

# drake resources



DRAKE RESOURCES LIMITED  
ABN 12 108 560 069



## **INTERIM FINANCIAL REPORT 31 DECEMBER 2014**

*Note: The information contained in this condensed report is to be read in conjunction with Drake Resources Limited's 2014 annual report and any announcements made by the company during the half-year period ending 31 December 2014*

## **CORPORATE DIRECTORY**

### **Directors**

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

### **Other Key Management Personnel**

|                   |                         |
|-------------------|-------------------------|
| Jason Stirbinskis | Chief Executive Officer |
| Jay Stephenson    | Company Secretary       |

### **Registered Office**

|            |   |
|------------|---|
| Street:    | Level 4, 66 Kings Park Road<br>West Perth WA 6005 |
| Postal:    | PO Box 52<br>West Perth WA 6872                   |
| Telephone: | +61 (0)8 6141 3585                                |
| Facsimile: | +61 (0)8 6141 3599                                |
| Email:     | info@drakeresources.com.au                        |
| Website:   | www.drakeresources.com.au                         |

### **Auditor**

Bentleys Audit & Corporate (WA) Pty Ltd  
Level 1, 12 Kings Park Road  
West Perth WA 6005

### **Share Registry**

Computershare Registry Services  
Level 2, 45 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 2014**

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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 2014.

### Directors

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

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

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

## REVIEW OF OPERATIONS

- Strong results first round drilling at Seimana Gold including
  - ▶ 4m @ 19.8g/t including 1m @ 52.6g/t gold
  - ▶ 10m @ 2.58g/t
  - ▶ 3m @ 5.6g/t
- Sulitjelma VTEM assessment reveals 6 priority, copper/zinc massive sulphide targets
- Fully underwritten entitlement issue completed in March 2015

### Overview

Drake efforts at the Seimana Drill program continue to be rewarded with very exciting results from the first drill program ever completed in the region. The second half of the 2014 calendar year also saw activity at 3 of Drake's copper / zinc projects in Norway including very encouraging results from its Sulitjelma field program. In February 2015, Drake launched a fully underwritten rights entitlement issue to raise up to \$1,821,419 before costs. The offer was completed in early March 2015. The injection of new capital will give Drake capacity to sustain its highly prospective core assets and to pursue additional opportunities that complement Drake's corporate strategy.



*Jason Stirbinskis – CEO  
Drake Resources Limited*

### Operations

#### Seimana gold prospect – Guinea

Drake's initial field programs conducted over the first half of the calendar year revealed potential for an emerging and significant gold discovery at Seimana. The field program delivered individually spectacular grab sample results up to 70g/t gold (fig 1) and, more importantly, a remarkable number of potential drill targets across the entire E-W 18kms of the recently acquired land (fig 2).

Four of the seven targets drilled during the period revealed strong results (fig 2) including six holes returning intersections of >5g/t with a hole at Tamdian below surface results of 15.1, 10.9 and 7.3 g/t gold generating 4m @ 19.8g/t gold from 50m and a deeper hole intercepting the same mineralised zone with 5m @ 2.64g/t.

Follow up programs are likely to include extension drilling around higher grade zones defined from the first round scout drilling and more discovery drilling of the remaining 33 targets that have not been drilled to date.

# **DRAKE RESOURCES LIMITED**

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**INTERIM FINANCIAL REPORT 31 DECEMBER 2014**

