

# drake resources



DRAKE RESOURCES LIMITED  
ABN 12 108 560 069



## INTERIM FINANCIAL REPORT 31 DECEMBER 2015

*Note: The information contained in this condensed report is to be read in conjunction with Drake Resources Limited's 2015 annual report and any announcements made by the company during the half-year period ending 31 December 2015*

## **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**

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Email:	info@drakeresources.com.au
Website:	www.drakeresources.com.au

### **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 2015**

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## REVIEW OF OPERATIONS

- EM Survey reveals nickel target near Company's Granmuren prospect
- Sulitjelma field program reports 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. Drake becomes 100% owner of Sulitjelma Cu/Zn permits – Norway
- Joma Copper/Zinc surface float grab sample result– 2.73% Cu, 0.04% Zn and 41g/t Ag
- Seimana mapping program reveals 20 new or extended artisanal gold workings with 7 sites of priority 'A' status, 6 sites priority 'B'. Seimana now has 34 sites each with over 200m strike length of mineralised quartz veins and further evidence of abundance of gold mineralisation



*Jason Stirbinskis – CEO  
Drake Resources Limited*

## Overview

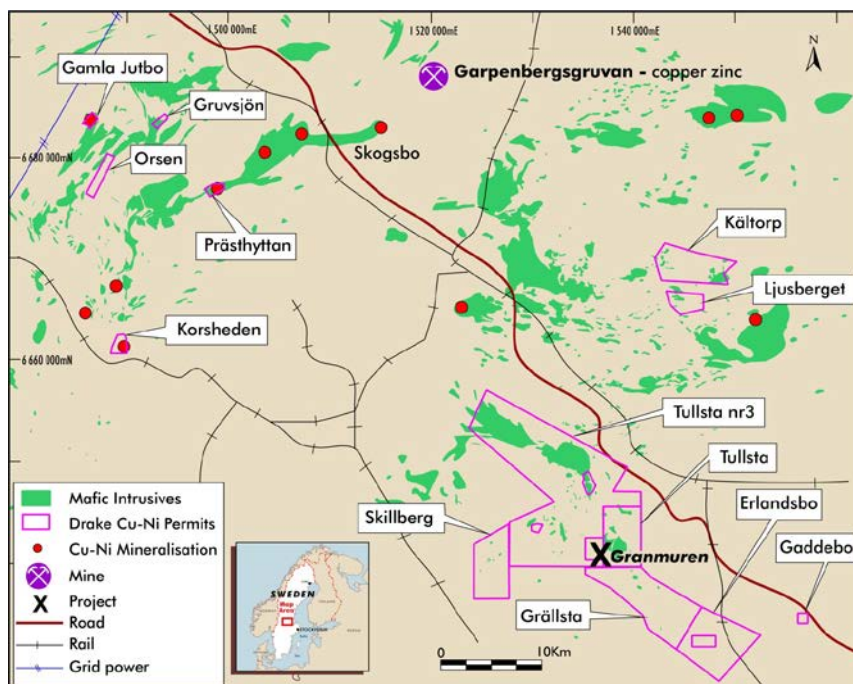
Drake Resources Limited ('The Company') completed four field programs in the last half of the calendar year with the Bergslagen EM survey identifying a nickel target 50kms from Drake's Granmuren nickel discovery and results from Drake's two Norwegian copper/zinc projects returning encouraging results. A return to the northern region of the Seimana prospects, an area that has not seen activity since 2012, also revealed significantly greater artisanal gold workings and additional high priority gold targets.

The Company received notice from Panoramic Resources that it will withdraw from the Sulitjelma JV, Drake now is 100% owner of this copper/zinc project in Norway. In addition to maintaining assets and investigation of opportunities that supplement its current portfolio, Drake continues to reduce costs while commodity prices and investor sentiment towards exploration juniors remains low.

## Operations

### EM program over Bergslagen nickel targets

Drake conducted ground EM over nickel targets within the Bergslagen region near its near-surface Granmuren greenfield nickel sulphide discovery. Two survey lines, 150m apart, over the southern quadrant of the Korsheden licence area (fig 1) identified a conductor associated with a 1.4km long airborne magnetic anomaly identified from government data (fig 2). 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.



