

# drake resources



ABN 12 108 560 069



## **INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

*Note: The information contained in this condensed report is to be read in conjunction with Drake Resources Limited's 2016 annual report and any announcements made by the company during the half-year period ending 31 December 2016*

## **Corporate directory**

### **Directors**

Jay Stephenson	Non-executive Director
Eddie King	Non-executive Director

### **Other Key Management Personnel**

Jay Stephenson	Company Secretary
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### **Registered Office**

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Website:	<a href="http://www.drakeresources.com.au">www.drakeresources.com.au</a>

### **Auditor**

Bentleys Audit & Corporate (WA) Pty Ltd  
London House  
Level 3, 216 St Georges Terrace  
Perth WA 6000

### **Share Registry**

Computershare Registry Services  
Level 11, 72 St Georges Terrace  
Perth WA 6000

### **Securities Exchange**

Australian Securities Exchange

### **ASX Code**

DRK

## **DRAKE RESOURCES LIMITED**

AND CONTROLLED ENTITIES

ABN 12 108 560 069

### **INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

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## Directors' report

Your Directors present their report together with the condensed financial statements of the Group, being the Company and its controlled entities, for the half-year ended 31 December 2016.

### Directors

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

Jay Stephenson	Non-executive Director	
Ariel (Eddie) King	Non-executive Director	<i>(Appointed 10 February 2017)</i>
Brett Fraser	Non-executive Chairman	<i>(Resigned 10 March 2017)</i>
Robert Beeson	Non-executive Director	<i>(Resigned 10 March 2017)</i>

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

## Review of operations

### Operations Review

Drake has maintained its interest in the tenements making up the Sulitjelma Copper Zinc Project, Joma-Gjersvik Copper-Zinc Project and Granmuren nickel-copper Project in good standing since 2016 and has where necessary applied for renewal of relevant tenements. The Company is awaiting confirmation of the renewal of one of its tenements, Tullsta nr 1, but expects to receive this in due course.

The Company released a Notice of Meeting in relation to its proposed capital raising and recapitalisation. Reinstatement of the Company's securities to trading on ASX will be subject to completion of the capital raising.

Subject to successful completion of the capital raising, Drake proposes to devote a total amount of up to approximately \$500,000 to evaluation and exploration activities in respect of its three base metal projects during 2017. The exact amount of exploration expenditure will depend on, among other things, access to funds, exploration results, and any other financial commitments. (The expenditure under the 2017 program can be carried out regardless of when the renewal of the Tullsta nr 1 tenement area is received, and the amount, if any, that it commits to the Joma joint venture.)

A summary of the Company's activities on these projects and its proposed exploration activities in respect of each of them is set out below.

### SULITJELMA COPPER ZINC PROJECT

#### Introduction

In 2010 Drake entered an alliance to identify, explore and develop base and precious metal opportunities. The primary focus of the alliance was Scandinavia.

In November, 2010 Drake and its then alliance partner entered a joint venture in the well mineralised Sulitjelma base metal district in central northern Norway. The Sulitjelma Mines have historically produced 25 Mt mined from 11 deposits between 1887 and 1991 with average grades of 1.84% Cu, 0.86% Zn, 10g/t Ag and 0.25g/t Au. (Source: Norwegian Geological Survey). Part of the remaining resources was held by a Norwegian group, but it was considered that substantial areas with known massive sulphide mineralisation, or potential for massive sulphides, to be on open ground.

The Sulitjelma permits held by Drake total 12 km<sup>2</sup>. These were renewed in January, 2017, at a cost of \$1,000 per permit. These permits are currently in Year 7 of their life. Exploration permits may be renewed for up to 10 years from the original grant date.

The area had not been significantly explored since the 1980's when a DIGHEM survey was flown.

The limited geophysical, geological and geochemical data gathered in Trondheim was compiled and a total of 6 target areas were identified for more detailed review. These areas generally have outcropping massive sulphides and in some cases do not appear to have been surveyed geophysically.

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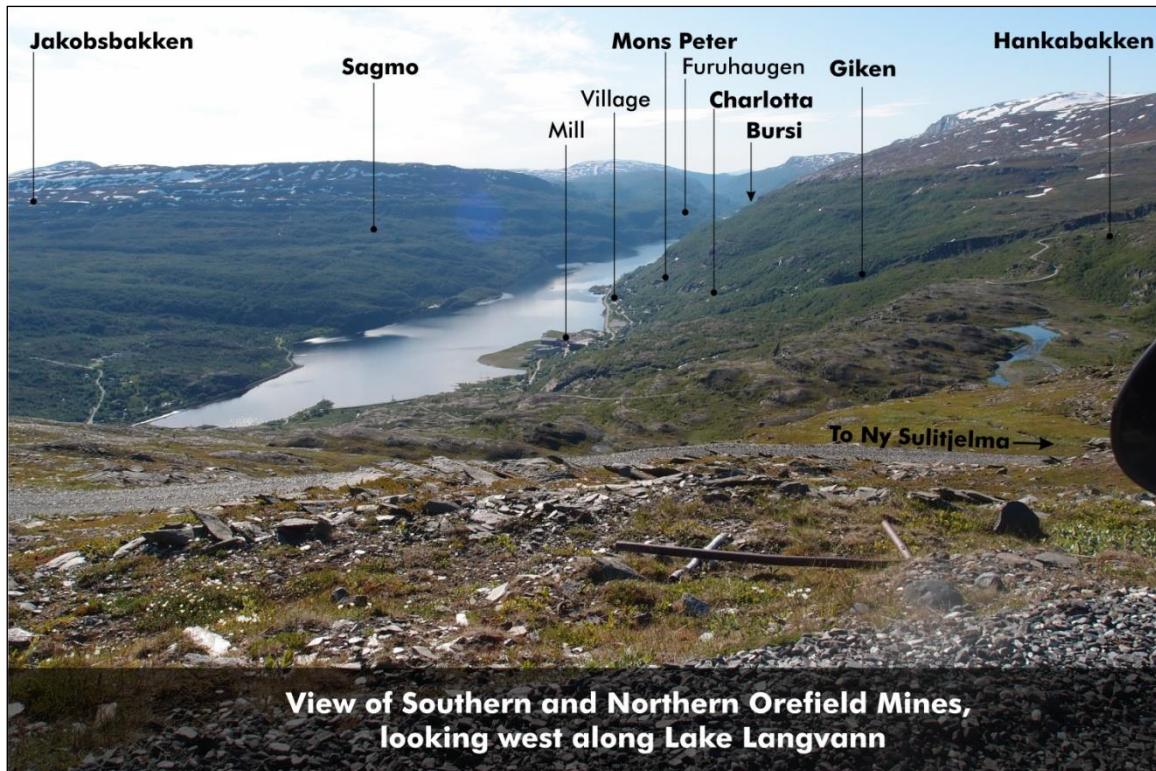
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Drake and its then joint venture partner commenced a Joint Venture program of VTEM surveying, mapping and lithogeochemistry to define targets.

The Company's joint venture partner withdrew from the Alliance and Joint Venture in 2016 because of low nickel prices and other exploration priorities.



