

Developing the Joma Cu-Zn deposit

Near term Cu-Zn production with longer term potential in Ni-Cu and Au

Recommendation

Speculative BUY

Price

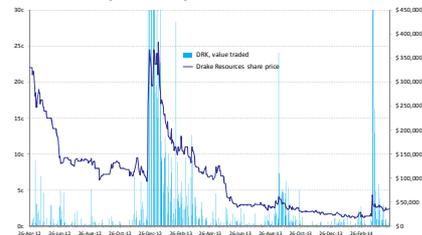
2.3c

- DRK is now focussed on development of Joma, in Norway, in conjunction with a local private company. Joma has produced 11.5Mt of ore at 1.49% Cu and 1.45% Zn
- DRK has 100% of the Granmuren Cu-Ni project in Sweden, the largest nickel discovery in southern Sweden and will seek to boost the potential by a VTEM survey.
- DRK retains an interest in its West African gold which has delivered some very exciting results recently.

Snapshot

Last Price	2.3c
Market Cap	\$3.6m
Cash on hand (31 March 2014)	\$0.786m
non-renounceable rights issue to raise up to \$1.3m announced 4 April 2014	
Shares on Issue	156.1m
52 Week High	9.4c
52 Week Low	1.1c
1 month / 6 month VWAP	3.46c / 2.72c

DRK : daily share price v. value traded



DRK listed in 2005 as an explorer. In March 2013, DRK announced a new strategy to focus on near term potential, including farming down and selling highly prospective, though early stage, prospects. DRK has retained a royalty from its South Tasiast gold project in Mauritania, is farming down to 40% of its highly prospective Siemana gold project in Guinea to focus on its Cu-Zn and Ni-Cu prospects in Norway and Sweden.

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Letter of Intent announced to merge Joma and Steken jock operations

On 6 March 2013, DRK announced an LoI to explore near term copper production, combining DRK's Joma-Gjersvik project in Norway with Vilhelmina's Stekenjokk-Levi project on the Swedish side of the border. Both have been previously mined and both are part of the Koli Thrust Complex which hosts 23 other copper/zinc deposits and tailings sites from previous production.

Vilhelmina had its first application for a Mining Licence rejected due to concerns over local reindeer herding from noise at a mill, etc. DRK's Joma project has established facilities for a processing complex in Norway and it is anticipated such concerns will not be issues.

Beer & Co modelling estimates an NPV for Joma of about \$15m, with significant upside as zinc prices strengthen.

The capital costs are low as the mines are already developed and buildings and civil works for processing are in place.

Drake has significant Nickel potential in Sweden and Norway

DRK has four projects in Norway –Sweden with nickel potential. DRK's priority is its 100% owned Granmuren, which has significant intersections of modest grade nickel at open pit depths and substantial regional opportunity. It also has other nickel projects at Espedalen, Hosanger and Lainejaur.

DRK is farming down other projects

DRK has many other prospective projects, but is not able to develop them all, so is farming down its Siemana gold project in Guinea and other copper-zinc projects in Norway and Sweden.

Beer & Co conclusions

DRK has a current market cap of \$3.6m, compared with our un-risked value for Joma of \$15m. DRK also has significant upside potential from zinc prices and exploration at Granmuren.

Beer & Co initiates research on DRK with a Speculative Buy recommendation.

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Drake Resources : diversified, but focussed

Drake Resources : progressing the portfolio

Drake Resources (DRK) listed in 2005. By the end of 2012, it had built up an impressive exploration portfolio diversified across the geographies of Scandinavia, West Africa and Western Australia and across the commodities of gold, copper, copper-zinc and nickel, as shown in Figure 1.

Figure 1 : DRK's diversified exploration portfolio



DRK listed in 2005 and developed an impressive range of exploration projects.

A range that was too big for a junior to execute effectively

Assets

Sweden

Granmuren - Nickel
Lainejaur - Nickel
Bergslagen JV – Copper/gold
Orsen – Copper/Magnetite

Norway

Espedalen - Nickel
Hosanger – Nickel
Joma – Copper-Zinc
Lokken & Sulitjelma JV – Copper
Nordgruva JV - Copper
Kautokeino & Karasjok – Gold

Finland

Kittila – Gold
Vihanti - Copper

West Africa Gold

Tasiast South
Hendrix Shear
Samekouta
Seimana

Australia Gold

Mt Palmer
Mallee Hen

Source : DRK presentation, March 2013

Focussing the portfolio

On 11 February 2013, DRK announced the appointment of Jason Stribinskis as the Chief Executive Officer, while the founding Managing Director, Bob Beeson, would step down as MD to become a non-executive director.

It was also announced that the new CEO's first task will be to complete a strategic review and lay down a path that focuses on strengthening Drake's financial position and maximising the value of investment in Drake's considerable and attractive asset base.

The results of the review were to tighten DRK's focus :

DRK has rationalised the portfolio to focus on near term production and favourable geography.

- On opportunities that are realisable for a junior explorer and seek to bring in a partner for opportunities that might have considerable potential, but would require significant time and resources to mature to have clear production potential;
- On commodities, to focus on nickel, copper and zinc, recognising the medium term attractiveness especially of nickel and zinc;
- On geography, to focus on Scandinavia, especially Norway and Sweden, which has both attractive geology and a favourable political regime.

The outcomes is that

Some projects are now in JVs

- DRK is focussed on a small number of projects which it owns 100% :
 - Granmuren nickel, in Sweden;
 - Joma copper-zinc in Norway; and
 - Siemana gold project, in Guinea (though see below);
- DRK has important projects in joint ventures, where the projects can be progressed without requiring significant cash resource input by DRK
 - Panoramic Resources is farming into a 70% stake in each of the copper-zinc prospects at Løkken, Nordgruva and Sulitjelma in Norway;
 - DRK has an established JV with Royal Falcon, which is itself a JV between the Royal Falcon Group of Companies of Abu Dhabi, United Arab Emirates and Golden Rim Resources (GMR.ASX), over the Falun project, in which Royal Falcon has a 51% share;
 - In 28 March 2014, DRK announced that it had signed an agreement with Martineau Pty Ltd for Martineau to farm into an initial 40% stake of the Siemana gold project in Guinea;

Some projects are "parked"

- DRK has effectively "parked" other projects that have longer term potential and do not require significant resource input, which includes :
 - Espedalen and Hosanger nickel prospects in Norway,
 - Lainejaur nickel prospects in Sweden;
 - Kittila gold in Finland; and
 - Orsen magnetite-copper prospect in Sweden

Some projects have been exited

- DRK has exited other projects
 - DRK has agreed to grant to Martineau an option over its Tasiast South gold project, requiring Martineau to pay for all expenditure during 2014 and, if Martineau elects to acquire the project, a payment to DRK of \$400,000 plus a 1% royalty on production;
 - Other projects, including gold in West Africa and other prospects in Finland have been exited.

DRK now has a focussed, portfolio that is manageable by a junior, while still having have real blue sky.

DRK now has a very focussed project portfolio, that is manageable in terms of resource requirements, with good near term potential, while retaining significant "blue sky".

Figure 2 shows the extent of DRK's interests in Scandinavia, which is the core of DRK's operations.

