

# Drake Resources Limited

## Quarterly Activity Report June 2008

### HIGHLIGHTS

- **Drake Resources Ltd and Zinifex Ltd base metal alliance now has eighteen target-specific exploration joint ventures sole-funded by Zinifex**
- **Exploration programs continue in Zinifex-Drake joint venture areas in Sweden**
  - **The construction of a 3D model for the historic, world-class Falun copper-zinc mine is now well advanced**
  - **A detailed airborne electromagnetic survey for the Falun and Bersbo Project Areas has been completed**
    - **The Zinifex geophysicist is currently interpreting the data**
  - **Re-assays of drill core in the Rogsån area, within the Falun Project Area, has identified a substantial area of copper and zinc mineralisation**
  - **The integrated geological interpretations of the Falun, Bersbo and Doverstorp Projects Areas is being used to generate targets**
  - **The Alliance has acquired the right to earn an 80% interest in the Grönhög exploration licence, along strike from the Bersbo copper-zinc mine held by the joint venture**
- **Four further projects in Sweden are being explored with Alliance funds**
- **The Drake-Zinifex Alliance now has a total of one joint venture and four licence applications in northern Queensland.**
- **The Alliance has commenced its activities into Finland**
- **Rex Minerals Ltd has taken over management of the Mt Carrington Project, NSW**
- **Three future potential gold resources at Mt Palmer have been identified by previous exploration and mining**
  - **Drill follow-up of high grade values intersected along strike from the New Lode has been limited, and potential for additional high grade ore remains**



### *Drake exploration regions*

Drake Resources Ltd projects in Sweden and Australia have advanced considerably in the quarter, particularly those in joint venture with Zinifex Ltd. A major, detailed airborne geophysical survey has been completed in Sweden, Zinifex has set up a base in the country, and the two companies have continued to build the portfolio with quality projects.

## **DRAKE-ZINIFEX ALLIANCE – PROJECT GENERATION**

Drake Resources Ltd and Zinifex Australia Ltd have an alliance to seek out zinc exploration and development opportunities in several of the most prospective areas around the world. Drake is 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, to generate high quality exploration and development opportunities.

Eighteen specific target proposals put forward by Drake have been accepted by Zinifex in Sweden and Australia, and have been acquired by the Alliance. These have become 50:50 exploration joint ventures within the Alliance, initially sole-funded by Zinifex. Field programmes on nine of these have commenced in the current northern summer.

Several further targets are under consideration in Australia, Sweden and Canada, and a number of areas of interest are being discussed with third parties.

### **Alliance-funded properties – Skommer and Ruda**

Preliminary exploration of the Skommer and Ruda base metal properties in northern Sweden is funded by the Alliance. If this work is successful both properties will be considered by the Alliance to become Drake-Zinifex Joint Ventures.

Programmes of glacial till sampling have been completed to facilitate the assessment of the properties. The initial assay data of the till samples is encouraging and further programmes of sampling is planned for this year's field season.

Access is currently being discussed with landowners to carry out the second phase of sampling at both locations.

### **Finland**

The Drake-Zinifex Alliance has commenced the evaluation of opportunities in the zinc-, copper- and nickel belts of southern and central Sweden. The region is host to several current and historic base metal mines, including Outokumpu, Kotalahti, Vammala, Pyhasalmi and Vihanti.

The Alliance is in the process of a major phase of data acquisition and interpretation. Field reconnaissance and follow up of initial targets will be carried out in the next quarter.

## **DRAKE-ZINIFEX BASE METAL JOINT VENTURES - SWEDEN**

Zinifex has taken over management of the joint ventures in Sweden, and established an exploration base in the regional city of Falun. Zinifex now has a regional manager in place at Falun.

The Alliance's joint ventures in Sweden occur in the major Bergslagen base metal province of central Sweden. The province contains two of the largest base metal mines in Europe, Zinkgruvan and Garpenberg, The province also contains the Falun copper-zinc-gold mine, which closed in 1992, and is now held by the Drake-Zinifex Joint Venture

### **The VTEM airborne electromagnetic survey**

The major, detailed airborne electromagnetics survey over ten of the Drake-Zinifex licence areas in Sweden has now been completed. This survey used the state-of-the-art helicopter-borne time-domain VTEM system.

The contract area was 2,983 line kilometres covering 270 square kilometres.

These licence areas cover:

- The Falun copper-zinc mine, and prospective rocks in the Falun belt
- The prospective belt immediately north of Falun
- The area surrounding the historic Bersbo mine.



Location of the airborne surveys at Falun and Bersbo

Airborne electromagnetic (EM) methods are a powerful group of exploration techniques used by mineral resource companies in the search for base and precious metal-bearing, massive sulphide deposits. EM techniques have been highly successful in directly identifying commercial deposits of metals on most continents.

The VTEM data are now being interpreted by the Zinifex geophysicist.

**The Falun Project**

Falun 100 covers the historic, world-class Falun copper mine which operated for over 1300 years until its recent closure in 1992. During the 17<sup>th</sup> and 18<sup>th</sup> centuries Falun was the world’s largest copper mine, producing two-thirds of the world’s copper.