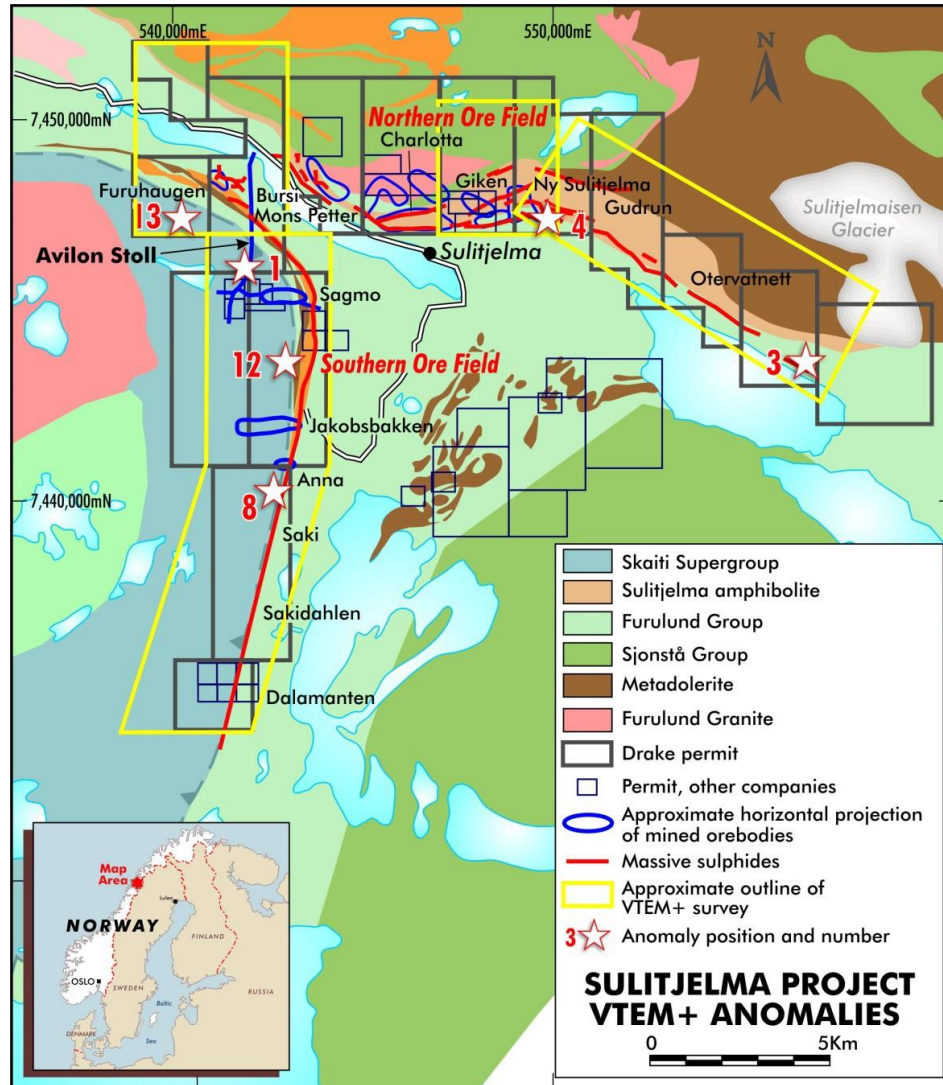
#### ***Exploration results***

A VTEM airborne electromagnetic survey completed in 2014 identified a number of strong anomalies. A ground based electromagnetic (EM) geophysics survey was conducted over priority copper/zinc targets identified from the 2014 VTEM program. As a result of the EM survey 6 targets remain viable copper/zinc targets warranting drill testing (Fig 1).

Four targets of interest lie within the western thrust ore field which is an area of known massive sulphide mineralisation mapped over ~10kms (Fig. 1). This area hosts the Sagmo (1.9Mt mined at 1.6% Cu and 0.23% Zn (Source: Norwegian Geological Survey) and the Jakobsbakken (4.47Mt mined at 1.55% Cu and 2.42% Zn (Source: Norwegian Geological Survey) historic orebodies.

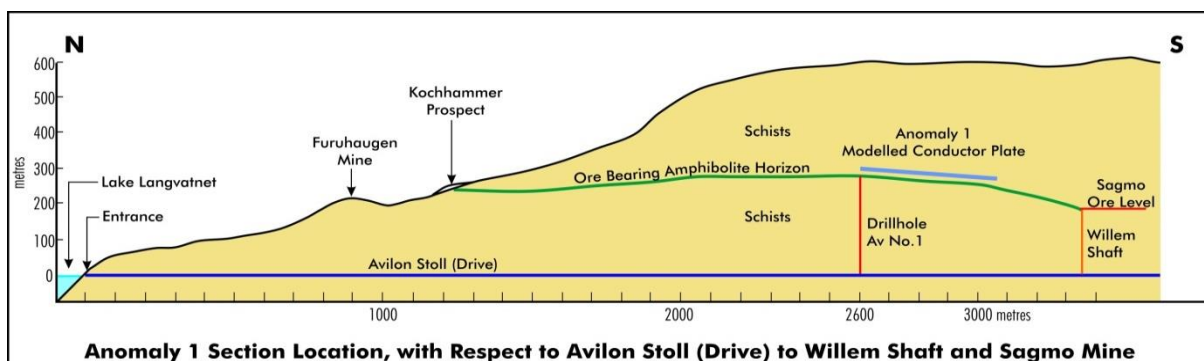
In the eastern Nordgruvfeltet region, an extensive conductive horizon with a strike length in excess of 5kms coincident with a copper / zinc bearing sulphide horizon has been mapped which contains two priority anomalies.





**Figure1: Sulitjelma Project: VTEM plus anomalies (Note: the permit boundaries are those when the survey was completed in 2014).**

**Anomaly 1** The VTEM survey completed in 2015 identified a 2km x 600m wide east-west lensoid anomaly with an east-west orientation that parallels the near-by Sagmo mine. The recently completed EM has better defined the area of interest to a large conductor 1300mx1100m. This conductor is located ~100m immediately above the Avilon Stoll access drive and historic workings (Fig 2), and may represent mineralisation unsuspected by the past miners. Therefore has excellent infrastructure if mineralisation of economic interest is revealed here.



**Figure 2: An historic section showing the Avilon Stoll (N-S) with anomaly 1 modelled plate superimposed and sitting on or slightly above the amphibolite horizon in the plane of the Kochhammer Mine and Sagmo ore level. The historic drill hole Av No 1 ended in amphibolite but there appears to be no assays collected of this final portion of the drill core.**

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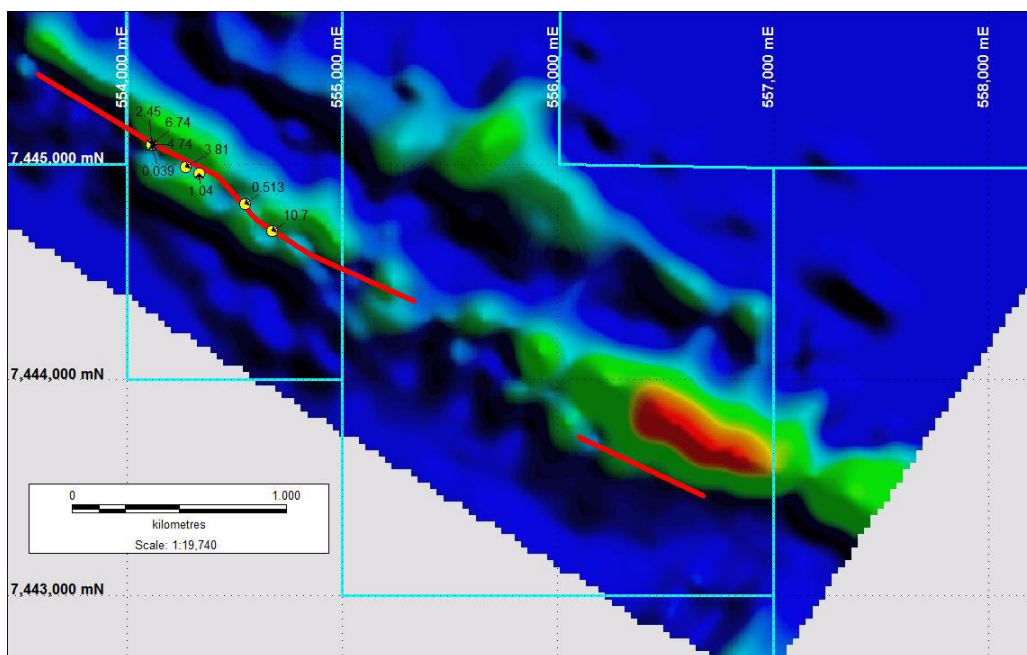
**Anomaly 4** occurs near an area of known massive sulphide mineralisation with nearby mines of Gudrun and Ny Sulitjelma, the latter producing 2.59Mt @ 1.99% Cu and 0.55% Zn (Source: Norwegian Geological Survey).

**Anomalies 8 and 13** also present encouraging similarities with the near-by historic mines. The Anna mine located very close to anomaly 8 with historic production of 0.25Mt @ 3.86% Cu (Source: Norwegian Geological Survey).

**Anomaly 12** produced a similar size EM plate on the other side of the old Sagmo mine and also has a similar geometry. Historic drilling nearby has intercepted copper mineralisation at target depths

Two targets of interest lie within the eastern Nordgruvefeltet region.

**Anomaly 3** occurs at the eastern extreme of the Drake portfolio (Fig 3). Field mapping to the west of the anomaly confirmed the presence of outcropping massive sulphides and dump samples from old workings and composite chip samples generated results including 10.7% copper and 15.1% zinc.



**Figure 3; Anomaly 3 VTEM image. Most anomalous result occurring in the south west (orange/red). Massive sulphide outcrops as red lines.**

A field checking program was conducted to appraise VTEM anomalism not tested by ground EM and to further appraise specific targets generated from the recently completed VTEM and ground EM surveys. The objective of the program was to also assess the limits and grades of sulphide outcrop as preparatory work for drilling. Selected grab samples (Table 1) were also collected from mine dumps of the now closed Bursi, Ny Sulitjelma and Jakobsbakken Mines to support other field observations and characterise the elemental signature associated with regional mineralisation.