Figure 2 : DRK's interests in Scandinavia

DRK is now focused in Scandinavia



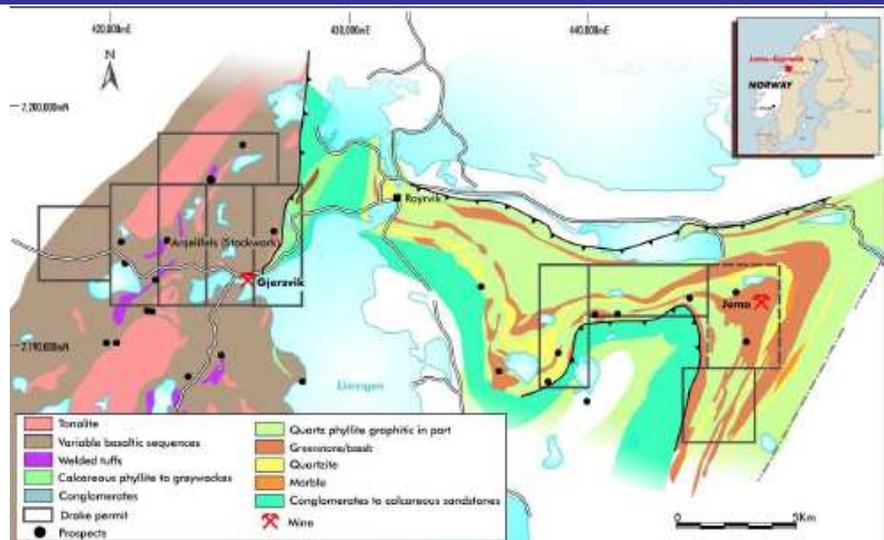
Source : DRK presentation, March 2013

Joma : Near term production

Joma-Gjersvik

Joma-Gjersvik, in Norway, has near term production potential

Figure 3 : Joma-Gjersvik : DRK's tenements



Source : DRK presentation, March 2014

Joma produced 11.6Mt of ore, from 1927 to 1988, at 1.49% Cu and 1.45% Zn

Gjersvik supplied 450kt of ore, from 1952 to 1984, to the mill at Joma, grading 2.15% Cu and 0.5% Zn

Stekenjokk-Levi is about 55km from Joma, though in Sweden.

Stekenjokk was mined from 1976 to 1988 by Boliden AB, producing 7.1Mt of ore at 1.5% Cu, 3.5% Zn, 43g/t Ag, 0.4g/t Au and 0.3% Pb.

As shown in Figure 2, Joma is in Norway, near the border with Sweden.

As shown in Figure 3, DRK's tenements at Joma comprise about 41km² at Joma plus a further 62km² at Gjersvik, which is about 22km away (as the crow flies; nearly 35km by sealed road).

Figure 3 also shows that both Joma and Gjersvik have been mined previously, with

- Joma being mined from 1927 to 1988 producing 11.5Mt of ore at 1.49% Cu and 1.45% Zn; and
- Gjersvik being mined from 1952 to 1984, producing about 450kt of ore grading 2.15% Cu and 0.5% Zn.

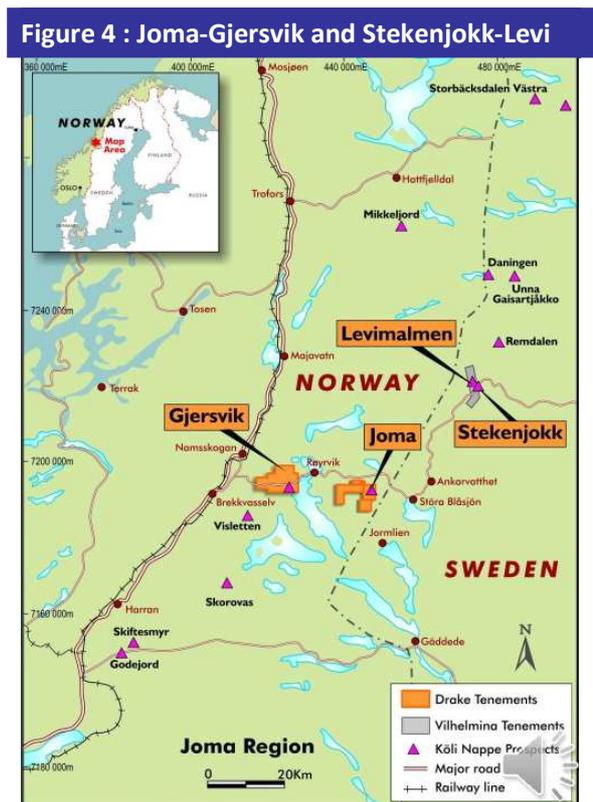
Joma-Gjersvik are volcanic massive sulphide (VMS) mineralisation, containing pyrite, chalcopyrite, sphalerite and galena. Joma hosts massive sulphide lenses between two volcanic/intrusive complexes. Gjersvik is a spoon shaped deposit with massive sulphides up to 8m thick in places. A zinc rich layer (10% -20% Zn) occurs 20m above main ore body.

Stekenjokk - Levi

On 6 March 2014, DRK announced that it had executed a Letter of Intent with Vilhelmina Mineral AB, a privately owned Swedish company to investigate the potential of combining Vilhelmina's assets, vis. the Stekenjokk-Levi project, with DRK's Joma-Gjersvik project.

As shown in Figure 4, these projects are about 55km apart, by sealed road though the former is in Sweden and the latter is in Norway.

Both are previously producing mines; the Stekenjokk deposit was mined from 1976 to 1988 by Boliden Mineral AB. A total of 7.1Mt of ore was mined and milled at an average grade of 1.5% Cu, 3.5% Zn, 43g/t Ag, 0.4g/t Au and 0.3% Pb for 444,110t of copper concentrate and 335, 285t of zinc concentrate.



DRK and Vilhelmina, the owner of Stekenjokk, are doing due diligence to merge their operations

Both Joma and Stekenjokk are part of the Koli Thrust Complex which hosts 23 other copper/zinc deposits, some of which are shown in Figure 4. These deposits could provide feed for a Joma based plant as there are no other copper processing facilities in the region.

Potential Combination - Description

Both Loma-Gjersvik and Stekenjokk-Levi have been previously mined.

Vilhelmina applied for a Mining Licence, but the application was rejected at the end of 2013 due to concerns over the potential impact on reindeer herding such as noise generated by the operation of the processing facility on a 24 x 7 basis.

Joma, as a previously operated mine, has existing roads, offices and sheds, as shown in Figure 5, though the actual processing equipment has been removed.

Figure 5 : Facilities in place at Joma



Source : DRK presentation, March 2014

Figure 6 is sourced from a report generated by the then owner of the licences, IGE AB, dated November 2007. It was stated as being compliant with the JORC 2004 code, but is likely to be non compliant with JORC 2012.

Figure 6 : Stekenjokk-Levi non-JORC 2012 “resources”

	Grade				Contained Metal				
	Copper	Zinc	Lead	Silver	Copper	Zinc	Lead	Silver	
Measured									
Levi	985 kt	1.12 %	2.17 %	0.21 %	26 g/t	11.0 kt	21.4 kt	2.1 kt	824 koz
Indicated									
Levi	2,888 kt	1.35 %	1.88 %	0.21 %	25 g/t	39.0 kt	54.3 kt	6.1 kt	2,322 koz
Stekenjokk South	2,776 kt	1.07 %	4.50 %	0.91 %	80 g/t	29.7 kt	124.9 kt	25.3 kt	7,140 koz
Stekenjokk Notth	719 kt	0.92 %	2.90 %	0.27 %	71 g/t	6.6 kt	20.8 kt	1.9 kt	1,641 koz
TOTAL, M + I	7,368 kt	1.17 %	3.01 %	0.48 %	50 g/t	86.3 kt	221.4 kt	35.3 kt	11,927 koz
Inferred									
Levi	1,267 kt	1.11 %	1.46 %	0.11 %	62 g/t	14.1 kt	18.5 kt	1.4 kt	2,525 koz
Stekenjokk South	1,465 kt	0.79 %	4.24 %	0.63 %	21 g/t	11.6 kt	62.1 kt	9.2 kt	989 koz
TOTAL RESOURCES	10,100 kt	1.11 %	2.99 %	0.46 %	48 g/t	112.0 kt	302.1 kt	46.0 kt	15,442 koz

Source : November 2007 report by INGE Nordic AB, review of Boliden assets

As Joma has been previously mined, DRK has data for about 173 drill holes form surface and 2,809 under-ground drill holes and over 24,000 assays for copper and zinc from in-mine and grade control drilling.

