

Drake Resources Limited

Quarterly Activity Report December 2007

HIGHLIGHTS

- **The Drake Resources Ltd and Zinifex Ltd base metal alliance continues to build its property portfolio**
- **The number of target-specific exploration joint ventures sole-funded by Zinifex has increased to seventeen**
- **Exploration programs continue in Zinifex-Drake joint venture areas in Sweden**
 - **Integrated interpretations of the geology of the Falun, Bersbo and Doverstorp Projects Areas is being carried out by consultants**
 - **A detailed review of the existing mining and exploration data from the historic Falun mine has commenced**
 - **A detailed airborne electromagnetic survey is planned for the Falun and Bersbo Project Areas**
- **The Drake-Zinifex Alliance now has two joint ventures in Queensland**
- **Three further projects are being explored with Alliance funds**
- **Previous exploration data, and the new airborne magnetics data, are being interpreted to define drill targets within the Lake Rebecca exploration licence**



Drake exploration regions

DRAKE-ZINIFEX ALLIANCE – PROJECT GENERATION

Drake Resources Ltd and Zinifex Ltd have agreed to extend the successful base metal exploration Alliance until December 2008.

The Zinifex – Drake Alliance was established to identify high-quality zinc-lead-silver-copper targets within selected regions of Australia, Scandinavia, North America and southern Africa. Drake has a generative team with a unique understanding of target characteristics and wide-ranging knowledge and practical experience in the type terrains where the known deposits occur. Zinifex has the project evaluation, financing and mining skills to progress the projects generated by the Alliance.

The Alliance started in September 2006 with an initial budget of \$640,000 including a cash budget of \$400,000. With this funding, Drake, as Manager of the Alliance, has successfully generated fourteen projects as Drake-Zinifex exploration joint ventures to date.

To facilitate a continuation of this productive arrangement, the parties have approved a new budget of a further \$1.0 million for the period from September 2007 to 30 June 2008. This new budget is in addition to the initial budget, and is funded by cash and in kind contributions from each company in the same proportions as the initial budget.

The two companies have also agreed in principle to extend the term of the Alliance agreement for a further six-month period until the end of December 2008.

The seventeen specific target proposals put forward by Drake have all been accepted by Zinifex. These will become 50:50 exploration joint ventures within the Alliance, initially sole-funded by Zinifex. Field programmes on four (4) of these commenced in the previous northern summer.

Zinifex is now sole-fund the seventeen target-specific exploration joint ventures to a level of \$400,000 per target to earn a majority participating interest before Drake has to commit funds.

Several further targets are under consideration in Australia, Sweden and Canada.

Alliance-funded properties – Skommer and Ruda

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

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 summer field season.

DRAKE-ZINIFEX BASE METAL JOINT VENTURES - SWEDEN

Drake has been acting as Manager of the exploration joint ventures on behalf of the Alliance while Zinifex has established its support base in Sweden. From its exploration base in Falun, Drake is coordinating a comprehensive program of geological test work, structural geological mapping and geophysical surveys.

