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19 September 2019

Mervyn Kitay
Deed Administrator
Ephraim Resources Limited (Subject to Deed of Company Arrangement)
Level 4, 15 Ogilvie Road
Mt Pleasant WA 6153

Dear Sir,

RE: EPHRAIM RESOURCES LIMITED ("EPHRAIM" OR "THE COMPANY") - INDEPENDENT EXPERT'S REPORT RELATING TO RECAPITALISATION PROPOSAL

1. INTRODUCTION & OPINION

Stantons International Securities Pty Ltd ("**SIS**") have been instructed by Mervyn Kitay as Administrator of Ephraim to prepare an Independent Expert's Report ("**IER**") to determine whether a proposed recapitalisation Transaction, (as defined in Section 3.1), is fair and reasonable to the shareholders of Ephraim who are not associated with the proposed Transaction (the "**Non-Associated Shareholders**").

Ephraim intends to seek shareholder approval at a general meeting for the proposed Transaction. The Transaction will be outlined in a Notice of Meeting ("**Notice**") and Explanatory Statement ("**ES**") to be provided to shareholders in or around September 2019.

After taking into account all of the factors noted in this report, we are of the opinion that the proposed Transaction (including the items covered in Resolutions 1, 2 and 3 of the Notice) is fair and reasonable to the Non-Associated Shareholders of Ephraim as at the date of this report.

Our opinion should not be construed to represent a recommendation as to whether or not Ephraim shareholders should approve the Transaction. Shareholders who are uncertain as to the impact of approving the Transaction should seek separate advice from their financial and/or taxation adviser.

The opinion expressed above must be read in conjunction with the more detailed analysis made in this report, together with the disclosures and the Financial Services Guide attached as Appendix A to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURTIES PTY LTD
(Trading as Stantons International Securities)

Samir Tirodkar - ACA
Director

2. REPORT SUMMARY

Overview	
Company	Ephraim Resources Limited (Subject to Deed of Company Arrangement)
Key proponents	Investment Advisors Alliance Pty Ltd ("**IAA**" or the "**Investor**") Benelong Capital Partners Pty Ltd (**"Benelong**")
Transaction	Recapitalisation, including: • $500,000 placement of 13,552,007,206 ordinary shares in Ephraim to IAA at 0.00368949 cents per share • 306,570,000 ordinary shares to be issued to Benelong for $1,533 at 0.0005 cents per share • Issue of 1,428,572 ordinary shares to existing convertible note holders, who are electing to receive shares rather than a creditor payment • $265,000 to be paid into a creditors' trust ("**Creditors' Trust**"), less the deemed value of the above convertible notes (deemed to be $26,000 for 1,428,572 shares noted above). The amount of $239,000 will be paid by Benelong, who are to be reimbursed by Ephraim using the funds raised by the placement on completion.
Effect on capital structure	Following the Transaction: • IAA will hold approximately 88.00% of the ordinary shares of Ephraim • Benelong will hold approximately 1.99% of the ordinary shares of Ephraim • Convertible noteholders will hold approximately 0.01% of the ordinary shares of Ephraim • Existing shareholders will retain approximately 10.00% of the ordinary shares in Ephraim
Summary impact on balance sheet	Following the Transaction the net assets of Ephraim are expected to be $76,000 as compared to a current net liability position of $1,580,764 ($1,264,053 after an assignment of the KWM debt described in Section 3)
Trigger for IER	Corporations Act Section 611 Item 7
Our fee for this report	$10,000 exclusive of GST
Report contents	• Introduction & opinion • Report summary • Background • Prescribed approach • Implications of proposed Transaction • Profile of Ephraim • Valuation methodology • Valuation of Ephraim shares • Value and fairness of the Transaction • Reasonableness of the Transaction • Conclusion as to the fairness and reasonableness • Shareholder's decision • Sources of information • Appendix A, our disclosures and Financial Services Guide

Fairness Opinion	
Opinion	**FAIR**
Primary valuation methodology	Net Assets Rationale: Lack of profitable business activity and shares suspended from trading since 28 February 2017
Other valuation methodology considered	None applicable
Pre-Transaction value per share (control basis)	Nil
Post-Transaction value per share (minority basis)	Approximately 0.00038 cents (refer section 9.1 below)