These are not able to be immediately used for the compilation of a JORC 2012 Resource estimate as the QA/QC and QP requirements are not addressed.

On 17 March 2014, DRK announced that an Exploration Target had been generated from this data, of 4Mt – 10Mt, grading 1.0% - 2.0% Cu and 1.5% - 2.5% Zn, as shown in Figure 7.

Note that these grades are comparable to historical production, which graded 1.49% Cu and 1.45% Zn.

Figure 7 : Joma Exploration Target

	low	high
	4 Mt	10 Mt
Copper grade	1.0 %	2.0 %
Zinc grade	1.5 %	2.5 %

Source : DRK, 17 March 2014, Beer & Co

Figure 8 collates data from Special Paper No. 53 of the Geological Survey of Finland “Mineral Deposits and Metallogeny of Fennoscandia”.

Figure 8 : Joma and Gjersvik Mineralisation

		Grade		Contained Metal	
		Copper	Zinc	Copper	Zinc
Joma	17 Mt	1.2 %	1.7 %	204 kt	289 kt
Gjersvik	1.62 Mt	1.71 %	1.03 %	28 kt	17 kt
TOTAL	18.6 Mt	1.2 %	1.6 %	232 kt	306 kt

Source : Mineral Deposits of Fennoscandia, Geological Survey Finland, 2012

Beer & Co assumes a 50 : 50 combination :

- Vilhelmina’s Mining Licence application was rejected late in 2013 due to concerns over processing
- Joma has processing facilities, such as buildings, conveyors, load-out, but the actual plant has been removed;
- Stekenjokk has more, higher grade, resources and has a 2004 JORC resource estimate;
- Joma has more upside potential.

Figure 3 showed that Joma and Gjersvik have considerable area in their tenements, about 41km² at Joma plus a further 62km² at Gjersvik.

In comparison, Figure 9 shows that the tenements for both Stekenjokk and Levi comprise almost only the presently identified mineralised areas.

Combination Basis

- (i) Stekenjokk has a larger and higher grade resource than Joma.
- (ii) Joma has a site for processing, including executed civil works and building;
- (iii) Joma has “blue sky” potential, due both to its larger tenement area and also the other prospects already identified and shown in Figure 3.

For the purposes of this analysis, we assume that the projects are put together on a 50 : 50 basis.

Figure 9 : Stekenjokk – Levi tenements



Source : DRK presentation, March 2014

Stekenjokk – Joma Development Proposal

Mining Inventory

For the purposes of this analysis, Beer & Co assumes :

Beer & Co assumes

- Successful conclusion of the proposed combination
- Success in the application for a new ML
- \$70m cap.ex

The low cap.ex is because the mines are already developed and building works are already in place

- The 90 day due diligence period, which began with DRK's 6 March announcement, is successfully concluded in June and the parties agree to combine their assets into a single operation;
- The new entity re-applies for a mining licence for Stekenjokk, with the ore to be processed at Joma, by the end of 2014;
- A new Mining Licence is granted in mid 2015;
- Construction of a processing operation at Joma begins late in 2015 and is commissioned in late 2016;
- We assume that ore will be trucked 55km by the sealed road that passes both Stekenjokk and Joma
 - A 40km ore pipeline could be used instead, ensuring year round access;
- The total capital cost is assumed to be \$70m to process 1.0Mt/yr, as shown in Figure 10 :
 - this is low as all facilities, apart from some office equipment, are already in place in Joma, which is part of the value that DRK brings to the combination;
 - as shown in Figure 10, this estimate allows only for the bare plant as all else is currently in place.

Figure 10 : estimated capital

Pre-Feasibility	US\$ 1m
Definitive Feasibility	US\$ 2m
Mine Development	US\$ 1m
Mining Equipment	US\$ 0m
Crushing & Grinding	US\$ 40m
Flotation	US\$ 25m
Offices, etc	US\$ 1m
TOTAL	US\$ 70m

Source : Beer & Co estimates

Figure 11 shows the mining inventory assumed in this analysis. This is based on :

- Measured and Indicated "resources" for Stekenjokk and Levi as shown in Figure 6, with an allowance for mining dilution of 7.5% (ie. the same metal recovered, but 7.5% more tonnes mined); and
- The inventory shown for Joma in Figure 7.

Figure 11 : Assumed Mining Inventory, Stekenjokk - Joma

	Grade				Contained Metal				
	Copper	Zinc	Lead	Silver	Copper	Zinc	Lead	Silver	
Stekenjokk South	2,984 kt	1.00 %	4.19 %	0.85 %	74 g/t	29.7 kt	124.9 kt	25.3 kt	7,140 koz
Levi	4,164 kt	1.20 %	1.82 %	0.20 %	23 g/t	50.0 kt	75.7 kt	8.1 kt	3,145 koz
Stekenjokk North	773 kt	0.86 %	2.70 %	0.25 %	66 g/t	6.6 kt	20.8 kt	1.9 kt	1,641 koz
Joma	7,000 kt	1.50 %	1.50 %			105 kt	105 kt		
TOTAL	14,921 kt					191 kt	326 kt	35 kt	11,927 koz

Source : Beer & Co estimates

Production

Figure 12 shows Beer & Co's projections for production from this operation.

Figure 12 : Beer & Co's projections for production from Stekenjokk-Joma

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Ore Mined	375 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	546 kt
Ore Processed	375 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	1,000 kt	546 kt
copper	1.00 %	1.00 %	1.00 %	0.94 %	1.07 %	1.20 %	1.20 %	1.20 %	1.34 %	1.50 %	1.50 %	1.50 %	1.50 %	1.50 %	1.50 %	1.37 %
zinc	4.19 %	4.19 %	4.19 %	3.60 %	2.15 %	1.82 %	1.82 %	1.82 %	1.67 %	1.50 %	1.50 %	1.50 %	1.50 %	1.50 %	1.50 %	1.37 %
lead	3.39 %	3.39 %	3.39 %	2.52 %	0.85 %	0.78 %	0.78 %	0.78 %	0.39 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
silver	74 g/t	74 g/t	74 g/t	71 g/t	40 g/t	23 g/t	23 g/t	23 g/t	13 g/t	0 g/t	0 g/t	0 g/t	0 g/t	0 g/t	0 g/t	0 g/t
Copper recovery	79 %	86 %	88 %	88 %	88 %	88 %	88 %	88 %	88 %	88 %	88 %	88 %	88 %	88 %	88 %	88 %
Cu in conc	2,964 t	8,572 t	8,759 t	8,279 t	9,411 t	10,572 t	10,572 t	10,572 t	11,767 t	13,200 t	6,600 t					
Conc grade	23 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %
Cu conc	13,137 t	34,634 t	35,036 t	33,116 t	37,644 t	42,289 t	42,289 t	42,289 t	47,066 t	52,800 t	26,400 t					
Zinc recovery	76 %	81 %	85 %	85 %	85 %	85 %	85 %	85 %	85 %	85 %	85 %	85 %	85 %	85 %	85 %	85 %
Zn in conc	11,996 t	34,012 t	35,581 t	30,635 t	18,305 t	15,448 t	15,448 t	15,448 t	14,222 t	12,750 t	6,375 t					
Conc grade	49 %	51 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %
Zn conc	24,698 t	66,347 t	68,426 t	58,913 t	35,202 t	29,708 t	29,708 t	29,708 t	27,350 t	24,519 t	12,260 t					
Lead Recovery	81 %	86 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %
Pb in conc	2,585 t	7,301 t	7,619 t	5,524 t	1,950 t	1,758 t	1,758 t	1,758 t	959 t	0 t	0 t	0 t	0 t	0 t	0 t	0 t
Conc grade	49 %	51 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %	52 %
Lead conc	5,321 t	14,243 t	14,651 t	10,622 t	3,750 t	3,381 t	3,381 t	3,381 t	1,844 t	0 t	0 t	0 t	0 t	0 t	0 t	0 t
Silver Recovery	61 %	69 %	78 %	80 %	80 %	80 %	80 %	80 %	80 %	80 %	80 %	80 %	80 %	80 %	80 %	80 %
Ag in Conc	551 koz	1,645 koz	1,869 koz	1,830 koz	1,022 koz	604 koz	604 koz	604 koz	330 koz	0 koz	0 koz	0 koz	0 koz	0 koz	0 koz	0 koz
Conc grade	3,221g/t	3,592g/t	3,968g/t	5,358g/t	8,478g/t	5,559g/t	5,559g/t	5,559g/t	5,559g/t	0g/t						

