

31 October 2018

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

UPDATE IN RELATION TO ADDITIONAL WORKING CAPITAL AND BIO-NEXUS TRANSACTION

Additional working capital

Ephraim Resources Ltd (ASX: EPA) ("**Company**") wishes to announce it has entered into a binding term sheet with Ms Lam Gim Hua ("**Investor**" or "**Noteholder**") in respect of the issue of convertible notes in the Company.

On execution of the term sheet, the Investor committed to provide \$50,000 funding to the Company. The Company will use the proceeds to fund the ongoing working capital requirements of the Company.

The Company and the Investor have commenced the process of documenting the terms of the convertible notes in a formal agreement.

The principal terms of the convertible notes are as follows:

- the Company will issue 50,000 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 proposed Bio-Nexus Limited acquisition ("**Transaction**") as announced on the ASX on 10 July 2018. 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 March 2019;
- if an event of default occurs (which includes that the Transaction has not completed by 31 March 2019), 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 Lam Gim Hua is a private investor and has been a shareholder of the Company since 2014. The Company expects to receive the funds from Ms Lam Gim Hua by 31 October 2018.

Bio-Nexus Transaction

The Company wishes to provide an update in relation to the Transaction with Bio-Nexus announced on 10 July 2019. The Company and Bio-Nexus are continuing due diligence and negotiation of the terms of binding documentation.

ENDS

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