

**31 January 2006**

Drake Resources Limited (ASX Code – DRK)

**Quarterly Activity Report -December 2005**

**Highlights**

**Mt Carrington gold-silver-base metal project**

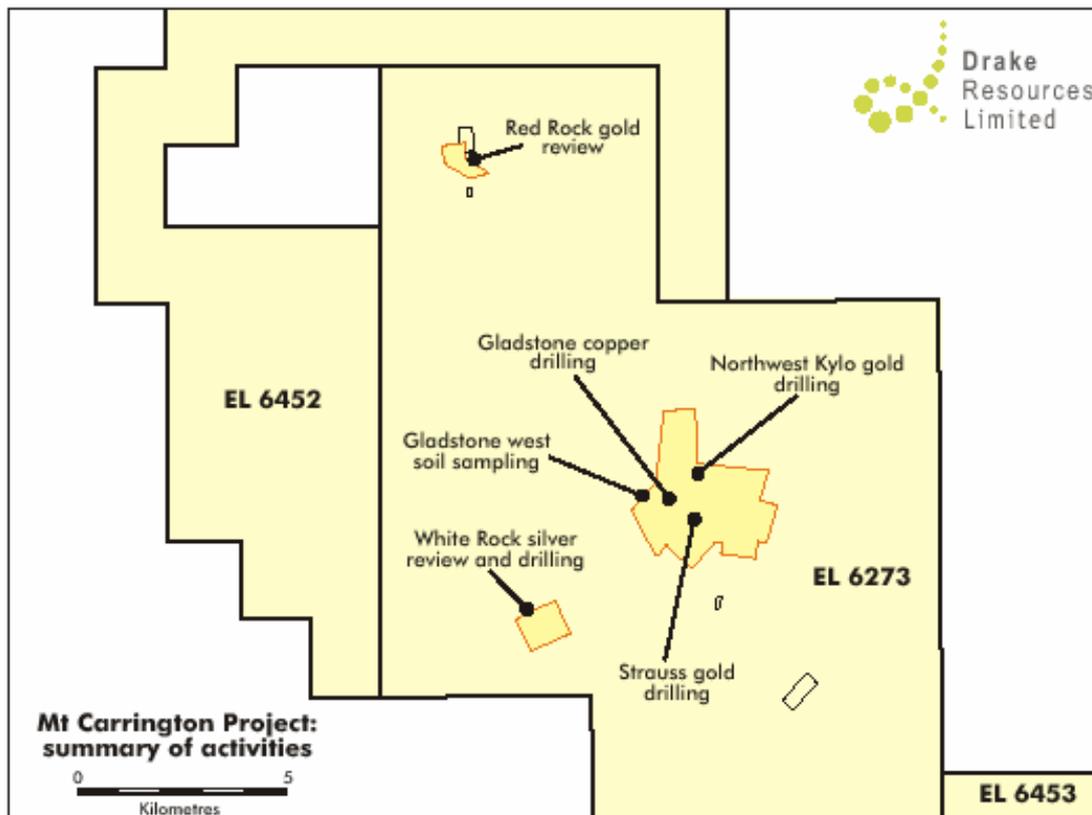
- The drilling program completed in the December quarter has indicated the potential for increasing the size and grade of the Mt Carrington gold resources
- Results from angled drilling at the Strauss gold deposit support the suggestion this is more appropriate drill orientation for resource evaluation than previous vertical drilling
  - Drill hole DP19 gave an intersection of 20m @ 6.2 g/t Au whereas adjacent vertical holes gave 2-4 g/t Au
- Drilling under past resources indicates that mineralisation at potentially economic grades and thicknesses exist below the 30-40 metre depth previously tested
- New fieldwork has indicated that existing gold and silver resources in other target areas such as Red Rock and White Rock have been inadequately tested
- Gold at Strauss is accompanied by approximately 2 % zinc, which has the potential to provide metal credits under certain ore processing options
- Drilling of supergene copper targets has extended the zone of known higher grade copper at Gladstone

**Mexico**

- Drake has commenced a program of project identification and acquisition in north-central Mexico

## MT CARRINGTON MINES LEASES (Drake Resources option to purchase 90%)

Drake Resources 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. A 13 hole drilling program, geological reconnaissance, soil sampling and metallurgical test work were completed in the quarter.



