

highlights

- drilling commenced on 22,000m programme at the Tasiast South Project, Mauritania
- major trenching, mapping and sampling programme continuing at the Hendrix and Oued el Ma Projects
- new, highly mineralised gold project acquired in Guinea
- high quality geophysical targets identified in the Løkken copper belt
- ground surveys underway at Drake's 100% owned Sweden properties

Drake Resources (DRK) is an Australian ASX-listed base and precious metals explorer with advanced and highly prospective projects in Scandinavia and West Africa. Projects include the historic world class Falun Mine in Sweden where high-grade gold-copper is the focus. In Finland and Norway Drake is exploring for economic copper-zinc mineralisation with its alliance partner, Panoramic Resources. In West Africa the focus is on discovering economic gold deposits in the underexplored terrains of Mauritania, Senegal and Guinea. Drake's aim is to be a successful and profitable mining company delivering strong shareholder returns.

Market cap:	A\$22.2m (25c)
Cash position:	\$9.0 million
Shares:	82 million
Options:	10.9 million

Main shareholders

Board & Management	12%
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west africa gold

Drake currently holds 11,800 square kilometres under granted and pending exploration permits in the Reguibat Craton in Mauritania, giving the company a substantial landholding in this highly prospective region of the West African gold province. In addition Drake has an option agreement over one permit in Senegal, and has progressed negotiations for a portfolio of permits in Guinea.

mauritania

Drake's permits target gold mineralisation associated with Birrimian and Archaean age rocks of the Reguibat Craton. Birrimian rocks host much of the known gold mineralisation in the prolific West African gold province. The 21 million ounce Tasiast gold deposit, near Drake's Tasiast South permits, is hosted within Archaean age rocks.

Drake's two main project areas are:

1. **Tasiast Region** comprising of permits covering interpreted extensions of the Aouéouat greenstone belt that hosts the Tasiast gold mine (21 Moz gold).
2. **Hendrix Shear Project** covering a 150 kilometre-long shear zone with extensive gold anomalism. It includes the **Conchita Prospect** with high to very high gold values in poorly outcropping and sub-outcropping quartz veins.

tasiast south

The Tasiast South Project includes the southern extensions of the Tasiast Greenstone Belt, host to the 21 Moz Tasiast gold mine, and the southern part of the Tijirit Greenstone Belt, the northern part being held by Gryphon Minerals (ASX: GRY).

Drake is the first company to explore this area for gold and in the second quarter of 2011 flew a detailed airborne geophysical survey which provided comprehensive geological and structural data for the project area. Drake also completed a reconnaissance 4,400 metre air core drilling programme. This programme provided a clearer understanding of the bedrock geology and overlying cover rocks and assists in identifying priority targets for follow up.

The data has confirmed that the Tasiast and Tijirit Greenstone Belts extend into the Drake permits, covering more than 100 kilometres of the belt.



During the December 2011 quarter Drake contractors mobilised an air core rig and a newly constructed RC rig from South Africa to test high priority targets. The air core rig commenced a 17,000 metre program in January 2012.

The RC rig was purpose built to service the Drake contract and is anticipated to be in Mauritania in late January to start on the Hendrix Shear Project, before moving to the Tasiast Project to follow up the air core drilling in the March 2012 quarter.

hendrix shear zone project

In the Hendrix Shear Zone Project Drake's focus is on the Conchita Prospect where surface rock sampling has previously returned high to very high gold values in quartz over a strike length of four kilometres. This had been followed up with widely spaced RC drilling in 2011 where the average of all one metre intersections greater than 2.0g/t Au was 5.0 g/t (4.96 g/t gold).

During the December quarter soil and rock chip sampling and mapping focused on following up results from this drilling as well as a number of additional areas discovered during the mapping program. In addition a number of trenches have been dug with an excavator to provide more information on the density and distribution of quartz veining in the area.

A total of 2,500 rock and 752 soil samples have now been submitted to the SGS laboratory in Mali and analytical results are expected in the first quarter of 2012. These results will provide new targets for RC drilling expected to start in early February 2012.

other permits

Drake holds a number of other permits for gold in Mauritania. During the December quarter these permits were mapped and a number of soil grids and rock chip samples collected. Results from these programs will be used to identify targets for more detailed studies and drilling if warranted.

senegal

The Samekouta permit covers 325 kilometres squared of Birrimian-age rocks within a geological province known as the Kenieba Inlier.

The Kenieba Inlier is a prolifically endowed gold mineralised province straddling the Senegal–Mali border. There are a number of world-class gold deposits located within 120 kilometres of the Samekouta permit including Loulo (11.5 Moz), Sadiola (4.5 Moz), Sabadala (3.3 Moz) and Goukoto (2.9 Moz @ 6.9 g/t Au).

A number of promising indicators of the presence of gold mineralisation occur within and adjacent to the permit such as the occurrences of mafic and intermediate rocks, quartz veining and tourmaline alteration.

No historical exploration is known to have been undertaken in the Samekouta permit area prior to Drake.

