Drake Resources Limited

Quarterly Activity Report September 2007

HIGHLIGHTS

- **Drake Resources Ltd and Zinifex Ltd have agreed to extend their successful base metal exploration Alliance until December 2008.**
- **Zinifex is sole-funding the fourteen target-specific exploration joint ventures to a level of $400,000 per target**
- **Exploration programs continue in Zinifex-Drake joint venture areas in Sweden**
    - **An exploration base has been established at the historic mining centre of Falun**
    - **Airborne magnetics surveys have been completed over 4 exploration licences**
    - **The field component of geological and structural mapping programmes have been completed**
    - **A detailed airborne electromagnetic survey is planned**
- **Assays data for the till geochemistry program has been completed in the Skommer Alliance property**
- **The Resource Stocks country risk survey places Sweden as the most favourable nation for exploration and mining**
- **Previous exploration data, and the new airborne magnetics data, are being interpreted to define drill targets within the Lake Rebecca exploration licence**

Unit 6, 34 York Street North Perth WA 6006
PO Box 35 North Perth WA 6906
Ph (+618) 9228 0703 Fax (+618) 9228 0704
Web: www.drakeresources.com.au

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 Alliance extension will focus on the following:

- Intensifying the search in the regions of current focus: Sweden and Australia
- Extending the search to other regions, including elsewhere in Scandinavia, North America and Southern Africa

The fourteen 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 northern summer.

The Alliance started in September 2006, several years into a sustained exploration boom. The Alliance has moved very quickly to generate a portfolio of projects in Bergslagen, and has begun acquiring properties in Australia. Given the competitive position in exploration worldwide, and the tight tenement positions in the proven provinces, Drake considers this to be excellent progress.

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

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

Drake believes that of the key factors leading to the rapid implementation of the Alliance programme and its positive outcomes to date:

- The Drake team has the intellectual property required for success, namely:
  - unparalleled knowledge of the target deposit type in its variety of forms around the globe
  - on-the-ground experience in the Alliance regions to select fundamental criteria for the target selection process

- The relationships that the team has established with stakeholders in the Alliance regions

The success and rapid progress to date, particularly in Sweden, has allowed joint venture project work to take place during the current northern field season.

Alliance-funded properties – Skommer

Preliminary exploration of the Skommer 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.

A programme of glacial till sampling has been completed to facilitate the assessment of the Skommer property. The assay data has been received from the laboratory, and is being evaluated.

Drs Bob Beeson and Chris Blain made presentations at the Zinifex Exploration Workshop in Townsville in August.

DRAKE-ZINIFEX BASE METAL JOINT VENTURES

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.

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. This mine generated the wealth that made Sweden a powerful nation in northern Europe at that time.

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

The massive sulphide mineralisation at Falun is hosted within a 5-7km wide belt of felsic volcanic rocks with intercalated marbles, dolomites and sediments. Around the

mineralised zone the volcanic rocks are altered to siliceous quartz-biotite-cordierite-anthophyllite rocks, and the carbonate rocks are altered to skarns.

Three main styles of mineralisation are present at Falun:

