

**MEMPHASYS LIMITED**  
**ACN 120 047 556**

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**OFFER DOCUMENT**

**NON-RENOUNCEABLE RIGHTS ISSUE**

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For a non-renounceable pro rata entitlement issue to Shareholders of one (1) Share for every one (1) Share held by Eligible Shareholders registered at the Record Date at an issue price of \$0.001 per Share to raise approximately \$699,821 before costs (**Offer**).

The Offer is fully underwritten and managed by Patersons Securities Limited (ACN 008 896 311), holder of an Australian Financial Services Licence (AFSL No. 239 052). Please refer to Section 8.1 for the details of the underwriting.

**This Offer opens on 6 December 2017 and closes at 5:00pm AEDST on 15 December 2017 (unless extended). Valid acceptances must be received before that time.**

*This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the Shares offered by this document.*

*This document and the accompanying Entitlement and Acceptance Form are important and require your immediate attention. They should be read in their entirety. If you do not understand their content or are in doubt as to the course you should follow or have any questions about the Shares being offered by this document, you should consult your stockbroker or other professional adviser.*

*The Shares offered by this Offer Document should be considered as speculative.*

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## **1. IMPORTANT INFORMATION**

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

### **1.1 This document is not a prospectus**

This Offer Document is dated 28 November 2017, has been prepared by Memphasys Limited and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with the ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered by this document.

This Offer Document including each of the documents attached to it and which form part of this Offer Document are important and should be read in their entirety prior to making an investment decision. In particular, Shareholders should refer to the risk factors set out in Section 7. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

### **1.2 Section 708AA of the Corporations Act**

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84. In general terms, section 708AA of the Corporations Act permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly the level of disclosure in this Offer Document is significantly less than the level of disclosure required in, and what you would expect in, a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to accept the Offer.

### **1.3 Eligibility**

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

### **1.4 Overseas shareholders**

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia, New Zealand or Singapore.

## ***New Zealand***

The Offer is not being made to the public in New Zealand other than to existing Shareholders with registered addresses in New Zealand to whom the Offer is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

## ***Singapore***

This Offer Document and any other materials relating to the Offer have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Offer Document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### **1.5 Notice to nominees and custodians**

Shareholders resident in Australia, New Zealand or Singapore holding Shares on behalf of persons who are resident in other jurisdictions are responsible for ensuring that applying for Shares under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

### **1.6 Forward-looking statements**

This Offer Document may include forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially.

## 1.7 Privacy Act

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

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## 2. CORPORATE DIRECTORY

### Directors

Ms Alison Coutts  
*Executive Chairman*

Mr Andrew Goodall  
*Non-Executive Director*

Mr John Pereira  
*Non-Executive Director*

### Company Secretary

Mr Andrew Metcalfe

### Registered Office

30-32 Richmond Road  
HOMEBUSH NSW 2140

Telephone: +61 2 8415 7300  
Facsimile: +61 2 8415 7399

Website: [www.memphasys.com](http://www.memphasys.com)  
Email: [info@memphasys.com](mailto:info@memphasys.com)

### ASX Code

MEM

### Share Registry\*

Boardroom Pty Limited  
GPO Box 3993  
SYDNEY NSW 2001

Telephone: 1300 737 760 (within  
Australia)

Telephone: + 61 2 9290 9600 (outside  
Australia)

### Legal Advisers

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

### Auditor\*

Pitcher Partners NSW Pty Limited  
Level 22, MLC Centre, 19 Martin  
Place  
SYDNEY, NSW 2000

### Lead Manager and Underwriter

Patersons Securities Limited  
Level 23, Exchange Tower  
2 The Esplanade  
PERTH WA 6000

\*These parties have been included for information purposes only. They have not been involved in the preparation of this Offer Document.

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#### 4. CHAIRMAN'S LETTER

Dear Shareholder,

On 21 November 2017, the Company announced its intention to conduct a capital raising comprising a fully underwritten non-renounceable rights issue offer of 1 new Share for every 1 Share held by Shareholders on the Record Date at an issue price of \$0.001 per Share (**Offer**) together with a placement to exempt investors under section 708 of the Corporations Act on the same terms as the Offer (**Placement**) and issue of convertible notes to raise a total of approximately \$3.75 million (together, the **Capital Raising**).

The Placement will proceed upon receipt of Shareholder approval, which the Company is seeking at the General Meeting of Shareholders to be held on 21 December 2017.

Under the Capital Raising, approximately \$1.78 million of existing debt owed by the Company (**Indebtedness**) will be offset and applied to monies payable for subscriptions for Shares (**Settlement Shares**) under the Offer and Placement by the various lenders (**Lenders**). The Company has entered into Settlement and Offset Deeds with each of the Lenders such that upon issue of the Settlement Shares, the Indebtedness shall be settled in full and the Company will have no further liability or obligations owing with respect to the Indebtedness.

The funds raised under the Capital Raising, together with the conversion of debt, will see the Company significantly strengthen its balance sheet at a time when the Company is focused on the development of its first commercial product, "Felix", to treat male infertility. This product is based on innovative separation techniques using the Company's proprietary membrane technology.

For further details with respect to the Capital Raising please refer to the Company's Notice of General Meeting announced 22 November 2017.

On behalf of Memphasys Limited, I am pleased to invite you to participate in the Offer.

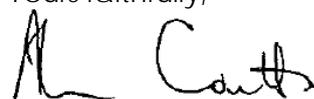
You should read this Offer Document carefully and in its entirety before deciding whether or not to participate in the Offer. In particular, you should consider the key risk factors included in Section 7 of this Offer Document. Shareholders who have any queries about the Offer should contact the Company at any time from 8:30am to 5:00pm (AEDST) during the Offer period.

A personalised Entitlement and Acceptance Form which details your Entitlement is to be completed in accordance with the instructions provided.

Shareholders who do not take up all or any part of their Entitlements will not receive any payment or value in respect of those Entitlements and their equity interest in the Company will be diluted.

On behalf of the Board, I invite you to consider this investment opportunity and thank you for your ongoing support of our Company.

Yours faithfully,



**Alison Coutts**  
Chairman

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## 5. DETAILS OF THE OFFER

### 5.1 The Offer

The Company is making a non-renounceable pro rata entitlement offer to Shareholders of Shares at an issue price of \$0.001 each on the basis of one (1) Share for every one (1) Share held by Eligible Shareholders on the Record Date to raise \$699,821 before costs (the **Offer**).

