

## Quarterly Activity Report December 2010

### Highlights

#### Mauritania Gold

- Drake holds substantial land position with six exploration permits and five applications covering 9646 km<sup>2</sup> in this underexplored sector of the West African Craton
- Gold grades ranging up to 437 g/t were obtained at the Conchita Prospect during Drake's first programme of reconnaissance surface sampling in the area.
- The high gold values are associated with poorly exposed quartz veins which can be traced in excess of 2 km along strike.
- A strongly mineralised sample (5.2 g/t gold) occurs a further 2 km directly along strike from the mapped veins, and suggests the system may extend for at least 4 km.
- Drake's permits include the interpreted southern extensions of the Tasiast greenstone belt (Tasiast gold mine 14 Moz).
- Drake has also been awarded a permit that adjoins Gryphon Minerals Limited's Tijirit Project. The Tijirit Project has received limited drilling, but intersections to date include 6m @ 17.63g/t Au, 6m @ 10.47g/t Au, and 2m @ 24.90g/t Au.

#### Sweden copper-gold-zinc

- First pass resource estimate underway for the Johannes Lucas deposit;
- Sampling of archive drill holes within the Johannes Lucas deposit gives strong gold intersections including 11m @ 12.63 g/t Au
- Gravity survey completed over the Falun mine sequence
- Strong copper-in-till anomaly at Uvberget

#### Finland copper-zinc

- Two joint ventures have been established with Panoramic Resources Ltd over prospective sections of the Pyhasalmi-Vihanti, copper-zinc belt, a major base metal region in Finland.
- A major airborne electromagnetic survey has been completed, and data processed
- Ranking of targets nearing completion.

### About Drake

Drake Resources (ASX: DRK, "Drake") is a gold/silver and base metals explorer with advanced projects in Sweden, West Africa and Australia.

In the five years since listing on the ASX, Drake has established a robust portfolio of projects. Drake's competitive advantages include a premier position in the world-class Falun copper-zinc belt in Sweden, an experienced technical team with a successful track record, and a pipeline of projects and opportunities.

Drake's objective is to become a successful and profitable exploration and mining company. The Company aims to achieve this goal by pursuing exploration and mining opportunities and exploring high quality projects in a technical, cost-effective manner.

Currently, Drake is focused on advancing its projects in West Africa and Scandinavia. Drake has assembled an extensive package of gold exploration permits in the emerging gold province in Mauritania. Drake currently holds 8 granted, or approved for grant, permits covering 6,500 km<sup>2</sup>, and a further 4 applications covering a further 2,900 km<sup>2</sup>.

Until recently, Mauritania has seen little systematic gold exploration compared to other countries in the region.

Drake considers that copper, zinc and gold ores remain within the historic Falun Mine area in Sweden and has put in place a program to assess the economic potential of remaining ore and new ore bodies.

Drake also manages 2 joint ventures with Panoramic Resources Ltd in Finland, searching for copper-zinc deposits. The JV has flown detailed airborne electromagnetic, and testing of targets is underway

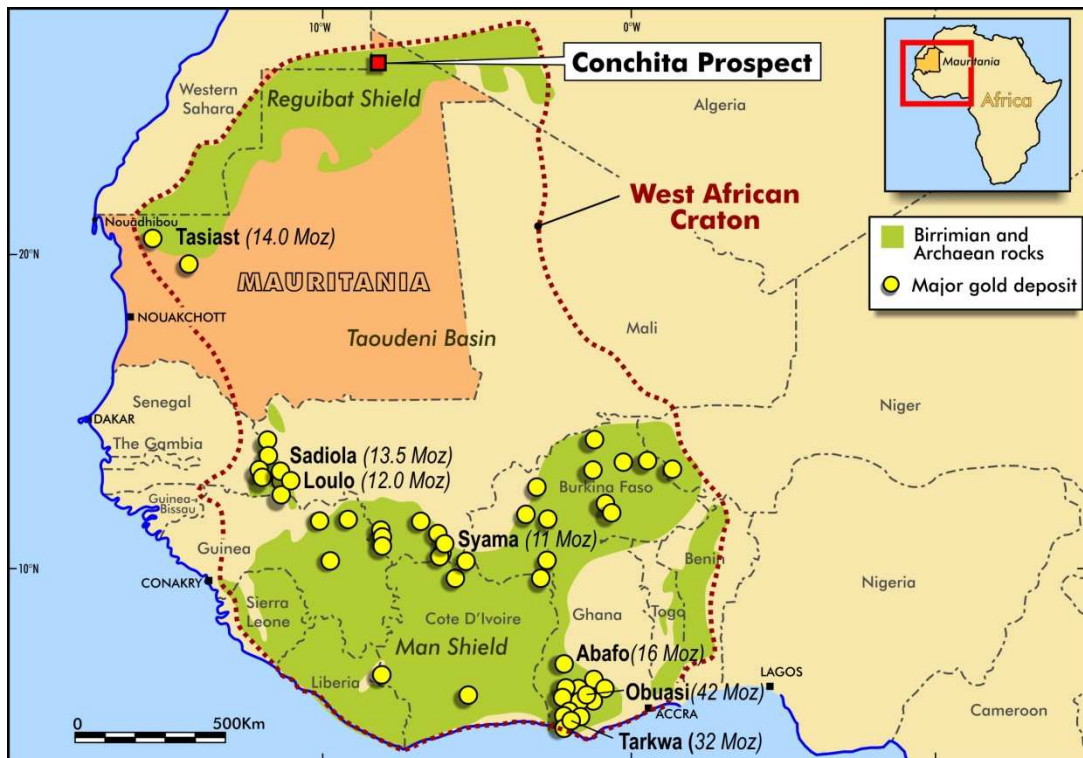
## OPERATIONS

### MAURITANIA GOLD (DRAKE 100%)

Drake has assembled an extensive package of gold exploration permits in the emerging gold province in Mauritania. Drake currently holds 8 granted, or approved for grant, permits covering 6,500 km<sup>2</sup>, and a further 4 applications covering a further 2,900 km<sup>2</sup>.

West Africa is becoming an increasingly significant gold producing region of the world. Production has increased by 53% of the past ten years, and the region produced approximately 175 tonnes of gold in 2008. According to the United States Geological Survey West Africa had the highest growth in gold resources during the period 1997-2005.