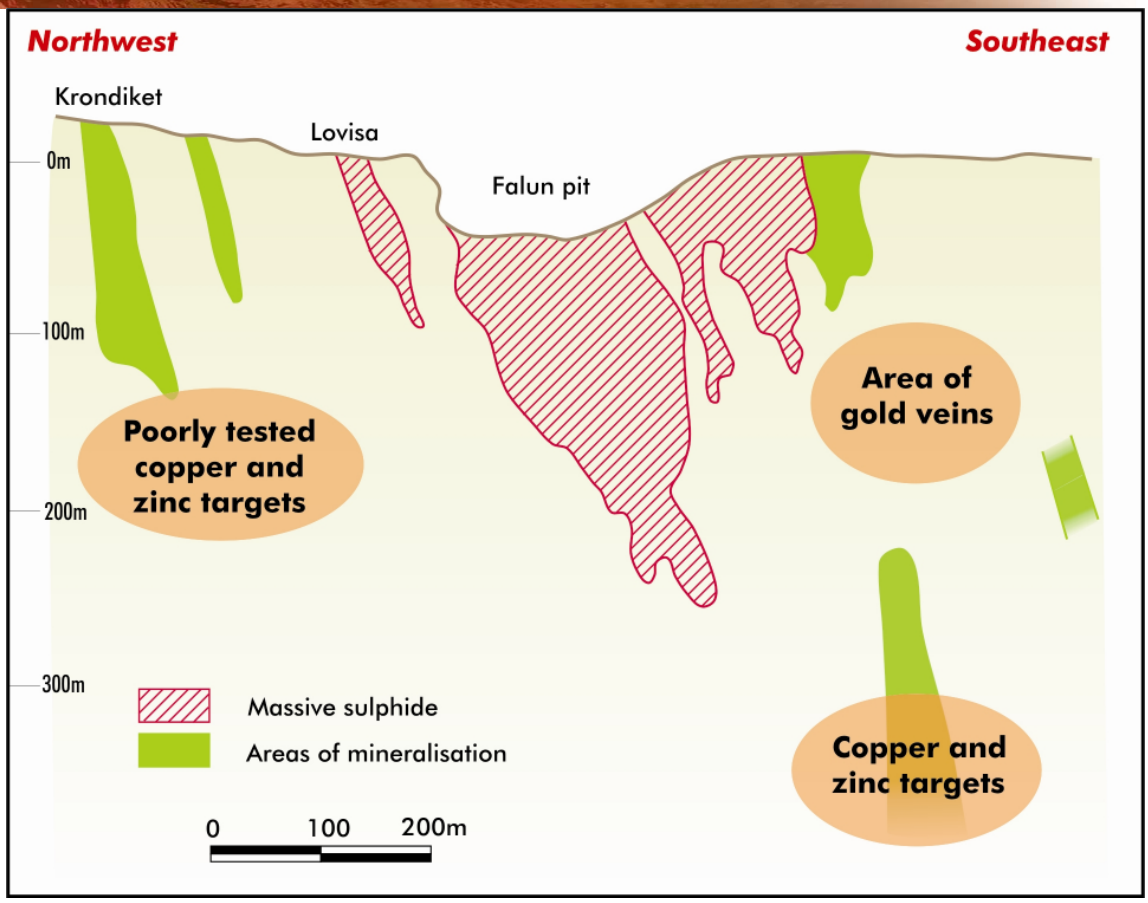
1. **Massive sulphide** ore is the dominant style of mineralisation and it is estimated that approximately 30Mt of massive sulphide ore has been mined at Falun. The main ore minerals in the massive sulphide are sphalerite, galena and chalcopyrite. The three main lenses that made up the original massive sulphide mineralisation: Storgruvekisen, Kallortskisen and Drottningskisen coalesced near the surface to form a 200mx200m massive sulphide body. All three lenses dip steeply to the south-southeast, and were mined from surface to a depths of between 330-360m.

   Several smaller massive sulphide lenses occur down-dip of the main orebody to a depth of 500m below surface. The mine owner and operator, Stora Kopparberg, quote the following grades for the massive sulphide ore:

   Western section: 6% Zn, 2% Pb, 0.5% Cu, 50g/t Ag and 0.4g/t Au

   Eastern section: 9.8% Zn, 4.2% Pb, 1.3% Cu and 50g/t Ag (upper part) and
   6.3% Zn, 2.4% Pb, 0.3% Cu and 40g/t Ag (lower part).

