



## 1. Company details

Name of entity:	Ephraim Resources Limited (previously known as WAG Limited)
ABN:	63 008 666 233
Reporting period:	For the year ended 30 June 2014
Previous period:	For the year ended 30 June 2013

## 2. Results for announcement to the market

				\$
Revenues from ordinary activities	up	49,371%	to	13,852
Loss from ordinary activities after tax attributable to the owners of Ephraim Resources Limited	down	1,170%	to	(899,066)
Loss for the year attributable to the owners of Ephraim Resources Limited	down	1,170%	to	(899,066)

### *Dividends*

There were no dividends paid, recommended or declared during the current financial period.

### *Comments*

The loss for the Group after providing for income tax amounted and non-controlling interest amounted to \$899,066 (30 June 2013: \$70,817).

The Company completed its reverse acquisition of Ephraim Resources Ltd (a British Virgin Island registered entity) on 11 February 2014. Prior to that it had no business operations as stated in the listed Company's last annual report.

Since the completion of the reverse acquisition in early February 2014, the Company has been preparing the field operations and office administration for the commercialisation phase of the Nipah cultivation project. It includes the recruitment of additional field and office staff and testing of equipment for the production of palm sugar. As a result the business did not generate any sales revenue in the year under review.

Ephraim Resources Ltd (British Virgin Island registered entity) is in the business of agricultural biogenetics research and experimentation, licensing and consultancy, with a specific focus on nipah palm breeding, tissue culture, cultivation and plantation, and the conversion of sap from the nipah palm to sugar and ethanol, conducted through its 99% owned subsidiary PT First Flower, an Indonesian incorporated entity.

As at the end of the financial period reported on, PT First Flower owns land rights to about 12,000 hectares of land in Meranti, Riau and Banjarnegara, South Kalimantan in Indonesia for the purpose of cultivating Nipah in the production of sugar.

With the successful raising of fund for the commercialisation stage of the project, PT First Flower has commenced the training of farmers to tap the existing Nipah stands on the Company's land and the conversion of the sap into palm sugar and the survey and mapping of the land at Meranti to facilitate the production of palm sugar.

An initial number of 60 farmers are being trained and would be allocated to work on the existing Nipah crop mapped and subdivided into 100 square meter plots. Fermentation equipment would be conveniently located to facilitate the collection of the sap for the production of palm sugar.

As the daily production quantity is not expected to be substantial in the first year of production, it is anticipated that the palm sugar would be sold into the domestic market where the product is well regarded and even preferred over white refined sugar. The Company expects to be revenue generating in the second half of the new financial year 2014/2015.

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.21	0.08

### 4. Control gained over entities

On 14 June 2013 the Company entered into an agreement to acquire 100% of the issued capital of Ephraim Resources Limited, a British Virgin Island incorporated entity who owns 99% of the issued capital of PT First Flower, an Indonesian incorporated entity. The acquisition was conditional on various items being met by the Company, including the raising of \$3 million and the successful re-listing of the Company on ASX. All conditions precedent under the agreement was met on 14 February 2014.

### 5. Loss of control over entities

Not applicable.

### 6. Dividends

#### *Current period*

There were no dividends paid, recommended or declared during the current financial period.

#### *Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

### 7. Dividend reinvestment plans

Not applicable.

### 8. Details of associates and joint venture entities

Not applicable.

### 9. Foreign entities

The Group has adopted the International Financial Reporting Standards for preparing and reporting all its local and foreign operations.

### 10. Audit qualification or review

The financial statements have not yet been audited. The Group does not anticipate that the audit report will be modified, but this would be subject to final audit confirmation.

### 11. Attachments

The unaudited Financial Report of Ephraim Resources Limited for the year ended 30 June 2014 is attached.

**Statement of profit or loss and other comprehensive income  
for the financial year ended 30 June 2014**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
Revenue	5	13,852	28
Employee benefit expenses		(100,660)	(45,765)
Advertising expenses		(2,501)	-
Company overhead expenses		(279,655)	(45,253)
Depreciation and amortisation expenses		(100,267)	(4,387)
Finance costs		(2,759)	-
Share-based payment for cost of listing		(527,474)	-
<b>Loss before tax</b>	6	<b>(999,464)</b>	<b>(95,377)</b>
Income tax benefit	7	97,450	23,845
<b>Loss for the year</b>		<b>(902,014)</b>	<b>(71,532)</b>
<b>Other comprehensive income</b>			
<i>Items that will not subsequently be reclassified to profit or loss</i>			
Gain on the revaluation of land-use rights		-	1,967,323
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation		(14,413)	-
Income tax expense on items of other comprehensive income		-	(491,831)
<b>Other comprehensive income for the year, net of tax</b>		<b>(14,413)</b>	<b>1,475,492</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(916,427)</b>	<b>1,403,960</b>
<b>Loss for the year is attributable to:</b>			
Owners of the parent		(899,066)	(70,817)
Non controlling interest		(2,948)	(715)
		<b>(902,014)</b>	<b>(71,532)</b>
<b>Total comprehensive (loss)/income for the year is attributable to:</b>			
Owners of the parent		(913,479)	1,404,675
Non controlling interest		(2,948)	(715)
		<b>(916,427)</b>	<b>1,403,960</b>
<b>Loss per share for loss attributable to the equity holders of the parent</b>			
Basic (cents per share)	16	(0.059)	(0.005)
Diluted (cents per share)	16	(0.059)	(0.005)

