

## Company Summary

February 16, 2010

### Drake Energy Ltd. (DPE : TSX-V)

**Current Price : \$0.20**

Coverage Initiated:  
\$0.34 (June 13, 2008)

#### Highlights:

- company is focusing on its numerous light oil development drilling and work-over targets identified
- re-completed Sousa well has produced 120 bopd over an extended period
- planned expansion of Sousa core area in 2010
- strong cash flow per share based on current production
- trading at a significant discount to NAV

#### DISCUSSION:

Drake Energy is engaged in the exploration and development of petroleum and natural gas primarily in Alberta. Over the past two years, the company has undergone a significant transformation from an entity with modest operations, little investor exposure, and few growth initiatives, to a company that is operating aggressively and is balancing its production to provide a foundation of growth for the future. Drake Energy currently has a value-oriented portfolio of property interests in core areas such as Sousa, Swan Hills, Enchant, Retlaw, Gilby, Alderson and Suffield, and is actively looking for new property acquisitions.

Drake Energy has managed to endure the difficult times for junior oil & gas producers over the past two years due to success in its exploration and development programs and strong financial discipline. Production, reserves, land base, drilling opportunities and the company's management team have all been strengthened during this time. In July 2009, Drake changed its name from Drake Pacific Enterprises Ltd. to Drake Energy Ltd. In addition, the company's president stepped down and assumed the role of consultant while Neil Orr was named the new President & CEO.

In the first half of 2009, Drake Energy acquired additional working interest in Sousa, Swan Hills, Forestburg and Retlaw from a private oil and gas company for consideration of approximately \$537,000. The P+P reserve value for the working interest before tax (NPV 10%) was approximately \$1.13 million based on the evaluation at March 2009 by Sproule and Associates. Furthermore, in February 2010, Drake acquired the remaining 25% interest in Sousa that it did not already own plus a 40% interest of the 13-06 Jenner well from a private company in receivership. Consideration consisted of \$250,000 plus the offset of some receivables. This acquisition has a reserve value before tax of proved and probable reserves (NPV 10%) of approximately \$3,508,000 based on the evaluation at April 1, 2009 by Fekete Associates Inc.

In October 2009, Drake completed a private placement in which the company issued 1,342,520 units at \$0.10 and 2,514,666 flow-through units at \$0.12 for total gross proceeds of \$436,010. Each unit consists of one common share of the company and one full warrant exercisable at \$0.15 for a period of 9 months. The company is using the proceeds from this financing to fund a portion of its light crude oil development drilling and workover programs at Enchant and Sousa.

In February 2010, Drake reported several updates on its winter 2009/2010 activity. Oil wells were drilled or re-entered at Enchant, Sousa, and Jenner. In addition, gas optimization programs were implemented at Sousa, Jenner, and Retlaw. The most significant development of the company's winter program has been the re-entry of a horizontal Sousa well (100% WI) at 01-24. The well has been producing since the beginning of February at approximately 120 bopd. This Sousa well has also opened up multiple follow-up locations to consider.

In early February 2010, Drake announced that it was currently producing approximately 250 boepd. Production is now up almost 100% from the 2009 third quarter average of 129 boepd. Much of the company's production that was shut-in during the second half of 2009 is now back on stream.

Drake Energy has developed and implemented a very effective strategy in the face of a very difficult market that took hold in 2008. While surviving a relatively weak period throughout most of 2009, the company has commenced 2010 with a very successful winter program of drilling, re-completions and tie-ins. Management's efforts to reduce costs and focus on oil prospects

have created significant value. Based on recent corporate updates, Drake should be capable of producing 2010 cash flow in the range of \$1.0 - \$1.5 million or \$0.05 - \$0.07 per share. Despite significant share price appreciation due to the company's Sousa well and positive outlook, Drake still trades at just 3 - 4 times forecast cash flow and at a fraction of its reserves value (10% NPV) which is estimated to be around \$20 million or \$1.00 per share. Also, with a current market capitalization of only \$4.6 million, the company's market cap per flowing boe is well under \$20,000.

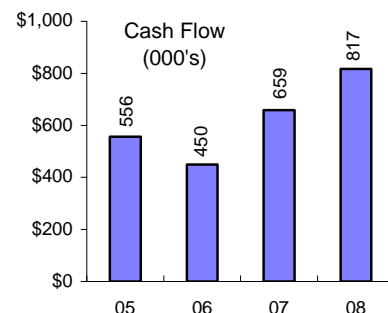
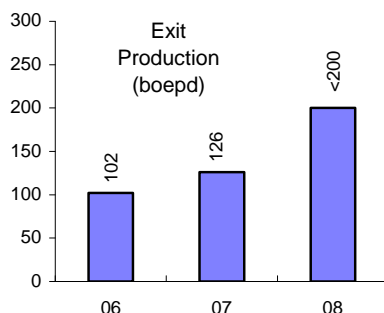
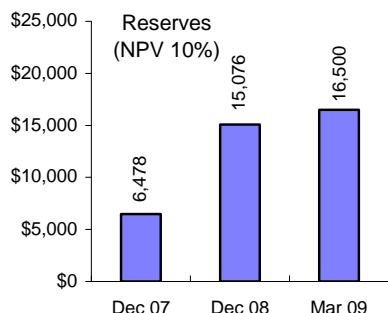
## FINANCIAL AND OPERATING RESULTS

3 months ended Sep. 30    9 months ended Sep. 30

	2009	2008	2009	2008
<b>FINANCIAL</b>				
Revenues	\$279,194	\$1,046,739	\$1,485,489	\$2,803,909
Cash Flow	(324,710)	211,243	(1,270,626)	878,597
per share	(0.019)	0.015	(0.074)	0.073
Net Income (Loss)	(513,231)	65,134	(1,801,028)	115,284
per share	(0.029)	0.004	(0.105)	0.010
<b>PRODUCTION</b>				
Oil & NGLs (bpd)	10	55	34	45
Natural Gas (mcf/d)	713	785	934	630
Boepd (6:1)	129	186	190	150

For the years ended December 31 (000's)

	2005	2006	2007	2008
<b>FINANCIAL</b>				
Revenues	\$ 2,127	\$ 1,610	\$ 2,156	\$ 3,660
Cash Flow	556	450	659	817
per share	0.099	0.065	0.070	0.062
Net Loss	(159)	(408)	(239)	(289)
per share	(0.028)	(0.059)	(0.025)	(0.022)
<b>PRODUCTION</b>				
Boepd (6:1)	114	102	114	161



### MANAGEMENT & DIRECTORS:

**Neil Orr**, *President & CEO*

**Sandra Towpich**, *Vice President*

**Chris Bradley**, *VP Finance & CFO*

**Roger Penner**, *Geological Consultant*

**Greg Hodgson**, *VP Engineering*

**Faye Taggart**, *Land Manager*

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**Contact Person(s):** Neil Orr

### BALANCE SHEET

(As at September 30, 2009)

Current Assets	\$ 643,956
Total Assets	9,282,738
Current Liabilities	5,158,082
Long-Term Debt	nil
Shareholders' Equity	2,606,188

### SHARES OUTSTANDING

(As at February 1, 2010)

Basic	20,845,833
Fully-diluted	*26,945,833

\* management and directors - approximately 38% of the basic shares issued and outstanding

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