

10 July 2018

Australian Securities Exchange  
Level 40, Central Park 152-158  
St Georges Terrace PERTH WA 6000

## **UPDATE IN RELATION TO CONVERTIBLE NOTES, POTENTIAL TRANSACTION AND CREDITORS**

### **Convertible Notes**

Ephraim Resources Ltd (ASX: EPA) ("**Company**") wishes to announce it has entered into binding term sheets with Ms Ng Lee Yun and Ms Wong Hei Eng ("**Investors**" or "**noteholders**") in respect of the issue of convertible notes in the Company.

On execution of the term sheets, the Investors committed to provide an aggregate of \$250,000 funding to the Company. The Company will use the proceeds as follows: for the purpose of transaction costs for the Transaction (see further details below); to repay existing creditors; and, to fund the ongoing working capital requirements of the Company.

The Company and the Investors have commenced the process of documenting the terms of the convertible notes in formal agreements.

The principal terms of the convertible notes are as follows:

- the Company will issue 250,000 convertible notes with a face value of \$1.00 per convertible note;
- on conversion, convertible notes convert into fully paid ordinary shares in the capital of the Company, at a conversion price per ordinary share which is a 30% discount to the price per ordinary share issued pursuant to the Transaction (see further details below). However, the conversion price is subject to a minimum conversion price of \$0.20 per ordinary share;
- the convertible notes have a maturity period of 24 months from the date the convertible notes are issued, with interest accruing at a fixed rate of 10% per annum compounded monthly in arrears on the last day of the month;
- the convertible notes will automatically convert into ordinary shares on completion of the Transaction (subject to receipt of any requisite shareholder approvals) and only if the Transaction has completed by 31 December 2018;
- if an event of default occurs (which includes that the Transaction has not completed by 31 December 2018), the principal and any accrued interest is due and payable;
- a condition subsequent to the issue of the convertible notes is that the Company must seek, within 90 days of being notified by a noteholder, any shareholder approval required for the noteholder to exercise any rights under the convertible notes; and
- in addition, on completion of the Transaction, the Company will also issue noteholders one option for each ordinary share in the capital of the Company issued on conversion of the convertible notes. The options will have an exercise price equal to the conversion price of the convertible note and expire 24 months after completion of the Transaction. The issue of both ordinary shares and options on conversion of the convertible notes will be within the Company's placement capacity.

Ms Ng Lee Yun is a private investor and has satisfied her obligation to provide funding to the Company by transferring an amount of \$100,000 to the Company.

Ms Wong Hei Eng is a high net worth individual, has been a shareholder of the Company since 2014 and is an existing top 20 shareholder of the Company. The Company expects to receive funding from Ms Wong Hei Eng by 20 July 2018.

## Potential Transaction

The Company wishes to announce it has signed a non-binding memorandum of understanding ("**MOU**") with Israeli technology company Bio-Nexus Limited ("**Bio-Nexus**") to acquire 100% of the Bio-Nexus ("**Transaction**").

Bio-Nexus is an Israeli company established in October 2010. Bio-Nexus provides mobile workflow process software which allows for end-to-end maintenance management solutions in the medical, aeronautical and industrial sectors. In addition to Israel, it has a physical presence in the United States, Europe, Singapore and Australia.

The Company and Bio-Nexus have commenced due diligence and will shortly commence negotiation of the terms of binding documentation. Under the MOU, Bio-Nexus has however, in a binding manner, agreed to pay the reasonable costs of the Company directly incurred in connection with the Transaction.

The indicative key terms of the Transaction are:

- that the total consideration is subject to completion of due diligence;
- that the Company will issue new shares in satisfaction of the total consideration payable;
- on completion of the Transaction: Bio-Nexus will appoint at least 5 directors of EPA; Bio-Nexus will appoint the chair and the incoming CEO who will manage all of the business of the combined group; and, the Company will change its name to "Bio-Nexus"; and
- binding documentation will include the following conditions precedent:
  - o completion of satisfactory legal and financial due diligence by both the Company and Bio-Nexus;
  - o approval of the respective boards and shareholders of the Company and Bio-Nexus;
  - o obtaining regulatory approvals as required;
  - o obtaining material third party consents identified during due diligence;
  - o the Israeli Tax Authority granting roll-over relief (or equivalent relief) to existing Bio-Nexus shareholders;
  - o the Company completing a limited capital raising before implementation of the Transaction; and
  - o the representations and warranties given by the parties in the binding documentation remaining true and correct.

As noted above, the Transaction is subject to a number of approvals which will be included as conditions precedent in the binding documentation, including the ASX re-confirming the suitability of the Company for admission to the official list of ASX. In order for the ASX to re-confirm the suitability of the Company for admission to the official list of ASX, the Company must comply with Chapters 1 and 2 of the ASX Listing Rules. The ASX has an absolute discretion to re-confirm the suitability of the Company for admission to the official list of ASX under Listing Rule 1.19.

## Creditors

The Company refers to the statutory demand received on 15 June 2018 by Mr Eric Ng claiming unpaid Directors fees and expenses of \$109,872. The Company is in ongoing negotiations with Mr Ng in relation to his claims.

*ASX takes no responsibility for the contents of this announcement.*

## ENDS

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