

Drake Resources Limited

Quarterly Activity Report - September 2006

CORPORATE

ZINC-SILVER ALLIANCE WITH ZINIFEX

Drake Resources Ltd ("Drake") entered into a Heads of Agreement to form an Alliance with Zinifex Australia Ltd ("Zinifex", ASX Code - ZFX) to seek out zinc exploration and development opportunities in several prospective areas around the world. Drake will be the Manager of the Alliance. The purpose of the Alliance is to bring together Drake's technical project generation skills in base and precious metals exploration and Zinifex's operational capabilities in advanced project exploration, mineral project development and mining.

The Alliance will primarily aim to identify zinc-lead-silver targets and opportunities that are prospective for the occurrence of metamorphosed zinc-lead-silver orebodies of the Broken Hill Type. However, it also extends to opportunities for other metals, such as copper and gold.

Broken Hill Type deposits are a poorly defined group of metamorphosed massive sulphide deposits. Their main characteristics are the following:

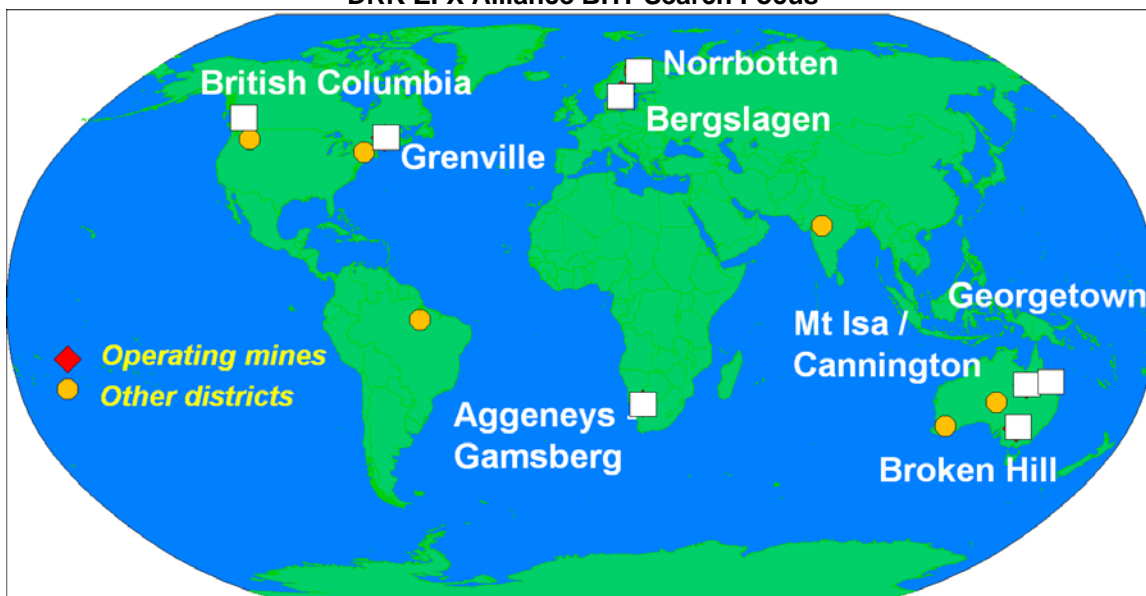
- The large size of the world class examples of the group, for example Broken Hill itself, which is the largest accumulation of Zn-Pb-Ag known
- The ore grades can be exceptional, for example Cannington contains almost 20 oz/t silver
- Zonal patterns in the orebodies create local very high grades
- Coarse grain size can provide excellent milling characteristics
- The low iron sphalerite in some deposits makes the concentrates very attractive to smelters
- The deposits mostly in Proterozoic 'mobile belts'

The Alliance will focus its search on the known prospective mineral provinces in Australia, Scandinavia, North America and southern Africa, and will run initially until the end of June 2008.

Under the terms of the Heads of Agreement, the Alliance will be funded jointly with cash and in-kind contributions. Drake will identify and present opportunities to the Alliance for consideration. Projects accepted by Zinifex will progress as Zinifex – Drake Joint Ventures, initially sole-funded by Zinifex. Drake has the right to participate in these Joint Ventures with a minority (30% or 10%) participating interest, or to retain a free-carried 1.5% net smelter return royalty. Any project identified by the Alliance, but not accepted by Zinifex, can be taken up by Drake.

