EPHRAIM RESOURCES LTD

ABN 63 008 666 233

Annual report for the financial year ended 30 June 2017

Annual financial report
for the financial year ended 30 June 2017

Corporate Directory

Directors:

Steven Pynt	Non-Executive Chairman
Frederick (Eric) Ng	Executive Director
Andrew Chan	Non-Executive Director

Company Secretary:

Henko Vos

Registered Office (Australia):

c/ - Nexia Perth
Level 3
88 William Street
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WESTERN AUSTRALIA 6000
Telephone: +61 (08) 9463 2463

Registered Office (Indonesia):

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INDONESIA

Share Registry:

Computershare Investor Services Pty Ltd
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Level 11
172 St Georges Terrace
PERTH
WESTERN AUSTRALIA 6000
Telephone: (08) 9323 2000
Fax: (08) 9323 2033

Auditor:

Moore Stephens
Level 15 Exchange Tower
2 Esplanade
PERTH
WESTERN AUSTRALIA 6000
Telephone: (08) 9225 5355
Fax: (08) 9225 6181

Securities Exchange Listing:

Ephraim Resources Limited's shares are listed on the
Australian Securities Exchange (ASX: EPA)

Corporate Governance Statement
for the year ended 30 June 2017

INTRODUCTION

Ephraim Resources Limited (the Company) and the Board are committed to implementing sound standards of corporate governance. In determining what those standards should involve, the Company has had regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition)) ("Recommendations").

A copy of the Company's Corporate Governance Charter ("Charter") has been placed on the Company's website in the corporate governance section.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – A listed entity should disclose:

- **(a) the respective roles and responsibilities of its board and management; and**
- **(b) those matters expressly reserved to the board and those delegated to management.**

The functions and responsibilities of the Board compared with those delegated to management are reflective of the Recommendations and are disclosed in the Board Charter on the Company's website.

The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Some Board functions are handled through Board Committees. These committees are appointed when the size and scale of operations requires. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

For the purposes of this Statement, Mr Eric Ng is the Executive (or Managing) Director of the Company by virtue of being the most senior executive within the parent company. The Group also employs a CEO to run the operating subsidiary. Authority is delegated to both Mr Ng and the CEO to ensure the effective day-to-day management of the business of the parent company and its subsidiaries and the Board monitors the exercise of these powers. Mr. Ng and the CEO are required to report regularly to the Board on the performance of that business.

Recommendation 1.2 – A listed entity should:

- **(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and**
- **(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.**

The Company undertakes appropriate checks before appointing or re-appointing a person and when putting forward a candidate for election as a director. A copy of the entity's Policy and Procedure for Selection and (Re) Appointment of Directors is available on the Company's website, and is in line with the Recommendations.

Recommendation 1.3 – A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has entered into letters of appointment with all Directors and a service contract with the CEO in Indonesia. Each agreement provides details normally found in employment agreements, such as details of the position, remuneration and incentives provided, requirements to adhere to the Company's policies, to whom they report and circumstances of termination and any amounts payable. These contracts ensure that directors and senior executives have a clear understanding of their roles and responsibilities and of the Company's expectations of them.

Recommendation 1.4 – The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary is appointed and removed by, and is accountable directly to, the Board.

The Company Secretary has access to all Board members and the main functions of the role are to assist in advising the Board on governance matters and monitoring compliance with board and committee procedures. The role of the Company Secretary is further summarised in the Company's Board Charter which is available on the Company's website, and are reflective of the Recommendations.

Recommendation 1.5 – A listed entity should:

a) **have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;**

b) **disclose that policy or a summary of it, and**

c) **disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:**

   i. **the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or**

   ii. **if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

The Company's Diversity Policy is set out on the Company's website.

The Diversity Policy does not currently include specific measureable objectives as the Board believes that the Company will not be able to successfully meet these given the current size and stage of development of the Company. If the Company's activities increase in size, nature and scope in the future, then appropriate measureable objectives will be set and put into place.

The Company recognises that the promotion of gender diversity can broaden the pool for recruitment of high quality employees, enhance employee retention and improve corporate image and reputation. The Company continued to promote its Diversity Policy throughout the organisation and all future appointments will be made after allowing for criteria set out in the Company's Diversity Policy, which now forms an integral part of all new recruitment and selection activities.

The Company's commitment to increasing diversity of participation in the Company is focused on:

- structuring recruitment and selection processes to recognise the value that diversity brings to the Company in recruiting the best candidate for each role;
- providing relevant and challenging professional development and training opportunities to employees;
- providing flexible work and salary arrangements to accommodate family commitments, external study, cultural traditions and other personal choices of employees; and
- having a clear and transparent governance process around reward and recognition.

At reporting date the Company's workforce consisted of 8 employees (excluding the directors), of which none were female (2016: 18 employees of which 2 were female). As reflected in the remuneration report there are currently no senior executive positions or positions on the Board filled by females. The Company remains committed to filling available positions, including senior and Board positions, as they arise with appointments based on an individual's capability to enhance the contributions of the existing Board and executive team.

The Company is a not a 'relevant employer' under the Workplace Gender Equality Act 2012.

Recommendation 1.6 – A listed entity should:

a) **have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors, and**

b) **disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Nomination and Remuneration Committee is charged in the terms of the Charter with Board and Board Committee membership, succession planning and performance evaluation, as well as Board member induction, education and development.

The Company has adopted policies and procedures in the Charter concerning the evaluation and development of its directors, executives and Board committees. Procedures include an induction protocol and a performance management system for the Board and its Directors.

Performance reviews of the Board, its Committees and individual Directors are currently informal and done progressively over the year and are based on a review of goals for the Board and individual Directors. The goals are based on corporate requirements and any areas for improvement that may have been identified. There were no separate formal meeting of the Committee during the reporting period. This was driven by the current size of the Company and its level of operations. Matters relevant to the Committee were addressed as part of Board of Director meetings, as appropriate. The Committee anticipates it will resume formal meetings during the 2018 financial year.

The Company's Board and Management Performance Evaluation Policy is publicly available on the Company's website.

Recommendation 1.7 – A listed entity should:

- **a) have and disclose a process for periodically evaluating the performance of its senior executives; and**
- **b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Nomination and Remuneration Committee is charged under the Charter with the periodic review of the job description and performance of the Managing Director and/or CEO according to agreed performance parameters.

Senior executives (being the Managing Director and CEO of PTFF) were the subject of informal evaluations against both individual performance and overall business measures. These evaluations were undertaken progressively and periodically during the year. Both evaluations were undertaken by the Board of Directors.

Outcomes arising from these evaluations included identifying skill improvement needs, re-description of positions of employment, remuneration reviews and where necessary remedial action. The Charter contains a section formally setting out the Company's Board and Management Performance Enhancement Policy.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – The board of a listed entity should:

- **a) have a nomination committee which:**
  - **i) has at least three members, a majority of whom are independent directors; and**
  - **ii) is chaired by an independent director.**

  and disclose:
  - **iii) the charter of the committee;**
  - **iv) the members of the committee, and**
  - **v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- **b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

The Board has established a combined Nomination and Remuneration Committee. Members of the Board's Nominations and Remuneration Committee consist of Messrs Pynt, Ng, Pixley (to 20 December 2016), Loi (20 December 2016 to 30 January 2017), Cross (30 January 2017 to 22 June 2017) and Chan (22 June 2017 to 30 June 2017). Mr Pynt is the Chairman of the Committee.

The Company complies with this recommendation, with only Mr Frederick (Eric) Ng not considered to be an independent director based on his shareholding and executive role in the Company. Messrs Steven Pynt and Andrew Chan were determined to be independent.

The remit and responsibilities of the Nominations and Remuneration Committee in respect of remuneration are set out in the Committee Charter, which is publicly available on the Company's website.

There were no separate formal meeting of the Committee during the reporting period. This was driven by the current size of the Company and its level of operations. Matters relevant to the Committee were addressed as part of Board of Director meetings, as appropriate. The Committee anticipates it will resume formal meetings during the 2018 financial year.

Recommendation 2.2 – A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company recognises the importance of having an appropriate mix of expertise and experience on its Board and Committees to enable it to effectively discharge its corporate governance and oversight responsibilities. The Board accordingly seeks to achieve a balance in its structure that best reflects the needs of the Company at any particular time. Appointment to the Board will be dependent on candidates demonstrating an appropriate breadth of experience in a field of expertise that is relevant to the ongoing supervision of the Company's affairs. This diversity of experience may include a commercial, technical, legal, corporate finance, business development, manufacturing or other background as the Board and management determine as part of its selection processes.

Geographically the mix of skills extents to the international market, with a higher focus placed on operational and technical experience throughout the Asian and Australian markets.

The current Board composition addresses these desired skills, with details of each Director's skills and experience noted in the Directors Report accompanying the Annual Report. The Board continues to assess and monitor this evaluation.

The policy and process for the nomination, selection and appointment of new directors is available on the Company's website.

Recommendation 2.3 – A listed entity should disclose:

a) **the names of the directors considered by the board to be independent directors;**

b) **if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and**

c) **the length of service of each director.**

The names and terms of office of each person who acted as a director, and their status as executive/non-executive/independent, for the year ended 30 June 2017 were as follows (with all directors noted as continuing in office as at 30 June 2017 and still being in office at the date of the 2017 Annual Report unless indicated otherwise):

Director	Status	Appointment date	Resignation date	Length of service
Steven Pynt	Non-executive, independent	23 May 2013	n/a	4.1 years
Frederick (Eric) Ng	Executive, non-independent	23 May 2013	n/a	4.1 years
Andrew Chan	Non-executive, independent	22 June 2017	n/a	9 days
Michael Pixley	Non-executive, independent	11 October 2013	20 December 2016	3.7 years
Yu Won Loi (John)	Non-executive, independent	20 December 2016	30 January 2017	0.1 years
Evan Cross	Non-executive, independent	30 January 2017	22 June 2017	0.4 years

The Company has accepted the definition of "independence" in the Recommendations in making the above assessments of independence.