### Drilling program

Drake Resources has encountered high-grade gold mineralisation in and below the Strauss deposit at its Mt Carrington property. The higher grades of the angled drill holes Drake Resources has completed, plus those of the only previous angle hole, suggest a potential for significantly improving the grade of the Strauss deposit resources. The Mt Carrington gold and silver resources comprise JORC-compliant inferred resources of 146,000 ounces of gold and 4.6 million ounces of silver.

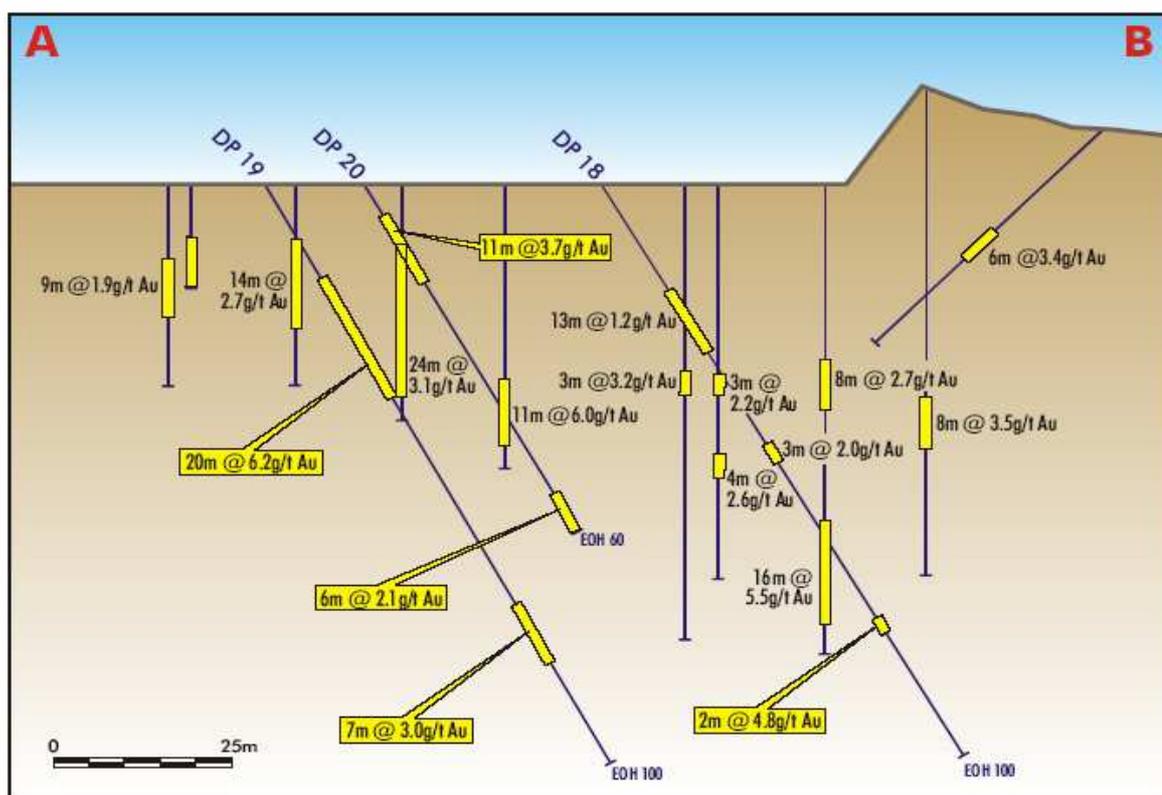
Drake Resources has drilled three holes into and below the known resources at the Strauss deposit, one of four gold areas mined by Mt Carrington Mines in the late 1980s. The Strauss Fissure Lode, a high-grade structure through the MCM pit, was one of the original workings at Drake in the 1800s. Previous drilling at the deposit had been mainly vertical.

This is now considered an inappropriate test of the mineralisation which generally has a sub-vertical orientation in the existing pit.

The following intersections were obtained on Section 10230N, along strike from the Strauss Fissure Lode adit. All intersections given are uncut grades.

