



QUARTERLY ACTIVITIES REPORT 30 September 2018

Drake Resources Limited (Drake or Company) presents this Quarterly Activities Report for the quarter ended 30 September 2018.

Existing Projects

Drake's subsidiary, Drake Sweden AB was notified that it was successful in its application for Berga Nr1, enlarging its position adjacent to the Tullsta nr 2 and Tullsta nr 6 licences as part of the Tullsta-Granmuren Project District.

Tullsta-Granmuren is Drake's greenfield nickel, copper, cobalt discovery in the Bergslagen district of Sweden, which has a long and significant mining history dating back more than 1,000 years. Recently, Bergslagen has been recognized as a prospective region highlighted by the discovery of extensions to the historic Garpenberg Zn-Cu-Pb-Au-Ag system by Boliden.

Between 2012 and 2013, the Company completed nine diamond core holes at Tullsta-Granmuren, with all intersections occurring from near surface to a depth of 350m of surface. Mineralization at Tullsta-Granmuren is classified as a Proterozoic intrusive "Voisey's Bay Style" of mineralization, a substantial intrusion of massive and disseminated sulphides, mainly pyrrhotite, pentlandite (nickel-iron sulphide) and chalcopyrite (copper-iron sulphide) hosted in gabbros and norites.

As part of a geological review performed by Geolithic Geological Services (**Geolithic**), they have confirmed that Drake previously used regional gravity and magnetic survey data sets to define areas of interest which displayed favourable geophysical anomalies. In addition, Drake previously flew a helicopter-borne VTEM (Versatile Time-Domain Electro-Magnetic) survey of the licences. Analysis and modelling of the VTEM data had identified various anomalies within the Tullsta-Granmuren tenure.

Detailed work by Drake geophysicists identified that pyrrhotite is generally magnetic and hence rocks containing abundant pyrrhotite have a distinctive magnetic signature. The pyrrhotite-bearing gabbro is also dense which contrasts with the non-mineralised host rocks. Therefore, magnetic and gravity measurements provide useful data to model the distributions of rocks which are anomalously magnetic and dense.

The 3D modelling of the gravity and magnetics data indicates the presence of a substantial body of dense, magnetic material below depth of the current drilling that has the characteristics of additional nickel-copper mineralization at depth (Figure 2). It strikes for over 400m and plunges westwards at depth into the Tullsta nr 2 licence.