As at the date of this Offer Document, the Company has on issue 699,821,360 Shares. On this basis (and assuming no existing Convertible Notes are converted or Options exercised prior to the Record Date), the Company expects that up to approximately 699,821,360 Shares will be issued under the Offer.

As at the date of this Offer Document, the Company has 10,200,000 Options on issue and 40,000 Convertible Notes on issue, all of which must either be exercised or converted into Shares prior to the Record Date in order to participate in the Offer. Please refer to Section 5.7 for information on the Options and Convertible Notes on issue.

The Shares offered under this Offer Document will rank equally in respect of dividends and have the same rights in all other respects (e.g. voting, bonus issues) as existing Shares.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The Directors may at any time decide to withdraw this Offer Document and the offer of Shares made under this Offer Document in which case the Company will return all Application monies (without interest) within 28 days of giving such notice of withdrawal.

### 5.2 Use of funds

In the event all Shares under the Offer are issued the Company will raise approximately \$699,821 (including conversion of \$240,102.60 of debt to equity and before the payment of costs associated with the Offer).

The Company intends to apply the funds raised from the Offer towards:

Items of Expenditure	Amount (\$)	Percentage (%)
Settlement of debts <sup>1</sup>	240,103	34.31
Product development	136,458	19.50
Working capital <sup>2</sup>	268,260	38.33
Expenses of the Offer	55,000	7.86
<b>TOTAL</b>	<b>699,821</b>	<b>100%</b>

**Note:**

1. \$240,102.60 of outstanding debts owed to Mr Goodall by the Company will be offset by way of Mr Goodall subscribing for his full Entitlement under the Offer (being \$240,102.60 or 240,102,598 Shares). Refer to the Company's Notice of General Meeting announced 22 November for further details with respect to the Company's proposed debt conversion under the Offer and Placement.

- Funds allocated to working capital will be used for administration expenses of the Company over the next 1.5 months, including Director remuneration and other administration and obligatory overheads including compliance, legal, rent/utilities, insurance, IT/communication and employee salaries.

The above table is a statement of the Board's current intentions as at the date of this Offer Document. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

### 5.3 Timetable

Event	Date
Announcement of Offer	21 November 2017
Lodgement of Offer Document, Appendix 3B and s708AA Cleansing Notice with ASX	28 November 2017
Notice sent to Option holders	28 November 2017
Notice sent to Shareholders	29 November 2017
Ex date	30 November 2017
Record Date for determining Entitlements	1 December 2017
Despatch of Offer Document to Eligible Shareholders, Company announces this has been completed and Offer Opening Date	6 December 2017
Last day to extend the Closing Date	12 December 2017
Closing Date*	15 December 2017
Securities quoted on a deferred settlement basis	18 December 2017
ASX notified of under subscriptions	19 December 2017
Issue date/Shares entered into Shareholders' security holdings	22 December 2017
Quotation of Shares issued under the Offer	27 December 2017

\*Subject to the Listing Rules and the Corporations Act, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the Shares offered under this Offer Document.

### 5.4 Lead Manager and Underwriter

Patersons Securities Limited (**Patersons**) has been appointed as lead manager and underwriter to the Offer. In consideration for these services, Patersons will receive the fees described in Section 8.1.

Refer to Sections 8.1 and 8.2 for further details.

### 5.5 Entitlements and acceptance

Details of how to apply under the Offer are set out in Section 6.

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document. You may accept for a lesser number of Shares should you wish to take up only part of your Entitlement.

You can also apply for additional Shortfall Shares under the Offer in addition to your Entitlement by completing the shortfall section contained in the Entitlement and Acceptance Form. The Directors reserve the right to issue Shortfall Shares in accordance with the allocation policy set out in Section 5.9. If you are issued a lesser number of Shortfall Shares than you apply for any surplus Application monies will be returned to you.

## 5.6 No rights trading

The rights to Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for Shares under the Offer to any other party. If you do not take up your Entitlement to Shares under the Offer by the Closing Date, the Offer to you will lapse.

## 5.7 Capital Structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below.

Shares	Number
Shares currently on issue	699,821,360
Shares offered pursuant to the Offer	699,821,360
<b>Total Shares on issue after completion of the Offer<sup>1,2</sup></b>	<b>1,399,642,720</b>

### Notes:

1. As announced on 21 November 2017, the Company is proposing to:
  - a. issue a total 2,750,000,000 Shares Pursuant to the Placement; and
  - b. issue convertible notes with a face value of up to \$300,000 (**Patersons Notes**) which are automatically convertible into up to 300,000,000 Shares upon completion of the Offer and Placement.

The Placement and issue and conversion of the Patersons Notes are each subject to Shareholder approval and have not been included in the above total.
2. The Company is also seeking approval at its Annual General Meeting to be held 5 December 2017 for the following issues of Shares (**Additional Share Issues**):
  - a. The conversion of up to \$440,000 of potential further drawdowns under the Platinum Bond into Shares on the terms specified in the Company's Notice of Annual General Meeting announced 1 November 2017 (**Notice of AGM**).
  - b. The issue of up to 5,000,000 Shares (subject to the satisfaction of certain performance milestones) to Hydrix Pty Ltd as part consideration for services provided to the Company under a development agreement, on the terms specified in the Company's Notice of AGM.
  - c. The issue of up to \$50,000 worth of Shares to Mr Mark Gell in consideration for consultancy services that have or may be provided by Mr Gell, on the terms specified in the Company's Notice of AGM.
  - d. The issue and conversion of a convertible note with a face value of up to \$185,000 and otherwise made on the same terms as the Patersons Notes (**Platinum Road Note**) into Shares, in satisfaction of amounts owing to Platinum Road Pty Ltd and/or

Bridge Road Capital Pty Ltd, on the terms specified in the Company's Notice of AGM.

The Additional Share Issues are each subject to Shareholder approval and are contingent on the occurrence of specified events which, at the date of this Offer Document, remain uncertain. As such, the Additional Share Issues have not been included in the table above.

The Company proposes to issue any Shares the subject of the Additional Share Issues after completion of the Capital Raising.