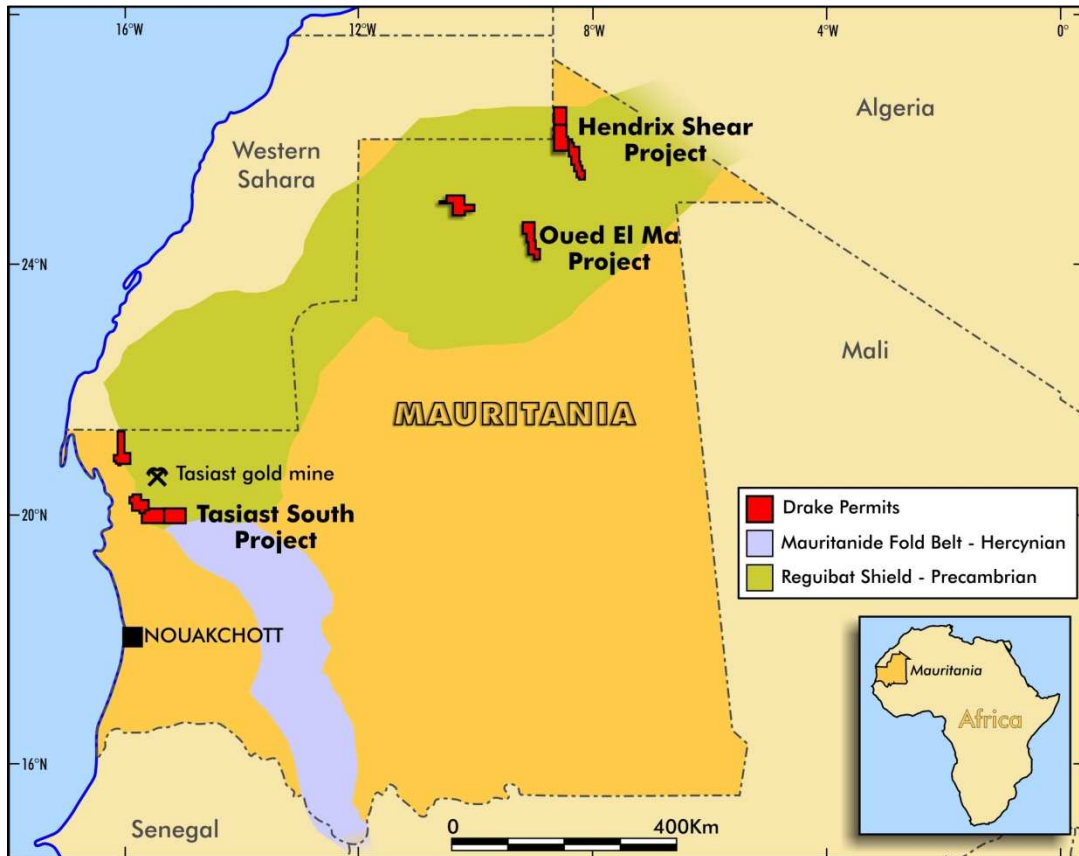
The Birrimian age rocks of West Africa contain some of the world's major gold deposits, and the province has enjoyed a high exploration success rate in recent years. Major new discoveries have been made in Mali, Senegal, Ivory Coast and Burkina Faso, as well as Mauritania.



*Location of the West African province*

As a consequence gold production is rising rapidly in several countries in the region, including Burkina Faso, Ivory Coast, Mauritania, Senegal, Niger, Sierra Leone and Liberia.

Mauritania has a long history of mining, a favourable and well administered Mining Act, and a government supportive of foreign investment. Until recently, Mauritania has seen little systematic gold exploration compared to other countries in the region.



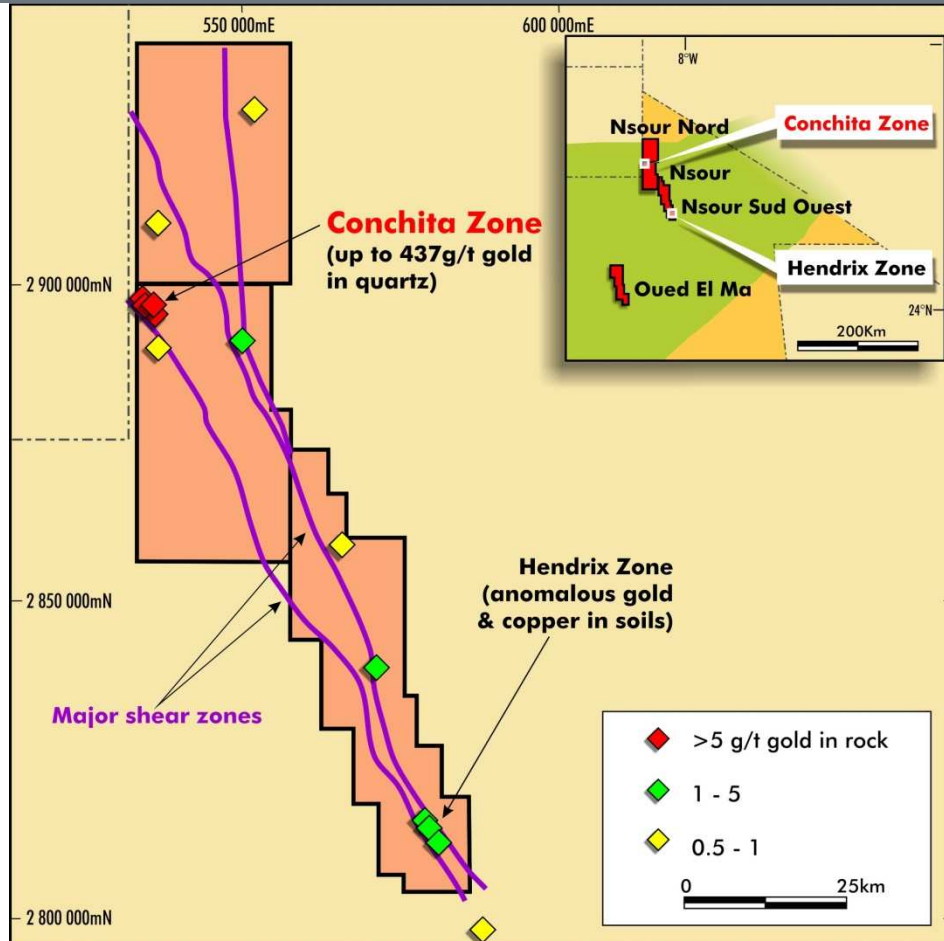
### ***Drake permits and applications in Mauritania***

#### **Hendrix Shear Project**

Drake has commenced its first round of exploration on 3 gold exploration permits awarded to it in late 2010 over 2,900 km<sup>2</sup> in the Reguibat Craton of northern Mauritania.

Drake's programme consisted of reconnaissance mapping and sampling of rocks and soils. This work located a number of areas with anomalous gold values. In one area, the Conchita Prospect, high to very high gold values were obtained in poorly outcropping and sub-outcropping quartz veins.

Of 12 samples collected by Drake of poorly outcropping quartz veins over a strike length of +4 km, 5 assayed greater than 5 g/t gold, and all but 2 assayed greater than 1 g/t gold. 2 samples returned spectacular grades of 437 g/t and 31.3 g/t gold. These results are based on screen fire assaying, a technique designed to minimise the impact of coarse gold.