- DP19: **20m @ 6.2 g/t Au from 17m depth**, including 3m @ 29.6 g/t Au from 19m
- DP19: **7m @ 3.0 g/t Au from 76m depth**
- DP20: **11m @ 3.8 g/t Au from 6m depth**, including 3.4m @ 6.1 g/t Au
- DP20: **6m @ 2.1 g/t Au from 54m to bottom of hole**

Mineralisation in drill hole DP20 began at surface, but no sample was collected for the top 5.7m of the hole.



**Mt Carrington Project  
New Gold Intersections on Section 10230N. Strauss Deposit**

Gold mineralisation in previous vertical drilling on this section in drill holes PST036, PST037 and PST038 averaged 3.6 g/t, using a 1.0 g/t Au cut-off. The mineralised

intersections in the new Drake angled drilling on the same drill section have an average grade of 5.3 g/t Au.

The average grade of the Strauss deposit in the inferred resource estimate by Kanowna Lights in 2002 was 3.65 g/t Au. This is similar to the average of mineralised intersections in the vertical drilling on Section 10230N.

One previous angle hole at Strauss, CD003, drilled by Newmont over 30 years ago, gave an intersection of 54m at 5.5 g/t Au (uncut). The grades in CD003 are similar to the average grade of intersections in the angled drill holes recently completed by Drake Resources. CD003 was drilled 50m along strike to the north-east from Section 10230N.

The 3D modelling of the deposit suggests the mineralisation extends below past drilling. Two of the three drill holes were 100m in length, or 88m vertically below the surface. Most past drilling ceased 35m below the old pit floor and no drilling extended below 50m vertically.

The intersection of 7m @ 3.0 g/t Au from 76m downhole confirms that the mineralisation extends well below past drilling and opens up the potential for a significant resource increase at Strauss (see section).

Much of the early drilling at Mt Carrington has not been assayed for base metals. It has therefore been difficult to obtain a grade for the copper and zinc in the Mt Carrington resources and an estimate of the potential value of these metals as by-products of any gold or silver production.

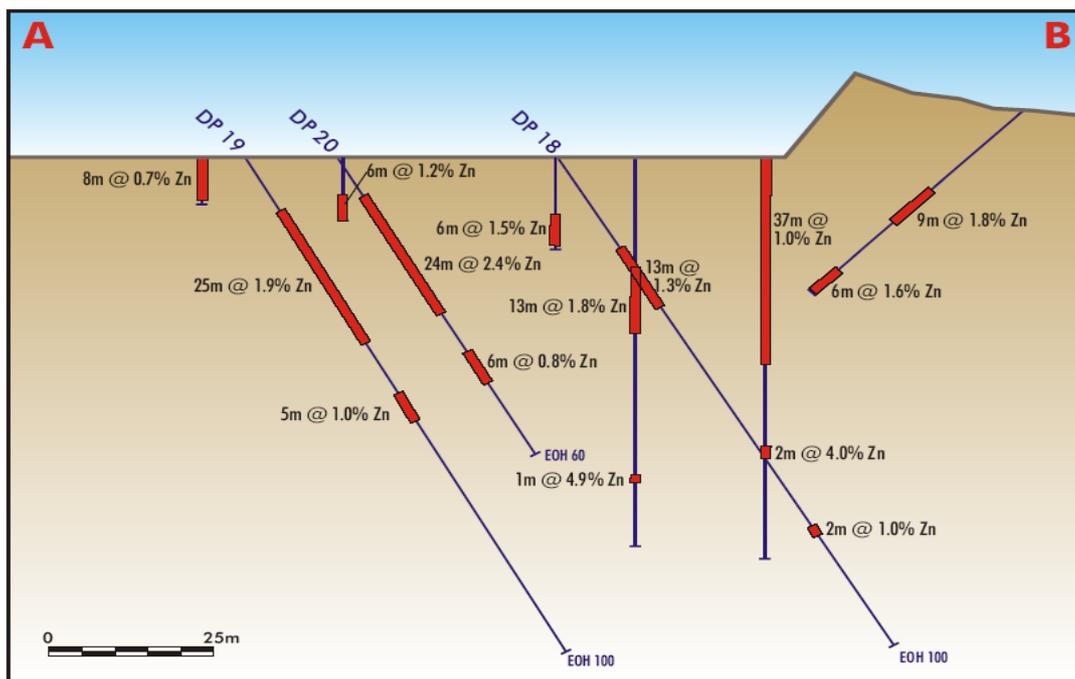
The recently completed drilling program has emphasised the potentially valuable levels of zinc in the resources. The previously reported gold intersections on Drill Section 10230N contain the following levels of zinc:

- DP19: 20m @ 6.2 g/t Au and 2.03% Zn from 17m depth including 2m @ 9.1% Zn
- DP20: 11m @ 3.8 g/t Au and 3.93% Zn from 6m depth

These intersections are contained within broader zones of zinc mineralisation in these two drill holes, namely:

- DP19: 25m @ 1.9% Zn from 12m depth
- DP20: 24m @ 2.4% Zn from 6m depth

While these grades are too low for a zinc-alone project, by-product zinc has the potential to add value to potential ore processing options for a project at Mt Carrington.



**Mt Carrington Project  
Zinc Intersections on Section 10230N. Strauss Deposit**

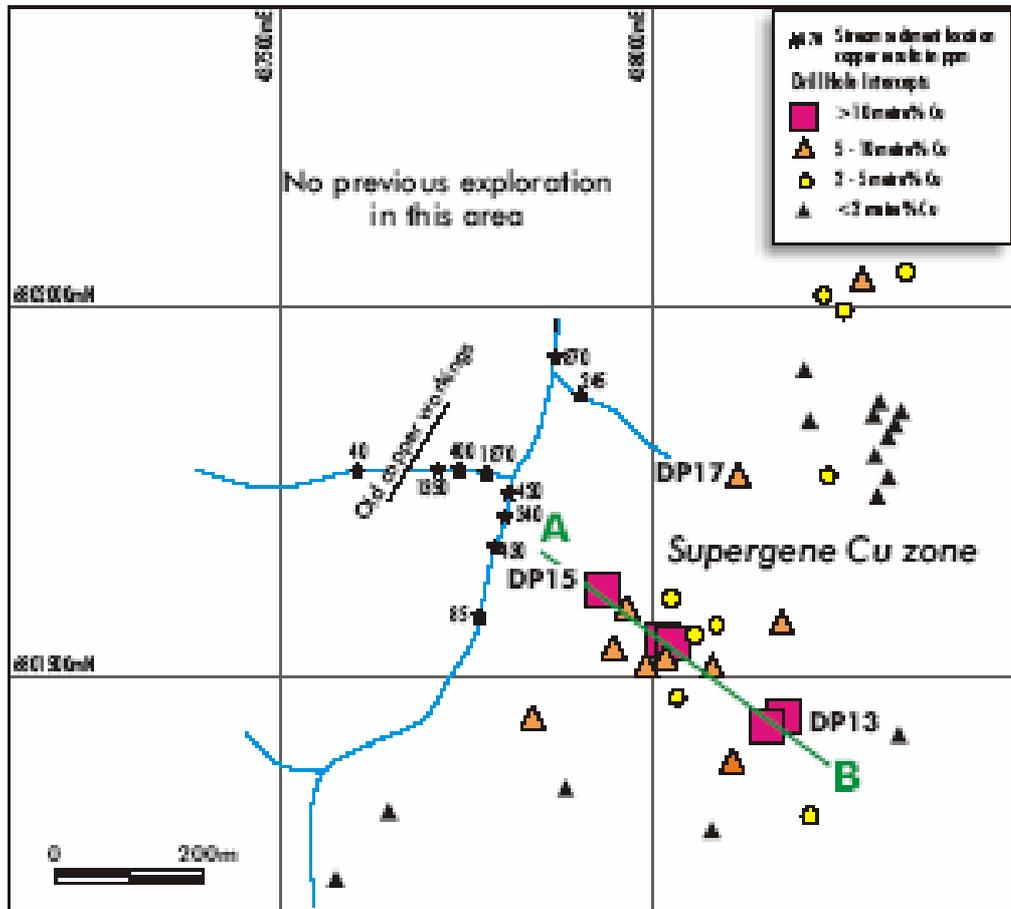
### Supergene copper

Drake Resources has encountered encouraging copper intersections during early drilling at the Gladstone prospect in north-eastern NSW. Gladstone is one of three supergene copper prospects identified within the Mt Carrington mining leases around the Mt Carrington gold-silver project.