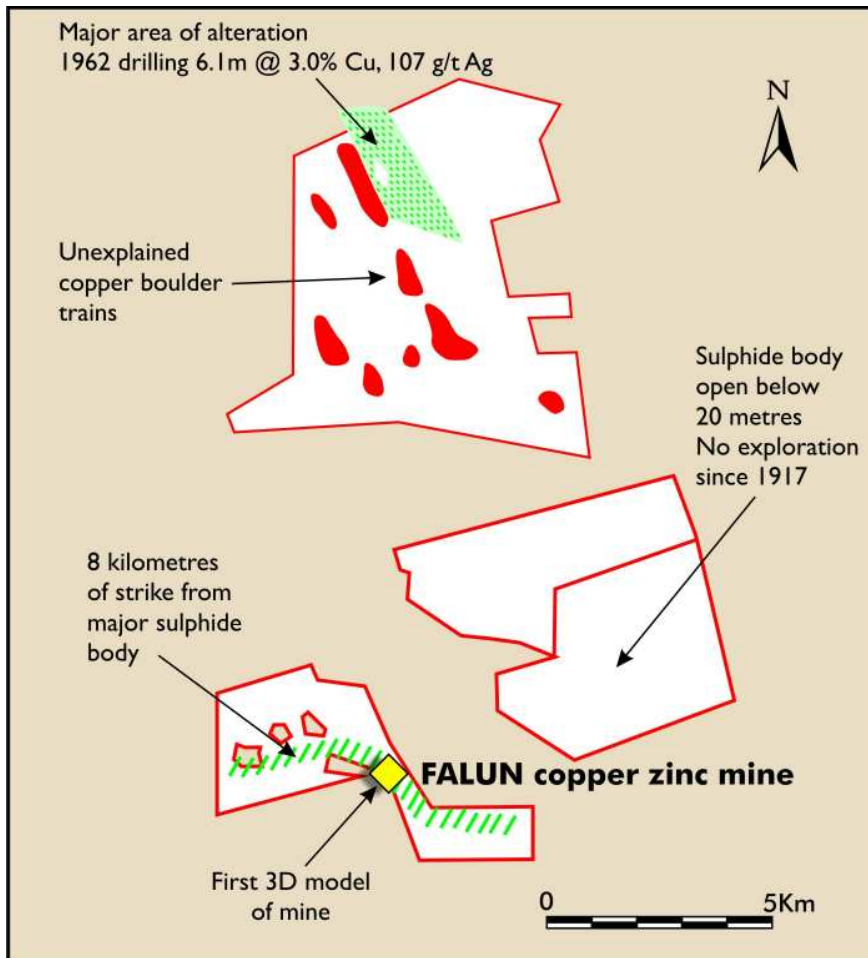
Whilst best known as a major copper producer, Falun was also Sweden’s largest gold mine and the second largest silver mine.



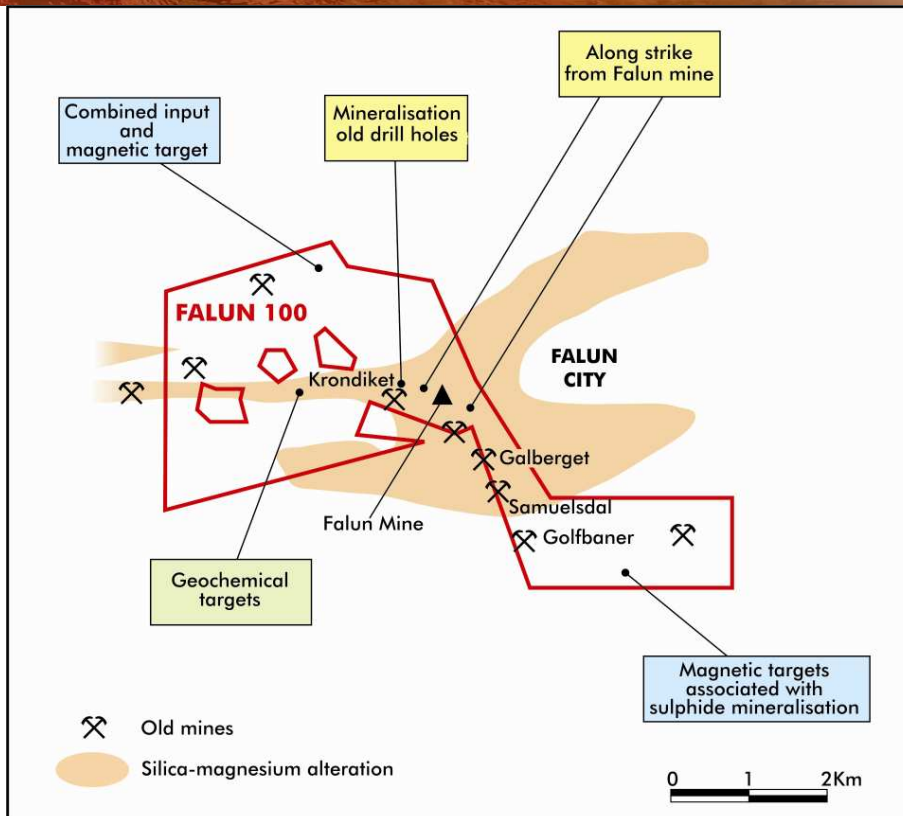
Sweden - Falun Location Map

Detailed geological mapping of the licence and surrounding area was completed in the 2007 northern summer. This fieldwork has been integrated with an overall interpretation of the area by the Drake/Zinifex specialist

consultants. The results of this work have been received from the consultants, and now being integrated into this field season's programme.



*The Falun Project exploration licences and immediate targets*



*Existing targets within the Falun 100 licence; the Falun mine is marked with a black triangle*

It is anticipated that the new geology and geophysics will lead to drill targets for testing in the coming northern summer.

### The Falun copper-zinc mine

Drake and Zinifex consider that copper, zinc and gold ores remain within and around the historic Falun Mine. The companies have put in place a programme to assess the economic potential of remaining ore and new orebodies that have yet to be identified.

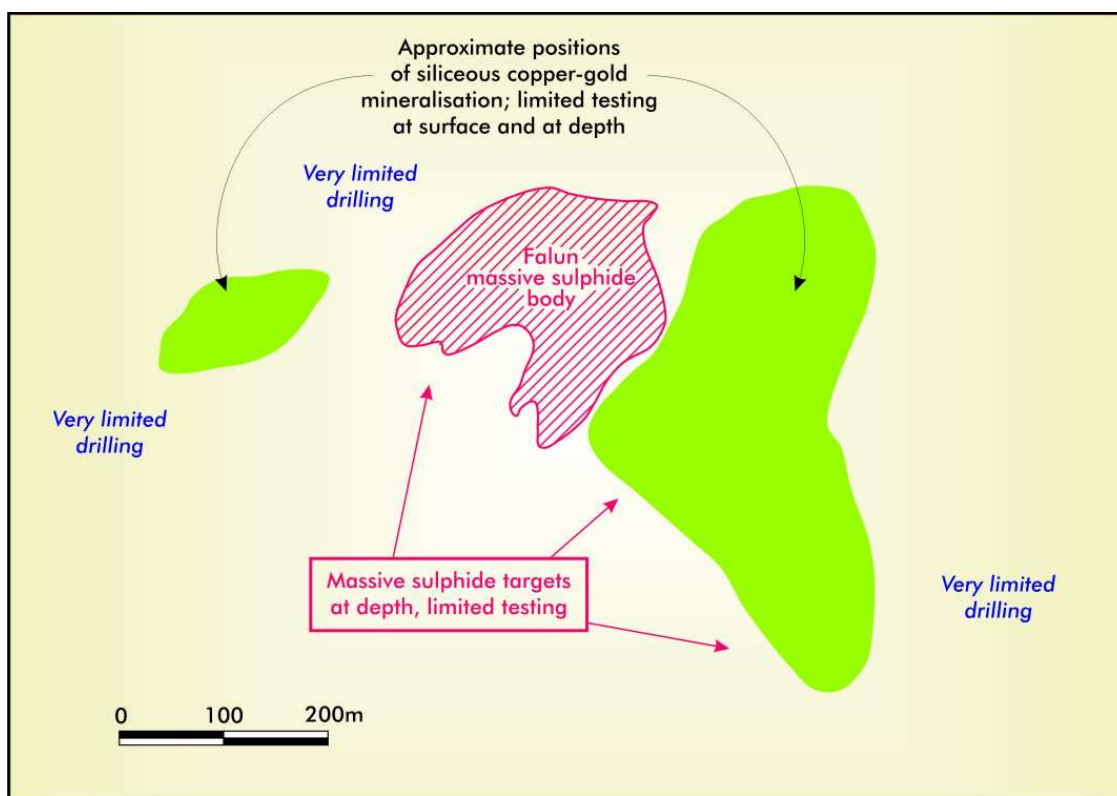
The main elements of this programme include:

1. The acquisition of all level plans and sections through the existing mine workings; many of these plans and sections have been previously scanned and registered for use in Geographic Information Systems by the Swedish Geological Survey
2. Digitising the drill hole logs and establishing a drill hole database for use in section plotting
3. Locating, logging and sampling the existing drill core for the Falun mine area
4. Building a three-dimensional model for the mine and its immediate vicinity based on the plans and drill logs

Work on the first phase of the 3D model is nearing completion. All level plans and sections have been put into the model. The main mineralisation types and the key geological units have been linked between the sections and level plans.

All of the existing 1400 drill holes for the mine area have been digitised into a database. It is believed that this is the first time that a digital drill hole database has been established for the mine. The drill holes have now been entered into the model, and give the first indications of what areas have been tested, and where mineralisation has been found, in three dimensions.

In addition the joint venture now has the capability to plot the drill holes as sections and in levels through the mine area.

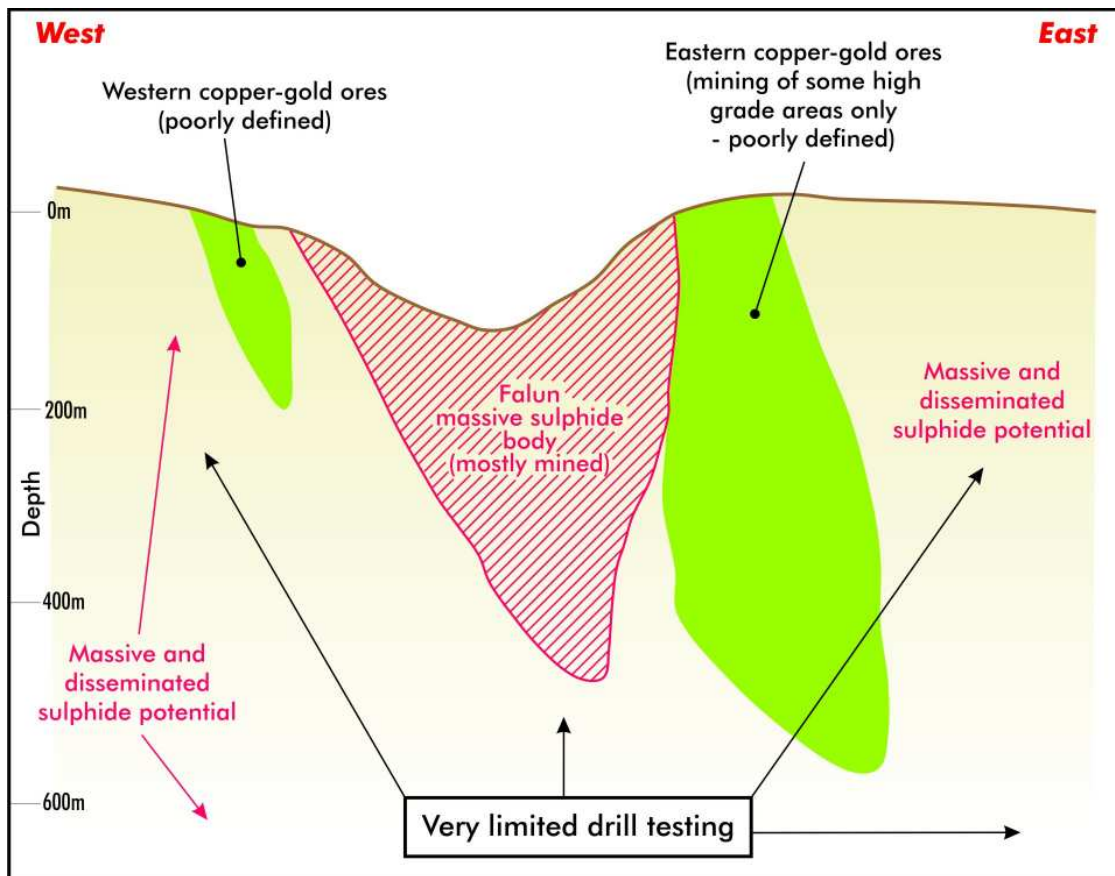


**Falun Copper-Zinc Deposit - Within Mine Exploration Targets**

This work is in its early stages, but is demonstrating that a large area of mineralisation has been identified immediately east of the previously mined Falun massive sulphide, copper-zinc-gold deposit. This mineralisation extends from surface to at least 550 metres depth. High grade, siliceous copper-gold mineralisation and gold veins have been mined within this area, but the extent and continuity of this mineralisation has yet to be determined.

Similar mineralisation occurs to the west of the massive sulphide body, but has received very limited drill testing.

Massive copper-silver and zinc-copper-lead-gold mineralisation has been identified at depth along strike from the massive sulphide lens, but again there has been limited testing of this material. The immediate prospective horizon is considered to extend for 8 kilometres through the Drake-Zinifex licence.