***Drake permit and application holdings in the Conchita area.***

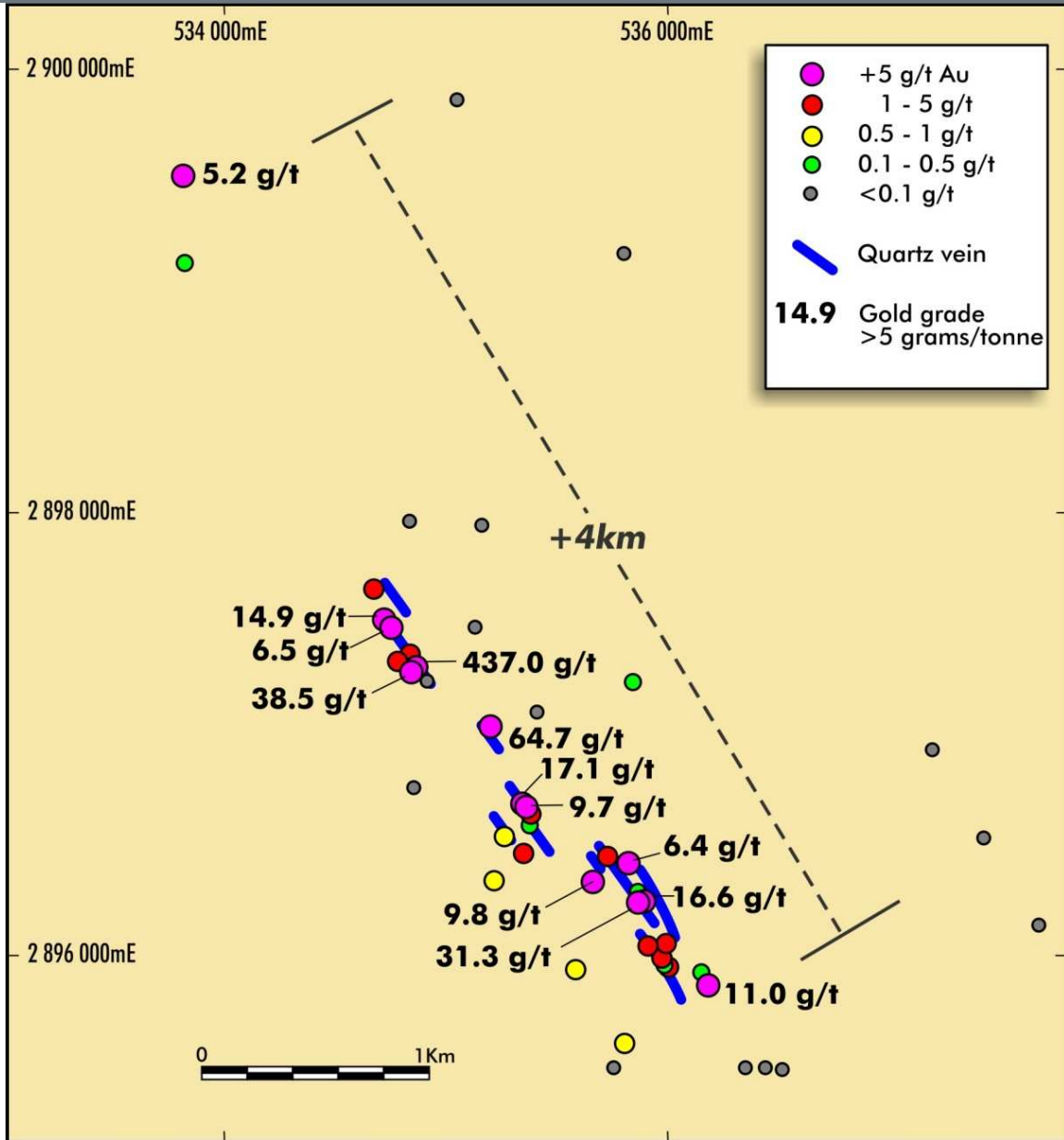
Some samples from the area had also been collected by a previous explorer, and also by BRGM as part of the PRISM regional mapping and sampling aid programme in Mauritania. In total 35 samples have been collected from the Conchita quartz veins. Of the 35 rock samples taken on the vein system, 23% returned greater than 10 g/t gold, 37% greater than 5 g/t gold, and 77% returned greater than 1 g/t Au.

The prospect has not been previously drilled. Five shallow trenches approximately 400m apart were excavated to approx. 1m depth by a previous explorer over some of the veins. The trenches located solid quartz veins of approximately 40 cm width surrounded by narrower cm scale veins.

Reconnaissance mapping by Drake of the outcrop and sub-outcrop of the veins has shown there to be multiple veins within a zone 100m to 200m wide.

The prospect lies within Birrimian age rocks of the Reguibat Craton. Birrimian rocks host most of the known gold mineralisation in the prolific West African gold province.

Drake plans to drill test the Conchita vein system along its length with a programme of reverse circulation drilling as soon as a suitable drilling rig can be sourced. In addition a programme of detailed soil sampling will be carried out to test for further non-exposed gold mineralisation in the area.



Conchita Prospect – surface rock sampling results

**TABLE 1.**

**Surface rock chip sampling results - Conchita prospect.**

<i>Au_g/t</i>	<i>Easting</i>	<i>Northing</i>	<i>Sampled by</i>	<i>Rock type</i>
437.0	534865	2897303	Drake	Quartz with sulphides in mafic rock
64.7	535199	2897030	Shield	Quartz with sulphides
38.5	534869	2897308	Shield	Quartz with sulphides
31.3	535893	2896249	Drake	Quartz vein in mafic rock
17.1	535353	2896694	Prism	
16.6	535889	2896250	Shield	Quartz with Fe oxides
14.9	534728	2897520	Prism	
11.0	536187	2895873	Shield	Quartz with sulphides
9.8	535674	2896338	Shield	Quartz with Fe oxides
9.7	535363	2896676	Drake	Vuggy quartz vein in granite
6.5	534753	2897485	Shield	Quartz with sulphides
6.4	535831	2896416	Drake	White quartz vein
5.2	533823	2899531	Drake	Milky quartz vein in granite
4.3	535994	2895965	Prism	
4.3	535919	2896048	Drake	Quartz vein in mafic rock
4.1	535197	2897030	Drake	Quartz with Fe oxides
4.0	534829	2897368	Prism	
3.8	535983	2895996	Shield	Quartz with sulphides & Fe oxides
3.2	534780	2897337	Drake	Quartz with sulphides
2.7	535925	2896040	Shield	Quartz with Fe oxides
2.1	535265	2896546	Prism	
2.1	535358	2896688	Shield	Quartz with Fe oxides
2.0	535382	2896649	Shield	Quartz with Fe oxides
2.0	535991	2896053	Drake	Quartz with Fe oxides in mafic rock
1.8	534678	2897659	Prism	
1.2	535354	2896471	Shield	Quartz with Fe oxides
1.0	535727	2896450	Shield	Quartz with sulphides
0.7	535912	2896055	Shield	Quartz with sulphides & Fe oxides
0.7	535270	2896542	Drake	Quartz vein in mafic rock
0.4	536149	2895925	Shield	White quartz vein
0.3	535374	2896595	Drake	Quartz vein in mafic rock
0.3	535866	2896293	Shield	Quartz with Fe oxides
0.2	533820	2899133	Drake	Quartz Vein
0.1	535997	2895965	Shield	White quartz vein with sulphides
0.03	534919	2897246	Shield	Quartz with sulphides



*Conchita prospect showing typical poor outcrop.*

### **Tasiast South Project**

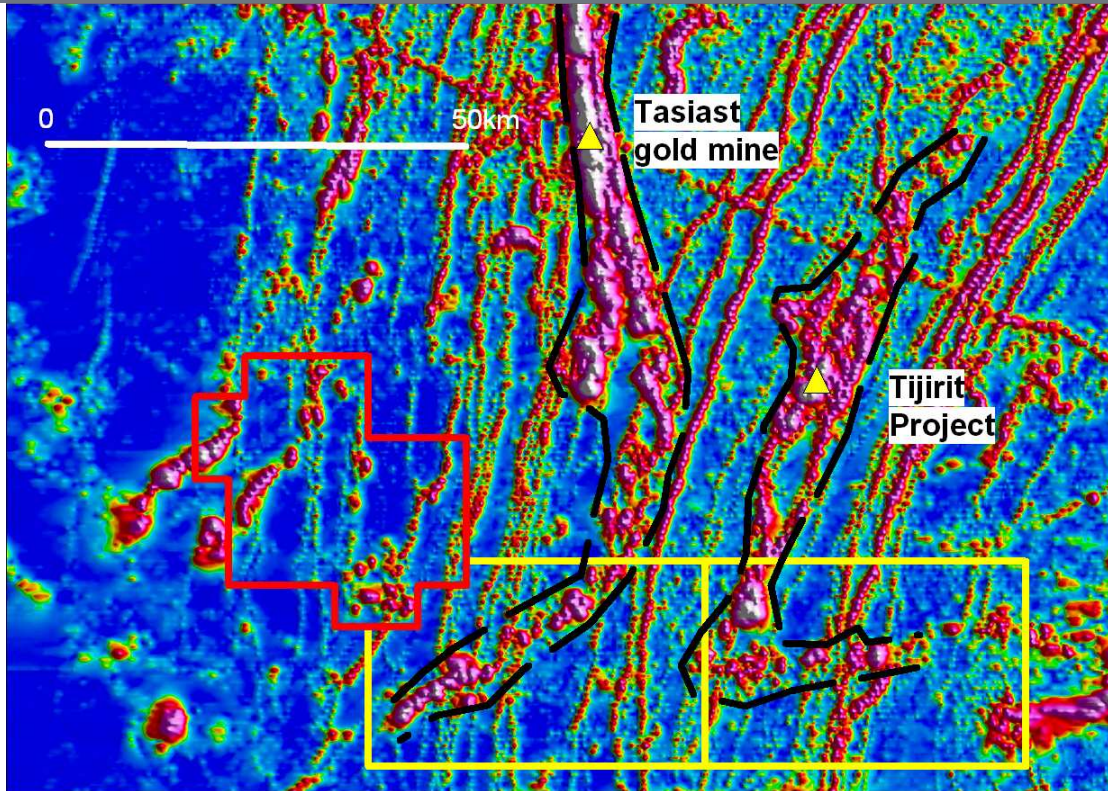
Drake has been granted two permits containing the interpreted southern extensions of the Tasiast greenstone belt (Tasiast gold mine 14 Moz).

