



ASX Release (ASX: MEM)

Sydney, Tuesday 4th April 2017

Memphasys to Commence Next Phase of SpermSep Development; Obtains New Funding Facility

Next Phase of SpermSep Development: MEM is pleased to announce that it has engaged a specialist medical device development partner in Melbourne to undertake engineering design and development to produce two prototype cartridges.

These cartridges will be internally tested by MEM and by the University of Newcastle, our scientific collaborator. These miniaturised cartridges will have operating protocols, in preparation for the *in-vitro* key opinion leader studies that will follow, and will contain the new membranes, buffers and flow configuration which will be used in the final product.

To assist these activities, MEM has entered into a Platinum Bond facility with Platinum Road Pty Ltd. Appended to this announcement are the major terms of the facility. A summary of the terms are as follows:

- Principal: \$500,000
- Interest: 10% p.a.
- Term: 12 months with a right to convert the loan plus accrued interest to ordinary shares at the lower of:
 - 0.4 cents per share or
 - 15% discount to the lowest daily VWAP of the prior 10 trading days of the shares on ASX and Chi-X.

MEM will issue 25 million ordinary shares to the Lender(s) at nil consideration and up to 5 million performance options at 0.6 cents per share exercise price with an expiry date of 31 December 2018, as a corporate advisory fee issued under ASX LR7.1. A further 20 million performance options at 0.6 cents per share exercise price with an expiry date of 31 December 2018 will be issued subject to shareholder approval.

The corporate advisor is also owed \$30,000 satisfied by way of an additional bond issued on the same terms as the Platinum Bond facility stated above, converting into a maximum of 38,823,529 ordinary shares.

For further information please contact:

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About Memphasys:

Memphasys Limited (**ASX: MEM**) specialises in biological separations for high value commercial applications. The Company's patented membrane processes in combination with electrophoresis, the application of an electrical potential difference across a fluid, enable the separation of high value substances or contaminants from the fluid in which they are contained.

The main application of the technology is the separation of the most viable sperm cells for artificial reproduction, most particularly for human IVF.

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Major Terms of the Platinum Bond

Bond Amount and Tranches

1. The facility consists of a \$550,000 Bond amount (includes capitalized interest), that is paid to Memphasys in Tranches of a minimum size of \$25,000.
2. Each Tranche of money advanced to the Lender under this Agreement is at the Lender's discretion as to the timing and quantum of funds advanced.
3. Any funds advanced by the Lender under this Agreement are subject to Capacity Constraint restrictions, and if in excess of the issuance capacity will require shareholder approval prior to the advanced funds being accepted.

Capacity Constraint

4. The Company is prohibited, under any circumstances, to accept funds from the Lender that would exceed the number of securities allowed for by the ASX under Listing Rule 7.1B.1. For avoidance of doubt, if the Lender inadvertently forwards a larger amount, the Company must immediately refund any excess monies and only issue incremental Bond Amount that satisfies this listing rule.
5. Under Listing Rule 7.1B.1, the maximum number of securities that could possibly be issued is considered the limit. The minimum possible Conversion Price under this Bond is a 15% discount to 0.1 cents per share, the lowest possible trade price on ASX TradeMatch. Therefore, the maximum number of securities to be issued per Tranche is 32,352,953 MEM Shares. If the Lender intends to provide funds in excess of issuance capacity, the Company will first seek approval at a general meeting of shareholders.

Interest

6. The Company shall add the Interest Amount to the Tranche Amount advanced by the Lender by increasing the Bond Amount advanced by 10%.

Repayment of Principal

7. The Company must pay the Bond Amount and any other Monies Owing to the Lender upon the expiry of the Bond Term in the event that no Conversion has been made on Monies Owing or an agreement between the Parties has been made to extend or refinance prior to expiry.

Penalty Interest

8. If an Event of Default occurs, the Company must, in addition to all other obligations under this Agreement, pay further interest on the Monies Owing to the Lender which interest is calculated as follows:
 - a. interest is to accrue each Interest Period on the Monies Owing at the rate fixed from time to time under Section 2 of the Penalty Interest Rates Act 1983 (Vic) plus 5 percentage points for a period equal to the Interest Period; and
 - b. interest is to be calculated daily.

Use of Funds

9. It is a condition of this Agreement that the Bond Amount shall be applied by the Company to fund working capital.

Conversion

10. The Lender may serve notice in writing on the Company requesting the Company to Convert the Loan Amount and any accrued Interest (or part thereof in minimum increments of \$10,000 each) at any time.
11. The Shares issued to the Lender on Conversion will rank from the date of issue in all respects equally with all other Shares.
12. In the event of an equity capital raise during the term, the Lender shall be provided the opportunity to Convert all or part thereof of their principal and accrued interest on the same terms as the equity raise participants within 3 business days of announcement and written notification to the Advisor of the capital raise.