Reasonableness Opinion	
Opinion	**REASONABLE**
Advantages	**Disadvantages**
• All current debts and liabilities reduced to $nil • The Company will exit administration • Net liabilities of $1,580,764 currently ($1,264,053 after KWM Debt assignment) and net assets of $76,000 are expected post-Transaction • Company avoids being wound up • The Company's ability to obtain a new business and/or relist on the ASX is enhanced • Added experience of new directors	• Significant increase in shares on issue will dilute existing shareholders • 88% shareholding provides significant level of control to IAA • Eliminates possibility of alternative proposal

3. BACKGROUND

Ephraim is an Australian company listed on Australian Securities Exchange ("**ASX**"), though trading in the Company's shares has been suspended since 13 March 2017. Historically, Ephraim has operated in the food technology sector, with its primary asset and business activity being a 99% interest in PT First Flower, an agricultural biogenetics company with a focus on Nipah Palm products in Indonesia. These ventures were not successful, and the company entered voluntary administration on 28 February 2019.

Ephraim is proposing a recapitalisation which will restructure the ownership of the Company. This followed the Administrator undertaking a public process seeking recapitalisation proposals for the Company. After receiving three submissions, a proposal led by Benelong Capital Partners Pty Ltd ("**Benelong**") was deemed by the Administrator to be the superior offer and was therefore the proposal put forward to creditors. A Deed of Company Arrangement ("**DOCA**") incorporating the Recapitalisation Proposal (as defined below) was signed on 15 July 2019. The Resolutions put forward in the Notice are for the purpose of implementing the Recapitalisation Proposal. The key terms of the DOCA are:

- Benelong is to ensure $265,000 is paid into a Creditors' Trust less the deemed amount of $26,000 relating to shares issued to two convertible note holders receiving shares in lieu of a distribution from the Creditors' Trust.
- Directors will be changed.
- Creditors debts are extinguished and are transferred to the Creditors' Trust.
- Any residual assets held by the deed administrator at the time of completion under the DOCA are distributed to creditors pro rata to their claims.
- The company is removed from external administration.
- The deed administrator retires.
- A condition precedent to the DOCA is that shareholders pass all resolutions of the Recapitalisation Proposal.

Furthermore, it has been agreed that just prior to the completion of the DOCA an amount payable to a creditor, King & Wood Mallesons ("**KWM**"), of $316,711 (the "**KWM Debt**") will be extinguished, and therefore not form part of the Creditors' Trust. The payable will be extinguished in exchange for an assignment of a debtor to KWM, being an amount of $250,344. This debtor relates to amounts owing from Bio-Nexus Ltd ("**Bio-Nexus**") to the Company for reasonable transaction costs regarding a proposed reverse takeover of Bio-Nexus. The amounts owing to KWM are fees for an engagement to provide legal services on this transaction. This payment has been the subject of legal proceedings, with KWM contesting that any funds collected from Bio-Nexus should be held on trust for KWM. Under the agreement that has been formed, KWM will receive the assignment of the Bio-Nexus debt and pursue recovery of the debtor themselves at their own risk and cost. There is a provision under the agreement that 20% of any funds that are potentially recovered from Bio-Nexus by KWM will be received by the Creditors' Trust.

The Recapitalisation Proposal involves the simultaneous completion or "effectuation" of the DOCA and the creation of a Creditors' Trust. This enables the Company to be immediately released from administration under the DOCA once all resolutions, as per the Notice, are passed at the shareholders meeting, and all other conditions as set out in the DOCA are met or waived ("**Completion**"). The Company will also be released from all creditor's claims estimated at $1,580,764 and will have nil liabilities once Completion occurs, other than the amounts to be reimbursed to Benelong under the Transaction terms.