Mauritanian government airborne magnetics strongly suggests that the greenstone belt that hosts the Tasiast mine extends into Drake's permit.

Drake understands that there has been no past exploration for gold within this permit. However, exploration by previous explorers between the Drake permit and Tasiast suggests the greenstone belt contains gold mineralisation along strike from the mine.

In addition Drake has been awarded a permit that adjoins Gryphon Minerals Limited's Tijirit Project. This Project has received limited drilling, but intersections to date include 6m @ 17.63g/t Au, 6m @ 10.47g/t Au, and 2m @ 24.90g/t Au. Drake's permit commences 20 kilometres south of drilled mineralisation. Again there is no reported gold exploration in the Drake permit.

Drake has commenced exploration operations at Tasiast South. The programme includes mapping, sampling, ultra-detailed airborne magnetics and drilling.



*Magnetics image showing Tasiast South permits (yellow), application (red), plus interpreted Tasiast and Tijirit greenstone belt extensions (black dashed lines)*



*Terrain in the Tasiast South permits*

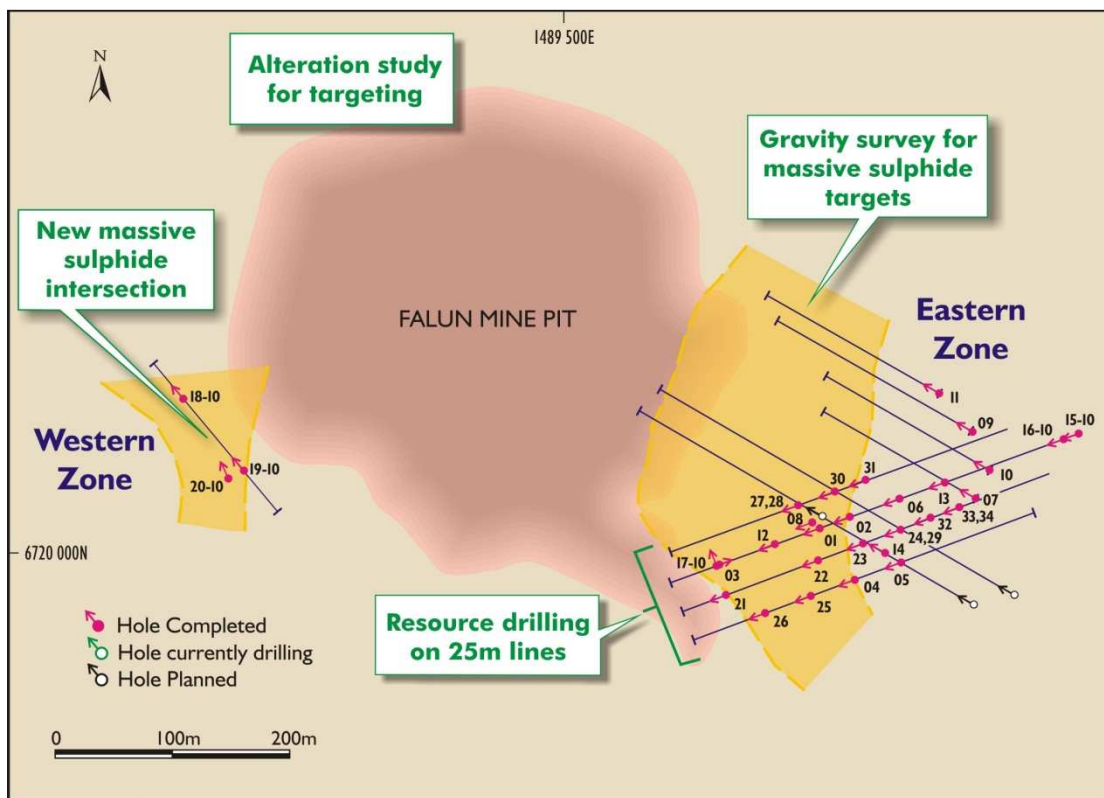
**SWEDEN PROPERTIES: ROYAL FALCON MINING JOINT VENTURE  
(DRAKE CURRENTLY 100%)**

Drake Resources has a joint venture with Royal Falcon Mining LLC covering the Falun and Bersbo Projects in Sweden.

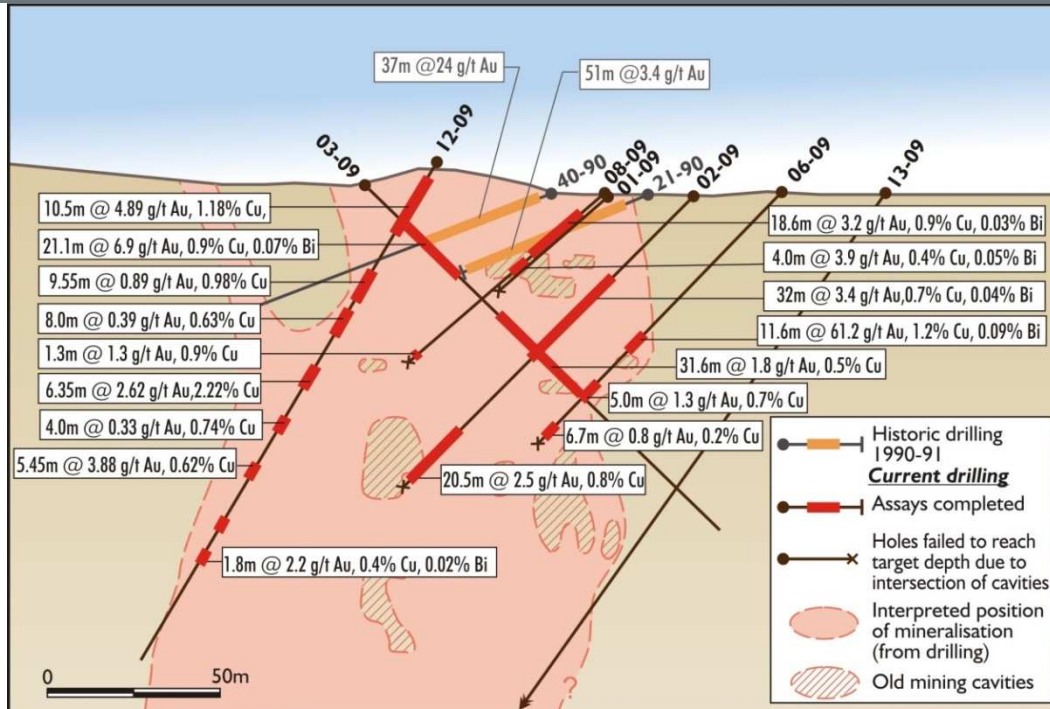
**Falun**

***Eastern Copper Gold Zone***

The 33 hole drill programme in the Eastern Copper-Gold Zone has demonstrated the presence of local high grade gold close to surface and its continuation to approximately 200m depth.