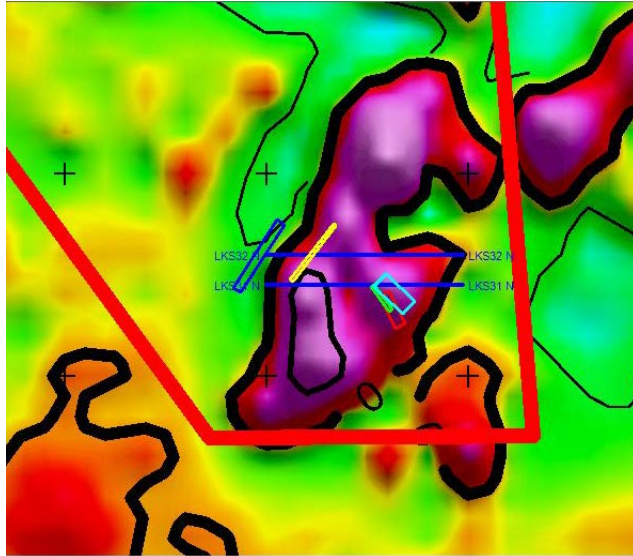
**Figure 1: Drake regional footprint near its Granmuren discovery**

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*Figure 2: Recent EM modelled conductor plates (small coloured rectangles) at Korsheden laid over coincident historic government funded airborne magnetic survey results. The two EM lines are presented as parallel solid blue lines and are 150m apart*

Drake's Granmuren nickel discovery is a substantial intrusion of massive and disseminated sulphides, mainly pyrrhotite, pentlandite and chalcopyrite hosted in gabbros and norites. Mineralisation occurs from near surface, and has been tracked down to about 330m, and remains open at depth.

### Sulitjelma Field Program

In the previous quarter 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 (fig 3) remain priority copper/zinc targets warranting drill testing. Four targets of interest lie within the western thrust ore field which is an area of known massive sulphide mineralisation mapped over ~10kms. The western ore field hosts the Sagmo (1.9Mt mined of 1.6% Cu and 0.23% Zn) and the Jakobsbakken (4.47Mt mined of 1.55% Cu and 2.42% Zn) historic orebodies. Two targets of interest lie within the eastern Nordgruvefeltet region, including Anomaly 3 with follow up field sampling within the area generating results including 10.7% copper and 15.1% zinc.

In the latter half of the calendar year, 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.

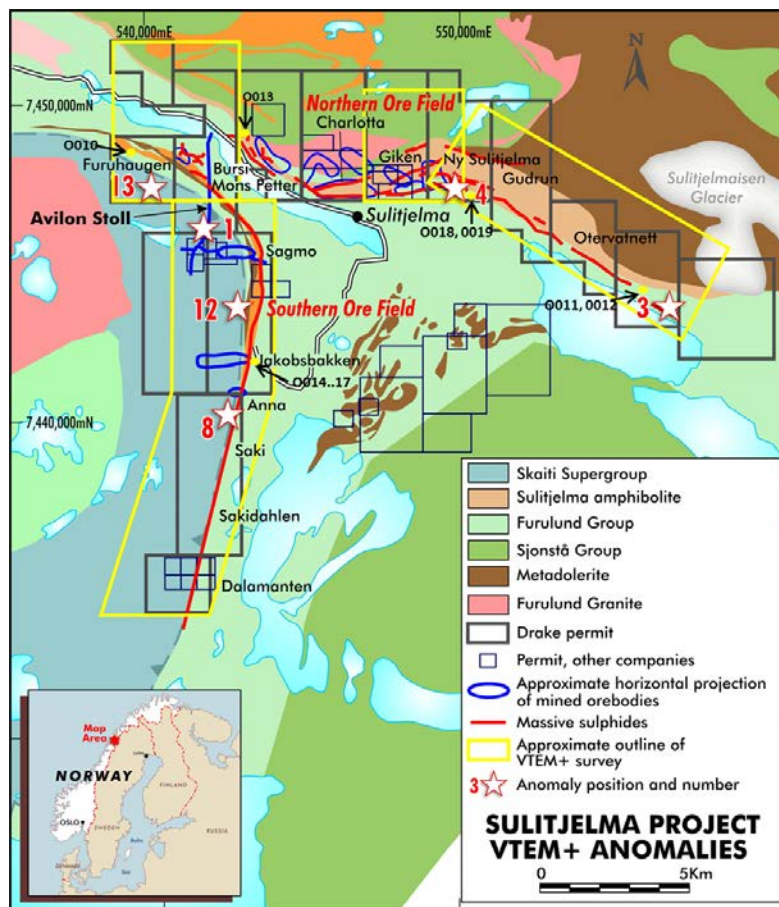
Sample Number	Weight Kg	East	North	Sample Type	Cu (%)	Zn (%)	Pb (%)	Ag ppm
SIJ0010	0.84	540871	7448410	Outcrop grab	0.84	0.03	0.00	2
SIJ0011	0.67	556221	7443696	Outcrop grab	0.77	0.32	0.00	1
SIJ0012	1.18	556201	7443694	Outcrop grab	0.32	0.10	0.00	1
SIJ0013	0.76	543121	7448850	Mine dump grab	0.89	1.68	0.01	7
SIJ0014	1.05	543440	7442355	Mine dump grab	0.34	0.02	0.67	45
SIJ0015	1.72	543440	7442355	Mine dump grab	0.17	0.06	3.77	224
SIJ0016	2.11	543440	7442355	Mine dump grab	0.20	0.02	>10.00	645
SIJ0017	1.29	543440	7442355	Mine dump grab	1.61	0.82	2.46	104
SIJ0018	1.3	549493	7447319	Mine dump grab	4.40	1.19	0.05	24
SIJ0019	1.52	549493	7447319	Mine dump grab	1.95	1.66	0.08	21

