

Drake Resources Limited

Quarterly Activity Report December 2006

HIGHLIGHTS

- **Drake Zinifex alliance applies for tenements in Sweden**
- **Drake offers options to shareholders under entitlement prospectus dated 22 December 2006**
- **A detailed airborne magnetics survey has now been completed at Heron Well gold property in the Eastern Goldfields of Western Australia**

CORPORATE

ENTITLEMENT OFFER

On 22 December 2006, Drake announced a fully underwritten non-renounceable entitlement issue of one option for every two ordinary shares held by shareholders to raise \$156,250 before costs.

EXPLORATION

ZINC-SILVER ALLIANCE WITH ZINIFEX

In 2006 Drake Resources Ltd entered into an Alliance with Zinifex Australia Ltd to seek out zinc exploration and development opportunities in several prospective areas around the world. 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.

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.

During this quarter Drake Resources, as Manager of the Alliance, developed its plans and initiated investigations for base metals exploration in three continental regions: Scandinavia, Australia and North America. The main objective is to generate attractive exploration proposals leading to a portfolio of high-quality zinc Alliance exploration joint ventures. An experienced exploration team is now in place, and the program directions are set.

Scandinavia

The Alliance has made application for exploration licences in five areas in Sweden, four in the Bergslagen Province west of Stockholm, and one in the north of the country.

These applications include areas containing the two largest historic copper producing areas in the Bergslagen Province.

The Falun area

In Bergslagen Province two exploration licences contain the highly prospective, under-explored stratigraphy immediately along strike from the world-class Falun copper mine in Sweden.

Falun has been one of the major copper mines of the world. Production in the area commenced in the 13th Century, and in the 17th Century Falun supplied two-thirds of the world's copper. The Falun mineralisation is also rich in zinc and gold.

The previously mined Falun orebody is believed to have contained approximately 28 Mt of ore @ 2-4% Cu, 3-6% Zn and 2-4 g/t Au. The Falun deposit lays within a semi-continuous zone of base metal mineral occurrences and silica-magnesium alteration that trends over a distance of 20 kilometres. The Alliance has made application for the central, and what Drake considers the most prospective, ten-kilometre sector of this trend.

The Falun mine ceased production in 1992, after more than 700 years of continuous production. A tourist mine now operates at the site.

Assessment of historic records indicates that the area has not been subject to modern, deeply penetrating geophysical exploration. The geophysical methods used previously would at best only have detected very shallow conductors, within the top-most 50 metres in most areas. Nor has there been any modern geological mapping, particularly detailed structural mapping, which is a key exploration technique in such highly mineralised districts.