Source : Beer & Co estimates

Figure 12 shows that Beer & Co has assumed :

- Mining begins late in 2016 and takes 6 months to ramp up to 1.0Mt/yr;
- Priority is given to the highest grade ore bodies
 - this means that Joma is processed late in the project, but instead Joma is likely to be used throughout as a supplemental feed, especially during winter when roads on which the Stekenjokk ore is trucked to Joma can be blocked by snow; and
- Recoveries are projected to build over a 12 month period to achieve :
 - 88% for copper
 - 85% for zinc
 - 90% for lead
 - 80% for silver (though over a 2 year period)

Beer & Co has estimated a mining inventory, but has also omitted significant further potential.

Beer & Co's operational assumptions are general industry standards, but met test work is needed to firm the estimates

Figure 12 shows that production varies over time. Figure 12 also shows that we have NOT assumed any production from :

- Gjersvik, which is a satellite orebody to Joma, about 30km away, that has, historically, produced about 450kt of ore grading 2.15% Cu and 0.5% Zn; or
- Identified exploration targets within the Joma / Gjersvik licences; or
- 2.6Mt of Stekenjokk and Levi inferred resources.

We project that Stekenjokk provides high revenue at the start

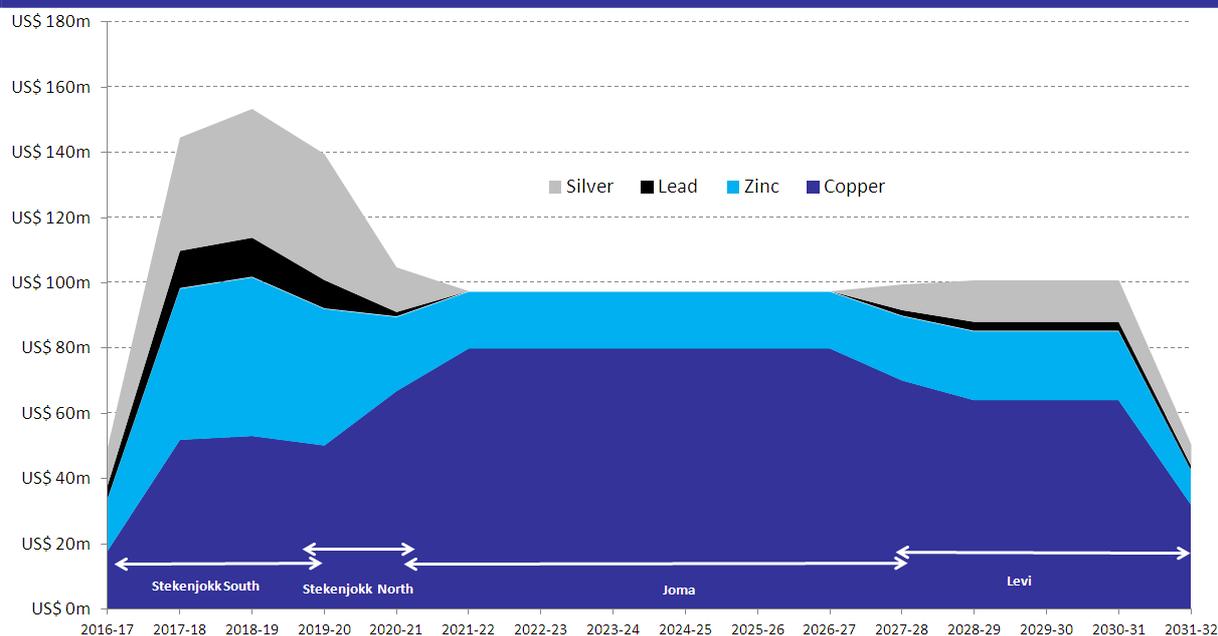
Figure 13 shows the changes in time in revenue. The revenue assumes metal prices similar to current prices, and as detailed in Figure 15 further below.

Cash Costs

Figure 14, further below, shows the detail of the cash costs of operations that we have assumed in this analysis.

These costs are Beer & Co estimates based on a range of similar projects.

Figure 13 : Revenue from Stekenjokk - Joma over Life of Mine



Source : Beer & Co estimates

Figure 14 : assumed cash costs

Ore Mining	US\$ 40/t	of ore
Ore transport	17.5 c/t-km	50 km
Ore Processing	US\$ 20/t	of ore
Site Admin	US\$ 10/t	of ore
Road Transport	15.0 c/t-km	30 km
Rail Transport	4.5 c/t-km	260 km
Port charges	US\$ 15/t	of concentrate
Shipping costs	US\$ 10/t	of concentrate

Source : Beer & Co estimates

Figure 15 shows Beer & Co’s projections of the net cash generated from operations.

It shows that the project still has the potential to be optimised by the timing of ore feed as the net cash generated is highest when Stekenjokk South ore is being processed, and then next highest when Joma ore is

processed with Stekenjokk South and Levi generating lower levels of net cash.

Figure 15 shows that no mining royalties are payable in Sweden and Norway.

Figure 15 : Beer & Co’s projections of the net cash generated by Stekenjokk – Joma operations

USD terms	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Copper	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t	\$ 6,750/t
Zinc	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t	\$ 2,028/t
Lead	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t	\$ 2,094/t
Silver	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz
Net Revenue	\$ 37m	\$ 107m	\$ 111m	\$ 98m	\$ 90m	\$ 97m	\$ 97m	\$ 97m	\$ 91m	\$ 87m	\$ 87m	\$ 87m	\$ 44m
Mining costs	\$ 15m	\$ 40m	\$ 40m	\$ 40m	\$ 40m	\$ 22m							
Processing costs	\$ 8m	\$ 20m	\$ 20m	\$ 20m	\$ 20m	\$ 11m							
Site G & A	\$ 4m	\$ 10m	\$ 10m	\$ 10m	\$ 10m	\$ 5m							
Ore transport	\$ 3m	\$ 9m	\$ 9m	\$ 9m	\$ 9m	\$ 3m	\$ 0m	\$ 0m	\$ 5m	\$ 9m	\$ 9m	\$ 9m	\$ 5m
Concentrate transport	\$ 2m	\$ 4m	\$ 4m	\$ 4m	\$ 3m	\$ 3m	\$ 3m	\$ 3m	\$ 1m				
Royalty	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 0m
EBITDA	\$ 6m	\$ 25m	\$ 28m	\$ 16m	\$ 14m	\$ 24m	\$ 24m	\$ 24m	\$ 13m	\$ 5m	\$ 5m	\$ 5m	(\$ 1m)

Source : Beer & Co estimates

Financial Outcome

In our analysis, we have allowed \$3m for feasibility studies. This is low as almost no drilling is required as Joma was previously an operating mine and has over 24,000 assays. In our view, there is a requirement for metallurgical testwork.

