



Quarterly Activity Report December 2012

Highlights

- **Very active and positive quarter**
- **Scandinavian nickel-copper projects develop into substantial portfolio and potential future nickel business**
 - **Significant nickel-copper target identified & extensive mineralisation confirmed by drilling at Granmuren, Sweden**
 - **Espedalen (Norway) review complete - multiple nickel-copper drill targets identified within 12 exploration permits**
- **Gold mineralisation discovered at West African targets**
 - **Preparation for Ghassariat Prospect geophysical targeting and follow-up drilling at Tasiast South, Mauritania**
 - **Large areas of artisanal workings and strong soil geochemistry in Guinea project**
- **Successfully raised capital to support projects**

Market cap: A\$14.3m (15c)
Cash position: \$1.4 million (31 December)
Shares: 95 million
Options: 10.1 million

MAIN SHAREHOLDERS

Board & Management	9.80%
Citicorp Nominees	5.87%
National Nominees	4.68%
Yarandi Investments	4.38%

MELBOURNE OFFICE

Level 1, 19-23 Prospect Street, Box Hill, VIC 3128
Tel: +61 (0)3 9890 0292
Fax: +61 (0)3 9890 3411

PERTH OFFICE

Level 4, 66 Kings Park Road, West Perth, WA 6006
Tel: +61 (0)8 6141 3585
Fax: +61 (0)8 6141 3599

Scandinavia

During the December 2012 quarter and the early part of January this year, Drake's Scandinavian nickel-copper resource potential grew extensively. An outstanding nickel-copper mineralisation discovery was made at Granmuren in the Bergslagen district of Sweden as well as identifying exceptional new geophysical drill targets within the Espedalen Project in Norway. These key projects in Sweden and Norway are the strong foundations of a potential future Scandinavian nickel business.

In Norway where there is a long history of copper mining dating back to the 17th century, Drake has excellent copper projects including the Joma project and three joint ventures with its alliance partner, Panoramic Resources (ASX: PAN) in renowned mining districts at Løkken, Nordgruva and Sulitjelma. Drake also holds a magnetite iron ore project, Orsen in Sweden.

Drake is currently successfully achieving its strategy in the region which is to bring 21st century technologies to explore old mining districts and make new discoveries.



Drake's Scandinavian Projects

NICKEL PROJECTS

Granmuren Prospect, Sweden (100%)

Widespread nickel-copper mineralisation was discovered during the quarter and has since been confirmed at the greenfields Granmuren Prospect in Drake's Tullsta permit in the Bergslagen district. The permit lies immediately west of the historic Sala silver mine. The district has never been seriously explored for nickel.

Bergslagen has exceptional infrastructure in place, with direct rail links to smelters in Finland and Norway, and power and road nearby.

Exploration background & geophysical modelling

Drake's geophysical consultant used magnetic and density thresholds that are estimated to separate known nickel mineralised rock from non-mineralised rocks. The mineralisation comprises massive to disseminated sulphide mineralisation hosted by rocks classified as pyroxenites, gabbros or norites. The sulphides are primarily pyrrhotite, with variable amounts of pentlandite (nickel-iron sulphide) and chalcopyrite (copper-iron sulphide).

Pyrrhotite is generally magnetic, and therefore rocks containing abundant pyrrhotite have a distinctive magnetic signature. The pyrrhotite gabbro is also dense (4.2 grams per cubic centimetre) which contrasts with the non-mineralised host rocks, which have a density of 3.0 to 3.3 grams per cubic centimetre. Hence magnetic and gravity measurements can provide useful data to model the distributions of rocks which are anomalously magnetic and dense.

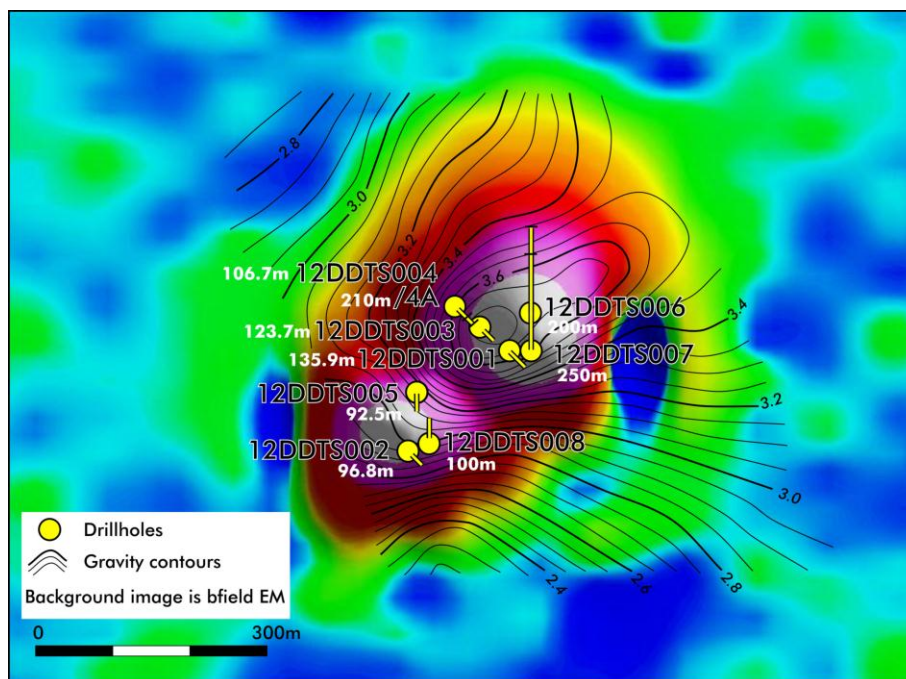
Strong conductor

In October 2012, Drake identified a large-sized geophysical target at Granmuren following the completion of an initial ground gravity survey. A subsequent 556 metre drilling programme confirmed near-surface mineralisation beginning at 10 metres below the glacial cover material. The prospect is open along strike.

Further survey work completed in November 2012 confirmed the existence of a very strong conductor adjacent to previously drilled nickel mineralisation at the prospect. Follow up drilling intersected close to 200 metres of disseminated sulphides and confirmed that the Granmuren mineralisation is thicker and more extensive than originally modelled.