Notes to the financial statements are included on pages 5 to 29

## Statement of financial position

### As at 30 June 2014

	Note	Consolidated	
		2014 \$	2013 \$
<b>Current assets</b>			
Cash and cash equivalents	20(a)	1,672,073	26,754
Trade and other receivables	8	6,224	3,916
Other assets	9	37,486	36,613
<b>Total current assets</b>		<b>1,715,783</b>	<b>67,283</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	2,396,259	2,430,461
Intangible assets	11	210,014	202,314
Other assets	9	1,550	-
<b>Total non-current assets</b>		<b>2,607,823</b>	<b>2,632,775</b>
<b>Total assets</b>		<b>4,323,606</b>	<b>2,700,058</b>
<b>Current liabilities</b>			
Trade and other payables	12	171,859	93,658
Loans	13	344,768	787,172
<b>Total current liabilities</b>		<b>516,627</b>	<b>880,830</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	370,536	467,986
<b>Total non-current liabilities</b>		<b>370,536</b>	<b>467,986</b>
<b>Total liabilities</b>		<b>887,163</b>	<b>1,348,816</b>
<b>Net assets</b>		<b>3,436,443</b>	<b>1,351,242</b>
<b>Equity</b>			
Issued capital	14	3,204,484	202,856
Reserves	15	1,461,079	1,475,492
Accumulated losses		(1,222,901)	(323,835)
<b>Parent entity</b>		<b>3,442,662</b>	<b>1,354,513</b>
<b>Non-controlling interests</b>		<b>(6,219)</b>	<b>(3,271)</b>
<b>Total equity</b>		<b>3,436,443</b>	<b>1,351,242</b>

Notes to the financial statements are included on pages 5 to 29

## Statement of changes in equity for the financial year ended 30 June 2014

### Consolidated

	Issued capital	Asset revaluation reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	202,856	1,475,492	-	(323,835)	1,354,513	(3,271)	1,351,242
Loss for the year	-	-	-	(899,066)	(899,066)	(2,948)	(902,014)
Other comprehensive income	-	-	(14,413)	-	(14,413)	-	(14,413)
<b>Total comprehensive loss for the year</b>	-	-	(14,413)	(899,066)	(913,479)	(2,948)	(916,427)
Share issues on acquisition	17,744	-	-	-	17,744	-	17,744
Share issues	3,000,000	-	-	-	3,000,000	-	3,000,000
Share issue costs	(16,116)	-	-	-	(16,116)	-	(16,616)
<b>Balance at 30 June 2014</b>	<b>3,204,484</b>	<b>1,475,492</b>	<b>(14,413)</b>	<b>(1,222,901)</b>	<b>3,442,662</b>	<b>(6,219)</b>	<b>3,436,443</b>

### Consolidated

	Issued capital	Asset revaluation reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2012</b>	202,856	-	-	(253,018)	(50,162)	(2,556)	(52,718)
Loss for the year	-	-	-	(70,817)	(70,817)	(715)	(71,532)
Other comprehensive income	-	1,475,492	-	-	1,475,492	-	1,475,492
<b>Total comprehensive income for the year</b>	-	1,475,492	-	(70,817)	1,404,675	(715)	1,403,960
Share issues	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>202,856</b>	<b>1,475,492</b>	<b>-</b>	<b>(323,835)</b>	<b>1,354,513</b>	<b>(3,271)</b>	<b>1,351,242</b>

Notes to the financial statements are included on pages 5 to 29

**Statement of cash flows  
for the financial year ended 30 June 2014**

	Note	Consolidated	
		2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(417,143)	(15,692)
Interest and other costs of finance paid		(2,759)	-
Interest received		13,852	28
<b>Net cash used in operating activities</b>	20(d)	(406,050)	(15,664)
<b>Cash flows from investing activities</b>			
Payments for intangible assets		(7,700)	(31,826)
Payments for property, plant and equipment		(66,065)	(180,570)
Cash balance acquired		52,580	-
<b>Net cash used in investing activities</b>		(21,185)	(212,396)
<b>Cash flows from financing activities</b>			
Proceeds from issued of shares		3,000,000	-
Proceeds from borrowings		117,350	248,937
Repayment of borrowings		(1,028,680)	-
Transaction costs on issue of shares		(16,116)	-
<b>Net cash from financing activities</b>		2,072,554	248,937
<b>Net increase in cash and cash equivalents</b>		1,645,319	20,877
<b>Cash and cash equivalents at the beginning of the financial year</b>		26,754	5,877
<b>Cash and cash equivalents at the end of the financial year</b>	20(a)	1,672,073	26,754

Notes to the financial statements are included on pages 5 to 29

## Notes to the financial statements for the financial year ended 30 June 2014

### 1. General information

Ephraim Resources Ltd (the “Company”, and together with its subsidiaries, the “Group”) is a public company listed on the Australian Securities Exchange (trading under the symbol “EPA”) operating in Australia and Indonesia.

Ephraim Resources Ltd’s registered office and its principal place of business are as follows:

#### Australia

Ephraim Resources Limited  
c/- Nexia Perth,  
Level 3, 88 William Street  
Perth WA 6000

#### Indonesia (principal place of business)

Ruko Kawasan Niaga  
Citra Gran Blok R15 No 19  
Jalan Alternative Cibubur  
Cibubur-Bekasi 17435 INDONESIA

During the financial year the principal continuing activities of the Company consisted of progressing the Company towards a re-compliance listing on ASX. This was successfully completed on 11 February 2014.

Following the Company’s re-admission to the ASX and having obtained shareholder approval for a change in nature and scale of activities, the Company’s principal activities now focus on agricultural biogenetics research and experimentation, licensing and consultancy, with a specific focus on nipah palm breeding, tissue culture, cultivation and plantation, and the conversion of sap from the nipah palm to sugar and ethanol.

### 2. Significant accounting policies

#### Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The financial statements are for the Group consisting of Ephraim Resources Ltd and its subsidiaries. The financial report has been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

#### Statement of compliance

The financial report complies with International Financial Reporting Standards (‘IFRS’), issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the directors on 29 August 2014.