3.1. Transaction Terms ("Recapitalisation Proposal")

The key terms of the proposed transaction are as follows:

a) Ephraim will issue 13,552,007,206 ordinary shares to IAA via a placement (the "**Placement**") for an issue price of 0.00368949 cents per share. The Placement will raise $500,000 before transaction costs.

b) Ephraim will issue 306,570,000 ordinary shares to Benelong for an issue price of 0.0005 cents, to raise $1,533.

c) Ephraim will issue 1,428,572 ordinary shares to two convertible note holders, thereby reducing their principal debt liabilities with a face value of $200,000 and a deemed value of $26,000. Conversion of the notes, as per their initial terms, was dependent on the completion of a previous transaction, involving the acquisition of Israeli technology company Bio-Nexus, by 31 December 2018. As the transaction was not successfully completed, the principal plus interest outstanding on the notes became due on this date. One convertible note holder with a principal owing of $100,000 has not elected to take up shares and will instead participate in the Creditors' Trust.

d) Benelong will pay $265,000, less the deemed value ($26,000) of convertible notes that will convert to shares, into the Creditors' Trust to pay creditors and extinguish company liabilities. The contribution will be $239,000 with the issue of 1,428,572 shares noted above reducing the contribution by $26,000. Benelong will also pay any third parties as required to complete the Transaction. On Completion, Benelong will be reimbursed by the Company in cash using funds raised by the Placement.

Collectively, the above is known as the "**Transaction**".

We note that completion of the Transaction will also involve the appointment of three new board members and a change in the name of the Company, as outlined in Resolutions 4, 5, 6 and 7 of the Notice.

Technically, our report covers Resolution 3 of the Notice, however, as the individual components of the Transaction are inter-dependent, we have assessed the effect of the overall Transaction on Non-Associated Shareholders.

3.2. IER Requirement

As a consequence of the Transaction, IAA will acquire a significant interest in the Company (approximately 88.00% of the voting shares in Ephraim).

Under Section 606 of the Corporations Act, unless certain exemptions apply, a person must not acquire a relevant interest in issued voting shares in a company if, as a result of the transaction, that person's or someone else's voting power in the company increases:

a) from 20% or below to more than 20%; or

b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of the Corporations Act, section 606 does not apply in relation to any acquisition of shares approved by a resolution passed at a general meeting, by shareholders who are not associated with the transaction. For such a meeting, an independent expert is typically engaged to report on the fairness and reasonableness of the transaction, pursuant to ASIC's *Regulatory Guide 74: Acquisitions Approved by Members*.

4. PRESCRIBED APPROACH

In determining the fairness and reasonableness of the Transaction to the Non-Associated Shareholders of Ephraim, we have had regard to the guidelines set out by ASIC in its *Regulatory Guide 111: Content of Expert Reports* ("RG 111").

In assessing the fairness of the Transaction, in accordance with the applicable guidance under RG 111 we have considered how the value of an Ephraim share prior to the Transaction on a control basis compares to the value of an Ephraim share following the Transaction on a minority basis.

Additionally, we include an examination to determine whether there is justification for the Transaction on grounds after reference to value (reasonableness). Our opinion on the reasonableness of the Transaction is based on an examination of various qualitative factors to determine whether there is justification for the Transaction beyond a purely quantitative assessment. A transaction is "reasonable" if it is fair, or where it is "not fair", it may still be "reasonable" after considering other significant factors which support the approval of the transaction.

5. IMPLICATIONS OF THE PROPOSED TRANSACTION

5.1. Current Capital Structure

As at 31 August 2019, the equity capital structure of Ephraim was as follows:

Security	Number
Fully paid ordinary shares	1,540,000,642
Total securities on issue	**1,540,000,642**

5.2. Effect of Transaction on Capital Structure

Should the Transaction proceed it will have the following expected impact on Ephraim's capital structure:

Security	Ordinary shares	%
Existing securities on issue	**1,540,000,642**	**10.00**
Ordinary shares issued to IAA	13,552,007,206	88.00
Ordinary Shares issued to Benelong	306,570,000	1.99
Ordinary shares issued to convertible noteholders	1,428,572	0.01
Total securities issued	**13,860,005,778**	**90.00**
Post transaction	**15,400,006,420**	**100.00**

The impact on Ephraim's balance sheet as a result of the Transaction is outlined in Section 9.1.

6. PROFILE OF EPHRAIM

6.1. Principal Activities

Ephraim is an Australian company that was listed on the ASX on 6 November 1989. The Company was suspended from trading voluntarily on 13 March 2017, before entering voluntary administration on 28 February 2019.

The most recent business activities of Ephraim were through a 99% interest in the Indonesian company PT First Flower, which focuses 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. These business activities were primarily carried out in Indonesia.