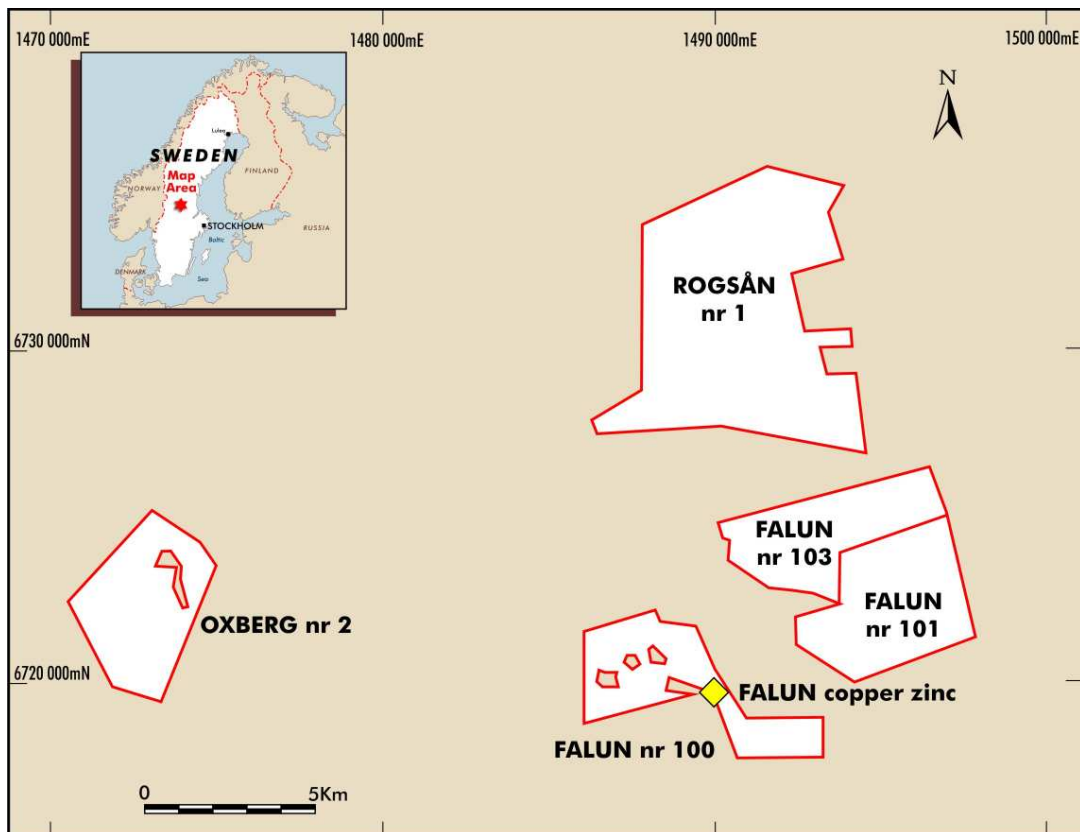
**Falun Copper-Zinc Deposit - Immediate Exploration Targets**

### Rogsån Exploration Licence

Rogsån is part of Drake-Zinifex’s portfolio of properties around the mining centre of Falun. The licence is characterised by:

- the same prospective host-rock package as that at the nearby Falun copper mine
- several mineral occurrences, including six historic, small copper and zinc mines
- widespread silica-magnesia alteration of the type found at Falun
- a large district-wide copper-zinc geochemical anomaly around Falun
- an extensive series of copper boulder trains which indicate significant mineralisation in the bedrock scoured out and dispersed by glaciation.





*Location of the Rogsån licence relative to the other tenements of the Drake-Zinifex portfolio in the Falun Project*

Drake has carried out a programme of re-assays of recently accessed drill core from a drilling programme completed 46 years ago.

The copper, silver and zinc assays show several significant mineralised intercepts, including:

The drill hole intersections are as follows:

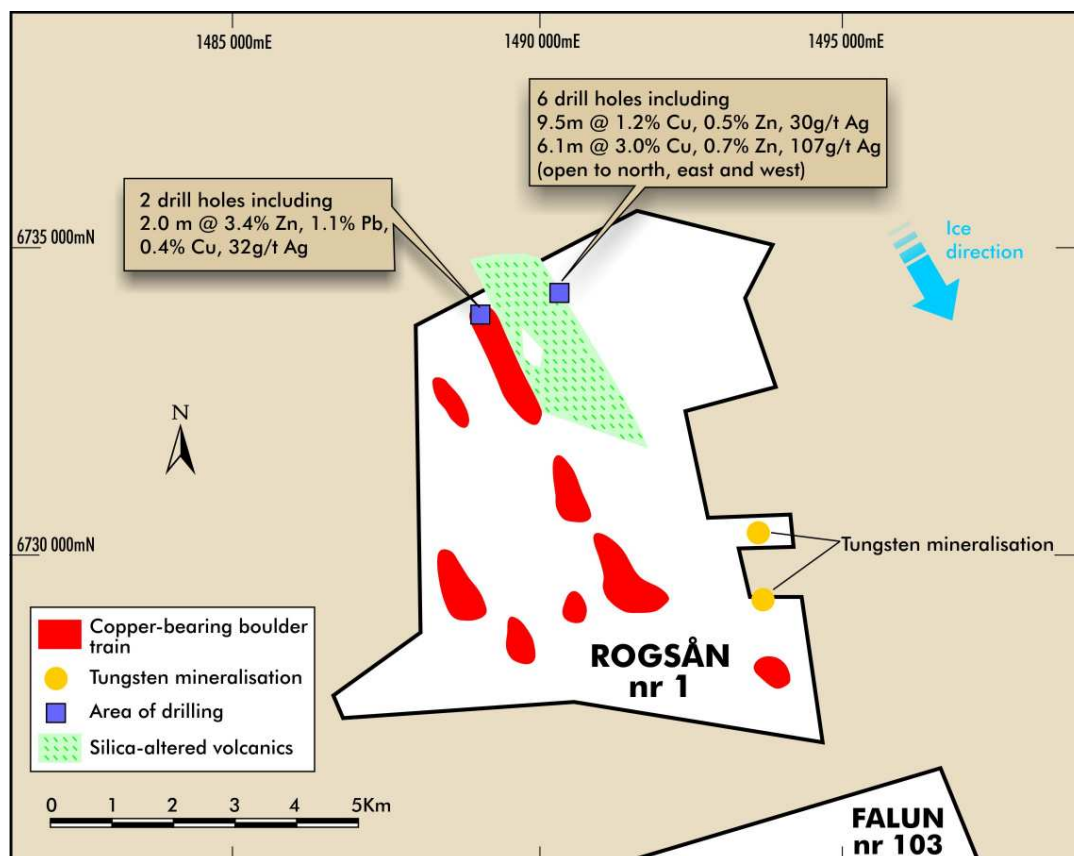
Hole No	From	Intersect	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)
Rogsån 001	21.0m	2.0m	0.4	1.1	3.4	32
Rogsån 005	20.5m	9.5m	1.2	0.1	0.5	30
Rogsån 006	6.1m	6.1m	3.0	0.3	0.7	107

Of particular interest are the assays of holes Rogsån 005 and 006, which are from a cluster of 6 holes within an area 200 metres by 130 metres. A further two of the six holes also have thin developments of copper mineralisation. The area of mineralisation is open to the east, north and west. Past drilling has only tested for shallow mineralisation, with the drill holes being between 29 and 72 metres in length.