**Falun - 2010 programme**



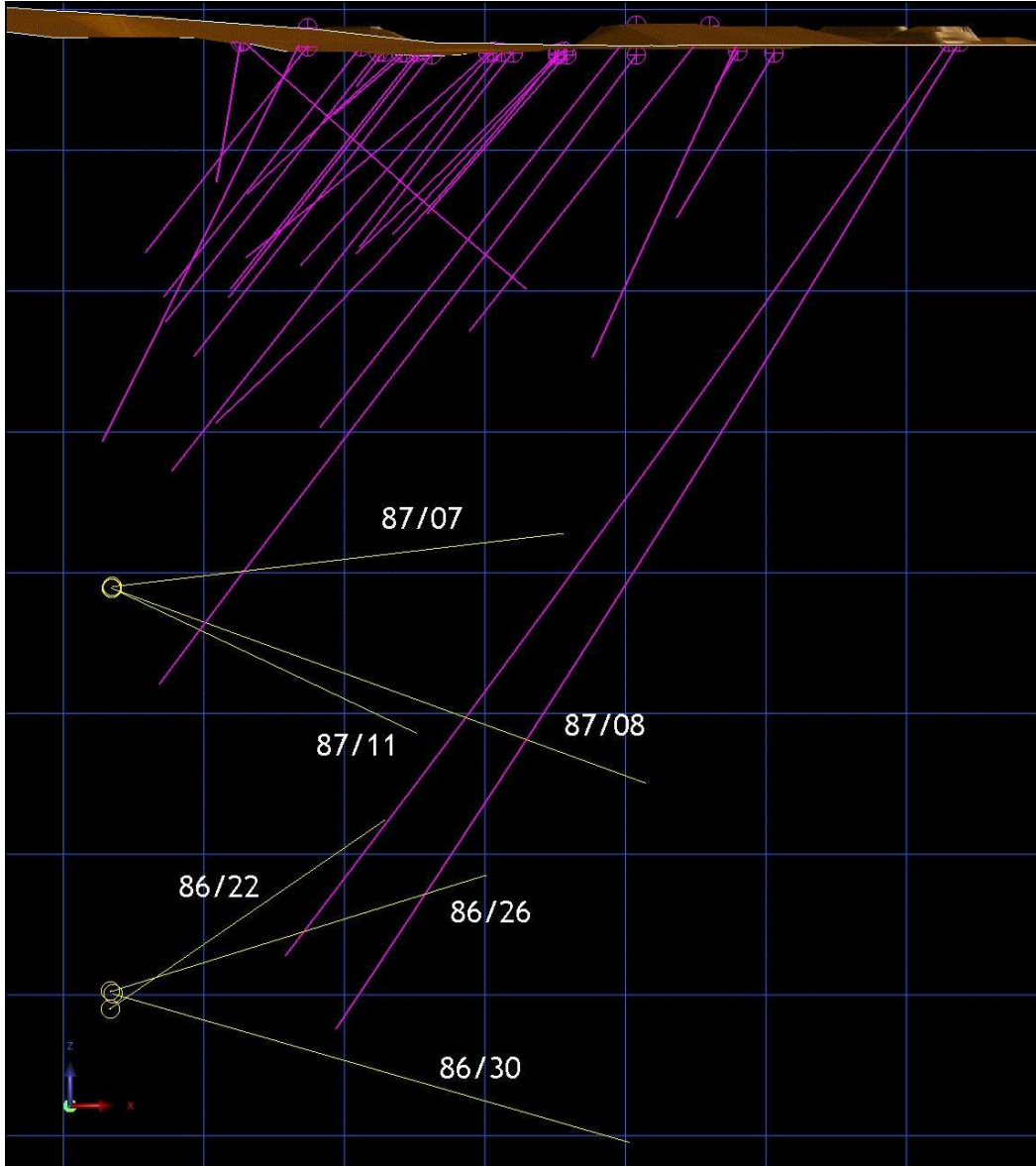
**Falun - Drilling Results**  
**Drill section 075N**

The joint venture has continued to investigate the area between Drake’s near-surface drilling and the area of gold mining at the 350m level. The company has recently accessed the remaining drill core from when the mine operated. Six holes were selected from the core archive for re-assay. These archive holes lie below the holes recently drilled by the joint venture. The six holes cover an area that was difficult to reach during the first and second phases of drilling.

The sampling of the core was more comprehensive than undertaken historically. Therefore, the gold and copper intersections are more subdued due to sample intervals being wider than sampled historically.

The results (Table 2) show high grade gold intersections of gold. The best intersection came from hole 87/11 with 11m @ 12.63 g/t Au; the best copper grade from hole 87/7 with 7 m @ 1.24 % Cu.

The new results indicate the presence of local high values of selenium, which was not assayed in the historic holes. Some of the highest selenium results to date have come from 86/6 with 2 m @ 2445 ppm; this is associated with very high bismuth (1.4 % Bi over same interval).



**Location of sampled archive drill holes**

HOLE #	FROM (m)	TO (m)	Width (m)	Au (g/t)	Cu (%)	Ag (g/t)	Bi (ppm)	Se (ppm)
<b>86/22</b>								
and	25.45	32.5	7.05	1.81	0.16	1.5	277	70
Incl.	28.5	29.5	1	6.95	0.51	2.5	600	170
and	88.15	98.45	10.3	3.29	0.32	3.9	1407	277
Incl.	90.15	92.15	2	7.81	0.25	4.3	1241	200
<b>86/26</b>								
and	95.5	104.6	9.1	1.57	0.13	1.8	256	69
Incl.	100	101.6	1.6	6.16	0.26	5.3	1009	235

<b>86/30</b>								
and	13	15	2	1.05	0.13	30.5	14060	2445
and	24.8	25.4	0.6	5.91	0.97	26.4	7930	1690
and	38.4	44.9	6.5	7.34	0.09	8.5	3150	488
<i>Incl.</i>	39.9	42.9	3	15.24	0.09	16.8	6561	912
<i>Incl.</i>	41.9	42.9	1	43.00	0.03	19.5	11150	1415
<b>87/07</b>								
	9.7	15.7	6	0.58	0.63	2.1	170	68
and	18.7	28.9	10.2	1.66	0.54	2.6	405	90
<i>Incl.</i>	21.7	22.7	1	10.60	0.39	8.4	2790	520
<b>87/08</b>								
and	52.25	62.2	9.95	0.76	0.44	1.5	109	50
<i>Incl.</i>	55.75	56.75	1	1.08	2.24	6.6	120	150
<b>87/11</b>								
and	14.35	22.35	8	2.10	0.40	5.4	2040	75
and	30.85	41.85	11	12.63	0.24	3.7	784	156
and	56.35	75.35	19	0.75	0.32	1.5	142	43
<i>Incl.</i>	66.35	67.35	1	3.47	2.13	9.2	671	240
<i>Incl.</i>	72.35	73.35	1	3.73	0.21	2.2	561	100

**Table 1. Assays results from sampling of archive drill core**

*All intercepts are defined by using a 0.6 g/t Au equivalent cut off and maximum of 6 m internal waste dilution. Equivalents are based on USD prices taken July 6<sup>th</sup>, 2010 – Au 1190.1 /oz, Ag 17.71 /oz, Cu 6523 /t, and Se and Bi prices taken June 25<sup>th</sup> from Mining Journal, Se 37 /lb and Bi 8.50 /lb*

### **Gravity Survey**

A gravity survey was completed over the majority of the Falun 100, Falun 102 and Krondiket licences. The survey covers the interpreted extent of the prospective acid volcanic package that contains the Falun deposit.

The survey was completed by SMOY, of Finland, using a Scintrex CG3 gravity meter coupled with a Topcon GR-3 VRS for positioning of data points. The lines were nominally 200 m apart and stations collected every 100 m. Some stations were not able to be sampled due to infrastructure.

Data processing and interpretation is nearing completion.