Other targets in the area are the Eastern Ore Field which hosts the mines of Gudrun and Ny Sulitjelma, the latter producing 2.59Mt @ 1.99% Cu and 0.55% Zn (Source: Norwegian Geological Survey). Field mapping near the most southern priority anomaly of the eastern arm confirmed the presence of outcropping massive sulphides and dump samples from old workings and composite chip samples generated results including 10.7% copper and 15.1% zinc;

All samples contained Cu/Zn mineralisation and most results support general assumptions regarding copper/zinc distribution and previous production at the Sulitjelma ore field, with the exception being sample SJV0016 which recorded >10%Lead and 645g/t Silver (Ag).

Sulitjelma field programs returned up to 0.76% Cu and 0.32% Zn from outcrop and individual mine dump grab sample results of up to 4.4% Cu, 1.7% Zn, >10% Pb and 645g/t Ag (Table 1).

Sample Number	East	North	Weight kg	Sample Type	Cu (%)	Zn (%)	Pb (%)	Ag (ppm)
SJV0010	540871	7448410	0.84	Rock Chip from outcrop	0.84	0.03	0.00	2
SJV0011	556221	7443696	0.67	Rock Chip from outcrop	0.77	0.32	0.00	1
SJV0012	556201	7443694	1.18	Rock Chip from outcrop	0.32	0.10	0.00	1
SJV0013	543121	7448850	0.76	Surface sample from mine dump	0.89	1.68	0.01	7
SJV0014	543440	7442355	1.05	Surface sample from mine dump	0.34	0.02	0.67	45
SJV0015	543440	7442355	1.72	Surface sample from mine dump	0.17	0.06	3.77	224
SJV0016	543440	7442355	2.11	Surface sample from mine dump	0.20	0.02	0.00	645
SJV0017	543440	7442355	1.29	Surface sample from mine dump	1.61	0.82	2.46	104
SJV0018	549493	7447319	1.3	Surface sample from mine dump	4.40	1.19	0.05	24
SJV0019	549493	7447319	1.52	Surface sample from mine dump	1.95	1.66	0.08	21

**Table 1: Details of samples collected at Sulitjelma sites**

### **Future program**

#### *Target testing drill program in 2017*

The ground FLEM survey conducted in 2015 identified several conductive targets warranting drill testing. The table below gives the six targets interpreted to have the highest prospectivity for potentially economic massive sulphide mineralisation

Three of the drill targets are within National Parks. Drilling is permitted within National Parks, subject to disturbance being minimised. Should the drilling programme be successful exploitation of resources is permitted as underground access is from outside of the Parks.

In order of geophysical priority the recommended drill holes are:

Hole ID	X	Y	Z	Dip	Azi	Depth	Anomaly
SU3_L2_DH1	557500	7443575	915	75	215	300	A3
SU85_L5_DH1	542700	7444800	810	75	75	500	Sagmo A12
SU91_L2_DH1	542325	7439660	665	60	75	250	A8
SU85_L1_DH1	541650	7446150	700	75	75	350	A1
SU85_L3_DH1	542650	7444000	835	75	75	500	A12
SU4_L1_DH1	550100	7447480	870	60	210	200	A4

**Table 2: High priority targets at Sulitjelma based on airborne and ground geophysics, and ground follow-up**

### **JOMA-GJERSVIK COPPER-ZINC PROJECT, NORWAY**

Drake holds two areas of prospective copper-zinc ground in the Grong District in Norway, known as Joma-Gjersvik (Fig. 4). Twelve (12) square kilometres of the ground is held within a JV with Joma-Naeringspark (JNV), the business arm of the regional Kommun. The license area holds two decommissioned mines with significant residual mineralisation remaining from past production events. Drake's initial interest in the district commenced in 2013.

Previous production at Joma (1972-1998), which sits within the JNV, was 11.5 million tonnes of ore at 1.49% copper and 1.45% zinc (Source: Norwegian Geological Survey). Production from Gjersvik, which sits with the 100% Drake license area, was 500,000 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.

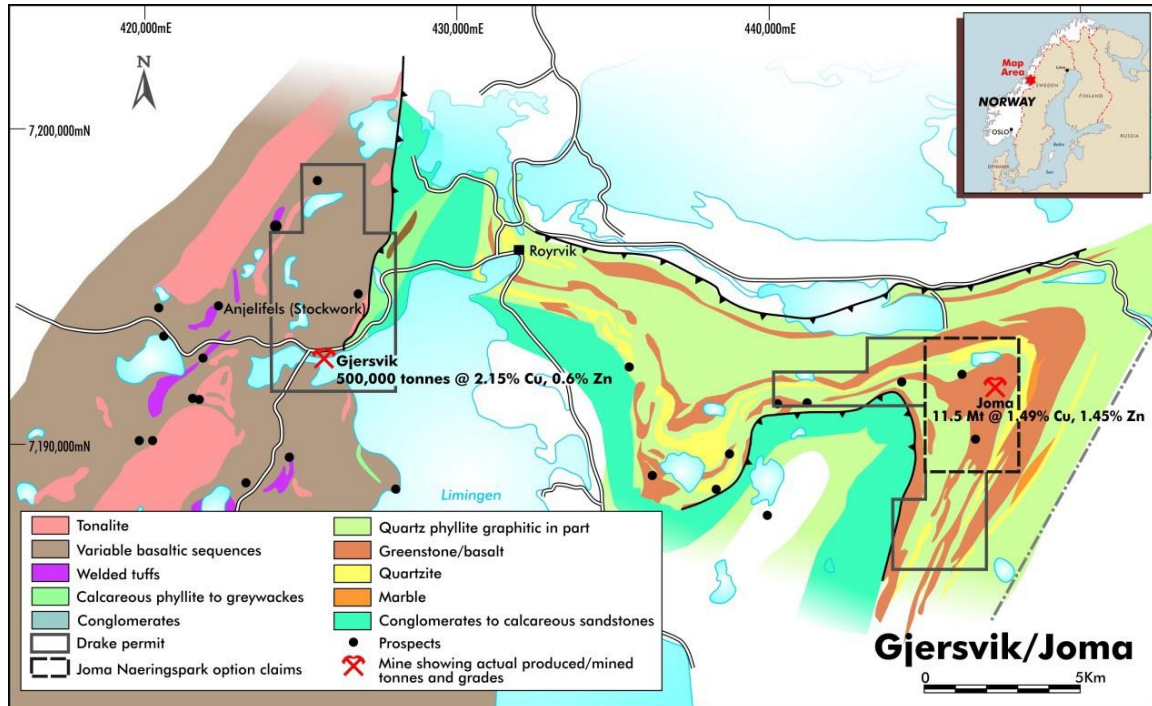


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**Figure 4: Location of the Joma Copper Zinc Project in the Joma-Gjersvik area, Norway. (Note: permit boundaries as at 1 January 2015).**

### Regional and Local Geological Setting

Joma lies within the Koli Thrust Complex which has more than 20 mapped copper/zinc occurrence recorded within ~80km of the Joma site. There is the possibility of Joma becoming a central processing hub for numerous copper deposits within the region and potential for recommissioning the mine based on the economics of the residual mineralization in a more favorable economic climate.

The Joma deposit consists of an en echelon array of massive sulphide lenses between two major pillowed volcanics in an overturned limb of a major isoclinal fold. The individual lenses vary greatly in thickness and length with the massive zone attaining a maximum thickness of about 50m. The orebody forms a folded, plate-like body that dips steeply to the west-southwest from surface and flattens out at depth. The bottom of the orebody appears to be truncated by a thrust fault. The northern and eastern parts of the orebody outcrop and the orebody at depth has been defined by surface and underground drilling. The ore has been mined from a small open pit and from underground workings, both of which are now flooded.

There is an extensive amount of historical data – assays and Specific Gravity measurements from surface and underground drill holes (Figure 4), sections through mine workings and information on geology and structure.

