



21 January 2014

## Quarterly Activities Report December 2013

- **Drilling at Nordgruva Copper Zinc identifies significant off hole anomalies**
- **Espedalen Inferred Resource of ~9Mt grading 0.37% nickel announced**
- **Independent review described Granmuren region as global nickel camp**

### **Overview**

Diamond drilling at the Nordgruva copper zinc project concluded early in the quarter with down hole EM identifying a strong conductor ~50m off hole that might represent massive sulphides. An independent review of historical data at the Espedalen nickel/copper deposit generated an Inferred Resource of 8.95Mt grading 0.37% nickel and 0.16% copper. Drake commissioned an independent review of the Bergslagen region which includes Drake's Granmuren nickel prospect. The independent review described a number of prospective targets and described the region as having potential to be a world class nickel camp.

### **Operations**

Drake has a portfolio of assets across nickel, copper and gold in the Nordic region and West Africa. Progress was made during the quarter at Nordgruva (Copper/Zinc), Espedalen (Nickel/copper) and Granmuren (Nickel/Copper). Negotiations to secure a highly prospective parcel adjacent to Drake's Seimana gold prospects in Guinea progressed significantly during the quarter and concluded early in the New Year.

#### **Nordgruva**

Drake, with its joint venture partner in the Nordgruva project, Panoramic Resources Limited, completed a ~575m diamond hole (NKSD001) to investigate one of five exceptional conductors identified at Nordgruva from previous geophysics programs.

The down hole EM survey conducted at completion of drilling identified two significant, strong off-hole conductors at 400m and 450m. The stratigraphic position in or close to amphibolitic gabbro units, and conductor characteristics and strength, suggest the conductors could both represent massive sulphides of substantial thickness.

Assay results were announced in the New Year. Anomalous zinc results around 400 to 450m within amphibolites also correlate well with the location of the off-hole conductors and may represent a halo around more massive sulphide mineralisation within the conductor. This stratigraphic position is recognised as being one of three preferred mineralised horizons in



the Roros district. Follow up drilling to test the off-hole conductors is planned in the new calendar year.