Options	Number
Options currently on issue <sup>1</sup>	10,200,000
Options offered pursuant to the Offer	Nil
Underwriter Options to be issued pursuant to the Underwriter Agreement	45,971,876
<b>Total Options on issue after completion of the Offer<sup>2,3,4,5</sup></b>	<b>56,171,876</b>

**Notes:**

1. Comprising:
  - a. 1,200,000 unquoted options (exercisable at \$0.1015 on or before 5 December 2017);
  - b. 4,000,000 unquoted options (exercisable at \$0.02 on or before 25 November 2019); and
  - c. 5,000,000 unquoted options (exercisable at \$0.006 on or before 31 December 2018) and subject to vesting conditions.
2. Includes the expiration of 1,200,000 Options on 5 December 2017.
3. As announced on 21 November 2017, the Company proposes to issue the Patersons Notes which shall convert automatically upon completion of the Offer and Placement into up to 300,000,000 Shares and up to 150,000,000 free attaching unquoted options (exercisable at \$0.002 on or before the date which is 2 years from their date of issue) (**Conversion Option**). The issue and conversion of the Patersons Notes is subject to Shareholder approval and has not been included in the above table.
4. The Company is also seeking approval at its Annual General Meeting to be held 5 December 2017 to issue up to 20,000,000 Options (exercisable at \$0.006 each on or before 31 December 2018) subject to the satisfaction of certain milestones relating to drawdowns under the Platinum Bond (refer to the Notice of AGM for details). The issue of these Options is subject to Shareholder approval and it is uncertain whether the relevant milestones will be achieved. As such, the issue has not been included in the table above.
5. Pursuant to the Mandate (summarised in Section 8.2), the Company has agreed to issue Patersons an additional 25,000,000 Underwriter Options, subject to completion of the Capital Raising.

Convertible Notes	Number
Convertible Notes currently on issue <sup>1</sup>	40,000
Convertible Notes offered pursuant to the Offer	Nil
<b>Total Convertible Notes on issue after completion of the Offer<sup>2</sup></b>	<b>40,000<sup>3</sup></b>

**Notes:**

1. Comprising 40,000 convertible notes with a face value of \$1 each, convertible into a maximum of 6,666,667 Shares at a conversion price of \$0.006, at the election of the note holder. These notes are held by John Aitken and are proposed to be converted into Shares under the Placement.

2. The Company is also seeking Shareholder approval at its Annual General Meeting to be held on 5 December 2017 for the issue and conversion of:
  - a. the Patersons Notes; and
  - b. the Platinum Road Note.

As these issues are subject to Shareholder approval they have not been included in the above table.

3. The Company proposes to repay the face value of these notes plus accrued interest (together totalling \$44,977.78) by applying the outstanding amount to a subscription for 44,977,780 Shares by Mr Aitken under the Placement. Following completion of the Capital Raising, it is anticipated that the Company will have no convertible notes on issue.

The capital structure on a fully diluted basis as at the date of this Offer Document is 716,688,027 Shares (assuming conversion of the convertible notes at a conversion price of \$0.006) and on completion of the Offer (assuming all Entitlements are accepted) would be 1,461,281,263 Shares on a fully diluted basis.

## **5.8 Underwriting**

The Offer is fully underwritten by Patersons Securities Limited (**Patersons**). Refer to Section 8.1 of this Offer Document for details of the terms of the underwriting.

## **5.9 Shortfall Offer**

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer. The Shortfall Offer is a separate offer pursuant to this Offer Document and will remain open up until the date Shares are issued pursuant to the Offer in accordance with the timetable in Section 5.3.

Eligible Shareholders may apply for Shares under the Shortfall Offer by following the instructions on their Entitlement and Acceptance Form, subject to such applications being received by the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.001 being the price at which Shares have been offered under the Offer.

Shortfall Shares will be allocated in priority to Eligible Shareholders who apply for Shortfall Shares under the Shortfall Offer. All decisions regarding the allocation of Shortfall Shares will be made by Patersons (in consultation with the Company) and will be final and binding on all Eligible Shareholders.

The Company notes that no Shares will be issued to an applicant under this Offer Document or via the Shortfall Offer if the issue of Shares would contravene the takeover prohibition in section 606 of the Corporations Act. Similarly, no Shares will be issued via the Shortfall Offer to any related parties of the Company.

## **5.10 Effect on control of the Company**

Patersons is not presently a shareholder of the Company nor a related party of the Company for the purposes of the Corporations Act.

Pursuant to the terms of the Underwriting Agreement no person will acquire, through participation in the Shortfall Offer a holding of Shares of, or increase their holding, to an amount equal to 20% or more of all the Shares on issue on completion of the Offer. As such, the potential increase to Patersons' relevant interests in the Company will not exceed 19.99%.

The Company intends to offset \$240,102.60 of outstanding debts owed to Mr Andrew Goodall by way of Mr Goodall subscribing for his full Entitlement under the Offer (being \$240,102.60 or 240,102,598 Shares). Further, the Company considers it is unlikely that no other Shareholders will take up Entitlements under the Offer or apply for additional Shortfall Shares under the Shortfall Offer. Accordingly, the underwriting obligation of Patersons will reduce by a corresponding amount for the amount of Entitlements under the Offer taken up by Shareholders.

## 5.11 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 50% (as compared to their holdings and number of Shares on issue as at the date of the Offer Document). Examples of how the dilution may impact Shareholders assuming no Options have been exercised and no Convertible Notes are converted is set out in the table below:

Holder	Holding as at Record date	% at Record Date <sup>1</sup>	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer <sup>2,3</sup>
Shareholder 1	10,000,000	1.43%	10,000,000	10,000,000	0.71%
Shareholder 2	5,000,000	0.71%	5,000,000	5,000,000	0.36%
Shareholder 3	1,500,000	0.21%	1,500,000	1,500,000	0.11%
Shareholder 4	400,000	0.057%	400,000	400,000	0.0286%
Shareholder 5	50,000	0.007%	50,000	50,000	0.0036%

### Notes:

- Based on a share capital of 699,821,360 Shares at the date of this Offer Document.
- Based on a share capital of 1,399,642,720 upon completion of the Offer. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer.
- As announced on 21 November 2017, the Company is also proposing to:
  - issue a total 2,750,000,000 Shares Pursuant to the Placement; and
  - issue Convertible Notes with a face value of \$300,000 which are automatically convertible into 300,000,000 upon completion of the completion of the Offer and Placement (**Conversion**).