### Mineralisation

Drake investigated the Joma residual mineralisation as part of near term production opportunity. Joma surface float grab sample returned a result of 2.73% Copper, 0.04% Zinc and 41g/t Ag. Results of re-sampling of historic core are set out in Table 3 and include:

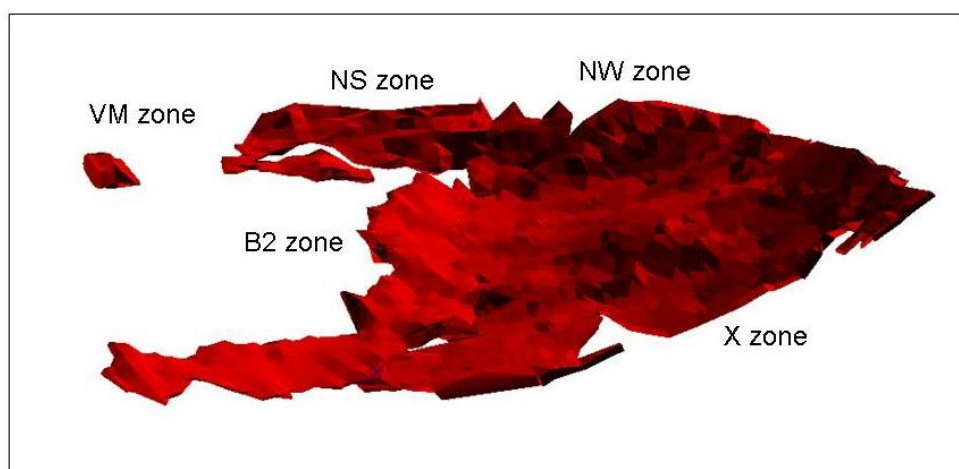
- 5.44m @ 5.7% Cu and 0.93% Zn from drill hole 683, and
- 2.19m @ 7.8% Cu and 0.81% Zn from drill hole 2016.

Hole	East	North	From (m)	To (m)	Intersected Width (m)	Cu (%)	Zn (%)
683	31500.64	95386.61	0.6	6.04	5.44	5.7(5.0)	0.93(0.91)
2016	31500.77	95418.94	5.38	15.08	9.7	2.8(2.8)	1.1(1.1)
2516	31379.87	95379.58	5.48	7.67	2.19	7.8(7.8)	0.81(0.86)
2741	31274.47	94908.33	0	6.6	6.6	2.4(2.5)	0.04(0.03)

**Table 3; Details of resampling of historic drilling.**

Drake commissioned Dr Chris Gee to review and interpret data available for the Joma mine including 173 surface holes and 2809 underground drill holes producing over 24,000 samples assayed for Cu, Zn and Specific Gravity. Dr Gee's assessment has generated wireframes of the mineralised zones and mined out areas and a block model to produce an Exploration Target and a suite of recommendations necessary if the residual mineralisation is to be upgraded to a Mineral Resource in the future. Drake initiated a program to address a particular recommendation concerning an absence of original QA/QC data with a preliminary re-sampling of historic core.

The studies resulted in the estimation of an Exploration Target of 4-10Mt grading 1-2% Cu and 1.5-2.5% Zn.. There also may be Residual ore at the Gjersvik Mine (previous production – 0.5Mt @ 2.15%Cu, 0.50%Zn). Geophysics Targets exist in immediate vicinity of Joma as well. Drill Target One anomaly is 150% larger than the Joma anomaly which represented 20Mt of mineralisation (Fig.6). Note that the potential quantity and grade of the mineralisation in the Exploration Target is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource, and is uncertain that further exploration will result in the estimation of a Mineral Resource. The currently contemplated exploration activities in respect of this project for 2017 are set out below. Further exploration than that contemplated for 2017 is likely to be necessary to provide sufficient data to fully test the validity of the Exploration Target.



**Figure 5: Mineralised zone of the Joma deposit, looking north.**

### **Exploration Targets**

Drake's geophysical investigations of the larger Joma permit area over recent years have identified a number of significant untested anomalies (Figure 6). A target to the northwest of the decommissioned Joma copper-zinc mine (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 (Target 10) and another gravity feature to the northeast of the Joma mine does not appear to have been previously tested.

Exploration drilling around the orebody has closed off the potential for any major extensions to the Joma main orebody. The southern orebody (SudMalmen) occurs as a number of thin, higher grade intersections about 500m south of the main orebody. Some additional potential exists here but intersections are semi-coherent and not as thick or as high grade as those in the main orebody.

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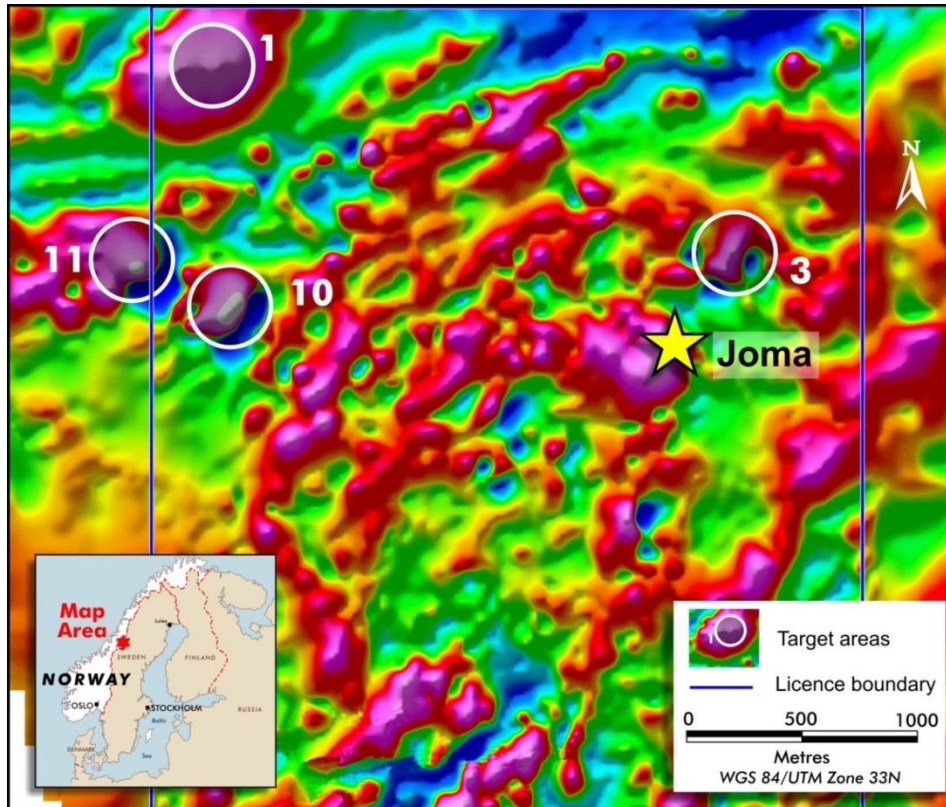


Figure 6: Geophysical surveys have revealed a number of targets at Joma.

### Program

#### Joma

Drake originally entered into a JV with Joma-Naeringspark, the business arm of the regional Kommune, in 2012 (the JNV). The area subject to the JNV consisted of 2 Exploration Permits held by Joma Naeringspark covering 12 km<sup>2</sup> of the ground immediately surrounding the historic Joma mine (the Joma Mine Exploration Permits). Under the terms of the original JV agreement, the Joma Mine Exploration Permits would be held for the benefit of Drake while Drake carried out an exploration program over them. Drake would have the right to apply for an Extraction Permit in respect of the relevant area in its sole name at the end of the period for exploration, subject to paying a royalty to Joma Naeringspark.

The exploration period under the JNV has ended and Drake has not elected to apply for an Extraction Permit in its sole name. A proposal is now being discussed between Drake and Joma Naeringspark whereby a joint venture company (JVCo) will be incorporated in Norway to hold the Joma deposit and surrounding ground. Joma Naeringspark will hold 51% of the JVCo, and Drake will hold 49%. Drake will have to complete the following program to complete its earn in of a 49% interest in the JVCo:

- Fund part of the application to convert the Joma Mine Exploration Permits to an Extraction Permit.
- Drill test the priority Target 1 at Joma.

The full cost of drill testing priority Target 1, which Drake would have to fund, has not yet been agreed between Drake and Joma Naeringspark. Drake has not finally committed to continuing to participate with Joma Naeringspark in the JVCo on this basis. If Drake elects not to proceed with forming the JVCo and earning in for 49% as set out above, it will cease to have an interest in the area covered by the Joma Mine Exploration Permits.

#### Gjersvik

In the event that Drake does not continue to hold an interest via JV in Joma with Joma Naeringspark, Drake will continue to hold a 100% interest in the Exploration Permits Grong 8 and 9 over the rest of the Gjersvik area until 15 March 2018.

Drake has developed a dialogue with the owners of copper and zinc resources within trucking distance of Joma. One example that Drake announced was a potential arrangement with the owners of the Stekenjokk mine in Sweden close to the Norwegian border. This and other resources are potential future options for Joma.