In Beer & Co's view, this project should be able to attract a significant level of debt funding as nearly all of the project capital is able to taken away and re-sold if the need should arise; in contrast to mine development and footings which are not able to be re-sold to a third party.

Figure 16 shows Beer & Co's projections of the value of the Stekenjokk-Joma project on a 100% basis.

Figure 16 : Beer & Co's projected net cashflows

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
E B I T D A	\$ 0m	\$ 0m	\$ 6m	\$ 25m	\$ 28m	\$ 16m	\$ 14m	\$ 24m	\$ 24m	\$ 13m	\$ 5m	\$ 5m	\$ 5m	(\$1m)
Dep'cn & Amort'sn	\$ 0m	\$ 0m	\$ 4m	\$ 9m	\$ 8m	\$ 7m	\$ 6m	\$ 6m	\$ 6m	\$ 3m	\$ 0m	\$ 0m	\$ 0m	\$ 0m
E B I T	\$ 0m	\$ 0m	\$ 2m	\$ 16m	\$ 20m	\$ 9m	\$ 8m	\$ 18m	\$ 18m	\$ 10m	\$ 5m	\$ 5m	\$ 5m	(\$1m)
Interest Expense	\$ 0m	\$ 1m	\$ 4m	\$ 3m	\$ 2m	\$ 1m	\$ 0m							
Tax Expense	\$ 0m	(\$0m)	(\$0m)	\$ 4m	\$ 5m	\$ 2m	\$ 2m	\$ 5m	\$ 5m	\$ 3m	\$ 2m	\$ 2m	\$ 2m	(\$0m)
N P A T	\$ 0m	(\$1m)	(\$1m)	\$ 9m	\$ 13m	\$ 6m	\$ 5m	\$ 13m	\$ 13m	\$ 7m	\$ 4m	\$ 4m	\$ 4m	(\$1m)
Project Cap.Ex Cap.Ex	\$ 2m	\$ 69m	\$ 0m											
Sus. Cap. Ex	\$ 0m	\$ 0m	\$ 0m	\$ 0m	\$ 3m	\$ 1m								
Net Cashflow to Project	(\$2m)	(\$69m)	\$ 5m	\$ 20m	\$ 20m	\$ 11m	\$ 9m	\$ 17m	\$ 17m	\$ 7m	\$ 1m	\$ 1m	\$ 1m	(\$2m)
Net Cashflow to Equity	(\$2m)	(\$25m)	(\$4m)	\$ 8m	\$ 10m	\$ 0m	\$ 7m	\$ 19m	\$ 19m	\$ 10m	\$ 4m	\$ 4m	\$ 4m	(\$1m)

Source : Beer & Co estimates

Using a 12% discount rate, the NPV of the project cashflows is US\$ 14m, while the NPV of the cashflows to equity holders is US\$ 29m. This is after allowing \$3m for feasibility studies. Figure 15 shows that the payback period is about 3 years.

Beer & Co's estimated NPV for the project is US\$ 14m, or US\$ 29 after financing.

Conclusions on Joma - Stekenjokk

Beer & Co's analysis shows that Joma – Stekenjokk is a viable project and, in our view, there is still significant potential in the tenement areas, as shown by the prospect locations shown in Figure 3. However, our analysis has a high degree of potential error :

We believe the project will be highly financeable as the cost is nearly all in relatively standard plant.

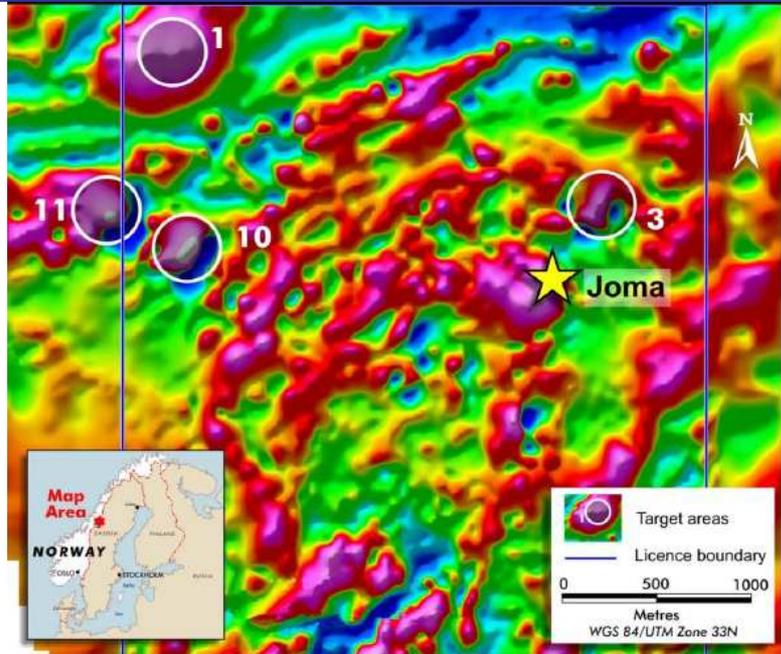
- We do not have JORC Resources for Joma, leave alone reserves;
- Our estimates of project capital costs and operating costs are likely to be in error, as they are based on rough comparatives and do not properly take into account location and time and specifications;
- Our estimates of grades, and recoveries are subject to error as they are based on rough comparatives and are not informed by the particulars of this specific orebody.

However, there is significant potential for error in our estimates

Figure 17 shows targets in the Joma tenement area identified by gravity, magnetic & EM surveys. Target 1 in Figure 17 is larger than the Joma geophysics signature.

Figure 17 : Joma geophysical targets

Joma has significant potential for further mineralisation.



Source : DRK presentation, March 2014

Granmuren : Nickel

Granmuren is a greenfield, near surface, Ni-Cu-Co discovery

As shown in Figure 18, Scandinavia and the adjoining Karelia Province in north west Russia is one of the major nickel-copper provinces of the world. It includes Niorilsk's Pechenga deposit, which hosts over 360Mt in Resources, grading 0.65% Ni, 0.32% Cu and 0.05% Co, and Hitura in Finland which has 23Mt at 0.2% - 0.7% Ni.

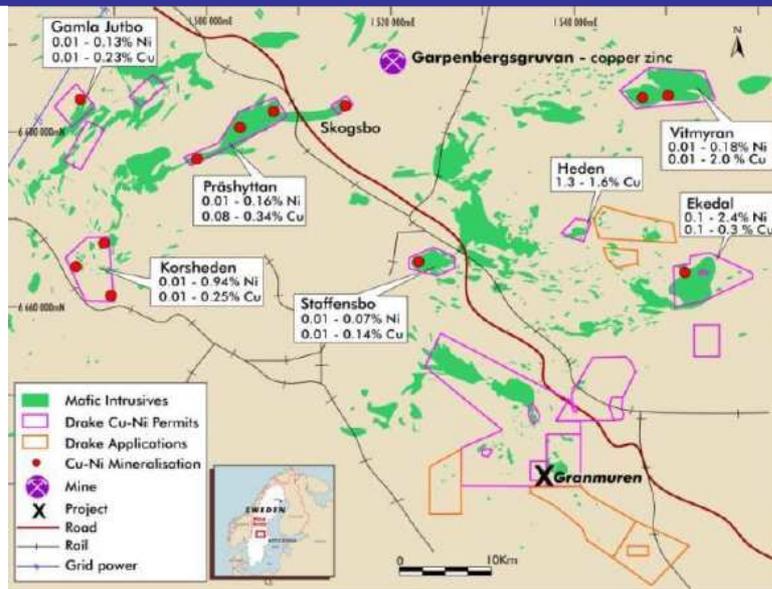
Granmuren is a greenfield, near surface, Ni-Cu-Co discovery in the Bergslagen district of Sweden which has a long and significant mining history.