The Placement and issue and conversion of the Convertible Notes are each subject to Shareholder approval and the dilutive impact of these issues has not been considered in the above table. If Shareholders do not participate in the Offer, in the event that the Offer, Placement and Conversion complete, their holding are likely to be diluted by approximately 84.27%.

## 5.12 Directors Interests and Participation

Each Director's relevant interest in the securities of the Company at the date of this Offer Document and their Entitlement is set out in the table below.

Director	Shares	Voting Power (%) <sup>1</sup>	Entitlement (Shares)	Entitlement (\$)
Ms Alison Coutts	3,988,208 <sup>2</sup>	0.57	3,988,208	3,988.21
Mr Andrew Goodall	240,102,598 <sup>3</sup>	34.31	240,102,598	240,102.60
Mr John Pereira	1,100,000	0.16	1,100,000	1,100.00

**Notes:**

1. The voting power in the table is prior to settlement of the Offer.
2. Comprising:
  - a. 608 Shares held directly by Ms Coutts;
  - b. 3,787,600 Shares held by Alison Coutts Consulting Pty Ltd <Alison Coutts Super Fund> of which Ms Coutts is a director and beneficiary; and
  - c. 200,000 Shares held by Ms Coutts' daughter.
3. Comprising:
  - a. 206,319,342 Shares held directly by Mr Goodall;
  - b. 3,461,195 Shares held by Mrs Marjorie Anne Goodall, mother of Mr Goodall; and
  - c. 30,322,061 Shares held by Ti Rakau Developments Limited of which Mr Goodall's mother is sole director and a shareholder.

The Company intends to offset \$240,102.60 of outstanding debts owed to Mr Andrew Goodall by way of Mr Goodall subscribing for his full Entitlement under the Offer (being \$240,102.60 or 240,102,598 Shares).

Ms Coutts does not intend to take up her Entitlement. Directors are not entitled to subscribe for additional Shares under the Shortfall Offer.

### 5.13 Substantial Holders

The Company's substantial holders prior to the Offer and their Entitlement are set out in the table below.

Substantial Holder	Shares	Voting Power (%) <sup>2,3</sup>	Entitlement (Shares)	Entitlement (\$)
Andrew Goodall	240,102,598	34.31	240,102,598	240,102.60

**Notes:**

1. The Company intends to offset \$240,102.60 of outstanding debts owed to Mr Andrew Goodall by way of Mr Goodall subscribing for his full Entitlement under the Offer (being \$240,102.60 or 240,102,598 Shares). For more details refer to Section 8.2.
2. As announced on 21 November 2017, the Company is also proposing to:
  - a. issue a total 2,750,000,000 Shares pursuant to the Placement; and
  - b. issue Convertible Notes with a face value of \$300,000 which are automatically convertible into 300,000,000 upon completion of the completion of the Offer and Placement (**Conversion**).

The Placement and issue and conversion of the Convertible Notes are each subject to Shareholder approval.
3. The voting power in the table is prior to settlement of the Offer.

It is intended that all securities to be issued under the Capital Raising will be issued simultaneously, on the same date. Subject to Shareholder approval, it is proposed that the Mr Goodall and Ms Coutts will be issued the following Shares pursuant to the Placement:

- (a) Alison Coutts (or her nominee) 880,895,040 Shares, in satisfaction of \$880,895.04 worth of debt that will be owed to Ms Coutts (or her associates) by the Company as at 21 December 2017 (being the date of the General Meeting to approve the Placement - refer to the Company's Notice of Meeting announced 22 November 2017 for details);

- (b) Andrew Goodall a total of 843,246,194 Shares as follows:
- (i) 513,246,194 Shares in satisfaction of \$513,246.19 worth of debt that will be owed to Mr Goodall by the Company as at 21 December 2017 (being the date of the General Meeting to approve the Placement - refer to the Company's Notice of Meeting announced 22 November 2017 for details); and
  - (ii) 330,000,000 Shares upon a cash subscription of \$330,000 in the Placement by Mr Goodall.

As such, it is anticipated that the following persons (together with their associates) will have a relevant interest in 5% or more of the Shares on issue upon completion of the Capital Raising:

Shareholder	Shares	%
Andrew Goodall	1,323,451,390 <sup>1</sup>	29.74 <sup>2</sup>
Alison Coutts	884,883,248 <sup>3</sup>	19.89 <sup>2</sup>

**Notes:**

1. Comprising:
  - a. 240,102,598 Shares currently held by Mr Goodall (or his associates) prior to the Capital Raising;
  - b. 240,102,598 Shares issued on conversion of debt under the Offer;
  - c. 513,246,194 Shares issued on conversion of debt under Placement; and
  - d. 330,000,000 Shares issued upon cash subscription by Mr Goodall under Placement.
2. Assuming 4,449,642,720 Shares on issue upon completion of the Capital Raising.
3. Comprising:
  - a. 3,988,208 Shares held by Ms Coutts (or her associates) prior to the Capital Raising; and
  - b. 880,895,040 Shares issued on conversion of debt under Placement.

In the event that Shares are issued pursuant to the Offer prior to completion of the Placement or the Placement does not otherwise complete, on the basis that the Offer is fully underwritten (and it is condition of the underwriting that no party will be issued shortfall Shares if the issue of such Shares would contravene section 606 of the Corporations Act), it is anticipated that the following persons (together with their associates) will have a relevant interest in 5% or more of the Shares on issue upon completion of the Offer:

Shareholder	Shares	%
Andrew Goodall	480,205,196 <sup>1</sup>	34.31 <sup>2</sup>

**Notes:**

1. Assuming 1,399,642,720 Shares on issue upon completion of the Offer.

The Company confirms that no Shares will be issued to any party under the Capital Raising if the issue of such Shares would contravene section 606 of the Corporations Act.

## 5.14 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document and the most recent dates of those sales were:

	(\$)	Date
Highest	0.004	28 August 2017 7,8,11,12,27,28 September 2017 31 October 2017 8 November 2017
Lowest	0.001	26 September 2017 4,5,8-12, 15-17 October 2017 1,2,5-7,9,13-16 November 2017
Last	0.002	24 November 2017

## 5.15 Issue

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the timetable set out in this Offer Document.

Shares issued pursuant to the Shortfall Offer are proposed to be issued on the same date as Shares issued under the Offer. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Offer Document, all Application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and the timetable set out in this Offer Document.