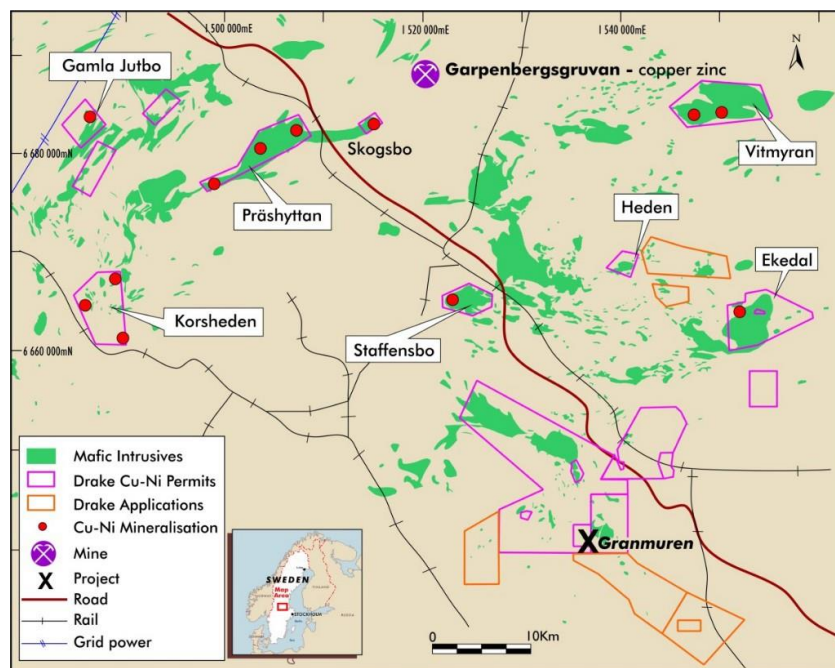
## **Granmuren nickel-copper Project, Sweden**

### **Introduction**

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. The area has excellent infrastructure with rail, road and power nearby (Figure 7).

Granmuren is interpreted as '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 from near surface, has been traced over 330m, and remains open at depth.

Scandinavia and the adjoining Karelia Province in north-west Russia is one of the major nickel-copper provinces of the world. It includes the giant Pechenga deposit in Karelia, Anglo-American's recent Sakatti discovery and First Quantum's Kevitsa Project, both in Finland (Figure 7). Granmuren is an extension of the Svecofennian province 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.



**Figure 7: Granmuren details of the nickel projects and operations (Note: permit boundaries as at 1 January, 2016).**

The best direct detection technique for the mineralisation style and the terrain is unquestionably electromagnetic surveying.

### **Mineralisation**

Mineralisation at Granmuren occurs from near surface, has been tracked down to about 330m depth, and remains open. Mineralised zones tend to occur as long intersections of lower grade material including 63.5m @ 0.30% Ni and 0.51% copper including higher grade mineralization such as 4.5m @ 0.81% nickel and 0.70% copper. Drake has completed nine holes to date with intersections within 200m of surface & amenable to open pit. The intersections are analogous to intersections at First Quantum Minerals' recently commissioned Kevitsa Project in Finland.

Drake completed modelling of the Granmuren deposit based on diamond drilling results and geophysics data. The model is not of sufficient robustness to reveal potential tonnages, however it provides an indication of the potential for Granmuren to be a significant source of mineralisation.

### **Regional targets**

Within the Bergslagen region, two survey lines, 150m apart for the Drake ground EM survey, identified a conductor associated with a 1.4km long airborne magnetic anomaly identified from government data over the southern quadrant of the Korsheden license area. The Ni-Cu target is in an area of gabbro intruded into metasediments and as such has strong similarities with Drake's Granmuren Ni-Cu prospect 50km to the South East. The area maybe a classic Ni-Cu (-PGE) system.



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Korsheden was one of five areas identified as high priority targets for Granmuren type mineralisation in a regional targeting report by Dr Grguric commissioned by Drake in 2014. The report goes on to suggest Bergslagen is of the right age, mineralisation and structural setting to potentially host substantial nickel discoveries.

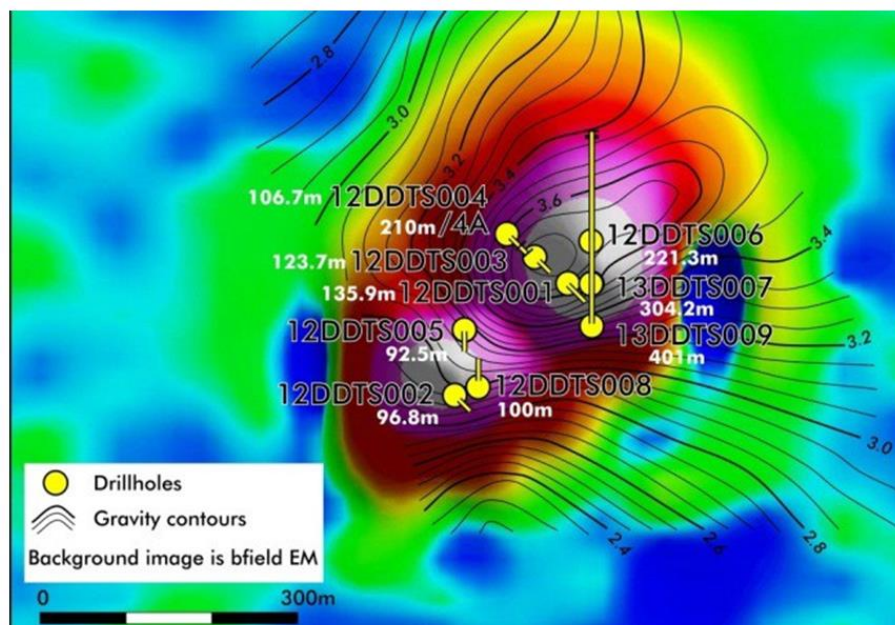


Figure 8; Granmuren Drill hole locations on magnetics.

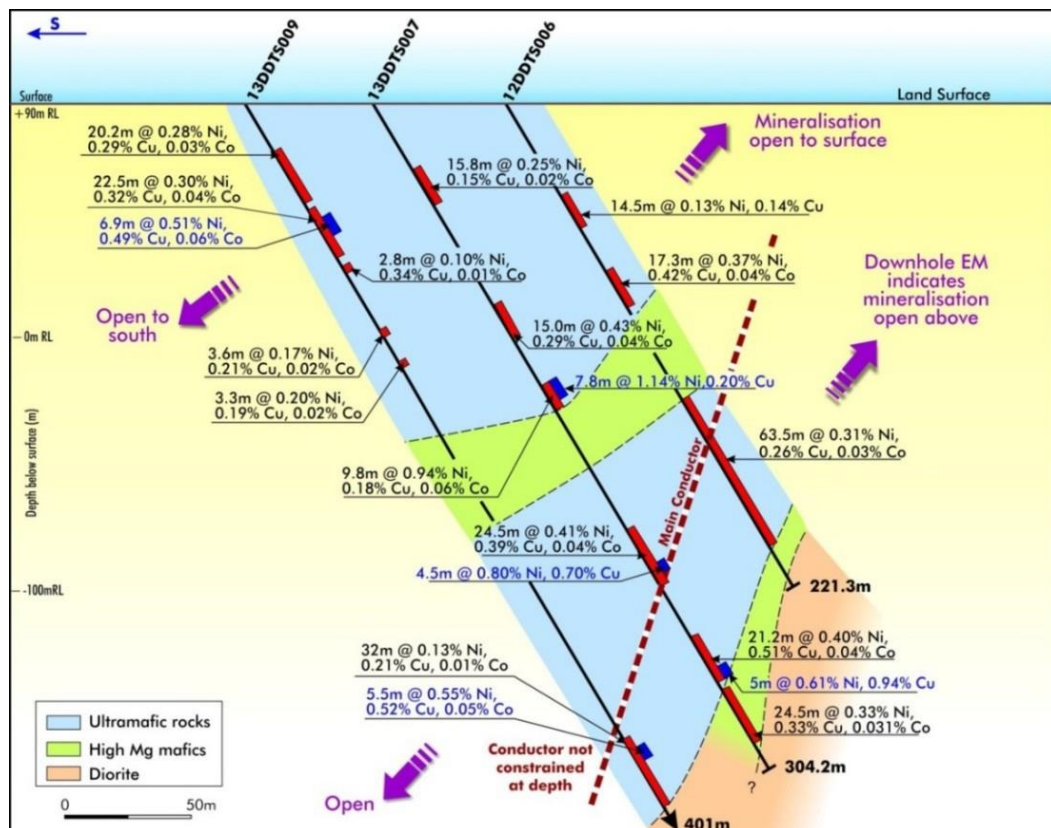


Figure 9; Granmuren Cross Section with down hole intercepts and logged geology.



**Program**

There has been no systematic exploration for nickel in all of the Bergslagen Province. However, the Granmuren discovery has shown that deposits similar to economic mines in Finland exist in the Province. Consequently the main objective of a future program in this region is the identification of additional drill targets to complement the mineralisation already found at Granmuren.

In early 2014 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)
- Local deep structures/terrane boundaries such as the Gävle-Rättvik deformation zone exist in the region; 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.