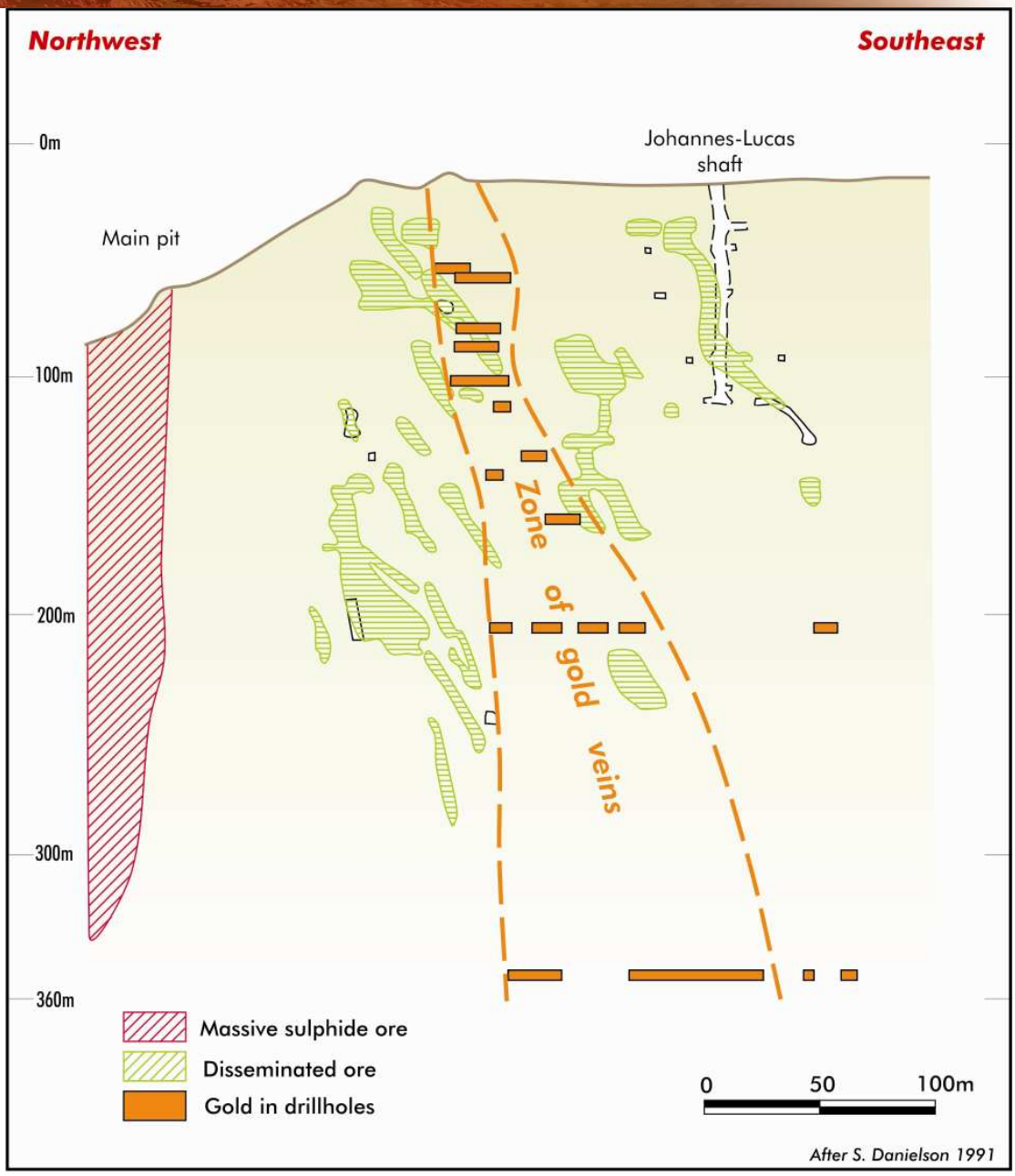
2. **Disseminated sulphide** ore occurs to the east and west of the massive sulphide bodies in a number of much smaller lenses that also dip steeply to the south-southeast. The mineralisation comprises disseminated chalcopyrite and minor sphalerite and galena within strongly silica altered rocks. Records show that the eastern disseminated ore averaged 2.4% Cu, 1.5g/t Au and 30g/t Ag. Gold grades in the disseminated ore range from 1g/t to 4g/t. Most mining of the disseminated ore occurred above the 200m level. The amount of disseminated ore remaining in the mine will be estimated as part of the Alliance exploration programme.



Section through the massive sulphide body

3. **Gold-bearing quartz veins** occur within and around the eastern disseminated ore and post-date the sulphide mineralisation. The quartz veins are generally less than 10cm wide and carry native gold, electrum and several bismuth-selenium minerals. The veins occur in a 150m wide zone and can be traced over a strike length of 400m and to a depth of 1100m. Mining of high-grade Au-Bi veins was mostly from the topmost 200m, although some minor development was undertaken on the 350m level during the 1980s. Much of this gold vein system is believed to remain.