## **Seimana gold prospect – Guinea (Continued)**

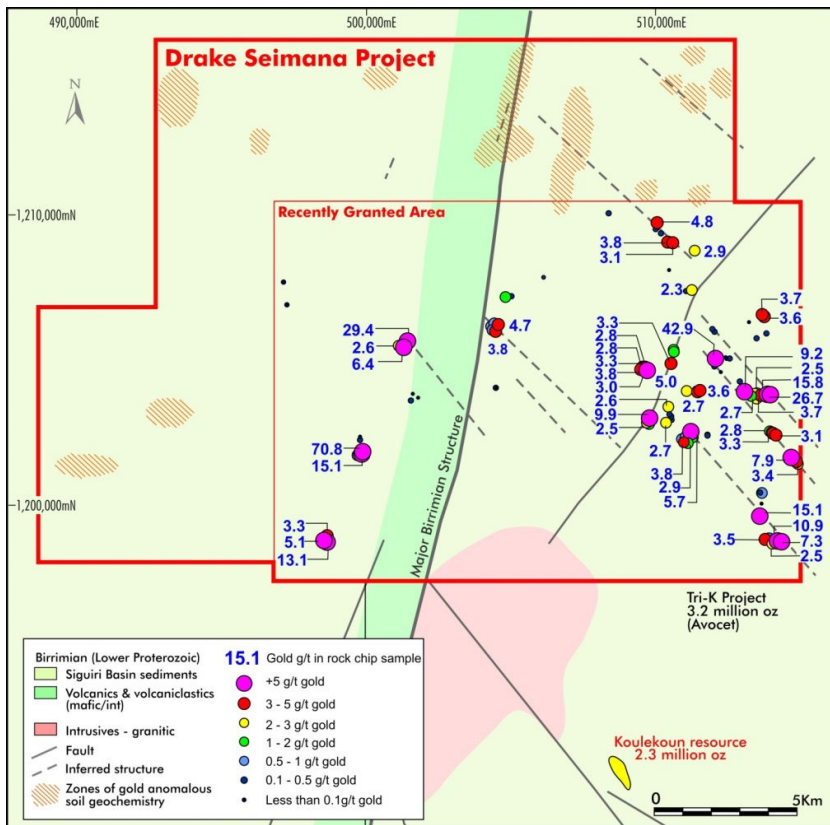
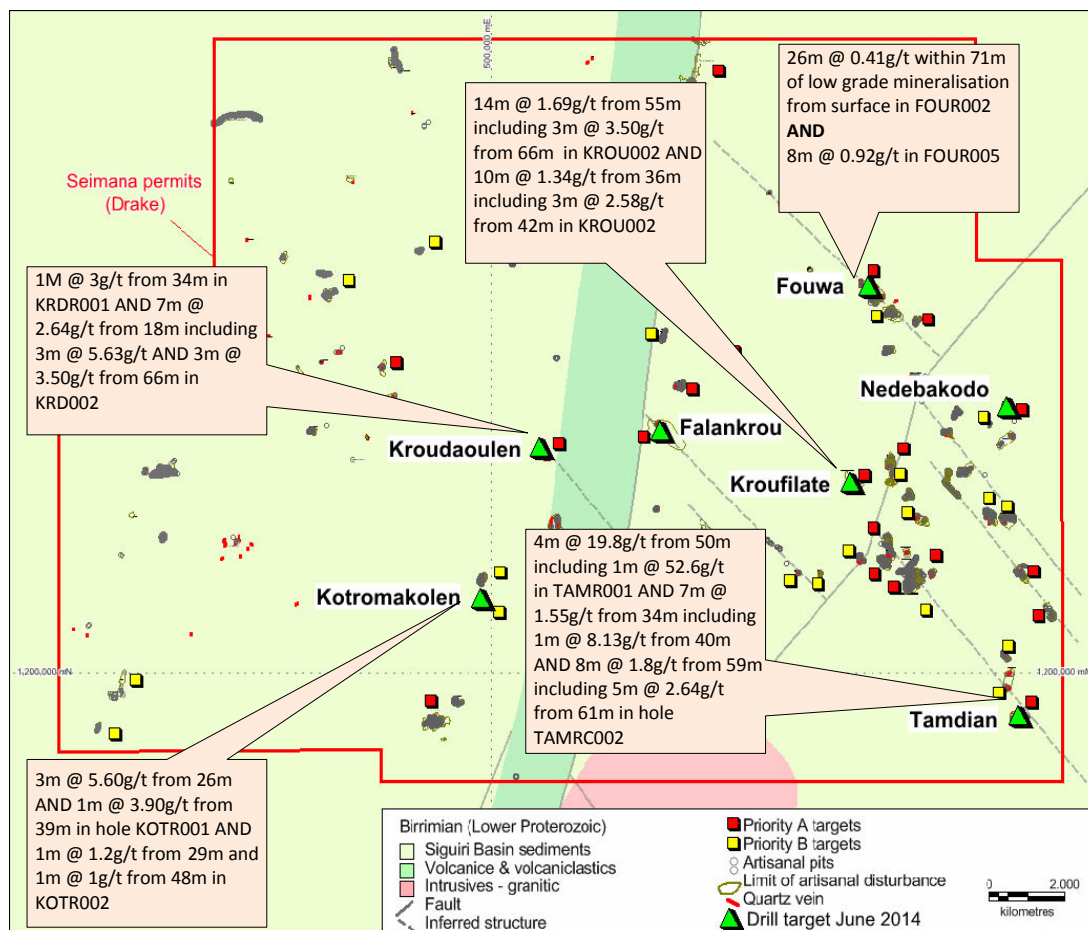


Figure One: Significant gold assay results (>2.5g/t Au) from rock chip sampling

Figure Two: During the period Drake drilled 7 of the 40 targets identified across the Seimana permit area with 5 targets generating noteworthy results.



## Sulitjelma Copper / Zinc Prospect – Norway

Drake has a Joint Venture arrangement with Panoramic Resources covering the Sulitjelma area. Under the JV terms, Panoramic has the right to sole-fund exploration to earn a 70% interest in the project.

A VTEM survey at Sulitjelma was completed during the period with interpretation released in January confirming 6 high priority targets. Four targets of interest lie within the western thrust or Sydgruvfeltet ore field (fig3) which is an area of known massive sulphide mineralisation mapped over a ~10km north / south direction and hosts the Sagmo (1.9Mt mined of 1.6% Cu and 0.23% Zn<sup>1</sup>) and the Jakobsbakken (4.47Mt mined of 1.55% Cu and 2.42% Zn<sup>1</sup>) 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 is mapped. Two anomalies have been selected from this region.

Anomaly 1 is of particular interest given its extensive conductive horizon and potential to be analogous to the near-by Sagmo mine. Massive sulphide outcrops have been recorded to the north and north east and appear to dip shallowly towards the plate. The Aivilon Stoll (fig 4) underground workings run some 100m beneath the modelled plate. Anomalies 8, 12 and 13 also present encouraging similarities with the near-by historic mines of Sagmo and Jakobsbakken.