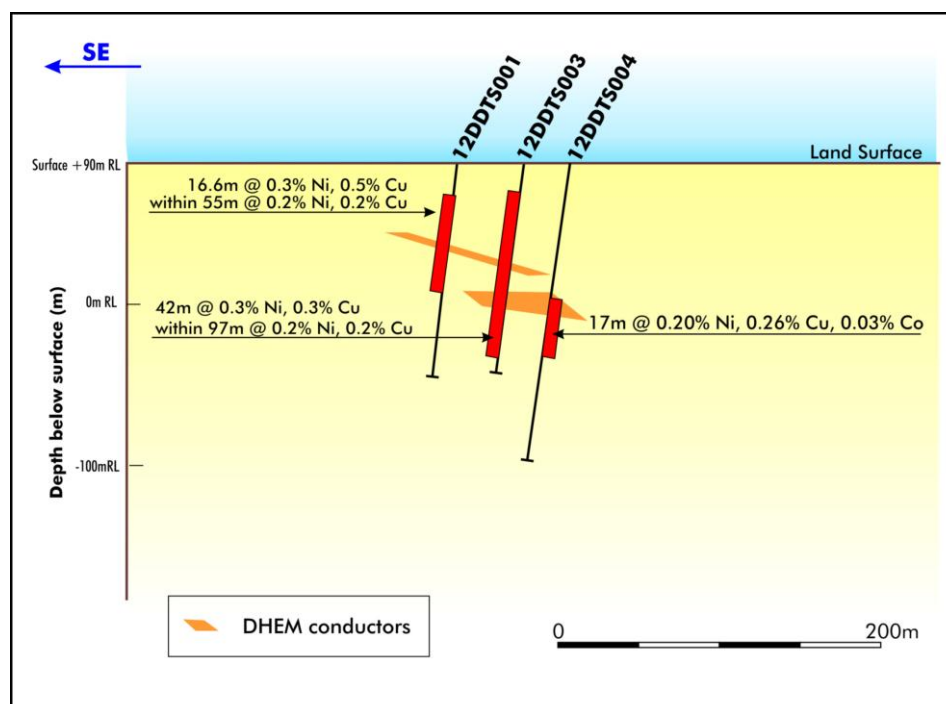
Hole TS006, 176 metres depth



Plan view of Granmuren EM anomaly (VTEM z28) with location of modelled conductive plates & new strong conductor

Drill hole TS006 was drilled to a depth of 221 metres and intersected extensive disseminated iron sulphide (pyrrhotite) from 10 metres to 208 metres down hole. Further drilling (Hole TS007) has again extended mineralisation to a depth of 280 metres.

Drake's down hole EM survey also confirmed and subsequently drill tested an offhole conductor below hole TS004 17 metres of nickel mineralisation.



Section looking west of drilling and mineralisation intersected in Holes TS001, TS003 and TS004

Nickel-copper mineralisation confirmed

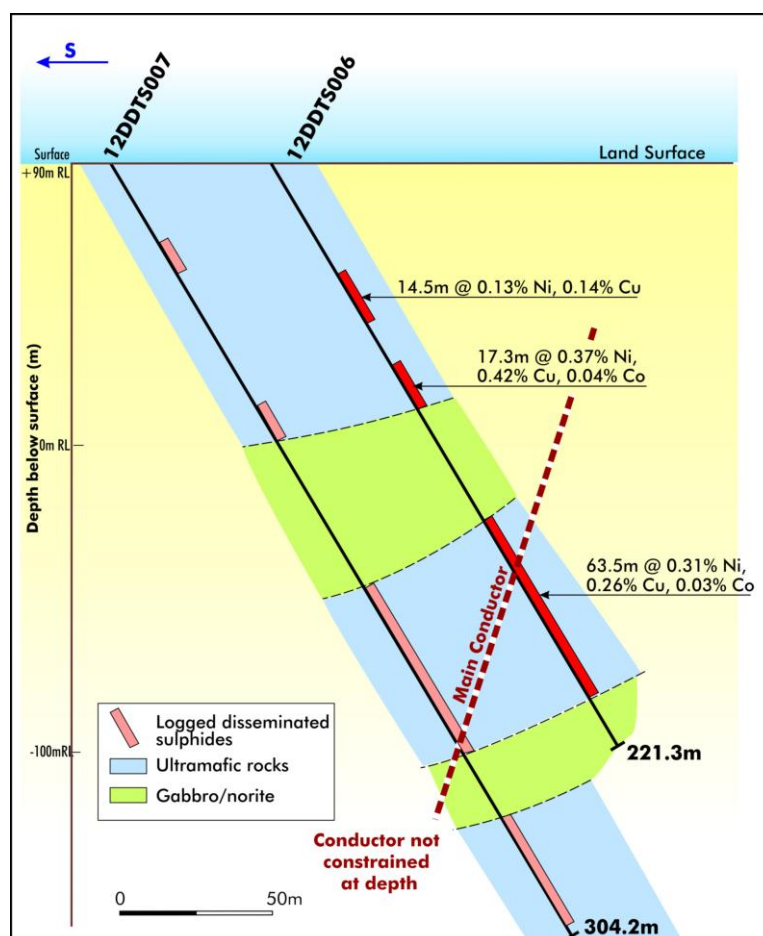
Assays received in January 2013 confirmed the presence of expanded copper-nickel sulphide mineralisation in TS006. All four holes in the eastern section of the target area intersected mineralisation and the proximity to the surface supports the rationale for a potential, future low cost mining project.

Key results include:

- Short massive sulphide intervals up to 1.88% nickel
- 5.65m @ 0.73% nickel, 0.40 % copper and 0.06% cobalt within a broad mineralised interval of 63.5m @ 0.30% nickel
 - 63.5m @ 1.0% copper equivalent
- 95 cumulative metres of nickel mineralisation

Logging of Hole TS007, beneath Hole TS006, announced at the end of January further extended the nickel-copper mineralisation, with disseminated sulphides intersected to 250 metres vertical depth.

Mineralisation in Hole TS007 is at similar levels as in Hole TS006 with another thick zone of mineralisation below previous drilling also identified.



Section through Holes TS006 and TS007 indicating assay intersections, logged geology & disseminated sulphides

These excellent results are further evidence of the underexplored nature of Sweden and the project's high nickel-copper potential.

Next steps

A detailed ground geophysical program is set to begin in early February to define the magnitude of the mineralisation and identify new targets. New drill assay results are also expected in the first half of the month.

A metallurgical test program has commenced.