Neither Messrs Pynt, Chan, Pixley, Loi nor Cross has or had an interest, position, association or relationship of the type described in Box 2.3 of the Recommendations that is considered to compromise independence. Each director's independence status is regularly assessed against Box 2.3.

Recommendation 2.4 –The majority of the board of a listed entity should be independent directors.

The Board respects independence of thought and decision making as critical to effective governance and considers the current structure to be reflective of the needs of the Company at its current stage of development.

The Company complies with this recommendation, with only Mr Ng not considered to be an independent director based on his shareholding and executive role in the Company. Messrs Pynt and Chan were determined to be independent.

The Board's policy is that the majority of directors shall be independent, non-executive directors. The composition of the Board does currently conform to its policy.

Recommendation 2.5 – The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The position of Chair is filled by Mr Steven Pynt, one of the Company's two independent directors. Mr Pynt held this position with effect from 14 March 2014. The role of the Chairman and CEO is not exercised by the same person. The division of responsibilities between the Chairman and the CEO is set out in the Board Charter.

Recommendation 2.6 – A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Board is responsible for Board member induction, and ongoing education and development. The Company's governance policies and employment agreements empowers a director to undertake training or take independent professional advice at the expense of the Company.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1 – A listed entity should:

a) **have a code of conduct for its directors, senior executives and employees; and**

b) **disclose that code or a summary of it.**

The Company has established a formal code of conduct in the Charter to guide the Directors, the CEO, the CFO (or equivalent) and other key executives with respect to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. A copy of the code of conduct is publicly available on the Company's website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1 – The board of a listed entity should:

a) have an audit committee which:

i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

ii) is chaired by an independent director, who is not the chair of the board,

and disclose:

iii) the charter of the committee;

iv) the relevant qualifications and experience of the members of the committee; and

v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board has established a combined Audit and Risk Management Committee. The Company's Audit and Risk Management Committee consists of Messrs Pynt, Ng, Pixley (to 20 December 2016), Loi (20 December 2016 to 30 January 2017), Cross (30 January 2017 to 22 June 2017) and Chan (22 June 2017 to 30 June 2017). Mr Pixley was the Chairman of the Committee until his resignation. Mr Chan is the current Chairman of the Committee.

Messrs Chan and Pynt are both non-executive, independent directors of the Company, with Mr Ng being an executive, non-independent Director.

The Company's Audit and Risk Management Committee has a formal charter, a copy of which is publicly available on the Company's website.

There were no separate formal meeting of the Committee during the reporting period. This was driven by the current size of the Company and its level of operations. Matters relevant to the Committee were addressed as part of Board of Director meetings, as appropriate.

The Committee anticipates it will resume formal meetings during the 2018 financial year.

The qualifications of the Directors on the Audit and Risk Management Committee appear in the Directors' Report section of the Annual Report.

The Company's Audit and Risk Management Committee charter and policies on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, are all publicly available on the Company's website.

Recommendation 4.2 – The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Mr Ng, in his capacity as Executive Director of the Ephraim Resources Limited group of companies provided the Board assurance in compliance with this Recommendation that the declaration provided in accordance with S.295A of the Corporations Act was founded on a sound system of risk management and internal control and that the system was operating effectively in all material respects in relation to financial reporting risks.

Recommendation 4.3 – A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Audit Committee Charter, which is available on the Company's website, states that the Audit Committee is to ensure that the external auditor is requested to attend the annual general meeting of the Company and is available to answer questions from shareholders.

The Company's external auditor did attend the 2016 AGM. Moore Stephens, the Company's current external auditor, will be invited to attend the AGM this year and will be available to answer questions from security holders.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – A listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for compliance with those policies. A copy of the continuous disclosure policy is available on the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1 – A listed entity should provide information about itself and its governance to investors via its website.

The Company's website contains a separate section titled "Corporate Governance" which contains all key Corporate Governance documents including the Board and committee charters, Code of Conduct and other policies and procedures. The website also provides:

- an overview of the entity's current projects;
- copies of its annual reports and financial statements;
- copies of its announcements to ASX.

Recommendation 6.2 - A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has a Shareholder Communications Policy which is publicly available on the company's website, including the effective use of electronic communications.

Recommendation 6.3 – A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Board encourages the attendance of shareholders at the Shareholders' Meetings and sets the time and place of each Shareholders Meeting in advance to allow maximum attendance by shareholders.

The Company provides information in the notice of meeting that is presented in a clear, concise and effective manner. Shareholders are provided the opportunity at general meetings to ask questions in relation to each resolution before they are put to the vote and discussion is encouraged by the Board.

The Company's shareholder communication policy is publicly available on the Company's website.

Recommendation 6.4 – A listed entity should give shareholders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the Company's annual report to be posted to them.

The Company's share registry is maintained electronically by Computershare. Their contact details are disclosed in the Corporate Directory of the Annual Report as well as the Company's website.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1 - The board of a listed entity should:

a) have a committee or committees to oversee risk, each of which:

i) has at least three members, a majority of whom are independent directors; and

ii) is chaired by an independent director;

and disclose:

iii) the charter of the committee;

iv) the members of the committee; and

v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework

The Board has established a combined Audit and Risk Management Committee. Refer reporting on Recommendation 4.1 above for details of membership. Mr Pynt, one of the two independent directors, is the Chairman of the Committee.

The Company's Audit and Risk Management Committee has a formal charter, a copy of which is publicly available on the Company's website.

There were no separate formal meeting of the Committee during the reporting period. This was driven by the current size of the Company and its level of operations. Matters relevant to the Committee were addressed as part of Board of Director meetings, as appropriate.

The Committee anticipates it will resume formal meetings during the 2018 financial year.

Recommendation 7.2 - The Board or a committee of the board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose, in relation to each reporting period, whether such a review has taken place.

The Board reviews, at least annually, the Company's risk management framework. The risks identified are monitored on a continual basis and preventative measures are implemented as and when deemed necessary.

Recommendation 7.3 - A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs or if it does not have an internal audit function, that fact and the processes it employs for evaluating the continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an internal audit function. The Board recognises that no cost effective internal control system will preclude all errors and irregularities. The Company's risk management and internal control system is based upon written procedures, policies and guidelines, an organisational structure that provides an appropriate division of responsibility, and the selection and training of qualified service providers and personnel.

Management designs, implements and maintains risk management and internal control systems to manage the Company's material business risks. As part of the reporting procedures, management report to the Board on a progressive basis confirming that those risks are being managed effectively.

The Company policies are also designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

The Company has adopted a formal policy on risk oversight and management. The Board also has established the Audit and Risk Management Committee to oversee overall risk management. Details of the Company's policy on these matters are set out under the risk management policy which is publicly available on the Company's website.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company has assessed its exposure to economic risk as high on the basis of its net liability position at reporting date (30 June 2017), a position that remains unchanged at the date of this statement. The Company, currently suspended from official trading on the ASX, also does not currently have sufficient funds or income to fund the execution of its planned operational activities and is reliant on a future capital raising to fund these. As part of its required recapitalisation, the Company is also evaluating other investment opportunities.

The Company is also in negotiations with a number of parties to provide additional bridging financing, which includes, but is not necessarily limited to, raising additional funds through the issue of new equity under the Company's share placement capacity.

The Company note the emphasis of matter paragraph raised by its auditor, Moore Stephens, in their audit report in relation to the Company's use of the going concern basis for preparing its 30 June 2017 financial report. The going concern basis contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Company is continuing work on securing new equity or a new investment opportunity.

The Company has no material exposure to environmental or social sustainability risks.

A copy of the Company's policies on risk oversight and management of material business risks is publicly available under the heading Risk Management Policy.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 - The board of a listed entity should:

a) Have a remuneration committee which:

- **i) has at least three members, a majority of whom are independent directors; and**
- **ii) is chaired by an independent director;**

and disclose:

- **iii) the charter of the committee:**
- **iv) the members of the committee; and**
- **v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board has established a combined Nomination and Remuneration Committee. Refer reporting on Recommendation 2.1 above for details of membership. Mr Pynt, one of the two independent directors, is the Chairman of the Committee.

The remit and responsibilities of the Nominations and Remuneration Committee in respect of remuneration are set out in the Committee Charter, which is publicly available on the Company's website.

There were no separate formal meeting of the Committee during the reporting period. This was driven by the current size of the Company, its level of operations and its focus on securing additional funding and/or an investment opportunity. Matters relevant to the Committee were addressed as part of Board of Director meetings, as appropriate.

The Committee anticipates it will resume formal meetings during the 2018 financial year.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The structure of non-executive remuneration is clearly distinguishable from that of executive directors and senior executives. The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Company was as follows:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Company. There are no documented agreements providing for termination or retirement benefits to non-executive directors (other than for statutory superannuation where appropriate).

Executive directors and senior executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness. Long term performance incentives may include performance and production bonus payments, shares options granted at the discretion of the Board and subject to obtaining the relevant approvals.

There were no options issued by the Company to any director or indeed any other party in the 2017 financial years.

Greater detail on the remuneration arrangements for Directors, Officers and senior executives are contained in the Remuneration Report comprised in the Directors' Report in the Company's 2017 Annual Report.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:

- **a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and**
- **b) disclose that policy or a summary of it.**

Directors are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity based remuneration scheme. The policy is available on the Company's website.