Anomaly 3 occurs in an undrilled south-eastern extension near Otervatnet. Field mapping immediately following the VTEM program to the north west confirmed the presence of outcropping massive sulphides and dump samples from old workings and composite chip samples of local outcrop returned encouraging results of up to 10.7% copper and 15.1% zinc<sup>2</sup>. Anomaly 4 occurs immediately adjacent to the north east of the historic Ny Sulitjelma mine which produced 2.59Mt of 1.99% Cu and 0.55% Zn<sup>1</sup> and is interpreted as potential offset or folded continuation of the historic body.

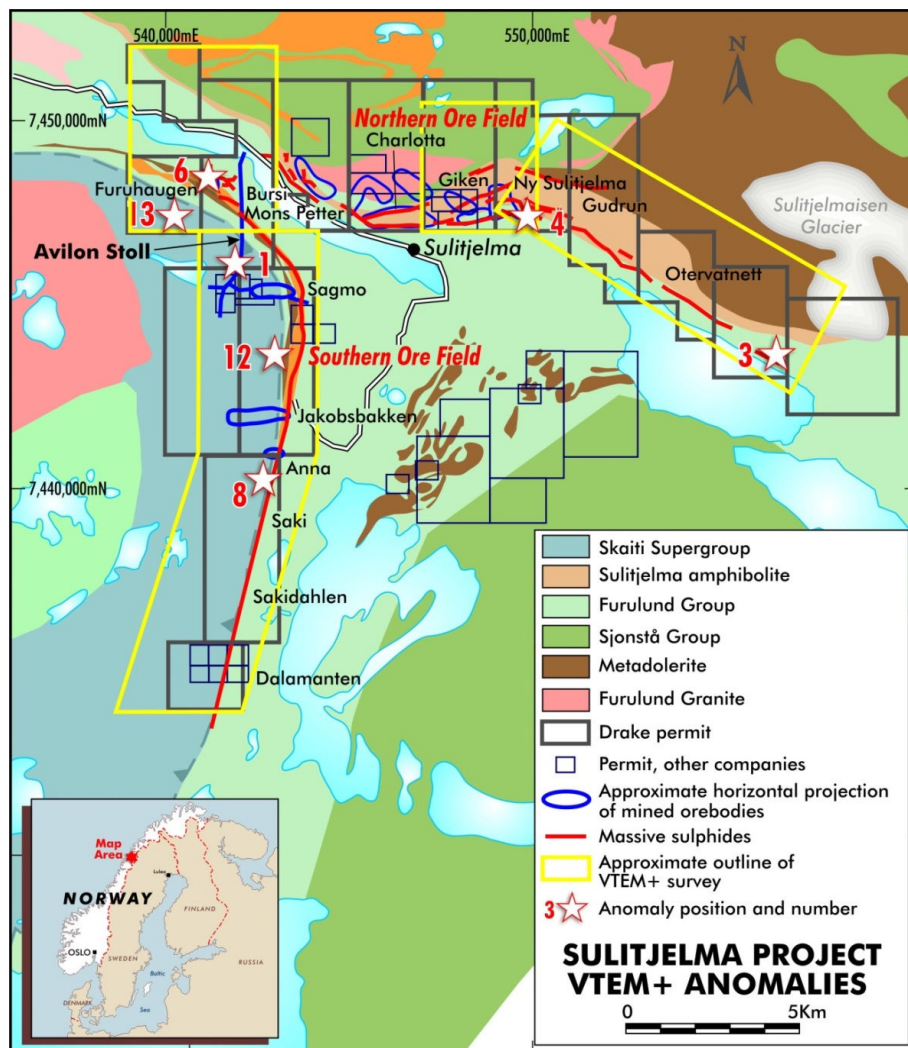


Figure Three: Plan showing area flown with VTEM, Drake claims, priority targets and outcropping massive sulphides. As can be seen by the number of mined ore bodies, a large number of underground access paths exist and might be a considerable help during both exploration and potential operations stages.

## DRAKE RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 12 108 560 069

### INTERIM FINANCIAL REPORT 31 DECEMBER 2014

#### Sulitjelma Copper / Zinc Prospect – Norway (Continued)

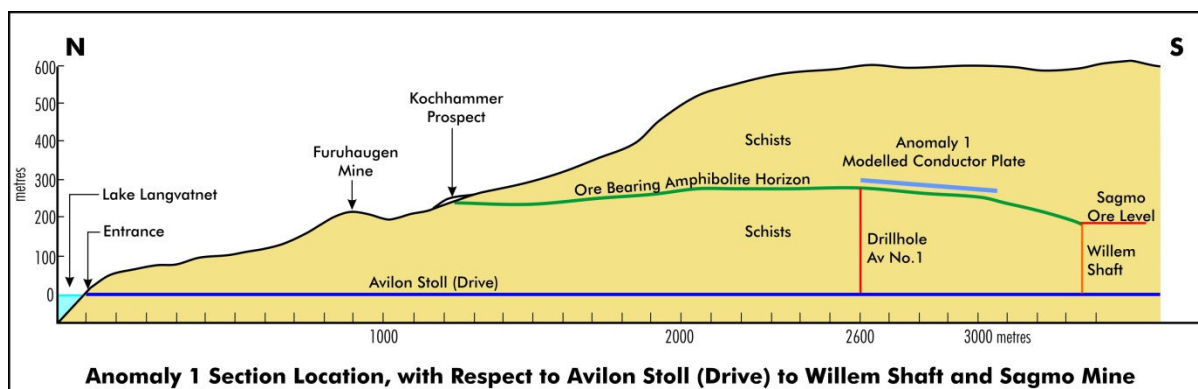


Figure Four: An historic section showing the Aviron Stoll (N-S) with anomaly 1 modelled plate superimposed and sitting on or slightly above the amphibolite horizon in the plane of the Kochhammer Mine and Sagmo ore level. The historic drill hole Av No 1 ended in amphibolite but there appears to be no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

In recent years Drake's focus has been on four projects distilled from its large portfolio.