Dr Chris Blain, a well-known geologist, who led the exploration team that found BHP Billiton's world-class Cannington silver and base metals deposit in North Queensland, will lead the exploration programme. Dr Blain gained considerable global exploration experience as a senior manager with BHP Minerals.

DRK-ZFX Alliance BHT Search Focus



Provinces selected by the Alliance for initial evaluation and exploration are shown as white squares

Drake regards this agreement as a good example of the way two companies can combine their strengths to address the current challenges in times of declining discovery rates of world-class orebodies and increasing resource scarcity.

The Alliance provides Drake with the opportunity to participate in a far wider range of projects than normally available to a junior exploration company in terms of both numbers and level of advancement. This significantly improves the opportunity of for exploration success.

Work within the Alliance has commenced, and a number of opportunities are currently being assessed by the Manager, with the initial focus on Scandinavia, Australia and Canada. Checking of opportunities has commenced, prior to the onset of winter.



Bernard Rowe examining prospective rocks in Sweden

Significant progress has already been made introducing the Alliance to Sweden, reflected in an invitation being extended to Dr Beeson to make a presentation on Broken Hill Type deposits to the Bergskraft International Mining Seminar beginning 18 October at Örebro in central Sweden.

EXPLORATION

MT CARRINGTON MINING LEASES (Drake option to purchase 90%)

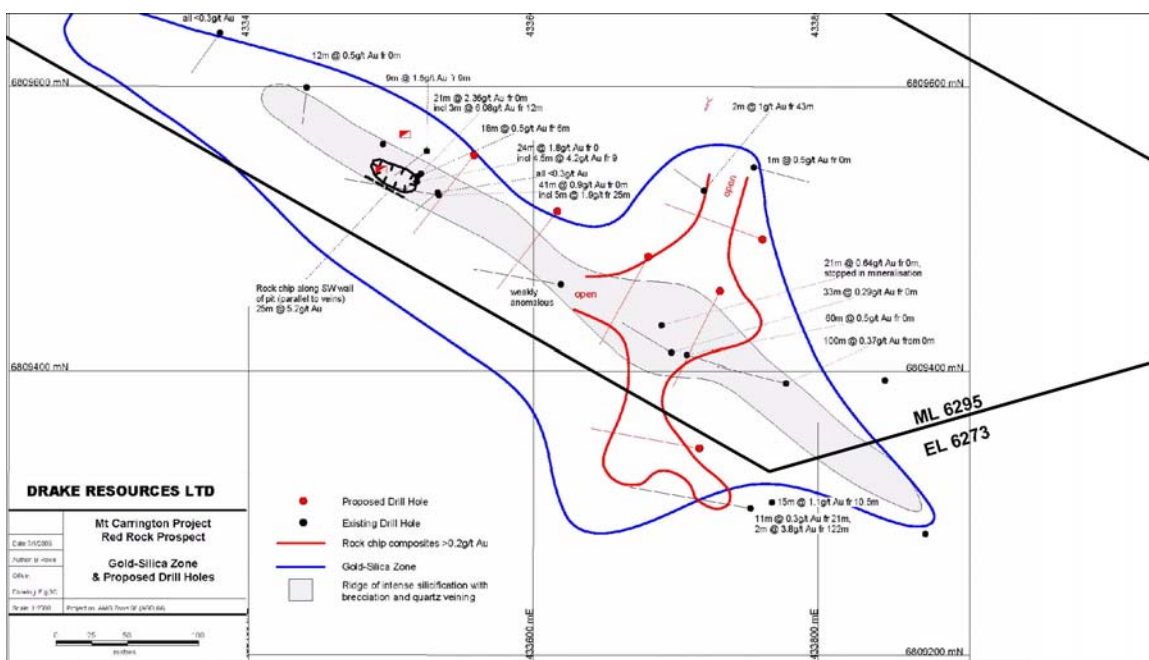
Drake has an option over 22 mining leases owned by Virotec International Ltd. The area contains gold, silver and base metal prospects in the Drake Volcanics.

The primary focus at Mt Carrington has been the formulation of a plan to extend and upgrade the resource base to target levels that will see a feasible project development.

Drake plans a substantial program of exploration within and immediately surrounding the Mining Leases aimed at increasing the current gold and silver resources to an economically viable level.

Justification and description of programs proposed were documented in the previous quarterly reports for the main gold and silver resources.