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

Falun 100

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



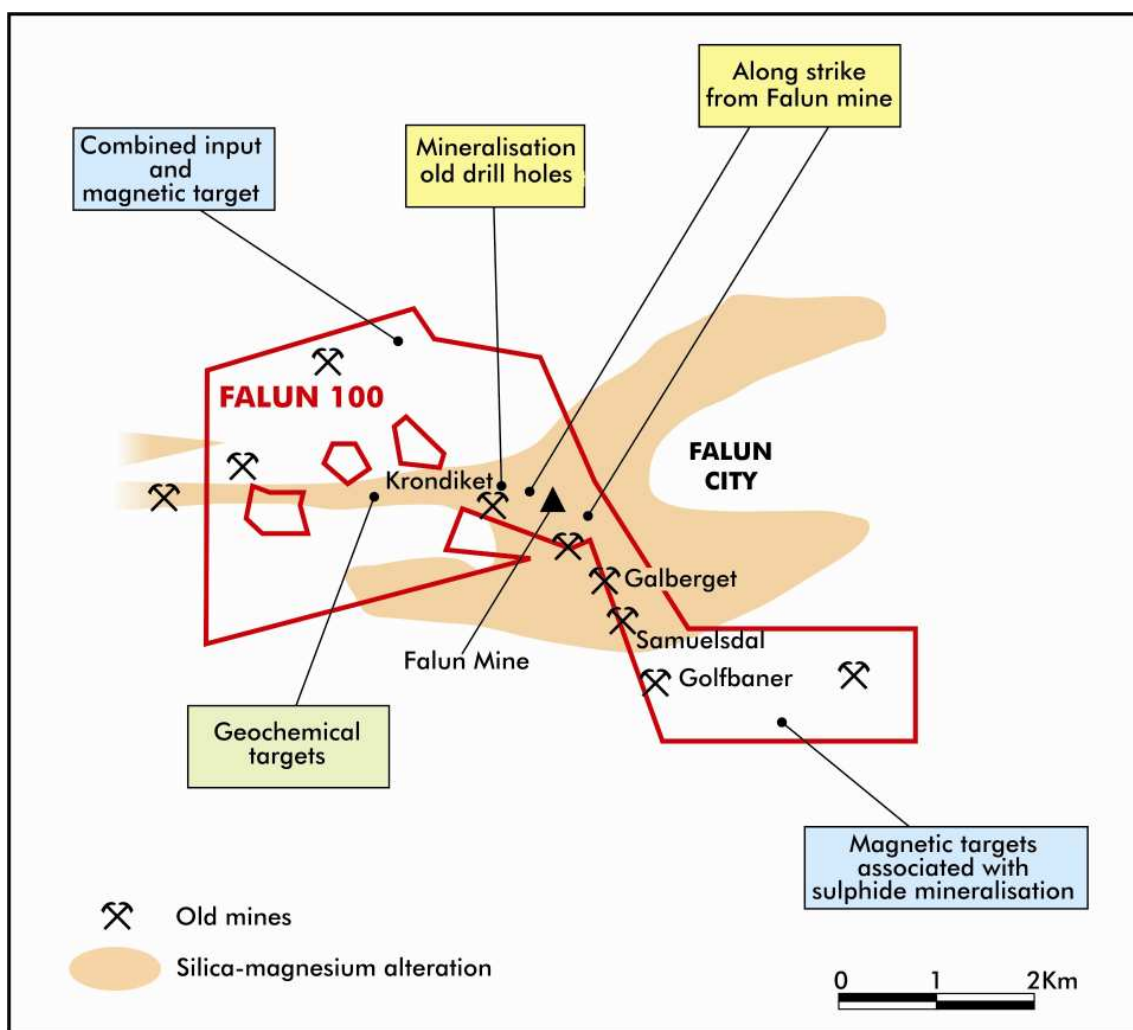
Sweden - Falun Location Map

Whilst best known as a major copper producer, Falun was also Sweden's largest gold mine and the second largest silver mine. During the 1980s annual production from the mine was approximately 200,000t of ore at an average grade of 6% Zn, 2%Pb and 0.5% Cu.

Drake and Zinifex are very encouraged by the potential of this exploration licence:

- The historic production testifies to the rich metal endowment of the area
- There has been little exploration beyond the immediate vicinity of the mine, virtually none using modern exploration methods or technology
- Geological insight and understanding of the styles of mineralisation has advanced since mine closure

Detailed geological mapping of the licence and surrounding area was completed in the 2007 northern summer. This fieldwork is now being integrated with an overall interpretation of the area by the Drake/Zinifex specialist consultants. The results of this work are anticipated in the first quarter of 2008.



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

A detailed airborne electromagnetics survey is planned for the northern spring. This survey will cover the Falun 100 and Falun 101 licences, and the adjacent licences in the Falun Project Area.