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

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 SIJ0016 which recorded >10%Lead and 645g/t Silver (Ag).

Drake received notice from Panoramic Resources that it will withdraw from the Sulitjelma JV to focus on their Australian operations. Drake now is 100% owner of this copper/zinc project in Norway.





**Figure 3: Sulitjelma Project. Numbered yellow dots are locations of recent surface sampling.**

#### Joma Field Program

Drake returned to Joma in July and used the opportunity to scope out potential drill rig access issues related to various geophysics targets previously announced. A single grab float sample collected in a swampy area above the eastern edge of anomaly 10, returned 2.75% copper (table 2).

Sample Number	Weight Kg	East	North	Sample Type	Cu (%)	Zn (%)	Pb (%)	Ag ppm
JOMA EM10	0.73	445211	7192590	Grab sample of surface float	2.73	0.04	0.01	42

**Table 2: A single surface sample was collected while scoping site access options at Anomaly 10, Joma.**

Anomaly 10 and nearby anomaly 11 (fig 4) were identified from geophysics programs conducted in 2013. Anomaly 10 is a conductor that suggests the possibility of shallow sulphide mineralisation of size.

The most prospective target is Target 1, an EM conductor associated with a particularly large magnetic anomaly less than 1km from the Joma Mine entrance. Whilst target 1 was also scoped, it lies within a swamp area and no surface samples were collected.

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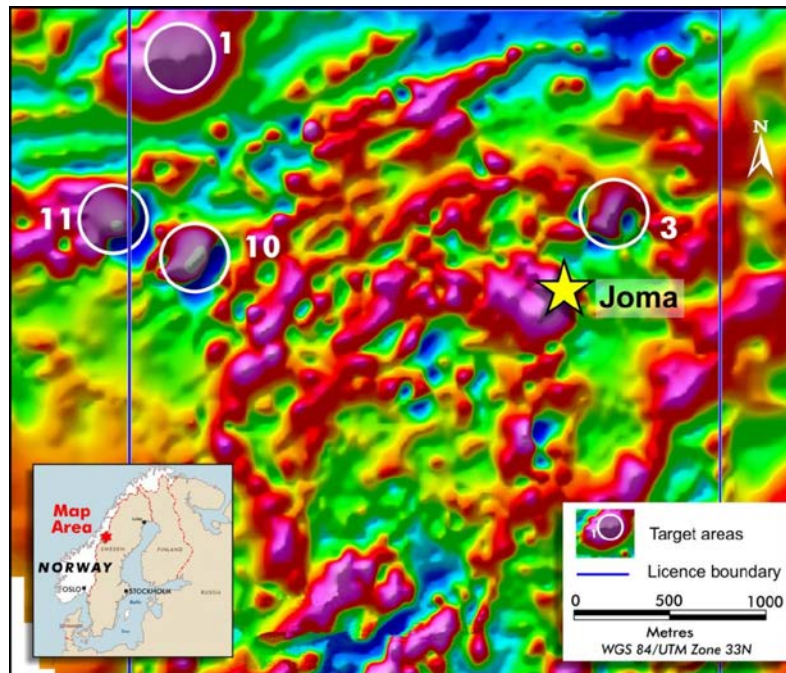


Figure 4: Joma Geophysical targets on aeromagnetic image.

