



ASX Announcement
11 March 2016

DRAKE RESOURCES TO BREAK INTO MULTI-BILLION DOLLAR GLOBAL CYBERSECURITY MARKET WITH ACQUISITION

Highlights

- Conditionally agreed to acquire 100% of the issued capital in Genome Technologies Ltd (**Genome**), a human cyber risk governance solutions company (**Acquisition**)
- Genome Acquisition valued at A\$11,000,000 (to be satisfied via the issue of 518,571,429 shares in Drake on a post Consolidation (defined below) basis and a cash payment of US\$440,000)
- In conjunction with the Acquisition, Drake will seek to raise a minimum A\$9,365,000 (**Capital Raising**)
- Drake will replace all but one of the existing board and seek to appoint new Australian board members together with board members from Genome
- Genome targeting revenue 12-15 months from readmission on the ASX.
- Multiple revenue streams and distribution channels
- Target market is companies with 500 or more employees across industry and across continents
- Cybersecurity market is expected to grow from US\$77 billion in 2015 to US\$170 billion by 2020 – Compound Annual Growth Rate (**CAGR**) of 9.8% from 2015 to 2020
- Genome's core management team close to 100 years of cumulative experience across cybersecurity, information technology, business ventures and financial markets
- Letters of Intent have already been received from organizations in the telecommunication, accounting and insurance sectors in respect of Genome's technology
- Genome video clip <http://www.genomecyber.tech/genome-marketing-video>

Drake Resources Limited (ASX: DRK) ("Drake" or "the Company") is pleased to announce that it has signed a binding term sheet to acquire 100% of the issued capital in the human risk governance solutions company, Genome Technologies Ltd, operating in cyber security, from the shareholders of Genome for A\$11,000,000.

Genome is an Israeli human risk governance company adopting a practical approach to mitigate cyber threats in organisations related to the human factor (employees). The human factor is considered the weakest point of an organisations security. So Genome's proprietary technology and unique flexible engine algorithm analyses and maps each employee's risk level and provides customized mitigation, intelligence and training solutions to reduce the risks.

The process profiles each employee and provides the organisation with the insights to determine where possible cyber-attacks targeting specific employees, may occur, and build corresponding controls to mitigate the risk. The solution is Genomes proprietary technology comprising multiple software and service modules based on a process known as Predictive Identity Engine (PIE). PIE analyses multiple attack vectors and weaknesses of each employee.



Genome Founder & CEO Amir Rasilevski said:

“We are delighted to have this opportunity with Drake Resources Limited which will better position our company internationally.

Cyber-attacks are having and will continue to pose a major threat to the global economy and are costing businesses between US\$400 billion and US\$500 billion a year.”

Mr Rasilevski said current cyber security solutions have proven ineffective and therefore there is a need to adopt new solutions.

“There is significant research highlighting the lack of human-related cyber solutions in the existing market for solutions to cyber-attacks,” Mr Rasilevski said.

“Genome’s advantage over other solutions is that it focuses more on human weaknesses. This is widely acknowledged by the market, governments and the professional services community as one of the biggest and emerging problems of cyber threats.”

According to market research conducted by Gartner, global spending in IT security will reach US\$101 billion in 2018, while the cybersecurity market is expected to grow from US\$77 billion in 2015 to US\$170 billion by 2020 at a Compound Annual Growth Rate (CAGR) of 9.8% from 2015 to 2020 according to a report from Markets and Markets.

Drake Resources non-executive Chairman Brett Fraser said:

“The cybersecurity market is massive and continues to grow with cyber-attacks having a major impact from financial institutions through to government departments.

For example, we have seen the impact of this threat recently in Western Australia with a cyber-attack on State Parliament which rendered computers and phones inoperable.

There is pressure on company boards and organisations generally to consider cyber-attacks in their governance review since it is emerging as a significant, growing risk becoming more difficult to contain, quantify and insure against.

Therefore, this transaction with Genome will provide our shareholders with a fantastic opportunity to participate in the exciting cybersecurity market offering strong prospects for growth.”

Genome has received significant interest internationally with a number of Letters of Intent (LoI) from organizations in the telecommunication, accounting and insurance sectors to adopt the Genome platform.