A programme of systematic geochemical sampling over the permit commenced prior to the onset of the wet season during the quarter and by the end of December 2011 over 2,000 termite mound soil samples had been collected.

Final analytical results are expected in early 2012 and follow up of new targets will include pitting on anomalies and RC drill testing if warranted.



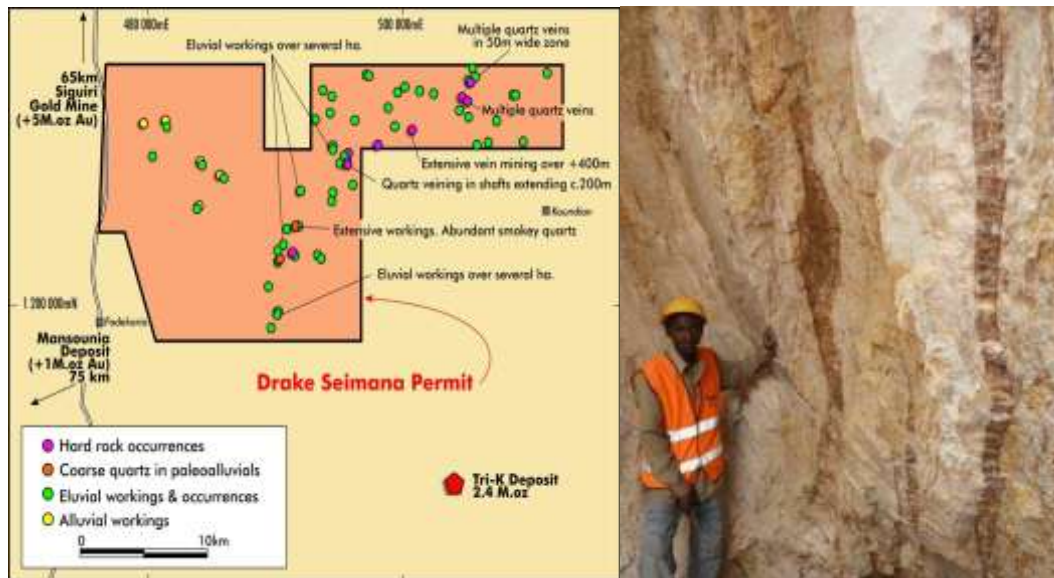
Termite mound sampling on Drake's Samekouta Project

guinea

During the December quarter negotiations were finalised with a local group over a package of permits covering Birrimian-aged rocks in eastern Guinea, where extensive artisanal workings and outcrop indicators support the presence of an extensive gold mineralised system.

These permits are adjacent to Avocet's rapidly emerging Tri-K project on which resources of 2.24 million ounces of gold have recently been announced.

Field work commenced early in 2012 and results from this work will be used to design follow up drilling and pitting programs later in the field season.

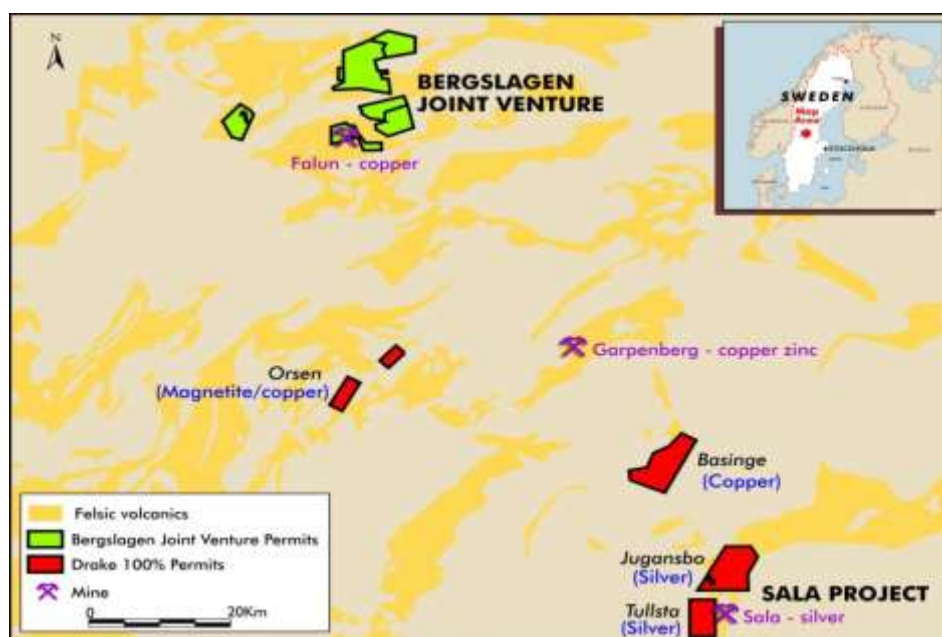


Seimana permits area showing gold occurrences and workings & Sheeted gold bearing quartz veins in artisanal workings at Seimana

scandinavia

sweden - 100% permits

During the quarter Drake received the results from a detailed electromagnetic survey flown over its Orsen (magnetite iron ore, IOCG), Bäsinge (IOCG), Jugansbo and Tullsta (Sala Silver Project) permits. This survey identified a number of high priority targets for follow up testing by ground EM and drilling, planned for the first quarter of 2012.



sala project

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 were extracted from this mine. Drake has been assembling a portfolio of high potential properties with drill-ready targets in the Sala area.

tullsta

The Tullsta permit lies immediately west of the Sala mine. Numerous highly mineralised boulders appear to have their source in the permit area. The mineralisation appears similar to that at Sala.