In 2018 Ephraim proposed a transaction that would have altered its principal activity. A non-binding memorandum of understanding was signed to acquire Bio-Nexus, an Israeli technology company specialising in workflow process software in the medical, aeronautical and industrial sectors. However, this deal was never finalised, and was the subject of a legal dispute regarding recovery of Ephraim's costs incurred with respect to the transaction proposal.

6.2. Top Shareholders

Due to the Company being in administration, we have no access to a current top 20 shareholders list. The Company's Annual Report for the year ended 30 June 2018 noted that as at 1 August 2018, the most significant shareholders were:

- Citicorp Nominees Pty Ltd (Kim Lea) with 504,767,673 shares (32.78%);
- Ms Tang Nee Ooi with 300,000,000 shares (19.48%); and

- Firstbeet International Limited, with 82,500,000 shares (5.36%),

and that the top 20 shareholders held 93.33% of the total shares on issue.

6.3. Financial Position

There have been no audited or audit reviewed financial accounts produced by the Company since 30 June 2018 (which were released via ASX on 31 August 2018) and the Administrator has not prepared any auditable statements of financial position since being appointed.

Set out below is Ephraim's audited statement of financial position as at 30 June 2018, adjusted for the following movements to calculated the estimated position at completion of the Transaction.

- The incurring of cash outlays such that the adjusted cash balance is $nil immediately prior to completion (it is assumed all receivables at 30 June 2018 were collected, prepayments of $8,203 reduced to nil and the Company's fixed assets at completion are nil).

- Payables have been adjusted by $293,081, to reflect to amounts stated as per the Administrator's Report to Creditors (also refer Section 8.2) of $579,629 less the KWM Debt, which will be assigned as part of completion. We have recognised any amount for the potential 20% interest in the Bio-Nexus debtor as the recoverability of this debt is not sufficiently certain. Directors fees of $76,000 are also included in payables for a total of $338,918.

- The value of the borrowings has been adjusted to $925,135 to reflect the values stated in the Administrator's Report to Creditors dated 17 June 2019 (also refer Section 8.2).

We note that there are also transaction costs which are not currently payable, but will be on completion of the Transaction, comprising reimbursement of transaction costs incurred by Benelong.

	Audited 30 June 2018	Adjustments	Estimated at Completion
	$	$	$
Assets			
Current and Non-Current Assets			
Cash and cash equivalents	1,312	(1,312)	-
Other receivables	21,472	(21,472)	-
Other assets (prepayments)	8,203	(8,203)	-
Property, plant & equipment	2,858	(2,858)	-
Total Assets	**33,845**	**(33,845)**	**-**
Liabilities			
Current Liabilities			
Trade and other payables	(631,999)	293,081	(338,918)
Borrowings	(550,342)	(374,793)	(925,135)
Total Current Liabilities	**(1,182,341)**	**(81,712)**	**(1,264,053)**
Total Liabilities	**(1,182,341)**	**(81,712)**	**(1,264,053)**
Net Assets/(Liabilities)	**(1,148,496)**	**(115,557)**	**(1,264,053)**

It is noted that any cash or sundry receivables (convertible to cash) remaining at the date of appointment of the Administrator would be transferred to the Administrator's trust account and likely used towards payment of their fees.

7. VALUATION METHODOLOGY

In assessing the value of Ephraim, we have considered a range of valuation methods in accordance with RG 111. The valuation methodologies we have considered in determining a fair value of Ephraim shares are noted below.

7.1. Capitalisation of Future Maintainable Earnings (“FME”)

This method places a value on a business by estimating the likely future maintainable earnings, capitalised at an appropriate rate which reflects the business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data. The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively stable historical and forecast earnings, regular capital expenditure requirements and a non-finite expected life. The FME used in the valuation is typically based on net profit after tax, earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect the risk and growth profile of the FME.

7.2. Discounted Future Cash Flows (“DCF”)

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments with equivalent risks. A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using an appropriate discount rate. DCF valuations are particularly applicable to businesses or projects with limited lives, experiencing strong growth, that are in a start-up phase, or experience irregular cash flows.