Once the Acquisition is finalized, Drake plans to replace all but one of the existing board members and seek to appoint new Australian board members, together with board members from Genome. Drake’s CEO Jason Stirbinskis will also exit the Company as part of the Acquisition. Drake has no immediate plan or requirement to appoint a new CEO. Mr Fraser added:



“Jason’s dedication to Drake and uncompromising advocacy for what’s in the best interest of Drake’s shareholders has been exemplary over the last 3 years including his current proactive support for Drake’s proposed strategic re-positioning.”

Genome’s research and development arm will remain in Israel post-Acquisition.

The key conditions of the Acquisition are set out in the Schedule to this announcement along with an indicative timetable and indicative capital structure table for the Acquisition and related transactions.

Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Acquisition will constitute a change in the nature and scale of Drake’s activities. Drake will be required, pursuant to ASX Listing Rule 11.1.2, to obtain approval from Drake’s shareholders at a general meeting. Drake will also be required, pursuant to ASX Listing Rule 11.1.3, to re-comply with Chapters 1 and 2 of the ASX Listing Rules and obtain conditional approval from the ASX to have its securities readmitted to trading. Drake will dispatch a notice of meeting (**NOM**) to its shareholders seeking the relevant approvals to undertake this process with such NOM to contain detailed information relating to the Acquisition.

Consolidation of Share Capital

As part of the Acquisition and Drake’s proposed re-compliance with Chapters 1 and 2 of the ASX Listing Rules, Drake will be required to consolidate its issued capital to facilitate a share price of at least \$0.02. Accordingly, in this circumstance, Drake proposes to consolidate its issued capital as set out in the Schedule under Key Conditions of the Acquisition subject to shareholder approval.

About Genome

Human behavior is one of the greatest vulnerabilities in an organization’s cybersecurity governance. Genome and its PIE technology is the solution to this problem.

Current technologies do not provide a solution for today’s targeted attack methods as they do not incorporate the human factor (employees) which is considered the weakest link of an organizations security.

According to Genome, each employee creates a different risk level to an organization. Threat vectors and surface have significantly widened as organizations today permit employees to Bring you own Device (BYOD), access vast social networks, Internet of things (IOT), remote access from anywhere anytime, wearables and other connected devices. Most organizations are ill-equipped believing that outdated defense software and outmoded strategies are adequate for the sophisticated and well organized hacker of today. New technology has to be adopted that is current, customizable, scalable and ahead of the tactics against the ‘passive threat’ (the employee).

Genomes technology measures the organization exposure using a proprietary methodology which encompasses real life “human oriented” attack methods against non-malicious employees. The platform maps, analyses and provides actionable measures to individually mitigate the risks for each



employee or risk group, using a variety of mitigation solutions, threat intelligence, forensics and customized employee training.

Genome's solution entails the ability to forge distinctive alliance and distribution channels with security consulting firms and insurance companies providing cyber insurance services to customers around the world.

The Company's vision and solution is to offer cyber security officers and C-level decision makers a new approach to their existing cyber governance that presently is not met by existing solutions. The outcome will allow them to better protect their corporate assets, achieve broader compliance coverage, maximise the use of their existing security controls and mostly reduce potential financial and reputation damage.

Board of Genome

AMIR RASILEVSKI

Amir is an experienced IT executive with in excess of 20 years' experience in Information and Cybersecurity, IT technology and business ventures. Over the last 2 years he has been acting as the co-founder and CEO of Goldnlinks cyber, a company providing Cybersecurity services to organisations around the world. Prior to Goldnlinks, as the Head of Cyber Security & Intelligence at Ernst Young, Israel, Amir ran a specialised unit providing advisory, audit, assessments and security governance services on Cybersecurity and threat intelligence to international companies resulting in a cyber threat program assisting in identifying threats and how to react and manage the attack. As a Director of Hactkics, acquired by Ernst Young, Amir managed numerous attack and penetration assessments for the Technology, Telecom, Insurance, Government, Healthcare and financial service sectors. With a background in commerce and the Israel Defence Forces central computing unit, Amir will bring to the Company business connections to ensure successful deployment of Genome.

RANI LIFSHITZ BA, LLB

Rani is a qualified lawyer with almost 25 years' experience in the Israeli and global capital markets with particular skills in company turnarounds and investment management. As CEO then Deputy Chairman of Tamir Fishman Investment Bank, Rani managed a team of 140 people operating in the portfolio management and Provident and Mutual fund investment sector managing assets of approximately US\$1 Billion. In addition, Rani has served as a director and chairman of publicly traded companies on the Tel-Aviv Stock Exchange. With his extensive international financial markets relationships and knowledge coupled with corporate governance skills, Rani's stewardship will deliver competent governance to the company.