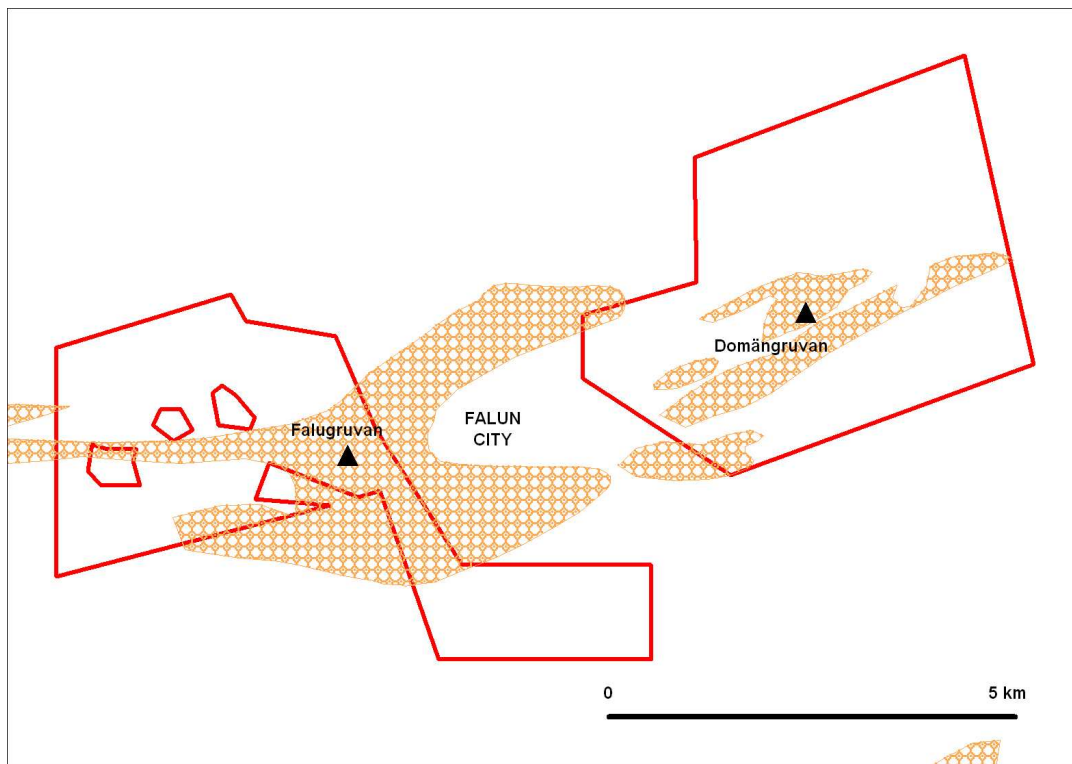


Application Falun 100 covers the area immediately around the old Falun mine. Although past records of exploration around the mine are incomplete, the area contains the along strike stratigraphy of the orebody, and is believed to have been only partly tested.

Application Falun 101 is the area immediately east of the Falun township. This application contains the Domängruvan massive sulphide occurrence, also the site of a historic mine that closed in 1917. Since then,

this area has been occupied by the Swedish military. This highly prospective zone has therefore not been subject to any exploration, including any drilling, for almost a century.

Sulphides at Domängruvan include pyrite, galena, chalcopyrite and pyrrhotite. The sulphides occur in a unit 5-10 metres in thickness as bands, stringers and disseminations.



Location of the Alliance exploration licence applications at Falun; the shaded area indicates the distribution of the prospective alteration zones mapped by the Sveriges Geologiska Undersökning

For many years, the Domängruvan area has been occupied by the Swedish Military, and so this highly prospective extension to the Falun mine sequence has not been subject to modern exploration or drilling.

Bersbo

Mining at Bersbo commenced at the beginning of the 13th Century, and continued to 1902, producing more than 30,000 tonnes of Cu between 1605 and 1902.

The applications cover most of the prospective Bersbo volcanic belt over a strike of 16 kilometres. In addition to Bersbo, this belt contains more than twenty other mineral occurrences and several untested geochemical anomalies.

Bersbo was a high-grade orebody. A report written in 1912, after the mine had closed, describes a 50,000t parcel of ore as having a grade of 20% Zn and 2% Cu. Three grab samples taken by Drake from the surface waste dumps give assays in the range 0.02 – 0.38% Cu and 0.31 – 7.09% Zn.

Mining records at Bersbo do not record any significant zinc production, suggesting that hitherto the zinc potential may not have been thoroughly evaluated.



Other regions

During the quarter, Drake initiated its programmes in Australia and North America. Opportunities are now being identified and assessed in these regions.

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

Drake is in advanced discussions with parties wishing to joint venture the Mining Leases and Exploration Licences at Mt Carrington.

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

Drake has now received Ministerial consent letters advising that it is free to explore EL 6273 surrounding the Mt Carrington Mining Leases. Programmes are being developed to initiate exploration.

Drake continues to evaluate the potential of the exploration licences for further epithermal style mineralisation similar to Mt Carrington, and for other styles of mineralisation occurring in the region.

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.

A detailed airborne magnetics survey has now been completed, and final data are awaited from the contractor. This survey will significantly improve the understanding of the geology under cover. Structural analysis of these data, combined with the results of last season's fieldwork, lead to the selection of additional drill targets.

These new targets, plus existing targets from the first phase of fieldwork, will be tested by drilling in 2007.

LAKE REBECCA, WESTERN AUSTRALIA (DRK 80%)

The Lake Rebecca Project comprises a single exploration licence in the Pinjin Region the Eastern Goldfields Province of the Archaean Yilgarn Craton of Western Australia. Gold mineralisation is thought to be spatially associated with the Pinjin Fault System.

The large data resource at Lake Rebecca is forming the basis for Drake's future programmes at Lake Rebecca. Drilling by previous explorers 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 initial programme at Lake Rebecca includes the flying of a detailed airborne magnetics survey to assist with the interpretation of data and to define targets for drilling.

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 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.