Figure 18 : Scandinavian Nickel



Source : DRK presentation, May 2013

Figure 19 Nickel occurrences in Bergslagen district in Sweden



DRK has licences over every nickel occurrence near Granmuren

Source : DRK ASX announcement, 28 May 2013

Figure 19 shows that DRK holds licences over every nickel occurrence around Granmuren

Granmuren is mineralised from near surface.

As shown in Figure 20, mineralisation is at open pit depths; from near surface down to about 300m in depth.

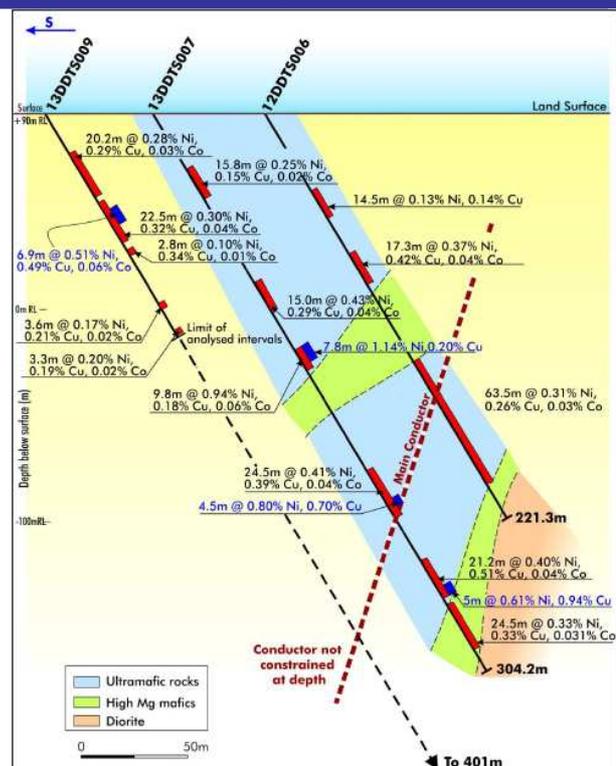
Granmuren has reported very long intercepts.

Figure 20 shows that DRK has reported significant intercepts of modest grade nickel, with hole 007 reporting a cumulative 115m of intercepts grading over 0.25% Ni.

DRK has reported very long intercepts such as

- 53.5m at 0.31% Ni and 0.26% Cu; and
- 24.5m at 0.41% Ni and 0.39% Cu.

Figure 20 : drill intercepts, Granmuren



Source : DRK ASX announcement, 17 May 2013

Some high grade intercepts have also been reported.

DRK has also reported higher grades intercepts, such as

- 7.8m @ 1.14% Ni and 0.2% Cu; and
- 4.5m @ 0.80% Ni and 0.7% Cu

The Swedish Geological Survey described Granumren as the largest nickel discovery in the Bergslagen district. An independent geologist’s report commissioned by DRK described the Bergslagen district as “Voisey’s Bay” style mineralisation, with intrusions of massive and disseminated sulphides, mainly pyrrhotite, pentlandite and chalcopyrite, hosted in gabbros and norites. These tend to occur in clusters and DRK is planning a VTEM survey to locate other mineralised occurrences to support the potential for a bulk mining operation.

West African Gold – Siemana, Guinea

Background

DRK has rationalised its West African gold portfolio.

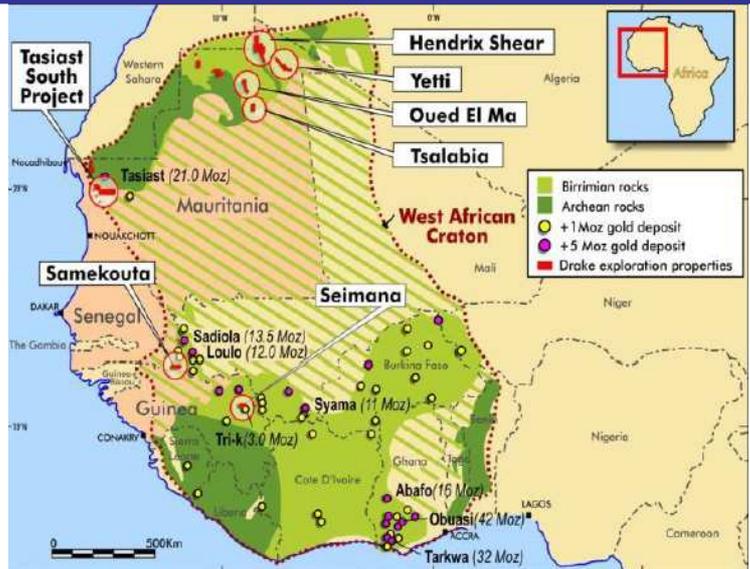
It was not too long ago that DRK was focused on West African gold exploration. However, with the fall in the gold price and declining sentiment towards West Africa, DRK’s strategic focus shifted to its Scandinavian base metals projects.

DRK’s remaining interests are Tasiast South, which is the subject of an agreement that could lead to a sale, and Siemana, which DRK is in the process of farming down having potentially secured 100% funding of the project for at least the next 2 years.

Figure 21 shows the location of DRK’s present and former West African gold assets.

It is now focussed on Siemana, in Guinea.

Figure 21 : DRK’s West African Gold



Source : DRK presentation, March 2013

All projects shown in Figure 21, other than Tasiast South and Seimana, have been exited, due to the time and costs of progressing these projects.

Seimana

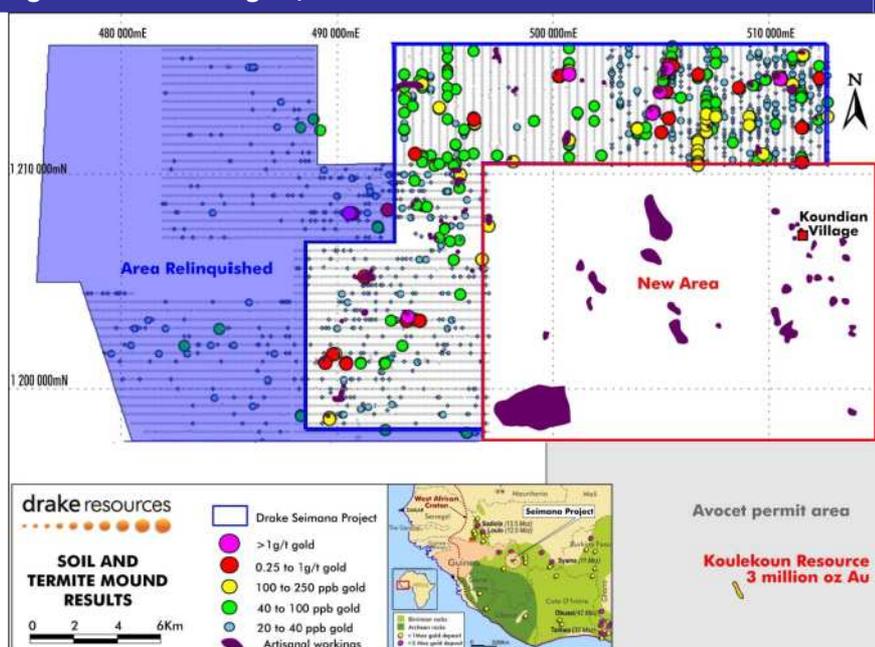
On 6 January 2014, DRK announced it was successful in acquiring highly prospective areas adjacent to its Seimana project, and adjacent to tenements held by Avocet Mining (AVM.L) that host a Resource of 3.2Moz at Tri-K, 7km south of the new permit border.