## Greater Falun Projects

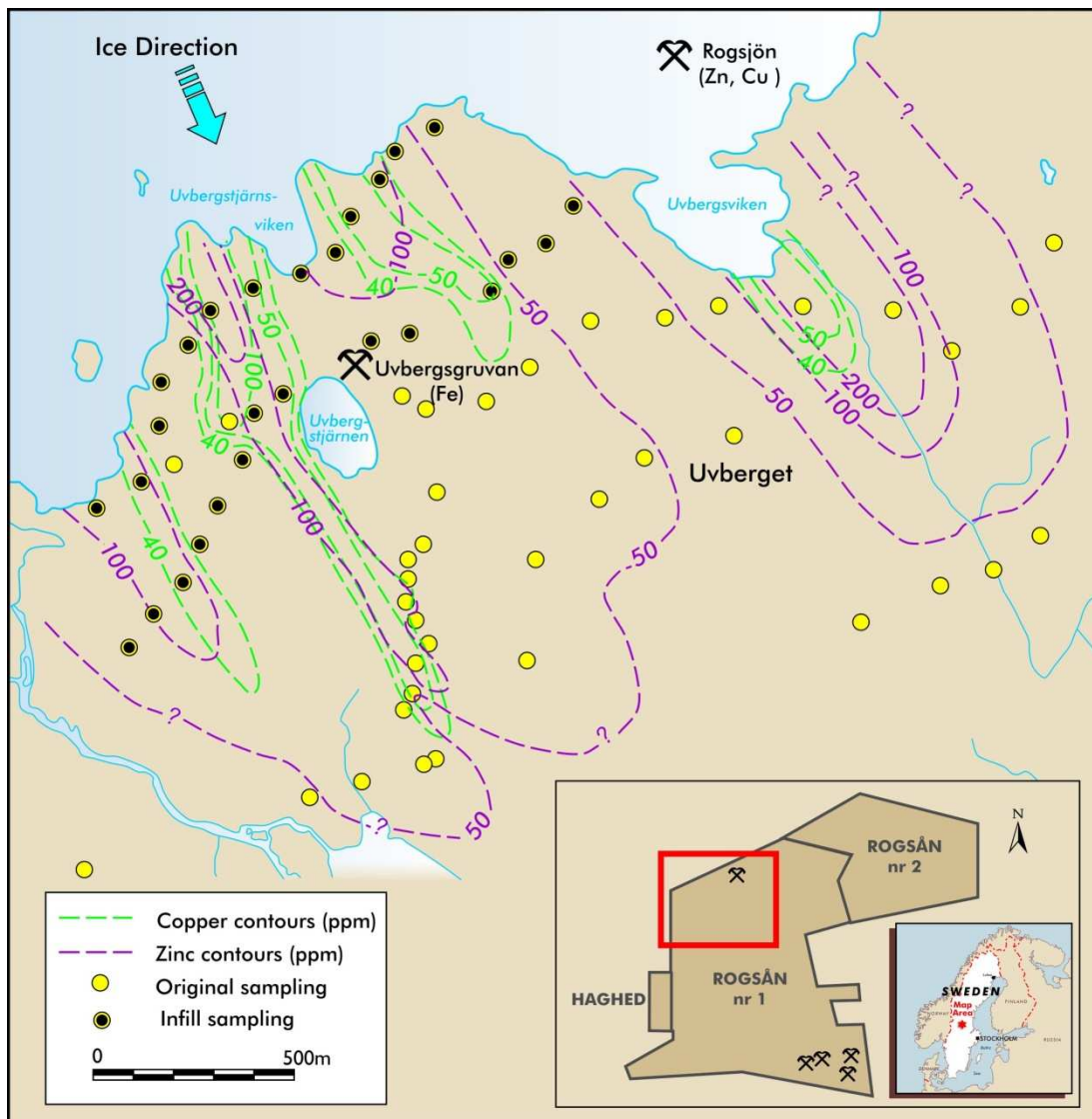
### **Holtäkt**

At the Holtäkt prospect a gravity survey was completed in conjunction with the larger Falun survey to the south. The survey was completed on 100 m line spacing with 50 m spaced stations.

Some residual gravity anomalies were detected but these are single station. The potential for an extensive sulphide body consisting of lead and zinc is diminished by the results.

### **Uvberget Till Anomaly**

Previously, a large copper and zinc anomaly was defined in the northernmost parts of the Rogsån nr 1 licence. A secondary phase of sampling in the area to better define the anomaly was undertaken.



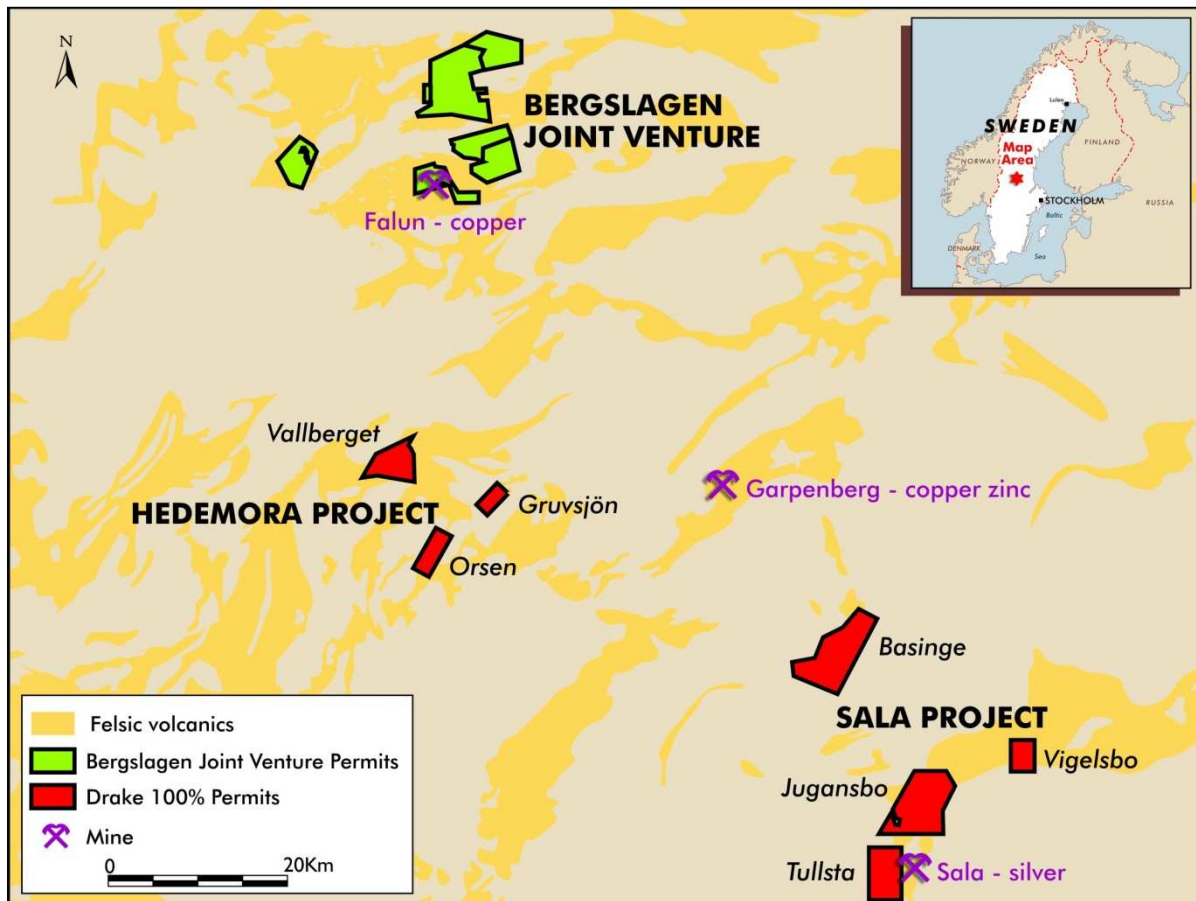
**Uvberget till anomalies**

The presence of copper-mineralised, large angular boulders south of the Uvbergstjärnen Lake suggests a local source in this area. Drake therefore considers that there are multiple copper and zinc sources to these till anomalies.

Shallow bedrock drilling is planned for this prospect.