The company has completed an initial five-hole drilling program as a preliminary test of the copper mineralisation encountered during previous drilling in the area.

Previous drilling by CRA had yielded several significant near-surface copper intersections including 49.6m of 1.4% Cu, 36m of 1.4% Cu and 18m of 1.05% Cu. Two of Drake Resources' new drill holes also encountered significant copper intersections.

Hole DP15, located north-west of previous drilling at Gladstone, intersected 20m of 0.70% Cu from 42m depth downhole. This hole was angled towards the north-west at 60°. The 20m intersection in this hole is interpreted to be the down slope continuation of the chalcocite blanket mineralisation intersected 50m to the east in MCP856 (18m @ 1.05% Cu), and confirms the extension of the Gladstone copper mineralisation to the north-west.



**Gladstone - North West Kyla Area.  
Plan Showing Supergene Copper Intercepts and Stream Sediment Geochemistry**

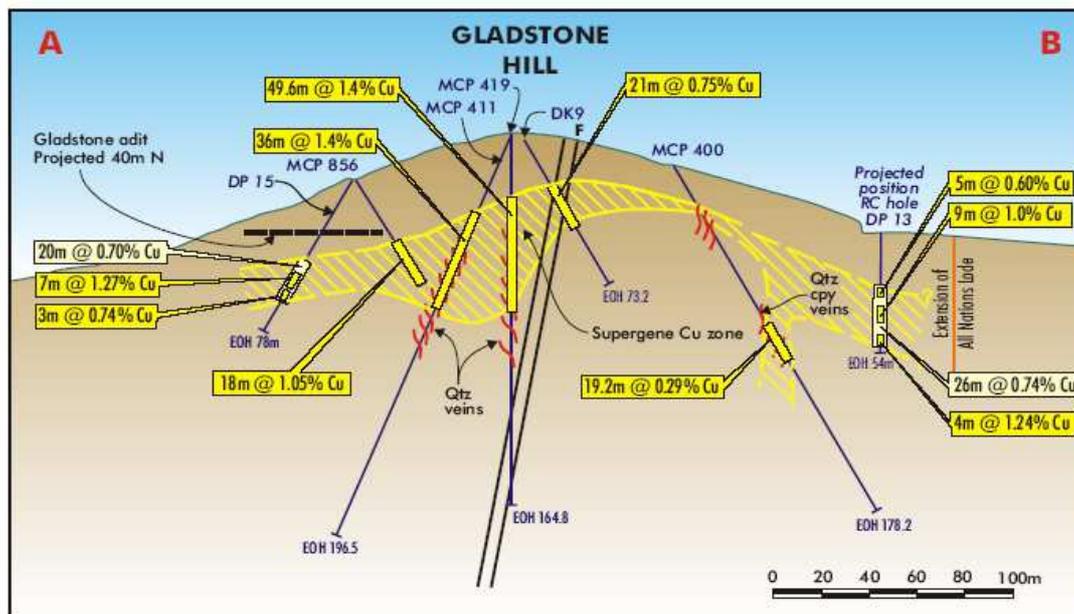
The company has now confirmed that the mineralisation extends into a north-east/south-west-trending induced polarisation anomaly to the west of Gladstone identified by Aberfoyle in the early 1980s. This IP anomaly has not been drill tested.

Approximately 200m west of the collar of DP15 are strongly copper-anomalous stream sediment samples collected by Aberfoyle. Old mine workings are in this area. These copper anomalies have not yet been drill tested.

A second drill hole DP13, located south-east of the main Gladstone prospect, contained an interval of 26m of 0.74% Cu from 24m depth. DP13 was intended to test a copper intersection of 24m @ 0.88% Cu from 30m depth in an existing hole MCP 867. The hole successfully confirmed the presence of supergene mineralisation in this area and the intersection it encountered is of similar thickness, grade and depth below surface to the mineralisation in MCP867.

The mineralisation is along strike and adjacent to an extension of the All Nations copper lode.