7.3. Net Asset Value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets
- Liquidation of assets
- Net assets on a going concern

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders assuming the entity is wound up in an orderly manner, after payment of all liabilities including realisation costs and taxation charges that arise. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method (herein defined as “**Net Assets**”), estimates the market values of the net assets of an entity, but does not take into account any realisation costs. Net assets on a going concern basis is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life.

All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

The above asset-based methods ignore the possibility that an entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

7.4. Quoted Market or Trading Prices

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market, or trading, price of listed securities. Where there is a ready market for securities through which shares are traded, recent prices at which shares have been bought and sold can be taken as the market value per share. In a perfectly efficient market, such market value includes all factors and influences that impact upon the company. The use of traded prices is more relevant where a security displays regular trading with sufficient liquidity, representative of an efficient market in that security.

7.5. Alternative Transaction

Where any recent genuine offers have been received for the shares being valued it is appropriate to consider those offers in determining the value of the shares. In considering any alternative offers it is necessary to assess the extent to which the alternative offers are truly comparable (i.e. other terms and conditions of each offer need to be considered) and to make adjustments accordingly.

8. VALUATION OF EPHRAIM SHARES

8.1. Valuation Methodology

Our preferred valuation method to value the shares of Ephraim is the Net Assets methodology. Trading prices are normally considered as a secondary methodology, however as trading in Ephraim shares ceased on 28 February 2017 this methodology is not applicable in this case.

We do not consider the FME or DCF methods as appropriate due to the Company's lack of reliable future profits or cash flows from a current business activity.

We have been advised by Ephraim that there have not been any recent alternative offers made for the Company other than those received by the Administrator, which were considered inferior to the Benelong proposal (albeit we note the Administrator's primary duty is to creditors and not shareholders). Thus, the use of an offer based method is not relevant for the purpose of this report. We have, however, considered the possibility of alternative offers in assessing the reasonableness of the Transaction.

8.2. Adjusted Net Asset Based Value of Ephraim Shares

Set out below is Ephraim's estimated Net Asset value per share as at 30 June 2019.

	Ref	Pre-Transaction Value $
Current and Non-Current Assets		
Cash and cash equivalents	6.3	-
Other receivables	6.3	-
Other assets	6.3	-
Fixed assets	6.3	-
Total Current Assets		**-**
Total Assets		**-**
Current Liabilities		
Trade and other payables	6.3	(338,918)
Borrowings	6.3	(925,135)
Total Current Liabilities		**(1,264,053)**
Total Liabilities		**(1,264,053)**
Net Assets/(Liabilities)		**(1,264,053)**
Number of shares on issue	5.1	1,540,000,642
Value per Ephraim Share - Control Basis (cents)		**(0.0821)**

We note the above Net Asset valuation methodology assumes a control basis.

Set out below is a breakdown of the total liabilities from the above table.

Liabilities	$
Priority Creditors - ASIC	**(6,500)**
Corporate Creditors excluding KWM Debt	**(256,418)**
Director Fees	**(76,000)**
Total Trade and Other Payables	**(338,918)**
Shareholder Loans	
Chew Lee Ching	(100,694)
Frederick Ng	(410,000)
Tang Nee Ooi	(10,548)
Total Shareholder Loans	**(521,242)**
Interest on Loans	
Chew Lee Ching	(16,077)
Frederick Ng	(75,474)
Convertible Notes	(12,342)
Total Interest on Loans	**(103,893)**
Convertible Notes	
Ng Lee Yun	(100,000)
Wong Hie Eng	(150,000)
Lam Gim Hua	(50,000)
Total Convertible Notes	**(300,000)**
Total Debts after assignment of KWM Debt	**(1,264,053)**
KWM Debt	**(316,711)**
Total Debts including KWM Debt	**(1,580,764)**

We note that given the net liability position of the Company, it is likely that the market value of the loans, from the perspective of the holder, is significantly lower than the face value. However, we have included the full face value of the loans and convertible notes in the Net Asset valuation methodology, since this is the value from the perspective of Non-Associated Shareholders, being the amount that is required to discharge the loans.

On a Net Asset basis, given that Ephraim is currently in a position of net liabilities, Ephraim may be considered to have a theoretical value of negative 0.0821 cents per share, on a control basis. However, given the shares are on a limited liability basis, the value of the shares can reasonably be assumed to be nil for the purpose of this valuation.