### SWEDEN PROPERTIES (DRAKE 100%)

Drake holds twelve permits in Sweden that are not within the Bergslagen Joint Venture with Royal Falcon Mining. These permits are chiefly within the Sala and Hedemora Projects.



*Hedemora and Sala Projects, Sweden*

## **Sala Project (Drake 100%)**

The historic Sala silver mine operated from the 15th century to 1908. Although records are incomplete it has been estimated that more than 400 tonnes of silver and about 40,000 tonnes of lead was extracted from this mine. Drake has been assembling a portfolio of high potential properties with targets for drilling in the Sala area.

The permits cover three areas of prospectivity:

1. Basinge copper-cobalt
2. Vigelsbo massive sulphide and copper-gold potential
3. The Jugansbo and Tullsta areas with potential extensions to the Sala silver host rocks

### **Bälinge Copper-Cobalt Prospect**

The Basinge permit is in the northwest of the Sala Project.

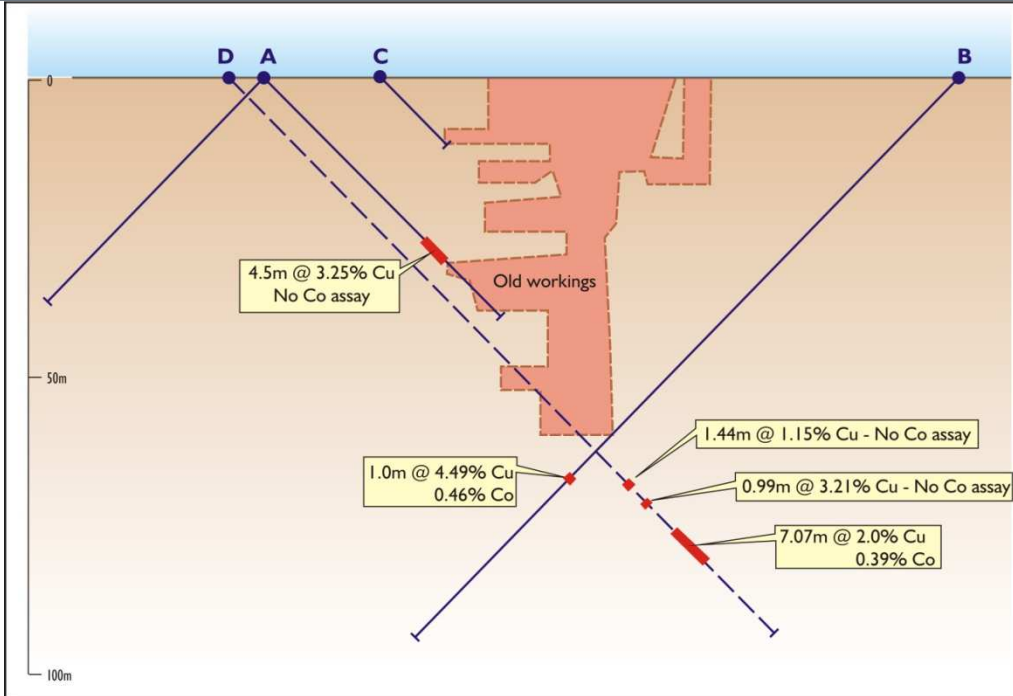
Field reconnaissance has upgraded the potential of its Bälinge Project in Sweden. The Project is within one of the major massive sulphide belts of Sweden, and is 20 kilometres southeast of Boliden's Garpenberg base metal mine. Garpenberg is one of the major base metal mines of the world, and has been mined since 1300AD. The mine has past production plus reserves of 70Mt at 5% zinc, 2% lead and 100g/t silver.

Historical reports suggest that mining was carried out at Bälinge in 1580 until 1760 with a total production 200 tonnes of Cu, plus cobalt. The ore grades were reportedly 3-5% Cu, and 0.5-1.0% Co, which gives equivalent copper grades of approximately 10% eCu. The main shaft was to 60 metres depth.

A historic small drilling programme was completed in the mid-1950s. Good intersections were reported both in the historical assays and Drake's check assays, including Hole A (west of the old workings) with 4.5 metres at 3.25% Cu (no Co assays) and Hole B (under the old workings) with 1.0 metre at 4.49% Cu, 0.46% Co.

This drilling clearly indicates that high grade Cu-Co mineralisation extends beyond the old workings. There appears to have been no significant exploration in the area since the mid-1950s.

Drake has defined two targets for drill testing based on rock chip sampling, mapping and ground magnetics. The drilling will be completed during the current northern winter.



**Bälinge Copper-Cobalt Deposit - Drill Section**

**Bälinge Project drill section through the old underground mine, with copper and cobalt grades; drill hole is projected from 20 metres north onto this section**

## Vigelsbo

Drake has a 100% interest in an exploration permit application at Vigelsbo, northeast of Sala. The Vigelsbo target area is characterized by numerous mineralised boulders, and limited outcrop, containing gold-copper and silver-lead-zinc mineralisation.

The chief interest at Vigelsbo is the presence of a small silica breccia outcrop in the along strike position of known, mineralisation drilled by past explorers to the west of the Drake permit. 1000-1600 metres down-ice from this outcrop, are mineralised glacial boulders containing two styles of mineralisation:

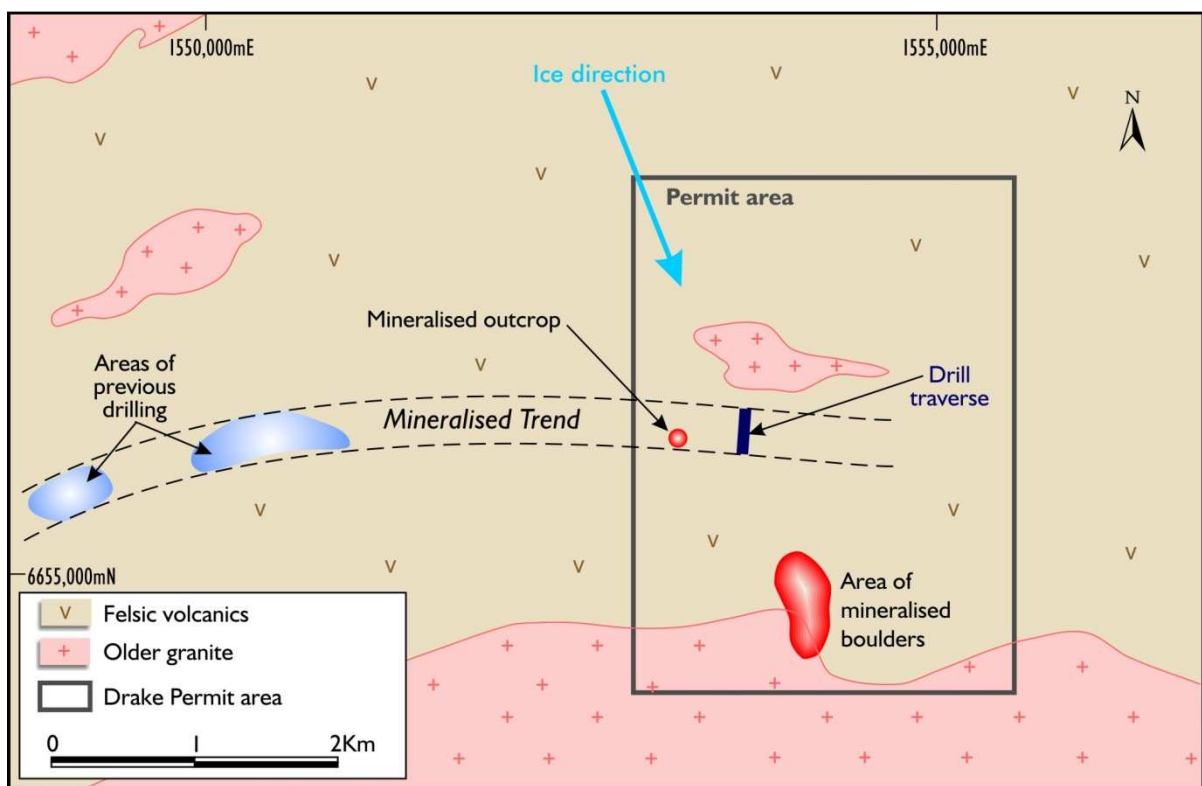
- Gold-copper mineralisation with 7.2-10.2 g/t gold and 1.4-1.5% copper (two boulders)
- Massive sulphide style mineralisation with 52-343 g/t silver, 0.5-4.1 g/t gold, 6.3-17.8% lead and 1.2-12.0% zinc (10 boulders)

The location and size of the mineralisation sourcing these boulders has not been established. These assays are from previous explorers, and were not generated by Drake Resources.

