price for the month of remuneration. As a result of this agreement 350,440 ordinary shares were granted to Mr Stirbinskis during the year ended 30 June 2014. 229,824 of these shares remained unissued as at balance date. These were subsequently issued after balance date, on 29 August 2014.

Share-based payments – Directors' agreement to take up Rights Entitlement Issue shares

Directors' fees have been accrued as unpaid since March 2013. During the year ended 30 June 2014, a portion of accrued director's fees were paid to each Director on the condition that the funds were immediately re-invested as equity through the each of the two Rights Entitlement Issues which occurred during the year (Refer Note 15 for further information regarding shares issued throughout the period). A summary of Directors' fees accrued is included in the Remuneration Report which forms part of the Directors' Report.

As a result of this arrangement, the following ordinary shares and share options were issued to each Director:

	Accrued Fees Paid via Rights Issue (\$)	Number of Ordinary Shares Issued at \$0.03 per Share	Number of 7c Options Issued (Expiring August 2014) (Free-attaching)	Number of Ordinary Shares Issued at \$0.025 per Share	Number of 5c Options Issued (Expiring August 2014) (Free-attaching)
		17 July 2013	17 July 2013	26 June 2014	26 June 2014
Brett Fraser	34,632	430,067	215,034	400,000	133,334
Jay Stephenson	32,965	400,378	200,189	400,000	133,334
Robert Beeson	10,974	258,333	129,167	-	-
James Merrillees	2,804	50,000	25,000	-	-
	81,375	1,138,778	569,390	800,000	266,668

NOTE 21 EVENTS SUBSEQUENT TO REPORTING DATE

On 23 September 2014, the Group announced that the Board of Directors has approved a Shareholder Share Purchase Plan consisting of 63,174,219 shares to be issued at \$0.012 each, to raise up to \$758,090. The offer is open for two weeks from that date and remains open at the time of reporting.

There are no other significant subsequent events to report.

DRAKE RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 12 108 560 069

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014****NOTE 22 RELATED PARTY TRANSACTIONS**

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

Transactions with Key Management Personnel:**Wolfstar Group Pty Ltd**

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

Wolfstar Group Pty Ltd rents office space from Drake Resources Limited and the companies share a variety of office expenses on commercial terms.

Note: Positive amounts represent a net reimbursement to Drake Resources from Wolfstar Group Pty Ltd.

Amounts due to and from Related Parties:

Amounts due (to) Wolfstar Group Pty Ltd

Amounts due from Wolfstar Group Pty Ltd¹

2014	2013
\$	\$
(117,000)	(117,000)
119,872	55,947
(348)	(255)
34,222	583

¹Amounts due from Wolfstar Group Pty Ltd are currently offset by unpaid Directors' fees due to the directors of Wolfstar Group Pty Ltd, Mr Fraser and Mr Stephenson. The Current amount due to Mr Fraser and Mr Stephenson for unpaid Directors' fees is \$66,569.

Balances and transactions between Drake Resources Limited and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not discussed in this note. Details of transactions between the Group and other related parties are disclosed above.

Details of Key Management Personnel remuneration are disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23 COMMITMENTS

Exploration expenditure commitments:

Exploration expenditure committed to:

Exploration tenement minimum expenditure requirements

Payable:

Not longer than 1 year

Longer than 1 year but not longer than 5 years

Longer than 5 years

Operating lease commitments:

Operating leases contracted for but not capitalised in the financial statements¹

Payable:

Not longer than 1 year

Longer than 1 year but not longer than 5 years

Longer than 5 years

	2014	2013
	\$	\$
	273,000	727,500
	143,000	156,400
	130,000	571,100
		-
	273,000	727,500
	395,840	430,911
	195,637	150,188
	200,203	280,723
		-
	395,840	430,911

¹The Group shares premises with a number of other tenants. Balances stated represent the maximum gross contractual commitment, after reimbursement from other tenants.

NOTE 24 CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2014 (2013: None).