Drake has already located a new drill target at the Korsheden Prospect. The future program to identify and test new targets will include:

- Fly VTEM electromagnetics over prospective areas; this will be the first part of an ongoing program.
- Drill test the Korsheden target.

**Competent Person's Statement**

The information 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 mineralization 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.

The information relating to Sulitjelma exploration results includes information extracted from the reports entitled:

- "Exploration Update – Nordic Copper Zinc" created on 10 September 2015
- "Sulitjelma EM results" created on 4 June 2015
- "VTEM results reveals 6 targets at Sulitjelma Project – Norway" created on 21 January 2015
- "Surface Samples above VTEM anomaly return high grade copper and zinc" created on 5 November 2014
- "Early VTEM Results reveal potential copper zinc targets at Sulitjelma" created on 8 October 2014

The information relating to Joma-Gjersvik exploration results includes information extracted from the reports entitled:

- "High grade copper returned from check assays at Joma" created on 17 March 2014

The information relating to Granmuren exploration results includes information extracted from the reports entitled:

- "Bergslagen EM Survey Announcement" created on 16 September 2015
- "Independent Assessment of Granmuren" created on 18 November 2013

The information that relates to 2015 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 mineralization 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.

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These reports are all available to view on [www.drakeresources.com.au](http://www.drakeresources.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

### ***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 statement 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.

## **Financial Review**

The financial statements have 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 Group incurred a loss for the half-year of \$738,066 (December 2015: \$3,564,230 loss).

The net assets of the Group have decreased by \$741,562 from 30 June 2016 to \$372,900 at 31 December 2016.

As at 31 December 2016, the Group's cash and cash equivalents increased from 30 June 2016 by \$26,688 to \$154,148 and had a working capital deficit of \$706,451 (June 2016: \$(185,556) working capital deficit).

Based on the cash flow forecasts and other factors referred to in note 1a.ii of the financial statements, 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 Company 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 Company be unable to continue as a going concern and meet its debts as and when they fall due.

## **Events Subsequent to Reporting Date**

On 10 February 2017 Mr Eddie King was appointed as a non-executive director of the Company. Mr King is a qualified Mining Engineer. Mr King holds a Bachelor of Commerce and Bachelor of Engineering from The University of Western Australia and is currently a Representative for CPS Capital. Mr King's past experience includes being Manager for an investment banking firm, where he specialised in the technical and financial requirements of bulk commodity and other resource projects. Mr King also acts as a director of ASX listed companies, Western Mining Network Ltd (ASX: WMN), Cabral Resources Limited (ASX: CBS), Lindian Resources Limited (ASX: LIN) and Axxis Technology Group Ltd (ASX:AYG).

On 27 February 2017 the Company received notice under section 249D of the Corporations Act 2001 (*Cth*), from Trinity Corporate Pty Ltd and other Drake shareholders, requesting the directors of Drake to call and arrange to hold a meeting of the Company for the purpose of considering the following resolutions: (a) that each and every one of the present directors other than Jay Stephenson be removed from his or her office of director of the Company; (b) that Alex Christopher Pismiris be appointed as a director of the Company; and (c) that Frank Licciardello be appointed as a director of the Company. The Company is seeking advice as to its position and will keep shareholders informed of all material developments in relation to the requisition.

On 1 March 2017, it was announced that Trinity Corporate Pty Ltd (Trinity) agreed to withdraw its statutory demand against Drake. Orders giving effect to this agreement were made by the Supreme Court on 8 February 2017. Drake has reserved its position in relation to its legal costs as part of the orders.

On 6 March 2017, the Company issued a notice of meeting to obtain share approval for the following matters:

- consolidation of the issued capital of the Company on the basis that every 150 Shares be consolidated into one share and that options on issue be adjusted in accordance with the Listing Rules;
- the issue of up to 37,000,000 shares to creditors to convert existing debts into equity;
- issue up to 127,500,000 shares and 67,500,000 options to holders of convertible notes; and
- issue up to 175,000,000 shares in a placement to raise \$1,750,000 before costs.

On 10 March 2017, Mr Brett Fraser stepped down as Chairman and non-executive director and Mr Robert Beeson stepped down as a non-executive director of the Company.

### **Auditor's Independence Declaration**

The lead auditor's independence declaration for the half-year ended 31 December 2016 has been received and can be found on page 17 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s306(3) of the Corporations Act 2001 (Cth).



**JAY STEPHENSON**

Director

Dated this Monday, 13 March 2017

**Bentleys Audit & Corporate  
(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 review of the financial statements of Drake Resources Limited for the half year ended 31 December 2016, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**DOUG BELL CA**  
**Director**

Dated at Perth this 13<sup>th</sup> day of March 2017

## Condensed consolidated statement of profit or loss and other comprehensive income

For the Half-Year Ended 31 December 2016

	Note	Dec 2016 \$	Dec 2015 \$
Revenue		189	2,427
Other income		10,194	-
Accounting and audit fees		(33,623)	(41,506)
Computers and software		(8,677)	(26,205)
Contractors and consultant		(68,000)	(49)
Directors' fees		(47,500)	(72,500)
Employee benefits		(43,980)	(138,921)
Depreciation		(18)	(12,646)
Finance costs		(14,250)	-
Insurance		(14,610)	(14,928)
Legal and professional fees		(198,445)	(50,720)
Public relations and advertising		(23,854)	(8,820)
Registry and ASX fees		(23,998)	(16,805)
Rent and utility expense		(28,753)	(40,031)
Travel and accommodation		(4,036)	(11,219)
Unrealised gain/(loss) on listed shares		-	(14,953)
Realised gain/(loss) on listed shares		27,140	-
Exploration costs expensed		(30,550)	(55,415)
Impairment of exploration and evaluation assets		(220,649)	(3,034,368)
Impairment of receivables		(4,284)	-
Other expenses		(10,362)	(27,571)
Profit/(Loss) before income tax		<b>(738,066)</b>	<b>(3,564,230)</b>
Income tax expense		-	-
Loss from continuing operations		<b>(738,066)</b>	<b>(3,564,230)</b>
<b>Other comprehensive income, net of income tax</b>			
▶ <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		(3,496)	4,722
<b>Other comprehensive income for the year, net of income tax</b>		<b>(3,496)</b>	<b>4,722</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(741,562)</b>	<b>(3,559,508)</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic and diluted (loss) per share (cents per share)	2	(0.08)	(0.57)

The accompanying notes form part of these financial statements.



**DRAKE RESOURCES LIMITED**

AND CONTROLLED ENTITIES

ABN 12 108 560 069

**INTERIM FINANCIAL REPORT 31 DECEMBER 2016****Condensed consolidated statement of financial position**

As at 31 December 2016

	Note	Dec 2016 \$	Jun 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		154,148	127,460
Financial assets	3	-	119,573
Trade and other receivables	4	40,420	171,534
<b>TOTAL CURRENT ASSETS</b>		<b>194,568</b>	<b>418,567</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		-	18
Exploration and evaluation assets	5	1,079,351	1,300,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,079,351</b>	<b>1,300,018</b>
<b>TOTAL ASSETS</b>		<b>1,273,919</b>	<b>1,718,585</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	615,464	454,123
Financial liabilities	7	285,555	150,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>901,019</b>	<b>604,123</b>
<b>TOTAL LIABILITIES</b>		<b>901,019</b>	<b>604,123</b>
<b>NET ASSETS</b>		<b>372,900</b>	<b>1,114,462</b>
<b>EQUITY</b>			
Issued capital	8	25,677,207	25,677,207
Reserves		525,355	528,851
Accumulated losses		(25,829,662)	(25,091,596)
<b>TOTAL EQUITY</b>		<b>372,900</b>	<b>1,114,462</b>

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of changes in equity**

For the Half-Year Ended 31 December 2016

	Issued Capital	Accumulated Losses	Options Reserve	Share Based Payments Reserve	Foreign Exchange Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>25,020,505</b>	<b>(18,828,783)</b>	<b>99,145</b>	<b>6,192</b>	<b>(1,172)</b>	<b>6,295,887</b>
Loss for the period	-	(3,564,230)	-	-	-	(3,564,230)
Other comprehensive income for the period	-	-	-	-	4,722	4,722
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(3,564,230)</b>	<b>-</b>	<b>-</b>	<b>4,722</b>	<b>(3,559,508)</b>
<b>Transaction with owners, directly in equity</b>						
Shares issued during the period	199,487	-	-	-	-	199,487
Share based payments issued during period	-	-	-	(3,184)	-	(3,184)
Share based payments not yet issued	-	-	-	18,037	-	18,037
Options expired during the period	-	-	-	-	-	-
Transaction costs	(3,545)	-	-	-	-	(3,545)
<b>Balance at 31 December 2015</b>	<b>25,216,447</b>	<b>(22,393,013)</b>	<b>99,145</b>	<b>21,045</b>	<b>3,550</b>	<b>2,947,174</b>
<b>Balance at 1 July 2016</b>	<b>25,677,207</b>	<b>(25,091,596)</b>	<b>-</b>	<b>525,944</b>	<b>2,907</b>	<b>1,114,462</b>
Loss for the period	-	(738,066)	-	-	-	(738,066)
Other comprehensive income for the period	-	-	-	-	(3,496)	(3,496)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(738,066)</b>	<b>-</b>	<b>-</b>	<b>(3,496)</b>	<b>(741,562)</b>
<b>Transaction with owners, directly in equity</b>						
Shares issued during the period	-	-	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>25,677,207</b>	<b>(25,829,662)</b>	<b>-</b>	<b>525,944</b>	<b>( 589)</b>	<b>372,900</b>

The accompanying notes form part of these financial statements.