The Johannes Lucas workings exploited the veins. Grades in this area were reported to be 7g/t Au, 0.06% Bi and 0.9% Cu.

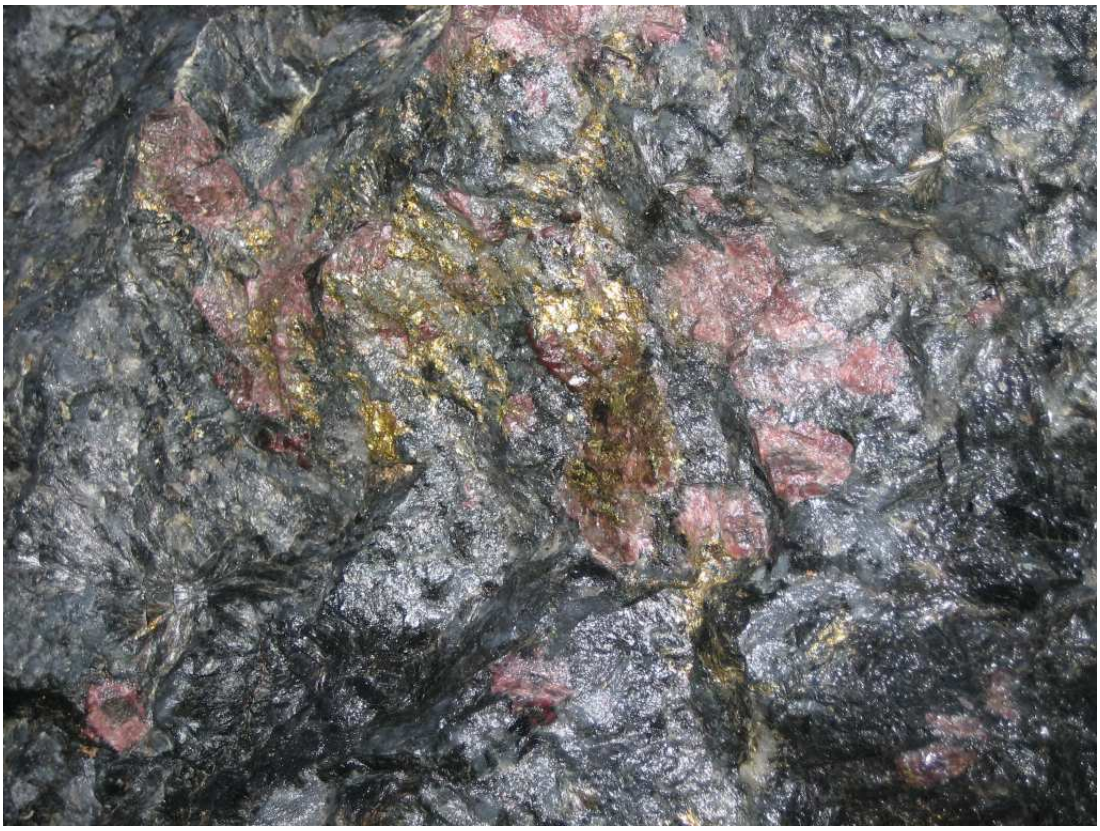


Northwest-Southeast section through the upper part of the gold vein system at Falun

Falun 100 covers highly prospective stratigraphy up to 3km west and 4km east of the mine. The alteration developed at the mine can be traced intermittently over most of this strike length. Several prospects, including Krondiket and Pilbo, occur along the trend.

Preliminary investigations by Drake/Zinifex indicate that there has been little systematic modern exploration outside of the mine area and main prospects, and that there is still significant potential for new discoveries. For example, a new road to the south of the old

Falun pit (constructed since mining ceased) revealed massive sulphide mineralisation in the road base, and stringers of copper sulphide mineralisation in the exposed cutting.