## 5.16 ASX listing

Application for official quotation by ASX of the Shares offered pursuant to this Offer Document will be made within 7 days after the date of this Offer Document. If approval is not obtained from ASX before the expiration of 3 months after the date of this Offer Document (or such period as varied by the ASIC) the Company will not issue any Shares and will repay all Application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

## 5.17 CHESS

The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Offer Document. The notice will also advise holders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

## 5.18 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for Shares under this Offer Document.

## 5.19 Risk factors

An investment in Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 7.

## 5.20 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website [www.memphasys.com.au](http://www.memphasys.com.au) or the ASX [www.asx.com.au](http://www.asx.com.au).

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX websites.

#### **5.21 Governing Law**

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

#### **5.22 Rights Issue Notice**

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act which sets out, amongst other information, the effect of the Offer on the control of the Company. This notice may be reviewed on the websites of the Company and ASX.

#### **5.23 Enquiries concerning Offer Document**

Enquiries concerning the Entitlement and Acceptance Form or this Offer Document should be directed to the Company Secretary, Mr Andrew Metcalfe by telephone on + 61 2 8415 7300.

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## 6. ACTION REQUIRED BY SHAREHOLDERS

### 6.1 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
  - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
  - (ii) attach your cheque or arrange payment by BPAY® for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
  - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.001 per New Share); or
- (c) if you wish to accept your full Entitlement **and** apply for additional Shortfall Shares:
  - (i) complete the Entitlement and Acceptance Form including filling in the number of Shortfall Shares you wish to apply for in the shortfall section on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.001 per New Share); or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Your completed Entitlement and Acceptance Form and cheque must reach the Company no later than 5:00pm (AEDST) on the Closing Date.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

Please read the instructions on the Entitlement and Acceptance Form carefully.

### 6.2 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form with the applicable application monies or paying any Application monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Offer Document and the accompanying Entitlement and Acceptance Form and read them both in their entirety;

- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application monies, the Application may not be varied or withdrawn except as required by law.

### **6.3 Payment by cheque/bank draft/money order**

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to “Memphasys Limited – Subscription Account” and crossed “Not Negotiable”.

Your completed Entitlement and Acceptance Form and cheque must reach the Company’s share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm AEDST on the Closing Date.

### **6.4 Payment by BPAY®**

If you wish to pay via BPAY® you must refer to the instructions in your Entitlement and Acceptance Form for the account details. Make sure that you use the specific customer reference number (CRN) on your personalised Entitlement and Acceptance Form. You must ensure that payment of the Application Money is received by no later than 5pm AEDT on the Closing Date.

If you wish to pay via BPAY®, you do not need to return a completed Entitlement and Acceptance Form but are taken to have made the declaration in the Entitlement and Acceptance Form.

If you pay via BPAY® and do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your Application money.

If you pay via BPAY® for more than your full Entitlement, you are deemed to have requested to take up Shortfall Shares in respect of such whole number of Shares which is covered by your Application money.

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## 7. RISK FACTORS

### 7.1 Introduction

An investment in the Company is not risk free and prospective investors should consider the risk factors described below, together with information contained elsewhere in this Offer Document, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### 7.2 Key investment risks

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. Prospective investors should read this Offer Document in its entirety before deciding whether to apply for Shares under this Offer Document.

These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Offer Document.

#### (a) Going concern risk

The Company's annual financial report for the year ended 30 June 2017 includes a "going concern" note. However, the Directors believe that upon the successful completion of the Capital Raising (including the Offer), the Company will have sufficient funds to adequately meet the Company's short term expenditure commitments and working capital requirements. However, it is highly likely that further funding will be required to meet the medium term working operating costs of the Company.

In the event that the Capital Raising is not completed successfully, there is significant uncertainty as to whether the Company can continue as a going concern, which is likely to have a material adverse effect on the Company's activities.

#### (b) Additional requirements for capital

The funds raised under the Offer are considered sufficient to meet the immediate objectives of the Company. It is likely that additional funding will be required in the future to effectively implement the Company's business and operations plans, to take advantage of opportunities for acquisitions or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

Further, the Placement and issue and conversion of the Convertible Notes is subject to Shareholder approval. If Shareholder approval is not obtained, \$2,750,000 of funds proposed to be raised under the Placement will not be available and the Company will be required to refund the face value of the Convertible Notes in cash, at a 20% premium. Such funds are proposed to be used to settle existing debts, develop the Company's Felix product and to meet working capital requirements.

The Company may seek to raise further funds through equity or debt financing or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(c) **Potential for significant dilution**

Upon implementation of the Offer, the number of Shares on issue in the Company will increase from 699,821,360 currently on issue to 1,399,642,720. Further, if the Placement and conversion of the Convertible Notes complete, a further 3,050,000,000 Shares are proposed to be issued, bringing the total issued share capital of the Company to 4,449,642,720. This means that, post completion of the Capital Raising, each Share will represent a significantly lower proportion of the ownership of the Company.

(d) **Commercial success of products being developed**

The Company is in the process of developing and commercialising its products. Inherent uncertainties exist in any commercialisation program for new technologies and products. The Company's products are at varying stages of development, and none of the Company's products are currently at a commercialised stage. There is no assurance that:

- (i) the development and commercialisation of new technologies and products will be successful;
- (ii) all necessary regulatory registrations or approvals for the sale and distribution of the Company's products will be obtained (and on terms acceptable to the Company); or
- (iii) the Company's products will achieve market acceptance.

(e) **Reliance on commercial success of one product initially**

The Company's business is presently dependent on the commercial success of the Felix device, its lead program.

(f) **Increase in competition**

The Company's earnings and the market acceptance of the Company's products may be adversely affected by competitor activity, new competitors entering the market, or if competitors release more advanced products that result in reduced market share for the Company's products.

Increased competition and new products may have the effect of rendering the Company's previous developments obsolete, decreasing the financial value of products or intellectual property and reducing pricing and profit margins.

Reliance on business partners, suppliers and customers - The Company is reliant on key existing business partners and future proposed suppliers and customers. The Company is reliant on arrangements with third parties

including the University of Newcastle and the University of Melbourne and in relation to the further development of intellectual property and the development of some future products.

(g) **Reliance on key personnel**

Strong competition exists in the medical device industry for highly skilled workers due to the limited number of people with the appropriate skill set. The Company currently employs, or engages as consultants, a number of key management personnel and intends to employ more highly skilled people.

The Company has structured incentive programs for its key personnel and it has also established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Company. Despite these measures, there is no guarantee that the Company will be able to attract and retain suitable qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.