HAREL BOROVIK MSc, BA

Harel is a qualified computer engineer with 25 years' experience in Cyber and IT infrastructure and as a consultant to Israeli and international companies operating unique technologies. As a CTO and CIO, Harel has various skills across different hardware and software architectures with a specialisation in technology standards, strategy and policy. As the engineer for Genome, Harel possesses the specific experience that led to the algorithm for identifying the human risk factors that expose an organization to potential cyber-attack.



ZION OSMO BA

Zion has an extensive international background in investments, business development, sales, marketing and networking gained during activities in Israel, Europe, Latin America, Africa and APAC while working at a variety of companies. Through his career, he has gained a unique combination of skills including investment analysis, coupled with marketing expertise. Zion has analysed hundreds of investment opportunities in high-tech and real estate markets, managed investments, acted as a board member, managed a variety of marketing activities, created a large global network of contacts and supported clients in closing major transactions.

He is a founder and General Manager at Legend B.C.I. Ltd, specialising in high-tech investments by foreign investors in Israeli companies. He is also a shareholder and Managing Director of S.Roi Gold N'Links Ltd, an Israeli trading company which offers Homeland Security, Defence and Cyber Security industries. The company provides a gateway into the international markets by delivering full turnkey business development marketing and sales services, with activities in Africa, South East Asia and Latin America.

Convertible Note

Prior to the Acquisition, Drake intends to secure \$150,000 through the issue of a convertible note (**Convertible Note**). The Convertible Note will convert into Drake shares at a 25% discount to the issue price of Drake shares offered under the Capital Raising (see below) on completion of the Acquisition, subject to shareholder approval. If completion of the Acquisition does not occur within 12 months of the date of issue of the Convertible Note, Drake will be required to repay the face value of the Convertible Note in cash. Interest of 7% per annum is payable on the Convertible Note. Proceeds from the Convertible Note will be used towards Drake's working capital.

Rights Issue

Prior to completion of the Acquisition, Drake intends to undertake a non-renounceable pro rata entitlement issue (**Rights Issue**). Pursuant to the Rights Issue, eligible shareholders of Drake will be entitled to subscribe for 10 new Drake shares for every 32 Drake shares held at the record date at an issue price of \$0.002 (pre-Consolidation) per Drake share.

The Rights Issue seeks to raise up to approximately \$447,922 (before costs) and is expected to result in the issue of an additional 223,961,205 Drake shares (pre-Consolidation).

Drake has entered into an underwriting agreement with 708 Capital Pty Ltd pursuant to which the Rights Issue is fully underwritten. The proceeds from the Rights Issue will be used to fund the due diligence costs associated with the Acquisition, working capital and ongoing expenditure commitments of the Company.

A prospectus is currently being prepared by Drake which will include full details of the Rights Issue including details on how to accept the offer and key risks of the Rights Issue. The prospectus issue is proposed to be lodged with the ASIC on or around 11 March 2016. The Rights Issue is not subject to shareholder approval.

Outlined below is a timetable of relevant events and dates relating to the Rights Issue. These events and dates are indicative only and subject to change. Subject to the ASX Listing Rules, the



Corporations Act and other applicable laws, the Drake Board reserves the right to modify all dates, including the Rights Issue closing date.

Action	Date
Lodgement of prospectus with the ASIC	11 March 2016
Lodgement of prospectus & Appendix 3B with ASX	11 March 2016
Notice sent to Drake option holders	15 March 2016
Notice sent to Drake shareholders	16 March 2016
Ex-date	17 March 2016
Record date for determining shareholder entitlements	21 March 2016
Prospectus sent out to shareholders	22 March 2016
Closing date	4 April 2016
Securities quoted on a deferred settlement basis	5 April 2016
Notify ASX of under-subscriptions	5 April 2016
Issue date/shares entered into shareholders' security holdings	8 April 2016

Loan to Genome arranged by Trinity Corporate Pty Ltd

Separately, Trinity Corporate Pty Ltd is arranging for third party lenders to loan AU\$420,000 to Genome by way of convertible loans. These loans will convert into Drake shares at AU\$0.01 per Drake share (post-Consolidation) on completion of the Acquisition, subject to shareholder approval. If the Acquisition does not proceed, the loans will convert into equity in Genome, unless Genome elects to repay such loans in cash, and Drake will have the right to require the lenders to transfer the equity holdings in Genome to Drake subject to compliance with all regulatory requirements, which would include the obtaining of any requisite shareholder approvals. In this circumstance, the lenders would be compensated for their investment into Genome by the issue of shares in Drake.