### Seimana Gold Prospect - Guinea

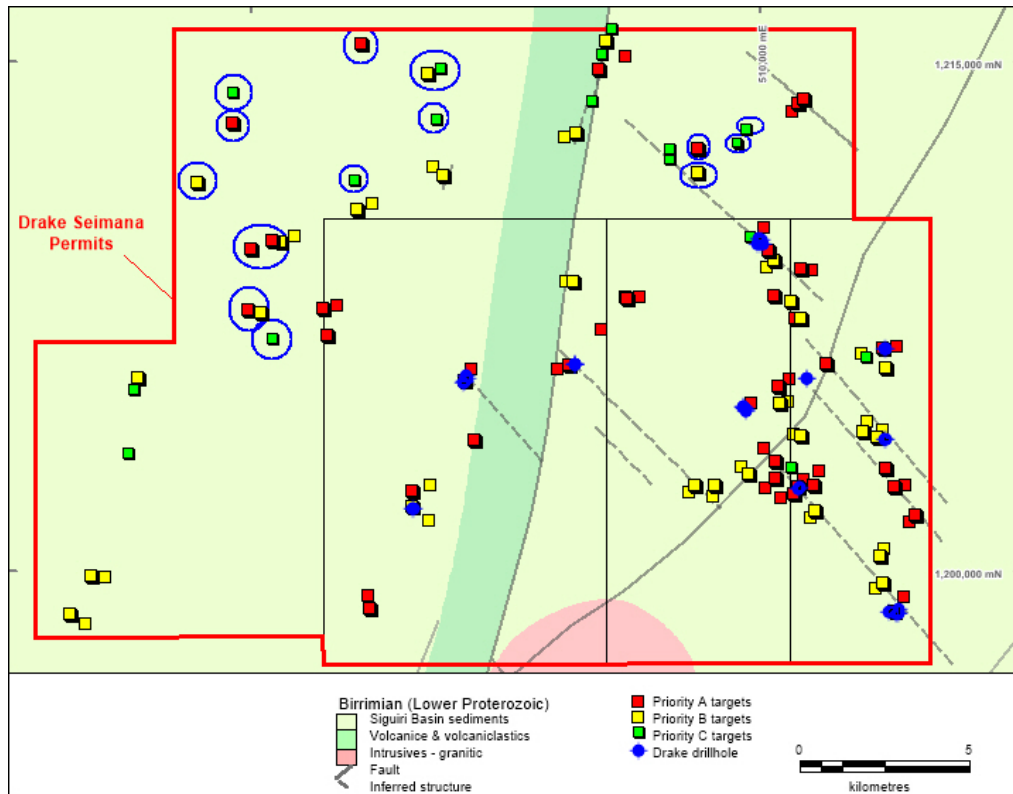
A programme of mapping of new and expanded artisanal mining sites was recently completed in the northern and western portions of the Seimana permits. The field program identified 14 new and 6 extended artisanal mining sites. All sites involved mining of gold ores from in situ quartz veins as opposed to alluvial & eluvial mining. The six sites that had been previously logged in 2012 have had significant extensions.

Seven of the sites are classified as Priority A and 6 sites are classified as Priority B targets bringing the total of Priority A and B targets to 62 across the Seimana permits (fig 5).

Category	Criteria	Comment
Priority A	Mineralised veins with an extent of at least 200m, a width of at least 10m and abundant pits/shafts	Drake has now identified 34 sites and has drilled 9 to date
Priority B	Mineralised veins with an extent of less than 200m but abundant pits/shafts	Drake has identified 28 sites
Priority C	Mineralised veins with relatively few pits/shafts	It is not possible to gauge the extent of many sites due to the poor outcrop and lateritic cover
Priority D	Eluvial sites with no vein mining	Near surface gold which has been shed down slope
Priority E	Alluvial and paleoalluvial sites with no evidence of vein mining	Near surface gold deposited in river sediments

Drake's activity at Seimana since January 2014 has been in the southern area of the Seimana licences and this has been rewarded with very encouraging rock chip gold results such as the following -

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



**Figure 5: Current priority targets based on 2012 – 2015 programs. Blue circles indicate new artisanal mining sites recorded in the July 2015 field program.**

Drill results from 2014 and 2015 drill programs in the southern area include

- 4m @ 19.8g/t from 50m including 1m @ 56g/t from 51m in TAMRC001
- 7m @ 1.55g/t from 34m including 1m @ 8.13g/t from 40m and 5m @ 2.64g/t from 61m in TAMRC002
- 10m @ 2.58g/t from 36m in KROURC001
- 5m @ 2.02g/t from 55m and 3m @ 3.50g/t from 66m in KROURC002
- 3m @ 5.6g/t from 26m in KOTRC001
- 3m @ 5.06g/t from 21m and 3m @ 3.50g/t from 66m in KRDRC002
- 3m @ 4.40g/t from 21m in KRDRK04
- 2m @ 7.00g/t from 44m in TAMRC004

The work in the northern area completed this quarter was the first activity in that area since soil and termite sampling in 2012 and provides further evidence of the abundance of gold mineralisation on Drake permits.