(h) **Ability to rely on and protect the intellectual property**

The Company's success depends at least in part on its use of its intellectual property, as well as third party intellectual property which is licensed or otherwise granted to the Company.

The intellectual property rights on which the Company is reliant may be subject to claims, including third party infringement claims, which may adversely affect the commercialisation of the Company's products or result in the Company incurring expenses or damages. Defending against allegations and litigation could be expensive, take significant time and divert management's attention.

Similarly, if the Company is not able to adequately protect its know-how, expertise, trade secrets and intellectual property rights, including where the Company cannot obtain patent protection in a timely manner, or if existing patents are inadequate to prevent competitors developing competing products, then the Company's business and financial performance may be adversely affected.

(i) **Diminution in reputation or brand**

The Company is reliant on its reputation and the reputation of its products and brands. Any factors or events that diminish the reputation of the Company, its products, its brands, trademarks or intellectual property may adversely affect the Company.

(j) **Prospective information**

There can be no guarantee that the factors and assumptions on which the Company has assessed the feasibility of its products, potential levels of market acceptance and sales of its products, development and commercialisation strategies of its products, or relevant potential costs and expenses, and any other factors or assumptions upon which the Company bases its various technical or commercial decisions, will ultimately prove to be valid or accurate. The various factors and

assumptions may be, or may depend on other factors which are, outside the control of the Company.

(k) **Unforeseen expenditure risk**

There is a risk that there may be an unforeseen increase in costs for items set out in the use of funds section in this Offer Document. Any increase in the actual costs may impact the Company's ability to fully undertake the work that it proposes to undertake as set out in this Offer Document.

(l) **Liquidity and realisation**

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be a relatively limited number of buyers, or a relatively large number of sellers, on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price paid for their Shares.

(m) **Litigation**

The Company may be the subject of complaints or litigation by customers, suppliers, employees or officers, Shareholders, government agencies or other third parties. Such matters may have an adverse effect on the Company's reputation, divert its financial and management resources from more beneficial uses, or have a material adverse effect on the Company's future financial performance or position. Currently, the Company is free of any litigation claims, refer to Section 8.4 for further details.

(n) **Changes in political and regulatory environments**

The Company is subject to various federal and state-based laws and regulations in Australia as well as other jurisdictions in which the Company operates.

The introduction of new laws and regulations (including in relation to medical devices) may result in increased expenses for the Company, as it establishes new compliance procedures, retrains its employees and reviews or redevelops products.

New regulatory environments create risk that the regulations will have unintended consequences, or that interpretations may change over time, which could adversely affect the Company's operations and ability to manufacture, sell or distribute some products.

### 7.3 General Risks

(a) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;

- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(b) **Change in government policy and legislation**

Any material adverse changes in relevant government policies or legislation of Australia may affect the viability and profitability of the Company, and consequent returns to investors. The activities of the Company are subject to various federal, state and local laws governing prospecting, development, production, taxes, labour standards and occupational health and safety, and other matters.

(c) **Insurance**

The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover.

While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy.

(d) **Other**

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of the Company.

## 7.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Offer Document. Therefore, the securities to be issued pursuant to this Offer

Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Offer Document.

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## 8. ADDITIONAL INFORMATION

### 8.1 Underwriting Agreement

Pursuant to an agreement between Patersons and the Company (**Underwriting Agreement**), Patersons has agreed to underwrite the Offer for a total of 699,821,360 Shares (**Underwritten Securities**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay Patersons:

- (a) a management fee of 1.5% of the total gross amount raised under the Offer (being approximately \$10,497.32);
- (b) an underwriting fee of 5% of the total gross amount underwritten by Patersons (being approximately \$34,991.05). All sub-underwriting fees will be paid by the Underwriter from this underwriting fee;
- (c) a lead manager fee of \$20,000;
- (d) a corporate advisory fee of \$10,000 per month commencing on closure of the Offer (to be renegotiated after 6 months); and
- (e) issue Patersons a total of 45,971,876 options to acquire Shares (exercisable at \$0.02 on or before the date which is two years from their date of issue) (**Underwriter Options**).

Patersons is also entitled to be reimbursed for out-of-pocket expenses directly related to the Offer. Patersons must obtain the Company's consent prior to incurring any single expense greater than \$2,000.

In the event that the Company terminates the Underwriting Agreement without cause, Patersons will be entitled to a termination fee of \$10,000 and the reimbursement of any incurred or accrued expenses up to the date of termination.

Patersons may procure such persons to sub-underwrite the Offer as Patersons in its sole and absolute discretion thinks fit. Patersons will ensure that no person will acquire, through participation in sub-underwriting the Offer, a holding of Shares of, or increase their holding, to an amount that is 20% or greater of all the Shares on issue on completion of the Offer.

The obligation of Patersons to underwrite the Offer is subject to certain events of termination. Patersons may terminate its obligations under the Underwriting Agreement if any one of the following events occur and the event has a material adverse effect on the Offer:

- (a) (**Indices fall**): any of the All Ordinaries Index or the Standard and Poors / ASX 200 Index as published by ASX is at any time, at the close of trading, on three consecutive business days after the date of the Underwriting Agreement 10% or more below its respective level as at the close of trading on the business day prior to the date of the Underwriting Agreement; or
- (b) (**Offer Document**): the Company does not despatch the Offer Document to Eligible Shareholders on the date of despatch (as specified in the timetable in Section 5.3) or the Offer Document or the Offer is withdrawn by the Company; or

- (c) **(Offer Materials)**: a statement contained in the Offer Document (or any supplementary Offer Document), material provided to ASX in connection with the Offer or other publication published or approved with respect to the Offer (together, the **Offer Materials**) is or becomes misleading or deceptive or likely to mislead or deceive, or the Offer Materials omit any information they are required to contain (having regard to the provisions of section 708AA of the Corporations Act and any other applicable requirements);
- (d) **(Cleansing Notice)**: the cleansing notice prepared in accordance with section 708AA(7) of the Corporations Act (**Cleansing Notice**) is defective, or a supplementary statement is issued or is required to be issued under the Corporations Act; or
- (e) **(New circumstance)**: an obligation arises on the Company to give ASX a notice in accordance with subsection 708AA(12) of the Corporations Act (as inserted by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84), in relation to a matter that Patersons reasonably consider to be adverse, or a new circumstance that Patersons reasonably consider to be adverse, arises or becomes known which, if known at the time of issue of the Offer Materials and the Cleansing Notice would have been included in the Offer Materials or the Cleansing Notice; or
- (f) **(No Official Quotation)**: Official Quotation has not been granted by the deadline for giving notice of any Shortfall under the Offer (**Shortfall Notice Deadline Date**) or, having been granted, is subsequently withdrawn, withheld or qualified; or
- (g) **(Restriction on allotment)**: the Company is prevented from allotting the Shares under the Offer (**Rights Shares**) within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority; or
- (h) **(ASIC application)**: an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Offer Document, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn; or
- (i) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or indicates an intention to do so in the absence of undertakings given by:
  - (i) the Company, and the Company refuses to give those undertakings; or
  - (ii) Patersons, and Patersons, acting reasonably, refuses to give those undertakings;
- (j) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, the United Kingdom, the United States of America, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or