Compilation of past exploration data on the Red Rock area has shown that six drillholes are required to properly evaluate a siliceous zone in part tested by a number of prior explorers but parallel to the apparent zone of mineralisation. Prior intersections have included 100m @ 0.37 g/t Au from 0m, 21m @ 2.36 g/t Au from 12m, 24m @ 1.8 g/t Au from 0m.



Plan showing the Red Rock Prospect Gold Silica Zone and Proposed Drillholes in red.

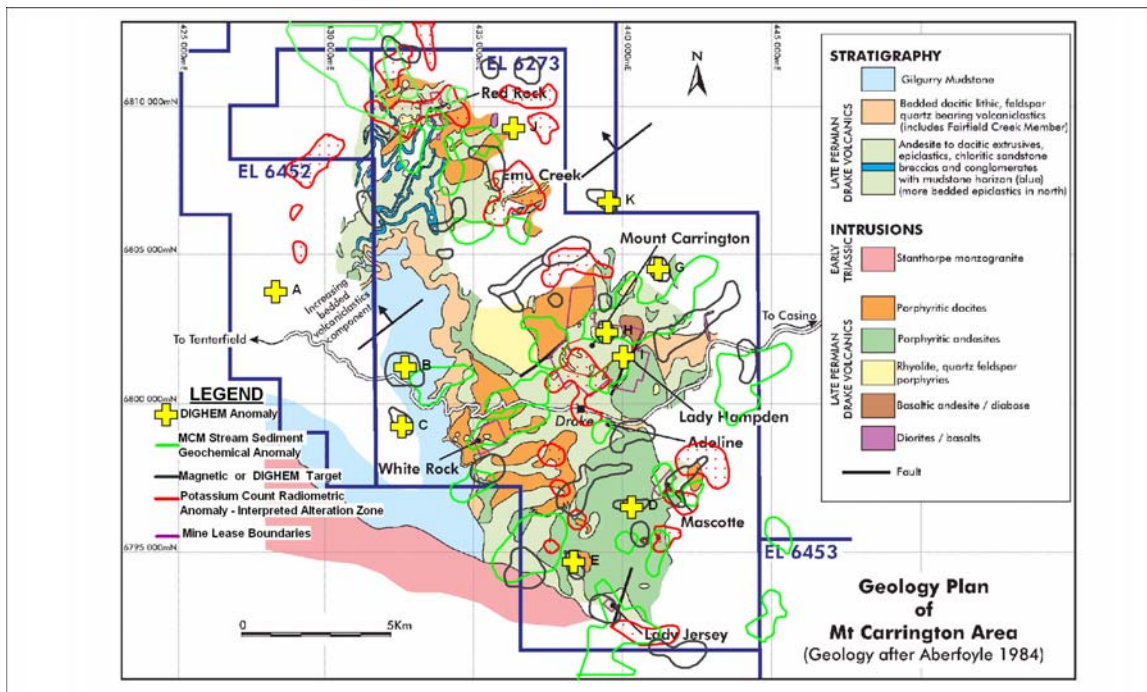
The high priority targets at the Mt Carrington gold and silver deposits are, therefore:

- Drill programmes to test the extensions to gold mineralisation at the Strauss, Kylo and West Kylo resources
- Drill testing of the gold zone at Red Rock
- Evaluating the silver, gold, zinc mineralisation between Lady Hampden, Silver King and Mozart and between White Rock North and White Rock by conducting 3D IP surveying and drill follow up.

Drake continues to evaluate the options to fund this next stage of exploration for the property.

MT CARRINGTON EXPLORATION LICENCES : EL6273 (DRK 90%), EL's 6452 & 6453 (DRK 100%)

Compilation of radiometric, magnetic and DIGHEM surveys and stream sediment geochemistry over the main Drake Quiet Zone magnetic anomaly area has identified a number of anomalies warranting follow up as part of any regional follow up program to be conducted.