**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.



## DRAKE RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 12 108 560 069

INTERIM FINANCIAL REPORT 31 DECEMBER 2015

### 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 2015.

#### 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.

#### Operating Result

The Group incurred a loss for the half-year of \$3,564,230 (December 2014: \$553,061 loss) and had net cash outflows from operating activities of \$916,174 (2014: \$970,030).

#### Financial Position

The net assets of the Group have decreased by \$3,348,713 from 30 June 2015 to \$2,947,174 at 31 December 2015.

At 31 December 2015, the Group's cash and cash equivalents decreased from 30 June 2015 by \$797,879 to \$303,290 and as at 31 December 2015, the Group had working capital of \$459,558 (June 2015: \$1,067,596 working capital).

#### Events Subsequent to Reporting Date

On 11 March 2016, the Company announced that it signed a binding term sheet to acquire 100% of the issued capital in the Genome Technologies Ltd (Genome), operating in cyber security, from the shareholders of Genome for \$11,000,000.

In conjunction with the acquisition, Drake will seek to raise a minimum \$9,365,000. Once the Acquisition is finalised, Drake plans to replace all but one of the existing Board members and seeks to appoint new Australian board members, together with board members from Genome.

As part of the Acquisition and Drake's proposed re-compliance with Chapters 1 and 2 of the ASX Listing Rules, Drake will be required to consolidate its issued capital to facilitate a share price of at least \$0.02, subject to a consolidation ratio of not less than 1:10 unless otherwise agreed between Drake and a duly authorised representative of Genome.

On 11 March 2016 Drake issued a prospectus for a non-renounceable pro rata entitlement issue. Eligible shareholders of Drake will be entitled to subscribe for 10 new Drake shares for every 32 Drake shares held at an issue price of \$0.002 (pre-Consolidation) per Drake share. The Rights Issue seeks to raise up to approximately \$447,922 (before costs) and is expected to result in the issue of an additional 223,961,205 Drake shares (pre-Consolidation).

Drake has entered into an underwriting agreement with 708 Capital Pty Ltd pursuant to which the Rights Issue is fully underwritten. The proceeds from the Rights Issue will be used to fund the due diligence costs associated with the Acquisition, working capital and ongoing expenditure commitments of the Company.

The Company has received a Section 249D notice from two dissident shareholders, Mr Henry Peter Puchala and Gilmont Vending Services Pty Ltd. The notice requisitions a general meeting, to be held 12 April 2016, of the Company seeking the appointment of Mr Darren Montgomery, Mr Simon Neil David Jones, and Mr Bradley Leonard Hill as directors of the Company and seeks the removal of Brett Fraser, Robert Beeson and Jay Stephenson as Directors of the Company. The Directors have recommended Shareholders vote against the resolutions set forth in the Notice of Meeting dated 4 March 2016.

#### Auditor's Independence Declaration

The lead auditor's independence declaration for the half-year ended 31 December 2015 has been received and can be found on page 10 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 Tuesday 15<sup>th</sup> day of March 2016

**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 2015, 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 15<sup>th</sup> day of March 2016

**DRAKE RESOURCES LIMITED**

AND CONTROLLED ENTITIES

ABN 12 108 560 069

**INTERIM FINANCIAL REPORT 31 DECEMBER 2015****Condensed Consolidated Statements of Profit or Loss  
and Other Comprehensive Income**

For the Half-Year Ended 31 December 2015

	Note	Dec 2015 \$	Dec 2014 \$
Revenue		2,427	74,860
Accounting and audit fees		(41,506)	(39,725)
Directors' fees		(72,500)	(85,000)
Computers and software		(26,205)	(11,609)
Contractors and consultant		(49)	-
Employee benefits		(138,921)	(184,151)
Depreciation		(12,646)	(19,781)
Insurance		(14,928)	(14,045)
Legal fees		(50,720)	(3,059)
Public relations and advertising		(8,820)	(9,296)
Registry and ASX fees		(16,805)	(13,979)
Rent & utility expense		(40,031)	(67,267)
Travel and accommodation		(11,219)	(11,866)
Unrealised Gain/(Loss) on listed shares		(14,953)	29,894
Exploration costs written off		(55,415)	(38)
Impairment of exploration and evaluation assets	4	(3,034,368)	(172,114)
Other expenses		(27,571)	(25,885)
Profit/(Loss) before income tax		<b>(3,564,230)</b>	<b>(553,061)</b>
Income tax expense		-	-
Loss from continuing operations		<b>(3,564,230)</b>	<b>(553,061)</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		4,722	7,831
<b>Other comprehensive income for the year, net of income tax</b>		<b>4,722</b>	<b>7,831</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(3,559,508)</b>	<b>(545,230)</b>
<b>Earnings per share</b>			
Basic and diluted (loss) per share (cents per share)		<b>(0.57)</b>	<b>(0.25)</b>

The accompanying notes form part of these financial statements.