We note that RG 111.78 suggests that experts should provide a range of values, as valuations of securities are typically subject to various subjective judgements. In this case, we believe there is not enough uncertainty associated with the value of Ephraim's assets and liabilities to justify providing a range of values.

8.3. Conclusion on the Value of Ephraim Shares

In section 8 we have discussed a Net Asset derived value of Ephraim shares.

For the purpose of this report, it is considered appropriate to use the Net Asset value for Ephraim shares. Accordingly, the fair value of an Ephraim share (on a control basis) is considered to be nil.

9. VALUE AND FAIRNESS OF TRANSACTION

9.1. Post Transaction Value of Ephraim Shares

In assessing the fairness of the Transaction, we have considered:

- the fair market value of an Ephraim share pre-Transaction on a control basis; compared to
- the fair market value of an Ephraim share post-Transaction on a minority basis, taking into account the additional cash raised, the associated dilution resulting from the issue of new shares under the Transaction and discharging of the payables and loans and convertible notes under the DOCA.

The table below presents the fair value of an Ephraim share to Non-Associated Shareholders prior to and immediately after the Transaction is completed. This assumes all shares are issued pursuant to Resolutions 1, 2 and 3, that ASX listing fees are paid, and that Benelong is reimbursed for transaction costs as per the terms of the Transaction.

	Ref	Pre-Transaction Value $	Transaction $	Post-Transaction Value $
Current and Non-Current Assets				
Cash and cash equivalents	6.3	-	76,000	76,000
Total Current and Non-Current Assets		**-**	**76,000**	**76,000**
Current Liabilities				
Trade and other payables	6.3	(338,918)	338,918	-
Borrowings	6.3	(925,135)	925,135	-
Total Current Liabilities		**(1,264,053)**	**1,264,053**	**-**
Total Liabilities		**(1,264,053)**	**1,264,053**	**-**
Net Assets/(Liabilities)		**(1,264,053)**	**1,344,053**	**76,000**
Number of shares on issue	5.2	1,540,000,642	13,860,005,778	15,400,006,420
Value Per Ephraim Share - Control Basis (Cents)		**(0.0821)**		**0.00049**
Discount for minority interest basis				23.1%
Value Per Ephraim Share - Minority Interest Basis (Cents)				**0.00038**

The effect of the Transaction results in Ephraim significantly improving its financial situation such that it is no longer in a position of net liabilities. The value of a share held by Non-Associated Shareholders is expected to increase from nil value prior to the Transaction, to 0.00038 cents per share post-Transaction on a minority basis.

The effect of the Transaction on the Company's cash, payables and borrowings are estimated below.

Cash - Movements Due to Transaction	$
Proceed of Placement to Benelong (Resolution 2)	1,533
Proceeds of Placement to IAA (Resolution 3)	500,000
Reimbursement to Benelong for payments to Creditors' Trust	(239,000)
ASX listing fees (assumed future expense)	(27,500)
Reimbursement to Benelong for other transaction costs	(159,033)
Increase in Cash	**76,000**

Liabilities – Movements Due to Transaction	$
Corporate and priority creditors eliminated under the DOCA	338,918
Decrease in Payables	**338,918**
Shares issued to discharge convertible notes for two holders (Resolution 1)	200,000
Eliminated under the DOCA	725,135
Decrease in Borrowings	**925,135**

The trade creditors and other payables totalling $338,918, and the remaining debts due to financiers and remaining convertible note holders of $725,135 will be transferred to a Creditors' Trust. The Administrator will pay its own fees and costs and if any is left over, a part dividend will be paid to the creditors, financiers and remaining convertible note holders. Under the DOCA, the Company will no longer be liable for such debts.

9.1.1. Discount for Minority Interest

We note a Net Asset valuation assumes a 100% interest in the company. Pre-Transaction the shares owned by Non-Associated Shareholders are considered on a control basis, whereas the shares owned by Non-Associated Shareholders will represent a minority interest post Transaction (with IAA controlling up to 88.00% of the shares). Generally, historical evidence of control premiums offered on takeovers for small cap companies are in the range of 20% to 40%[1] (although outcomes outside of this range are not uncommon) with 30% a commonly accepted benchmark.