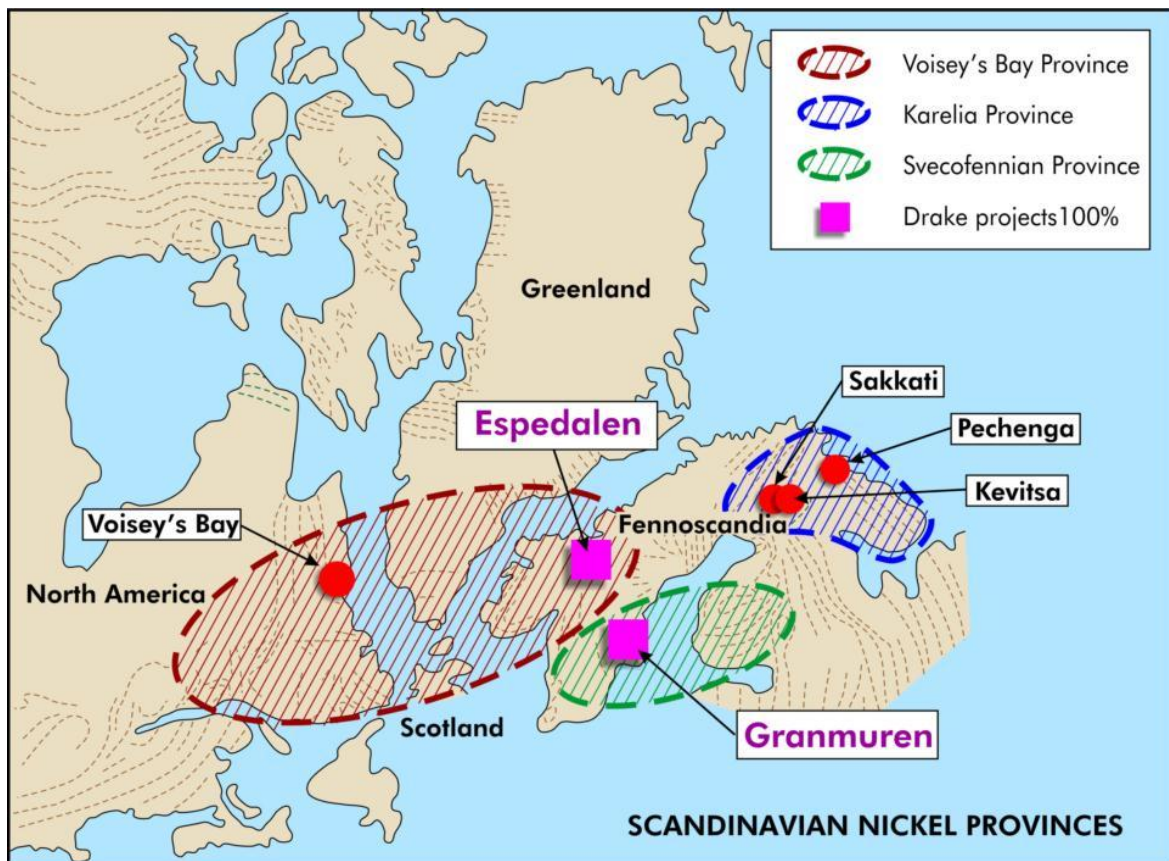
Espedalen Project, Norway (100%)

During the quarter, Drake commenced a comprehensive review of its 12 exploration licences containing two nickel deposits (both TSX complaint resources) in the highly prospective copper-nickel mining district of Espedalen in central Norway.

The licences cover the Dalen and Stormya deposits and the Megrund Prospect. All are shallow drilling with the potential for open-pit mining.

As a result of the review a substantial work programme, including a number of drill ready targets, was defined.

Drake's main target at Espedalen is high grade, Voisey's Bay-type nickel-copper (Canada). The Espedalen geology and mineralisation is of similar type and age as found at Voisey's Bay and forms part of this exceptional nickel-copper province stretching from Canada through to Scandinavia. The deposits at Espedalen may represent the second largest deposit (behind Voisey's Bay) of this type in the province. In addition, the extensive, lower grade nickel-copper mineralisation already identified may constitute a target in its own right.



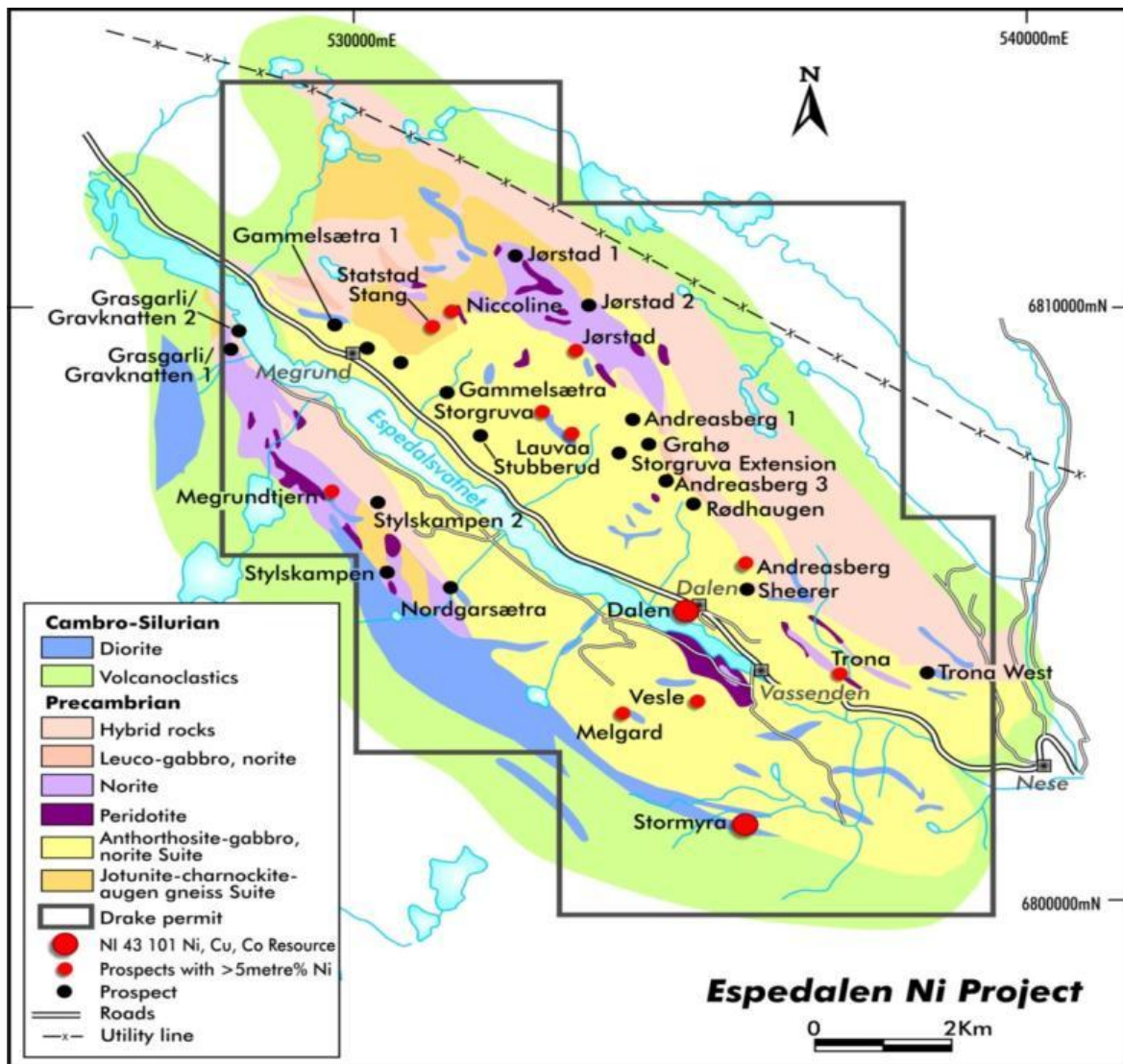
Key Drake projects in major nickel-copper provinces

The review established 10 additional prospects in which there are drill intercepts of greater than five metres per cent nickel using a 0.1 per cent nickel cut off (for example five metres at one per cent nickel or 10 metres at 0.5 per cent nickel, in addition to the two deposits at Dalen and Stormyra).

- Four prospects at Stormyra, Dalen, Megrundtjern and Trona have significant ongoing exploration potential and programmes and budgets are proposed.
- Appraisal of data on other prospects evaluated by Falconbridge in the 1970s and Falconbridge/Blackstone in the early 2000s has resolved that the Melgard, Melgard West, and Lauvaa prospects appear to have significant untested potential and warrant drilling.
- The Grasgarli, Stubberud, Nordgardsaeter AEM anomalies remain untested with drilling and warrant Fixed Loop EM (FLEM) and follow up drilling.

