

## CONVERTIBLE NOTE AGREEMENT

**THIS CONVERTIBLE NOTE AGREEMENT** (“Agreement”) is made and entered into this 3rd day of March, 2008, by and between DRAKE GOLD RESOURCES, INC. (“DRAKE”) and Clay Smith (“NOTE HOLDER”).

### **WITNESSETH:**

**WHEREAS, DRAKE and NOTE HOLDER** are entering into this Agreement to provide working capital for DRAKE’S property development program.

**NOW, THEREFORE,** in consideration of the mutual covenants and agreements hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Repayment Amount. The NOTE HOLDER shall loan DRAKE funds for its property development program based on a rate as determined by NOTE HOLDER. DRAKE shall submit requests for a loan on an as needed basis. Loan amounts and dates are attached in Appendix A.
2. Interest Rate. The Debt shall bear interest at the rate of 4% per annum.
3. Repayment Terms. The Debt shall be due and payable earning the right to convert under the terms herein after twenty-four months.
4. Conversion Terms. The NOTE HOLDER shall be entitled, at its option, to convert at any time commencing on the date hereof the Loan Amounts with any interest accrued thereon, or any portion thereof, into shares of Common Stock of DRAKE (“Conversion Shares”). The number of Conversion Shares issuable upon conversion of the Loan Amounts shall be equal to the amount of principle and interest for which a notice of conversion is sent divided by the Conversion Price in effect at the time of conversion determined as hereinafter provided. The “Conversion Price” shall be as follows: all loans made under this Agreement shall have a Conversion Price of 50% of the 5 day preceding closing. The Loan Amounts shall be converted in as determined by NOTE HOLDER but not to exceed 9.99% of the shares issued and outstanding of DRAKE. The Conversion Price shall be subject to adjustment from time to time in certain instances as hereinafter provided. The Conversion Price in effect at any time shall be subject to adjustment as follows:
  - (i) If DRAKE shall at any time after the issue date subdivide its outstanding Common Stock, by split-up or otherwise, or combine its outstanding Common Stock, or issue additional shares of its capital stock in payment of a stock dividend in respect of its Common Stock, the Conversion Price shall forthwith be proportionately decreased in the case of a subdivision or stock dividend, or proportionately increased in the case of a combination.
  - (ii) In case of any consolidation or merger of DRAKE with or into any other corporation (other than a consolidation or merger in which DRAKE is the Drake Gold Resources – Clay Smith – Convertible Note Agreement



continuing corporation), or in case of any sale or transfer of all or substantially all of the assets of DRAKE, the Holder of this Note shall after such consolidation, merger, sale or transfer have the right to convert this Note into the kind and amount of shares of stock and other securities and property which such Holder would have been entitled to receive upon such consolidation, merger, sale or transfer if he had held the Common Stock issuable upon the conversion of this Note immediately prior to such consolidation, merger, sale or transfer.

5. Conversion Procedures. Conversion shall be effectuated by sending a notice of conversion (“Notice of Conversion”) to DRAKE in the form attached hereto as Exhibit B executed by the NOTE HOLDER evidencing the NOTE HOLDER’S intention to convert the Loan Amounts or a specified portion (as above provided) hereof. Interest accrued or accruing from the date of issuance to the date of conversion shall be paid as set forth above. No fraction of a share or scrip representing a fraction of a share will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. The date on which Notice of Conversion is given (the “Conversion Date”) shall be deemed to be the date on which the NOTE HOLDER faxes the Notice of Conversion duly executed to DRAKE. Email delivery of the Notice of Conversion shall be accepted by DRAKE at email address: JamesG@DrakeGold.com Attn: James Goularte. Certificates representing Common Stock upon conversion will be delivered to the NOTE HOLDER within three (3) trading days from the date the Notice of Conversion is delivered to DRAKE. Delivery of shares upon conversion shall be made to the address specified by the NOTE HOLDER in the Notice of Conversion.

6. Reservation of Shares. DRAKE will at all times reserve, keep available and be prepared to issue, free from any preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of effecting conversion of the Loan Amounts, the full number of shares of Common Stock then issuable upon the conversion of all Loan Amounts. DRAKE will pay any and all transfer taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of the Loan Amounts pursuant hereto. DRAKE shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue or transfer and delivery of shares of Common Stock in a name other than that in which the Loan Amounts so converted was originally issued, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to DRAKE the amount of any such tax or has established to the satisfaction of DRAKE that such tax has been paid.”

7. Entire Agreement. This Agreement contains the entire understanding between and among the parties hereto with respect to the subject matter hereof, and shall be binding upon and inure to the benefit of such parties, and their respective heirs, successors in interest and legal representatives. The provisions of this Agreement may not be amended, supplemented, waived or changed orally, but only by a writing signed by the party as to whom enforcement of any such Agreement, modification, supplement or waiver is sought and making specific reference to this Agreement.

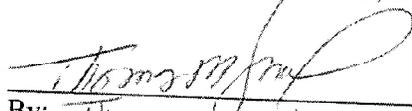
8. Securities Law. All Notes to be converted are subject to Federal Securities Law. All stock converted according to this Note is subject to Rule 144 under the exchange act



requiring 24 months for non-SEC filing companies to be eligible to have the restricted legend removed from the date of each loan amount within the Note.

This Agreement may be executed in counterpart.

DRAKE GOLD RESOURCES, INC.

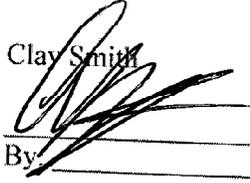


By: Thomas M. Smith

Title: CFO

Address: 9448 Viewcrest Dr.  
Billerica Park Pa 15101

Clay Smith



By: \_\_\_\_\_

Address: 10117 SE Sunnyside Road  
Clackamas, OR 97015

**EXHIBIT B**

Loan amounts made to Drake Gold by Clay Smith:

<b>Date</b>	<b>Name</b>	<b>Amount</b>
2/7/2007	Jackpot Payment*	\$2,400.00
3/12/2007	Jackpot Payment	\$2,400.00
4/5/2007	Jackpot Payment	\$2,400.00
5/7/2007	Jackpot Payment	\$2,400.00
6/7/2007	Jackpot Payment	\$2,400.00
8/27/2007	#00	\$2,000.00
9/28/2007	#00	\$7,000.00
11/27/2007	Deposit	\$8,333.33
1/15/2008	Deposit	\$25,000.00
1/18/2008	Deposit	\$2,600.00
2/19/2008	Deposit	\$2,500.00
2/27/2008	Deposit	\$2,500.00
3/6/2008	Deposit	\$5,000.00
3/10/2008	Deposit	\$1,500.00
		\$3,000.00
	total	\$69,033.33

\*Jackpot is a Drake project



**EXHIBIT B**

**NOTICE OF CONVERSION**

(To be Executed by the Registered NOTE HOLDER in order to Convert the Loan Amounts)

The undersigned hereby irrevocably elects to convert \$ \_\_\_\_\_ of the Loan Amounts, as such term is defined in that Note Agreement dated 3rd day of March, 2008 by and between Clay Smith ("NOTE HOLDER") and DRAKE GOLD RESOURCES, INC. ("DRAKE"), into Shares of Common Stock of the Company according to the conditions hereof, as of the date written below.

Date of Conversion \_\_\_\_\_

Conversion Price \_\_\_\_\_

Signature \_\_\_\_\_  
[Name]

Address: \_\_\_\_\_  
\_\_\_\_\_

