

28 October 2015

## **FIRESTRIKE SIGNS BINDING HEADS OF AGREEMENT TO ACQUIRE LINIUS, A TRANSFORMATIVE PATENTED TECHNOLOGY IN VIDEO MANAGEMENT AND BROADCASTING**

### **HIGHLIGHTS**

- Linius transforms video file management and distribution by indexing and managing data within the video file itself.
- Linius has the potential to disrupt the entire video value chain.
- Potential to dramatically reduce the production and supply side costs of video management by, for example, removing the need for transcoding to the myriad of file formats required for broadcasting to different devices.
- Potential to facilitate truly personalised viewing experiences. No two streams need ever be the same again.
- In 2013, the Global Broadcasting & Cable TV Market had a Value of \$435 Billion (ref: PRNewswire).
- US and International patents granted.
- Limited deployment partners identified.
- 93% of all consumer web traffic and 64% of mobile is video (ref: Cisco).
- Strong management team in place with extensive experience in the video space.

Firestrike Resources Limited (ASX: FIE) (**Firestrike** or the **Company**) is pleased to announce that it has signed a conditional agreement to acquire 100% of the issued shares in Linius (Aust) Pty Ltd (**Linius**), an Australian company that has rights to a developed, patented method and system for providing video content on a data network connected device having a display and device controller.

### **Market Background**

The switch to IP based consumption is happening much quicker than the switch from analogue to cable. It is predicted that 30% of global TV will be consumed over IP in 2015. 93% of all consumer web traffic is video and 64% of mobile (ref: Cisco).

Traditional broadcasters now compete with new entrants (e.g. network operators, content owners, virtual broadcasters) all keen to own the customer relationship directly and for the first time with the ability to deliver them TV directly.

The supply chain to this new broadcaster market is fragmented with no dominant players. They store videos as Binary Large Objects (BLOB). 'BLOB' files are incredibly unwieldy to manage.

- A movie file may be 4GB
- A high definition movie is 8-15GB
- Different devices demand specific formats leading to a myriad of files being stored for each piece of content
- Production, processing, security and broadcasting these files is incredibly expensive
- Consumers are demanding personalised viewing experiences that are impossible to deliver with currently available technology

Current technologies focus on making videos smaller by such things as compression and easier to manage with improved workflow tools.

*Linius takes a different approach. In simple terms, Linius indexes the data within the 'BLOB', then disassembles and reassembles the component parts of the video on the fly, into the format and sequence demanded by the consumer.*

### **Linius Background**

Linius has designed and patented the world's first video virtualisation engine. The technology transforms large inflexible video files into small highly flexible data structures. The patented process applies two highly successful techniques to video – data indexing and virtualisation, which means that video can be indexed, spliced and edited in real time.

Content publishing no longer requires transcoding, complex workflow systems or numerous individual streams to personalise video delivery. Instead video files can be virtualised and delivered as required to any standards based device.

### **Some of the key potential benefits include:**

*For Content owners:*

- Greater opportunity to monetise content catalogues
- Almost eliminate transcoding costs
- Improved security and control of assets
- Access and manage entire content database

*For Broadcasters:*

- Simplified workflow for video play out on standards based devices
- Capability to truly personalise content viewing experiences
- Ability to insert specific ads in individuals streams
- Personalised pricing options

*Infrastructure providers:*

- Dramatically reduce transport, storage and broadcast costs
- Significant capex savings on infrastructure and storage costs

Linius has 7 patents and 12 patent applications across 9 countries including a freedom to operate in the USA.

## **Proposed new Directors post-Acquisition include:**

### **Gavin Champion**

Gavin Champion was the founder and a director of marketing services company, Reality Group. Reality Group won agency of the year in 2003. Gavin sold Reality Group in 2005.

In 2004, Gavin acquired Shoppers Advantage, serving as CEO (2004-2008) and Chairman (2008-2011), Gavin took responsibility for re-engineering the business into a large SaaS based business-to-business retail e-commerce business. Shoppers Advantage was sold in 2011.

Also in 2004, Gavin acquired Presidential Card. Serving as director, Gavin assisted in making Presidential Card a large Australian online discount program. In 2010 Presidential Card merged with Strategic Rewards and acquired a number of minor players in the market. Gavin sold his shares to management in 2013.

Gavin was the founder and CEO of the digital marketing services agency, Sputnik Agency. In 2007 Sputnik Agency won B&T Agency of the Year. Gavin sold Sputnik in 2008.

From April 2008 until March 2012, Gavin served as President of KIT digital, global provider of video asset management solutions for multi-screen IP-based delivery.

From 2012 to 2014 Gavin served as CEO of Knosys, focussing on the productisation and commercialisation of the Knosys Platform, which he listed on the ASX in September 2015 and now serving as Executive Director.

In 2014, Gavin joined Dubber Corporation Ltd (ASX:DUB) as commercial director. He assisted in repositioning the business and listing it on the ASX in Feb 2015.

### **Steve McGovern**

Steve McGovern is a founder and current Managing Director of Dubber Corporation Ltd.