#### Going Concern

The Group recorded a net loss after tax of \$902,014 for the year ended 30 June 2014 (2013: net loss after tax of \$71,532) and had a net cash operating cash out flow of \$406,050 (2013: \$15,664).

The Group completed its ASX re-compliance on 11 February 2014 following the successful reverse acquisition of Ephraim Resources Limited and its Indonesian subsidiary PT First Flower, in which it holds a 99% interest. The Board was also successful in re-capitalising the Group following the successful capital raising of \$3M at that time. Notwithstanding the loss incurred for the financial year, the Directors are of the view that the Group is a going concern based on the following reasons:

- Current assets support at least 15 month operations with its current adjusted operating structure.
- A significant part of the loss incurred during the 2013/14 financial year was attributable to the reverse acquisition accounting resulting in the Group recognising a non cash share-based payment of \$527,474 in its statement of comprehensive income.
- The Group had a net working capital position of \$1,199,156 at 30 June 2014.
- The Group had a cash in bank balance of \$1,672,073 at 30 June 2014.

Following the recapitalisation in February 2014 the Group is well positioned to further develop its nipah palm sugar business in Indonesia, with the first sales from its operations expected during the second half of the 2014/2015 financial year. Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report. Accordingly the 30 June 2014 financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

## 2. Significant accounting policies (contd)

### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods. Refer to Note 3 for a discussion of critical judgements made in applying the entity's accounting policies and key sources of estimation uncertainty.

### Adoption of new and revised Accounting Standards

#### *Standards and Interpretations applicable to 30 June 2014*

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

The following is a summary of Standards and Interpretations that have had a material impact on the Company.

- AASB 13 Fair Value Measurement  
AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. AASB 13 also requires additional disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.
- AASB 101 Presentation of Items of Other Comprehensive Income – Amendments to AASB 101  
The amendments to AASB 101 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position or performance.
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136 Impairment of Assets  
These amendments remove the unintended consequences of AASB 13 on the disclosures required under AASB 136. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided AASB 13 is also applied. The Group has early adopted these amendments to AASB 136 in the current period since the amended/additional disclosures provide useful information as intended by the AASB. These amendments would continue to be considered for future disclosures.

#### *Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.



## 2. Significant accounting policies (contd)

### (a) Basis of consolidation (contd)

When the Company has less than a majority of the voting rights in an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including,

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

### (b) Revenue and income recognition

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) (or similar taxes) payable to the taxation authority to the extent that it is probable that the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The following specific recognition criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Rendering of services*

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

#### *Interest revenue*

Interest revenue is recognised on an accruals basis using the effective interest rate method.

#### *Sale of non-current assets*

Income from the sale of assets is measured as the consideration received net of the carrying value of the asset and any costs of disposal.

## **2. Significant accounting policies (contd)**

### **(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Group.

### **(d) Foreign currency translation**

Both the functional and presentation currency of Ephraim Resources Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currency of the foreign operations in Indonesia (through PT First Flower) is Indonesia Rupiah (IDR).

As at the balance date the assets and liabilities of subsidiaries are translated into the presentation currency of Ephraim Resources at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

### **(e) Finance costs**

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange differences net of hedged amounts on borrowings, including trade creditors and lease finance charges. Finance costs are recognised as expenses in the period in which they are incurred.

### **(f) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

### **(g) Income tax**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date. Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

## 2. Significant accounting policies (contd)

### (g) Income tax (contd)

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### (h) Acquisitions of assets

The acquisition method of accounting is used for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the effective acquisition date unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

### (i) Trade receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

## **2. Significant accounting policies (contd)**

### **(j) Inventories**

Inventories are carried at the lower of cost and net realisable value. Inventories are valued using the weighted average cost basis.

Cost includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities. Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

### **(k) Impairment of tangible and intangible assets other than goodwill**

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in profit or loss unless the asset is carried at re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### **(l) Cash and cash equivalents**

Cash and short term deposits in the balance sheet comprises of cash at bank, cash on hand and short term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### **(m) Property, plant and equipment**

All property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment loss. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on a diminishing value basis, and adjustments are made to write off the net cost of each item of property, plant and equipment over its expected useful life to the Group. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives of plant and equipment are as follows:

- Plant and equipment                      2-8 years
- Motor vehicles                              6 years
- Land-use rights                            25-35 years
- Technology rights                         10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

## 2. Significant accounting policies (contd)

### (m) Property, plant and equipment (contd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The write down is expensed in the statement of comprehensive income in the reporting period in which it occurs.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

#### *Leasehold improvements*

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter.

#### *Revaluations*

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance date.

### (n) Leases

A distinction is made between finance leases (including hire purchase agreements) which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases and hire purchase agreements are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense. The interest components of the lease payments are expensed.

The lease asset is amortised on a straight-line basis over the term of the lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### (o) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the balance date.

### (p) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

## 2. Significant accounting policies (contd)

### (q) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### (s) Other taxes

Revenues, expenses and assets are recognised net of the amount of associated GST / VAT, unless the GST/ VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities, which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (t) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

#### *Reverse acquisition*

A reverse acquisition occurs when the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree. This might be the case when a private entity arranges to have itself 'acquired' by a smaller public entity as a means of obtaining a stock exchange listing. Although legally the issuing entity is regarded as the parent and the private entity is regarded as the subsidiary, the legal subsidiary is the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

In a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary in the form of equity instruments issued to the owners of the legal parent. The published price of the equity instruments of the acquirer is used to determine the cost of the combination, or where this is not available, the deemed fair value of its shares, and a calculation shall be made to determine the number of equity instruments the acquirer would have to issue to provide the same percentage ownership interest of the combined entity to the owners/shareholders of the acquirer as they have in the combined entity as a result of the reverse acquisition. The fair value of the number of equity instruments so calculated shall be used as the cost of the combination.