Metallurgical Testwork

From available data it would appear that only limited testwork has been completed to date on two samples. This was carried out by Lakefield in Canada in the 1970s. Lakefield indicated "concentrate grades and recoveries are good". The best results obtained in this work provided a concentrate assaying 15 per cent nickel and 5.3 per cent copper and suggested overall nickel recovery in the range 75-79 per cent, these can be expected to improve with further testwork.



Future Programme

The Espedalen Project area requires significant additional exploration to test for further high grade mineralisation, and define the extent and limits of the lower grade mineralisation. The review recommended a comprehensive programme for the multiple targets, including:

- A major drilling campaign
- Fixed Loop EM surveying
- Metallurgical testwork to determine the quality of the nickel concentrates
- A preliminary scoping study to obtain a preliminary view of the size and grade of deposits to form the basis of an economic project
- Further mapping and sampling
- Further data acquisition
- Core sampling for nickel-copper tenor

It is anticipated that this programme will take at least one year to conduct.

OTHER PROJECTS

Orsen, Sweden (100%)

The Orsen permit contains a strong magnetic feature and the area has been mined for iron-ore in the past. In addition, parts of the system contain copper mineralisation associated with iron including grades of up to 0.85 per cent copper.

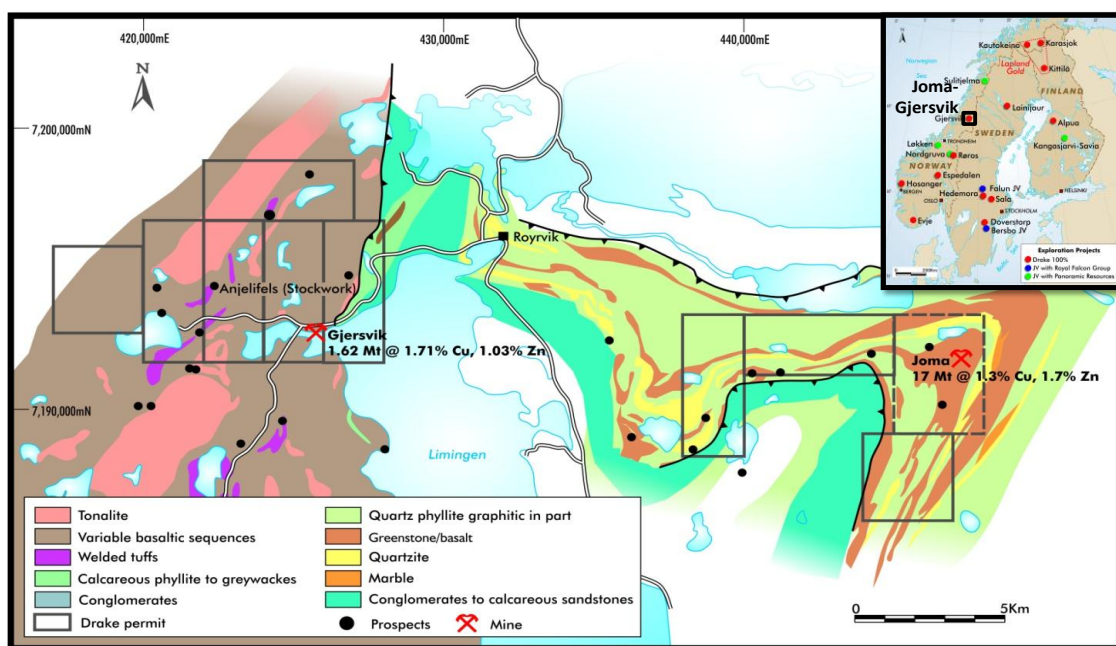
A hole drilled by Drake in 2011 intersected 60 metres of moderate grade magnetite mineralisation. This magnetite appears to be in the form of a plunging shoot of mineralisation approximately 150 - 200 metres in length. A second drill hole intersected a similar thickness of magnetite mineralisation. The magnetite is coarse grained and preliminary Davis Tube Recovery (DTR) testwork at ALS in Perth confirmed a very high quality concentrate can be produced at relatively coarse grind sizes. No work was done on this permit during the quarter.

Berglagen JV, Sweden (Drake 49%)

Drilling at the Western Copper-Gold Zone at Falun identified very substantial intersections of copper-gold mineralisation including an intercept of 175.5 metres at 0.4 grams per tonne of copper and 0.4 per cent gold (59.3 - 234.8 metres). In 2012, Royal Falcon Mining advised the company that it had decided to divest its interest in the Swedish joint venture project.

Joma Project, Norway (100%)

During the quarter review of the airborne surveys conducted over Joma mine and extensions continued. The Joma mine is part of Drake's explorations licences covering 100 square kilometres of highly prospective copper and zinc ground in the Grong District of Nord Trondelag in Norway, known as the Gjersvik Project.



Drake licences relative to geology and mine locations Joma Naeringspark claims outlined with dashed line

The Joma Naeringspark licences encompass the Joma mine and its prospective westerly and southerly strike extensions. A total of 11.5 million tonnes was mined at Joma from 1972 to 1998 at a grade of 1.49 per cent copper and 1.45 per cent zinc (*Source: Grong Gruber/Geological Survey of Norway, NGU*). Considerable copper-zinc mineralisation remains at the mine.

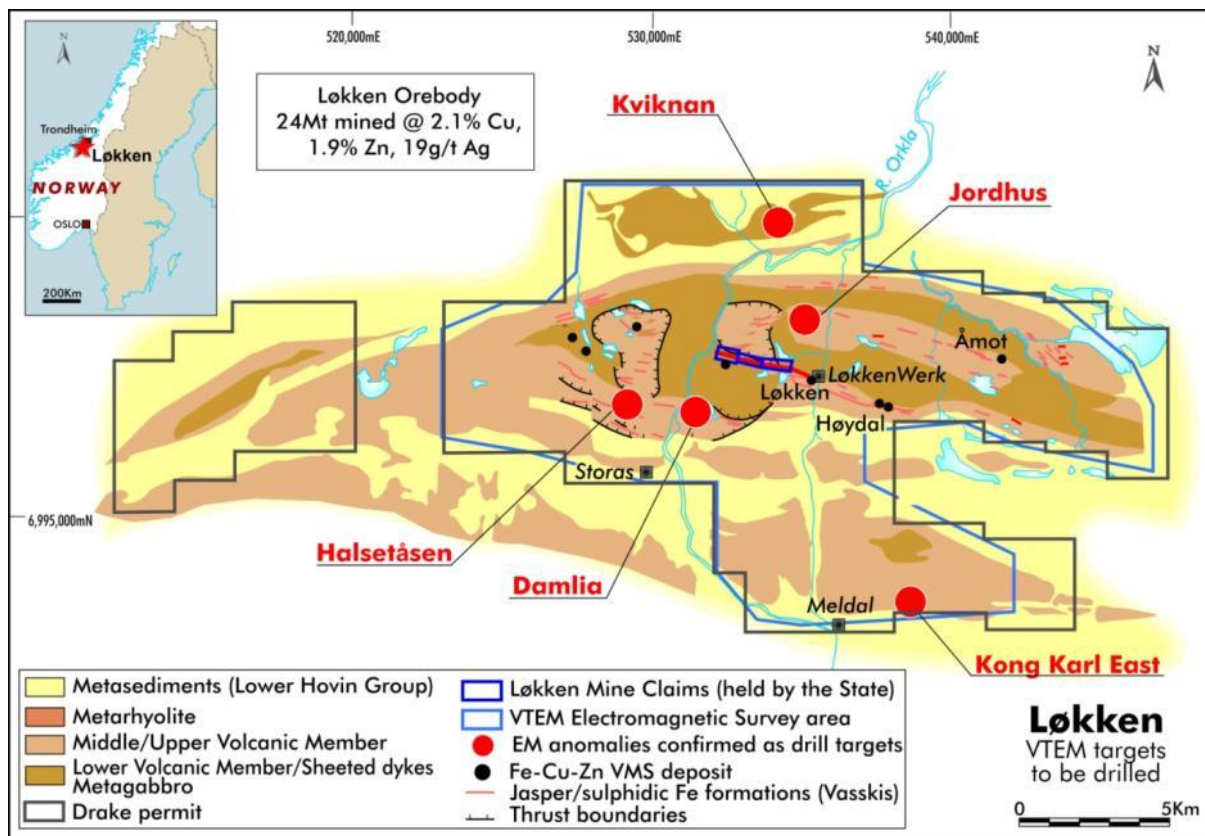
The licences include the Gjersvik deposit where 450,000 tonnes of ore grading 2.15 per cent copper and 0.6 per cent zinc was mined from 1994 to 1998 (*Source: Grong Gruber/Geological Survey of Norway, NGU*). The rights include:

- Nine 100% Drake claims, including the historic Gjersvik mine
- Exploration & Exploitation (Mining) Agreement over the Joma mine, closed in the 1990s

The project is particularly attractive as the rights are located in a proven and significant mining area, are close to infrastructure and have not had the benefit of modern exploration technologies.

Løkken, Nordgruva and Sulitjelma, Norway (Joint Ventures)

Following positive results from the interpretation of VTEM surveys and prioritised targets at both Løkken and Nordgruva in 2012, with a number of conductors identified within the survey areas which may be caused by massive sulphide mineralisation.



Drake licences outlined on geology showing fixed loop ground EM conductors on which drilling is planned

In 2012, results from the ground surveys identified five drill targets for potential copper and zinc mineralisation in the Løkken district as well as five excellent targets within the Nordgruva project.

The 3D modelling and analysis have also been completed and a drilling programme has been set out. If successful, the targets will present an opportunity to provide an extension to the 333-year history of copper mining in the district.

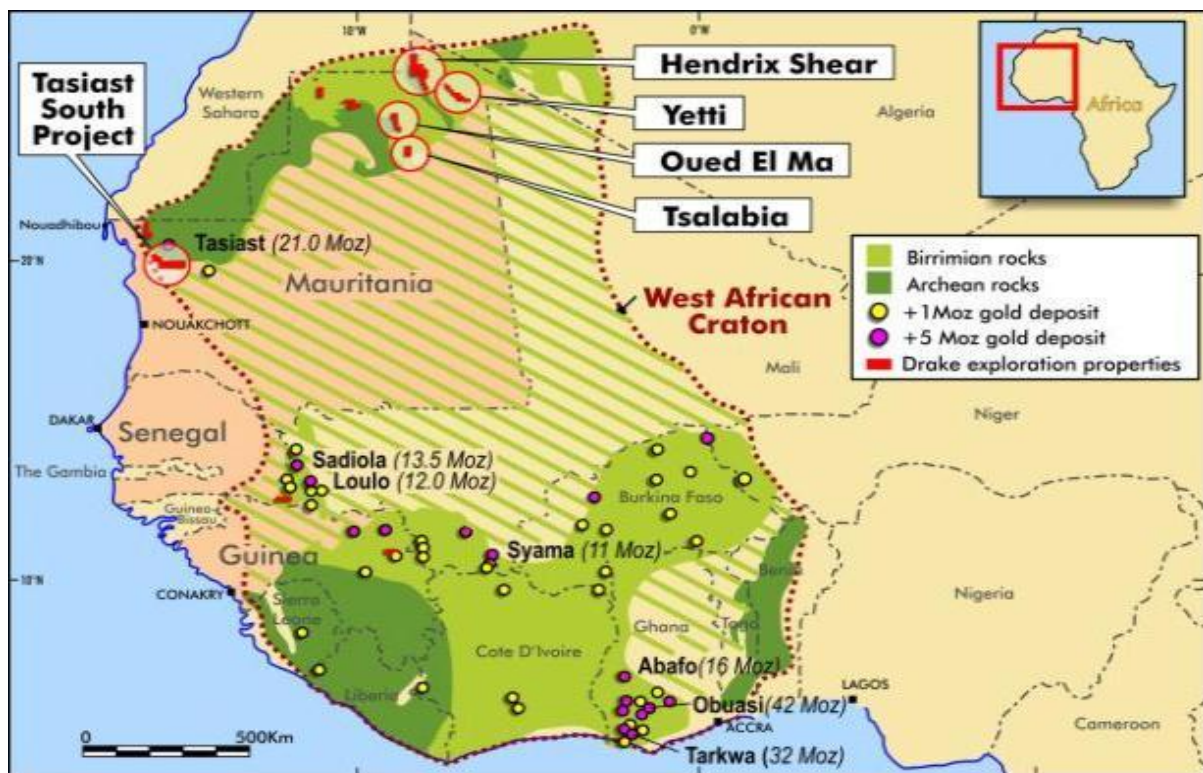
No work was conducted on this project for the quarter.

West Africa Gold

Drake Resources has a strong pipeline of highly prospective projects in three underexplored and vastly mineralised West African regions: Mauritania, northern Guinea and Senegal covering a total of 13,800 square kilometres under granted and pending exploration permits.

This includes 12,600 square kilometres of permits and applications in the Reguibat Craton of Mauritania, along with a significant landholding in the major Siguiri gold belt in Northern Guinea, and option agreements over one permit in Senegal.

Drake's strategy in the underexplored and resource-rich province of West Africa is to build a large portfolio of highly valuable gold projects.



West African project locations

MAURITANIA

Drake's permits target gold mineralisation associated with Birrimian and Archaean age rocks of the Reguibat Craton. Birrimian rocks host much of the known gold mineralisation in this prolific West African province and the nearby Tasiast gold deposit is hosted within Archaean age rocks.