Steve has over 23 years' experience in the fields of telecommunications, media sales, pay TV and regulatory

Steve has been a senior executive of several established companies, both domestically and internationally, which have been primarily associated with new and emerging markets and have required a strong sales and solutions focus.

These include pay TV, telecommunications de-regulation, internet service providers and media licensing, all of which maintain a strong sales and solutions focus, both domestically and internationally.

Steve is formerly a Sales Director of Sky Subscriber Services managing subscriber acquisition for Sky TV (now BSkyB)

Between 1995 and 1998 Steve was an executive involved in the launch of the pay TV industry in Australia within the Galaxy/Austar/Foxtel network.

From 1998 Steve was General Manager of Hotkey Internet Services, an ISP which was sold to Primus Telecommunications in 2000.

From 2000 Steve was a director of the Australian subsidiary of Affinity Internet Holdings, Europe's second largest ISP at the time and listed on the FTSE, having vended in an Australian based ISP businesses.

For the past 11 years Steve has been Chief Executive of the my1300 group of companies until the sale of the business earlier this year.

This group comprised businesses which involved media licensing, telecommunications service providers and partner networks for Australian telecom companies such as Primus, AAPT, One Tel, Worldxchange, Telstra, Optus and Vodafone.

## ACQUISITION TERMS

Firestrike has executed a binding heads of agreement (**Agreement**) to acquire 100% of the issued shares in Linius (**Linius Shares**) (**Acquisition**), subject to satisfaction of a number of conditions precedent outlined below, from the shareholders of Linius (**Linius Shareholders**).

The key terms of the Agreement are as follows:

- Upon execution of the Agreement, the Company paid Linius a non-refundable deposit of \$50,000.
- Upon satisfaction of the first two conditions precedent listed below, the Company will pay Linius a further \$200,000 non-refundable deposit.
- At completion of the Acquisition, the consideration to be issued to the Linius Shareholders for the acquisition of their Linius Shares will be:
  - 250,000,000 fully paid ordinary shares in the capital of FIE (a fully paid ordinary share in FIE being a **FIE Share**) at a deemed issue price of \$0.02 per FIE Share; and
  - 200,000,000 performance shares that convert into FIE Shares (on a one for one basis) (**Performance Shares**) in equal amounts of 50,000,000 on each occasion upon Linius (which, for the purpose of the following provisions means any company in the new Linius group post-Acquisition) achieving the following milestones:
    - **Milestone 1** – Linius enters into an agreement with Digisoft, Cork, Ireland for a limited deployment of its technology with the objective of demonstrating personalisation of video streams;
    - **Milestone 2** – Linius completes an alpha release of its technology demonstrating Linius's core patent claims, namely that the technology is able to (1) index content, and (2) disassemble and reassemble content dynamically;
    - **Milestone 3** - Linius enters into an agreement with a third party (unrelated to the party under Milestone 1) for a limited deployment of its technology with the objective of demonstrating removal of the requirement for transcoding of video and reduction of storage. This deployment will be in partnership with a tier 1 transcoding and/or storage partner, likely to be a content delivery network;
    - **Milestone 4** – Completion of a limited deployment of its technology, the material deliverable from which is a third party (which may or may not be one of the parties under Milestones 1 and 3) provides a report on the outcomes of the deployment and likely market sector impact.

## Conditions precedent

Completion of the Acquisition is subject to a number of conditions being satisfied, including:

- Completion of mutual due diligence investigations (to be completed by 26 November 2015).
- Completion of an agreement between Phoenix Myrrh Technology Pty Ltd and Linius for, among other things, the transfer of certain technology to Linius, to the reasonable satisfaction of Firestrike no later than 26 November 2015.
- Firestrike preparing a full form prospectus to raise a minimum of \$2,750,000 through the issue of FIE Shares at a price to be mutually agreed between FIE and Linius (**Capital Raising**).
- Firestrike obtaining all necessary shareholder approvals required by the *Corporations Act 2001* (Cth) and the ASX Listing Rules in relation to the Acquisition.
- Receipt of all necessary regulatory approvals (including, but not limited to, re-compliance by Firestrike with Chapters 1 and 2 of the ASX Listing Rules and the Company receiving conditional approval from ASX to reinstate FIE's quoted securities to trading on ASX following completion of the Acquisition).

## Name change

As part of the acquisition, the Company will seek the approval of shareholders to change its name to more accurately reflect the proposed future operations of the Company.

## Change of board

At completion of the Acquisition, the existing directors of Firestrike, Mr Roger Steinepreis, Mr Paul Lloyd and Mr David Holden shall resign and Linius shall nominate a minimum of three new directors to the board (two of whom are referred to above with further appointments to come prior to lodgement of the prospectus).

## CHANGE OF ACTIVITIES

The Acquisition will result in a change in the nature and scale of Firestrike's activities and will require shareholder approval under Chapter 11 of the ASX Listing Rules as well as require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Company will despatch a notice of meeting to shareholders seeking the relevant approvals to undertake this process, with such notice to contain detailed information relating to the acquisition of Linius.