The mineralised glacial boulder trains in the area demonstrate the potential of the area. Boulders containing between 0.5% and 3.8% copper have been found on the surface over a distance of 5 kilometres. Often referred to as a boulder train, the boulders have been transported by glacial action, and the source area is interpreted to lie within the northern part of the licence area. At this stage, it is not known whether the boulder trains are derived from a single bedrock source or multiple sources as they have only been tested by the two drill holes.

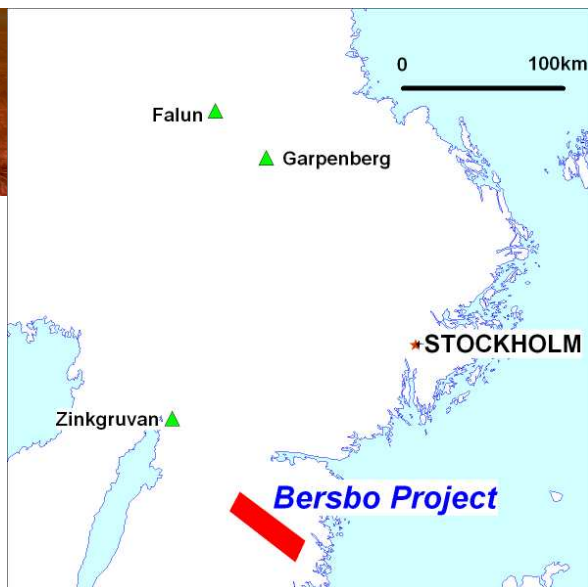
No reports for this exploration in 1962 are available. The joint venture has been discussing the project with a geological consultant who had worked on the project in the past.

The property also contains the Rostberget tungsten prospect, which was explored in the 1980s.



## Bersbo

The Drake-Zinifex Alliance now holds 240 square kilometres of the Bersbo massive sulphide bet.



The Alliance has now secured what it considers to be the most prospective parts of belt containing the historic Bersbo copper mine in Sweden. Despite Bersbo being the second largest historic copper mine in the Bergslagen Province, the belt has not attracted any modern exploration, and remains effectively unexplored.

*Bersbo Project area approximately 150 kilometres southwest of Stockholm; Major deposits of Bergslagen shown as green triangles*

The main focus of the Alliance exploration programme at Bersbo in 2008 will be to evaluate all nine licences and applications. A detailed airborne magnetics survey, and ground mapping and sampling, were completed in the 2007 field season. The programme is continuing in 2008 with the completion of an airborne electromagnetic survey in the first half of the year, further mapping and sampling, and shallow drilling to sample bedrock beneath the glacial till.

These new data will be integrated with existing data. The Alliance anticipates that a number of drill targets will be generated by this work for testing during in the northern summer.

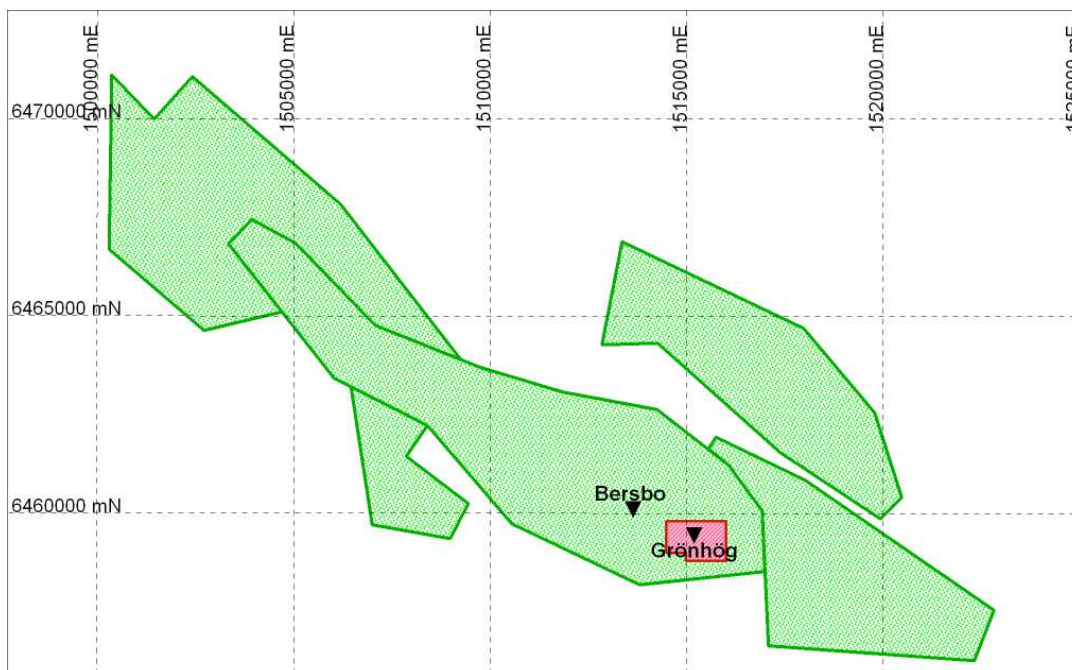
### **The Grönhög Prospect**

The Drake-Zinifex Alliance has reached agreement with Kopparberg Minerals SA (Kopparberg), a company listed on the Stockholm exchange, to earn an 80% participating interest in the Grönhög exploration licence in south-central Sweden.

The Alliance has agreed to the following terms to earn this interest in the Grönhög licence:

- A US\$20,000 cash payment upon signing an agreement
- A further expenditure of US\$130,000 for exploration within the licence

Grönhög is located within the larger Bersbo No. 2 licence, which is held by the Alliance. The licence contains the historic Grönhög base metal mine, which contained copper and zinc ore. This mine is located less than 2 kilometres southeast of the Alliance's Bersbo mine, which was historically the second largest copper producer in the Bergslagen province.