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

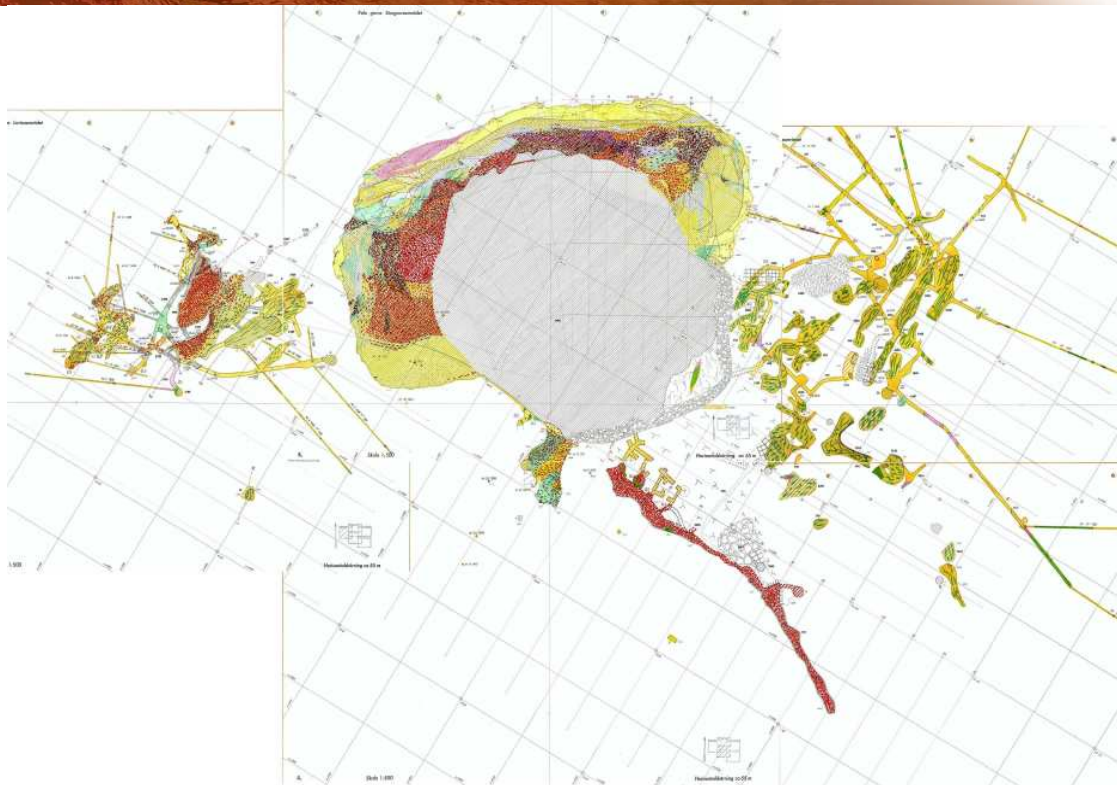
The Falun copper-zinc mine

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. Scanning the drill hole logs held by the Bergsstaten (Sweden Mines Inspectorate) in their Falun office
3. Locating, logging and sampling the existing drill core held by the Swedish Geological Survey in their Malå core facility
4. Building a three-dimensional model for the mine and its immediate vicinity based on the plans and drill logs

This work programme is well underway.



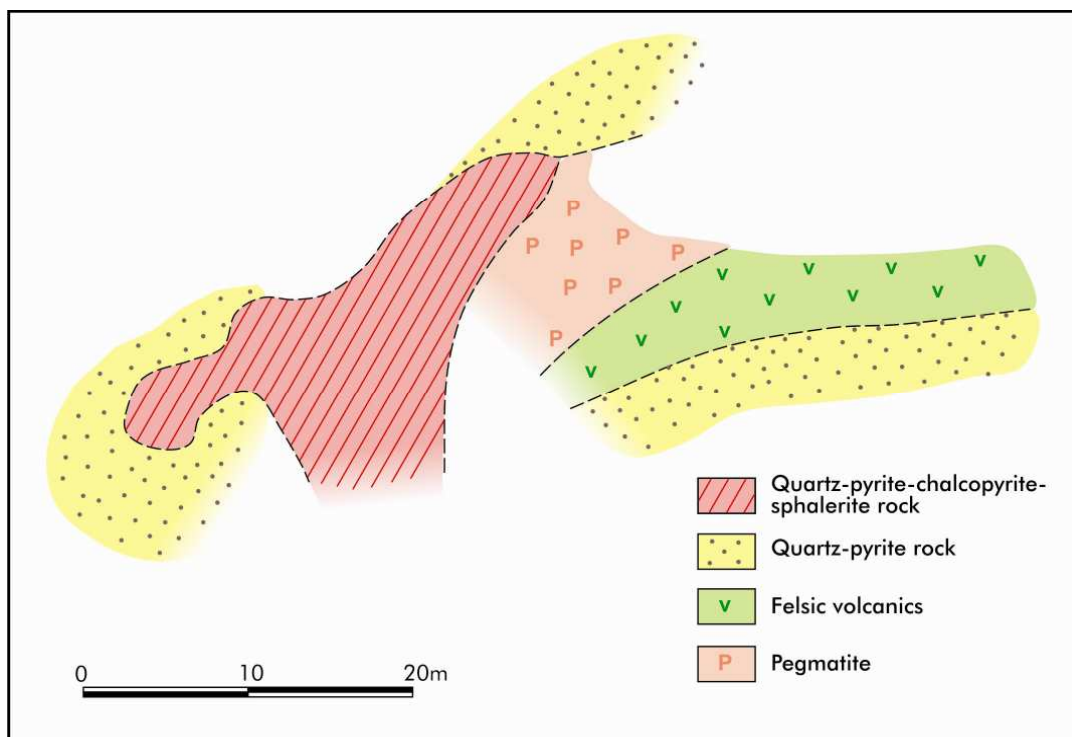
Falun copper-zinc mine: 55 metre level plan; ore zones in red colours; the existing pit in pale grey in the centre of the plan