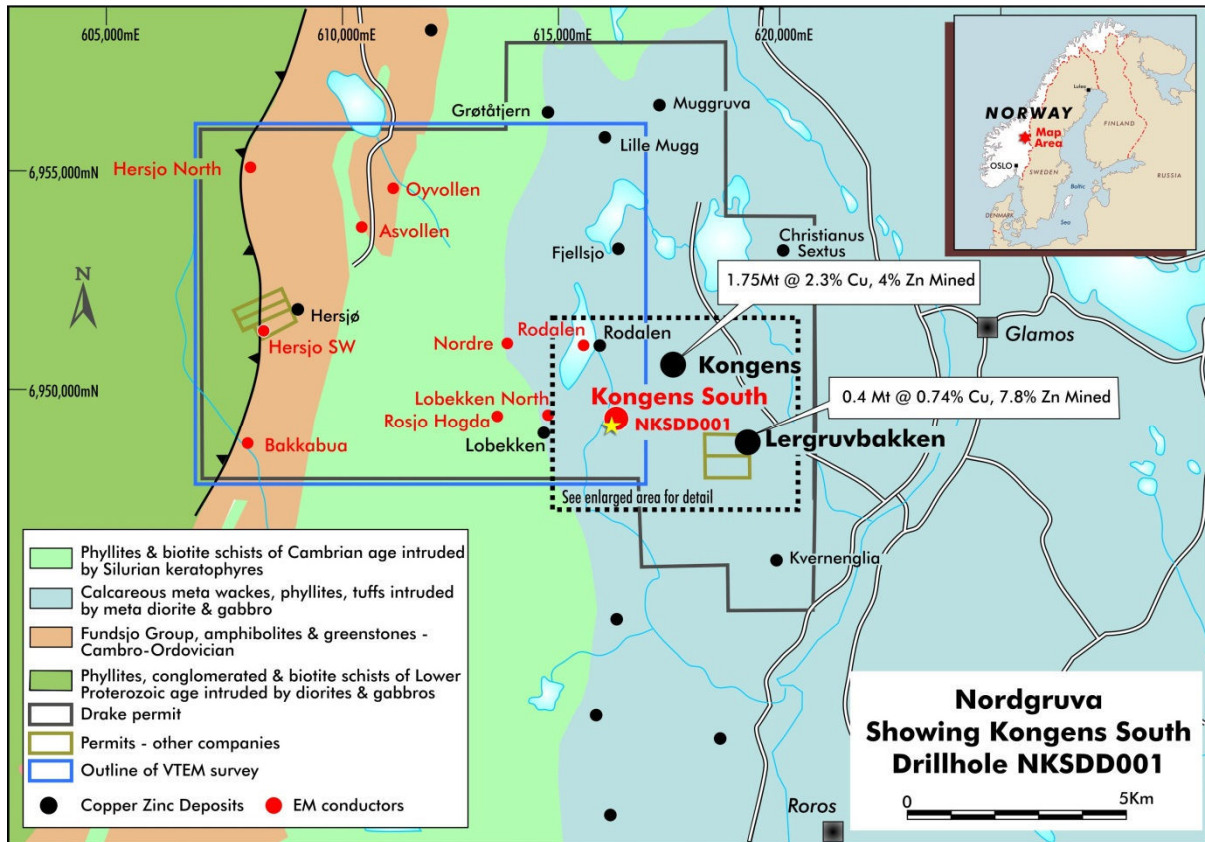


Figure One: Nordgruva JV permit area contains historical mines and numerous targets generated from modern exploration techniques.

### Espedalen

Drake’s Espedalen portfolio in central Norway is a suite of licences that contains numerous nickel/copper targets. The targets range from geophysics anomalies or surface rock chip samples that have not been followed up, to targets that have had considerable drilling completed. Two advanced deposits are Dalen and Stormyra (figure 2). During the quarter Drake’s resource consultant estimated Inferred Resource for both deposits (table 1) to give a combined Inferred Resource of 8.96Mt grading 0.37% nickel and 0.16% copper.

Whilst there is potential for increased tonnages at both Dalen and Stormyra, Drake’s focus at Espedalen is to explore some of the many under-explored targets within the Espedalen portfolio.