On 11 February 2014, Ephraim Resources Limited (listed entity) acquired 100% of the issued shares of Ephraim Resources Limited (unlisted entity). Under the principles of AASB 3 Business Combinations (by analogy), Ephraim Resources Limited (unlisted entity) is the accounting acquirer in the deemed business combination and therefore, the transaction has been accounted for as a reverse acquisition.

Refer to note 4 for details of the reverse acquisition and its financial effects during the current financial year.

## 2. Significant accounting policies (contd)

### (u) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

#### (i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

#### (ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

#### (iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### (iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

### (v) Derecognition of financial assets and financial liabilities

#### (i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.



## 2. Significant accounting policies (contd)

### (v) Derecognition of financial assets and financial liabilities (contd)

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### *(ii) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### (w) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

#### *(i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

#### *(ii) Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

#### *(iii) Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

### (x) Intangible assets

#### *Intangible assets acquired separately*

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

#### *Internally generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.



## Significant accounting policies (contd)

### (x) Intangible assets (contd)

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

### (y) Earnings/(loss) per share

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### (z) Parent entity financial information

The financial information for the parent entity, Ephraim Resources Ltd, disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiary entities which are accounted for at cost in the parent entity's financial statements.

## 3. Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### *Share-based payment on reverse acquisition*

The Group measured the cost of listing as the difference between the fair value of the shares deemed to have been issued by Ephraim Resources Limited (the non-listed entity) and the fair value of the accounting acquiree's (listed entity) identifiable net liabilities. The fair value of the deemed shares issued is based on a number of estimates and assumptions. The cost of listing is recognised as an expense in the statement of comprehensive income. The reverse acquisition transaction is further discussed in Note 4.

### *Impairment of intangible assets with indefinite useful lives*

The Group determines whether intangible assets with indefinite useful lives are impaired at least on an annual basis unless there are other impairment indicators. This requires an estimation of the recoverable amount of the cash-generating units to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in Note 11.

### 3. Critical accounting judgements and key sources of estimation uncertainty (contd)

#### *Revaluation of land-use rights*

The Group re-valued its land-use rights based on a valuation performed by an independent, external valuer. The valuation was performed on 25 June 2013. It is the Group policy to only revalue the land-use right every three years, unless it becomes aware of any matter that might significantly influence the last valuation. The Group is not aware of any such matters but should any such matters exist or arise it might influence the carry value of the Group's land-use right asset. The valuation of the land-use right is further discussed in Note 10.

#### *Impairment of trade and other receivables*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

### 4. Reverse acquisition

#### **Acquisition of Ephraim Resources Limited**

On 11 February 2014 WAG Limited (now Ephraim Resources Limited, the legal parent entity) acquired 100% of the issued shares of Ephraim Resources Limited, a British Virgin Island registered entity who holds a 99% share interest in PT First Flower (PTFF), an entity incorporated in Indonesia. PTFF's business focusses on agricultural biogenetics research and experimentation, licensing and consultancy, with a specific focus on nipah palm breeding, tissue culture, cultivation and plantation, and the conversion of sap from the nipah palm to sugar and ethanol.

Under the terms of the transaction WAG issued 1,500,000,000 shares to the shareholders of Ephraim Resources Limited (the BVI entity), resulting in Ephraim Resources Limited acquiring 98.36% of the legal parent entity's issued capital. Notwithstanding that the transaction took the format of a reverse acquisition as described in AASB 3 *Business Combinations*, the transaction was not deemed a business combination on the basis that WAG did not meet the definition of a business as noted in that standard.

The Group applied, by analogy, the guidance in AASB 3 on reverse acquisitions, resulting in Ephraim Resources Limited (the non-listed operating entity) being identified as the accounting acquirer and WAG (the listed non-operating entity) being identified as the accounting acquiree. As the transaction is not within the scope of AASB 3, the transaction was treated as a share-based payment transaction accounted for in accordance with AASB 2 *Share-based payment*.

The Group consequently recognised a share-based payment of \$527,474 in its statement of comprehensive income, representing the cost of the listing. The cost is calculated as the difference in the fair value of the shares deemed to have been issued by Ephraim Resources Limited (the non-listed entity) and the fair value of the accounting acquiree's identifiable net liabilities.

#### **Assets acquired and liabilities assumed**

Details of the acquisition are as follows:

	<b>Fair Value \$</b>
Cash and cash equivalents	52,580
Trade and other receivables	37,555
Loans receivable	142,301
Trade and other payables	(242,166)
Loans payable	(500,000)
Net liabilities assumed	(509,730)
Share-based payment for listing services	527,474
Acquisition date fair value of the total consideration transferred	<u>17,744</u>
Acquisition date fair value of the total consideration transferred:	
Shares issued, at fair value	17,744
Cash paid	-
Contingent consideration liability	-
	<u>17,744</u>
The cash inflow on acquisition is as follows:	
Net cash acquired	52,580
Cash paid	-
Net consolidated cash inflow	<u>52,580</u>

#### 4. Reverse acquisition (contd)

Ephraim Resources Limited (previous WAG) contributed revenues of \$13,757 and loss before tax of \$79,757 to the consolidated entity for the period from 11 February 2014 to 30 June 2014. If the reverse acquisition occurred on 1 July 2013, the full year contributions would have been revenues of \$13,791 and loss before tax of \$215,664. The values identified in relation to the reverse acquisition are final at 30 June 2014.