Hole DP17 was drilled 200 metres north-east of the Gladstone prospect to test a soil anomaly of 380 ppm Cu. This hole intersected 17m @ 0.37% Cu from surface. Although the copper grade in DP17 is lower than the main zones of interest at Gladstone, the presence of substantial intersections of supergene copper indicates potential for additional higher grade zones in this area and further to the north-east and north-west.



**Gladstone Hill Cross Section Showing Supergene Copper Intercepts**

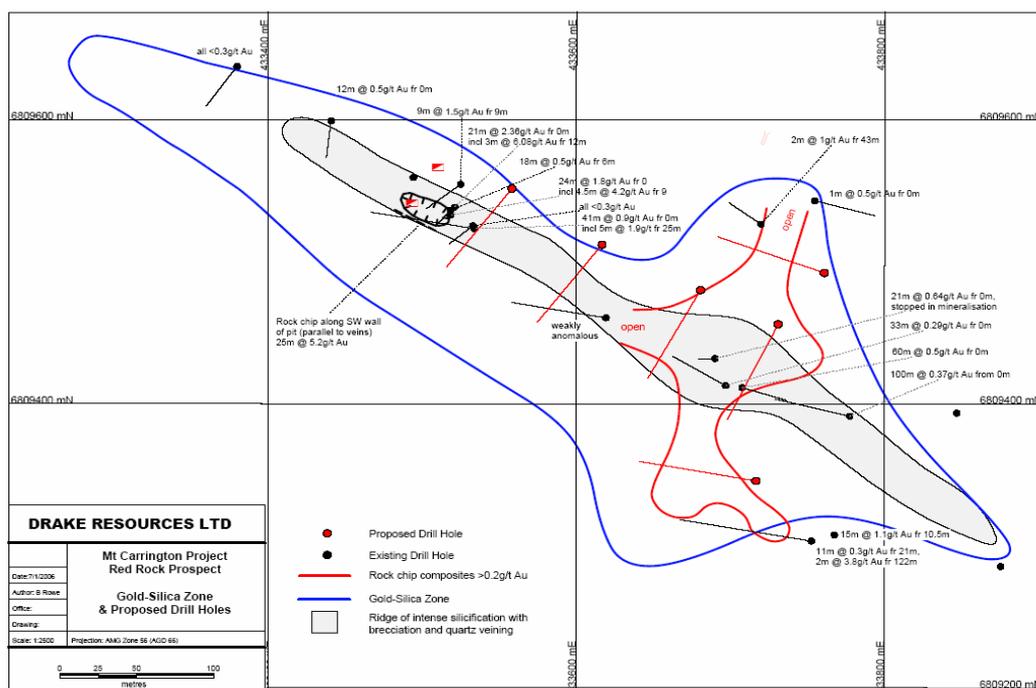
The supergene copper mineralisation extends for at least 900m north of Gladstone into, and has been largely untested by drilling.

A soil geochemistry program has been completed between Gladstone and the line of old copper workings to the northwest to help determine the continuity of mineralisation in that direction. Assay results are awaited for these samples.

## Red Rock Prospect

The Red Rock prospect is an area of historic gold-silver-zinc-copper mining. Modern exploration in the area by Aberfoyle and CRA Exploration (Rio Tinto) has focused both on the potential for extensions to the high-grade silver-gold-zinc-rich fissure vein lodes exploited by historic mining and on the potential for bulk tonnage silver mineralisation. The area has been systematically explored using standard surface exploration techniques such as geological mapping, soil and rock chip geochemical surveys and IP and magnetic geophysical surveys.

Most of the previous holes on the prospect were drilled around Main Shaft and Deadman's Adit. A small silver resource of 180,000t at 66g/t Ag and 0.9g/t Au was calculated by Aberfoyle in 1983. Exploration conducted at Red Rock during the late 1980s to mid- 1990s focused on the gold potential of the area. A large zone of anomalous gold in soil geochemistry was identified and found to coincide with a broad area of silicification.