Figure 22 shows that the areas relinquished had returned poor results from soil sampling, while the area retained had given better returns.

It also shows that the area acquired has significant artisanal workings, which provides strong encouragement.

Siemana has reported many high grade samples and hosts artisanal mining.

Figure 22 : Seimana gold, Guinea



Source : DRK announcement, 6 January 2014

Martineau

On 6 January 2014, DRK announced that it had executed a Heads of Agreement with a private company, Martineau Mining, by which Martineau can earn a 40% interest by spending \$2m on exploration over the next 2 years.

This agreement is subject to Martineau being able to raise the funding required within 45 days, which expires soon.

DRK retains a 1% royalty on all gold produced.

Sampling

On 19 March 2014, DRK reported results of sampling from 13 separate prospects, as shown in Figure 23.

A sample of over 2oz/t was reported

Gold assays of quartz veining near current and historic artisanal workings included :

- 70.8g/t;
- 29.4g/t;
- 17.8g/t;
- 15.1g/t; and
- 13.1g/t.

As shown in Figure 23, the high grades occur in many different places over an area of 18km².

On 29 April, DRK reported further high grade samples at Seimana, including

Siemana is early stage and is potentially world class.

- 42.9g/t;
- 26.7g/t;
- 15.8g/t;
- 15.1g/t; and
- 10.9g/t;

DRK is framing down.

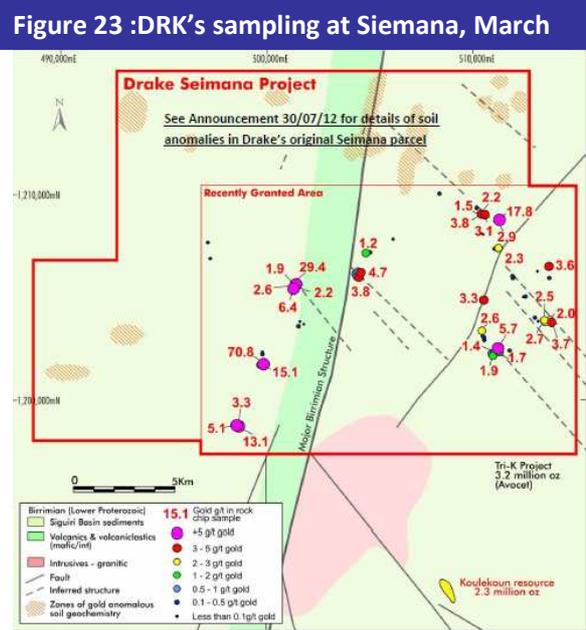
Conclusions

Seimana has provided some very attractive results and is potentially a world class discovery. Both DRK and Martineau intend to progress investigations at pace given the promising early results.

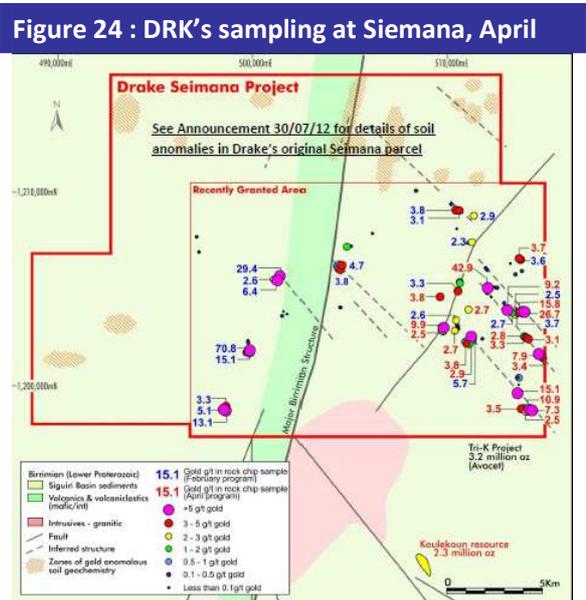
It may be diluted to 40% by expenditure of \$4m over 4 years.

This should occur without any expenditure by DRK. Also, the initial farm down is only by 40% over 2 years. The next stage is by a further 20% for \$2m over the next 2 years.

As a result, DRK will still have a 40% interest.



Source : DRK announcement, 19 March 2014



Source : DRK announcement, 29 April 2014

Tasiast South

Tasiast South is the southern extension of the Tasiast development by Kinross Gold (K.TSX), which has a total of 15.0Moz in Reserves and Resources from 363Mt at an average grade of about 1.23g/t, including Reserves of 175Mt at 1.71g/t.

On 28 March, 2014, DRK announced a Heads of Agreement with Martineau giving Martineau an option until 31 December 2014 to acquire the tenements for the payment of \$0.4m and giving DRK a production royalty of 1%.

This means that DRK retains exposure to this very early stage prospect.

Other Projects

Apart from their West African gold projects at Tasiast South and Seimana, all of DRK's projected are in Scandinavia, as shown in Figure 2.

Panoramic Joint Venture

DRK has 3 JVs with PAN.

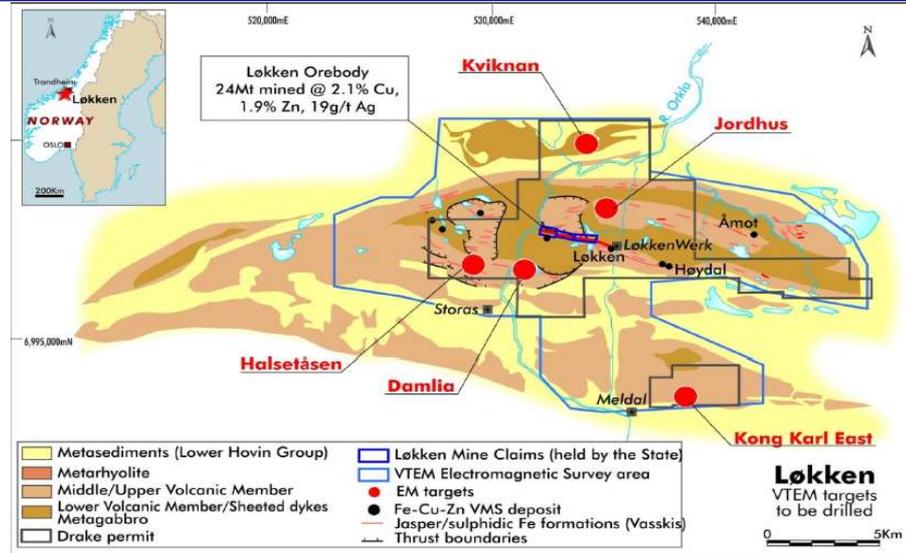
Panoramic Resources (PAN.ASX) and DRK have executed an agreement allowing PAN to farm into individual DRK projects to achieve a 70% interest by expenditure in the ground on that project.

All are over Cu-Zn projects in Norway

There are 3 projects, all of which are in Norway and are all prospective for Cu-Zn mineralisation, viz, Løkken, Nordruva and Sulitjema.