**Condensed Consolidated Statement of Financial Position**

As at 31 December 2015

	Note	Dec 2015 \$	Jun 2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		303,290	1,101,169
Financial assets	2	234,524	249,477
Trade and other receivables	3	166,141	174,172
<b>TOTAL CURRENT ASSETS</b>		<b>703,955</b>	<b>1,524,818</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		12,225	24,871
Exploration and evaluation assets	4	2,475,391	5,203,420
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,487,616</b>	<b>5,228,291</b>
<b>TOTAL ASSETS</b>		<b>3,191,571</b>	<b>6,753,109</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5	186,075	401,306
Short-term provisions	6	58,322	55,916
<b>TOTAL CURRENT LIABILITIES</b>		<b>244,397</b>	<b>457,222</b>
<b>TOTAL LIABILITIES</b>		<b>244,397</b>	<b>457,222</b>
<b>NET ASSETS</b>		<b>2,947,174</b>	<b>6,295,887</b>
<b>EQUITY</b>			
Issued capital	7	25,216,447	25,020,505
Reserves		123,740	104,165
Accumulated losses		(22,393,013)	(18,828,783)
<b>TOTAL EQUITY</b>		<b>2,947,174</b>	<b>6,295,887</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 2015****Condensed Consolidated Statement of Changes in Equity**

For the Half-Year Ended 31 December 2015

	Issued Capital	Accumulated Losses	Options Reserve	Share Based Payments Reserve	Foreign Exchange Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
<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>
<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>

The accompanying notes form part of these financial statements.



## Condensed Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2015

	Note	Dec 2015 \$	Dec 2014 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		-	-
Interest received		2,427	6,832
Payments to suppliers and employees		(513,319)	(311,763)
Payments for exploration expenditure		(405,282)	(665,099)
<b>Net cash used in operating activities</b>		<b>(916,174)</b>	<b>(970,030)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for joint exploration, net of funding		(16,215)	18,575
<b>Net cash used in investing activities</b>		<b>(16,215)</b>	<b>18,575</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		133,333	82,125
Capital raising costs		(3,545)	(11,438)
<b>Net cash provided by financing activities</b>		<b>129,788</b>	<b>70,687</b>
<b>Net increase/(decrease) in cash held</b>		<b>(802,601)</b>	<b>(880,768)</b>
Cash at the beginning of the period		1,101,169	1,349,733
Effect of exchange rates on cash holdings in foreign currencies		4,722	4,118
<b>Cash at the end of the period</b>		<b>303,290</b>	<b>473,083</b>

The accompanying notes form part of these financial statements.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

### **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 15 March 2016 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 \$3,564,230 (December 2014: \$553,061 loss) and had net cash outflows from operating activities of \$916,174 (2014: \$970,030). These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

During the period the Company successfully raised \$129,788 from the issue of shares net of capital raising costs.

Subsequent to the end of the half year the entity made a decision to pursue the acquisition of Genome Technologies Limited, a company involved in human cyber risk governance solutions.

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to complete the acquisition of Genome Technologies Limited which includes a capital raising of a minimum of \$9,365,000 (before costs) under a prospectus to be issued in April 2016. In addition the entity is seeking to raise a further \$447,922 under and Entitlement Issue Prospectus to cover immediate expenditure commitments. The \$447,922 is fully underwritten by Capital Pty Ltd.

Should the Genome Technologies transaction not proceed the entity will be required to raise additional funds during the 12 month period from the date of the financial report to meet its minimum operating requirements.

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 and the expected investor interest given the recent announcement regarding the proposed acquisition 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 2015

### 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 2015 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 \$2,475,391.

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 or revised standards and interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the 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 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

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

### NOTE 2 FINANCIAL ASSETS

Financial assets – held for trading:

Securities in ASX listed entity

Other financial assets

Dec 2015	Jun 2015
\$	\$
134,519	149,472
100,005	100,005
234,524	249,477

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

GST and other value added tax receivables

Amounts receivable from related parties

Other receivables

(Provision doubtful debts)

Dec 2015	Jun 2015
\$	\$
31,928	56,302
29,008	16,235
116,966	243,071
(11,761)	(141,436)
166,141	174,172

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015****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 2015	Jun 2015
\$	\$
5,203,420	7,684,841
306,339	1,338,646
(3,034,368)	(3,820,067)
2,475,391	5,203,420

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.