NOTE 25 FINANCIAL RISK MANAGEMENT

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

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

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

A summary of the Group's financial assets and liabilities is shown on the following page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25 FINANCIAL RISK MANAGEMENT (Continued)

	Floating Interest Rate \$	Non-interest bearing \$	2014 Total \$	Floating Interest Rate \$	Non-interest bearing \$	2013 Total \$
Financial Assets						
Cash and cash equivalents	1,349,734	-	1,349,734	812,515	-	812,515
Trade and other receivables	-	249,231	249,231	-	261,986	261,986
Financial assets at fair value through profit or loss:						
Held for trading	-	171,893	171,893	-	485,784	485,784
Other financial assets	-	100,005	100,005	-	100,000	100,000
Total Financial assets	1,349,734	521,129	1,870,863	812,515	847,770	1,660,285
Financial Liabilities						
Financial liabilities at amortised cost:						
Trade and other payables	-	308,901	308,901	-	518,198	518,198
Total Financial Liabilities	-	308,901	308,901	-	518,198	518,198
Net Financial Assets	1,349,734	212,228	1,561,962	812,515	229,572	1,042,087

All financial assets and liabilities of the Group mature within 3 months of the reporting date except the "Other financial assets" which is a security deposit held until 30 June 2016.

Specific Financial Risk Exposures and Management

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

a. Credit risk

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

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

Credit risk exposures

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

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

	Note	2014 \$	2013 \$
Cash and cash equivalents			
AA Rated		1,349,734	812,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25 FINANCIAL RISK MANAGEMENT (Continued)

Specific Financial Risk Exposures and Management (Continued)

b. Liquidity risk

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

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

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

c. Market risk

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

i. Interest rate risk

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

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

ii. Foreign exchange risk

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

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

iii. Price risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26 FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity Analysis

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

	Consolidated Group	
	Profit \$	Equity \$
Year ended 30 June 2014		
+/- 1% in interest rates	+/- 13,497	+/- 13,497
Year ended 30 June 2013		
+/- 1% in interest rates	+/- 8,125	+/- 8,125

Net Fair Values

Fair value estimation

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

	2014		2013	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial Assets				
Cash and cash equivalents	1,349,734	1,349,734	812,515	812,515
Trade and other receivables	249,231	249,231	261,986	261,986
Financial assets at fair value through profit or loss:				
Investments – held for trading	171,893	171,893	485,784	485,784
Other financial assets	100,005	100,005	100,000	100,000
Total Financial Assets	1,870,863	1,870,863	1,660,285	1,660,285
Financial Liabilities				
Trade and other liabilities	308,901	308,901	518,198	518,198
Total Financial Liabilities	308,901	308,901	518,198	518,198

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

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

Financial Instruments Measured at Fair Value

The Group only holds level 1 financial instrument recognised at fair value in the statement of financial position. The carrying value at 30 June 2014 is \$171,898 (2013: \$485,784).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27 PARENT ENTITY DISCLOSURES

(a) Financial Position of Drake Resources Limited

	Note	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents		1,268,140	791,160
Financial assets	27(b)	271,898	585,784
Trade and other receivables		234,455	139,573
TOTAL CURRENT ASSETS		1,774,493	1,516,517
NON-CURRENT ASSETS			
Plant and equipment		61,879	114,142
Financial assets	27(b)	96,370	43,768
Exploration and evaluation assets		7,684,841	11,215,310
TOTAL NON-CURRENT ASSETS		7,843,090	11,373,220
TOTAL ASSETS		9,617,583	12,889,737
CURRENT LIABILITIES			
Trade and other payables		308,901	518,198
Short-term provisions		53,146	57,624
TOTAL CURRENT LIABILITIES		362,047	575,822
TOTAL LIABILITIES		362,047	575,822
NET ASSETS		9,255,535	12,313,915
EQUITY			
Issued capital		22,995,085	20,279,166
Reserves		170,227	156,032
Accumulated losses		(13,909,776)	(8,121,283)
TOTAL EQUITY		9,255,535	12,313,915

(b) Financial Assets

Shares in listed entities held for trading – at fair value	171,893	485,784
Loans to subsidiaries	288,847	169,465
Less: provision for diminution	(192,477)	(125,697)
Deposits not classified as cash	100,005	100,000
Shares in controlled entities at cost	141,337	141,337
Less: provision for diminution	(141,337)	(141,337)
Net carrying value of financial assets	368,268	629,552

Loans are provided by the parent entity to its controlled entities to fund their activities. The eventual recovery of loans and investments will be dependent upon the successful commercial application of these projects or their sale to third parties.