### **Existing and proposed drill holes at the Red Rock Prospect**

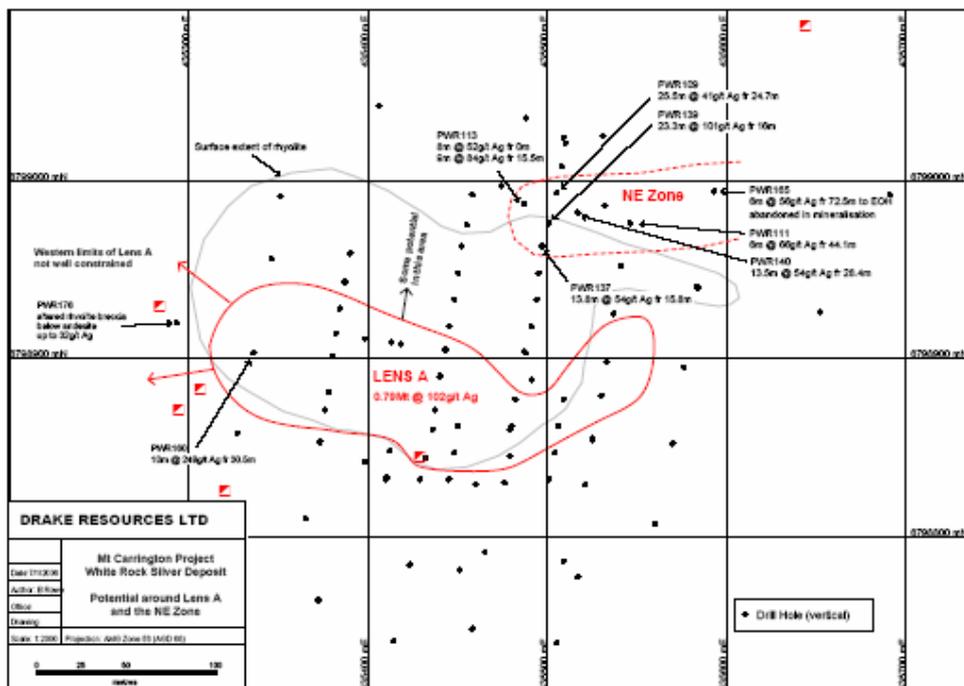
Several holes have been drilled into this zone, intersecting broad zones of weak to moderate gold mineralisation (eg. RED010: 100m @ 0.37g/t Au). Previous drilling has not targeted the centre of the gold-soil anomalies and silicification, and there is some evidence to suggest that the orientation of the previous holes was sub-parallel to one of the gold bearing vein sets. This is illustrated by the elongate nature of the silicified ridge on the map above, and the orientation of the majority of drill holes parallel to this.

Red Rock represents a high priority drill target.

**White Rock Prospect**

The White Rock prospect comprises a significant silver deposit hosted within a strongly veined and silicified rhyolite breccia. Mineralisation is widespread within the rhyolite but is best developed on or near the contacts of the rhyolite with the andesitic country rock. The rhyolite crops out over an area of 200x100m and dips at a moderate to low angle in most directions.

The lower rhyolite contact has only been intersected over a small area in the south-eastern corner, where it dips to the north at moderate to low angles. Exploration over the surrounding area has been limited to geological mapping and surface geochemical surveys. There is potential to increase the White Rock resource and a number of targets have been identified and described.



**White Rock Lens A is open to the west**

The mineralised rhyolite intrusive has not been well tested away from the resource area, particularly where it is obscured by overlying andesite. Wide-spaced drilling has shown that the rhyolite is widespread in the subsurface. Soil geochemical surveys have highlighted two anomalies that are also associated with rhyolite intrusives and these have not been extensively tested.

### Metallurgical test work

Three samples from the Strauss drilling have been submitted to Metcon Laboratories for gold leach test work.

### Safety

There were no lost time injuries during the quarter.