To reflect the value of a minority interest in Ephraim shares to Non-Associated Shareholders post-Transaction, a minority interest discount of 23.1% (the inverse of a 30% control premium) is applied to the assessed value of an Ephraim share on a control basis.

9.2. Conclusion as to the Fairness of the Transaction

As the value of a Non-Associated Shareholder's share post-Transaction (on a minority basis) is greater than the value pre-Transaction (on a control basis), we consider that the Transaction is fair.

10. REASONABLENESS OF THE TRANSACTION FOR NON-ASSOCIATED SHAREHOLDERS

10.1. Decision on Reasonableness of Transaction

Under RG 111, a transaction is "reasonable" if it is "fair". **As the Transaction is considered fair, it is also considered reasonable.** However, for information purposes, we set out below some of the advantages, disadvantages and other factors pertaining to the proposed Transaction.

[1] *"Control Premium Study 2017", RSM*

10.2. Advantages

- The passing and consummation of Resolutions 1 to 3 as part of the recapitalisation proposal are expected to result in a net cash position of approximately $76,000 (assuming the capital raising of $501,533 referred to above) and having a company with minimal or no liabilities, compared with the current position whereby the Company has significant debts (as noted above).

- The Company is in administration and the Transaction will result in the Company exiting administration.

- If Resolutions 1 to 3 are passed together with the completion of the Recapitalisation Proposal, the Company's chances to continue to investigate opportunities are enhanced as without the recapitalisation, it is likely that the Company will be wound up. However, in the short term the re-quotation of the Company's shares on ASX is unlikely as the Company will likely need to comply with Chapters 1 and 2 of the ASX Listing Rules. The Company would likely need to find a new business and raise additional funds in order to meet ASX Listing Rules.

- The proposed directors (Messrs Starr, Nicols and Chai) bring additional expertise to the Company. The ES discloses the background of the proposed directors.

10.3. Disadvantages

- A significant shareholding in the Company will be issued to IAA such that IAA will own approximately 88.00% of the expanded issued capital of the Company after the passing of Resolutions 1 to 6 (the passing of Resolutions 1 to 6 are inter-dependent of each other). However, we note that Ephraim will be partly recapitalised with an expected cash balance of $76,000 (assuming only the $501,533 total capital raisings) and will have the opportunity to consider the acquisition of other assets or businesses. The existing shareholders are diluted to approximately 10% after the passing of Resolutions 1 to 3 but further share issues are highly likely to be required for the Company to be re-quoted on ASX.

- Ephraim is estimated will have approximate net cash of $76,000 (assuming the raising of $501,533 as noted above). In the short term the re-quotation of the Company's shares on ASX is unlikely as the Company will likely need to meet Chapters 1 and 2 of the ASX Listing Rules.

- If the Company seeks new business opportunities, there is no guarantee that such businesses will be successful.

- The possibility of receiving an alternative proposal to recapitalise the Company is eliminated, although we note that it is unlikely that a superior proposal would emerge, given the public process undertaken by the Administrator.

- Tax loss value will be diluted by incoming shareholders, however, there is no certainty that tax losses could be carried forward in any event, and in our opinion it is unlikely that an alternative proposal would offer a material amount for the tax loss potential.

10.4. Conclusion as to the Reasonableness of the Transaction

As the Transaction (including the item at Resolution 3 of the Notice) has been assessed as fair, it is also assessed as reasonable.

11. CONCLUSION AS TO FAIRNESS AND REASONABLENESS OF THE TRANSACTION

We have considered the terms of the Transaction (including the item at Resolution 3 of the Notice) as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the Non-Associated Shareholders of Ephraim at the date of this report.

The material assumptions we have made in forming this assessment are as follows:

- The Company has no material assets, as per the assumed adjustments in Section 6.3.
- The vast majority of payables and loans are transferred under the DOCA to a Creditors' Trust and liabilities are reduced to $nil, other than amounts payable to Benelong under the Transaction terms.
- The likelihood of the Company returning to a position of positive net assets without undertaking a capital raising is very low.
- There is no impediment to Ephraim shares being relisted on the ASX following the Transaction (note that the Company will likely have to comply with Chapters 1 and 2 of ASX Listing Rules, as discussed in Section 10.2)
- The likelihood of an alternative superior proposal is low.
- Convertible note holders with existing amounts owing of $200,000 have agreed to accept shares instead of a distribution from the Creditors' Trust.
- Transaction costs will be in accordance with the estimates outlined in the Notice.