Directors' report

The directors of Ephraim Resources Ltd submit herewith the annual financial report of the Company and its subsidiaries (together "the Group") for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about directors

The names and particulars of the directors of the Company during or since the end of the financial year and up to the date of this report are:

Name	Particulars
Steven Pynt	*Non-Executive Chairman* (appointed 23 May 2013) Mr Pynt has over 30 years' experience in law, accounting and business management. After graduating in law from the University of Western Australia in 1980, Mr Pynt completed his articled clerkship at Dwyer & Thomas Solicitors before commencing work in 1983 as a tax consultant with the accounting firm Duesburys, which subsequently merged with Ernst & Whinney. In 1985 Mr Pynt established his own legal firm and in 1988 merged his firm with Michell Sillar McPhee where he became a partner. He subsequently established the firm Healy Pynt and after leaving that firm established the practice of McDonald Pynt Lawyers with David McDonald in 2003. Steven ceased practice in June 2010 to take up the position of managing director of Muzz Buzz Franchising Pty Ltd which is Australia's leading specialty drive through coffee franchise with 59 stores in Australia, New Zealand and Japan. Mr Pynt also obtained a Bachelor of Business in 1986, a Master of Business Administration in 1995, and a master of Taxation Studies in 1999. Mr Pynt has held a number of public and private company board positions. He is currently chairman of ASX listed public companies Richfield International Limited and Global Health Ltd, and a non-executive Director of Gondwana Resources Limited. Mr Pynt was deputy chairman and then chairman of the Commercial Tribunal of Western Australia from 1994 to 2004, which deals with commercial tenancy legislation, Credit Act and other commercial disputes and applications. He also taught ethics and professional responsibility to articled law clerks from 1994 to 2005 and was a member of the Racing Penalties Appeal Tribunal from 1995 to 2007. Mr Pynt is the Chairman of the Board of Directors and the Nomination and Remuneration Committee and the Audit Risk Management Committee. Mr Pynt resides in Perth.
Frederick (Eric) Ng	*Executive Director* (appointed 23 May 2013) Mr Ng has been the Principal Consultant of Chadway Management Service Pte Ltd since 1982. He is responsible for providing operational management, planning and executing growth strategies, merger and acquisitions activities and corporate finance services to companies in Singapore and the region, including Australia and the PRC. He also advises on business growth and globalisation strategies, capital market and corporate governance issues and is an active capital market intermediary matching capital with business. Mr Ng's vast experience and knowledge provides him with the credentials to sit on a number of Boards of public companies that are listed on the Singapore and Australian Exchanges. Mr Ng has chaired Shareholders' and Board meetings, Audit and Remuneration Committees since 2000 and is a member of various Nomination, Audit and Remuneration Committees. Since 2009 Mr Ng has served as a Non-Executive Director of ASX listed GBM Gold Ltd (ASX – GBM) and was appointed its Non-Executive Chairman on 1 January 2014. He is also currently a Non-Executive Chairman at SGX Mainboard listed Chasen Holdings Ltd where he has been the Lead Independent Director and Chairman Audit and Remuneration Committees since 2007. Upon assuming the Chairmanship of the Board at Chasen, he relinquished the chair of the Remuneration Committee while remaining a member of both Remuneration and Nomination Committees. Mr Ng is also active in various societies and institutions, being a member of the Singapore Institute of Directors and a Fellow of the Singapore Human Resource Institute. He also served as District Governor for Singapore of Lions Clubs International from 2002 to 2003. Mr Ng resides in Singapore.

Andrew Chan

Non-Executive Director (appointed 22 June 2017)

Mr Chan is a corporate and commercial lawyer with over 10 years' experience holding both a Bachelor of Arts and a Bachelor of Law degree. He has worked both in private practice and in-house in the resources sector in a variety of roles. Mr Chan has also previously advised a number of Australian and international companies in the resources sector.

Mr Chan resides in Sydney.

Michael Pixley

Non-Executive Director (appointed 11 October 2013, resigned on 20 December 2016)

Mr Pixley has worked as a merchant banker specialising in strategic corporate development, joint ventures and acquisitions. He has 20 years' experience in the Asian business sector, and has extensive networks and relationships that will provide the Company with access to key personnel in the government, corporate and private business sectors, particularly in Asia Pacific region.

Mr Pixley has been a director of both listed and unlisted companies in Australia and the United States, being responsible for corporate compliance, banking negotiations and legal interface. In addition, in 1992 Mr Pixley joined a prominent Asian group with both listed and private companies having extensive business interests throughout Asia, the United States of America and Australia. He was part of a management team which, over a period of 10 years, oversaw the development of industrial properties throughout China, developments in Australia and the expansion of industrial manufacturing plants in Asia.

Mr Pixley is currently a director of ASX listed companies Pan Asia Corporations Limited and Story-I Limited.

Mr Pixley resides in Perth.

Yu Won Loi (John)

Non-Executive Director (appointed 20 December 2016, resigned 30 January 2017)

Mr Loi was a member of the Institution of Engineers, Australia and a Chartered Professional Engineer. He has extensive international experience, specifically in the Asia-Pacific region and was a director of ASX listed Richfiled International Limited (ASX – RIS).

Mr Loi resides in Melbourne.

Evan Cross

Non-Executive Director (appointed 30 January 2017, resigned on 22 June 2017)

Mr Cross is an Associate of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.

He has extensive corporate experience having worked in the investment banking industry in Australia and the U.S. He has been involved in a number of cross border leveraged buyout transactions, equity issues and senior and mezzanine debt financings. He has undertaken numerous corporate acquisitions and asset divesture assignments as well as providing business valuations and expert's reports.

Mr Cross has played a senior role in the evaluation, financial analysis and presentation of valuation and forecast information. He has over 30 years' experience in the accounting, finance and investment banking industries and as a business founder and operating managing director.

Mr Cross is currently a Non-Executive Director of listed companies Dreamscape Networks Limited and OpenDNA Limited.

Mr Cross resides in Perth.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Directors	Company	Period of directorship
Steven Pynt	Richfield International Ltd	November 2004 to September 2016
	Global Health Limited	March 2000 to current
	Gondwana Resources Ltd	March 2000 to current
Frederick (Eric) Ng	Chasen Holdings Ltd (Singapore listed entity)	February 2007 to current
	Richfield International Ltd	February 2011 to September 2016
	GBM Gold Ltd	June 2010 to current
Andrew Chan	GBM Gold Limited	2014 to current
Michael Pixley	Pan Asia Corporation Ltd	December 2008 to current
	Story-I Limited	January 2015 to current
	Oklo Resources Ltd	March 2013 to November 2014
Evan Cross	Activistic Limited	July 2015 to April 2017
	Dreamscape Networks Limted	April 2016 to current
	OpenDNA Limited	July 2016 to current
Yu Won Loi (John)	Richfield International Ltd	August 2016 to September 2016

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

	Fully paid ordinary shares	Share options
Directors	Number	Number
Steven Pynt	-	6,000,000
Andrew Chan	-	-
Frederick (Eric) Ng	86,758,158*	6,000,000

* - 82,500,000 of Mr Ng's interest in the shares are indirectly held on trust through Firstbeet International Ltd, a company of which he is a director.

Outstanding options

The Group had 18,000,000 outstanding unlisted share options at year end, a position that remains unchanged at the date of this report.

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report.

Share options granted to Directors and executives

There have been no share options granted to directors and executives during the year or shares issued as a result of the exercise of any option during or since the end of the financial year.

Company Secretary

Mr Henko Vos (appointed 7 February 2014)

Mr Vos is a member of the Governance Institute of Australia and Certified Practicing Accountants Australia with more than 15 years' experience working within public practice, specifically within the area of audit and assurance both in Australia and South Africa. He holds similar secretarial roles in various other listed public companies in both industrial and resource sectors. He is an employee of Nexia Perth, a mid tier corporate advisory and accounting practice.

Principal activities

The Company's principal activities 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.

Operating and financial review

The loss for the Group after providing for income tax and non-controlling interest amounted to $480,945 (30 June 2016: net loss after income tax of $676,871).

The Company 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, with a view to convert the sap from the nipah palm to sugar or ethanol.

The Company requires further funding to commence commercial production of sugar/ethanol and the current investment environment is not conducive to fund raising for business at our current stage of development.

During the financial year the Company also continued the progression of the previous proposed acquisition of Goldson Global Limited. On 12 July 2017 the Company announced that it would not be proceeding with the Goldson transaction. The Company will continue to seek recovery from Goldson Global Limited for related transaction costs incurred.

The Company is currently evaluating alternative business, investment and funding opportunities.

Changes in state of affairs

On 13 March 2017 the Company requested a voluntary suspension of its securities on the Australian Stock Exchange (ASX) pending an announcement with regard to the ASX's approval of the proposed acquisition of Goldson Global Limited. The Company is currently working on effecting its re-instatement to the official list of the ASX, which remains subject to the Company satisfying certain requirements, including evidence of sufficient capital for the Company's planned activities.

In light of the Company's current financial position and its inability to fully execute its planned operational and cultivation programmes, some of which were deemed key inputs to a formal valuation of its land-use rights in Indonesia, coupled with the extended period since the last formal valuation, the Company adopted a conservative approach in valuing its land-use right assets at 30 June 2017 and consequently reversed the full revaluation reserve previously recognised for these assets. The land-use right assets are consequently shown at cost at 30 June 2017, being AUD440,981.

The Board is of the opinion that the land-use right assets can be monetised for an amount greater than its costs, but in the absence of a formal valuation it cannot ascribe a value to this with certainty. It is the current intention of the Company to obtain a formal valuation of the land-use rights once it is in a position to do so at which time the land-use rights assets will be shown at those revalued amounts. (Refer note 9 were this is further explained).

There was no other significant change in the state of affairs of the Group during the financial year.

Subsequent events

There has not been any other 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.

Future developments

The Company remains in the process of evaluating alternative business, investment and funding opportunities.

The disclosure of other information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Group's environmental obligations are regulated under both State and Federal legislation in Australia, as well as Indonesian law. Performance with respect to environmental obligations is monitored by the Board of Directors and subjected from time to time to government agency audits and site inspections. No environmental breaches have been notified by any government agency during the year ended 30 June 2017.

Dividends

No dividends have been paid or declared since the start of the financial year. The directors do not recommend the payment of a dividend in respect of the financial year.

Insurance of officers

During the financial year, the Company entered into a contract insuring the directors and executive officers of the Company and of any related body corporate against a liability incurred as a director or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnification of officers

The Company has agreed to indemnify the directors of the Company and its controlled entities:

(a) against any liability to a third party (other than the Company or a related body corporate) unless liability arises out of conduct involving lack of good faith; and

(b) for costs and expenses incurred in successfully defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the Corporations Act 2001.