As substantive expenditure on Guinean assets are neither budgeted nor planned, management decided to impair the following areas and will decide to retain or relinquish in the next quarter, resulting in total impairment loss of \$3,034,368.

Since the end of the half year the entity has entered into a binding term sheet to acquire Genome Technologies Limited a company in the IT sector and is involved in cyber security. This therefore requires an assessment of the remaining capitalised exploration expenditure (note 11(a)).

With respect to the remaining Projects and the Exploration Expenditure (\$2,475,391) that the Group is currently carrying at cost in the statement of financial position, the Company has considered the following in assessing and coming to the conclusion that no impairment of the asset value has occurred.

The Board maintains the carrying value of the Scandinavian exploration assets and remain committed to maintaining these assets in good standing. The Board is actively investigating all potential avenues for realising the value of the assets held, including potential divestment and joint ventures.

The Board has considered impairment indicators and confirm that the Company does not consider that any further impairment 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 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 2015	Jun 2015
\$	\$
86,583	144,235
34,853	74,769
11,500	173,329
53,139	8,973
186,075	401,306

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 2015

### NOTE 6 SHORT TERM PROVISIONS

	Dec 2015	Jun 2015
	\$	\$
Employee benefits	45,860	43,454
Provision for Mauritanian withholding tax	12,462	12,462
	58,322	55,916

### NOTE 7 ISSUED CAPITAL

	Note	Dec 2015 No.	Jun 2015 No.	Dec 2015 \$	Jun 2015 \$
The company has issued 680,805,654 fully paid ordinary shares at no par value (June 2015: 608,532,546)	7 (a)	680,805,654	608,532,546	25,216,447	25,050,505
<b>(a) Ordinary Shares</b>					
At the beginning of the reporting period		608,532,546	208,201,792	25,020,505	22,995,085
▶ 1 September 2014 at 3c			966,593		28,998
▶ 1 September 2014 at 3.1c			1,092,141		33,856
▶ 1 September 2014 at 2.4c			126,144		3,027
▶ 1 September 2014 at 2.9c			103,680		3,027
▶ 1 September 2014 at 3.3c			90,284		3,006
▶ 1 September 2014 at 5c			99		5
▶ 5 November 2014 at 1.8c			163,393		3,006
▶ 5 November 2014 at 1.3c			231,264		3,006
▶ 5 November 2014 at 1.0c			286,327		3,006
▶ 5 November 2014 at 1.2c			6,843,329		82,123
▶ 8 December 2014 at 0.7c			18,188,524		127,320
▶ 8 December 2014 at 0.9c			319,833		3,006
▶ 23 December 2014 at 1.1c			6,242,479		68,667
▶ 10 March 2015 at 0.5c			205,397,614		1,026,988
▶ 25 May 2015 at 0.5c			160,011,270		800,056
▶ 27 May 2015 at 5.0c			278		14
▶ 27 May 2015 at 3.0c			5,002		150
▶ 30 June 2015 at 5.0c			262,500		1,313
▶ 2 July 2015 at 0.3c		969,816		3,007	
▶ 2 July 2015 at 3.0c		6,000		180	
▶ 25 Nov 2015 at 2.4c		55,555,556		133,333	
▶ 2 Dec 2015 at 0.4c		15,741,736		62,967	
Transaction costs relating to share issues				(3,545)	(165,154)
At reporting date		680,805,654	608,532,546	25,216,447	25,020,505



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

**(b) Options**

Listed options

Unlisted options

Dec 2015	Jun 2015
No.	No.
366,047,882	383,393,667
395,000	395,000
366,442,882	383,788,667

**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 2015	Dec 2014
\$	\$
58,500	58,500

- ▶ A balance of \$29,008 remained receivable from Wolfstar Group Pty Ltd at 31 December 2015 (30 June 2015: \$16,235).
- ▶ A balance of \$2,634 remained payable to Wolfstar Group Pty Ltd at 31 December 2015 (30 June 2015: \$779).

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 2015

### 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 Exploration	African Exploration	Treasury	Total
	\$	\$	\$	\$
<b>For the Half-Year Ended 31 December 2015</b>				
Segment revenue	83	-	2,343	2,426
Segment results	(1,213)	(3,088,487)	(12,609)	(3,102,309)
▶ Corporate charges				(451,701)
▶ Depreciation				(12,646)
▶ Share-based payment expense				
Loss before income tax				(3,564,230)
<b>As at 31 December 2015</b>				
Segment assets	2,475,391	-	537,814	3,013,205
Unallocated assets				
▶ Trade and other receivables				166,141
▶ Plant and equipment				12,225
Total assets				3,191,571
Segment asset movements for the period:				
▶ Impairment of exploration assets	-	(3,034,368)	-	
▶ Unrealised gain/(loss) on listed shares			(14,953)	
▶ Other movements	149,559	155,288	(829,525)	
Net movement in segment assets	149,559	(2,879,083)	(844,478)	
Segment liabilities	(27,939)	(17,382)		(45,321)
Unallocated liabilities				
▶ Trade and other payables				(199,076)
Total Liabilities				(244,397)