*Location of the Grönhög mine and exploration licence (red), and the surrounding Drake-Zinifex exploration licences (green); the grid squares are 5 by 5 kilometres*

The Grönhög base metal mineralised zone forms a shoot 50 metres long and 2-6 metres wide, plunging to a depth of 255 metres within a strongly folded sequence. The mine was essentially mined for copper; zinc held little value at the time.

A key factor in the exploration programme at Bersbo and Grönhög will be to determine how these mineralised zones are linked geologically. Gossans occur immediately along strike from the old shaft (see photo below), and geology, geophysics and shallow drilling will be used to find extensions of the prospective horizon

The Alliance will engage Kopperberg Minerals to drill approximately 70 shallow holes in the property to identify targets for deeper testing. Kopperberg is currently obtaining the necessary permits for this drilling.

## Doverstorp

The Alliance has a single exploration licence that contains the historic Doverstorp Mineral Field in the Bergslagen district of Sweden. The licence is 23 square kilometres in area.

Doverstorp is located 45 kilometres southeast of Lundin Mining Corporation's Zinkgruvan zinc-lead-silver mine near Askersund, southern Sweden. Zinkgruvan has been in production continuously since 1857. It is the largest underground zinc mine in Sweden, and is amongst world's the lowest cost producers.

The Alliance has now received a detailed geological interpretation of the Doverstorp area from its consultants. The interpretation is based on the detailed airborne magnetics and geological mapping completed in 2007.

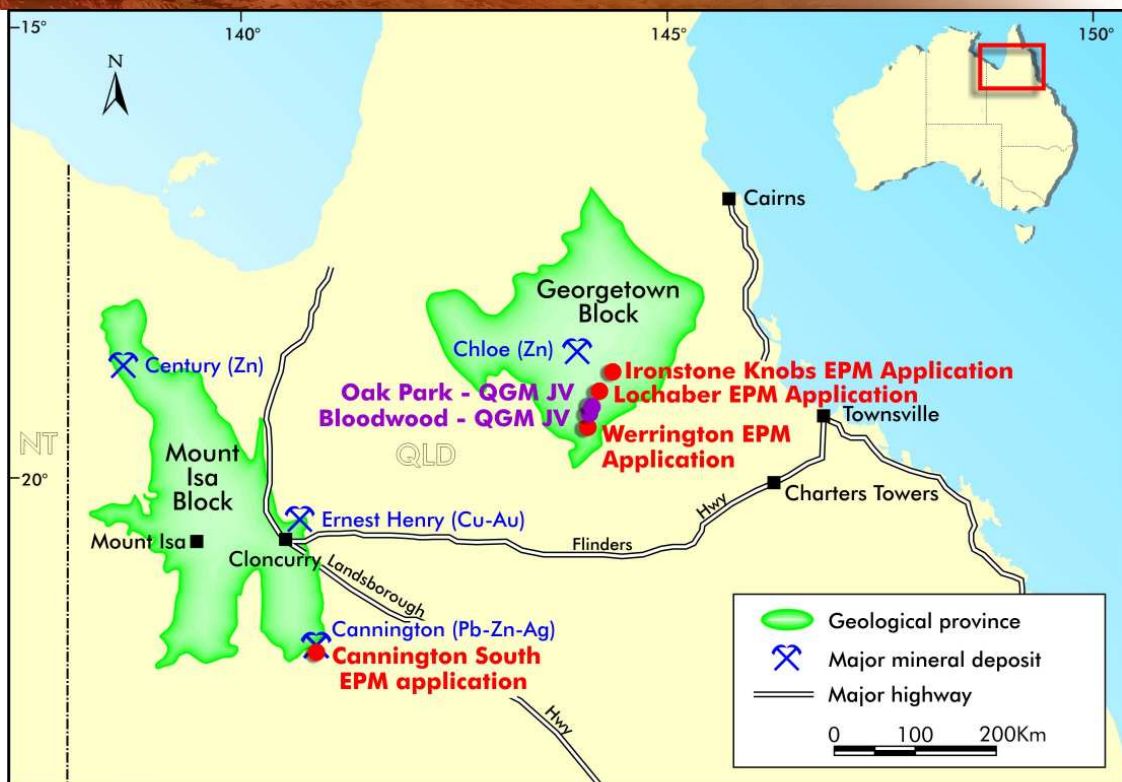
## **DRAKE-ZINIFEX BASE METAL JOINT VENTURES - AUSTRALIA**

The Drake-Zinifex Alliance has now a total of one joint venture and five licence applications in northern Queensland. These comprise:

1. The previously announced joint venture with Queensland Gold and Minerals at Oak Park, plus three licence applications
  - a. These tenements cover 616 square kilometres of prospective stratigraphy
2. One licence application in the Cannington area, Mt Isa district (61 square kilometres)

Drake and Zinifex are building a substantial land holding in the Georgetown Block. This district contains Copperstrike's emerging Chloe copper-zinc deposit and other prospects: Chloe (1.82Mt @ 5.12% Zn, 2.23% Pb, 42g/t Ag & 0.25% Cu), Einasleigh copper (0.83Mt @ 3.0% Cu, 0.13g/t Au & 14g/t Ag), the Kaiser Bill deposit (13.4Mt @ 0.83% Cu, 0.13g/t Au & 6g/t Ag).

This district is considered geologically to be the eastward extension of the Mt Isa region, and is only separated from Mt Isa by sediments of the Great Artesian Basin. Consequently Drake and Zinifex are searching for equivalents of the large and very profitable Cannington silver-lead-zinc deposit operated by BHP Billiton, and the presence of deposits such as Chloe are confirmation of the potential of the Georgetown district.



**Location Plan, Drake - Zinifex Projects**

## **MT CARRINGTON SILVER-GOLD, NEW SOUTH WALES**

Drake has granted an option to Rex Minerals Limited (Rex) to purchase all of its interests in the Mt Carrington gold-silver project in northern NSW. These interests include Drake's option to purchase a 90% participating interest in 22 mining and related leases from Virotec International PLC (Virotec), Drake's 90% interest in EL 6273 with Cazaly Resources Ltd (Cazaly), and its 100% interests in ELs 6452 and 6453. Drake's agreement with Rex follows lengthy discussions involving all four companies with a view to restructuring the project for advanced-stage exploration and resource assessment.

Mt Carrington is an epithermal gold-silver system. The project was mined by Mt Carrington Mines Ltd in the late 1980s, and lay dormant until Drake acquired its option over the leases in 2005.