#### 5. Revenue

	Consolidated	
	2014	2013
	\$	\$
<b>Revenue</b>		
Interest revenue	13,852	28
	<u>13,852</u>	<u>28</u>

#### 6. Loss for the year

##### Other expenses

The result for the year includes the following expenses:

	Consolidated	
	2014	2013
	\$	\$
Depreciation		
Plant and equipment	4,214	4,387
Land-use rights	96,053	-
	<u>100,267</u>	<u>4,387</u>
Foreign exchange losses	104,798	31,347
Environmental impact assessment	38,500	-
Share-based payments		
Cost of listing	527,474	-

#### 7. Income taxes

##### a) Recognised in the statement of comprehensive income

	Consolidated	
	2014	2013
	\$	\$
The major components of the tax expense are:		
Current tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	(97,450)	(23,845)
Total tax expense attributable to continuing operations	<u>(97,450)</u>	<u>(23,845)</u>

##### b) Amounts charged or credited directly to equity

Deferred income tax related to items charged directly to equity		
Revaluation of land-use rights	-	491,831
Income tax expense reported in equity	<u>-</u>	<u>491,831</u>

**7. Income taxes (contd)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>c) The prima facie income tax expense/(benefit) on loss before tax reconciles to the income tax expense in the financial statements as follows:</b>		
Loss before income tax expense	(999,464)	(95,377)
Income tax expense/(benefit) calculated at the tax rate of 30% (2013: 25%)	(299,839)	-
Foreign tax rate adjustment	19,612	(23,845)
Non-deductible expenses	12,232	-
Share based payments	158,242	-
Deferred tax assets not brought to account	12,303	-
Income tax expense /(benefit)	(97,450)	(23,845)
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. The foreign tax rate adjustment relates to the Group's operations in Indonesia where the corporate tax rate is set at 25%.		
<b>d) Deferred tax assets</b>		
Temporary differences		
Other assets	33,638	-
Payables	16,239	5,828
Provisions	-	-
Unused tax losses	83,721	18,017
Deferred tax assets not brought to account	(12,303)	-
	121,295	23,845
<b>e) Deferred tax liability</b>		
Temporary differences		
Revaluation of land-use rights	(491,831)	(491,831)
	(491,831)	(491,831)
<b>f) Net deferred tax liability</b>		
Reflected in the statement of financial position as follows:		
Deferred tax assets	121,295	23,845
Deferred tax liability	(491,831)	(491,831)
Deferred tax liability (net)	(370,536)	(467,986)
<b>Reconciliation of net deferred tax assets</b>		
Opening balance as of 1 July	(467,986)	-
Tax benefit during the year recognised in profit or loss	97,450	23,845
Tax expense during the year recognised in other comprehensive income	-	(491,831)
Closing balance as at 30 June	(370,536)	(467,986)
<b>g) Current tax liability provided for</b>		
	-	-

## 8. Trade and other receivables

	Consolidated	
	2014	2013
	\$	\$
<u>Current</u>		
Other receivables	6,224	3,916
	<u>6,224</u>	<u>3,916</u>

## 9. Other assets

	Consolidated	
	2014	2013
	\$	\$
<u>Current</u>		
Prepayments	37,236	36,613
Deposits	250	-
	<u>37,486</u>	<u>36,613</u>
<u>Non Current</u>		
Deposits	1,550	-
	<u>1,550</u>	<u>-</u>

## 10. Property, plant and equipment

	Consolidated			
	Land \$	Motor Vehicles at cost \$	Furniture, fixtures and office equipment at cost \$	Total \$
<b>Gross carrying amount</b>				
<b>Balance at 1 July 2012</b>	271,523	10,828	9,862	292,213
Additions	180,570	-	-	180,570
Disposals	-	-	-	-
Revaluation	1,967,323	-	-	1,967,323
<b>Balance at 30 June 2013</b>	<u>2,419,416</u>	<u>10,828</u>	<u>9,862</u>	<u>2,440,106</u>
Additions	65,465	-	600	66,065
Disposals	-	-	-	-
<b>Balance at 30 June 2014</b>	<u>2,484,881</u>	<u>10,828</u>	<u>10,462</u>	<u>2,506,171</u>
<b>Accumulated depreciation/ amortisation and impairment</b>				
<b>Balance at 1 July 2012</b>	-	(2,584)	(2,674)	(5,258)
Disposal	-	-	-	-
Depreciation expense	-	(2,255)	(2,132)	(4,387)
<b>Balance at 30 June 2013</b>	<u>-</u>	<u>(4,839)</u>	<u>(4,806)</u>	<u>(9,645)</u>
Disposals	-	-	-	-
Depreciation expense	(96,053)	(2,255)	(1,959)	(100,267)
<b>Balance at 30 June 2014</b>	<u>(96,053)</u>	<u>(7,094)</u>	<u>(6,765)</u>	<u>(109,912)</u>
<b>Net book value</b>				
As at 30 June 2013	<u>2,419,416</u>	<u>5,989</u>	<u>5,056</u>	<u>2,430,461</u>
As at 30 June 2014	<u>2,388,828</u>	<u>3,734</u>	<u>3,697</u>	<u>2,396,259</u>

## 10. Property, plant and equipment (contd)

The Group's subsidiary company, PT First Flower, acquired the legal land-use rights over three areas of land from the Indonesian Government during the 2012/2013 financial year (total area of 11,800ha). Notwithstanding that it is not possible to acquire land outright in Indonesia, the Group obtained the exclusive land-use rights over these areas for periods ranging from 25 to 35 years and has consequently recognised the land-use right as if it was freehold land. To acknowledge the fact that the land-use right has a definitive end date, it's the Group policy to depreciate the carrying value of the land-use rights over its remaining contractual life. This resulted in the Group recognising a depreciation expense of \$96,053 during the year in the statement of comprehensive income.