12. SHAREHOLDERS DECISION

SIS has been engaged by Ephraim to prepare an IER setting out whether, in its opinion, the Transaction (as covered by Resolution 3 in the Notice) is fair and reasonable and state reasons for that opinion. SIS has not been engaged to provide a recommendation to shareholders as to whether to approve the Transaction, and we also make no recommendations on any of the other resolutions outlined in the Notice.

The decision whether to approve the Transaction or not is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the Transaction proposal (and all other resolutions), shareholders should consult their professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Ephraim. This is an investment decision upon which SIS does not offer an opinion and is independent of the decision to approve the Transaction or not (and all other resolutions). Shareholders should consult their professional adviser in this regard.

13. SOURCES OF INFORMATION

In making our assessment as to whether the Transaction is fair and reasonable to the Non-Associated Shareholders of Ephraim, we have reviewed relevant published information and other unpublished information on the Company which is relevant to the current circumstances. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information generated by the recent administration process.

Information we have received includes, but is not limited to the following items.

- Annual Report of Ephraim for the year ended 30 June 2018
- Quarterly Appendix 4C reports for quarters ended 30 September 2018 and 31 December 2018
- Announcements made by Ephraim between 1 January 2017 to 19 September 2019
- The Deed of Company Arrangement dated 15 July 2019
- Drafts of the Notice of Meeting and Explanatory Statement
- Various reports prepared by the Administrator between March and July 2019

Our report includes Appendix A, being our declarations and Financial Services Guide.

Yours faithfully

STANTONS INTERNATIONAL SECURTIES PTY LTD
(Trading as Stantons International Securities)

Samir Tirodkar - ACA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd trading as Stantons International Securities dated 19 September 2019, relating to the proposed Transaction (and in particular the proposal under Resolution 3).

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals (Transaction). There are no relationships with Ephraim other than Stanton International Securities acting as an independent expert for the purposes of this report. The fee to be received for the preparation of this report is expected to be $10,000 exclusive of GST. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor Mr Samir Tirodkar have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the preparation of this report. Stantons International Securities have prepared other independent expert reports involving Benelong and Steve Nicols.

Stantons International Securities does not hold any securities in Ephraim. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr Samir Tirodkar have consented to the inclusion of this report in the form and context in which it is included.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services License (No 448697) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted businesses.

Mr Samir Tirodkar, the person responsible for the preparation of this report, has experience in the preparation of valuations for companies, particularly in the context of listed company corporate transactions, including the fairness and reasonableness of such transactions. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of Ephraim in order to assist shareholders of Ephraim to assess the merits of the Transaction to which this report relates. This report has been prepared for the benefit of Ephraim shareholders and those persons only who are entitled to receive a copy for the purposes under the Corporations Act 2001 and does not provide a general expression of Stantons International Securities' opinion as to the longer-term value of Ephraim, its subsidiaries and/or assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Ephraim or their subsidiaries, businesses, other assets and liabilities. Neither the whole, nor any part of this report, nor any reference thereto, may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with care and diligence. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities (and SIAC, its directors, employees or consultants) for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Ephraim (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Ephraim has agreed:

(a) to make no claim by it or its officers against Stantons International Securities (and SIAC) to recover any loss or damage which Ephraim may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Ephraim; and

(b) to indemnify Stantons International Securities against any claim arising (wholly or in part) from Ephraim, or any of its officers, providing Stantons International Securities with any false or misleading information or in the failure of Ephraim or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A final draft of this report was presented to Ephraim for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not change.

Stantons International Securities

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FINANCIAL SERVICES GUIDE

Dated 19 September 2019

1. STANTONS INTERNATIONAL SECURITIES PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) (**"SIS"** or **"we"** or **"us"** or **"ours"** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances, we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 448697;**
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product. Where you do not understand the matters contained in the Independent Expert's Report, you should seek advice from a registered financial adviser.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities Pty Ltd
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("**FOSL**"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at section 9.1 of this FSG or by phoning (08) 9481 3188 or faxing (08) 9321 1204.