1. Seimana Gold Project – Guinea
2. Granmuren Nickel Sulphide Project – Sweden
3. Joma Copper Zinc Project – Norway
4. Tasiast South Gold Project – Mauritania

As part of Drake's ongoing focus on these most prospective permits and Drake's cost minimisation strategies, the company reduced its holdings in non-core assets during January. Please refer Note 4 of the condensed consolidated financial statements in this report

#### Notes:

1: Source: Norwegian Geological Survey

2: Please see announcement 5 November 2014 for details.

## Corporate Activity

In February 2015 Drake launched a fully underwritten renounceable pro rata rights entitlement issue of 364,283,823 new shares at an issue price of \$0.005 per share on the basis of 1.5 new shares for every share held together with one free attaching new option for every share subscribed for and issued to raise up to \$1,821,419 (before costs of the offer). New options have an exercise price of \$0.03 and expire on 1 August 2017. The offer closed in early March 2015. Please refer to Note 1 and Note 11 of the condensed consolidated financial statements in this report.

The injection of new capital will give Drake capacity to sustain its highly prospective core assets and place Drake in a strong position amongst Junior Explorers to pursue additional opportunities that complement Drake's corporate strategy.

#### For further information, please contact:

**Mr Jason Stirbinskis**

CEO, Drake Resources

+61 (0)8 6141 3585

info@drakeresources.com.au

#### Competent Persons Statement

The information related to Seimana exploration results is extracted from the report entitled "Program Reveals Abundant Gold – Seimana - Guinea" created on 21/05/14 and "Seimana Gold Project – Final Drill Results" created on 30/07/14. The information related to Sulitjelma exploration results is extracted from the report entitled "Surface samples reveal high grade copper and zinc - Sulitjelma" created on 5/11/14 and "VTEM results reveals 6 targets at Sulitjelma Project – Norway" created on 21/01/15. All reports are 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 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 development.

## **DIRECTORS' REPORT (Continued)**

### **Operating Result**

The Group incurred a loss for the half-year of \$553,061 (December 2013: \$4,946,592 loss) and had net cash outflows from operating activities of \$970,030 (2013: \$1,105,369).

### **Financial Position**

The net assets of the Group have decreased by \$226,661 from 30 June 2014 to \$9,028,875 at 31 December 2014.

At 31 December 2014, the Group's cash and cash equivalents decreased from 30 June 2014 by \$876,651 to \$473,083 and as at 31 December 2014, the Group had working capital of \$756,111 (June 2014: \$1,508,816 working capital).

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

The lead auditor's independence declaration for the half-year ended 31 December 2014 has been received and can be found on page 9 of the half-year report.

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



Brett Fraser

**Chairman**

Dated this 16th day of March 2015

**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 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 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 16<sup>th</sup> day of March 2015

## Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2014

|  | Note | Dec 2014<br>\$   | Dec 2013<br>\$     |
|--|------|------------------|--------------------|
| Revenue  |      | 74,860           | 42,797             |
| Accounting and audit fees  |      | (39,725)         | (22,732)           |
| Directors' fees  |      | (85,000)         | (89,583)           |
| Employee benefits  |      | (184,151)        | (169,457)          |
| Share-based payments   |      | -                | (3,733)            |
| Depreciation   |      | (19,781)         | (32,963)           |
| Insurance  |      | (14,045)         | (22,195)           |
| Legal fees   |      | (3,059)          | (23,148)           |
| Public relations and advertising   |      | (9,296)          | (4,379)            |
| Registry and ASX fees  |      | (13,979)         | (20,735)           |
| Rent & utility expense   |      | (67,267)         | (44,224)           |
| Travel and accommodation   |      | (11,866)         | (9,921)            |
| Unrealised Gain/(Loss) on listed shares  |      | 29,894           | (209,261)          |
| Exploration costs written off  |      | (38)             | (3,769)            |
| Impairment of exploration and evaluation assets                                | 4    | (172,114)        | (4,286,572)        |
| Other expenses   |      | (37,494)         | (46,717)           |
| Profit/(Loss) before income tax  |      | <b>(553,061)</b> | <b>(4,946,592)</b> |
| Income tax expense   |      | -                | -                  |
| Loss from continuing operations  |      | <b>(553,061)</b> | <b>(4,946,592)</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                         |      | 7,831            | 13,342             |
| <b>Other comprehensive income for the year, net of income tax</b>              |      | <b>7,831</b>     | <b>13,342</b>      |
| <b>Total comprehensive income attributable to members of the parent entity</b> |      | <b>(545,230)</b> | <b>(4,933,250)</b> |
| <b>Earnings per share</b>  |      |                  |                    |
| Basic and diluted (loss) per share (cents per share)                           |      | <b>(0.25)</b>    | <b>(3.60)</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 2014****Condensed Consolidated Statement of Financial Position**