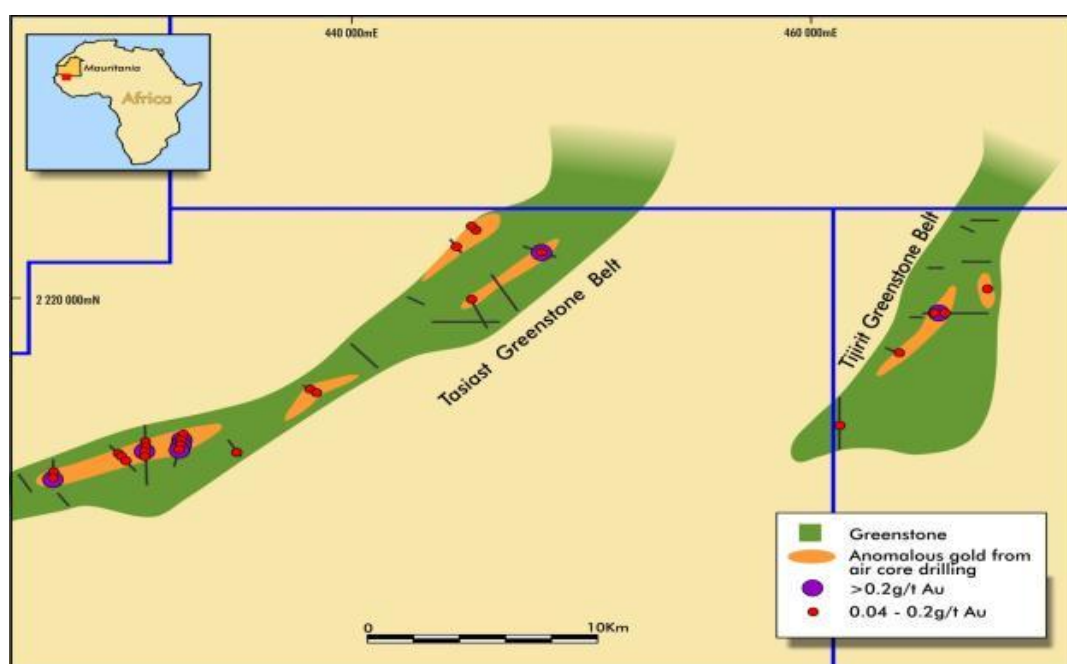
Drake's two main project areas are:

1. **Tasiast Region** comprising of permits covering interpreted extensions of the Aouéouat greenstone belt that hosts the 20 million ounce Tasiast gold mine.
2. **Hendrix Shear Project** covering a 150 kilometre long shear zone with extensive gold anomalism. It includes the **Conchita Prospect** with high to very high gold values in poorly outcropping and sub-outcropping quartz veins.

Tasiast South (100%)

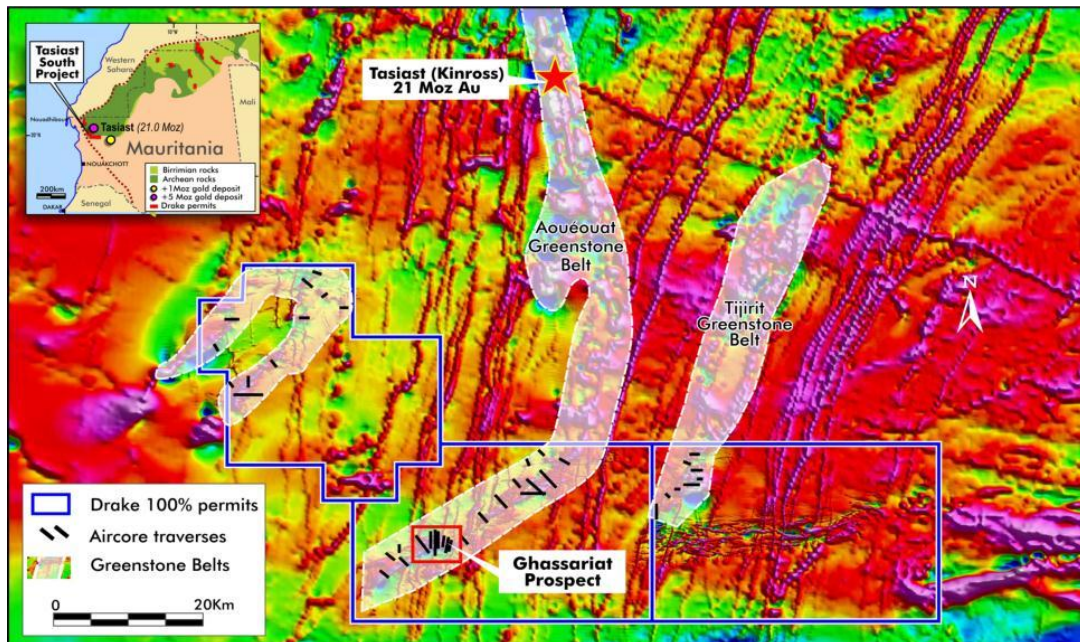
Drake is the first company to explore this area for gold. In early 2011 the company flew a detailed airborne geophysical survey which provided comprehensive data for the project area. The data also confirmed the Tasiast and Tijirit Greenstone Belts extend into the Drake permits, covering almost 100 kilometres of greenstone.

In early 2012 a 20,000 metre air core drilling programme tested targets from the airborne magnetic survey and structural interpretation. Results were announced in May 2012 and confirmed the presence of extensive gold mineralisation in the top of bedrock under the shallow cover. Several anomalous gold zones of up to eight kilometres in length were identified from these wide-spaced traverses.



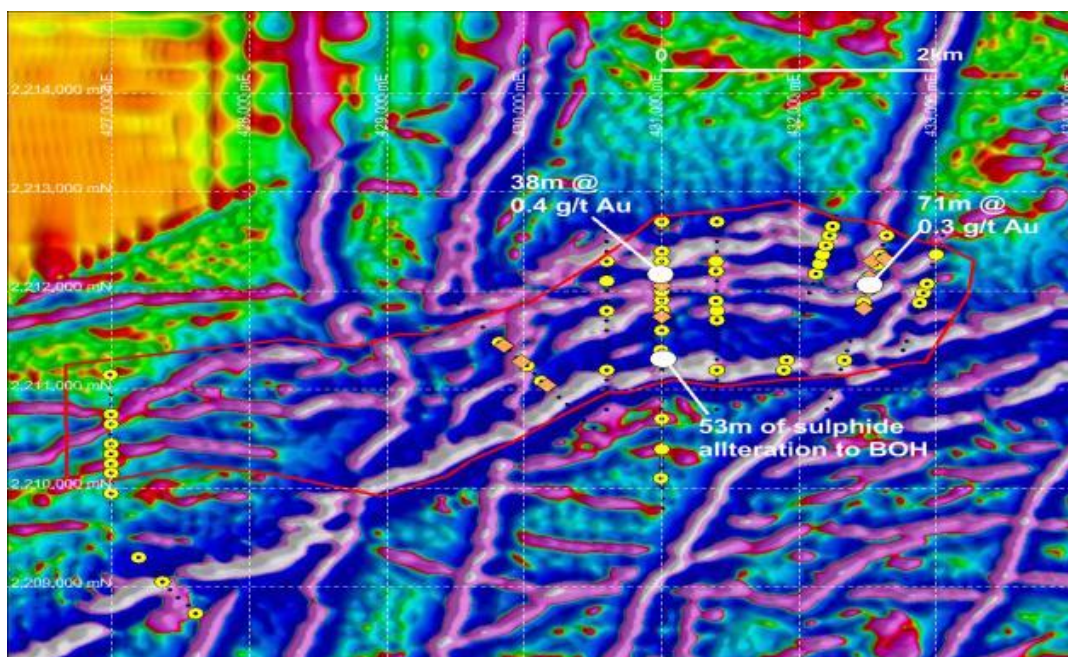
Zones of anomalous gold in air core drilling

Results of a follow-up reverse circulation (RC) drilling programme were announced during third quarter 2012 and confirmed the presence of broad zones of gold mineralisation in the Tasiast Greenstone Belt. A key target of the programme was the newly-defined Ghassariat Prospect, a 10 square kilometre zone defined by earlier air core drilling where the mineralisation and alteration was found to be analogous to Tasiast ore zones.