No liability has arisen under these indemnities as at the date of this report.

Directors' meetings

The following table sets out the number of meetings held during the financial year and the number of meetings attended by each director:

	Board of directors		Remuneration & Nomination committee		Audit and Risk Management committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Steven Pynt	9	9	-	-	-	-
Frederick (Eric) Ng	9	9	-	-	-	-
Andrew Chan	-	-	-	-	-	-
Michael Pixley	3	3	-	-	-	-
Evan Cross	6	5	-	-	-	-
Yu Won Loi (John)	-	-	-	-	-	-

There were no separate formal meeting of the nomination and remuneration committee or audit and risk management committee during the reporting period. This was driven by the current size of the Company, its level of operations and its focus on recapitalizing the Company. Matters relevant to these committees were addressed as part of Board of Director meetings, as appropriate. The Company anticipates it will resume formal committee meetings during the 2018 financial year.

Proceedings on behalf of the Company

No persons have applied for leave pursuant to s.237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of Ephraim Resources Ltd.

Non-audit services

There were no non-audit services provided by the Group's auditor during the year.

Auditor's independence declaration

The auditor's independence declaration is included on page 19 in the annual report and forms part of this directors' report for the year ended 30 June 2017.

Remuneration report (audited)

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel of Ephraim Resources Ltd (the "Company") for the financial year ended 30 June 2017.

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel details;
- remuneration policy and relationship between the remuneration policy and company performance;
- remuneration of key management personnel; and
- key terms of employment contracts

Key management personnel details

The key management personnel of Ephraim Resources Ltd during the year or since the end of the year were:

Directors

• Steven Pynt	Non-Executive Chairman
• Frederick (Eric) Ng	Executive Director
• Andrew Chan	Non-Executive Director (appointed 22 June 2017)
• Evan Cross	Non-Executive Director (appointed 30 January 2017, resigned 22 June 2017)
• Michael Pixley	Non-Executive Director (resigned 20 December 2016)
• Yu Won Loi (John)	Non-Executive Director (appointed 20 December 2016, resigned 30 January 2017)

Remuneration policy and relationship between the remuneration policy and company performance

The Board's policy for determining remuneration is based on the principle of remunerating Directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market remuneration packages for similar positions within the industry and, where deemed relevant, in consultation with external consultants.

The Board appreciates the inter-relationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board discusses these issues internally and with candidates prior to engaging additional Directors or senior executives.

<u>Key management personnel (excluding non-executive directors)</u>
The Nomination and Remuneration Committee is responsible for determining the remuneration policies for the Group, including those affecting executive directors and other key management personnel. The Committee may seek appropriate external advice to assist in its decision making.

Remuneration policies and practices are directed primarily at attracting, motivating and retaining key management personnel.

The remuneration policy for executive directors and other key management personnel currently consists of only a fixed remuneration component:

- <u>Fixed remuneration</u>
  Executive directors and other key management personnel receive fixed remuneration in the form of a base salary (inclusive of statutory superannuation where appropriate).

<u>Non- executive directors</u>
The Company's non-executive directors receive only fees (including statutory superannuation where appropriate) for their services and the reimbursement of reasonable expenses.

The fees paid to the Company's non-executive directors reflect the demands on, and responsibilities of those directors. They do not receive any retirement benefits (other than, where relevant, compulsory superannuation). The Board decides annually the level of fees to be paid to non-executive directors with reference to market standards.

A non-executive directors' fee pool limit of $100,000 per annum was approved by the shareholders and is currently utilised to a level of $54,000 per annum. The fees currently paid to non-executive directors vary from $24,000 to $30,000 per annum, including any superannuation entitlements.

Both executive and non-executive directors may also receive equity-based incentives where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such incentives are primarily designed to provide an incentive to non-executive directors to remain with the Company. The Company did not issue any equity-based instruments during the current year. No incentives were issued subsequent to reporting date and to the date of this report.

Remuneration of key management personnel

2017	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of compensation linked to performance
	Salary & fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	$	Shares & Options $	$	$
Directors									
Steven Pynt	30,000	-	-	-	-	-	-	30,000	-
Michael Pixley	15,000	-	-	-	-	-	-	15,000	-
Frederick (Eric) Ng	72,000	-	-	-	-	-	-	72,000	-
Andrew Chan (i)	526	-	-	-	-	-	-	526	-
Evan Cross (ii)	-	-	-	-	-	-	-	-	-
Yu Won Loi (John) (ii)	-	-	-	-	-	-	-	-	-
	117,526	-	-	-	-	-	-	117,526	

(i) Appointed on 22 June 2017
(ii) Both Messrs Cross and Loi waived their entitlements to any director's fees.

2016	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of compensation linked to performance
	Salary & fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	$	Shares & Options $	$	$
Directors									
Steven Pynt	30,000	-	-	-	-	-	-	30,000	-
Michael Pixley	30,000	-	-	-	-	-	-	30,000	-
Frederick (Eric) Ng	72,000	-	-	-	-	-	-	72,000	-
	132,000	-	-	-	-	-	-	132,000	

Performance based remuneration and Share based payments granted as compensation.

During the 2014-2015 financial year the Company issued 6,000,000 unlisted options to each of the directors then in office (for a total of 18,000,000 options). The options have an exercise price of $0.00508 per option and an expiry date of 30 November 2017. The issue of these options and the terms thereof was approved at the Company's Annual General Meeting held in November 2014.

These remained on issue but unexercised during the current financial year, at reporting date and at the date of this report. No further options have been issued to date.

Loans to key management personnel

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

Other transactions with key management personnel of the Group

- On 30 August 2016 the Company executed a loan agreement with Mr CC Tan, an individual known to a number of the directors. Under the terms of the loan an amount of $300,000 was advanced to the Company on 1 September 2016 to assist in completing the then proposed Goldson Global Limited ("Goldson") acquisition. The loan carried interest at 20% per year and was repayable within 180 days after drawdown. The terms of the agreement allowed the lender, at his discretion, to elect to receive 225,000,000 fully paid ordinary shares in the Company in lieu of $45,000 cash repayments. Such an election could only be made by the lender up until the later of the loan's end date or actual repayment. Mr Eric Ng agreed to provide a personal guarantee to the lender in relation to the obligations of the Company under the loan.

  On 8 March 2017 Mr Ng settled the loan balance owed by the Company, having previously provided a personal guarantee for the loan. The loan with Mr Ng was extended on the same terms as the loan he settled on the Company's behalf, being $300,000 at an interest rate of 20% per annum payable on or before 30 November 2017.

- On 25 May 2016 the Company entered into a loan agreement with Chew Lee Ching, a related party of Mr Ng, for the advancement of SGD$100,000 (A$101,660) to the Company for working capital purposes. During the financial year the Company entered into an deed of extension with Chew Lee Ching under which the full repayment of the loan is now required by 30 November 2017. The loan carries interest at 10% per annum, repayable at the end of the loan term.

- On 13 December 2016 the Company entered into a loan agreement with Mr Ng for the advancement of A$110,000 to the Company for working capital purposes. Under the terms of the loan agreement, as revised, full repayment of the loan is required by 30 November 2017, unless shareholders approve the conversion of the loan into ordinary shares (the conversion rate to be the lower of $0.001 per share (on a pre-consolidated basis) or 75% of the volume weighted average price of the Company's shares calculated over the 15 trading days on which trades in the shares were recorded immediately before the relevant shareholder's meeting). The loan carries interest at 20% per annum, repayable at the end of the loan term.

There were no other transactions with key management personnel during the 2016-17 financial year.

Other than the loan noted above with Chew Lee Ching, which originated in the previous financial year, there were no other transactions with key management personnel during the 2015-16 financial year.

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

Key management personnel equity holdings

Fully paid ordinary shares of Ephraim Resources Ltd

	Balance at 1 July No.	Balance on appointment No.	Other Changes during the year No.	Received on exercise of options No.	Balance on resignation No.	Balance at 30 June No.
2017						
Directors						
Steven Pynt	-	-	-	-	-	-
Frederick (Eric) Ng(i)	131,758,158	-	(45,000,000)	-	-	86,758,158
Andrew Chan	-	-	-	-	-	-
Michael Pixley	-	-	-	-	-	-
Evan Cross	-	-	-	-	-	-
Yu Won Loi (John)	-	-	-	-	-	-
	131,758,158	-	(45,000,000)	-	-	86,758,158

(i) Mr Ng's personal holding consists of 4,258,158 shares. Mr Ng is also the director of Firstbeet International Limited, an entity who holds 82,500,000 management shares on trust. In December 2016, 45,000,000 shares held under Firstbeet International Limited were transferred to Chang Ming Heong following release from escrow of these shares in February 2016.

	Balance at 1 July No.	Balance on appointment No.	Other Changes during the year No.	Received on exercise of options No.	Balance on resignation No.	Balance at 30 June No.
2016						
Directors						
Steven Pynt	-	-	-	-	-	-
Michael Pixley	-	-	-	-	-	-
Frederick (Eric) Ng(i)	131,758,158	-	-	-	-	131,758,158
	431,758,158	-	-	-	-	131,758,158

(i) Mr Ng's personal holding consists of 4,258,158 shares. Mr Ng is also the director of Firstbeet International Limited, an entity who holds 127,500,000 management shares on trust. The shares held under Firstbeet International Limited were released from escrow on 18 February 2016.

Key terms of employment contracts

Remuneration and other terms of employment for Directors and other senior executives were formalised in service agreements. Major provisions of the agreements relating to remuneration are set out below.