Copper sulphide stringers in the road cut at Falun

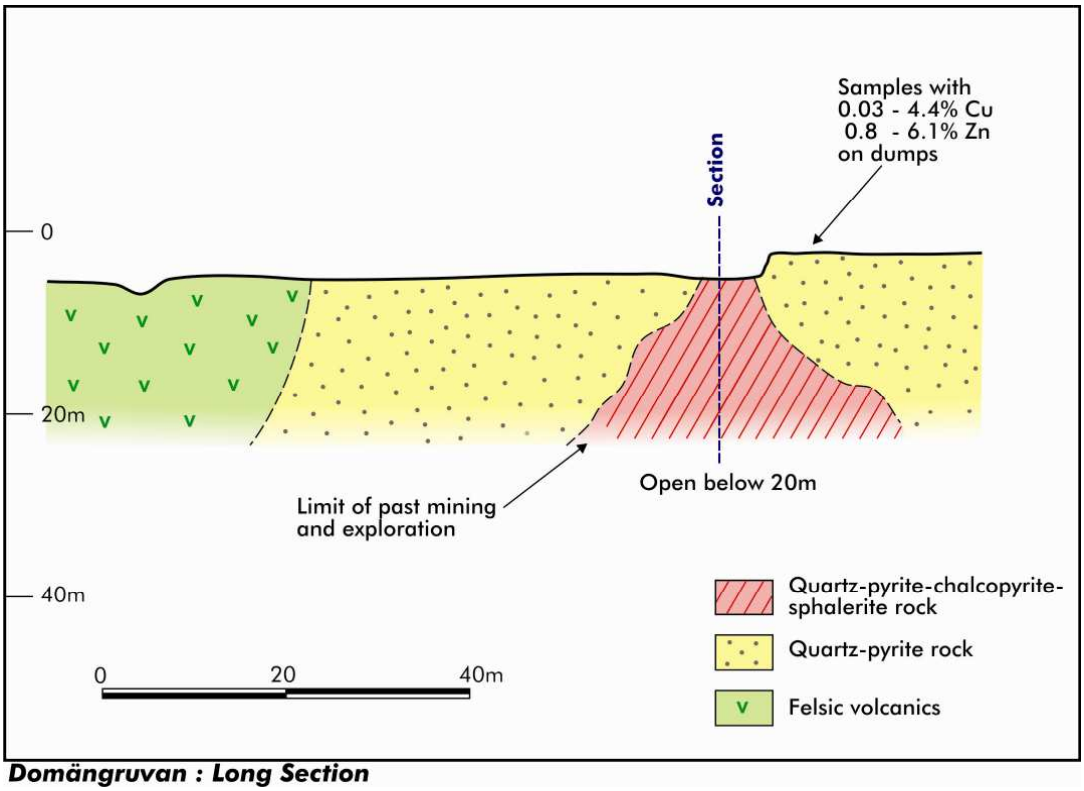
The Krondiket prospect is located 500m west of the mine and previous drilling by Stora Kopparberg intersected sulphide mineralisation in skarn from surface to depths of 200m. Drilling at Pilbo to the south of the pit intersected copper-zinc mineralisation in limestone and skarn. The Pilbo Prospect underlies the road section described above.

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 within a halo of quartz pyrite rocks is shown on the sections and plans below.

