



28 November 2017

Company Announcements Platform
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam,

NOTICE UNDER SECTION 708AA(2)(f) OF THE CORPORATIONS ACT 2001

This notice is given by Memphasys Limited (ASX: MEM) (Company) under section 708AA(2)(f) of the Corporations Act 2001 (Cth) (Corporations Act) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (Instrument 2016/84). References in this notice of the Corporations Act are references to the Corporations Act as modified or amended by Instrument 2016/84.

The Company has announced its intention to undertake an equity raising of approximately \$699,821 via a fully underwritten non-renounceable entitlement offer. The raising comprises a non-renounceable pro-rata entitlement offer of fully paid ordinary shares (Shares), on the basis of 1 new Share for every 1 Share held as at 5:00pm (AEDST) on 1 December 2017 (Record Date) to eligible shareholders with a registered address in Australia, New Zealand or Singapore (Entitlement Offer).

Based on the current capital structure (and assuming no options to acquire Shares (Options) are exercised or convertible notes convert prior to the Record Date) a total of an additional 699,821,360 Shares will be issued pursuant to the Entitlement Offer (including conversion of approximately \$240,102.60 of existing debt to equity).

The Entitlement Offer is fully underwritten by Patersons Securities Limited (ACN 008 896 311) holder of an Australian Financial Services Licence (AFSL No. 239 052) (Underwriter). The Company will pay the Underwriter:

- (a) a management fee of 1.5% of the total gross amount raised under the Entitlement Offer (being approximately \$10,497.32);
- (b) an underwriting fee of 5% of the total gross amount underwritten by the Underwriter (being approximately \$34,991.05);
- (c) a lead manager fee of \$20,000;

- (d) a corporate advisory fee of \$10,000 per month commencing on closure of the Entitlement Offer (to be renegotiated after 6 months); and
- (e) issue the Underwriter 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),

as well as reimbursement of expenses.

The Company hereby confirms that in respect of the Entitlement Offer (as per the requirements of paragraph 708AA(2)(f) of the Corporations Act):

- (a) the Company will offer the Shares for issue without disclosure to investors under Part 6D.2 of the Corporations Act;
- (b) the Company is providing this notice under paragraph 2(f) of section 708AA of the Corporations Act;
- (c) as at the date of this notice the Company has complied with:
 - (i) THE PROVISIONS OF CHAPTER 2M OF THE CORPORATIONS ACT AS THEY APPLY TO THE COMPANY;
 - (ii) SECTION 674 OF THE CORPORATIONS ACT AS IT APPLIES TO THE COMPANY;
- (d) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Corporations Act other than the following:
 - (i). The Company is currently 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)).
 - (ii). 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.
 - (iii). 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.

- (e) the potential effect that the issue of the Shares under the Entitlement Offer will have on the control of the Company is as follows:
- (i). If all eligible shareholders take up their entitlements under the Entitlement Offer, the issue of Shares under the Entitlement Offer will have no effect on the control of the Company and all shareholders will hold the same percentage interest in the Company, subject only to changes resulting from ineligible shareholders being unable to participate in the Entitlement Offer.
 - (ii). In the more likely event that there is a shortfall, eligible shareholders who do not subscribe for their full entitlement of Shares under the Entitlement Offer and ineligible shareholders unable to participate in the Entitlement Offer will be diluted relative to those shareholders who subscribe for some or all of their Entitlement and those eligible persons who subscribe under the shortfall offer (including the Underwriter and any sub-underwriters).
 - (iii). The Underwriter is not presently a shareholder of the Company nor a related party of the Company for the purposes of the Corporations Act 2001 (Cth) (Corporations Act).
 - (iv). Pursuant to the terms of the underwriting agreement between the Company and the Underwriter, 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 Entitlement Offer. As such, the potential increase to the Underwriter's relevant interest in the Company will not exceed 19.99%.
 - (v). Mr Andrew Goodall (and his associates) currently hold a relevant interest in 34.31% of the Shares on issue. 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 Entitlement Offer (being \$240,102.60 or 240,102,598 Shares).
 - (vi). On the basis that the Offer is fully underwritten, the relevant interest of Mr Goodall (and his associates) in the Shares on issue will remain at 34.31% upon completion of the Entitlement Offer.
 - (vii). The Company is also proposing to issue further securities following the receipt of shareholder approval at its Annual General Meeting to be held 5 December 2017 and General Meeting to be held 21 December 2017 (Additional Issues). Further details with respect to the Additional Issues and the control effects of the Entitlement Offer are set out in sections 5.7, 5.10 and 5.13 of the Offer Document.
 - (viii). The Company confirms that no Shares will be issued to any party under the Entitlement Offer or otherwise if the issue of such Shares would contravene section 606 of the Corporations Act.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Al Coutts'. The signature is fluid and cursive, with the first name 'Al' and the last name 'Coutts' clearly distinguishable.

Alison Coutts
Executive Chairman
MEMPHASYS LIMITED