Mr Steven Pynt

- No fixed term agreement
- Pro rated director's fees of $30,000 (inclusive of statutory superannuation, as appropriate) per annum
- No termination benefits are payable

Mr Frederick (Eric) Ng

- No fixed term agreement
- Pro rated director's fees of $72,000 (inclusive of statutory superannuation, as appropriate) per annum
- No termination benefits are payable

Mr Andrew Chan

- No fixed term agreement
- Pro rated director's fees of $24,000 (inclusive of statutory superannuation, as appropriate) per annum
- No termination benefits are payable

Mr Michael Pixley

- No fixed term agreement
- Pro rated director's fees of $30,000 (inclusive of statutory superannuation, as appropriate) per annum

Mr Evan Cross and Mr Yu Won Loi (John)

- No fixed term agreement
- Pro rated director's fees of $30,000 (inclusive of statutory superannuation, as appropriate) per annum. Mr Cross and Mr Loi both waived the payment of any fees during their terms.
- No termination benefits are payable

(End of remuneration report)

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Frederick (Eric) Ng
Executive Director
Perth, 31 August 2017

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF EPHRAIM RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 31st day of August 2017.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EPHRAIM RESOURCES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Ephraim Resources Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017 , the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

In forming our opinion on the Group financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2 to the financial statements concerning the Group's ability to continue as a going concern. The Group is dependent upon various funding initiatives in order to fund its working capital and discharge its liabilities in the normal course of business. This condition as explained in Note 2 to the financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Carrying value of Land</th></tr>
<tr><th colspan="2">Refer to Note 9 Property, Plant and Equipment & Note 3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty</th></tr>
<tr><td>Land, at book value of $440,981, as disclosed in Note 9 represents the most significant asset recorded in the consolidated statement of financial position.

Land comprises long term land use rights held by a subsidiary over three parcels of land which were acquired from the Indonesian Government. As explained in Note 3 the Group recognises the land use rights as if it was freehold land, with the arrangement being classified as a finance lease and accounted for under AASB 116 Property, Plant and Equipment (consistent with AASB 117 Leases).

The Group performs, at least annually, an internal assessment of the carrying value of its land use rights assets to determine if the carrying value should be adjusted up or down. As a result of this assessment the carrying value of the land was reduced by $2,602,881 to cost, as at 30 June 2017.

The valuation of the land use rights assets is based on a number of assumptions and therefore requires significant management estimates and judgment. For these reasons we have determined that the valuation of land is a key audit matter.</td>
<td>Our procedures included, amongst others:
• Evaluating the classification and treatment of land use rights as a finance lease.
• Critically evaluating management's methodology and their documented basis for key assumptions utilised in the valuation model.
• Assessing and challenging:
– key assumptions for forecast cash flows by comparing them to periodic external valuations (where available) and industry information;
– other key inputs that are material to the valuation model such as current commodity prices, foreign exchange rates and expected production rates and comparing against available industry data; and
– the discount rate applied.
– Discussed indicators of possible impairment with management and the directors.
• Assessing the appropriateness of the relevant disclosures included in Notes 3 and 9 to the financial report.</td></tr>
</table>

Key Audit Matters (continued)

Group's ability to continue as a Going Concern – refer to Note 2	
The financial statements are prepared on a going concern basis in accordance with AASB 101 *Presentation of Financial Statements*. The Group continues to incur significant operating losses and has a deficiency of working capital of $610,561. As the directors' assessment of the Group's ability to continue as a going concern is subject to significant judgement, we identified going concern as a significant risk requiring special audit consideration.	Our audit procedures included, amongst others, the following: • An evaluation of the directors' assessment of the Group's ability to continue as a going concern. In particular, we discussed expected cashflow forecasts for at least the next 12 months and reviewed and challenged the directors' assumptions. • Reviewed plans by the directors to secure additional funding through either the issue of further shares and/or debt funding or a combination thereof. • An evaluation of the directors plans for future operations and actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year end, through discussion with the directors. • Review of disclosure in the financial statements to ensure appropriate. Based on our work, we agree with the directors' assessment that the going concern basis of preparation is appropriate and our conclusion on going concern is set out below. However, we also concur that there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern because of the uncertainty over securing future funding. The disclosures in the financial statements appropriately identify this risk.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentation, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Report (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Ephraim Resources Limited, for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on the 31st day of August 2017

Directors' declaration

1. In the opinion of the directors of Ephraim Resources Ltd (the 'Company'):

   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

This declaration is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors

Frederick (Eric) Ng
Executive Director
Perth, 31 August 2017

Statement of profit or loss and other comprehensive income
for the financial year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue	4	16,010	219,242
Employee benefit expenses		(76,926)	(341,998)
Company overhead expenses		(290,135)	(315,284)
Goldson acquisition costs		(20,213)	(206,456)
Depreciation		(10,336)	(12,821)
Provision for doubtful debt		(24,775)	-
Research and development expenses		(17,026)	(17,712)
Finance costs		(58,191)	(3,568)
Loss before tax	5	(481,592)	(678,597)
Income tax benefit	6	-	-
Loss for the year		(481,592)	(678,597)
Other comprehensive income			
Items that will not subsequently be reclassified to profit or loss			
(Loss)/gain on the revaluation of land-use rights		(2,602,881)	578,765
Items that may be reclassified to profit or loss			
Foreign currency translation		(15,422)	29,721
Income tax benefit/(expense) on items of other comprehensive income		650,720	(144,691)
Other comprehensive (loss)/income for the year, net of tax		(1,967,583)	463,795
Total comprehensive (loss)/income for the year		(2,449,175)	(214,802)
Loss for the year is attributable to:			
Owners of the parent		(480,945)	(676,871)
Non controlling interest		(647)	(1,726)
		(481,592)	(678,597)
Total comprehensive (loss)/income for the year is attributable to:			
Owners of the parent		(2,448,528)	(213,076)
Non controlling interest		(647)	(1,726)
		(2,449,175)	(214,802)
Loss per share attributable to the equity holders of the parent			
Basic and diluted (cents per share)	14	(0.031)	(0.044)

Notes to the financial statements are included on pages 30 to 55

Statement of financial position
As at 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Current assets			
Cash and cash equivalents	18(a)	13,233	15,829
Trade and other receivables	7	118,746	139,552
Other assets	8	98,531	131,480
Total current assets		230,510	286,861
Non-current assets			
Property, plant and equipment	9	454,024	3,088,895
Total non-current assets		454,024	3,088,895
Total assets		684,534	3,375,756
Current liabilities			
Trade and other payables	10	330,377	330,738
Loans	11	510,694	101,660
Total current liabilities		841,071	432,398
Non-current liabilities			
Deferred tax liabilities	6	-	650,720
Total non-current liabilities		-	650,720
Total liabilities		841,071	1,083,118
Net (liabilities)/assets		(156,537)	2,292,638
Equity			
Issued capital	12	3,204,484	3,204,484
Reserves	13	73,530	2,041,113
Accumulated losses		(3,419,680)	(2,938,735)
Parent entity		(141,666)	2,306,862
Non-controlling interests		(14,871)	(14,224)
Total equity		(156,537)	2,292,638

Notes to the financial statements are included on pages 30 to 55

Statement of changes in equity
for the financial year ended 30 June 2017

Consolidated	Issued capital	Asset revaluation reserve	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non-controlling interest	Total
	$	$		$	$	$	$	$
Balance at 1 July 2016	3,204,484	1,952,161	46,569	42,383	(2,938,735)	2,306,862	(14,224)	2,292,638
Loss for the year	-	-	-	-	(480,945)	(480,945)	(647)	(481,592)
Other comprehensive loss	-	(1,952,161)	-	(15,422)	-	(1,967,583)	-	(1,967,583)
Total comprehensive loss for the year	-	(1,952,161)	-	(15,422)	(480,945)	(2,448,528)	(647)	(2,449,175)
Other movement in equity	-	-	-	-	-	-	-	-
Balance at 30 June 2017	3,204,484	-	46,569	26,961	(3,419,680)	(141,666)	(14,871)	(156,537)

Consolidated	Issued capital	Asset revaluation reserve	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$	$
Balance at 1 July 2015	3,204,484	1,518,087	46,569	12,662	(2,261,864)	2,519,938	(12,498)	2,507,440
Loss for the year	-	-	-	-	(676,871)	(676,871)	(1,726)	(678,597)
Other comprehensive loss	-	434,074	-	29,721	-	463,795	-	463,795
Total comprehensive loss for the year	-	434,074	-	29,721	(676,871)	(213,076)	(1,726)	(214,802)
Other movement in equity	-	-	-	-	-	-	-	-
Balance at 30 June 2016	3,204,484	1,952,161	46,569	42,383	(2,938,735)	2,306,862	(14,224)	2,292,638

Notes to the financial statements are included on pages 30 to 55

Statement of cash flows
for the financial year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Receipts for customers		-	8,436
Payments to suppliers and employees		(278,968)	(605,412)
Interest and other costs of finance paid		(35,741)	(3,568)
Interest received		35	113
Net cash used in operating activities	18(d)	(314,674)	(600,431)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,796)
Funds received under the Goldson acquisition agreement		-	120,206
Funds expensed in relation to the Goldson acquisition		(96,956)	(89,979)
Net cash (used in) / from investing activities		(96,956)	28,431
Cash flows from financing activities			
Proceeds from borrowings		709,034	101,660
Repayment of borrowings		(300,000)	-
Net cash from financing activities		409,034	101,660
Net decrease in cash and cash equivalents		(2,596)	(470,340)
Cash and cash equivalents at the beginning of the financial year		15,829	486,169
Cash and cash equivalents at the end of the financial year	18(a)	13,233	15,829

Notes to the financial statements are included on pages 30 to 55

Notes to the financial statements for the financial year ended 30 June 2017

1. General information

Ephraim Resources Ltd (the "Company", and together with its subsidiaries, the "Group") is a for profit 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	**Indonesia** (principal place of business)
Ephraim Resources Limited	Graha Pena Batam Centre Building,
c/- Nexia Perth,	8th Floor Suite Room 805,
Level 3, 88 William Street	City of Batam, Riau Island
Perth WA 6000	INDONESIA

During the financial year the principal continuing activities of the Company consisted 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.