As at 31 December 2014

|                                   | Note | Dec 2014<br>\$   | Jun 2014<br>\$   |
|-----------------------------------|------|------------------|------------------|
| <b>CURRENT ASSETS</b>             |      |                  |                  |
| Cash and cash equivalents         |      | 473,083          | 1,349,734        |
| Financial assets                  | 2    | 301,792          | 271,898          |
| Trade and other receivables       | 3    | 267,156          | 249,231          |
| <b>TOTAL CURRENT ASSETS</b>       |      | <b>1,042,031</b> | <b>1,870,863</b> |
| <b>NON-CURRENT ASSETS</b>         |      |                  |                  |
| Plant and equipment               |      | 42,098           | 61,879           |
| Exploration and evaluation assets | 4    | 8,230,666        | 7,684,841        |
| <b>TOTAL NON-CURRENT ASSETS</b>   |      | <b>8,272,764</b> | <b>7,746,720</b> |
| <b>TOTAL ASSETS</b>               |      | <b>9,314,795</b> | <b>9,617,583</b> |
| <b>CURRENT LIABILITIES</b>        |      |                  |                  |
| Trade and other payables          | 5    | 235,878          | 308,901          |
| Short-term provisions             | 6    | 50,042           | 53,146           |
| <b>TOTAL CURRENT LIABILITIES</b>  |      | <b>285,920</b>   | <b>362,047</b>   |
| <b>TOTAL LIABILITIES</b>          |      | <b>285,920</b>   | <b>362,047</b>   |
| <b>NET ASSETS</b>                 |      | <b>9,028,875</b> | <b>9,255,536</b> |
| <b>EQUITY</b>                     |      |                  |                  |
| Issued capital                    | 7    | 23,345,701       | 22,995,085       |
| Reserves                          |      | 108,115          | 160,692          |
| Accumulated losses                |      | (14,424,941)     | (13,900,241)     |
| <b>TOTAL EQUITY</b>               |      | <b>9,028,875</b> | <b>9,255,536</b> |

The accompanying notes form part of these financial statements.

## Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

|  | Issued<br>Capital | Accumulated<br>Losses | Options<br>Reserve | Share Based<br>Payments<br>Reserve | Foreign<br>Exchange<br>Translation<br>Reserve | Total              |
|--|-------------------|-----------------------|--------------------|------------------------------------|---|--------------------|
|  | \$                | \$                    | \$                 | \$                                 | \$  | \$                 |
| <b>Balance at 1 July 2013</b>                      | <b>20,279,166</b> | <b>(8,115,349)</b>    | <b>156,032</b>     | <b>-</b>                           | <b>(5,934)</b>                                | <b>12,313,915</b>  |
| Loss for the period                                | -                 | (4,946,592)           | -                  | -                                  | -   | (4,946,592)        |
| Other comprehensive income for the period          | -                 | -                     | -                  | -                                  | 13,342  | 13,342             |
| <b>Total comprehensive income for the period</b>   | <b>-</b>          | <b>(4,946,592)</b>    | <b>-</b>           | <b>-</b>                           | <b>13,342</b>                                 | <b>(4,933,250)</b> |
| <b>Transaction with owners, directly in equity</b> |                   |                       |                    |                                    |   |                    |
| Shares issued during the period                    | 1,560,608         | -                     | -                  | -                                  | -   | 1,560,608          |
| Options vested during the period                   | -                 | -                     | 3,733              | -                                  | -   | 3,733              |
| Transaction costs                                  | (71,110)          | -                     | -                  | -                                  | -   | (71,110)           |
| <b>Balance at 31 December 2013</b>                 | <b>21,768,665</b> | <b>(13,061,941)</b>   | <b>159,765</b>     | <b>-</b>                           | <b>7,408</b>                                  | <b>8,873,896</b>   |
| <b>Balance at 1 July 2014</b>                      | <b>22,995,085</b> | <b>(13,900,241)</b>   | <b>135,173</b>     | <b>35,053</b>                      | <b>(9,534)</b>                                | <b>9,255,536</b>   |
| Loss for the period                                | -                 | (553,061)             | -                  | -                                  | -   | (553,061)          |
| Other comprehensive income for the period          | -                 | -                     | -                  | -                                  | 7,831   | 7,831              |
| <b>Total comprehensive income for the period</b>   | <b>-</b>          | <b>(553,061)</b>      | <b>-</b>           | <b>-</b>                           | <b>7,831</b>                                  | <b>(545,230)</b>   |
| <b>Transaction with owners, directly in equity</b> |                   |                       |                    |                                    |   |                    |
| Shares issued during the period                    | 362,050           | -                     | -                  | -                                  | -   | 362,050            |
| Share based payments issued during period          | -                 | -                     | -                  | (35,053)                           | -   | (35,053)           |
| Share based payments not yet issued                | -                 | -                     | -                  | 3,006                              | -   | 3,006              |
| Options expired during the period                  | -                 | 28,361                | (28,361)           | -                                  | -   | -                  |
| Transaction costs                                  | (11,434)          | -                     | -                  | -                                  | -   | (11,434)           |
| <b>Balance at 31 December 2014</b>                 | <b>23,345,701</b> | <b>(14,424,941)</b>   | <b>106,812</b>     | <b>3,006</b>                       | <b>(1,703)</b>                                | <b>9,028,875</b>   |

The accompanying notes form part of these financial statements.