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015****NOTE 9 OPERATING SEGMENTS (Continued)**

	<b>Australian Exploration</b>	<b>Scandinavian Exploration</b>	<b>African Exploration</b>	<b>Treasury</b>	<b>Total</b>
<b>For the Half-Year Ended 31 December 2014</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment revenue		71,580	-	3,280	74,860
Segment Results		(100,572)	-	33,174	(67,398)
Amounts not included in segment results but reviewed by the Board:					
▶ Corporate charges					(465,882)
▶ Depreciation					(19,781)
▶ Share-based payment expense					-
Loss before income tax					(553,061)
<b>As at 30 June 2015</b>					
Segment assets	-	2,325,832	2,879,083	1,382,292	6,587,207
Unallocated assets					
▶ Trade and other receivables					141,031
▶ Plant and equipment					24,871
Total assets					6,753,109
Segment asset movements for the period:					
▶ Impairment of exploration assets	-	(200,889)	(3,619,177)	-	
▶ Unrealised gain/(loss) on listed shares	-	-	-	(22,421)	
▶ Other movements		140,233	1,167,561	(215,743)	
Net movement in segment assets	-	(60,657)	(2,451,617)	(238,164)	
Segment liabilities	-	(16,548)	(103,152)	-	(119,700)
Unallocated liabilities					
▶ Trade and other payables					(337,522)
Total Liabilities					(457,222)

**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 2015

### 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

- a. On 11 March 2016, the Company announced that it signed a binding term sheet to acquire 100% of the issued capital in the Genome Technologies Ltd (**Genome**), operating in cyber security, from the shareholders of Genome for \$11,000,000.

In conjunction with the acquisition, Drake will seek to raise a minimum \$9,365,000

Once the Acquisition is finalised, Drake plans to replace all but one of the existing Board members and seeks to appoint new Australian board members, together with board members from Genome.

As part of the Acquisition and Drake's proposed re-compliance with Chapters 1 and 2 of the ASX Listing Rules, Drake will be required to consolidate its issued capital to facilitate a share price of at least \$0.02, subject to a consolidation ratio of not less than 1:10 unless otherwise agreed between Drake and a duly authorised representative of Genome

- b. On 11 March 2016 Drake issued a prospectus for a non-renounceable pro rata entitlement issue. Eligible shareholders of Drake will be entitled to subscribe for 10 new Drake shares for every 32 Drake shares held at an issue price of \$0.002 (pre-Consolidation) per Drake share. The Rights Issue seeks to raise up to approximately \$447,922 (before costs) and is expected to result in the issue of an additional 223,961,205 Drake shares (pre-Consolidation).

Drake has entered into an underwriting agreement with 708 Capital Pty Ltd pursuant to which the Rights Issue is fully underwritten. The proceeds from the Rights Issue will be used to fund the due diligence costs associated with the Acquisition, working capital and ongoing expenditure commitments of the Company.

- c. The Company has received a Section 249D notice from two dissident shareholders, Mr Henry Peter Puchala and Gilmont Vending Services Pty Ltd.

The notice requisitions a general meeting, to be held 12 April 2016, of the Company seeking the appointment of Mr Darren Montgomery, Mr Simon Neil David Jones, and Mr Bradley Leonard Hill as directors of the Company and seeks the removal of Brett Fraser, Robert Beeson and Jay Stephenson as Directors of the Company.

The Directors have recommended Shareholders vote against the resolutions set forth in the Notice of Meeting dated 4 March 2016.

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### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

#### **NOTE 12 COMPANY DETAILS**

The principal and registered office of the company is:

**Street Address:** Drake Resources Limited  
Suite 12, Level 1  
11 Ventnor Avenue  
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  
Suite 12, Level 1  
11 Ventnor Avenue  
West Perth, Western Australia 6005



## **DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The condensed consolidated financial statements and notes, as set out on pages 11 to 23, 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 2015 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:



Brett Fraser  
**Chairman**

Dated this Tuesday 15<sup>th</sup> Day of March 2016

## 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 2015, 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 2015 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 2015 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 \$3,564,230 during the half-year ended 31 December 2015. 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 15<sup>th</sup> day of March 2016

drake resources