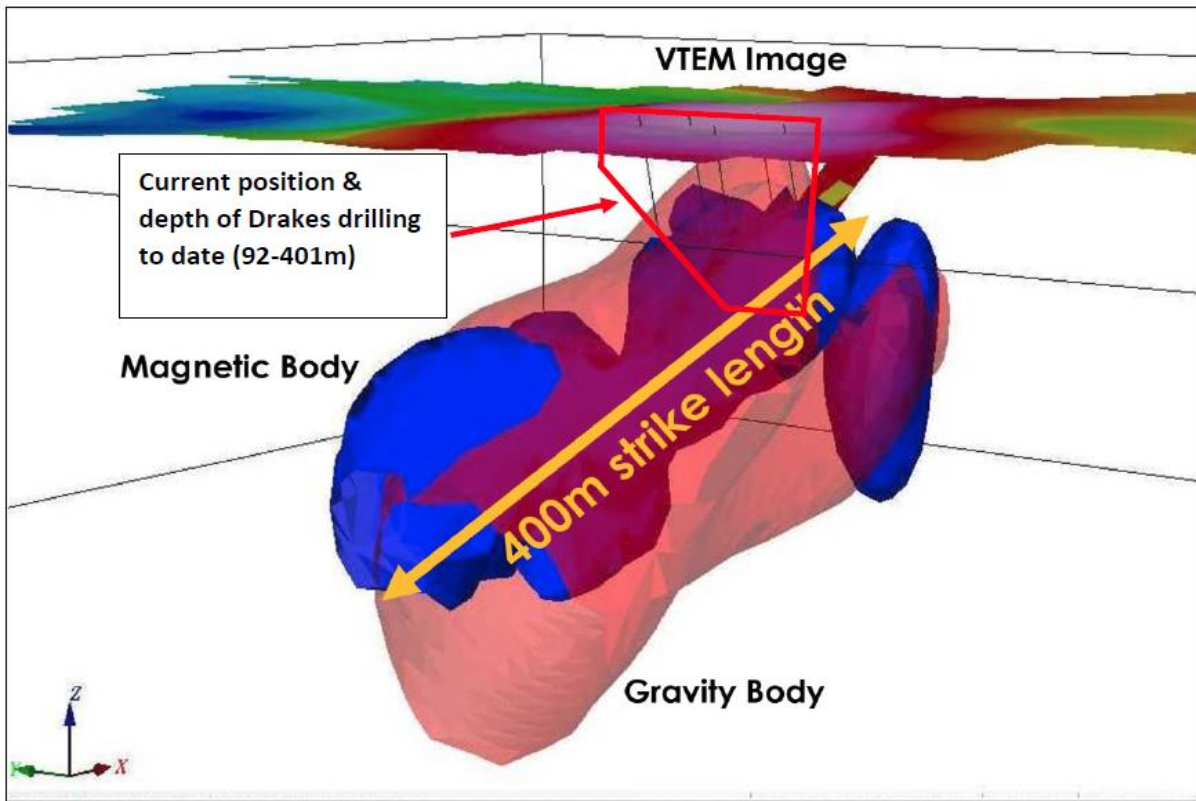


Figure 2: 3D model of the magnetic body (blue and claret) and gravity body (pink) for the Granmuren Ni-Cu prospect; the body is approximately 400 meters in length and plunging westwards at depth into the Tullsta nr 2 licence.

During the quarter, as per Geolithic's recommendations, Drake did not renew its tenure at Gamla Jutbo nr 1, Prasthyttan nr 1 and Korsheden nr 1.

2018/2019 Field Work Program

With the assistance of GeoVista, Geolithic has conducted a site visit at Granmuren to perform initial exploration activities with the goal of confirming drill targets as first indicated by geological modelling of previous data. The field work also verified rock units, core re-logging and geological mapping. In addition, Geolithic will forward historical data to external consultants for further analysis, for example, geochemical analysis and Leapfrog Software modelling on Granmuren mineralization. Geophysical data previously collected and processed will be revisited. These layers of work will refine the target drilling area and will significantly enhance drill planning.

TENEMENT SCHEDULE			
Tenement and Name	Interest at beginning of Quarter	Acquired / Disposed	Interest at end of Quarter
SWEDEN			
Tullsta-Granmuren Project			
Tullsta nr 2 2012:78	100%	Renewal Pending	Renewal Pending
Tullsta nr 5 2017:140	100%	N/A	100%
Tullsta nr 6 2017:158	100%	N/A	100%
Tullsta nr 7 2018	100%	N/A	100%
Berga nr 1 2018:48	100%	N/A	100%
Other Swedish Exploration Permits			
	100%	N/A	100%
Gaddebo nr 3 2014:91	100%	Disposed	0%
Gamla Jutbo nr 1 2012:104	100%	Disposed	0%
Korsheden nr 1 2012:135	100%	Disposed	0%
Prasthyttan nr 1 2012:105			

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Drake Resources Limited (ASX: DRK)

ABN

12 108 560 069

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(55)	(55)
(b) development		
(c) production		
(d) staff costs	(50)	(50)
(e) administration and corporate costs	(115)	(115)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (legal costs)		
1.9 Net cash from / (used in) operating activities	(218)	(218)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3.months) \$A'000
2.2 Proceeds from the disposal of: (a) property, plant and equipment (b) tenements (see item 10) (c) investments (d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (Sharebuyback)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,403	1,403
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(218)	(218)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	1,185	1,185

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,185	1,403
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,185	1,403

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

50

Amounts paid to directors and their associates as director's remuneration and consulting fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	38
9.2 Development	
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	103
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	141

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Tullsta nr 2 2012:78	Renewal pending	100%	Renewal pending
	Gamla Jutbo nr 1 2012:104		100%	0%
	Korsheden nr 1 2012:135		100%	0%
	Prasthyttan nr 1 2012:105		100%	0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

(Company secretary)

Date: 31 October 2018

Print name: Julia Beckett

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.