Geology Plan of the Mt Carrington Area Showing Stream Sediment, Magnetic, DIGHEM & Radiometric Anomalies

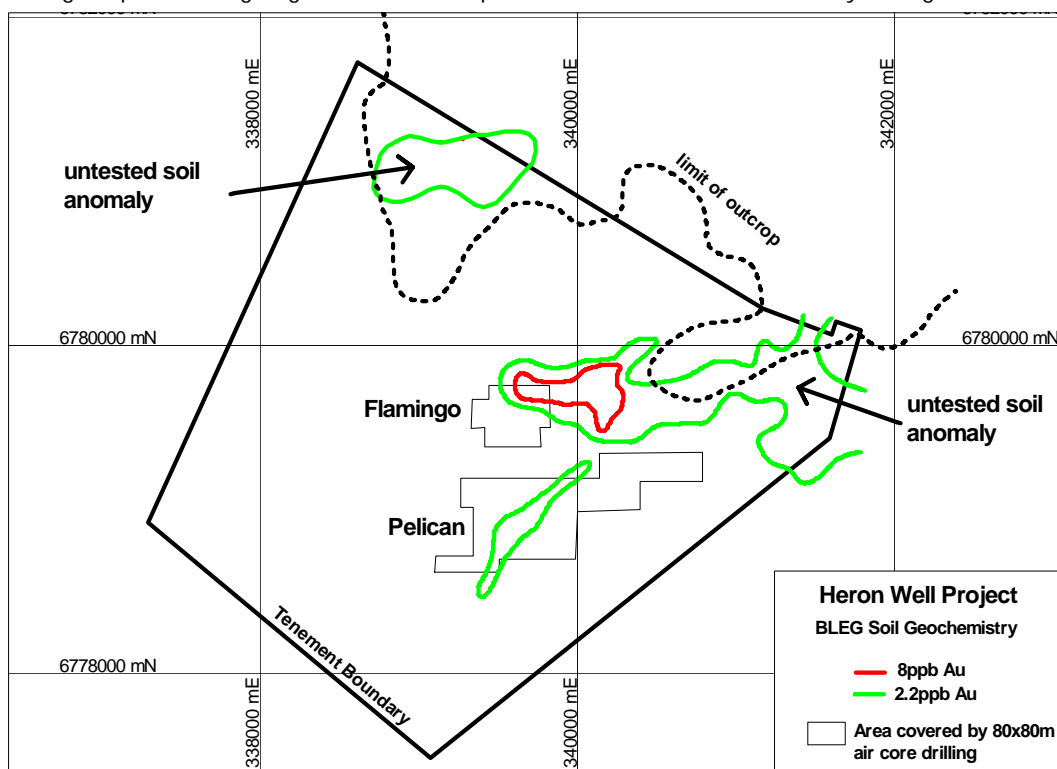
During the quarter statutory annual reporting was submitted on all the tenements and special circumstances renewal of EL 6273 was submitted and remains pending. Ministerial Consent to exploration on all of EL 6273 was granted.

HERON WELL (DRK 100%)

Acquired earlier in the year, the project is located 15km south of Leonora, in the central part of the Norseman-Wiluna greenstone belt. The project comprises six granted Prospecting Licenses, P40/1119-P40/112 and P40/1129, covering a total area of 10.4 sq km. The Heron Well Project is along strike from the old Desdemona Gold Mine, and the host rock at the mine, a prospective quartz-diorite body, extends into the Heron Well Project Area.

Despite its proximity to major ore deposits the Project Area remains poorly explored. The lack of exploration is due to the transported cover that overlies most of the southern half of the tenement. The cover has restricted the effectiveness of commonly used surface exploration methods. Only 15% of the area has been tested by any drilling, and the majority of those drill holes are shallow (<20m) air core drilling.

Drake has commissioned a detailed airborne magnetic survey in order to define structural targets. These new targets, plus existing targets from the first phase of fieldwork, will be tested by drilling.