The recent VTEM survey identified two conductors in the area and a ground EM survey is underway to define target for drill testing this northern winter.

jugansbo

The two Jugansbo permits cover the along strike extensions of the Sala deposit to the north.

The VTEM survey highlighted two possible targets, one of which is within a restricted (military) area.

A program of ground gravity and ground EM is underway on the remaining target to provide data from which a drill hole will be designed to test for economic mineralisation in the first quarter 2012.

orsen

The Orsen permit contains a strong magnetic feature, and the area has been mined for iron in the past. In addition parts of the system contain copper mineralisation associated with iron with grades of up to 0.85% copper.

A hole drilled by Drake in 2011 intersected 60 metres of moderate grade magnetite mineralisation. This magnetite appears to be in the form of a plunging shoot of mineralisation approximately 150 metres in length, and consequently size potential is limited.

Despite this, the magnetite is coarse grained and preliminary Davis Tube Recovery (DTR) testwork at ALS in Perth has confirmed that a very high quality concentrate can be produced at relatively coarse grind sizes.

In addition the Orsen permit was flown with electromagnetics (VTEM) during the quarter which identified a strong conductor which may be associated with copper mineralisation. Ground gravity, ground EM and drilling program have been designed to test this target in the first quarter of 2012.

Additional core from last year's drilling program has been sent to Australia for screening and coarser fraction DTR testing. The results are expected in early 2012.

bergslagen joint venture

In 2011 drilling at the Western Copper-Gold Zone at Falun identified very substantial intersections of copper-gold mineralisation. In hole 11DDFN037, bulking out the assays for the entire mineralised portion of the hole without internal dilution and cut-off grade constraints, provided an intercept of 175.5 m at @ 0.4 g/t copper and 0.4% gold (59.3 m to 234.8 m).

A programme of underground and surface drilling to better quantify the extent of mineralisation in the Western Zone has been submitted to Drake's partner, Royal Falcon Mining.

Since the December quarter, Royal Falcon Mining has advised the company that it has decided to divest its interest in the Swedish joint venture project.

norway

Norway has a long history of copper mining dating back to the seventeenth century with mining commencing in the Røros (includes Nordgruva) area in 1644 and Løkken District in 1652. Both fields closed down in the 1980s as did most of Norway's copper production with declining metal prices and increased costs at the time.

In January 2010, prompted by the envisaged future decline of the oil and gas sector and a need to generate wealth and employment, a new Norwegian Mineral Act came into force, merging five old and difficult mining and related acts, and making exploration and mining in Norway significantly easier and more effective. This is part of an overall strategy by the Norwegian Government to promote the minerals industry in the country.

Drake has three joint ventures with its alliance partner, Panoramic Resources (ASX: PAN) in historic mining districts at Løkken, Nordgruva and Sulitjelma. All are prospective for massive sulphide copper deposits.



løkken, nordgruva and sulitjelma joint ventures

VTEM surveys were completed over the Løkken and Nordgruva JVs in September 2011 and final data was received during the December quarter.

Interpretation and prioritisation of targets is underway and a number of high priority targets have already been identified and recommended for follow up ground survey and drilling during the second quarter of 2012.

A VTEM survey is planned at Sulitjelma this coming northern summer.

finland

kangasjärvi and savia joint ventures

Two joint ventures with Panoramic Resources Ltd commenced in 2010 to explore for Palaeoproterozoic volcanic-hosted massive sulphide (VMS) style Cu-Zn mineralisation in Finland. The Kangasjärvi and Savia JV areas are located in the Pyhäsalmi-Vihanti region of the Fennoscandian Shield of Finland.

The Fennoscandian Shield is one of the most intensely and varied mineralised Palaeoproterozoic terrains in the world, including VMS, iron oxide Cu-Au, orogenic gold and layered intrusions.

During the quarter down hole electromagnetic (DHEM) surveys were completed on four targets. The DHEM data is being modelled to define any off-hole conductors and possible targets for follow up drilling.

Ground gravity surveys were completed over 12 airborne electromagnetic (VTEM) anomalies to define dense bodies potentially representing massive sulphides associated with conductive stratigraphy. This data is being modelled to define targets for follow up drilling.

Of the twelve VTEM anomalies tested with gravity, four are high priority drill-ready targets. These targets are proposed to be drilled in the first quarter of 2012.

One target (KE10) will be surveyed with gravity once access is possible during the winter due to the presence of a lake.



Competent Person's Statement

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 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.