Principal Capital Raising

In order to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules, and in conjunction with the Acquisition, Drake intends to raise a minimum of A\$9,365,000 (and a maximum of A\$10,000,000) through the issue of fully paid ordinary shares at an issue price to be determined by Drake being no less than A\$0.02 (on a post-Consolidation (defined below) basis) per share and will lodge a prospectus with ASIC in respect of the capital raising (**Capital Raising**). The capital raised will be used to fund the development, implementation and sale of the Genome technology platform worldwide.

Board and Management Changes

The Acquisition contemplates the appointment of Mr Rani Lifshitz as Chairman of the Board of Directors of Drake with Genome having the right to nominate up to an additional three directors to the Board from Mr Amir Rasilevski, Mr Harel Borovik and Mr Zion Osmo. Genome's right to nominate up to an additional three directors (and up to four directors in total) will continue for a period of two years from the date of settlement of the Acquisition. The new appointments will replace two existing directors of Drake with Brett Fraser remaining as a director. The brief biographies of Messrs Lifshitz, Rasilevski, Osmo and Borovik are contained in the section Board of



Genome on page 4 of this announcement. Drake's CEO, Jason Stirbinskis, will also step down as part of the Acquisition. It is not envisaged that a replacement CEO role will be required in the immediate phase of activity following settlement of the Acquisition.

Existing Drake Activities Update

The Acquisition of Genome will result in a significant change to the nature and scale of the Company's main activity which Drake's board considers to be positive and in the best interests of Drake's shareholders.

Whilst Drake intends to continue funding certain current obligations, if Drake shareholders approve the Acquisition of Genome, then post-Acquisition, the new board of Drake will undertake a review of the Company's assets to investigate opportunities to divest or relinquish existing assets and projects.

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CONTACT

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Schedule

Key Conditions of the Acquisition

Completion of the Acquisition is conditional upon the satisfaction (or waiver) of a number of conditions precedent, including but not limited to:

- Drake undertaking the Rights Issue at A\$0.002 per fully paid ordinary share (**Drake Share**) on a pre-Consolidation (defined below) basis to raise up to approximately A\$447,922;
- completion of due diligence by Drake on Genome and its assets and business and on the Acquisition (including the receipt of legal advice from Israeli counsel in respect of the compliance of the Acquisition with Israeli law) to the absolute satisfaction of Drake within 28 days of execution of the Term Sheet;
- completion of due diligence by Genome and the Genome shareholders on Drake and its assets, liabilities, and operations to the absolute satisfaction of Genome and the Genome shareholders within 28 days of execution of the Term Sheet;
- payment of a non-refundable deposit of US\$50,000 by Drake to Genome within 7 days of execution of the Term Sheet
- payment of a deposit of US\$50,000 by Drake to Genome on the satisfaction of the due diligence conditions precedent;
- Drake securing funding from a third party of US\$300,000 to Genome (**Loan**) and the parties entering into a term sheet in respect of the Loan (**Loan Term Sheet**) within 7 days of execution of the Term Sheet on terms and conditions satisfactory to Genome, the third party lender and Drake;
- Drake obtaining an independent expert's report confirming that the Acquisition is either "fair and reasonable" or "not fair but reasonable" to the non-associated shareholders of Drake (if required);
- Drake and the Genome shareholders obtaining all necessary third party and Governmental approvals and consents to give effect to the Acquisition on the terms outlined in the Term Sheet including any necessary shareholder approvals required by the Corporations Act 2001 (Cth) (or any other law or regulations) and the ASX Listing Rules in relation to the Acquisition including any approvals required by Drake to re-comply with the admission and quotation requirements of the ASX, including (without limitation):
 - approval for the issue of the 518,571,429 consideration shares in Drake to the Genome shareholders;
 - approval for the issue of shares in Drake pursuant to the Capital Raising;
 - approval for the issue of 51,867,514 shares in Drake (on a pre-Consolidation basis) and 20,740,783 shares in Drake (on a post-Consolidation basis) to Trinity Corporate Pty Ltd as an introduction fee in respect of the Acquisition;
 - approval authorising a change in the nature and scale of Drake's activities;
 - approval and execution of a consolidation of Drake's issued shares to be undertaken after completion of the Rights Issue, which will result in the volume weighted average price of Drake's shares on the ASX being a minimum of A\$0.02 per share if Drake's shares are then trading below A\$0.02 and subject to a consolidation ratio of not less than 1:10 (**Consolidation**) unless otherwise agreed between Drake and a duly authorised representative of Genome; and
 - approval to change its name to Genome Limited (subject to availability);
- Drake (post-Consolidation) raising a minimum of A\$9,365,000 through the issue of shares at an issue price to be determined by Drake being no less than A\$0.02 (on a post-Consolidation