On 25 June 2013 the Group engaged Gais Commoditas, an independent valuer, who determined a fair value of USD2,652,000 for the acquired land-use rights based on the assets' highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible. In line with the Group's policy, the independent valuation will be performed every three years unless the Group becomes aware of any matter or circumstance that might significantly influence the carrying value.

### Key assumptions used in valuation

The following describes key assumption used in the land-right use valuation:

- Total land area of 11,800 hectare.
- Tree density of 1,600 trees per hectare.
- Price of palm sugar syrup at an average of \$14 per litre.
- Sap tapping yield levels of between 0.8 litres to 1.6 litres.
- Tapping duration of an average 75 days per year.
- Sugar contents at an average of 14%.
- Discount rate of 16%.

## 11. Intangible assets

	Consolidated	
	2014 \$	2013 \$
Capitalised development and technology costs	210,014	202,314
	<b>210,014</b>	<b>202,314</b>

The Group's Indonesian subsidiary (PTFF) has recognised intangible assets which relates to capitalised intellectual property gained by the company from its development work previously undertaken in developing methods to produce increased sap yields from the sapping of nipah palm trees, as well as initial development work on the fermentation process used in turning the sap to useable palm sugar.

The intangible assets have been allocated to one cash generating unit, being PTFF. This is also the reportable segment for impairment testing. For the purpose of impairment testing, the recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on the forecast profits (before tax) for the 2014/2015 and 2015/2016 financial years.

The discount rate applied to cash flow projections is 12.72% and cash flows beyond the second year are extrapolated using a conservative one percent growth rate, which is considered at the lower end of the average growth rate for the industry generally.

The carrying amount of intangible assets allocated to the cash generating unit amounts to \$210,014 (2013: \$202,314).

### Key assumptions used in value in use calculations

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the cash generating unit:

- Forecast profits/(losses) for the next two financial years (being 2014/2015 and 2015/2016).
- Growth rates of one percent per annum for the following three periods.
- In calculating the terminal value a growth rate of one percent was used.
- Bond rates - the yield on a ten year government bond rate at the beginning of the budgeted year is used.

### Impact of possible changes in key assumptions

Neither using growth rates of negative one percent in the value in use calculation nor increasing the pre-tax discount rate for the cash generating unit by ten percent would result in a need to reduce the carrying amount of the intangible asset.

## 12. Trade and other payables

Trade payables<sup>(i)</sup>  
Employee entitlements  
Other payables

Consolidated	
2014	2013
\$	\$
100,270	24,262
71,589	69,396
171,859	93,658

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

## 13. Loans

Shareholder loan<sup>(i)</sup>  
Related entities (previous WAG Limited)

Consolidated	
2014	2013
\$	\$
344,768	762,220
-	24,952
344,768	787,172

(i) The shareholder loan relates to a loan payable to Mr Kim Kea, the previous majority shareholder of PT First Flower and currently the Company's CEO. The loan is interest free and re-payable on demand in Singaporean Dollars (SGD359,625)(2013: SGD976,806).

## 14. Issued capital

1,540,000,642 fully paid ordinary shares  
(2013: 1,500,000,000 post ratio adjustment)

Consolidated	
2014	2013
\$	\$
3,204,484	202,856

  

	No.	\$
01 Jul 2012	12,000	202,856
	-	-
30 Jun 2013	12,000	202,856
	-	-
10 Feb 2014	12,000	202,856
11 Feb 2014	(12,000)	-
11 Feb 2014	25,000,642	-
11 Feb 2014	1,500,000,000	17,744
11 Feb 2014	1,525,000,642	220,600
11 Feb 2014	15,000,000	3,000,000
	-	(16,116)
30 Jun 2014	1,540,000,642	3,204,484

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### Share options

The Company had 59,921,543 options on issue during the year, exercisable at \$0.03 per option. These expired unexercised on 31 December 2013. Under the terms, the options only vest upon completion of a transaction entered into by the Company which resulted from the introduction, negotiation and involvement of Enviro Capital and which is approved by shareholders. The Company did not previously recognised any expense for these options.

## 15. Reserves

	Consolidated	
	2014 \$	2013 \$
Revaluation reserve	1,475,492	1,475,492
Foreign currency translation reserve	(14,413)	-
	<b>1,461,079</b>	<b>1,475,492</b>

### *Revaluation reserve*

The revaluation reserve is used to recognise increments and decrements in the fair value of property.

### *Foreign currency reserve*

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian Dollars.

## 16. Loss per share

	Consolidated	
	2014 Cents per share	2013 Cents per share
Basic loss per share attributable to ordinary equity holders of the parent	(0.059)	(0.005)

### **Basic loss per share**

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2014 \$	2013 \$
	(899,066)	(70,817)
Net loss attributable to ordinary equity holders of the parent		
	2014 No.	2013 No.
	1,519,452,301	1,500,000,000
Weighted average number of ordinary shares for the purposes of basic loss per share		

### **Diluted loss per share**

Diluted loss per share is the same as basic loss per share.

## 17. Commitments for expenditure

### **Operating lease commitments**

#### Operating leasing arrangements

The Group did not have any operating lease commitments at reporting date, a position that remains unchanged at the date of this report.

## 18. Contingent liabilities and contingent assets

In the opinion of the directors, there were no contingent assets or liabilities as at 30 June 2014 and no contingent assets or liabilities were incurred in the interval between the period end and the date of this financial report.