Drake completed a focussed programme of data acquisition, processing and interpretation. This was followed by detailed structural mapping, and reverse circulation drilling of targets in the gold, silver and supergene copper systems. This work confirmed the presence of a gold-silver resource and Drake concluded that a major exploration and development programme would be required to progress the project.

## MT PALMER GOLD, WA

The Palmer's Find group of workings has a recorded production of 156,000 ounces of gold from 310,000 tonnes of ore mined during the period 1935 to 1949. The ore was mined predominantly from the Main and East Lodes

Three future potential gold resources at Mt Palmer have been identified by previous exploration and mining:

### The quartz lodes

Four zones of interest have been identified by Drake as having potential to host high grade mineralisation similar to that exploited by historic mining:

- The northern strike extension of the Main and East lodes
- The southern strike extension of all lodes beneath a large area covered by mine tailings.
- A potential fifth shear structure to the east of the East Lode
- Along strike of New Lode in both directions.

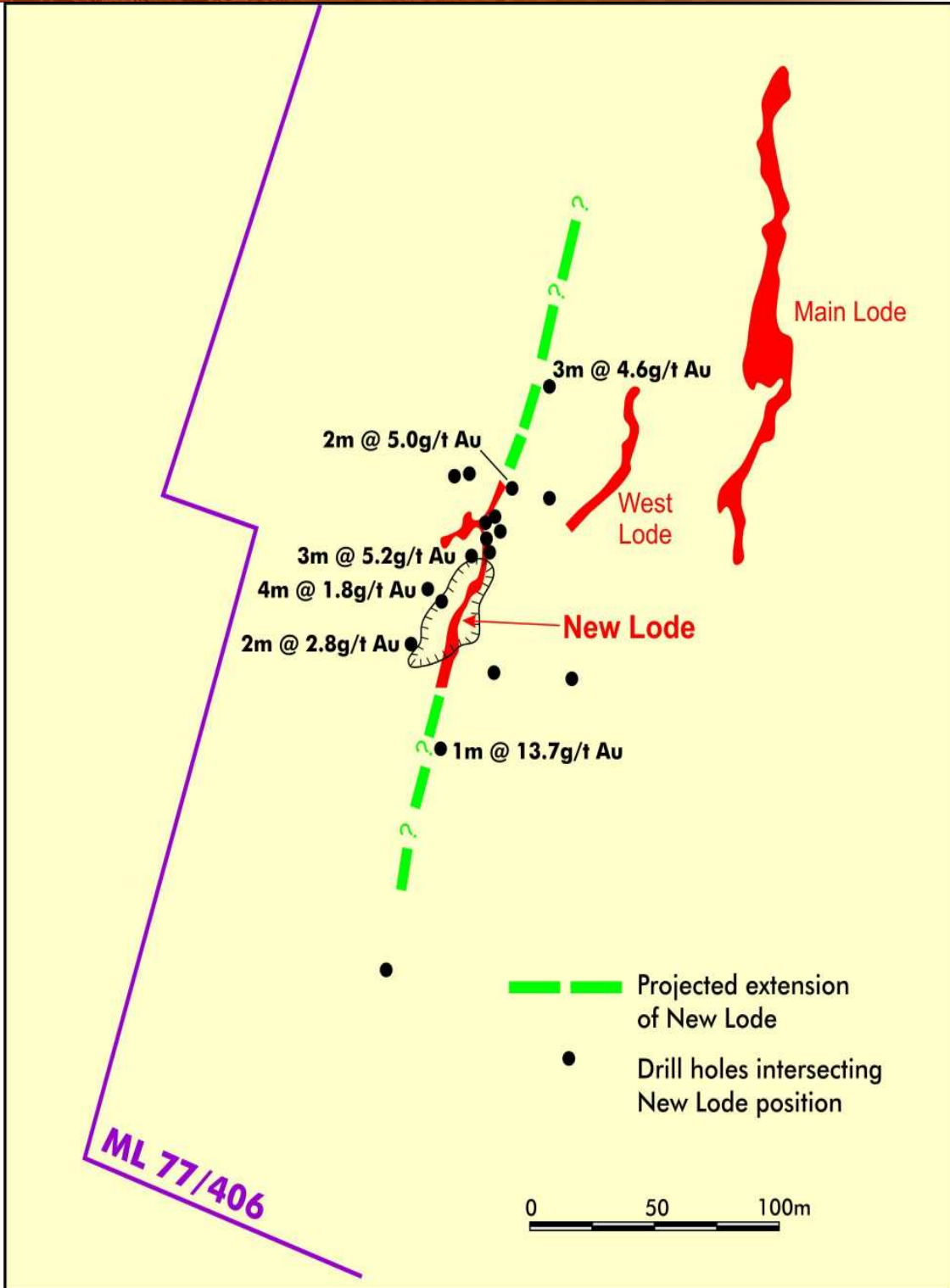
Work in the previous period has focused on the identification of targets for drill testing for these extensions.

The New Lode consists of two parallel lodes some 10 metres apart, which have been interpreted to form an anticlinal fold closure close to the present day land surface. Both lodes dip to the west at approximately 80 degrees, and have a known strike length of between 15 and 40 metres. The fold is interpreted to plunge to the north.

The New Lode has been poorly tested at depth. RAB hole RAB39 passed through the mineralised position, but intersected pegmatite between 12 and 28 metres. The base of this pegmatite, at 26-27 metres, gave 0.52 g/t Au.

To the south of the pit RAB hole RAB 31 intersected 1 metre at 13.7 g/t Au, indicating that the mineralised structure continues for at least 20 metres to the south.