Air core traverses in Ghassariat Prospect

Three thick zones of sulphide alteration and low grade mineralisation were identified. Five of the 13 RC holes drilled in the prospect intersected these zones; two of the main zones remain open and are a minimum of 50 metres in width, accompanied by pyrite-quartz alteration. Drake is targeting the Ghassariat Prospect as a priority for future drilling activity.



Zones of gold-mineralised sulphide alteration at Drake's Ghassariat Prospect

Hendrix Shear Zone Project (100%)

The Hendrix shear Zone Project covers a 140 kilometre-long crustal scale shear zone, with evidence of gold mineralisation along its length.

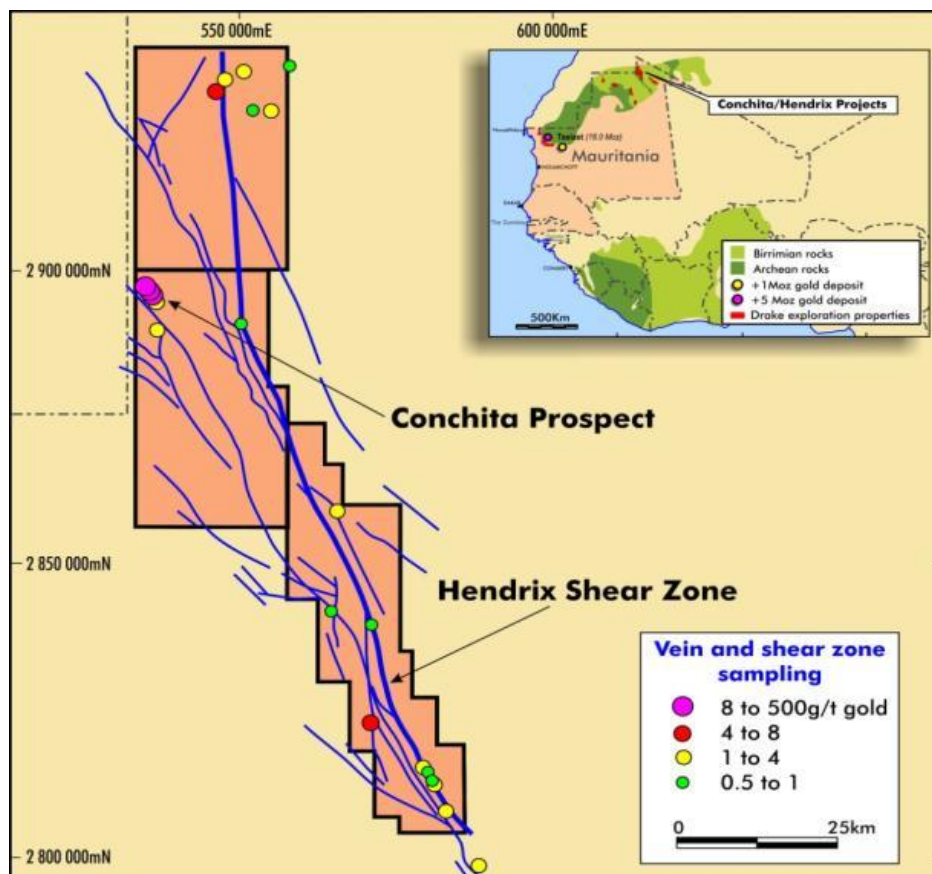
Drake commenced field work at the Hendrix Shear Zone in October 2011 focussing on the southern section of the Hendrix Shear Zone, including reconnaissance mapping and sampling of veining and mylonite zones.

Hendrix Prospect

During the quarter, following a four-hole drill programme in the southern section of the zone, Drake announced that it had intersected broad areas of low grade gold mineralisation. Drake has only tested a small 13 kilometre portion of this large 140 kilometre zone.

The reverse circulation holes were drilled with the southernmost hole intersecting a broad zone of continuous gold mineralisation of 72 metres containing 0.16 grams per tonne of gold, including eight metres at 0.42 grams, two metres at one gram, one metre at 1.25 grams and one metre at one gram per tonne of gold.

Drake plans to carry out a reverse circulation drilling programme along the length of the geochemical anomaly at the Hendrix Prospect, as well as further drilling around the northwest of the prospect.



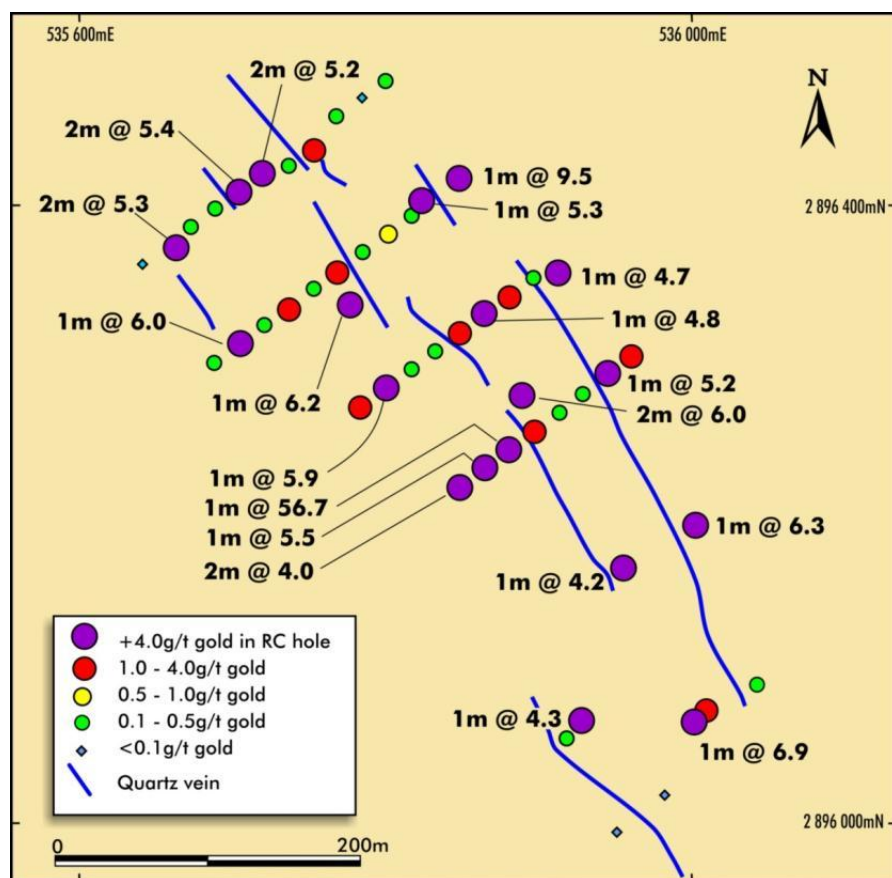
Drake's 100 per cent owned Hendrix Shear Project

Conchita Prospect

Drake's other focus at the Hendrix Shear Zone Project is the Conchita Prospect, where surface rock sampling has previously returned high to very high gold values in quartz over a strike length of four kilometres. This was followed up with widely spaced reverse circulation drilling in 2011 where the average of all one metre intersections greater than two grams per tonne of gold was five grams per tonne (4.96 grams per tonne gold).