## 19. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2014 %	2013 %
<b>Legal Parent entity</b>			
Ephraim Resources Limited	Australia	N/A	N/A
<b>Legal Subsidiaries</b>			
Ephraim Resources Limited	British Virgin Island	100	-
PT First Flower	Indonesia	99	-



## 20. Notes to the statement of cash flows

### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents per statement of cashflows and statement of financial position	1,672,073	26,754

### (b) Non-cash financing and investing activities

During the current financial year and the prior financial year, there were no non-cash financing or investing activities.

### (c) Financing facilities

The Group did not have any financing facilities at reporting date, nor at the date of this report.

### (d) Reconciliation of loss for the year to net cash outflows from operating activities

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Loss for the year</b>	(902,014)	(71,532)
Depreciation and amortisation	100,267	4,387
Share-based payment for cost of listing	527,474	-
Net foreign exchange loss	92,724	31,347
<b>(Increase)/decrease in assets:</b>		
Trade and other receivables	32,823	(37,233)
Deferred tax assets	(97,450)	(23,845)
<b>Increase/(decrease) in liabilities:</b>		
Trade and other payables	(159,874)	81,212
<b>Net cash outflow from operating activities</b>	<b>(406,050)</b>	<b>(15,664)</b>

## 21. Financial instruments

### (a) Overview

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest rate risk
- Capital Management

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

## 21. Financial instruments (contd)

### (b) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the receivables from customers and receivables due from subsidiaries. The Group has no significant concentrations of credit risk. The Group obtains, where appropriate, relevant guarantees and securities to ensure recoverability of the amounts owed.

The Group has policies in place to ensure that sale of products and services are made to customers with an appropriate credit history. Cash deposits are limited to high credit quality financial institutions.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### (c) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 6 months, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.

#### Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturities for its non-derivative financial assets and liabilities and have been prepared on the following basis:

- Financial assets - based on the undiscounted contractual maturities including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period; and
- Financial liabilities - based on undiscounted cash flows on the earliest date on which the Group can be required to pay, including both interest and principal cash flows.

	CONSOLIDATED						
	Less than 1 month \$	1 - 3 months \$	3 months to 1 year \$	1 - 5 years \$	5+ years \$	No fixed term \$	Total \$
<b>2014</b>							
<b>Financial assets</b>							
Non-interest bearing	1,798	5,626	-	-	-	-	7,424
Variable interest rate	1,670,275	-	-	-	-	-	1,670,275
	<u>1,672,073</u>	<u>5,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,677,699</u>
<b>Financial liabilities</b>							
Non-interest bearing	171,859	-	344,768	-	-	-	516,627
Fixed interest rate	-	-	-	-	-	-	-
	<u>171,859</u>	<u>-</u>	<u>344,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>516,627</u>
	CONSOLIDATED						
	Less than 1 month \$	1 - 3 months \$	3 months to 1 year \$	1 - 5 years \$	5+ years \$	No fixed term \$	Total \$
<b>2013</b>							
<b>Financial assets</b>							
Non-interest bearing	1,536	3,916	-	-	-	-	5,452
Variable interest rate	25,218	-	-	-	-	-	25,218
	<u>26,754</u>	<u>3,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,670</u>
<b>Financial liabilities</b>							
Non-interest bearing	93,658	-	787,172	-	-	-	880,830
Fixed interest rate	-	-	-	-	-	-	-
	<u>93,658</u>	<u>-</u>	<u>787,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880,830</u>

The Group did not have any unsettled derivative financial instruments at reporting date (2013: \$Nil).

## 21. Financial instruments (contd)

### (d) Market risk

Market risk is the risk that changes in market prices will affect the Group's income. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group manages market risks as follows:

Customers - by diversifying supply into different markets.  
- by packaging solutions to meet specific needs.

Suppliers - by diversifying the number of suppliers for any major given product line.  
- by entering into supply contracts over short to medium time frames.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

### (e) Foreign currency risk management

Currency risk is the risk that the value of a financial commitment, probable transaction, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Group operated internationally and was exposed to foreign exchange risk arising from currency exposures to major currencies. In the current year and prior year, exchange rate exposures have been managed using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date is as follows:

	Assets		Liabilities	
	2014 \$	2013 \$	2014 \$	2013 \$
SGD	40,474	-	344,768	762,220
USD	92	92	-	-

#### Foreign currency sensitivity

The Group is exposed to Singaporean Dollar (SGD) and US Dollar (USD) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit or loss and other equity and the balances below would be negative.

	Consolidated	
	2014 \$	2013 \$
Net profit/loss	38,533	76,231
Equity	38,533	76,231

### (f) Interest rate risk management

The Group is exposed to interest rate risk and manages this risk by keeping liabilities to a financially tolerable level and taking into account expected movements in interest rates.

Some of the Group's assets are subject to interest rate risk but the Group is not dependent on this income. Interest income is only incidental to the Group's operations and operating cash flows. The Company and Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

#### Interest rate sensitivity analysis

The sensitivity analyses of the Group's exposure to interest rate risk at the reporting date has been determined based on the change of 50 basis points in interest rates. At reporting date, if interest rates had been 50 basis points higher and all other variables were constant, the Group's net loss would have decreased by \$8,351 (2013: net loss decrease of \$126) with a corresponding increase in equity. Where interest rates decreased, there would be an equal and opposite impact on the profit.

The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable cash and cash equivalents.

## 21. Financial instruments (contd)

### (g) Capital management

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, to ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes only ordinary share capital. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market taking into account the level of the Group's operations.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

### (h) Fair value measurements

The following tables detailed the Groups' assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted priced included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

Consolidated - 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
	-	-	-	-
<b>Liabilities</b>				
	-	-	-	-
<b>Consolidated – 2013</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>	<b>Total \$</b>
<b>Assets</b>				
	-	-	-	-
<b>Liabilities</b>				
	-	-	-	-

There were no transfers between levels during the year. The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short term nature.