basis) per share under the Capital Raising and lodging a prospectus with ASIC in respect of the Capital Raising;

- Genome and the Genome shareholder obtaining a pre-ruling from the Israeli Tax Authorities with respect to the transactions in a form acceptable to the Genome shareholders;
- Drake receiving a letter from the ASX confirming that the ASX will re-admit Drake to the Official List of the ASX, subject to the satisfaction of certain conditions set out in the letter, on terms acceptable to Drake and Genome;
- the Genome shareholders entering into a formal share sale agreement on terms similar to the Term Sheet incorporating customary warranties and other terms and conditions if required by Drake or Genome, acting reasonably;
- Genome and Genome shareholders obtaining all necessary corporate approvals to allow Genome and the Genome shareholders to lawfully complete the transactions set out in the Term Sheet;
- Drake entering into an agreement with Wolfstar Corporate Management Pty Ltd for the provision of Australian corporate and accounting services respectively to Drake, with a cost-effective separation of duties, on terms acceptable to Genome;
- Drake confirming to Genome and the Genome shareholder in writing that it has made appropriate arrangements for the disposal or relinquishment of any interest it holds in minin tenements effective from settlement occurring under the Term Sheet; and
- None of the existing directors of Drake being removed as directors at the general meeting of Drake to be held on 12 April 2016 (or any adjourned meeting).

Indicative Timetable for the Acquisition

Outlined below is an indicative timetable of relevant events and dates relating to the Acquisition and the Capital Raising. These events and dates are indicative only and subject to change. The Drake Board reserves the right to modify all dates as required.

Milestone	Indicative Timetable*
Execution of Term Sheet	10 March 2016
Completion of due diligence	7 April 2016
Release of notice of meeting in respect of Acquisition and Capital Raising	8 April 2016
Issue Capital Raising prospectus	22 April 2016
Hold general meeting in respect of Acquisition	9 May 2016
Completion of Capital Raising	13 May 2016
Re-quotation on ASX	20 May 2016



Indicative Capital Structure of Drake

Capital Structure as at 1 March 2016

Rights Issue (10 for 32 at \$0.002 per share)

Total equity post rights issue

- Introduction Fee in relation to Acquisition
Trinity Corporate Pty Ltd (pre-Consolidation)

Total pre-Acquisition (pre-Consolidation) shares

- Consolidation (estimated 1:10)
- Acquire 100% of the issued capital of Genome - agreed as \$A10,371,429 in Drake shares and US\$440,000 in cash.
- Conversion of Convertible Note (\$150,000) on settlement of Acquisition
- Conversion of USD\$300,000 loan to Genome into Drake shares on settlement of Acquisition for \$0.01 per share
- Introduction Fee in relation to Acquisition on settlement (share component on \$414,816 at \$0.02)
- Capital Raising (A\$9,365,000)

Pro forma Shares on issue post Acquisition and Capital Raising

Fully Paid Ordinary Shares	Options Ex-date: 1/8/17 Ex-price: \$0.03 Listed Series 1	Options Ex-date: 1/8/20 Ex-price: \$0.05 Unlisted
716,675,857	379,936,771	17,339,785
223,961,205	-	-
940,637,062	379,936,771	17,339,785
51,867,514		
992,504,577		
99,250,458	37,993,677	1,733,979
		<i>(Ex price \$0.30) (Ex price \$0.50)</i>
518,571,429		
10,000,000		
42,857,143		
20,740,783		
468,250,000		
1,159,669,812	37,993,677	1,733,979