



ASX Release

UPDATED SUMMARY OF DISPUTE RESOLUTION PROCESS

Sydney, Friday 17 February 2017

Further to the announcement of 15 February 2017, Memphasys Ltd ("Memphasys") provides the following details and a summary of the dispute resolution process it has commenced.

PrIME Biologics Pte Ltd ("PrIME") and Memphasys Ltd have agreed by mutual consent in the legal proceedings in the NSW Supreme Court on 14 February 2017 that, without any admissions, the statutory demand dated 7 November is be set aside.

There is a further remaining court action in relation to the GF100 machine which Memphasys rented to PrIME but which PrIME is now claiming to own. Memphasys is now awaiting the outcome of its application for summary judgement against PrIME in this matter.

Memphasys has attempted to resolve all disputes with PrIME and Pulau Manukan Ventures Labuan Ltd ("Manukan") through negotiated settlement. Memphasys has always acted in good faith when negotiating. A resolution appeared close in December 2016 but this did not eventuate.

Memphasys has now filed an application for arbitration in Singapore to hear and resolve the dispute between Memphasys, Prime Biologics and Manukan. Arbitration is the dispute resolution mechanism stipulated in the Investment Agreement between the parties and the parties have now agreed to Arbitration.

Arbitration will primarily deal with the S\$4.8 million debt associated with the fit-out of the rental facility that PrIME is using in Singapore, the value of the B class shares in PrIME and the enforceability of the Option Agreement pertaining to those shares.

An independent valuation of the B class shares by a chartered accountant and registered valuer far exceeds the debt on the fit-out of the rental facility. As stated in an ASX announcement of 16 January 2017, whilst these B class shares are now held in Manukan's name, Manukan is legally restrained from dealing with these shares unless the Call Option is found to be enforceable. Memphasys' legal advice is that the Call Option is not enforceable and that Memphasys should be paid the excess value of the B shares above the debt.

Memphasys remains optimistic that a positive outcome from the arbitration process will be achieved.

Explanatory Note

Pulau Manukan Ventures Labuan Ltd ("Manukan") is the major shareholder of the A Class (voting) shares in PrIME Biologics Pte Ltd. Manukan is a private company fully owned by Xeraya Capital, the life sciences private equity and venture capital arm of the Malaysian Khazanah Nasional, the Sovereign Wealth Fund of Malaysia.

PrIME Biologics Pte Ltd ("PrIME") is a private company based in Singapore that was spun out of Memphasys (then NuSep Holdings Ltd) in mid-2014 to use technology developed by Memphasys for plasma fractionation. Memphasys received B class (non-voting) shares in PrIME and agreed to take responsibility for payment of the debt on the fit out of the Singaporean manufacturing facility that PrIME was renting. PrIME also guaranteed the payment by NuSep (now Memphasys) of the debt and has paid the debt through

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a loan provided to it by Manukan. At the time of spin out, the external investors in PrIME, including Manukan, valued PrIME at S\$27 million and the debt was S\$4.014 million.

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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.