**Condensed Consolidated Statement of Cash Flows****For the half-year ended 31 December 2014**

|   | Note | Dec 2014<br>\$   | Dec 2013<br>\$     |
|---|------|------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |                  |                    |
| Receipts from customers   |      | -                | 24,550             |
| Interest received   |      | 6,832            | 12,863             |
| Payments to suppliers and employees                             |      | (311,763)        | (553,360)          |
| Payments for exploration expenditure                            |      | (665,099)        | (589,422)          |
| <b>Net cash used in operating activities</b>                    |      | <b>(970,030)</b> | <b>(1,105,369)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |                  |                    |
| Purchase of plant and equipment                                 |      | -                | -                  |
| Payments for joint exploration, net of funding                  |      | 18,575           | (210,867)          |
| Purchase of investments   |      | -                | -                  |
| <b>Net cash used in investing activities</b>                    |      | <b>18,575</b>    | <b>(210,867)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |                  |                    |
| Proceeds from issue of shares                                   |      | 82,125           | 1,560,609          |
| Capital raising costs   |      | (11,438)         | (71,110)           |
| <b>Net cash provided by financing activities</b>                |      | <b>70,687</b>    | <b>1,489,499</b>   |
| <b>Net increase/(decrease) in cash held</b>                     |      | <b>(880,768)</b> | <b>173,263</b>     |
| Cash at the beginning of the period                             |      | 1,349,733        | 812,515            |
| Effect of exchange rates on cash holdings in foreign currencies |      | 4,118            | 11,603             |
| <b>Cash at the end of the period</b>                            |      | <b>473,083</b>   | <b>997,381</b>     |

The accompanying notes form part of these financial statements.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

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

These are the condensed 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 financial statements were authorised for issue on 16 March 2014 by the Directors of the company.

#### **Statement of Compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 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.

#### **Basis of Preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

This condensed interim financial report is intended to provide users with an update on the latest annual financial statements of 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 2014, together with any public announcements made during the half-year.

#### **Going Concern**

The condensed consolidated 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 \$553,061 (December 2013: \$4,946,592 loss) and had net cash outflows from operating activities of \$970,030 (2013: \$1,105,369).

During the period the Company successfully raised \$70,687 from the issue of shares net of capital raising costs.

In February 2015 Drake launched a fully underwritten renounceable pro rata rights entitlement issue of 364,283,823 new shares at an issue price of \$0.005 per share on the basis of 1.5 new shares for every share held together with one free attaching new option for every share subscribed for and issued to raise up to \$1,821,419 before costs of the offer. New options have an exercise price of \$0.03 and expire on 1 August 2017. The offer closed in early March 2015 with a total value of \$349,488 worth of shares validly applied for. The offer is fully underwritten by T & R Mining Investment Pty Ltd ("T & R") and as such the company has, as at the issue date of this report, called upon T & R to apply for the remaining \$1,471,931 worth of shares as per the terms of the underwriting agreement.

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 cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group 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. 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.

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

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

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

#### **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.

#### *Critical Accounting Estimates and Judgments*

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2014 annual report.

#### *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 \$8,230,666.

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 4: *Exploration And Evaluation Assets*.

#### **New and Amended Standards Adopted by the Group Applicable to the Current Half-Year Reporting Period**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- ▶ AASB 1031 'Materiality' (2013)
- ▶ AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- ▶ AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- ▶ AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
- ▶ AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- ▶ AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- ▶ AASB 2014-1 'Amendments to Australian Accounting Standards'
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
  - Part C: 'Materiality'
- ▶ Interpretation 21 'Levies'

The above standards have extensive disclosure requirements however these do not affect this half-year financial report, other than as disclosed in Note 10: Financial Instruments.

The adoption of the above standards has not had a material impact on this half-year financial report.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 2 FINANCIAL ASSETS

Financial assets – held for trading:

Securities in ASX listed entity

Other financial assets

| Dec 2014 | Jun 2014 |
|----------|----------|
| \$       | \$       |
| 201,787  | 171,893  |
| 100,005  | 100,005  |
| 301,792  | 271,898  |

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 3 TRADE AND OTHER RECEIVABLES

Expenditure recoverable from JV partners

GST and other value added tax receivables

Amounts receivable from related parties

Other receivables

| Dec 2014 | Jun 2014 |
|----------|----------|
| \$       | \$       |
| 132,037  | 32,348   |
| 510      | 37,904   |
| 9,852    | 34,222   |
| 124,757  | 144,757  |
| 267,156  | 249,231  |

### NOTE 4 EXPLORATION AND EVALUATION ASSETS

**Movements in carrying amounts of exploration and evaluation assets:**

Carrying amount at the beginning of the period

Additions during the period

Impairment

Carrying amount at the end of the period

| Dec 2014  | Jun 2014    |
|-----------|-------------|
| \$        | \$          |
| 7,684,841 | 11,215,310  |
| 717,939   | 1,033,948   |
| (172,114) | (4,564,417) |
| 8,230,666 | 7,684,841   |

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.

The company decided to relinquish the following areas, resulting in an impairment loss of \$172,114 during the half-year:

Norway: Espedalen, Hosanger and Panoramic JV assets Hersjo-Nordgruva and Lokken.

