



22 April 2013

## Quarterly Operations Report March 2013

- Very active first quarter
- New CEO, Jason Stirbinskis appointed
- Strategic review completed - focus on Scandinavian nickel, copper & gold assets
- Near-surface nickel mineralisation confirmed at Granmuren, Sweden
- Targets & gravity feature near major copper-zinc mine identified at Joma, Sweden
- Capital raising secured to fund Granmuren drilling

### **About Drake Resources Limited**

Drake Resources (DRK) is an Australian gold and base metals explorer with advanced and highly prospective projects in resource-rich Scandinavia and West Africa. Projects in Scandinavia focus on nickel and copper and include nickel deposits at Espedalen in Norway, a new nickel-copper discovery at Granmuren in Sweden, and significant remaining mineralisation in the Joma copper-zinc mine. Drake's aim is to be a successful and profitable mining company delivering strong shareholder value by taking robust projects through to mining, or realising their value at optimal times through merger and acquisition programs.

### **Company Assets**

#### **Sweden**

Granmuren - Nickel  
Bergslagen JV - Copper  
Orsen - Copper/Magnetite  
Lainejaur - Copper

#### **Finland**

Kittila - Gold  
Vihanti - Copper

#### **Norway**

Espedalen - Nickel  
Joma - Copper-Zinc  
Løkken JV - Copper  
Nordgruva JV - Copper  
Sulitjelma JV - Copper  
Kautokeino - Gold  
Karasjok - Gold

#### **West Africa**

Tasiast South - Gold  
Hendrix - Gold  
Samekouta - Gold  
Seimana - Gold  
**Australia**  
Mt Palmer - Gold  
Mallee Hen - Gold



## Overview

Drake Resources' first quarter of 2013 was eventful with ongoing encouraging results from its Scandinavian projects, the appointment of Jason Stirbinskis as CEO and the launch of the strategic plan. Drake also completed a private placement capital raising of \$779,000 to fund Granmuren drilling.

## Corporate Strategy

Jason Stirbinskis commenced his role as CEO of Drake Resources Limited in February 2013. Jason's 23 years of global experience include roles as Managing Director of Phillips River Mining and Central Asia Resources. He is a geologist who has also held senior positions within mining sector consultancies, has extensive experience in the banking and finance sectors and holds an MBA.

Jason's first priority was to complete a strategic review and lay down a path that focussed on strengthening Drake's financial position and maximising the value of investment in Drake's considerable and attractive asset base. The strategy was announced in mid-March.

Drake's impressive portfolio of assets across nickel, copper and gold in Scandinavia (fig 1) and West Africa, across diverse jurisdictions and commodities has served the company well in terms of exploration success and risk management. After the strategic review of the near term potential to define resources, the decision was made and announced to direct funds and attention toward realising the value of advanced projects in Scandinavia.

The nickel assets are a primary focus in the immediate term. This includes follow up investigation of the massive and disseminated nickel-copper sulphides at Granmuren and Espedalen with the addition of further work at the Joma copper project later in the year. The medium term strategy is to form a larger 2014 program by including other assets within Drake's substantial portfolio to potentially build a coherent development strategy across multiple sites.

In West Africa, Drake holds an exciting array of gold assets ranging from 3,600 square kilometres of tenements in the same mineral province as the 20 million ounce Tasiast project, to greenfield areas in Guinea that have recently had spectacular soil assay results. However, these still represent early exploration projects that would consume considerable funds and therefore the decision to direct most of its discretionary spend to Scandinavia in 2013 was made.

The company will re-visit West Africa in 2014 and in the interim it will consider joint ventures and similar opportunities if they represent better value for Drake's shareholders.

## Exploration Progress in Scandinavia

Drake's **Granmuren nickel discovery** continues to deliver exciting results. Final results from a drilling program commenced in late 2012 concluded during the quarter with the last two holes containing impressive, long intercepts of nickel mineralisation in massive and disseminated sulphides including:

- 63.5m @ 0.30% nickel from 134m including 5.65m @ 0.73% nickel, 0.40 % copper and 0.06% cobalt in hole #006
- 24.5m @ 0.41% nickel, 0.39% copper including 4.5m @ 0.80% nickel, 0.70% copper from 195.5m in hole #007

Mineralisation occurs from near surface, is within potential open pits depths and is similar grade to open pit nickel operations within Scandinavia. The very wide mineralised intercepts of nickel-copper sulphides bode well for commercial scale operations with Hole 007 recording a total of 115 cumulative meters of nickel mineralisation over 0.25% nickel. There also appears to be a trend towards higher grade nickel intercepts with increasing depth.