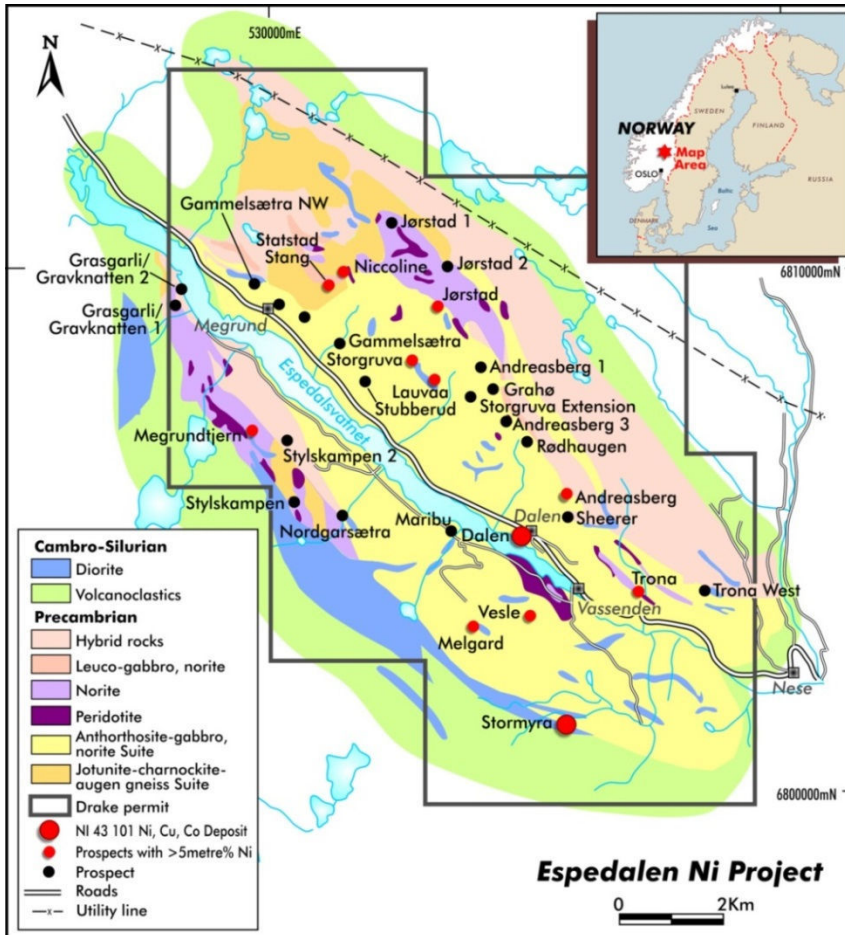


Figure Two: Espedalen has a number of prospective sites

|                                                          | Tonnes<br>(Mt)   | Grade       |             |             | Contained Metal |               |              |
|----------------------------------------------------------|------------------|-------------|-------------|-------------|-----------------|---------------|--------------|
|                                                          |                  | Ni (%)      | Cu (%)      | Co (%)      | Ni (kt)         | Cu (kt)       | Co (kt)      |
| <b>Stormyra Mineral Resource - October 2013</b>          |                  |             |             |             |                 |               |              |
| Measured                                                 | -                | -           | -           | -           | -               | -             | -            |
| Indicated                                                | -                | -           | -           | -           | -               | -             | -            |
| Inferred                                                 | 1,160,000        | 1.00        | 0.42        | 0.04        | 11,600          | 4,900         | 400          |
| <b>Total</b>                                             | <b>1,160,000</b> | <b>1.00</b> | <b>0.42</b> | <b>0.04</b> | <b>11,600</b>   | <b>4,900</b>  | <b>400</b>   |
| <b>Dalen Mineral Resource - October 2013</b>             |                  |             |             |             |                 |               |              |
| Measured                                                 | -                | -           | -           | -           | -               | -             | -            |
| Indicated                                                | -                | -           | -           | -           | -               | -             | -            |
| Inferred                                                 | 7,800,000        | 0.28        | 0.12        | 0.02        | 21,900          | 9,400         | 1800         |
| <b>Total</b>                                             | <b>7,800,000</b> | <b>0.28</b> | <b>0.12</b> | <b>0.02</b> | <b>21,900</b>   | <b>9,400</b>  | <b>1800</b>  |
| <b>Combined Dalen / Stormyra Resource - October 2013</b> |                  |             |             |             |                 |               |              |
| Measured                                                 | -                | -           | -           | -           | -               | -             | -            |
| Indicated                                                | -                | -           | -           | -           | -               | -             | -            |
| Inferred                                                 | 8,960,000        | 0.37        | 0.16        | 0.03        | 33,500          | 14,300        | 2,200        |
| <b>Total</b>                                             | <b>8,960,000</b> | <b>0.37</b> | <b>0.16</b> | <b>0.03</b> | <b>33,500</b>   | <b>14,300</b> | <b>2,200</b> |

Table One: Espedalen Mineral Resource. The information is extracted from the report entitled "Espedalen Nickel Copper Resource" created on 10/10/13 and is available to view on [www.drakeresources.com.au](http://www.drakeresources.com.au). The Company confirms that it is not aware of any information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimate in the relevant market announcement continue to apply and have not materially changed. 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 announcement.



## Granmuren

Drake's greenfield Granmuren nickel/copper sulphide discovery in Sweden generated considerable encouraging news throughout 2012 and the first half of 2013. Drake used the latter half of the year to complete modelling of the deposit and strategically assess its Bergslagen asset portfolio, which contains Granmuren. The model is not of sufficient robustness to reveal potential tonnages; however, it provides an indication of the potential for Granmuren to be a significant source of near surface mineralisation.

In addition, the Company engaged Mineralium Pty Ltd, specifically Dr Ben Grguric with his impressive track record in the identification of magmatic hosted base metal sulphide targets, to assess Drake's Bergslagen portfolio. Key findings of the report include –

- The inferred age of Granmuren mineralisation is within an episode of Earth's history in which many of the world's major nickel camps were formed (1.88 – 1.86 Ga)
- Many of Drake's permits are near, and occasionally on, local deep structures/terrane boundaries such as the Gävle-Rättvik deformation zone; nickel deposits tend to be associated with large, crustal scale structures
- There are abundant sulphur-bearing rocks in the regional supracrustal sequence, providing the conditions in which nickel/copper sulphides could concentrate and precipitate to form massive sulphide.
- Combining the above with demonstrated presence of nickel /copper occurrences across Drake's portfolio, all point to the area having the potential to contain a world class nickel camp.

Drake has a dominant land position in a potential world class nickel camp and next steps at Granmuren will likely include VTEM assessment of high priority targets identified in the report.

## Seimana

Negotiations to secure a highly prospective parcel adjacent to Drake's Seimana gold prospects in Guinea progressed significantly during the quarter and concluded early in the New Year. The option to purchase agreement covers a 236km<sup>2</sup> area adjacent to Drake's Seimana project which is under a similar option arrangement. See announcement 6/1/14 for agreement details.

