



FUNDING AND MANAGEMENT UPDATE

Drake Resources Limited (ASX:DRK) (Drake or the Company) wishes to announce that the Company has entered into agreements with Empire Capital Partners Pty Ltd (Empire) to facilitate a medium term financing and recapitalisation of the Company.

Background

As set out in the ASX announcement of 13 October 2016, the Company's proposed acquisition of Genome Technologies Ltd (**Genome**) was considered by ASX to not be suitable for a listed entity. As a result, the Genome transaction was terminated. Since this time the Company's directors have moved to implement an action plan for immediate funding to meet working capital requirements.

The Board of Drake received various recapitalisation and funding proposals. The Board considers the current proposal provides the Company a realistic pathway to stabilise the Company's financial position and will allow the Company time to formulate a restructure and recapitalisation proposal.

Proceeds from the financing will be used:

- a) to repay current creditors of the Company;
- b) towards further exploration on the Company's current exploration assets; and
- c) for general working capital.

Recapitalisation

Empire Capital Partners have also been engaged as corporate advisors to the Company. Pursuant to the Corporate Advisory Agreement, Empire has the right to nominate up to two directors to the Board of the Company. It is currently intended that Brett Fraser will resign as Chairman of the Company on advance of the Tranche 2 funding.

Existing Projects

Drake continues to hold its exploration assets and rights to exploration licenses across the Nordic region. There has been in excess of \$2.4 million spent on these projects by the Company and its previous joint venture partners. The Company has spent over \$500,000 on the projects in the last 12 months. Throughout the Genome transaction process, Drake maintained the projects and identified the next exploration steps for each of the Projects. Following completion of the funding facility, Drake intends to undertake the next exploration steps.

Terms of the financing

The Company and Empire have entered into a binding heads of agreement for Empire to provide, or facilitate, a funding facility in three tranches, as follows:

- a) the first tranche of \$150,000 (**Tranche 1**) available at closing;
- b) the second tranche of \$500,000 (**Tranche 2**) available immediately following the Company's 2016 Annual General Meeting (unless otherwise agreed with Empire); and
- c) the third tranche of \$500,000 (**Tranche 3**) available prior to 31 March 2016.

The total amount repayable under the facility is \$1,325,000 million (\$175,000 for Tranche 1, \$575,000 for Tranche 2 and \$575,000 for Tranche 3). Each tranche is repayable over a 24 month period from date of drawdown. A repayment can be made during the term of the loan, at the lender's option, through shares (**Repayment Shares**).

Subject to any necessary shareholder approvals, Empire has the option to convert any amounts outstanding under the facility into ordinary shares at a price equal to the lower of \$0.001 or 85% of the average of three daily volume weighted average prices (VWAP), to be chosen by Empire, during the 20 trading days prior to each issuance of shares.

As part of the financing package, Empire (or its nominee) will also be granted options on the basis of 1 option for every two Repayment Shares issued. The options will be exercisable for up to 36 months after the date of issue. The exercise price of options issued pursuant to Tranche 1 facility will be the price equal to the Company's next equity capital raising. The exercise price of any options issued under the Tranche 2 and 3 Loan will be equal to 130% of the deemed conversion price of the Repayment Shares.

As security for the facility, and subject to any necessary shareholder approvals, Drake will issue to Empire (or its nominees) 100,000,000 ordinary shares in the Company (**Collateral Shares**). The obligations of Drake under the funding facility will also be secured by a general security interest over the Company.

The Company will convene a shareholder meeting in due course to seek approval for the transactions contemplated under the funding facility.

Completion of the facility will be subject to Empire finalising its due diligence queries and execution of formal documents. The parties are currently finalising the formal agreements related to the funding facility and will update the market accordingly.

Mr Jay Stephenson
Company Secretary