**DRAKE RESOURCES LIMITED**

AND CONTROLLED ENTITIES

ABN 12 108 560 069

**INTERIM FINANCIAL REPORT 31 DECEMBER 2016****Condensed consolidated statement of cash flows**

For the Half-Year Ended 31 December 2016

Note	Dec 2016 \$	Dec 2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from third-parties	54,446	-
Interest received	189	2,427
Payments to suppliers and employees	(300,065)	(513,319)
Interest paid	(5,250)	-
<b>Net cash used in operating activities</b>	<b>(250,680)</b>	<b>(510,892)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration expenditure	(11,993)	(405,282)
Proceeds from sale of investments	151,442	-
Payments for joint exploration, net of funding	-	(16,215)
<b>Net cash from / (used in) investing activities</b>	<b>139,449</b>	<b>(421,497)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	133,333
Capital raising costs	-	(3,545)
Proceeds from issue of convertible notes	150,000	-
Payments for debt issue costs	(9,000)	-
<b>Net cash provided by financing activities</b>	<b>141,000</b>	<b>129,788</b>
<b>Net increase/(decrease) in cash held</b>	<b>29,769</b>	<b>(802,601)</b>
Cash at the beginning of the period	127,460	1,101,169
Effect of exchange rates on cash holdings in foreign currencies	(3,081)	4,722
<b>Cash at the end of the period</b>	<b>154,148</b>	<b>303,290</b>

The accompanying notes form part of these financial statements.

## **Notes to the condensed consolidated financial statements**

For the Half-Year Ended 31 December 2016

### **NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements were authorised for issue on 13 March 2017 by the directors of the Company.

#### **a. Basis of preparation**

This interim financial report is intended to provide users with an update on the latest annual financial statements Drake Resources Limited and controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half-year.

##### *i. Statement of compliance*

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* (Cth) and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

##### *ii. Going concern*

The condensed consolidated financial statements have been prepared on the 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 Group incurred a loss for the half-year of \$738,066 (31 December 2015: \$3,564,230 loss) and net cash out-flows from operating activities of \$250,680 (31 December 2015: \$510,892 out-flow).

As at 31 December 2016, the Company a working capital deficit of \$706,451 (30 June 2016: \$185,556 working capital deficit).

Included in current liabilities are unsecured convertible notes with a face value of \$150,000 which mature on 18 March 2017 and secured convertible notes with a face value of \$175,000 which mature on 21 December 2019.

During the half year, Trinity Corporate Pty Ltd (**Trinity**) issued a statutory demand upon the Company claiming immediate payment of \$66,000 for unpaid fees under the Company's corporate advisory mandate with Trinity. Subsequent to balance date, Trinity agreed to withdraw its statutory demand against Drake. Orders giving effect to this agreement were made by the Supreme Court on 8 February 2017. Drake has reserved its position in relation to its legal costs as part of the orders.

The ability of the 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 cash flow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The Directors have prepared a cash flow forecast which indicates that the 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. In particular the Company:

- has been advised by convertible note holders that it can that immediately access \$300,000 of the remaining \$1,000,000 committed to (before costs) via convertible notes;
- has put in place plans to raise \$1,750,000 (before costs) by way of issue of 175,000,000 shares on a post consolidation basis as detailed in the notice of Annual General Meeting.

Based on the cash flow forecasts 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.

## **Notes to the condensed consolidated financial statements**

For the Half-Year Ended 31 December 2016

### **NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Should the Company 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 Company be unable to continue as a going concern and meet its debts as and when they fall due.

#### *iii. Accounting Policies*

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

#### **b. Critical Accounting Estimates and Judgments**

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2016 annual report.

##### *i. 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. The carrying value of capitalised expenditure at reporting date is \$1,079,351.

During the half-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 5.

#### **c. Changes in accounting policies, accounting standards and interpretations**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016. All applicable new standards and interpretations issued since 1 July 2016 have been adopted. There was no significant impact on the Group.



## Notes to the condensed consolidated financial statements

For the Half-Year Ended 31 December 2016

### NOTE 2 EARNINGS PER SHARE (EPS)

#### a. Reconciliation of earnings to net profit or loss

Profit /(loss)

Profit / (loss) used in the calculation of basic and dilutive EPS

Note	Dec 2016 \$	Dec 2016 \$
	(738,066)	(3,564,230)
	(738,066)	(3,564,230)

#### b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

Weighted average number of dilutive options outstanding

Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS

2d

Dec 2016 No.	Dec 2015 No.
945,518,584	622,762,802
N/A	N/A
945,518,584	622,762,802

#### c. Earnings per share

Basic and diluted earnings per share (cents per share)

Dec 2016 ¢	Dec 2015 ¢
(0.0781)	(0.5723)

#### d. The Group does not report diluted earnings per share where options would not result in the issue of ordinary shares for less than the average market price during the period (out of the money). At 31 December 2016, the Group has 366,047,882 unissued shares under options out of the money. In addition, the Group does not report diluted earnings per share on losses generated by the Group. During the 6 month period to 31 December 2016 the Group had 366,047,882 unissued shares under option which are anti-dilutive.

### NOTE 3 FINANCIAL ASSETS

Financial assets – held for trading:

Securities in ASX listed entity

Note	Dec 2016 \$	Jun 2016 \$
	-	119,573
	-	119,573

#### a. 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 4 TRADE AND OTHER RECEIVABLES

#### CURRENT

Expenditure recoverable from JV Partners

GST and MOMS receivable

Other receivables and prepayments

Dec 2016 \$	Jun 2016 \$
-	(106)
15,493	63,839
24,927	107,801
40,420	171,534

**DRAKE RESOURCES LIMITED**

AND CONTROLLED ENTITIES

ABN 12 108 560 069

**INTERIM FINANCIAL REPORT 31 DECEMBER 2016****Notes to the condensed consolidated financial statements**

For the Half-Year Ended 31 December 2016

**NOTE 5 EXPLORATION AND EVALUATION ASSETS****NON CURRENT**

Exploration expenditure capitalised:

- Exploration and evaluation phases at cost

Total exploration expenditure capitalised

**Movements in Carrying Amounts**

Carrying amount at the beginning of the year

Exploration expenditure

Impairment of discontinued operations

Impairment of exploration assets from continuing operations

Carrying amount at the end of the year

Dec 2016	Jun 2016
\$	\$
1,297,725	1,300,000
1,297,725	1,300,000
1,300,000	5,203,420
-	392,211
-	(3,108,512)
(220,649)	(1,187,119)
1,079,351	1,300,000

On 30 June 2016, the Company received an independent valuation report it had commission from Al Maynard and Associates. The valuation of its Scandinavian exploration assets was determined to be \$1,300,000. 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 half-year, the Company's leases to three non-core tenements lapsed, the carrying value ascribed to these tenements, as a result of the aforementioned valuation, was \$220,649. Accordingly, the Company has written-off this balance in the current period. In addition to the expiration of non-core tenement, the Board has considered impairment indicators and confirm that no such indicators were applicable during the period ended 31 December 2016. As such, the Company does not consider that a full impairment test is necessary.

The Group's exploration properties may be subject 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.