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AND CONTROLLED ENTITIES

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**INTERIM FINANCIAL REPORT 31 DECEMBER 2014****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014****NOTE 4 EXPLORATION AND EVALUATION ASSETS (Continued)**

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 5 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 2014 | Jun 2014 |
|----------|----------|
| \$       | \$       |
| 108,557  | 142,292  |
| 42,511   | 139,566  |
| 23,267   | 17,002   |
| 61,543   | 10,042   |
| 235,878  | 308,901  |

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

**NOTE 6 SHORT TERM PROVISIONS**Employee benefits<sup>1</sup>

Provision for Mauritanian withholding tax

| Dec 2014 | Jun 2014 |
|----------|----------|
| \$       | \$       |
| 37,580   | 40,684   |
| 12,462   | 12,462   |
| 50,042   | 53,146   |

<sup>1</sup>The number of employees with accrued benefits at year end was 3 (June 2014: 4).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 7 ISSUED CAPITAL

|  | Note  | Dec 2014<br>\$ | Jun 2014<br>\$ | Dec 2014<br>No. | Jun 2014<br>No. |
|--|-------|----------------|----------------|-----------------|-----------------|
| The company has issued 242,855,882 fully paid ordinary shares at no par value (June 2014: 208,201,792) | 7 (a) | 23,345,701     | 22,995,085     | 242,855,882     | 208,201,792     |
| <b>(a) Ordinary Shares</b>   |       |                |                |                 |                 |
| At the beginning of the reporting period   |       | 22,995,085     | 20,279,166     | 208,201,792     | 104,040,588     |
| ▶ 10,716,031 shares issued on 17 July 2013 at 3c   |       | -              | 321,481        | -               | 10,716,031      |
| ▶ 17,157,347 shares issued on 2 August 2013 at 3c  |       | -              | 514,720        | -               | 17,157,347      |
| ▶ 24,146,916 shares issued on 10 September 2013 at 3c  |       | -              | 724,407        | -               | 24,146,916      |
| ▶ 12,909,392 shares issued on 16 May 2014 at 2.5c  |       | -              | 322,735        | -               | 12,909,392      |
| ▶ 7,769,000 shares issued on 30 May 2014 at 2.5c   |       | -              | 194,225        | -               | 7,769,000       |
| ▶ 120,616 shares issued on 30 May 2014 at 2.51c  |       | -              | 3,027          | -               | 120,616         |
| ▶ 7,992,000 shares issued on 17 June 2014 at 2.5c  |       | -              | 199,800        | -               | 7,992,000       |
| ▶ 23,349,902 shares issued on 26 June 2014 at 2.5c   |       | -              | 583,748        | -               | 23,349,902      |
| ▶ 966,593 shares issued on 1 September 2014 at 3c  |       | 28,998         | -              | 966,593         | -               |
| ▶ 1,092,141 shares issued on 1 September 2014 at 3.1c  |       | 33,856         | -              | 1,092,141       | -               |
| ▶ 126,144 shares issued on 1 September 2014 at 2.4c  |       | 3,027          | -              | 126,144         | -               |
| ▶ 103,680 shares issued on 1 September 2014 at 2.9c  |       | 3,027          | -              | 103,680         | -               |
| ▶ 90,284 shares issued on 1 September 2014 at 3.3c   |       | 3,006          | -              | 90,284          | -               |
| ▶ 99 shares issued on 1 September 2014 at 5c   |       | 5              | -              | 99              | -               |
| ▶ 163,393 shares issued on 5 November 2014 at 1.8c   |       | 3,006          | -              | 163,393         | -               |
| ▶ 231,264 shares issued on 5 November 2014 at 1.3c   |       | 3,006          | -              | 231,264         | -               |
| ▶ 286,327 shares issued on 5 November 2014 at 1.0c   |       | 3,006          | -              | 286,327         | -               |
| ▶ 6,843,329 shares issued on 5 November 2014 at 1.2c   |       | 82,120         | -              | 6,843,329       | -               |
| ▶ 18,188,524 shares issued on 8 December 2014 at 0.7c  |       | 127,320        | -              | 18,188,524      | -               |
| ▶ 319,833 shares issued on 8 December 2014 at 0.9c   |       | 3,006          | -              | 319,833         | -               |
| ▶ 6,242,479 shares issued on 23 December 2014 at 1.1c  |       | 68,667         | -              | 6,242,479       | -               |
| Transaction costs relating to share issues   |       | (11,434)       | (148,225)      | -               | -               |
| At reporting date  |       | 23,345,701     | 22,995,085     | 242,855,882     | 208,201,792     |

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

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**INTERIM FINANCIAL REPORT 31 DECEMBER 2014****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014****NOTE 7 ISSUED CAPITAL (Continued)****(b) Options**

Listed options

Unlisted options

| Dec 2014   | Jun 2014   |
|------------|------------|
| No.        | No.        |
| 17,340,063 | 43,350,315 |
| 895,000    | 1,545,000  |
| 18,235,063 | 44,895,315 |

**NOTE 8 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.

| Dec 2014 | Dec 2013 |
|----------|----------|
| \$       | \$       |
| 58,500   | 58,500   |

- ▶ A balance of \$9,852 remained receivable from Wolfstar Group Pty Ltd at 31 December 2014 (30 June 2014: \$34,222).
- ▶ A balance of \$779 remained payable to Wolfstar Group Pty Ltd at 31 December 2014 (30 June 2014: \$348).