A small preliminary mineralogical and metallurgical program which concluded during the quarter generated encouraging results, suggesting the potential to produce a commercial nickel-copper sulphide. The next testing phase will explore the impact of a finer grind and other options with the aim to build both recovery and grade of the concentrate.

A gravity survey of the **Joma copper project** identified a number of exciting anomalies with two targets near the decommissioned Joma copper-zinc mine possessing geophysical signatures analogous with the mine. A review of historical data has also identified another interesting gravity feature to the north-east of the Joma mine that does not appear to have been previously tested.

## Next Steps

Drake is eager to return to Granmuren and explore for depth and lateral extensions to the mineralisation. A drilling program commenced 19th April.

In the Megrund area of Espedalen, the company has planned a follow up geophysics program to identify targets for subsequent drilling and later in the year Drake would also like to return to Joma to pursue the gravity targets.



Figure One: Drake has a considerable portfolio of assets across Scandinavia.

## Capital Raising

On the back of its robust strategic plan, Drake secured a private placement of 9,165,588 shares to raise \$779,000 before raising costs at \$0.085 to sophisticated investors. The bulk of the funds will be dedicated to immediate follow up drilling at Granmuren to explore for lateral and depth extensions and for working capital.

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## For further information, please contact:

**Mr Jason Stirbinskis**  
CEO, Drake Resources  
+61 (0)8 6141 3585  
info@drakeresources.com.au

**Ms Barbara Pesel**  
Media & Investor, Pesel & Carr  
+61 (0)3 9036 6900  
barbara.pesel@peselandcarr.com.au

**Competent Persons Statement**

*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 is a director of Drake and consents to the inclusion in the Announcement 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.*

**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.*

*Rule 5.3*

# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

**DRAKE RESOURCES LIMITED**

ABN

**12 108 560 069**

Quarter ended ("current quarter")

**31 March 2013**

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 Months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	13	26
1.2	Payments for: (a) exploration & evaluation	(649)	(2,790)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(242)	(528)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	6	42
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - Payments for alliance exploration, net of contributions	(77)	526
<b>Net Operating Cash Flows</b>		<b>(949)</b>	<b>(2,694)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(6)	(24)
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	(100)	(100)
<b>Net Investing Cash Flows</b>		<b>(106)</b>	<b>(124)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,055)</b>	<b>(2,818)</b>

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

1.13	Total operating and investing cash flows (brought forward)	<b>(1055)</b>	<b>(2,818)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc. net of costs	730	1,448
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>730</b>	<b>1,448</b>
	<b>Net increase (decrease) in cash held</b>	<b>(325)</b>	<b>(1,370)</b>
1.20	Cash at beginning of quarter/year to date	1,533	2,608
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>1,208</b>	<b>1,208</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 \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	155
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 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

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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

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### Financing facilities available

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

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

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	555
4.2 Development	-
4.3 Production	-
4.4 Administration	275
<b>Total</b>	<b>830</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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	708	926
5.2 Deposits at call	500	607
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,208</b>	<b>1,533</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	-			
6.2 Interests in mining tenements acquired or increased	-			



**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>	104,040,588	104,040,588		
7.4 Changes during quarter				
(a) Increases through issues	9,165,588	9,165,588		
(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>	650,000 400,000 570,000 7,000,000 1,000,000 500,000		<u>Exercise price</u> \$0.30 \$0.30 \$0.72 \$0.585 \$0.70 \$1.20	<u>Expiry date</u> 24 Apr 2013 23 Dec 2014 31 Mar 2016 30 Jun 2013 30 Jun 2013 30 Jun 2013
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:

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Director and Company Secretary

Dated: 22 April 2013

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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