Falun 101 Exploration Licence

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

Domängruvan was mined primarily for pyrite during the First World War. Development and drilling at the time reached depths of only 20 metres. The records of this mining, retained by the Mines Inspector's office in Falun, indicate that the material mined contained massive and disseminated sulphides.

The distribution of chalcopyrite- and sphalerite/galena-bearing quartz-pyrite rock are associated with quartz pyrite rocks within felsic volcanic host rocks. The quartz-pyrite-chalcopyrite-sphalerite rocks appear to be increasing in strike and width between the surface and 20 metres depth. There has been no drilling below this depth.



Domängruvan : Level plan at 15 metres depth

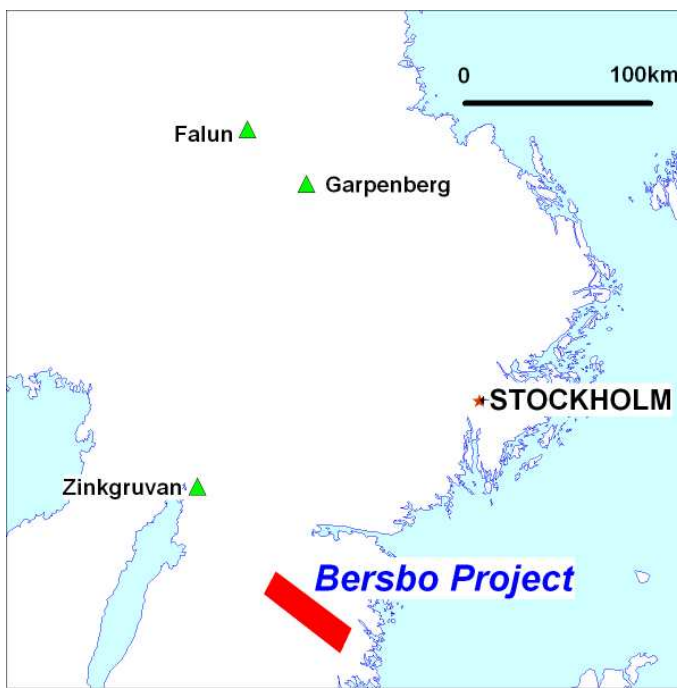
This area has been occupied by the Swedish military since the First World War, and no exploration has been permitted since then. This highly prospective zone has therefore not been subject to any recent exploration technologies, including geophysical surveys to detect mineralisation at depth.

An airborne magnetics survey and detailed geological mapping were completed in the 2007 field season. The integrated geological map for the Falun Project Area, and the detailed airborne electromagnetic survey, are scheduled for the early part of the 2008 field season.

Bersbo

The Drake-Zinifex Alliance has increased its licence and application holdings in the Bersbo massive sulphide Belt in Sweden to nine, which now cover 240 square kilometres of the belt. These additional four applications result from the Alliance's continuing programme of acquiring high-potential properties in Scandinavia.

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 last government mapping programme in the Bersbo area was in 1895. Mining there ceased in 1902. Since then only minor reconnaissance work has been completed.

Past mining focussed on the copper, and there was little interest in the zinc. Mine records suggest that the amount of zinc was increasing with depth and along strike, and that a parcel of ore grading 20% Zn and 2% Cu remains at the bottom of the old mine. Three grab samples taken by Drake from the surface dumps give values in the range 0.02 – 0.38% Cu and 0.31 – 7.09% Zn.