## 22. Share-based payments

During the financial year ended 30 June 2014 and 30 June 2013 no share-based payments were made.

## 23. Related party transactions

### (a) Equity interests in related parties

#### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note19 to the financial statements.

### (b) Transactions with key management personnel

#### i. Key management personnel compensation

Details of key management personnel compensation are disclosed in the Remuneration Report which forms part of the Directors' Report and have been audited.

The aggregate compensation paid to key management personnel of the Group is set out below:

	Consolidated	
	2014 \$	2013 \$
Short term employee benefits	61,414	-
Post employment benefits	-	-
Share based payments	-	-
	61,414	-

## 23. Related party transactions (contd)

### (c) Parent entity

The parent entity in the Group is Ephraim Resources Ltd. Interests in subsidiaries are set out in Note 19.

### (d) Loans to key management personnel

There were no loans advanced to any key management personnel during the current or previous financial years.

### (e) Other transactions with key management personnel of the Group

During the financial year the Company repaid an advance received from Mr Ng during the previous financial year, totalling \$3,000. The Company also paid consulting fees of \$5,000 and \$2,500 to Mr Pynt and Mr Pixley respectively during the financial year for services rendered in relation to the Group's ASX re-compliance.

Mr Kim Kea received a payment of \$530,680 on 26 June 2014 as part payment of his outstanding loan balance with PT First Flower. His remaining loan balance at year end was \$344,768 (SGD: 359,625).

There were no other transactions with key management personnel.

### (f) Transactions with other related parties

There were no other transactions entered into with related parties by the Group.

## 24. Segment reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Company's operating segments have been determined with reference to the monthly management accounts used by the chief operating decision maker to make decisions regarding the Company's operations and allocation of working capital. Due to the size and nature of the Company, the Board as a whole has been determined as the chief operating decision maker.

The Group has two reportable operating segments those being Australia and Indonesia. The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

	Australia	Indonesia	Unallocated	Total
<b>2014</b>				
<b>Revenue</b>				
Interest income	13,757	95	-	13,852
<b>Total revenues</b>	<b>13,757</b>	<b>95</b>	<b>-</b>	<b>13,852</b>
<b>Results</b>				
Total pre-tax segment expenditure	(79,757)	(392,233)	(527,474)	(999,464)
Income tax benefit	-	97,450	-	97,450
<b>Segment loss after income tax</b>	<b>(79,757)</b>	<b>(294,783)</b>	<b>(527,474)</b>	<b>(902,014)</b>
<b>As at 30 June 2014</b>				
<b>Segment assets</b>				
Cash and cash equivalents	1,631,118	40,955	-	1,672,073
Receivables	4,092	2,132	-	6,224
Other current assets	12,623	24,863	-	37,486
Property, plant and equipment	-	2,396,259	-	2,396,259
Intangible assets	-	210,014	-	210,014
Other non-current assets	-	1,550	-	1,550
<b>Total assets</b>	<b>1,647,833</b>	<b>2,675,773</b>	<b>-</b>	<b>4,323,606</b>
<b>Segment liabilities</b>				
Current liabilities	73,773	98,086	-	171,859
Loans payable	-	344,768	-	344,768
Non-current liabilities (deferred tax liabilities)	-	370,536	-	370,536
<b>Total liabilities</b>	<b>73,773</b>	<b>813,390</b>	<b>-</b>	<b>887,163</b>
<b>Net assets</b>	<b>1,574,060</b>	<b>1,862,383</b>	<b>-</b>	<b>3,436,443</b>

## 24. Segment reporting (contd)

During the 2013 financial year there was only one segment, that being of the Indonesian operations. The revenues and results of that segment are set out in the comparative figures in the statement of comprehensive income. The segment assets and liabilities are set out in the comparative figures in the statement of financial position.

## 25. Dividends

The Company did not declare or pay a dividend during the financial year (2013: \$ Nil).

## 26. Remuneration of auditors

### Auditor of the Group (Australia))

Audit or review of the financial report

Consolidated	
2014	2013
\$	\$
18,000	10,000
18,000	10,000

The auditor of Ephraim Resources Ltd is Crowe Horwath Perth. The auditor of PT First Flower in Indonesia is Fajar Sutrisno.

## 27. Parent entity disclosures

### Financial position

#### Assets

Current assets

Non-current assets

Total assets

Consolidated	
2014	2013
\$	\$
62,169	67,283
2,607,823	2,632,775
2,669,992	2,700,058

#### Liabilities

Current liabilities

Non-current liabilities

Total liabilities

437,073	880,830
1,178,235	467,986
1,615,308	1,348,816

#### Equity

Issued capital

Accumulated losses

Revaluation reserve

Foreign currency translation reserve

Non-controlling interest

202,856	202,856
(615,671)	(323,835)
1,475,492	1,475,492
(1,774)	-
(6,219)	(3,271)
1,054,684	1,351,242

### Financial Performance

Loss for the year

Total comprehensive (loss)/income

(291,835)	(70,817)
(291,835)	1,404,675

### Guarantees entered into by the parent entity

There have been no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

### Contingencies of the parent entity

In the opinion of the directors, there were no contingent assets or liabilities as at 30 June 2014 which related to the parent entity.

### Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity had no commitments at 30 June 2014 for the acquisition of property, plant and equipment.

## **28. Subsequent events**

On 12 August 2014 the Group advanced a working capital loan of \$300,000 to GBM Gold Limited, a company associated with Mr Ng. Under the terms of the loan agreement full repayment of the loan is required by no later than 12 February 2015, being 6 months after the date of the advance. The loan carries interest at 10% per annum, repayable at the end of the loan term. The Group received a personal guarantee from Mr Ng as security for the loan.

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the current operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.