The Company also continued with activities to effect the acquisition of 100% of the issued capital of Singaporean registered Alumi Envirotech Pte Ltd ("AET") from Goldson Global Limited. AET holds 90% of the issued capital of Zhuhai YiFuLian Environmentally-friendly Architectural Technology Ltd, which is engaged in the design, production, processing, marketing, leasing, subcontracting and installation of environmentally friendly aluminium template (formwork) in the construction of commercial and residential buildings (mainly in the Peoples' Republic of China). On 12 July 2017 the Company announced that it would not be proceeding with the proposed Goldson transaction. The Company continues to seek recovery from Goldson Global Limited for the recovery of related transaction costs.

The Company is currently evaluating alternative business, investment and funding opportunities.

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, modified where applicable, by the measurement of fair value of selected non-current assets. 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 31 August 2017.

Going Concern

The 30 June 2017 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. The Group recorded a net loss after tax of $481,592 for the year ended 30 June 2017 (2016: net loss after tax of $678,597) and had a negative working capital position of $610,561 (2016: $145,537) and a net liabilities position of $156,537 (2016: net assets of $2,292,638) at 30 June 2017.

Notwithstanding the net liability position at 30 June 2017 and the loss incurred for the year then ended, the Directors are of the view that the Group remains a going concern. The Company is considering a number of funding and/or investment opportunities and remains confident that a viable transaction will be negotiated with one or more parties.

The Company is also in negotiations with a number of parties to provide additional bridging financing, which includes, but is not necessarily limited to, raising additional funds through the issue of new equity under the Company's share placement capacity.

2. Significant accounting policies (contd.)

Going Concern (contd.)

In the event that the Group is not successful in securing a viable investment opportunity or raising additional funds, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments to assets and liabilities that may be necessary if the Group is unable to continue as a going concern.

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.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Company does not expect any significant impact on its financial statements in future periods from the adoption of this standard.

2. Significant accounting policies (contd)

New Accounting Standards and Interpretations not yet mandatory or early adopted (contd)

AASB 16 Leases
AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided the entity also applies AASB 15 Revenue from Contracts with Customers at or before the same date.

The Company does not expect any significant impact on its financial statements in future periods from the adoption of this standard.

The Directors have reviewed all Standards and Interpretations in issue not adopted for the year ended 30 June 2017. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to the Group's accounting policies.

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. When the Company has less than a majority of the voting rights if 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.

2. Significant accounting policies (contd)

(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.

(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.

2. Significant accounting policies (contd)

(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
- 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.

2. Significant accounting policies (contd)

(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.

(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.

2. Significant accounting policies (contd)

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

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, or fair value as indicated, less, where applicable, 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
- Technology rights 10 years

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

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.

2. Significant accounting policies (contd)

(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.

(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 are shown 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.

2. Significant accounting policies (contd)

(t) 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.

(u) 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)

(u) 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.

(v) 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.

(w) 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.

2. Significant accounting policies (contd)

(w) 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.

(x) 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.

(y) Parent entity financial information

The financial information for the parent entity, Ephraim Resources Ltd, disclosed in Note 25 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.

Going Concern Assessment
Management's assessment of the Company's ability to continue as a going concern is based on relevant conditions or events known or reasonably knowable as at the date the financial statements are issued. The period over which the Company's ability to meet its obligations is assessed is a minimum of one year from the date the financial statements are issued. Where appropriate management considers the mitigating effect of its plans to the extent it is probable that those plans will alleviate any adverse conditions identified during the assessment period.

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

Classification of land-use right

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. The main features of the land-use right include:

- entity's cannot hold freehold title of land in Indonesia, but can acquire long-term leases of land that provide the entity with the right to cultivate the land for agricultural purposes;
- Ephraim acquired long term leases of various parcels of land for the purpose of agriculture with initial payments to the previous owners (via the Indonesian government). The amounts paid were based on the fair value of the parcels of land at the time of acquisitions;
- the rights are for an initial period of 25 to 35 years. Except where the land is claimed by the Indonesian government to be used for public interest purposes, there is no limitation on the number of renewals of these long-term leases and all renewals are at insignificant cost to the Group;
- under the lease arrangements, the Group obtains the significant risks and rewards of ownership of the parcels of land by acquiring the rights; and
- accordingly, the arrangement is classified as a finance lease, and the land accounted for under AASB 116 (consistent with AASB 117).

Revaluation of land-use rights

Please refer to Note 9.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, using the assumptions detailed in Note 20.

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. Revenue

	Consolidated	
	2017	**2016**
	$	**$**
Revenue		
Goldson	-	210,693
Interest revenue	35	113
Other income	15,975	8,436
	16,010	219,242

5. Loss for the year

Other expenses

The result for the year includes the following expenses:

	Consolidated	
	2017	**2016**
	$	**$**
Depreciation	10,336	12,821
Corporate expenses	142,894	234,265
Accounting and auditing expenses	53,046	81,019

6. Income taxes

a) Recognised in the statement of comprehensive income	Consolidated 2017 $	Consolidated 2016 $
The major components of the tax expense are:		
Current tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Total tax expense attributable to continuing operations	-	-

b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged directly to equity		
Revaluation of land-use rights	(650,720)	144,691
Income tax (benefit)/expense reported in equity	(650,720)	144,691

c) The prima facie income tax expense/(benefit) on loss before tax reconciles to the income tax expense in the financial statements as follows:		
Loss before income tax expense	(481,592)	(678,597)
Income tax benefit calculated at the tax rate of 27.5% (2016: 30%)	(132,438)	(203,579)
Foreign tax rate adjustment	1,618	8,631
Non-deductible expenses	-	-
Share based payments	-	-
Prior year over provision of income tax	-	(5,505)
Deferred tax assets not brought to account	130,820	200,453
Income tax expense /(benefit)	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% 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%.

d) Deferred tax assets		
Temporary differences		
Other assets	268,051	135,440
Payables	4,950	16,578
Unused tax losses	530,950	419,025
Deferred tax assets not brought to account	(803,951)	(571,043)
	-	-

Based on the loss before tax of $481,592 incurred by the Group during the current financial year and the Group's current development stage, no deferred tax asset on available unused tax losses was recognised at reporting date. These losses remains available to the Group to offset against future taxable profits provided it continues to meet the relevant taxation requirements.

e) Deferred tax asset/(liability)		
Temporary differences		
Revaluation of land-use rights	650,720	(650,720)
	650,720	(650,720)

f) Net deferred tax asset/(liability)		
Reflected in the statement of financial position as follows:		
Deferred tax assets	650,720	-
Deferred tax liability	-	(650,720)
Deferred tax asset/(liability) (net)	650,720	(650,720)

Reconciliation of net deferred tax liability		
Opening balance as of 1 July	(650,720)	(506,029)
Tax expense during the year recognised in other comprehensive income	650,720	(94,829)
Closing balance as at 30 June	-	(650,720)

6. Income taxes (contd)

	Consolidated 2017 $	Consolidated 2016 $
g) Current tax liability provided for	-	-

7. Trade and other receivables

	Consolidated 2017 $	Consolidated 2016 $
Current		
Goldson Global Limited (acquisition costs refundable)	106,463	90,488
Other receivables	12,283	49,064
	118,746	139,552

8. Other assets

	Consolidated 2017 $	Consolidated 2016 $
Current		
Prepayments	97,799	130,714
Deposits	732	766
	98,531	131,480

9. Property, plant and equipment

	Consolidated Land $	Motor Vehicles $	Furniture, fixtures and office equipment $	Leasehold Improvements $	Total $
Gross carrying amount					
Balance at 1 July 2015	2,467,032	11,975	20,541	28,158	2,527,706
Additions	-	969	827	-	1,796
Disposals / Write-offs	-	-	(10,554)	-	(10,554)
Revaluation increase	578,765	-	-	-	578,765
Exchange movements	18,877	512	875	1,200	21,464
Balance at 30 June 2016	3,064,674	13,456	11,689	29,358	3,119,177
Additions	3,064,674	13,456	11,689	29,358	3,119,177
Disposals / Write-offs	-	-	-	-	-
Revaluation decrease	(2,602,881)	-	-	-	(2,602,881)
Exchange movements	(20,812)	(607)	(526)	(1,323)	(23,268)
Balance at 30 June 2017	440,981	12,849	11,163	28,035	493,028
Accumulated depreciation/ amortisation and impairment					
Balance at 1 July 2015	-	(9,266)	(10,916)	(6,191)	(26,373)
Disposals / Write-offs	-	-	10,076	-	10,076
Depreciation expense	-	(1,752)	(3,822)	(7,247)	(12,821)
Exchange movements	-	(422)	(385)	(357)	(1,164)
Balance at 30 June 2016	-	(11,440)	(5,047)	(13,795)	(30,282)
Disposals / Write-offs	-	(11,440)	(5,047)	(13,795)	(30,282)
Depreciation expense	-	(293)	(2,860)	(7,183)	(10,336)
Exchange movements	-	522	296	796	1,614
Balance at 30 June 2017	-	(11,211)	(7,611)	(20,182)	(39,004)
Net book value					
As at 30 June 2016	**3,064,674**	**2,016**	**6,642**	**15,563**	**3,088,895**
As at 30 June 2017	**440,981**	**1,638**	**3,552**	**7,853**	**454,024**

9. 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.

On 25 June 2013 the Group engaged Gaia 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. For subsequent financial years (June 2014 to June 2016) internal assessments of the carrying values were performed to ascertain if there is any matter or circumstance that might have significantly influenced the carrying value. The revaluation adjustments was allocated to a revaluation reserve.

The following describes the key assumptions used in the land-right use internal valuation for 30 June 2016:

- Total land area of 11,800 hectare.
- Tree density of 1,600 trees per hectare.
- Price of palm sugar syrup at an average of IDR14,328 per litre.
- Sap tapping yield levels of between 0.8 litres to 1.6 litres.
- Foreign exchange rate of IDR9,790 to one AUD.
- Tapping duration of an average 75 days per year.
- Sugar contents at an average of 14%.
- Discount rate of 16%.