- (k) **(Authorisation)** any authorisation which is material to anything referred to in the Offer Document is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to Patersons; or
- (l) **(Indictable offence):** a director or senior manager of a Relevant Company is charged with an indictable offence; or
- (m) **(Cleansing Statement):** the Company ceases to be capable of issuing, at the date of issue of any Shortfall Shares, a notice under Section 708A(5)(e) of the Corporations Act to allow secondary trading of any Shortfall Securities (if required); or
- (n) **(Termination Events):** subject always to the Material Adverse Effect qualification described below, any of the following events occurs:
  - (i) **(Default):** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking; or
  - (ii) **(Incorrect or untrue representation):** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect; or
  - (iii) **(Contravention of constitution or Act):** a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX; or
  - (iv) **(Adverse change):** an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any of its subsidiaries (**Relevant Company**) including, without limitation, if any forecast in the Offer Document becomes incapable of being met or in Patersons' reasonable opinion, unlikely to be met in the projected time; or
  - (v) **(Public statements):** without the prior approval of Patersons a public statement is made by the Company in relation to the Offer or the Offer Document, unless required by law and the Company has first consulted with Patersons; or
  - (vi) **(Misleading information):** any information supplied at any time by the Company or any person on its behalf to Patersons in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive; or
  - (vii) **(Official Quotation qualified):** the Official Quotation is qualified or conditional other than being conditional on the issue of the Rights Shares; or
  - (viii) **(Change in Act or policy):** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any

Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy; or

- (ix) **(Prescribed Occurrence)**: a Prescribed Occurrence occurs; or
- (x) **(Suspension of debt payments)**: the Company suspends payment of its debts generally; or
- (xi) **(Event of Insolvency)**: an event of insolvency occurs in respect of a Relevant Company; or
- (xii) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$25,000 is obtained against a Relevant Company and is not set aside or satisfied within seven (7) days; or
- (xiii) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Offer Document; or
- (xiv) **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of Patersons; or
- (xv) **(Takeover)**: a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company; or
- (xvi) **(Timetable)**: there is a delay in any specified date in the timetable which is greater than seven (7) business days that has not been consented to by Patersons; or
- (xvii) **(Force Majeure)**: a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs; or
- (xviii) **(Certain resolutions passed)**: a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of Patersons; or
- (xix) **(Capital Structure)**: other than as previously notified to Patersons or publicly announced prior to the date of the Underwriting Agreement, any Relevant Company alters its capital structure in any manner not contemplated by the Offer Document; or
- (xx) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of a Relevant Company; or
- (xxi) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or

economic conditions of Australia, Japan, the United Kingdom or the United States of America.

Patersons may not exercise its rights under termination event (n) above unless, in the reasonable opinion of Patersons reached in good faith, the occurrence of a termination event has or is likely to have, or two or more termination events together have or are likely to have a Material Adverse Effect or could give rise to a liability of Patersons under the Corporations Act or otherwise.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to Patersons that are considered standard for an agreement of this type.

## 8.2 Mandate letter

The Company and Patersons entered into a mandate agreement, whereby Patersons was appointed to act as lead manager to the Capital Raising and underwriter to the Offer (**Mandate**).

Patersons will receive those fees set out in section 8.1 above for services provided pursuant to the Mandate which, for the avoidance of doubt, will not be duplicated. In addition, the Company has agreed to issue Patersons an additional 25,000,000 Underwriter Options, subject to completion of the Capital Raising.

Other than as foreshadowed in the Offer Document the Company has agreed not to offer, sell or market, contract to sell, otherwise dispose of or announce the sale, directly or indirectly, of any Shares or other securities which are convertible into or exchangeable or contain the right to acquire Shares, without the prior written consent of Patersons for a period of three months commencing on the closing date of the Offer.

Further, the Company has agreed to offer Patersons the lead manager role in any further equity capital raisings undertaken in connection with the Company within six months of completion of the Offer, subject to competitive terms in respect of pricing, fees and timing relative to market practices at that time.

The Mandate is otherwise made on standard terms and conditions.

## 8.3 Settlement and Offset Deed – Andrew Goodall

The Company has entered into a Settlement and Offset Deed with Director, Andrew Goodall, pursuant to which the parties agree that a total of \$753,348.79 of outstanding debt owed to Mr Goodall by the Company (**Goodall Indebtedness**) shall be applied to all monies payable by Mr Goodall (or his nominee) (**Subscription Amount**) for a combined subscription of 753,348.79 Shares (**Settlement Shares**) under the Offer and Placement, as follows:

- (a) pursuant to the Offer, 240,102,598 Shares in satisfaction of \$240,102.60 of debt owing;
- (b) pursuant to the Placement, 513,246,194 Shares issued in satisfaction of \$513,246.19 of debt that will be owed as at 21 December 2017,

(the **Offset**).

As a result of the Offset, the Goodall Indebtedness due and owing by the Company to Mr Goodall shall be deemed to have been settled in full and the parties shall not have any further liability or obligations owing (existing, contingent

or otherwise) in respect of the Goodall Indebtedness or any associated financing agreement.