The 2012 reverse circulation drilling programme involved 5,538 metres of drilling in 58 holes. There were 20 intersections greater than one gram per tonne of gold featured in the latest results released in the second quarter.

Gold mineralisation is contained within a suite of sub-parallel, steeply dipping quartz veins. In the southern portion of the Conchita Prospect 62 per cent of RC holes drilled to date have recorded an intercept of at least one gram per tonne over one metre. While individual veins are rarely more than one to two metres in thickness, numerous veins occur when the system extends for more than seven kilometres along strike. This clearly has the potential to contain a major accumulation of gold.

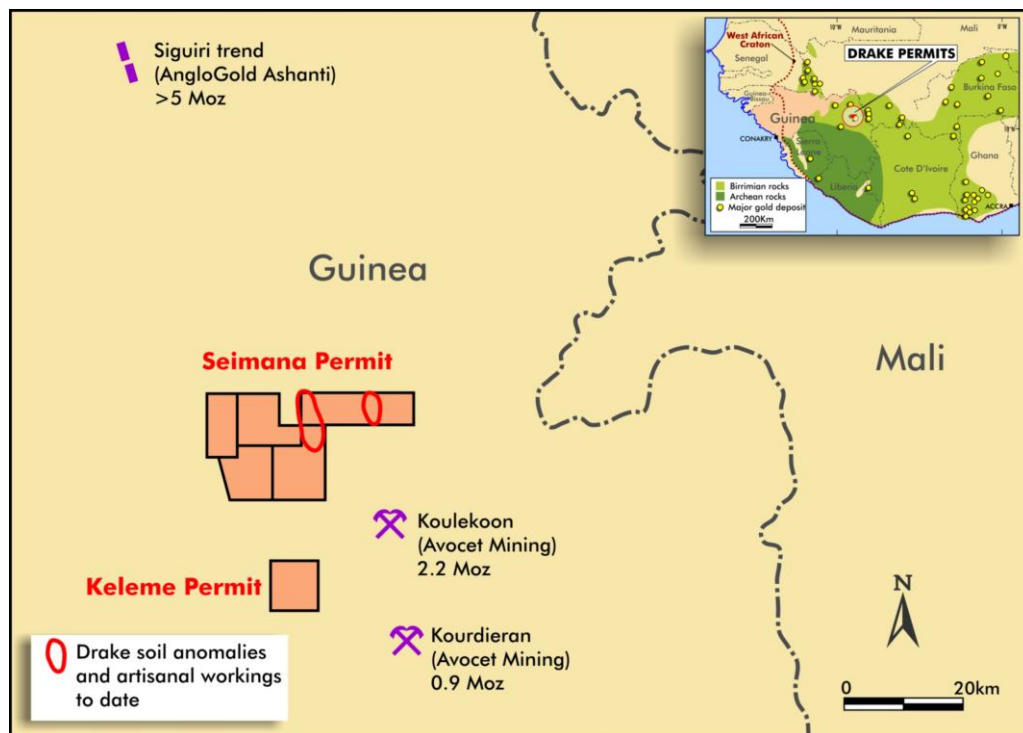


Southern portion of Conchita Prospect showing location of high gold grades

RC drilling of the prospect has only tested less than five per cent of the prospective area and given the widespread nature of the anomaly, Drake believes that the mineralised quartz veins are much more extensive.

GUINEA

Drake holds a package of permits covering Birrimian-age rocks which lies within the Siguiri province of Northern Guinea containing more than 15 million ounces of gold in past mining and existing resources. Recent discoveries include Avocet's rapidly emerging Tri-K project on which resources of 3.0 million ounces of gold have recently been announced. Extensive artisanal workings and outcrop indicators support the presence of an extensive gold mineralised system.



Drake's Guinea permits

During third quarter 2012, Drake completed a surface sampling programme involving over 11,200 soil/termite mound and rock samples covering 86 per cent of the area.

A total of 32 regional soil/termite mound samples returned values greater than 0.25 grams per tonne of gold, ranging up to 10.8 grams per tonne of gold, within 14 different geochemically anomalous clusters throughout the area. Such gold levels are strongly anomalous in soil/termite mound samples and point to the likely existence of high gold values in the rock beneath.

Elevated gold values were most concentrated in the northeast segment of the project area with eight consecutive samples covering an interval of 1,400 metres averaging 0.68 grams per tonne of gold.

A programme to locate and map all artisanal gold mines on the project area was also completed. In February, a site inspection will be undertaken to assess the results of the initial geochemistry work. Drake aims to carry out the first programme of RC drilling (subject

to funding) to test the grade and extent of the gold mineralised systems.

SENEGAL

The Samekouta permit covers 325 square kilometres of Birrimian-age rocks within the geological province known as the Kenieba Inlier, a prolifically endowed gold mineralised province straddling the Senegal–Mali border. There are a number of world-class gold deposits located within 120 kilometres of the Samekouta permit including Loulo (11.5 million ounces), Sadiola (4.5 million ounces), Sabadala (3.3 million ounces) and Goukoto (2.9 million ounces at 6.9 grams per tonne of gold).

A number of promising indicators of the presence of gold mineralisation occur within and adjacent to the permit such as the occurrences of mafic and intermediate rocks, quartz veining and tourmaline alteration. No historical exploration is known of in the Samekouta permit area prior to Drake.

A programme of systematic geochemical sampling and regional termite mound sampling has been completed over the entire permit (5,170 samples). Based on the analytical results, 24 clusters of elevated gold were selected for detailed sampling on 50 by 100 metre spacing. Once analytical results are received follow-up sampling will commence.

Corporate Activity

Drake successfully raised \$742,500 through a placement in early December. The funds will be used for working capital purposes and to further develop its projects.

About Drake Resources Limited

Drake Resources (DRK) is an Australian gold and base metals explorer with advanced and highly prospective projects in resource-rich West Africa and Scandinavia. Projects in Scandinavia focus on nickel and copper. They include a new nickel-copper discovery at Granmuren in Sweden, nickel deposits at Espedalen in Norway, and significant remaining mineralisation in the Joma copper-zinc mine. In the underexplored West African provinces of Mauritania, Senegal and Guinea, Drake's focus is gold, including projects on the highly mineralised Tasiast greenstone belt. Drake's aim is to be a successful and profitable mining company delivering strong shareholder value by taking robust projects through to mining. The company is headquartered in Melbourne and listed on the ASX.

Competent Persons Statement

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 an employee of the company and a member of the Australian Institute of Geoscientists.