The new area will form part of Drake's existing Seimana Project which has generated very encouraging results to date. In July 2012 Drake announced the results of a soil and termite mound sampling programme in which strong gold anomalies up to 2.9 g/t gold in soil were identified. The new area also abuts and is along strike from Avocet Mining's permits containing the 3M+ oz Tri-K gold deposits. Field mapping of the new area will commence in quarter one.

## **The Plan Ahead**

The immediate term will see on-ground activity at Joma copper/zinc and Seimana gold in Guinea during the first quarter. A second drill hole at Nordgruva targeting the off hole conductors identified from the first hole is likely to occur in the Northern summer as is the flying of VTEM over the numerous Granmuren/Bergslagen nickel targets in central Sweden.

**-ends-**

**For further information, please contact:**

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**Competent Persons Statement**

*The information in this report that relates to exploration results is based on, and fairly represents, information and supporting documentation compiled by Dr Bob Beeson. Dr Beeson is a member of the Australasian Institute of Geoscientists, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Dr Beeson consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.*

**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 developments*

# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

**DRAKE RESOURCES LIMITED**

ABN

**12 108 560 069**

Quarter ended ("current quarter")

**31 December 2013**

### Consolidated statement of cash flows

|                                                                     | Current<br>quarter<br>\$A'000 | Year to date<br>(6 Months)<br>\$A'000 |
|---------------------------------------------------------------------|-------------------------------|---------------------------------------|
| <b>Cash flows related to operating activities</b>                   |                               |                                       |
| 1.1 Receipts from product sales and related debtors                 | 21                            | 25                                    |
| 1.2 Payments for:                                                   |                               |                                       |
| (a) exploration & evaluation                                        | (370)                         | (604)                                 |
| (b) development                                                     | -                             | -                                     |
| (c) production                                                      | -                             | -                                     |
| (d) administration                                                  | (315)                         | (551)                                 |
| 1.3 Dividends received                                              | -                             | -                                     |
| 1.4 Interest and other items of a similar nature received           | 6                             | 13                                    |
| 1.5 Interest and other costs of finance paid                        | -                             | -                                     |
| 1.6 Income taxes paid                                               | -                             | -                                     |
| 1.7 Other - Payments for alliance exploration, net of contributions | (222)*                        | (212)                                 |
| <b>Net Operating Cash Flows</b>                                     | <b>(880)</b>                  | <b>(1,329)</b>                        |
| <b>Cash flows related to investing activities</b>                   |                               |                                       |
| 1.8 Payment for purchases of:                                       |                               |                                       |
| (a) prospects                                                       | -                             | -                                     |
| (b) equity investments                                              | -                             | -                                     |
| (c) other fixed assets                                              | -                             | -                                     |
| 1.9 Proceeds from sale of:                                          |                               |                                       |
| (a) prospects                                                       | -                             | -                                     |
| (b) equity investments                                              | -                             | -                                     |
| (c) other fixed assets                                              | -                             | -                                     |
| 1.10 Loans to other entities                                        | -                             | -                                     |
| 1.11 Loans repaid by other entities                                 | -                             | -                                     |
| 1.12 Other – Reclassification of Cash to Financial Assets           | -                             | -                                     |
| <b>Net Investing Cash Flows</b>                                     | <b>-</b>                      | <b>-</b>                              |
| 1.13 Total operating and investing cash flows (carried forward)     | <b>(880)</b>                  | <b>(1,329)</b>                        |

\* Note: \$213,000 of this outflow has been recovered from the alliance partner in January under the terms of the alliance agreement.

**Appendix 5B**  
**Mining exploration entity quarterly report**

|      |                                                            |              |                |
|------|------------------------------------------------------------|--------------|----------------|
| 1.13 | Total operating and investing cash flows (brought forward) | <b>(880)</b> | <b>(1,329)</b> |
|      | <b>Cash flows related to financing activities</b>          |              |                |
| 1.14 | Proceeds from issues of shares, options, etc. net of costs | (4)          | 1,491          |
| 1.15 | Proceeds from sale of forfeited shares                     | -            | -              |
| 1.16 | Proceeds from borrowings                                   | -            | -              |
| 1.17 | Repayment of borrowings                                    | -            | -              |
| 1.18 | Dividends paid                                             | -            | -              |
| 1.19 | Other (provide details if material)                        | -            | -              |
|      | <b>Net financing cash flows</b>                            | <b>(4)</b>   | <b>1,491</b>   |
|      | <b>Net increase (decrease) in cash held</b>                | <b>(884)</b> | <b>162</b>     |
| 1.20 | Cash at beginning of quarter/year to date                  | 1,862        | 813            |
| 1.21 | Exchange rate adjustments to item 1.20                     | 7            | 10             |
| 1.22 | <b>Cash at end of quarter</b>                              | <b>985</b>   | <b>985</b>     |