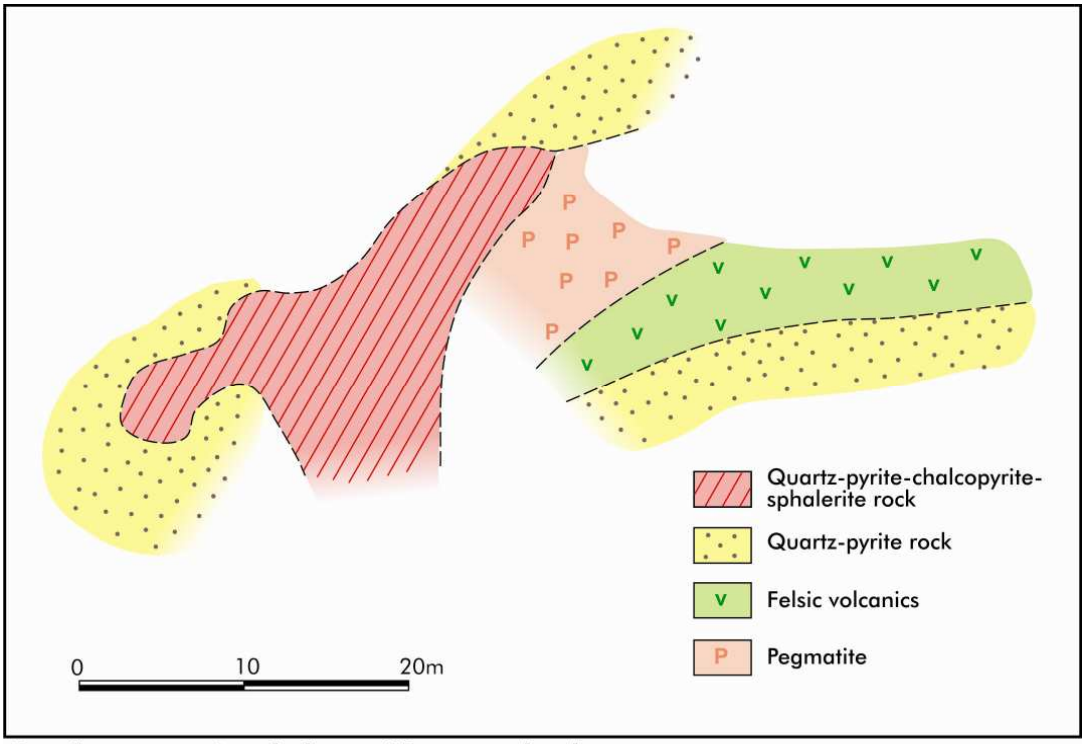


Domängruvan : Long Section

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.

Material on the waste dumps indicates that pyrite is the dominant sulphide, but sphalerite and chalcopyrite are also present. Four samples were collected from the waste dumps. The assays of these samples gave the following ranges for copper and zinc:

Copper: 0.03 – 4.4% Cu
Zinc: 0.8 – 6.1% Zn



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.

The licence area also includes three iron ore occurrences, one of which is along strike from the Domängruvan sulphide deposit.

Drake and Zinifex are commencing their exploration with detailed airborne magnetics, airborne electromagnetics and detailed geological mapping.

Unit 6, 34 York Street North Perth WA 6006
PO Box 35 North Perth WA 6906
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Web: www.drakeresources.com.au

Bersbo

The Alliance has secured tenure over the second largest copper mine in the Bergslagen Province. Mining at Bersbo commenced at the beginning of the 13th Century, and continued to 1902.

The licence covers 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.

Past records indicate that 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.

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 detailed airborne magnetics. These data will be used as a primary toll for the detailed geological mapping to be carried out at Doverstorp.

This new work will be combined with past exploration data, including airborne electromagnetics, to define targets for further exploration.

Sweden exploration programs

The exploration program to test for these targets continued through the Northern Hemisphere summer. The program includes:

- Appointing a manager for the Zinifex-Drake exploration programs, based in Falun, Sweden
- Setting up an exploration base outside of the township of Falun
- Interpretation of the airborne magnetics and radiometric surveys for the Falun 100, Falun 101, Doverstorp and Bersbo exploration licences
- Geological and structural mapping of the exploration licences
- Geochemical sampling
- Assessing options for a detailed airborne electro-magnetic survey

Sweden

The Resource Stocks annual "World Mining Risk Survey" has rated Sweden the least risky country in the world to carry out mining business.

The survey is based upon 10 categories of risk - sovereign (loss of title to an asset), land access, green tape (environmental issues), red tape (bureaucracy), social risk, infrastructure, civil unrest, natural disasters, and labour unrest.

Drake was attracted to Sweden for the reasons highlighted by the survey, plus the exceptional base metal endowment of the country. Other key factors concerning Sweden are as follows:

- More than 1000 years of mining history
- Modern mining law
- Skilled workforce – Sweden possesses the largest iron ore and copper mines in Europe
- Exceptional infrastructure – power, rail, road
- Abundant fresh water

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.