DRAKE RESOURCES LIMITED

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014****NOTE 27 PARENT ENTITY DISCLOSURES (Continued)**

Controlled Entities	Country of incorporation	Class of shares	Percentage Owned	
			2014	2013
Drake Resources Sweden AB	Sweden	Ordinary	100%	100%
Drake Resources UK Limited	United Kingdom	Ordinary	100%	100%

(c) Financial Performance of Drake Resources Limited

	2014 \$	2013 \$
Profit/(Loss) for the year	(5,813,085)	(3,918,509)
Other comprehensive income		-
Total comprehensive income	(5,813,085)	(3,918,509)

(d) Financial Performance of Drake Resources Limited

There are no guarantees entered into by Drake Resources Limited for the debts of its subsidiaries as at 30 June 2014 (2013: none).

(e) Contingent liabilities of Drake Resources Limited

There are no contingent liabilities as at 30 June 2014 (2013: none).

(e) Commitments of Drake Resources Limited

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

NOTE 28 COMPANY DETAILS

The principal and registered office of the company is:

Street Address: Drake Resources Limited
Level 4, 66 Kings Park Road
West Perth, Western Australia 6005

Postal Address: Drake Resources Limited
PO Box 52
West Perth, Western Australia 6872

The principal places of business of the company are:

Street Address: Drake Resources Limited
Level 4, 66 Kings Park Road
West Perth, Western Australia 6005

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 39-75, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards;
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
 - (c) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company and Consolidated Group.
2. The Chief Executive Officer and Chief Finance Officer have each declared under s295A of the *Corporations Act 2001* that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



JAY STEPHENSON
Director

Dated this 26th Day of September 2014

Independent Auditor's Report

To the Members of Drake Resources Limited

We have audited the accompanying financial report of Drake Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Bentleys Audit & Corporate
(WA) Pty Ltd

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West Perth WA 6005

Australia

PO Box 44

West Perth WA 6872

Australia

ABN 33 121 222 802

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F +61 8 9226 4300

bentleys.com.au

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

- a. The financial report of Drake Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a net loss of \$5,809,481 during the year ended 30 June 2014. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Drake Resources Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



BENTLEYS
Chartered Accountants



DOUG BELL CA
Director

Dated at Perth this 26th day of September 2014

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

1 Shareholding as at 25 September 2014.

(a) Distribution of Shareholders

Category (size of holding)	Total holders	Number Ordinary	% of Issued Capital
1 – 1,000	38	3,523	0.00
1,001 – 5,000	76	265,747	0.13
5,001 – 10,000	115	1,036,331	0.49
10,001 – 100,000	500	22,428,482	10.65
100,001 – and over	336	186,846,650	88.73
	1,065	210,580,733	100.00

(b) The number of shareholdings held in less than marketable parcels is 512.