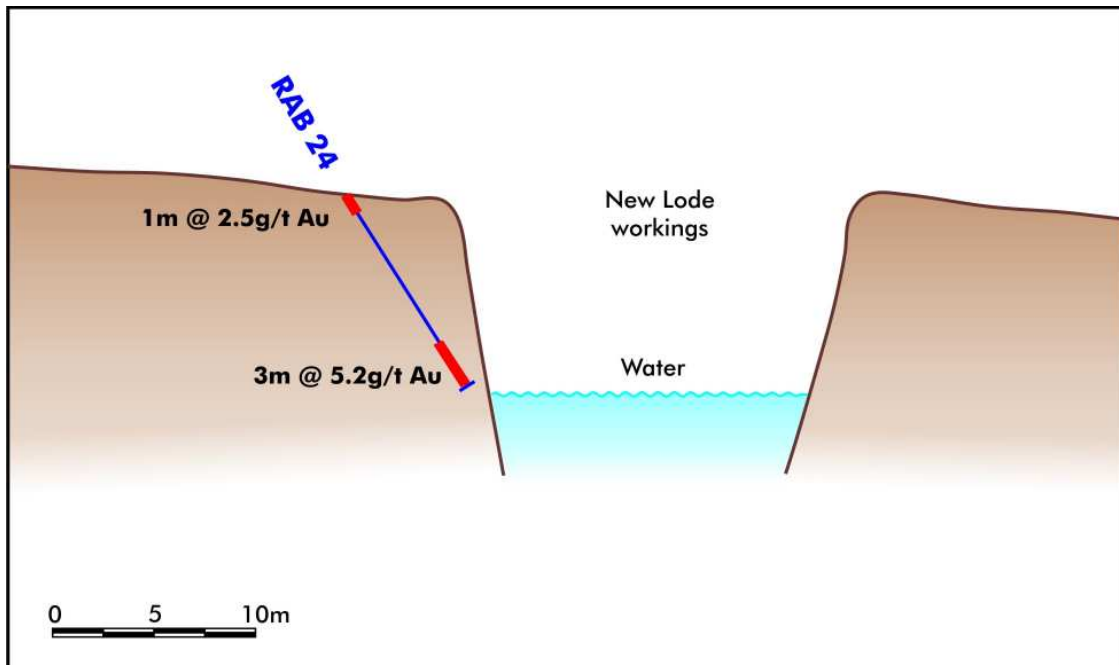
To the north of the New Lode pit a shallow intersection of 3 metres at 5.2 g/t Au occurs immediately north of the pit wall. The next significant intersection is in hole RC6, 40 metres north of the pit, which intersected 2 metres at 5.0 g/t Au, plus an old stope, at 22 metres depth.



**ML 77/406 - Plan of New Lode Position**



A further 40 metres north of the pit drill hole RAB 43 intersected 3 metres at 4.6 g/t Au in the same position.

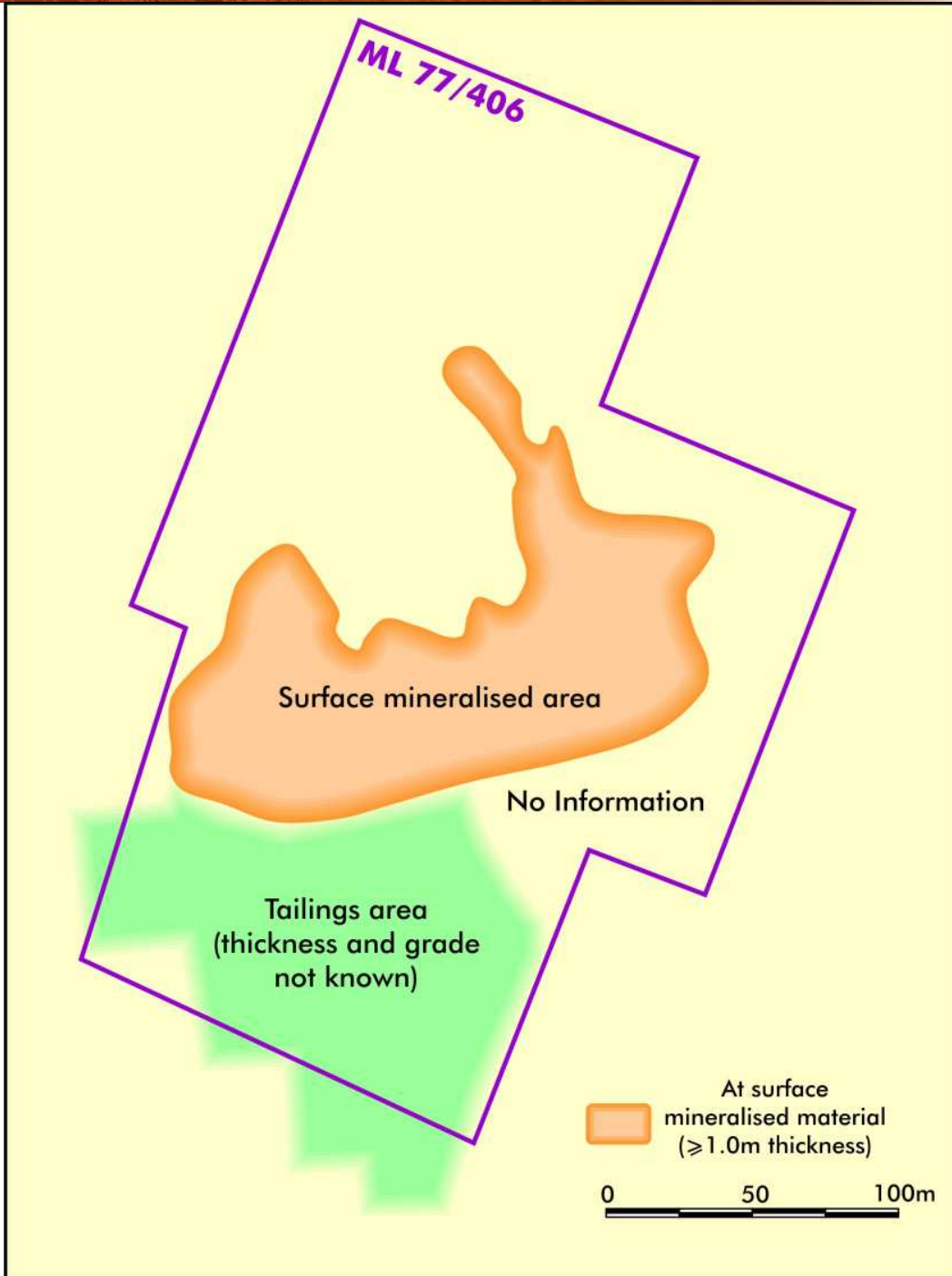


**Section through north end of pit**

At surface mineralised material

Several exploration groups have previously considered the potential of the gold contained in the waste dumps, and in alluvial and colluvial material around the old mine workings.

Assays of the top few metres of RAB and RC holes in the mine area have indicated that there is a substantial area containing mineralised material at surface.



**Mt Palmer mineralised material at surface**

### Potential ore within the Mt Palmer mine

A reported parcel of remnant ore at Mt Palmer has encouraged Drake to assess the possibility of re-opening the Mt Palmer mine. Drake continues to hold discussions with companies interested in assessing this opportunity.

*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 is a member of the Australian Institute of Geoscientists, and 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.*