In light of the Company's current financial position and its inability to fully execute the planned operational and cultivation programmes, some of which were deemed key inputs to the formal valuation, coupled with the extended period since the last formal valuation, the Company adopted a conservative approach in valuing the land-use right assets at 30 June 2017 and reversed the full revaluation reserve previously recognised for these assets. The land-use right assets are consequently shown at cost at 30 June 2017, being AUD440,981. The Board is of the opinion that the land-use right assets can be monetised for an amount greater than its costs, but in the absence of a formal valuation it cannot ascribe a value to this with certainty.

It is the current intention of the Company to obtain a formal valuation of the land-use rights once it is in a position to do so.

10. Trade and other payables

	Consolidated	
	2017	**2016**
	$	**$**
Trade payables[(i)]	241,475	258,089
Other payables	88,902	72,649
	330,377	330,738

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

11. Loans

	Consolidated	
	2017	**2016**
	$	**$**
Loan with Chew Lee Ching [(i)]	100,694	101,660
Loans with Frederick (Eric) Ng [(ii)]	410,000	-
	510,694	101,660

(i) On 25 May 2016 the Company entered into a loan agreement with Chew Lee Ching, a related party of Mr Ng, for the advancement of SGD$100,000 (A$100,694) to the Company for working capital purposes. Under the revised terms of the loan agreement full repayment of the loan is required by 30 November 2017. The loan carries interest at 10% per annum, repayable at the end of the loan term.

(ii) On 13 December 2016 the Company entered into a loan agreement with Mr Ng, for the advancement of A$110,000 to the Company for working capital purposes. Under the revised terms of the loan agreement full repayment of the loan is required by 30 November 2017, unless shareholders approve the conversion of the loan into ordinary shares (the conversion rate to be the lower of $0.001 per share (on a pre-consolidated basis) or 75% of the volume weighted average price of the Company's shares calculated over the 15 trading days on which trades in the shares were recorded immediately before the relevant shareholder's meeting). The loan carries interest at 20% per annum, repayable at the end of the loan term.

On 8 March 2017 Mr Ng settled a then payable loan balance owed by the Company of A$300,000, having previously provided a personal guarantee for the loan. The loan with Mr Ng was extended on the same terms as the loan he settled on the Company's behalf, being $300,000 at an interest rate of 20% per annum payable on or before 30 November 2017.

12. Issued capital

	Consolidated 2017 $	Consolidated 2016 $
1,540,000,642 fully paid ordinary shares (2016: 1,540,000,642)	3,204,484	3,204,484

Date	Details	No.	$
30 June 2015	Balance at the end of the financial year	1,540,000,642	3,204,484
	Movement during the financial year	-	-
30 June 2016	Balance at the end of the financial year	1,540,000,642	3,204,484
	Movement during the financial year	-	-
30 June 2017	Balance at the end of the financial year	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 18,000,000 unlisted options on issued during the year, exercisable at $0.00508 per option with an expiry date of 30 November 2017. The options were issued to the Company's directors at that point in time following shareholder approval at the 2014 Annual General Meeting. The options remain on issue at year end and the date of this report (30 June 2016: 18,000,000).

13. Reserves

	Consolidated 2017 $	Consolidated 2016 $
Revaluation reserve	-	1,952,161
Foreign currency translation reserve	26,961	42,383
Share-based payment reserve	46,569	46,569
	73,530	2,041,113

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.

Share based payment reserve

The share-based payment reserve arises on the grant of share options to directors, executives and/or senior employees. Amounts are transferred out of the reserve and into issued capital when options are exercised. Further information about share-based payments to directors is made in note 20 to the financial statements.

14. Loss per share

	Consolidated	
	2017 Cents per share	2016 Cents per share
Basic loss per share attributable to ordinary equity holders of the parent	(0.0312)	(0.044)

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:

	2017 $	2016 $
Net loss attributable to ordinary equity holders of the parent	(480,945)	(676,871)

	2017 No.	2016 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	1,540,000,642	1,540,000,642

Diluted loss per share

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

15. 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.

16. Contingent liabilities and contingent assets

In the opinion of the directors, there were no contingent assets or liabilities as at 30 June 2017 and no contingent assets or liabilities were incurred in the interval between the period end and the date of this financial report.

17. Subsidiaries

		Ownership interest	
Name of entity	Country of incorporation	2017 %	2016 %
Legal Parent entity			
Ephraim Resources Limited	Australia	N/A	N/A
Legal Subsidiaries			
Ephraim Resources Limited	British Virgin Island	100.0	100.0
PT First Flower	Indonesia	99.2	99.2

18. 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:

	Consolidated	
	2017	2016
	$	$
Cash and cash equivalents per statement of cashflows and statement of financial position	13,233	15,829

(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

	Consolidated	
	2017	2016
	$	$
Loss for the year	(481,592)	(678,596)
Depreciation and amortisation	10,336	12,821
Net foreign exchange loss	20,811	17,122
Provision for doubtful debt	24,775	-
Loss on assets written off	-	478
(Increase)/decrease in assets:		
Trade and other receivables	28,980	(72,885)
Increase/(decrease) in liabilities:		
Trade and other payables	82,016	120,629
Net cash outflow used in operating activities	(314,674)	(600,431)

19. 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 and 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.

(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.

<u>Liquidity and interest risk tables</u>

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						
2017	Less than 1 month $	1 - 3 months $	3 months to 1 year $	1 - 5 years $	5+ years $	No fixed term $	Total $
Financial assets							
Non-interest bearing	216	119,478	-	-	-	-	119,694
Variable interest rate	13,017	-	-	-	-	-	13,017
	13,233	119,478	-	-	-	-	132,711
Financial liabilities							
Non-interest bearing	330,377	-	-	-	-	-	330,377
Fixed interest rate	-	-	510,694	-	-	-	510,694
	330,377	-	510,694	-	-	-	841,071

19. Financial instruments (contd)

2016	CONSOLIDATED Less than 1 month $	1 - 3 months $	3 months to 1 year $	1 - 5 years $	5+ years $	No fixed term $	Total $
Financial assets							
Non-interest bearing	2,389	140,318	-	-	-	-	142,707
Variable interest rate	13,440	-	-	-	-	-	13,440
	15,829	140,318	-	-	-	-	156,147
Financial liabilities							
Non-interest bearing	330,736	-	-	-	-	-	330,736
Fixed interest rate	-	101,660	-	-	-	-	101,660
	330,736	101,660	-	-	-	-	432,396

The Group did not have any unsettled derivative financial instruments at reporting date (2016: $Nil).

(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 and sugar prices. 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.

During the year the Group was impacted by changes to foreign currency exchange rate changes and changes in the sugar price. This is further explained in note 9 and note 19(e) below. There has been no change to the manner in which the Group 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, expressed in Australian dollar, is as follows:

	Assets		Liabilities	
	2017 $	2016 $	2017 $	2016 $
SGD	-	6,629	100,694	101,660
USD	-	1,766	-	-

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	
	2017 $	2016 $
Net profit/loss	10,069	11,196
Equity	10,069	11,196

19. Financial instruments (contd)

(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, there were minimal cash at bank and the interest-bearing loan account has a fixed rate interest.

(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 capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Company is currently required to demonstrate sufficient working capital to execute its planned operations as part of its requirement to lift the current suspension in trading of its securities imposed on it by the Australian Stock Exchange.

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 measurement

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 prices 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 – 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Land-use rights	-	-	440,981	440,981
	-	-	440,981	440,981
Liabilities	-	-	-	-
	-	-	-	-

Consolidated – 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Land-use rights	-	-	3,064,674	3,064,674
	-	-	3,064,674	3,064,674
Liabilities				
	-	-	-	-

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.

A reconciliation of the fair value measurement of the land-use right assets is provided in note 9.

20. Share-based payments

Director share options

Director share options are subject to approval by shareholders. The Company did not issue any share options during the 2017 and 2016 financial years.

No expense was recognised in the 2017 and 2016 financial years in the statement of comprehensive income in relation to share-based payments.

The following share-based payment arrangements were in existence during the current reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Series I	18,000,000	21.11.14	30.11.17	0.00508 cents	0.00259 cents

There were no other share based payments granted during the current financial year.

	2017		2016	
	Number of shares/ options	Weighted average exercise price $	Number of shares/ options	Weighted average exercise price $
Balance at beginning of the financial year	18,000,000	0.00508	18,000,000	0.00508
Granted during the financial year (i)	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired/lapsed during the financial year	-	-	-	-
Balance at end of the financial year	18,000,000	0.00508	18,000,000	0.00508
Exercisable at end of the financial year	18,000,000	0.00508	18,000,000	0.00508

The outstanding balance as at 30 June 2017 is represented by 6,000,000 unlisted options held by each of Messrs Pynt, Ng (both current directors) and Pixley (a former director of the Company).

There were no options exercised during the year. The exercise price for options outstanding at the end of the year was $0.00508 (2016: 0.00508).

The weighted average remaining contractual life for the share options outstanding at the end of the year was 153 days (2016: 518 days).

The fair value of the equity-settled share options under the option plan is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used:

	Series I Options (Nov 2014)
Dividend yield (%)	-
Expected volatility (%)	185%
Risk-free interest rate (%)	2.56%
Expected life of option (years)	3 years
Exercise price (cents)	0.00508 cents
Grant date share price	0.00300 cents

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

21. 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 Note 17 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	
	2017	**2016**
	$	**$**
Short term employee benefits	117,526	132,000
	117,526	132,000

(c) Parent entity

The legal parent entity in the Group is Ephraim Resources Ltd. Interests in subsidiaries are set out in Note 17.

(d) Loans to key management personnel

There were no loans advanced to any key management personnel during the current or previous financial years, other than noted below.