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

|      | Current quarter<br>\$A'000                                       |    |
|------|------------------------------------------------------------------|----|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 79 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10   | -  |

1.25 Explanation necessary for an understanding of the transactions

Directors' & Executives' Fees and Superannuation, plus Management Fees paid to associated Company.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             | -                           | -                      |
| 3.2 Credit standby arrangements | -                           | -                      |

### Estimated cash outflows for next quarter

|                                | \$A'000    |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 282        |
| 4.2 Development                | -          |
| 4.3 Production                 | -          |
| 4.4 Administration             | 332        |
| <b>Total</b>                   | <b>614</b> |

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

|                                                  | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|--------------------------------------------------|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 242                        | 140                         |
| 5.2 Deposits at call                             | 743                        | 1,722                       |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other (provide details)                      | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b> | <b>985</b>                 | <b>1,862</b>                |



**Changes in interests in mining tenements**

|     | Tenement reference                                            | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |    |
|-----|---------------------------------------------------------------|-------------------------------|----------------------------------|----------------------------|----|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | Sweden – Jugansbo nr5         | Relinquished                     | 100%                       | 0% |
|     |                                                               | Sweden – Jugansbo nr6         | Relinquished                     | 100%                       | 0% |
|     |                                                               | Norway – Kautokeino           | Relinquished                     | 100%                       | 0% |
|     |                                                               | Norway - Karasjok             | Relinquished                     | 100%                       | 0% |
| 6.2 | Interests in mining tenements acquired or increased           | Nil.                          |                                  |                            |    |

### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

|                                                                  | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|------------------------------------------------------------------|--------------|---------------|-----------------------------------------------|--------------------------------------------------|
| 7.1 <b>Preference *securities</b> <i>(description)</i>           | -            | -             |                                               |                                                  |
| 7.2 Changes during quarter                                       | -            | -             |                                               |                                                  |
| (a) Increases through issues                                     |              |               |                                               |                                                  |
| (b) Decreases through returns of capital, buy-backs, redemptions |              |               |                                               |                                                  |
| 7.3 <b>*Ordinary securities</b>                                  | 156,060,882  | 156,060,882   |                                               |                                                  |
| 7.4 Changes during quarter                                       | 52,020,294   | 52,020,294    |                                               |                                                  |
| (a) Increases through issues                                     |              |               |                                               |                                                  |
| (b) Decreases through returns of capital, buy-backs              |              |               |                                               |                                                  |
| 7.5 <b>*Convertible debt securities</b> <i>(description)</i>     | -            | -             |                                               |                                                  |
| 7.6 Changes during quarter                                       | -            | -             |                                               |                                                  |
| (a) Increases through issues                                     |              |               |                                               |                                                  |
| (b) Decreases through securities matured, converted              |              |               |                                               |                                                  |
| 7.7 <b>Options</b> <i>(description and conversion factor)</i>    | 150,000      | Employee      | <u>Exercise price</u><br>\$0.30               | <u>Expiry date</u><br>23 Dec 2014                |
|                                                                  | 445,000      | Employee      | \$0.72                                        | 31 Mar 2016                                      |
|                                                                  | 500,000      | KMP           | \$0.20                                        | 31 Mar 2014                                      |
|                                                                  | 500,000      | KMP           | \$0.40                                        | 31 Mar 2014                                      |
|                                                                  | 500,000      | KMP           | \$0.60                                        | 31 Mar 2015                                      |
| 7.8 Issued during quarter                                        | -            | -             |                                               |                                                  |
| 7.9 Exercised during quarter                                     | -            | -             |                                               |                                                  |
| 7.10 Expired during quarter                                      | -            | -             |                                               |                                                  |
| 7.11 <b>Debentures</b> <i>(totals only)</i>                      | -            | -             |                                               |                                                  |
| 7.12 <b>Unsecured notes</b> <i>(totals only)</i>                 | -            | -             |                                               |                                                  |

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Signed: \_\_\_\_\_  
Director and Company Secretary

Dated: 21 January 2014

Print name: Jay Stephenson

**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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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