Drake and Zinifex believe that there is potential for ore discovery both in the vicinity of the previous mining operations, and throughout the poorly explored district.

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 will continue in 2008 with the completion of an airborne electromagnetic survey in the first half of the year, and further mapping and sampling.

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

Doverstorp

The Alliance has been granted an 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 mineralisation at Doverstorp occurs within metamorphosed volcanic and sedimentary rocks in a geological setting similar to that at Zinkgruvan. Both Mineral Fields contain pyrrhotite horizons, numerous oxide iron deposits, potassium-rich volcanics, and thin calc-silicate layers. These similarities are interpreted as indications that the Doverstorp Mineral Field has high zinc prospectivity.

The exploration program at Doverstorp has commenced with airborne magnetics and detailed geological mapping by Drake's specialist structural geology consultants.

DRAKE-ZINIFEX BASE METAL JOINT VENTURES - AUSTRALIA

Oak Park, Queensland

The Zinifex - Drake Resources Alliance has signed a joint venture agreement with Queensland Gold and Minerals Ltd (QGM) to explore the Oak Park area in Queensland.

The main Oak Park target area contains the Friday, Lauries, West Fence and Bloodwood base metal prospects. Only limited exploration has been completed in the area with the following results:

- Single drill holes testing the gossans locating sulphides with low percentage copper, zinc and barium values.
- The area has been explored for base metals in the mid seventies and early nineties without any systematic geophysical surveying or drill testing
- Detailed review of previous exploration has indicated that several prospective untested targets exist along strike and up sequence from the known prospects.