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

During the financial year, the following transaction with key management personnel was noted:

- On 30 August 2016 the Company executed a loan agreement with Mr CC Tan, an individual known to a number of the directors. Under the terms of the loan an amount of $300,000 was advanced to the Company on 1 September 2016 to assist in completing the then proposed Goldson Global Limited ("Goldson") acquisition. The loan carried interest at 20% per year and was repayable within 180 days after drawdown. The terms of the agreement allowed the lender, at his discretion, to elect to receive 225,000,000 fully paid ordinary shares in the Company in lieu of $45,000 cash repayments. Such an election could only be made by the lender up until the later of the loan's end date or actual repayment. Mr Eric Ng agreed to provide a personal guarantee to the lender in relation to the obligations of the Company under the loan.

  On 8 March 2017 Mr Ng settled the loan balance owed by the Company, having previously provided a personal guarantee for the loan. The loan with Mr Ng was extended on the same terms as the loan he settled on the Company's behalf, being $300,000 at an interest rate of 20% per annum payable on or before 30 November 2017.

- On 25 May 2016 the Company entered into a loan agreement with Chew Lee Ching, a related party of Mr Ng, for the advancement of SGD$100,000 (A$101,660) to the Company for working capital purposes. During the financial year the Company entered into an deed of extension with Chew Lee Ching under which the full repayment of the loan is now required by 30 November 2017. The loan carries interest at 10% per annum, repayable at the end of the loan term.

- On 13 December 2016 the Company entered into a loan agreement with Mr Ng for the advancement of A$110,000 to the Company for working capital purposes. Under the terms of the loan agreement, as revised, full repayment of the loan is required by 30 November 2017, unless shareholders approve the conversion of the loan into ordinary shares (the conversion rate to be the lower of $0.001 per share (on a pre-consolidated basis) or 75% of the volume weighted average price of the Company's shares calculated over the 15 trading days on which trades in the shares were recorded immediately before the relevant shareholder's meeting). The loan carries interest at 20% per annum, repayable at the end of the loan term.

There were no other transactions with key management personnel during the 2016-17 financial year.

Other than the loan noted above with Chew Lee Ching, which originated in the previous financial year, there were no other transactions with key management personnel during the 2015-16 financial year.

f) Transactions with other related parties

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

22. 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 $
2017				
Revenue				
Interest income	25	10	-	35
Other income	15,975	-	-	15,975
Total revenues	16,000	10	-	16,010
Results				
Total pre-tax segment expenditure	432,888	64,714	-	497,602
Income tax benefit	-	-	-	-
Segment loss after income tax	(416,888)	(64,704)	-	(481,592)
As at 30 June 2017				
Segment assets				
Cash and cash equivalents	11,312	1,921	-	13,233
Receivables	118,746	-	-	118,746
Other current assets	95,365	3,166	-	98,531
Property, plant and equipment	-	454,024	-	454,024
Total assets	225,423	459,111	-	684,534
Segment liabilities				
Current liabilities	226,301	104,076	-	330,377
Loans payable	510,694	-	-	510,694
Total liabilities	736,995	104,076	-	841,071
Net assets/(liabilities)	**(511,572)**	**355,035**	**-**	**(156,537)**

22. Segment reporting (contd)

	Australia $	Indonesia $	Unallocated $	Total $
2016				
Revenue				
Interest income	57	56	-	113
Other income	219,129	-	-	219,129
Total revenues	219,186	56	-	219,242
Results				
Total pre-tax segment expenditure	725,155	172,684	-	897,839
Income tax benefit - -	-	-		
Segment loss after income tax	(505,969)	(172,628)	-	(678,597)
As at 30 June 2016				
Segment assets				
Cash and cash equivalents	13,926	1,903	-	15,829
Receivables	139,552	-	-	139,552
Other current assets	117,583	13,897	-	131,480
Property, plant and equipment	-	3,088,895	-	3,088,895
Total assets	271,061	3,104,695	-	3,375,756
Segment liabilities				
Current liabilities	241,556	89,182	-	330,738
Loans payable	101,660	-	-	101,660
Non-current liabilities (deferred tax liabilities)	-	650,720	-	650,720
Total liabilities	343,216	739,902	-	1,083,118
Net assets/(liabilities)	**(72,155)**	**2,364,793**	**-**	**2,292,638**

23. Dividends

The Company did not declare or pay a dividend during the financial year (2016: $nil).

24. Remuneration of auditors

	Consolidated 2017 $	2016 $
Auditor of the Group (Australia)		
Audit or review of the financial report	17,996	25,514
Work undertaken in relation to the proposed Goldson acquisition (Independent Accountants Report)	-	20,200
	17,996	45,714

The auditor of Ephraim Resources Ltd is Moore Stephens (WA) Pty Ltd.

In 2016, Moore Stephens (Vic) Pty Ltd, a related entity of Moore Stephens (WA) Pty Ltd, provided professional services to the Company in relation to the proposed Goldson acquisition (Independent Expert Report).	-	33,000
Auditor of PT First Flower (Indonesia)		
Audit or review of the financial report	1,600	4,841
	1,600	4,841

The auditor of PT First Flower in Indonesia is Fajar Sutrisno. Fajar Sutrisno did not provide or receive payment for any other services.

25. Parent entity disclosures

Financial position	Consolidated 2017 $	2016 $
Assets		
Current assets	5,087	15,800
Non-current assets	454,024	3,088,895
Total assets	459,111	3,104,695
Liabilities		
Current liabilities	104,076	89,180
Non-current liabilities	1,530,271	2,159,529
Total liabilities	1,634,347	2,248,709
Equity		
Issued capital	255,931	255,931
Accumulated losses	(1,472,239)	(1,408,183)
Revaluation reserve	-	1,952,162
Foreign currency translation reserve	55,943	70,300
Non-controlling interest	(14,871)	(14,224)
	(1,175,236)	855,986

Financial Performance

Loss for the year	(64,704)	(170,901)
Total comprehensive (loss)/income	(2,016,866)	263,173

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 2017 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 2017 for the acquisition of property, plant and equipment.

26. Subsequent events

There has not been any other 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.

Additional ASX information as at 31 July 2017

1. Number of holders of equity securities

Ordinary share capital

1,540,000,642 fully paid ordinary shares are held by 1,528 individual shareholders.

2. Distribution of holders of equity securities

	Fully paid ordinary shares	Number of equity security holders
1 – 1,000	101,811	824
1,001 – 5,000	357,139	131
5,001 – 10,000	401,012	56
10,001 – 100,000	13,766,900	315
100,001 – 9,999,999,999	1,525,373,780	202
	1,540,000,642	**1,528**

3. Less than marketable parcels of shares

The number of shareholdings held in less than marketable parcels is 1,415 given a share value of $0.002 per share.

4. Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares Number
Citicorp Nominees Pty Ltd (Mr Kim Kea & Ms Tang Nee Ooi)	600,000,000
Firstbeet International Limited [(a)]	82,500,000
	682,500,000

(a) Mr Eric Ng is a director of Firstbeet International Limited, who holds these management shares on trust. Mr Eric Ng is also the holder of 4,258,158 ordinary shares, held through a separate holding.

5. Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
1. Citicorp Nominees Pty Limited	804,009,188	52.21
2. Bnp Paribas Noms Pty Ltd <Drp>	164,325,584	10.67
3. Hsbc Custody Nominees (Australia) Limited	140,993,097	9.16
4. Firstbeet International Limited	82,500,000	5.36
5. Bnp Paribas Noms Pty Ltd <Uob Kay Hian Priv Ltd Drp>	79,197,375	5.14
6. J P Morgan Nominees Australia Limited	30,660,230	1.99
7. Rhb Securities Singapore Pte Ltd <Clients A/C>	27,486,284	1.78
8. Ang Choon Jin	20,000,000	1.30
9. Est Mrs Audrey Bee Ngo Ling	17,270,400	1.12
10. Ms Wong Hie Eng	15,899,963	1.03
11. Mr Sin Ann Liaw	13,103,909	0.85
12. Mr Baru Langub	7,650,625	0.50
13. Mr Kim Seng Ang	7,500,000	0.49
14. Riskhaus Group Pte Ltd	6,410,835	0.42
15. Kangsav Pty Limited	4,943,151	0.32
16. Ms Alice Sim Yea Lee	4,585,643	0.30
17. Miss Margaret Rose Kin Lin Chia	4,126,594	0.27
18. Mr Hao Zhong Lee	3,660,020	0.24
19. Mr Wenhao Jia	3,000,000	0.19
20. Mr Christopher Williams	3,000,000	0.19
	1,440,322,898	**93.53**

6. Voting rights
The voting rights attached to each class of equity security are as follows:

Ordinary shares - Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options - Options over ordinary shares do not carry any voting rights.

7. Unquoted equity securities

Class	Unlisted Options Number	Unlisted Options Number of Holders
Unlisted options exercisable at $0.00508 per option on or before 30 November 2017	18,000,000	3
	18,000,000	3

All options have no voting rights.

8. Unquoted equity security holdings greater than 20%

Class	Option Holder	Unlisted Options Number	Unlisted Options Percentage
Unlisted options	Steven Pynt	6,000,000	33.3%
Unlisted options	Eric Ng	6,000,000	33.3%
Unlisted options	Michael Pixley	6,000,000	33.3%
		18,000,000	100.0%

9. Securities exchange listing
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited (ASX). The Company's ASX code is "EPA".

10. Restricted Securities
There are no restricted securities or securities in voluntary escrow at the date of this report.

11. On-market Buy Back
At the date of this report, the Company is not involved in an on-market buy back.

12. Registered office and principal place of business
The address of the registered office is Nexia Perth, Level 3, 88 William Street, Perth, WA, 6000.
Telephone + 61 8 9463 2463
The principal place of business in Australia is Nexia Perth, Level 3, 88 William Street, Perth, WA, 6000.
Telephone + 61 8 9463 2463

13. Company Secretary
The name of the company secretary is Mr Henko Vos.

14. Registers of securities are held at the following address:
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth, WA, 6000
Telephone + 1300 55 70 10 (within Australia) or + 61 (0)8 9323 200