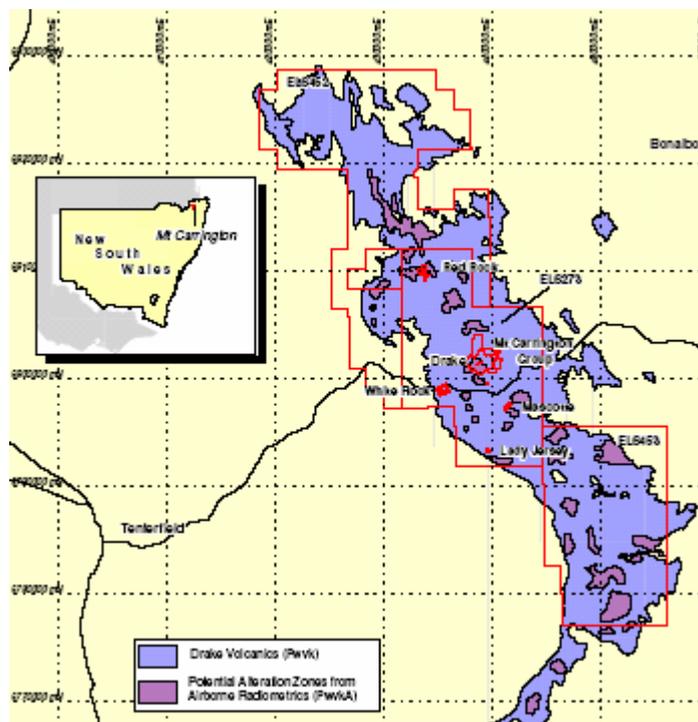
### Environment

Drill sites and access tracks to these sites were prepared in accordance with New South Wales Department of Primary Industry and Forestry specifications. A contract is in place to fully rehabilitate these sites when drilling has been completed.

### Exploration Licences

**EL6273 (Drake Resources 90%),**

**ELs 6452 and 6453 (Drake Resources 100%)**



### **Drake Resources' tenements in the Mt Carrington district**

Ministerial approval to approach surface landowners is expected in the next quarter.

## MEXICO PROGRAM (DRAKE RESOURCES 100%)

Drake Resources has begun a program to identify and acquire projects in Mexico.

Mexico is one of the world's major mining countries. It has exceptional deposits of copper, zinc and silver, and has an emerging gold mining industry. Mexico is the world's largest silver producer (99 million ounces in 2004), and has a recorded production of approximately 10 billion ounces.



**Mineral deposits in north-central Mexico**

Drake Resources holds a significant silver resource at its Mt Carrington Project in New South Wales, which contains JORC compliant inferred resource of 4.6 million ounces of silver within a large global resource. Drake Resources plans to build its silver resources both at Mt Carrington and in its new venture in Mexico.

Drake Resources has selected Mexico for several reasons:

- The country has over 400 years of mining history
- The government is very supportive of mining and has active programs to support exploration at federal and state levels
- Mexico is considered a low sovereign risk country, ranked fifth on the Behre Dolbear ranking of countries for mining investment after Australia, Canada, Chile and the USA
- Mexico has exceptional infrastructure to support mining, including transport both within the country and to the USA, and in mineral processing facilities such as zinc and copper refineries

- Mexico's people are very supportive of mining as the industry provides the opportunity for economic development in rural communities
- Mining staff are well trained at all levels
- The country has favourable fiscal policies, and is a member of NAFTA
- Mining law allows for 100% foreign participation in projects

Drake Resources considers Mexico to be relatively under-explored. A new mining law was only put in place in 1992, and there has been limited modern exploration since then. In particular there has been little exploration under cover, except for the Sonora porphyry belt, and Drake Resources will apply its experience from Australia and elsewhere in this respect.

Drake Resources is making full use of the new digital data sets that have become available only since the decline of exploration in the late 1990s. It has re-compiled the digital geology to enable better identification of key units, structures and geological associations. Direct targeting information is being obtained from purchased mineral occurrence data sets, geochemistry and alteration mapping. The Drake Resources' team has used its very extensive experience and skills to identify target areas for pegging.

The techniques being used have been applied by Drake Resources' personnel previously in Mexico and elsewhere in the world, and have led to the discovery of ore. The program in Mexico offers Drake Resources an opportunity for exploration success in a region where these techniques have had limited application previously.

### **ALTONA PROJECT (DRAKE RESOURCES 100%)**

Drake Resources is still waiting the granting of the Altona Project exploration licence applications.

### **NEW OPPORTUNITIES**

Drake Resources continues to evaluate new opportunities for growing the company. In the past quarter the company has evaluated iron ore, uranium, gold, silver, copper and molybdenum opportunities but has taken no action on these opportunities.

### **Dr Robert Beeson Managing Director**

*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 to qualify 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.*