**NOTE 6 TRADE AND OTHER PAYABLES****CURRENT – Unsecured liabilities**

Trade payables

Employee benefits payable

Accrued expenses

GST and other value added tax payables

Total trade and other payables

Dec 2016	Jun 2016
\$	\$
449,726	274,135
103,505	49,321
62,233	39,600
-	91,067
615,464	454,123

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

## Notes to the condensed consolidated financial statements

For the Half-Year Ended 31 December 2016

### NOTE 7 FINANCIAL LIABILITIES

	Note	Dec 2016 \$	Jun 2016 \$
Convertible notes – 2016 series	7a	150,000	150,000
Convertible notes – 2017 series	7b	175,000	-
Less: Unexpired interest		(39,445)	-
		285,555	150,000

a. The Group has on issue convertible notes (**2016 series**) with face value of \$150,000. The terms and conditions of the 2016 Series are set out below:

- ▶ The Convertible Note will be converted or otherwise redeemed within 12 months of the issue;
- ▶ Each Convertible Note will be convertible into Shares at a conversion price equal to a 25% discount to the issue price of Shares offered under capital raising;
- ▶ Interest is payable on the principal amount at the rate of 7% per annum, calculated monthly and payable quarterly in arrears.

b. During the half-year the Company issued \$150,000 of convertible notes (**2017 series**) with a face value of \$175,000. The terms and conditions of the 2017 Series are set out below:

- ▶ The Convertible Note will be converted or otherwise redeemed within 24 months of the issue;
- ▶ Each Convertible Note will be convertible into Shares at the elections of the investor at a conversion price equal to either (i) 15% discount to the VWAP of the average of 3 daily VWAPs, chosen by the investor, for the 20 trading days immediately prior to the conversion date and (ii) issue price of Shares offered under capital raising;
- ▶ The 2017 series is secured against the assets of the Group. In addition, as disclosed in note 8b, the Company has provided 99,800,000 shares as collateral.

### NOTE 8 ISSUED CAPITAL

	Note	31 December 2016 No.	30 June 2016 No.	31 December 2016 \$	30 June 2016 \$
Fully paid ordinary shares at no par value	8a	1,040,437,062	940,637,062	25,677,207	25,677,207
<b>a. Ordinary Shares</b>					
At the beginning of the reporting period		940,637,062	608,532,546	25,677,207	25,020,505
▶ 2 July 2015 at 0.3c		-	969,816	-	3,006
▶ 2 July 2015 at 3.0c		-	6,000	-	180
▶ 25 November 2015 at 0.2c		-	55,555,556	-	133,333
▶ 3 December 2015 at 0.4c		-	15,741,736	-	62,967
▶ 2 March 2015 at 0.2c		-	35,870,203	-	71,741
▶ 6 April 2015 at 0.2c		-	223,961,205	-	447,922
▶ 22 December 2016		99,800,000	-	-	(62,447)
Transaction costs relating to share issues		-	-	-	(62,447)
At reporting date		1,040,437,062	940,637,062	25,677,207	25,677,207

b. On 22 December 2016, the Company issued 99,800,000 shares at nil consideration to be held as security in the event of non-performance or default in respect to the convertible notes issued by the Company as disclosed in note 7. Upon conversion of the notes, these shares will form part of the conversion amount of shares to be issue.

**DRAKE RESOURCES LIMITED**

AND CONTROLLED ENTITIES

ABN 12 108 560 069

**INTERIM FINANCIAL REPORT 31 DECEMBER 2016****Notes to the condensed consolidated financial statements**

For the Half-Year Ended 31 December 2016

**NOTE 8 ISSUED CAPITAL (CONT.)****c. Options**

Listed options

31 December 2016 No.	30 June 2016 No.
366,047,882	366,047,882

**NOTE 9 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.

**a. Transactions with related parties:****Wolfstar**

- Mr Fraser (and formerly Mr Stephenson), Non-executive Directors of the Company, are Directors and Shareholders of Wolfstar Group Pty Ltd and Wolfstar Corporate Management Pty Ltd (collectively **Wolfstar**). Wolfstar provides management and accounting services. An amount of \$50,000 has been accrued for executive services. As at the date of this report all amount remain unpaid. Mr Stephenson ceased to be director and shareholder of Wolfstar as of 16 September 2016.

Dec 2016 \$	Dec 2015 \$
93,860	58,500

**b. Balances with related parties****Wolfstar:**

- Amounts (payable to)
- Amounts receivable from

31 December 2016 \$	30 June 2016 \$
(120,354)	(42,696)
-	3,390

**NOTE 10 OPERATING SEGMENTS****a. Segment Performance****For the Half-Year Ended 31 December 2016**

	Scandinavian Exploration \$	African Exploration \$	Treasury \$	Total \$
Segment revenue	-	-	65,823	65,823
Segment results	(251,119)	-	51,573	199,546
Corporate charges				(538,502)
Depreciation				(18)
Loss before income tax				(738,066)

**For the Half-Year Ended 31 December 2015**

	83	-	2,343	2,426
Segment results	(1,213)	(3,088,487)	(12,609)	(3,102,309)
Corporate charges				(451,701)
Depreciation				(12,646)
Loss before income tax				(3,564,230)

## Notes to the condensed consolidated financial statements

For the Half-Year Ended 31 December 2016

### NOTE 10 OPERATING SEGMENTS (CONT.)

	Scandinavian Exploration \$	African Exploration \$	Treasury \$	Total \$
<b>As at 31 December 2016</b>				
<b>Segment assets</b>	1,079,351	-	154,148	1,233,499
Unallocated assets				
▶ Trade and other receivables				40,420
<b>Total assets</b>				1,273,919
<b>Segment liabilities</b>	(27,953)	-	(285,555)	(313,508)
Unallocated liabilities				
▶ Trade and other payables				(587,511)
<b>Total Liabilities</b>				(901,019)
<b>As at 30 June 2016</b>				
Segment assets	1,300,000	-	247,033	1,547,033
Unallocated assets				
▶ Trade and other receivables				171,534
▶ Plant and equipment				18
<b>Total assets</b>				1,718,585
Segment liabilities	-	(7,292)	(150,000)	(157,292)
Unallocated liabilities				
▶ Trade and other payables				(446,831)
<b>Total Liabilities</b>				(604,123)

### NOTE 11 FINANCIAL INSTRUMENTS

The Company's financial instruments consist of those which are measured at amortised cost including trade and other receivables, less any provision for non-recovery, and trade and other payables. The carrying amount of these financial assets and liabilities approximate their fair value. The Company also holds held for trading financial assets which are measured at fair value based on quoted bid prices from the Australian Securities Exchange as at the reporting date and are classified as Level 1 in the fair value hierarchy.



## **Notes to the condensed consolidated financial statements**

For the Half-Year Ended 31 December 2016

### **NOTE 12 EVENTS SUBSEQUENT TO REPORTING DATE**

On 10 February 2017 Mr Eddie King was appointed as a non-executive director of the Company.

On 27 February 2017 the Company received notice under section 249D of the Corporations Act 2001 (*Cth*), from Trinity Corporate Pty Ltd and other Drake shareholders, requesting the directors of Drake to call and arrange to hold a meeting of the Company for the purpose of considering the following resolutions: (a) that each and every one of the present directors other than Jay Stephenson be removed from his or her office of director of the Company; (b) that Alex Christopher Pismiris be appointed as a director of the Company; and (c) that Frank Licciardello be appointed as a director of the Company.

On 1 March 2017, it was announced that Trinity Corporate Pty Ltd (Trinity) agreed to withdraw its statutory demand against Drake. Orders giving effect to this agreement were made by the Supreme Court on 8 February 2017. Drake has reserved its position in relation to its legal costs as part of the orders.

On 6 March 2017, the Company issued a notice of meeting to obtain share approval for the following matters:

- consolidation of the issued capital of the Company on the basis that every 150 Shares be consolidated into one share and that options on issue be adjusted in accordance with the Listing Rules;
- the issue of up to 37,000,000 shares to creditors to convert existing debts into equity;
- issue up to 127,500,000 shares and 67,500,000 options to holders of convertible notes; and
- issue up to 175,000,000 shares in a placement to raise \$1,750,000 before costs.

On 10 March 2017, Mr Brett Fraser stepped down as Chairman and non-executive director and Mr Robert Beeson stepped down as a non-executive director of the Company.

## **Directors' declaration**

The Directors of the Company declare that:

1. The condensed financial statements and notes, as set out on pages 18 to 29, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
  - (b) give a true and fair view of the financial position as at 31 December 2016 and of the performance for the half-year ended on that date of the Company.
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s303(5) of the *Corporations Act 2001* (Cth) and is signed for and on behalf of the directors by:



**JAY STEPHENSON**

Director

Dated this Monday, 13 March 2017

## Independent Auditor's Review Report

### To the Members of Drake Resources Limited

We have reviewed the accompanying half-year financial report of Drake Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

### Directors Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

# Independent Auditor's Review Report

## To the Members of Drake Resources Limited (Continued)

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### Independence

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

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Drake Resources Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

### Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 1(a)(ii) of the half-year financial report which indicates that the Consolidated Entity incurred a net loss of \$738,066 during the half-year ended 31 December 2016. This condition, along with other matters as set forth in note 1(a)(ii), 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 half-year financial report.

**BENTLEYS**  
Chartered Accountants

**DOUG BELL CA**  
Director

Dated at Perth this 13<sup>th</sup> day of March 2017

**drake** resources