The area is covered by post-glacial sand, gravel and clay but this material is generally thin.

A till sampling survey was completed in the permit in the northern summer. Till samples were analysed using a portable XRF prior to be submitted for lab analysis. High levels of zinc up to 230ppm Zn were detected in samples. The XRF results define a 1000m wide zinc dispersion fan. Background values on either side of the anomalous samples contain 30-40 ppm Zn.

Drake will drill a traverse of holes close to the position of the mineralised outcrop during the northern winter.



### **Vigelsbo Permit**

#### **Hedemora Project**

The Hedemora Project occurs west of the Garpenberg mine. It contains prospects containing both massive sulphide mineralisation, and ironstone-hosted copper mineralisation.

Drake will test two targets within the Hedemora Project in this northern winter:

#### **Östanberg Copper-Iron Prospect (Drake 100%)**

Östanberg is a historic iron ore occurrence with associated copper mineralisation within Drake's Orsen permit. Drake will test for copper and iron potential with a single drill hole in the northern winter.

### **Vallberget massive sulphide target (Option agreement)**

The Vallberget Project comprises four permits with small historic copper-zinc mineralisation. Drake has an option agreement with Northern Minerals covering these permits.

Drake will drill test a significant airborne geophysical target during the northern winter.

### **SCANDINAVIAN ALLIANCE WITH PANORAMIC RESOURCES LTD**

Drake has an alliance to identify, explore and develop base and precious metal opportunities with Panoramic Resources Ltd (ASX code: PAN). The primary focus of the alliance is Scandinavia.

Under the alliance terms, Panoramic will have first right of refusal on any projects proposed by Drake. If Panoramic accepts the proposals, each proposal will form a joint venture project and Panoramic has the right to sole-fund exploration to earn a 70% interest in the projects.

Drake can participate in the projects at 30% or 10% or revert to a 2% Net Smelter Return royalty.

The alliance will be for an initial period of three years, but may be extended or terminated by mutual agreement.

### **Finland, Kangasjarvi and Savia Joint Ventures**

Drake announced in early October that the first outcomes from this Alliance are two Joint Ventures in the highly mineralised copper-zinc belt of central Finland.

The Pyhäsalmi-Vihanti region is the most important zinc mining belt in Finland, with past mining and reserves in excess of 100Mt of ore. The main mine of the belt is Pyhäsalmi, with past production and reserves of 71Mt @ 0.79% Cu, 2.47% Zn, 15 g/t Ag and 0.4 g/t Au.

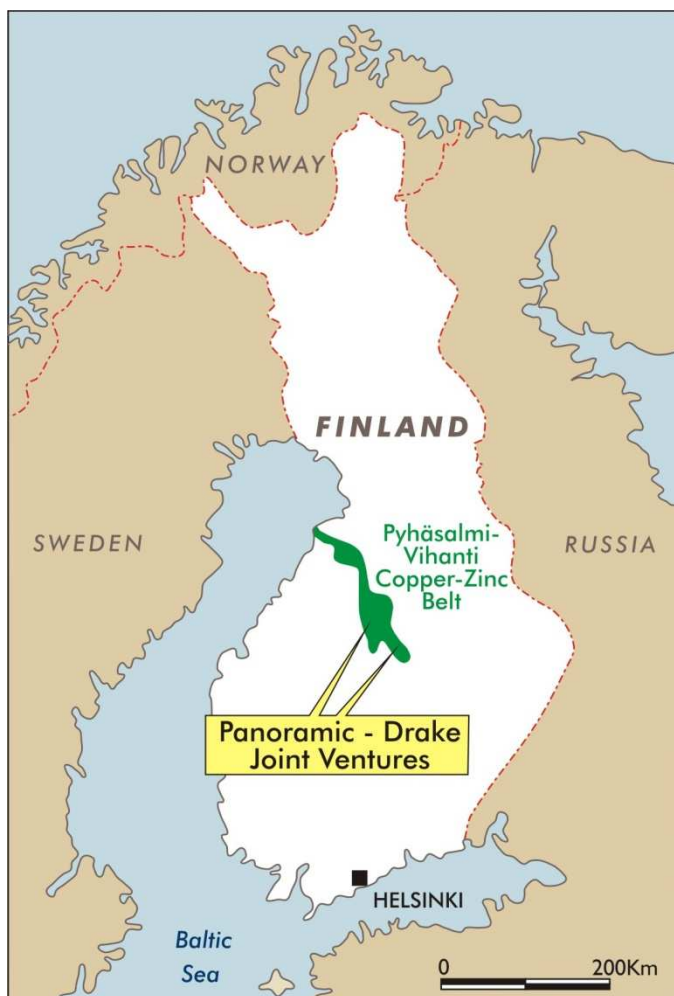
Pyhäsalmi is an operating, underground mine, and produces three types of concentrates: copper, zinc and pyrite. Copper and zinc concentrates are sold under long-term contracts to smelters in Finland. Pyrite is sold in Europe and Asia. In 2009, 48% of Pyhäsalmi's revenue was from copper, and 31% was from zinc. Cash operating costs are currently C\$36/tonne.

The Joint Ventures cover prospective land south of Pyhasalmi which contains numerous small copper-zinc-silver-gold prospects. The Joint Venture areas have not been subject to modern exploration, and Drake considers that an opportunity exists to define new copper-dominant deposits within these areas.

The final processed data from the detailed airborne electromagnetic (VTEM) survey that was flown over the two JV areas during the previous quarter were received, and detailed interpretation of this high quality dataset commenced during the December quarter.

In addition, a database of historical drilling and geochemistry was acquired and compiled for integration with the VTEM data. Preliminary interpretation of the VTEM data has identified in excess of 50 geophysical anomalies which are currently being integrated with the geological and geochemical databases for ranking and prioritisation of targets for ground follow up.

It is anticipated that a small subset of these anomalies will be ranked as high priority drill targets. It is expected that field crews will be able to access some of these targets during the northern winter drilling season. However access for drilling will be contingent on completion of ground truthing and permitting. Reservations and claims totaling 400km<sup>2</sup> have been applied for over the two JV areas.



**Location of the Finland JVs**



Finland is a mining-friendly country with a long history of mining activity and metals production. Mining commenced in 1540 and since then about 270 metal mines have been in operation, the main commodities being copper, nickel, zinc, gold, and chromium. The Vancouver-based Fraser Institute ranked Finland as the second most favourable jurisdiction for mining investment in their August survey. The corporate tax rate is 26%.

Prior to 1995 foreign companies were prohibited from holding mineral rights in Finland and mineral exploration and mining was largely dominated by the State controlled Outokumpu company. Finland has not, therefore, been subjected to the cycles of exploration that have occurred in the main Australian metal regions. This represents a significant opportunity for Drake and Panoramic.

*The information in this report that relates to Exploration Results, Mineral Resources, or Ore Reserves is based on information compiled by Dr Robert Beeson. Dr Robert Beeson is a member of the Australian Institute of Geoscientists, and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. This qualifies Dr Beeson as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Robert Beeson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Dr Beeson is a Member of the Australian Institute of Geoscientists.*