(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 25 September 2014.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,898,756	5.18
2	YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	9,102,107	4.32
3	NATIONAL NOMINEES LIMITED	8,798,316	4.18
4	JONENDERBEE INVESTMENTS PTY LTD <STARLOTTERS STAFF PROV A/C>	6,649,688	3.16
5	BILL BROOKS PTY LTD <BILL BROOKS SUPER FUND A/C>	5,553,139	2.64
6	CITICORP NOMINEES PTY LIMITED	5,094,533	2.42
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,020,000	1.91
8	PINEWOOD ASSET PTY LTD <THE FRASER FAMILY A/C>	4,000,567	1.90
9	NEFCO NOMINEES PTY LTD	3,251,104	1.54
10	WYTHENSHAW PTY LTD	3,100,000	1.47
11	TYLER STREET HOLDINGS PTY LTD <ROSEBRETT SUPER FUND A/C>	2,353,334	1.12
12	ALMAMATER PTY LTD <STEPHENSON FAMILY A/C>	2,205,378	1.05
13	LEET INVESTMENTS PTY LIMITED	2,200,000	1.04
14	SBD GUINEA PTY LTD	2,058,734	0.98
15	MR LEONID CHARUCKYJ + MRS CHRISTINE MARY CHARUCKYJ <ZETA SUPER FUND A/C>	2,000,000	0.95
16	D J & C NOMINEES PTY LTD	2,000,000	0.95
17	DR RONALD EDWARD SPIELMAN	2,000,000	0.95
18	LEET INVESTMENTS PTY LIMITED <SUPERANNUATION FUND A/C>	1,800,000	0.85
19	MR LIGUO HUAN	1,600,000	0.76
20	OKLO RESOURCES LIMITED	1,600,000	0.76
	TOTAL	80,285,656	38.13

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (Continued)

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

3 The address of the principal registered office in Australia is Level 4, 66 Kings Park Road, West Perth WA 6005.
Telephone (08) 6141 3500.

4 Registers of securities are held at the following addresses

Western Australia

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

5 Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

6 Unquoted Securities

Options over Unissued Shares

A total of 44,895,315 options are on issue of which 1,474,665 options are on issue to the three Directors of the Company.

7 Use of Funds

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

DRAKE RESOURCES LIMITED

AND CONTROLLED ENTITIES

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TENEMENT REPORT

As at 30 June 2014

Guinea (West Africa)		Australia	
Seimana Project:		Mt Palmer ML77/406	100%
Permis I (Option to Purchase 100%)	0%		
Permis II (Option to Purchase 100%)	0%		
Norway		Mauritania (West Africa)	
Espedalen Project		Touerig Taieuh 1163B2	100%
Espe 1-12	100%	Hadeibet Belaa 1164B2	100%
Joma/Gjersvik Area			
Grong 1-9	100%		
Orvatnet 1-2 (Joma)	0%		
Panoramic Alliance			
Lokken 1-26	100%		
Roros 1-13	100%		
Sulitjelma 1-17	100%		
Sweden			
Granmuren Project		Other Swedish Exploration Permits	
Tullsta nr 1 2010:171	100%	Doverstorp nr 1	100%
Tullsta nr 2 2012:78	100%	Ekedal nr 3	100%
Tullsta nr 3 2012:158	100%	Erlandsbo nr 1 2013:42	100%
		Gamla Jutbo nr 1 2012:104	100%
Royal Falcon Joint Venture		Grällsta nr 1 2013:43	100%
Falun nr 100 2007:61	49%	Gruvsjön nr 2 2010:116	100%
Falun nr 101 2007:62	49%	Heden nr 1 2012:102	100%
Falun nr 102 2007:254	49%	Hedsasen nr 1 2012:58	100%
Falun nr 104 2007:254	49%	Kältorp nr 1 2013:49:00	100%
Falun nr 105 2007:384	49%	Korsheden nr 1 2012:135	100%
Haghed 2009:140	49%	Kuså nr 2 2013:44:00	100%
Krondiket 2009:141	49%	Lainejaur nr1 2012:141	100%
		Lainejaur nr2 2013:40:00	100%
		Lainejaur nr3 2013:90	100%
		Ljusberget nr 1 2013:50:00	100%
		Ojaren nr 1 2012:64	100%
		Orsen 2010:117	100%
		Orsen 2010:117	100%
		Prästhyttan nr 1 2012:105	100%
		Skillberg nr 1 2013:51:00	100%
		Skogsbo nr 1	100%
		Staffansbo nr 1 2012:134	100%
		Stripa nr 2 2012:103	100%
		Tallbotten nr1 2012:33	100%
		Vitmyran nr1 2012:146	100%

drake resources