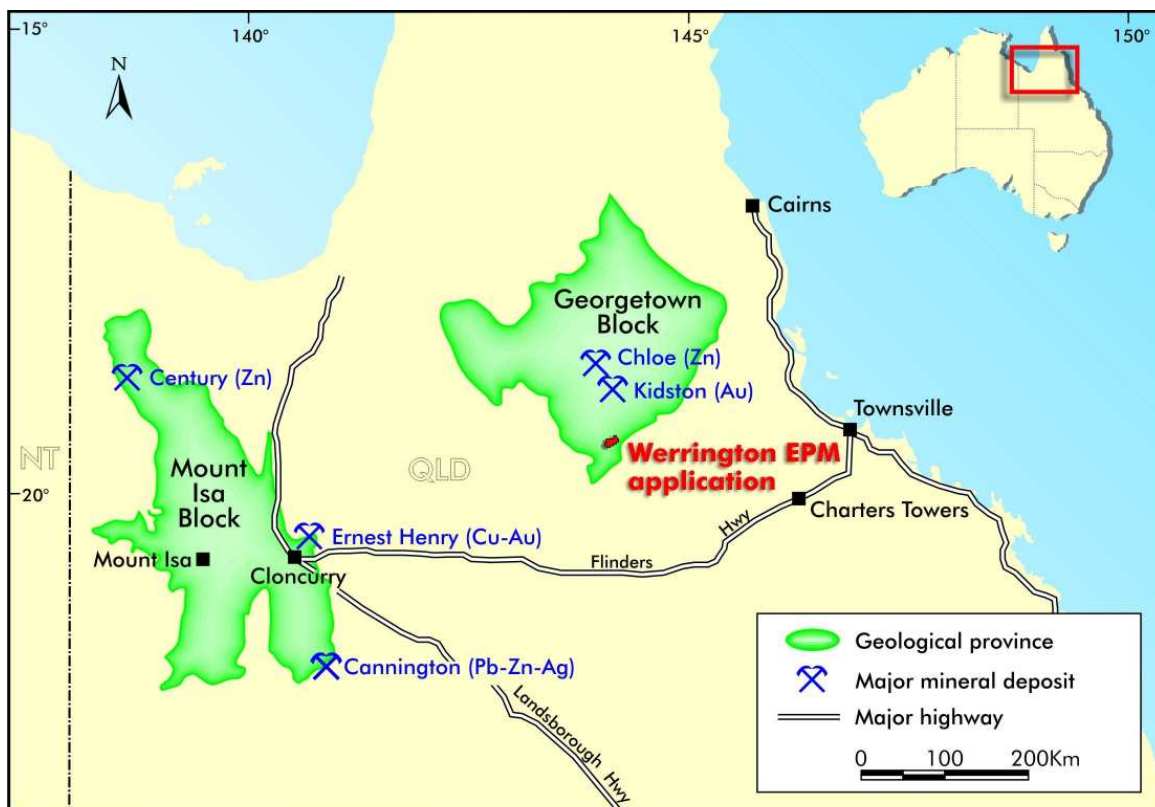
Location Plan - Oak Park Joint Venture

The Alliance considers that the Oak Park target provides an excellent opportunity to explore one of a few and most prospective areas in the Georgetown block with extensive gossan development, with the prospective zone extending under cover. Previous exploration has focussed dominantly on gossan search and patchy ground geophysics. An integrated approach using systematic electromagnetics and detailed surface sampling will quickly lead to a selection of drill targets prospective for Broken Hill type deposits.

Under the agreement with QGM, the Alliance would have the sole right to explore and develop any Cu, Pb, Zn, Ag mineralisation within EPM 14128. The Alliance would commit to a minimum annual expenditure of \$50,000 until the completion of a Bankable Feasibility Study (BFS). The joint venture will be terminated after 5 years if a JORC defined base metal resource has not been established. At the completion of a BFS, Drake/Zinifex shall hold an 80% interest and QGM shall hold a 20% interest in the potential Mining Area which includes the resource(s) and the required processing and infrastructure areas.

Werrington, Queensland

The Zinifex - Drake Resources Alliance has applied for the 100 % owned Werrington exploration permit, EPM 16647. The Werrington exploration permit application is located immediately south of the JV area with Queensland Gold & Minerals Ltd, 50km south of Kidston in north Queensland



Location Plan - Werrington EPM Application

The 100 square km Werrington application permit contains three untested stream sediment zinc anomalies with values over 200ppm zinc. The largest anomaly extends over 6km strike length.

The eastern half of the Emu Swamp prospect area extends for more than two kilometres in the permit application area, and has only been partly sampled and drill tested.

MT CARRINGTON NEW SOUTH WALES

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

Drake is actively seeking a Joint Venture partner for Mt Carrington, including the Mining Leases and Exploration Licences at Mt Carrington.

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

Drake is continuing its evaluation of the Mt Carrington Project Area for Phoenix style gold breccia systems similar to that discovered by Malachite in its tenements adjoining the Drake Resources Mt Carrington Project.

HERON WELL WESTERN AUSTRALIA (DRK 100%)

The data from the detailed airborne magnetics survey of the Heron Well prospecting leases has now been processed by Drake's geophysicist.

A re-interpretation of the mineralisation geology and structure of the Heron Well leases is now underway.

LAKE REBECCA, WESTERN AUSTRALIA (DRK 80%)

The Lake Rebecca Project comprises a single exploration licence in the Pinjin Region in 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.

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.

An ultra-detailed airborne magnetics survey has been completed by UTS Geophysics to aid the interpretation of geology and mineralisation for the Lake Rebecca licence. These new data are being interpreted in conjunction with a re-assessment of the past exploration data.

Data from previous drilling at Lake Rebecca is being put into a format for analysis and interpretation.

MT PALMER, WESTERN AUSTRALIA (DRK 70%)

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, with limited production recorded from other veins. The lodes are tabular bodies, plunging to the north and south respectively.

Exploration at Mt Palmer has focused on two main areas:

- Improving the understanding of the vein systems at surface
- Assessing the potential for redeveloping a mining operations at Mt Palmer

The mineralised lodes have been folded and boudinaged, resulting in a complex and irregular geometry. Dilational zones around changes in strike of the lodes/foliation and in fold hinges represent the best targets.

Gold was said to be associated with pyrite, arsenopyrite, chalcopyrite and pyrrhotite.

One sample of material on the surface from quartz veins intersected in a drill hole in the south of the property gave a value of 15.7 g/t Au. This gives confidence that material similar that mined historically remains in the area.

Numerous quartz veins can be seen on surface particularly to the west of the lodes. These quartz veins are milky white to translucent and do not appear to be mineralised. Some of the barren quartz veins occupy the same structures as the mineralised quartz veins.

The area to the south of Main pit is covered by tailings; these areas may not have been adequately tested.

In the future program, particular emphasis will be placed on drill testing the identified targets, and examining the potential to re-develop a mining operation.

Drake is actively seeking a JV with companies interested in the Mt Palmer Project.

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. 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.