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

### NOTE 9 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 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.

|   | Scandinavian<br>Exploration | African<br>Exploration | Treasury  | Total     |
|---|-----------------------------|------------------------|-----------|-----------|
|   | \$                          | \$                     | \$        | \$        |
| <b>For the half-year ended 31 December 2014</b> |                             |                        |           |           |
| Segment revenue                                 | 71,580                      | -                      | 3,280     | 74,860    |
| Segment Results                                 | (100,572)                   | -                      | 33,174    | (67,398)  |
| ▶ Corporate charges                             |                             |                        |           | (465,882) |
| ▶ Depreciation                                  |                             |                        |           | (19,781)  |
| ▶ Share-based payment expense                   |                             |                        |           | -         |
| Loss before income tax                          |                             |                        |           | (553,061) |
| <b>As at 31 December 2014</b>                   |                             |                        |           |           |
| Segment assets                                  | 2,380,719                   | 5,983,984              | 774,875   | 9,139,578 |
| Unallocated assets                              |                             |                        |           |           |
| ▶ Trade and other receivables                   |                             |                        |           | 133,119   |
| ▶ Plant and equipment                           |                             |                        |           | 42,098    |
| Total assets                                    |                             |                        |           | 9,314,795 |
| Segment asset movements for the period:         |                             |                        |           |           |
| ▶ Impairment of exploration assets              | (172,114)                   | -                      | -         |           |
| ▶ Unrealised gain/(loss) on listed shares       | -                           | -                      | 29,894    |           |
| ▶ Other movements                               | 166,344                     | 653,284                | (875,475) |           |
| Net movement in segment assets                  | (5,770)                     | 653,284                | (845,581) |           |
| Segment liabilities                             | (26,856)                    | (27,201)               | -         | (54,057)  |
| Unallocated liabilities                         |                             |                        |           |           |
| ▶ Trade and other payables                      |                             |                        |           | (231,863) |
| Total Liabilities                               |                             |                        |           | (285,920) |

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**INTERIM FINANCIAL REPORT 31 DECEMBER 2014****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014****NOTE 9 OPERATING SEGMENTS (Continued)**

|  | <b>Australian<br/>Exploration</b> | <b>Scandinavian<br/>Exploration</b> | <b>African<br/>Exploration</b> | <b>Treasury</b> | <b>Total</b> |
|--|-----------------------------------|-------------------------------------|--------------------------------|-----------------|--------------|
| <b>For the half-year ended 31 December 2013</b>                    | <b>\$</b>                         | <b>\$</b>                           | <b>\$</b>                      | <b>\$</b>       | <b>\$</b>    |
| Segment revenue  | -                                 | 24,550                              | -                              | 18,247          | 42,797       |
| Segment Results  | (440,908)                         | (399,478)                           | (3,425,405)                    | (191,014)       | (4,456,805)  |
| Amounts not included in segment results but reviewed by the Board: |                                   |                                     |                                |                 |              |
| ▶ Corporate charges  |                                   |                                     |                                |                 | (453,091)    |
| ▶ Depreciation   |                                   |                                     |                                |                 | (32,963)     |
| ▶ Share-based payment expense                                      |                                   |                                     |                                |                 | (3,733)      |
| Loss before income tax   |                                   |                                     |                                |                 | (4,946,592)  |
| <b>As at 30 June 2014</b>  |                                   |                                     |                                |                 |              |
| 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   |                                   |                                     |                                |                 | (264,832)    |
| Total Liabilities  |                                   |                                     |                                |                 | (362,047)    |

**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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

### **NOTE 9 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:

- ▶ Non-recurring items of revenue or expense
- ▶ Income tax expense
- ▶ Deferred tax assets and liabilities
- ▶ Current tax liabilities
- ▶ Non-segment trade & other payables
- ▶ Other financial liabilities

### **NOTE 10 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.

### **NOTE 11 EVENTS SUBSEQUENT TO REPORTING DATE**

In February 2015 Drake launched a fully underwritten renounceable pro rata rights entitlement issue of 364,283,823 new shares at an issue price of \$0.005 per share on the basis of 1.5 new shares for every share held together with one free attaching new option for every share subscribed for and issued to raise up to \$1,821,419 before costs of the offer. New options have an exercise price of \$0.03 and expire on 1 August 2017. The offer closed in early March 2015 with a total value of \$349,488 worth of shares validly applied for. The offer is fully underwritten by T & R Mining Investment Pty Ltd ("T & R") and as such the company has, as at the issue date of this report, called upon T & R to apply for the remaining \$1,471,931 worth of shares as per the terms of the underwriting agreement.

For further information on these events and other announcements made since 31 December 2014, please consult the ASX Announcements section of the Group's website ([www.drakeresources.com.au](http://www.drakeresources.com.au)).

### **NOTE 12 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 condensed financial statements and notes, as set out on pages 10 to 22, 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 2014 and of the performance for the half-year ended on that date of the Group.
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 made pursuant to section 303(5) of the *Corporations Act 2001* and is signed for and on behalf of the directors by:



**JAY STEPHENSON**  
Director

**Dated this 16th Day of March 2015**

## 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 2014, 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 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 2014 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 2014 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 of the half-year financial report which indicates that the Consolidated Entity incurred a net loss of \$553,061 during the half-year ended 31 December 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 half-year financial report.

**BENTLEYS**  
Chartered Accountants

**DOUG BELL CA**  
Director

Dated at Perth this 16<sup>th</sup> day of March 2015

drake resources

