



ASX Release

Sydney, Tuesday 21 November 2017

\$3.75 M capital raising to accelerate development of Felix device

Highlights:

- **Non-renounceable Entitlement, Convertible Note Issue and Placement to raise approximately \$3.75 million.**
- **Includes circa \$1.78 million in loans received by the Company to be converted via the Entitlement Issue and placement, leaving approximately \$2 million before costs.**
- **On completion, Memphasys will be poised to accelerate the development and commercialisation of its Felix device.**

Australian bio-separations company Memphasys Limited (**ASX: MEM**) ("Memphasys" or "Company"), which is advancing a new male infertility treatment, plans to raise approximately \$3.75 million through a combination (together, the "**Capital Raising**") of a non-renounceable entitlement issue of Shares ("**Entitlement Issue**"), issue of Convertible Notes ("**Convertible Notes**") and placement of fully paid ordinary shares ("**Shares**") to exempt investors under section 708 of the Corporations Act on the same terms as the Entitlement Issue ("**Placement**"). The Placement is subject to shareholder approval. Under the Capital Raising, approximately \$1.78 million of existing debt owed by the Company is proposed to be settled in full by offsetting amounts owed against monies payable for subscriptions for Shares under the Entitlement Issue and Placement by the relevant creditors.

The Company intends to hold an Extraordinary General Meeting ("**EGM**") in late December 2017 to seek shareholder approval for the extra placement capacity required to undertake the Placement and for proposed debt conversions for related parties under the Placement.

The indicative timetable for the capital raising, which is subject to change, is provided below.

INDICATIVE TIMETABLE FOR THE CAPITAL RAISING

Announcement of Capital Raising	21 November 2017
Despatch Notice of Meeting to Shareholders	21 November 2017
Lodgement of Offer Document, Appendix 3B and s708AA Cleansing Notice with ASX	22 November 2017
Letter sent to Optionholders	23 November 2017
Letter sent to Shareholders	24 November 2017
Ex date	27 November 2017
Record Date for determining Entitlements	28 November 2017
Offer Document sent out to Shareholders & Company announces this has been completed	1 December 2017
Hold Annual General Meeting	5 December 2017
Last day to extend the Offer Closing Date	12 December 2017
Closing Date	15 December 2017
Shares quoted on a deferred settlement basis	18 December 2017
ASX notified of under subscriptions	19 December 2017
Hold General Meeting	21 December 2017

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Issue shares pursuant to Entitlement Issue and Placement and on conversion of Convertible Notes	21 December 2017
Quotation of Shares issued under the Capital Raising	22 December 2017

Patersons Securities has been appointed to act as Lead Manager to the Capital Raising.

“This capital raising will enable MEM to significantly advance the development of its program for the Felix device for human IVF,” said Memphasys Executive Chairman, Alison Coutts.

“Together with our partners at the University of Newcastle, we are currently fine-tuning operating parameters for the current Felix re-usable prototype cartridge.

“We are poised to carry out further tests in a clinical IVF setting at UNSW over the next couple of months and are finalizing the design specification for the next generation clinical device for IVF centres which will use sterile single-use disposable cartridges”.

Non-Renounceable Entitlement Issue

The Entitlement Issue is anticipated to be fully underwritten, subject to final discussions, and to raise circa \$700,000. Approximately \$240,103 in outstanding debt is proposed to be converted into shares via the Entitlement Issue. The circa \$460,000 of remaining funds from the Entitlement Issue is proposed to be used for the development of the Felix device, working capital and to pay the associated costs of the Capital Raising.

Issue of Convertible Notes

Prior to the completion of the Entitlement Issue, the Company, in conjunction with Patersons Securities, has arranged for a convertible note facility to raise up to \$300,000 of short term funding for the Company. Funds from the Convertible Notes will be used for the development of the Felix device, working capital and to pay the associated costs of the Capital Raising.

To date, the Company has received \$170,000 from sophisticated and professional clients of Patersons Securities under the convertible note facility and anticipates that \$130,000 balance will be raised in the weeks prior to the Company’s Annual General Meeting of Shareholders to be held on 5 December 2017 (“AGM”).

The Company is seeking shareholder approval for the issue and conversion of the convertible notes pursuant to this facility at the AGM.

Further details with respect to the convertible note facility have been provided in the notice of AGM.

Placement

The Placement is anticipated to raise \$2.75 million with approximately \$1.515 million in outstanding debt proposed to be converted into Shares under the Placement. \$1.234 million of remaining funds will be used for the development of the Felix device, working capital (including the repayment of existing short term loans from third parties) and to pay the associated costs of the Capital Raising. The Placement and conversion of related party debt under the Placement is subject to shareholder approval at the EGM.

Use of funds

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

The Felix product is a next generation device that automates the separation of the 'best' sperm from a semen sample for use in human *in-vitro* fertilisation (IVF).

Memphasys has previously advised that the first two Felix prototype cartridges have been delivered to Memphasys by Hydrix, the company's engineering development partner.

The prototype Felix cartridges are now being thoroughly tested at Memphasys' laboratories and with Prof John Aitken at the University of Newcastle, prior to further *in-vitro* testing and validation by UNSW School of Women's & Children's Health, one of the Company's IVF clinical development partners. The UNSW IVF clinicians will test the Felix prototype cartridge on a range of clinical semen samples with different sperm qualities. Results from this *in-vitro* testing will be important for finalising the requirements specification for the next-generation Felix device using sterile, single-use disposable cartridges. This clinical grade Felix device will then be assessed at a number of leading international IVF clinics under the oversight of Prof John Aitken, prior to its international market launch.

Notice of AGM update

The Company's Notice of AGM erroneously reported that the "Patersons Notes" and "Platinum Road Notes" (as defined in the Notice of AGM) (together, the "**Notes**") would be converted at a 20% discount (\$0.0008 per share) if conversion does not occur before 31 December 2017. The Notice of Meeting should have reported that the Notes are to be repaid in cash (as opposed to being converted to Shares) at a 20% premium if conversion does not occur by 31 December 2017. The conversion terms of the Notes have also been varied to align with the structure of the Capital Raising.

A summary of the key terms of the Notes is provided below.

Face Value (A\$)	Up to \$300,000
Term	31 December 2017
Interest	No interest payable.
Security	Unsecured.
Repayment Date (if not converted)	If not previously converted, repayable within 10 business days of expiry of the term, at a 20% premium.
Conversion and Conversion Price	Subject to shareholders' approval, the Notes will automatically convert to Shares at completion of the Entitlement Issue and Placement, at a conversion price equal to \$0.001. If the Entitlement Issue and Placement do not complete by the expiry of the term on 31 December 2017, the Notes will not convert into Shares and will instead be repaid in cash, within 10 days of the expiry date, at a 20% premium to their face value.
Options Attaching	The Company will issue 1 free attaching option for every 2 Shares issued on conversion of the Notes. The options will have a two-year expiry from the date of their issue and will be exercisable at 0.2 cents.

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.