Løkken

Figure 25 : Løkken



Løkken mined 24Mt at 2.1% Cu, 1.9% Zn and 19g/t Ag, from 1654 to 1987

Source : DRK Quarterly report, March 2014

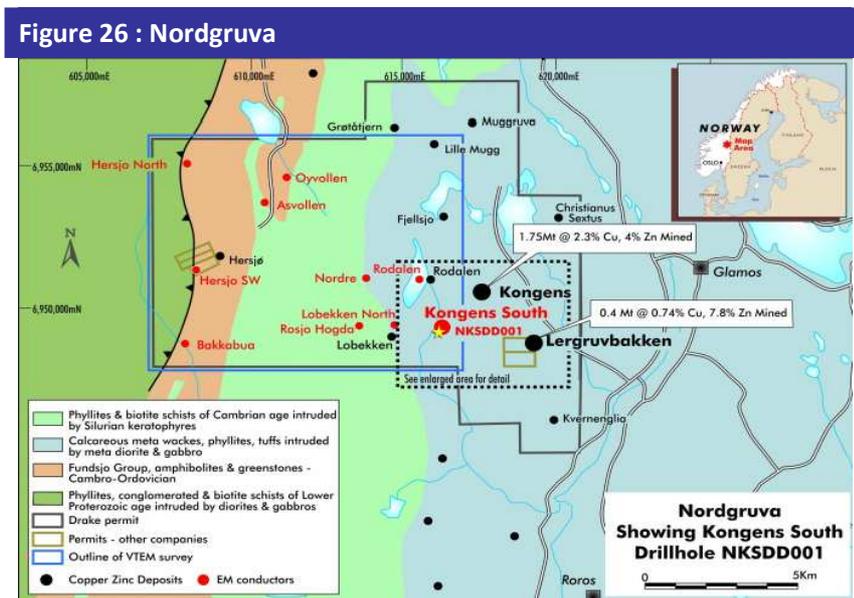
Figure 25 shows that Løkken has been previously mined, with 24Mt grading 2.1% Cu, 1.9% Zn and 19g/t Ag having been extracted from 1654 to 1987, According to the Norwegian Geological Survey. The Løkken mine is the largest single copper zinc deposit in Norway and could have been the largest Cyprus type deposit in the world.

In August 2011 a VTEM Survey identified significant conductors north, south and west of the Løkken mine. Ground fixed loop EM and gravity surveys conducted in March/April 2012 screened the anomalies and confirmed the presence of source conductors. Five targets have been identified and will be drilled in the pending diamond drilling program.

The Løkken mine is covered by three small claims held by the Norwegian government. Parts of the Løkken orebody extend into DRK’s claims which cover much of the Løkken copper-zinc mining district.

Nordgruva

Nordgruva is part of the Røros mining district in central Norway which has a copper/zinc mining history extending back over 300 years from multiple sites from 1644 to 1977. The 2 most significant historical mines produced 1.5Mt at 2.8% Cu, 5.7% Zn, 0.4% Pb and 23g/t Ag and 0.25Mt at 2.7% Cu, 7.9% Zn, 0.3% Pb and 14g/t Ag between 1657 and 1940.



Source : DRK announcement, 22 October 20134

Drilling in late 2013 showed anomalous copper and zinc in 4 thin seams around 400m in depth. Down-hole EM identified two significant, strong off-hole conductors at 400m and 450m which will be drilled this (northern) summer.

Sulitjema

The Sulitjelma mines in Northern Norway produced 25Mt from 11 deposits between 1887 and 1991, with average grades of 1.85% Cu and 0.86% Zn, 10 g/t Ag, 0.25 g/t Au.

Mining ceased in 1991, and there has been no exploration in the district since then.

Others

As shown in Figure 3, DRK has other prospects, including Espedale nickel and Hosanger nickel in Norway, Lainejaur nickel and Orsen magnetite-copper in Sweden and Kittila gold in Finland.

Each of these have a very low cost to hold so that they can be re-assessed either as commodity prices change (for gold projects) or as other geological information becomes available.

Drake Resources - Conclusions

DRK has a valuable project at Joma, that needs to conclude the agreement with Vilhelmina to combine Stekenjokk and Joma

Beer & Co's un-risked value of DRK's share is \$15m, compared with a market cap of \$3.6m

DRK has significant potential at Granmuren and Siemana.

Speculative BUY

DRK appears to have a valuable project at Joma. However, a firm agreement needs to be reached with Vilhelmina AB which will enable their Stekenjokk project to proceed at a low capital cost by utilising facilities in place at Joma.

This project could proceed with only a modest equity raising due to the low capital cost and its potential for debt funding.

DRK has other exploration projects, especially at Granmuren and Seimana that have very high potential.

DRK has a current market cap of \$3.6m. In our view, DRK's share of the Joma development has an un-risked value of \$15m at current prices, while zinc prices are widely expected to rise further.

In our view, the current market cap is low compared with the value in Joma, and DRK has significant upside potential from zinc prices and exploration at Granmuren.

Beer & Co initiates research on DRK with a Speculative Buy recommendation.

Board and Management



BRETT FRASER, FCPA ASIA B.Bus, Non-Executive Chairman

Brett Fraser is qualified as an accountant and has more than 25 years experience in the finance and securities industry. For many years he was an analyst working in merchant banking focused on the mining industry. He is a former owner and director of media group Redwave Media Limited and has owned and operated businesses across mining, finance, wine, health and media. Mr Fraser is also Non-Executive Chairman of Blina Minerals, Non-Executive Board Member of Aura Energy Limited, former Chairman of Doray Minerals Ltd and the Securities Institute Education, WA chapter, and a former director of Gage Roads Brewing Co and Brainytoys Limited.



JASON STIRBINSKIS, BSc, DipEd, MBA, AICD, Chief Executive Officer

With 23 years of global experience, Jason Stirbinskis' former roles include Managing Director of Phillips River Mining and Central Asia Resources. He has held senior roles within mining sector consultancies such as METS and Prospect Consulting and has extensive experience in the banking and finance sectors. He also has a strong background in project management and management consulting with the mining and banking sectors. Mr Stirbinskis was GM of the 2007 Telstra/MYOB Small Business of the Year (Australia) and acknowledged as one Western Australia's Top 40 Business People Under 40 in 2008. He is the Honorary Consul of the Republic of Kazakhstan in Western Australia and is a member of the Australian Institute of Company Directors and the Australian Institute of Mining Metallurgy.



Dr BOB BEESON, BSc Hons, PhD, Non-Executive Director

Dr. Bob Beeson is a professional geologist with more than 35 years of global experience in mineral exploration and development. He has held senior management positions with Billiton Australia, Acacia Resources, North Limited and New Hampton Goldfields, and has extensive experience in leading and managing teams in many regions of the world. Dr Beeson is currently Managing Director of Aura Energy Limited and is a member of the Australian Institute of Geoscientists and other professional geoscience associations.



Jay Stephenson, MBA, FCPA, CMA, FCIS, MAICD, Non-Executive Director & Company Secretary

Jay Stephenson is a qualified accountant and has been involved in business development for more than 20 years. During this time, he has served as director, Chief Financial Officer and Company Secretary for both listed and unlisted entities in the resources, manufacturing, wine, hotel and property sectors. He has substantial experience in corporate transactions and managing all areas of finance. Mr Stephenson is currently Chairman of Quintessential Resources Limited, a Director and Chief Financial Officer of Doray Minerals Limited and a Director of Nickelore Limited and Strategic Minerals Corporation NL. He is also Company Secretary for a number of other ASX-listed companies

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Analyst Certification

The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

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