## INDICATIVE CAPITAL STRUCTURE

The indicative effect of the capital raising and Acquisition on the capital structure of the Company is as follows:

Description	Ordinary Shares	Options	Performance Shares
Current issued capital	90,499,985	16,300,000 <sup>1</sup>	-
Entitlement issue shares	25,000,000	-	-
Capital Raising shares	TBC	-	-
Securities to be issued pursuant to the Acquisition	250,000,000	-	200,000,000
Securities to be issued to third party lenders to Linus	17,500,000 <sup>2</sup>		
<b>Total post completion subject to capital raising price</b>	<b>382,999,985</b>	<b>16,300,000</b>	<b>200,000,000</b>

1. Listed options exercisable at \$0.04 on or before 31/12/2016.
2. As part of the Acquisition, Linus intends to raise \$350,000 in loan funding from third party lenders. Subject to completion of the Acquisition, it is intended that this loan amount will be repaid via a conversion into FIE Shares at a deemed issue price of \$0.02 each to the third party lenders.

## INDICATIVE TIMETABLE

The indicative timetable for the Acquisition will be provided following completion of due diligence.

## CAPITAL RAISING

In conjunction with the acquisition of Linus, in order to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules, Firestrike will seek to raise a minimum of \$2,750,000. The issue price of the shares to be offered under the Capital Raising is yet to be confirmed.

The Company also plans to undertake an entitlement issue.

## ENTITLEMENT ISSUE

Firestrike plans to undertake an entitlement issue to raise funds to meet working capital requirements and to pay costs associated with the due diligence and acquisition of Linus.

The entitlement issue will offer all eligible shareholders the right to subscribe for three new FIE Shares for every eleven FIE Shares held by a shareholder on the record date. The entitlement issue will be offered on the basis of \$0.02 (2 cents) per new FIE Share to raise up to \$500,000.

Further details of the timetable for the entitlement issue will be provided in a letter to shareholders and in the entitlement issue offer document to be announced to the ASX.

CPS Capital Group Pty Ltd (**CPS Capital**) has been engaged to act as Lead Manager, Broker and Corporate Advisor to the Company. It is proposed that CPS Capital will:

- place any shortfall of the entitlement issue;
- act as Lead Manager to the Capital Raising; and
- provide various corporate advisory services on an ongoing basis for a period of up to 12 months.

## **FINANCIAL STATEMENTS**

A summarised pro-forma balance sheet showing the impact of the acquisition of Linius and proposed capital raising on the Company is provided at Appendix A.

### **Contact:**

Mr P Lloyd - Director on (08) 9476 9209

## APPENDIX A – PRO-FORMA BALANCE SHEET

	Notes	(Audited) 30 June 2015 \$	(Unaudited) Pro-forma \$
<b>Current Assets</b>			
Cash assets	1	719,359	3,235,559
Trade and other debtors		10,566	10,566
Total current assets		<u>729,925</u>	<u>3,246,125</u>
<b>Non Current Assets</b>			
Investment- Linius (Aust) Pty Ltd	2	-	9,875,000
Property, plant and equipment		130	130
Total non-current assets		<u>130</u>	<u>9,875,130</u>
Total assets		<u>730,055</u>	<u>13,121,255</u>
<b>Current Liabilities</b>			
Trade and other payables		20,165	20,165
Total current liabilities		<u>20,165</u>	<u>20,165</u>
Total liabilities		<u>20,165</u>	<u>20,165</u>
<b>Net assets</b>		<u>709,890</u>	<u>13,101,090</u>
<b>Equity</b>			
Issued capital	3	4,970,029	17,361,229
Reserves		(278,770)	(278,770)
Accumulated losses		(3,981,369)	(3,981,369)
<b>Total equity</b>		<u>709,890</u>	<u>13,101,090</u>



**Note 1: Cash assets**

	\$
Balance at 30 June 2015	719,359
Rights issue proceeds (net of costs)	456,200
Payment of Deposits on Linius (Aust) Pty Ltd purchase	(250,000)
Funds raised from Prospectus	2,750,000
Expenses of the issue	(265,000)
Due diligence costs	(175,000)
Closing balance	<u>3,235,559</u>

**Note 2: Interest in Linius (Aust) Pty Ltd**

	\$
Balance at 30 June 2015	-
Acquisition cost of Linius (Aust) Pty Ltd*	9,875,000
	<u>9,875,000</u>
*467,500,000 shares at \$0.02 if all milestones achieved	
5,000,000 shares at \$0.02 to corporate advisor	
\$250,000 cash deposit	
\$175,000 due diligence costs	

**Note 3: Issued capital**

	\$
Balance at 30 June 2015	4,970,029
Rights issue (net of costs)	456,200
Shares issued to acquire Linius (Aust) Pty Ltd	9,350,000
Shares issued to Corporate Advisor	100,000
Funds raised from Prospectus	2,750,000
Costs of funds raised from Prospectus	(265,000)
Closing balance	<u>17,361,229</u>