The Settlement and Offset Deeds provide that in the event that the Offer is completed but:

- (a) Shareholder approval is not obtained for the Placement and issue of Settlement Shares under the Placement at the Company's General Meeting of Shareholders to be held on or around 21 December 2017 (**General Meeting**); or
- (b) the Placement and issue of Settlement Shares under the Placement is otherwise not completed by 31 December 2017,

(each, a **Default Event**) any outstanding portion of the Goodall Indebtedness (**Remaining Debt**) shall be repayable on the following terms:

- (a) **Repayment:**
  - (i) If a Default Event occurs, the Company undertakes to, within 60 days of the Default Event, seek the requisite Shareholder approval at a general meeting of Shareholders (**EGM**) (including in accordance with item 7 of section 611 of the Corporations Act 2001 (Cth), if required) to convert the Remaining Debt to equity, on the same terms as the Placement.
  - (ii) If Shareholder approval is not obtained in accordance with paragraph (i) above, the Company agrees to repay the full amount of the Remaining Debt within 60 Days of the EGM (unless otherwise agreed by the parties).
  - (iii) Notwithstanding paragraphs (i) and (ii) above, the full amount of the Remaining Debt is due and payable within 30 days of the Company completing capital raisings which together raise in excess of \$2.5 million, or within 90 days if the Company terminate the directorship of Mr Goodall (other than for cause).
- (b) **Interest:** If any portion of the Remaining Debt was subject to interest, that portion of the Remaining Debt shall continue to be subject to interest (on the terms existing as at the date of the Settlement and Offset Deed) until such time as that portion of the Remaining Debt (and any accrued interest) has been repaid.
- (c) **Security:** If any portion of the Remaining Debt was subject to a security interest, the security interest shall continue to attach to that portion of the Remaining Debt until such time as it has been repaid. Upon repayment, the Mr Goodall agrees to do all things necessary in order to discharge the security interest.

## 8.4 Litigation

As at the date of this Offer Document, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

However, the Company is involved in discussions and negotiations with former financiers, Platinum Road Pty Ltd and its related entity, Bridge Road Capital Pty Ltd (together, the **Platinum Road Entities**), in relation to outstanding amounts owed

to them under a series of financing agreements (**Loan Agreements**) (refer to the Company's 2017 Notice of Annual General Meeting for further details (**Notice of AGM**)).

Despite a significant period of negotiation, the Company and the Platinum Road Entities have been unable to come to a consensus as to the exact amount loaned and/or converted and/or due and payable under the various Loan Agreements.

The Company has included the requisite resolutions in its Notice of AGM that it deems necessary to settle all amounts potentially owing to the Platinum Road Entities under the Loan Agreements (refer to resolutions 4, 5, 6, 7 and 11 of the Notice of AGM for further details), including an allowance for the settlement of the current debt that the Company understands to be owing, through the issue of a convertible note to the Platinum Road Entities. Should the Platinum Road Entities determine not to accept this offer, the Company intends to repay the debt following completion of the Capital Raising.

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## 9. DEFINED TERMS

**\$** means an Australian dollar.

**AEDST** means Australian Eastern Daylight Saving Time.

**Applicant** refers to a person who submits an Entitlement and Acceptance Form or submits a payment of subscription monies in respect of the Offer.

**Application** refers to the submission of an Entitlement and Acceptance Form.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Closing Date** means as set out in Section 5.3.

**Company** means Memphasys Limited (ACN 120 047 556).

**Directors** means the directors of the Company.

**Eligible Shareholder** means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date and have a registered address in Australia, New Zealand, or Singapore.

**Entitlement** means the entitlement to subscribe for one (1) Share for every one (1) Share held by an Eligible Shareholder on the Record Date and **Entitlements** has a corresponding meaning.

**Entitlement and Acceptance Form** means the Entitlement and Acceptance Form accompanying this Offer Document.

**Ineligible Shareholder** means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date and have a registered address in a jurisdiction other than Australia, New Zealand or Singapore.

**Listing Rules** means the Listing Rules of the ASX.

**Material Adverse Effect** means an event, occurrence or change after the date of the Underwriting Agreement that has or is likely to have:

- (a) a material adverse effect on the outcome of the Offer or on the subsequent market for the Rights Shares (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in Rights Shares); or
- (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the Company and its subsidiaries either individually or taken as a whole; or
- (c) Patersons' obligations under the Underwriting Agreement becoming materially more onerous than those which exist at the date of the Underwriting Agreement; or
- (d) a material adverse effect on the tax position of the Company and its subsidiaries either individually or taken as a whole.

**Offer** means the non-renounceable pro rata offer of Shares at an issue price of \$0.001 each on the basis of one (1) Share for every one (1) Shares held on the Record Date pursuant to this Offer Document.

**Offer Document** means this Offer Document dated 28 November 2017.

**Opening Date** means as set out in Section 5.3.

**Placement** means the proposed placement to be undertaken by the Company, subject to Shareholder approval to raise up to \$2,750,000 (including conversion of circa \$1.515 million of debt to equity) via the issue of 2,750,000,000 Shares to at \$0.001 per Share.

**Platinum Bond** means the short-term convertible bond facility, with a maximum draw down of up to \$500,000, between the Company and Platinum Road Pty Ltd (ACN 120 047 556), key terms of which are set out in schedule 2 of the Company's Notice of Annual General Meeting announced 1 November 2017.

**Prescribed Occurrence** means:

- (a) a Relevant Company converting all or any of its shares into a larger or smaller number of shares;
- (b) a Relevant Company resolving to reduce its share capital in any way;
- (c) a Relevant Company:
  - (i) entering into a buy-back agreement or;
  - (ii) resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act;
- (d) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares, or agreeing to make such an issue or grant such an option, other than an issue or agreement to issue in accordance with the Offer or the terms of the Underwriting Agreement, or as previously notified to Patersons or publicly announced prior to the date of the Underwriting Agreement;
- (e) a Relevant Company issuing, or agreeing to issue, convertible notes, other than as previously notified to Patersons or publicly announced prior to the date of the Underwriting Agreement;
- (f) a Relevant Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) a Relevant Company charging, agreeing to charge, the whole, or a substantial part, of its business or property;
- (h) a Relevant Company resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator to a Relevant Company;
- (j) the making of an order by a court for the winding up of a Relevant Company;

- (k) an administrator of a Relevant Company, being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) a Relevant Company executing a deed of company arrangement; or
- (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company.

**Record Date** means as set out in Section 5.3.

**Section** means a section of this Offer Document.

**Share** means an ordinary fully paid share in the capital of the Company.

**Shareholder** means a holder of Shares.

**Shortfall** means those Shares under the Offer not applied for by Shareholders under their Entitlement.

**Shortfall Offer** means the offer of the Shortfall on the terms and conditions set out in Section 5.9.