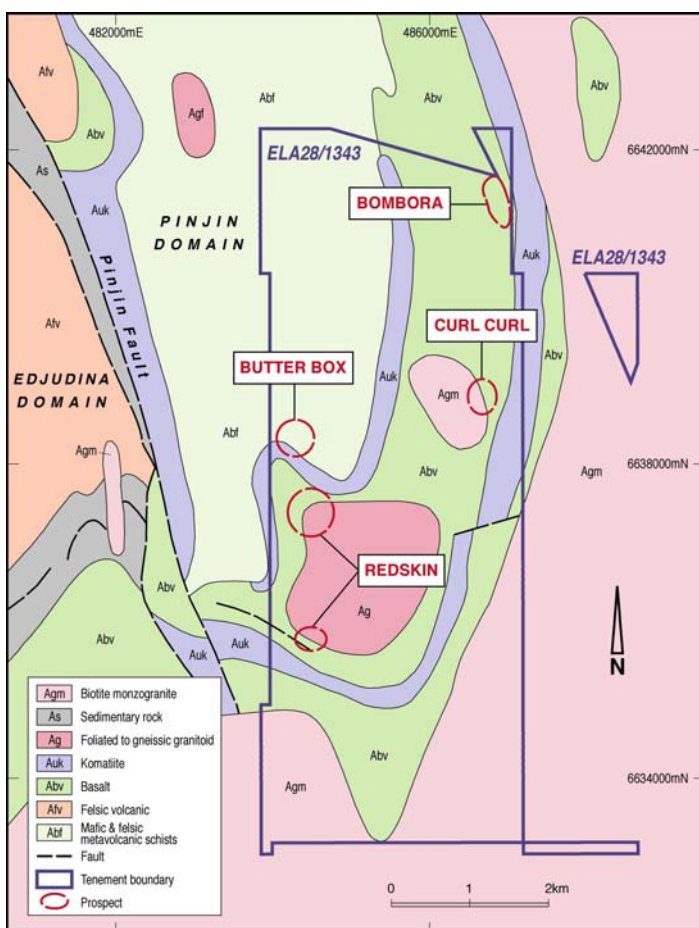
Heron Well: Bulk leach gold contours in soil samples, and areas for follow up.

LAKE REBECCA, WESTERN AUSTRALIA (DRK 80%)

The Lake Rebecca gold property in the Pinjin Region of the Eastern Goldfields has been granted. Lake Rebecca comprises one Exploration Licence 28/1610 (14 sub-blocks) covering an area of approximately 31 square kilometres.

The Lake Rebecca Project lies within the Eastern Goldfields Province of the Archaean Yilgarn Craton of Western Australia, situated at the ESE end of the Eudjina greenstone belt on the Celia/Pinjin lineament/fault zone.

The Eudjina Domain to the west of the Pinjin Fault has a linear character and is comprised of greenschist facies mafics, ultramafics, intermediate volcanics, banded iron formation and sediments predominantly derived from felsic volcanics. The stratigraphy to the east of the Pinjin Fault consists of folded and intercalated mafics, ultramafics and granite gneiss with minor felsic volcanics and volcanoclastics. This zone is generally less than 5 kilometres wide and is transitional with the Kirgella granitoid gneiss. The metamorphic grade is upper greenschist to lower amphibolite facies increasing to upper amphibolite facies along the Pinjin Domain – Kirgella granitoid gneiss boundary.



The rocks within the project area are predominantly of upper greenschist facies metamorphic rocks with granite and pegmatitic veins or metamorphic segregations occurring throughout the area. Four types of intrusion have been defined from interpretations of previous exploration data: granite gneiss in the far east, massive granite marginal to the western edge of the gneiss, granodiorite/tonalite with a deep magnetic-low signature and three circular features within the granodiorite. The main prospect area is in the nose of a southerly plunging anticline.

The main lithological groups comprise variable proportions of mafic and ultramafic rocks, granite, granodiorite/tonalite, and mafic dykes. Thin sediment units are common within the stratigraphy and often contain garnets. The common K-feldspar rich granite/pegmatite veins/segregations have indistinct contacts with the host rocks and are interpreted to be partial melts derived from a potassium-rich source rock.

The NNW striking Pinjin Fault is comprised of several sub-parallel shears, some of which are primary controls on the mineralisation. Geological interpretations of the area show a strong NNW and moderate northeast structural control in the region. Both the NNW and NE striking structures appear to have had an influence upon mineralisation, with the NNW shears being dominant. The mineralisation appears to be

controlled by the intersection of NNW structures with the granodiorite and possibly some contained smaller circular intrusions.

Two gold mineralisation trends are recognised in this region, namely the Oaks – Anglo Saxon trend, which continues over 3km strike and the Harbour Lights-King Pin trend, which is traceable over a 12km strike.

Within the Project area, gold mineralisation is thought to be spatially associated with the Pinjin Fault System. The main structure in the system is located to the west of Lake Rebecca, and gold mineralisation occurs along its extensions to the north. It is considered that secondary and tertiary splay structures, related to the Pinjin Fault System, would be prospective for gold mineralisation.

Drilling to date indicates that mineralisation occurs over an area of at least 2km x 0.4km with intercepts of ten to thirty metres true width grading up to 1.5g/t Au down to a depth of approximately 250m in two zones, Redskin in the south west and Round Hill in the north.

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.